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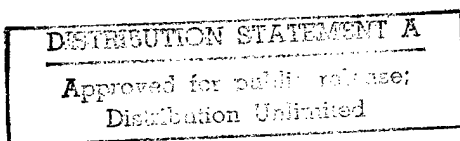
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CBO MEMORANDUM

CHANGES IN FEDERAL
CIVILIAN EMPLOYMENT

July 1996



**CONGRESSIONAL BUDGET OFFICE
SECOND AND D STREETS, S.W.
WASHINGTON, D.C. 20515**



NOTES

Unless otherwise indicated, all years referred to in this memorandum are fiscal years.

Rounded numbers in text and tables may produce sums that do not correspond to the totals shown.

This Congressional Budget Office (CBO) memorandum responds to frequent inquiries from the Congress about reductions in federal employment and the associated savings.

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INTRODUCTION AND SUMMARY

In its continuing efforts to control costs, the federal government has repeatedly targeted its civilian workforce of approximately 2 million people for reduction. From the beginning of his administration, President Clinton made employment cuts a priority. In Executive Order 12839 of February 10, 1993, the President instructed agencies to cut employment by 100,000, representing a reduction of about 5 percent from the levels at that time. The National Performance Review recommended reform in personnel, procurement, and other federal management activities that it argued would permit additional cuts in employment totaling around 150,000. Building on those initiatives, the Federal Workforce Restructuring Act of 1994 set limits on employment that would reduce the government's civilian workforce through 1999 by more than 250,000. The legislative branch has not escaped such efforts either. The new Republican majority in the Congress has made reducing employment in that branch of government one of its priorities. By almost any measure, the trend in federal civilian employment is down (see Box 1 for a discussion of measuring the size of the federal workforce).

THE FEDERAL CIVILIAN WORKFORCE

The federal workforce is large, accounting for about 2 percent of all employment in the United States. Those federal workers represent more than 800 occupations, ranging from warehouse worker to nuclear engineer. More than 100 agencies direct their efforts, and dozens of pay plans govern their pay and benefits.

Within that diversity, however, certain characteristics help give the workforce shape and definition. For example, although many agencies participate in the employment pool, just three agencies account for about six out of every 10 workers: the Department of Defense (DoD), the Department of Veterans Affairs, and the Department of the Treasury (see Table 1). Although its workforce has declined in recent years, DoD remains the largest federal agency, employing about four out of every 10 workers. In addition, federal workers are well educated: 85 percent are in white-collar jobs. Most of those white-collar jobs are highly skilled professional, administrative, and technical positions, such as engineer, personnel manager, and computer operator. Blue-collar workers in occupations such as plumber and electrician make up about 15 percent of the workforce. DoD employs the largest number of those workers.

BOX 1.
COUNTING FEDERAL EMPLOYEES

Unless otherwise indicated, this memorandum covers only federal civilian employees--that is, workers outside the uniformed military services. In addition, it limits consideration to employees on federal payrolls. Accordingly, it excludes employees of selected independent agencies, such as the Postal Service, who numbered about 800,000 in 1994. Postal employees are covered by a pay system that is separate from that of federal employees and funded by revenue from the sale of stamps rather than taxes. This report also does not take into account workers who support federal activities as employees of firms that hold contracts with the government. In fact, some of the reductions in federal civilian employment described in this analysis may have been offset by increases in contract employment. But changes in the number of employees on federal payrolls should still be of interest. Such changes may not always represent decreases in government, but they do show reductions in the bureaucracy that some people find so troublesome. As such, they may signal improvements in efficiency and effectiveness. Reductions in federal employment also reduce the commitments the government incurs for generous employee benefits that have long-term budgetary consequences.

The reports and databases from which the Congressional Budget Office (CBO) derived information about the federal civilian workforce for this analysis vary in their coverage. Some reports, for example, cover only employees working a full-time schedule. Many workforce statistics do not include information on the Central Intelligence Agency and other intelligence-gathering agencies. The Office of Personnel Management's Central Personnel Data File, an automated personnel records system and the source of much of the data used in this memorandum, does not cover the Postal Service and certain other independent agencies.

Methods of adding up employment also vary from source to source. None of the different approaches is ideal, but CBO believes all give a fair approximation of federal workforce totals. One approach is simply to count up employees on board at any given time. This approach is problematic because it treats full- and part-time workers in the same way. In addition, counts vary with seasonal fluctuations in employment. A variant of this approach is to average periodic on-board counts over a year. That approach helps adjust for seasonal variation in employment, but still treats full- and part-time employees in the same way.

The government also counts annual employment on a full-time-equivalent (FTE) basis. Under that approach, for example, one full-time employee counts as one FTE. Two half-time employees also count as one FTE. That method adjusts for seasonal fluctuations and for differences in work schedules. On the downside, the government began using FTE counts fairly recently, in the early 1980s, which make use of the measurement in long-term analysis impossible. Also, FTE reporting is limited to the executive branch. Finally, the government has from time to time changed the jobs covered by FTE totals, leading to some discontinuities in the data.

The notes to text and tables throughout this memorandum contain information on both the coverage of data in the various analyses and the method used to count employees.

**CHANGES IN FEDERAL CIVILIAN EMPLOYMENT BY
BRANCH OF GOVERNMENT AND AGENCY**

Over the past decade, the government has experienced a net decrease of 150,000 civilian workers, or 7 percent--falling from 2.2 million in 1985 to the current level of 2.1 million (see Table 2 and Appendix Table 1). Almost all of that reduction has taken place in the last several years. To help put reductions in federal employment in perspective, during the same 10-year period, employment by state and local governments increased by 22 percent, and U.S. employment overall grew by 20 percent.

Of the three branches of government, only the judicial branch experienced an increase in employment, reflecting expanded federal efforts to deal with crime. Employment in the legislative and executive branches remained fairly stable through the early 1990s (despite a temporary spike in executive branch employment for the decennial census) and declined thereafter. Legislative branch employment fell steeply after 1994, reflecting efforts by the new Republican majority to reduce staff, cut costs, and streamline operations. As a result, employment in 1995 for that branch stood some 5,000, or 13 percent, below the 1985 level of 39,000. Employment in the executive branch began its decline after 1992, falling to just over 2 million by 1995, a level about 156,000, or 7 percent, below that of a decade earlier. As described be-

TABLE 1. FEDERAL CIVILIAN EMPLOYMENT, 1995

	Thousands of Workers	Percentage of Total
Legislative and Judicial Branches	63	3
Executive Branch		
Department of Defense	852	41
Department of Veterans Affairs	262	13
Department of the Treasury	163	8
All other agencies	<u>744</u>	<u>36</u>
Subtotal	2,021	97
All Branches	2,084	100

SOURCE: Congressional Budget Office using data provided by the Office of Personnel Management.

NOTE: Numbers are averages of monthly employment counts. Data cover all branches of the federal government, work schedules, and geographic areas.

low, the change in the total for the executive branch disguises very different trends for the agencies that make up that arm of government.

Changes in Executive Branch Employment: the Department of Defense

Civilian employees at the Department of Defense provide the daily support required to maintain U.S. defense capabilities. Cuts in the number of those workers have led the downward employment trend for the executive branch (see Figure 1). Employment at DoD turned downward in the late 1980s and has continued to slide. By 1995, the total number of employees at the agency had dropped to 851,800, which is 228,500, or 21 percent, below the 1985 level. Those decreases at DoD have reversed the steady upward trend in employment that accompanied the defense buildup of the early 1980s.

Cuts at DoD reflect the changes in national security requirements that took place after the dissolution of the Soviet Union. Changes in defense needs have led to smaller defense budgets, smaller military forces, and consequently less need for civilian personnel. The declines in employment have been accelerated by a variety

TABLE 2. CHANGES IN FEDERAL CIVILIAN EMPLOYMENT BY BRANCH, 1985-1995 (In thousands of workers)

Branch	1985	1991	1992	1993	1994	1995	Change, 1985- 1995	Percentage Change, 1985- 1995
Legislative	39	38	39	39	37	34	-5	-13
Judicial	18	25	27	28	28	28	11	61
Executive	<u>2,177</u>	<u>2,199</u>	<u>2,218</u>	<u>2,170</u>	<u>2,096</u>	<u>2,021</u>	<u>-156</u>	-7
Total	2,234	2,262	2,285	2,237	2,160	2,084	-150	-7

SOURCE: Congressional Budget Office using data provided by the Office of Personnel Management.

NOTE: Numbers are averages of monthly employment counts. Data cover all branches of the federal government, work schedules, and geographic areas

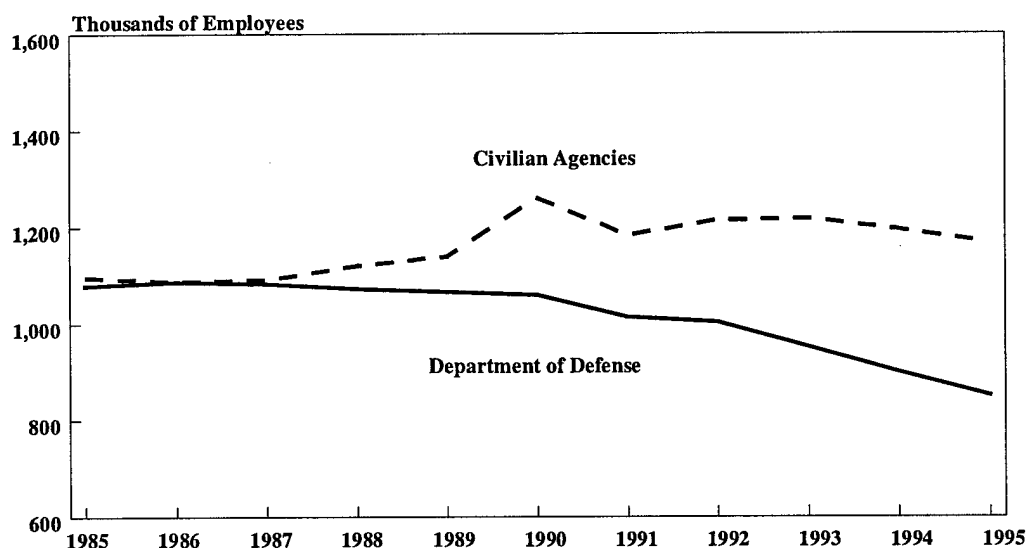
of management reforms designed to improve efficiency and cut costs: for example, the consolidation and streamlining of contract management activities. Base closures recommended by the Defense Base Closure and Realignment Commissions have also contributed to decreases. To date, such closings have reduced civilian employment at DoD by well over 100,000.

Changes in Executive Branch Employment: Civilian Agencies

Trends in employment vary among civilian agencies. (All agencies other than the Department of Defense are designated here as civilian agencies.) Some employ more people than they did in 1985, and some employ fewer. Taken as a whole, the recent trend in agency employment is down (see Figure 1). That trend notwithstanding, total agency employment still remains about 72,400, or 7 percent, above the 1985 level of 1.097 million.

For civilian agencies in which employment is lower than in 1985, decreases in staff generally started later than cuts at DoD and have not yet reached the same mag-

FIGURE 1. CHANGES IN EXECUTIVE BRANCH EMPLOYMENT (By fiscal year)



SOURCE: Congressional Budget Office using data provided by the Office of Personnel Management.

NOTE: Totals are averages of monthly employment counts. Data cover the executive branch and all work schedules and geographic areas.

nitude. There are exceptions to the general picture, however. At the Office of Personnel Management, for example, employment stands some 25 percent below the 1985 level--exceeding the 21 percent cut at DoD. Among the government's larger civilian agencies, there were significant decreases in employment at the General Services Administration, where employment fell by 10,500, or 38 percent; at the Department of Labor, where employment fell by 1,800, or 10 percent; at the Department of Health and Human Services, where employment fell by 14,200, or 10 percent; and at the Department of Agriculture, where employment fell by 6,300, or 6 percent (see Appendix Table 1).

In contrast to DoD, drops in civilian agency employment had less to do with decreases in workload and more to do with tight budgets and efforts to improve program management. The drop in employment at the Department of Health and Human Services, for example, can be traced to budgetary constraints and efforts to computerize operations at the Social Security Administration, among other initiatives. The drop at the General Services Administration in part reflects the transfer of some functions to other agencies.

The only major federal agency that showed continuous growth in employment during the 1985-1995 period was the Department of Justice. Efforts by government to respond to public concerns about violent and drug-related crime have led to increases in employment at Justice over the period totaling 37,600, or 60 percent. Growth has not been continuous at other major federal agencies showing overall increases from 1985 through 1995. Their workforces grew during the early 1990s but more recently have declined--that is, their employment totals are higher than in 1985 but the recent trend has been downward. Significant among those agencies is the Department of the Treasury, where employment in 1995 stood about 28,600, or 21 percent, above the 1985 level; the Department of Energy, where employment grew over the same period by 3,200, or 19 percent; and the Department of Veterans Affairs, where employment grew by 17,300, or 7.1 percent.

Executive Branch Employment Compared with Statutory Caps

The Federal Workforce Restructuring Act of 1994 established caps on total employment in the executive branch for each year from 1994 through 1999. By 1999 those caps would reduce employment, measured on a full-time-equivalent (FTE) basis, to 1.88 million (see Table 3). Subsequent legislation provided exemptions to the employment caps for selected groups of workers, mostly at the Department of Veterans Affairs. The effect was to raise the annual employment caps by about 6,000. Taking that legislation into account, the employment cap in 1999 stands at 1.89 million.

Measuring Employment Reductions Under the Caps. How large a reduction in federal civilian employment would the caps lead to? That depends on the starting point. One approach measures the change against actual employment in 1993, the year before the first cap. Employment in that year totaled 2.139 million. Measured against that base, the caps (as adjusted in subsequent legislation) would mean a drop in civilian employment by 1999 of 250,500. The Administration measures from a 1993 base of 2.155 million, which is intended to represent the full number that could have been employed under appropriations for that year. Measured against its base, the statutory caps as adjusted would mean a drop in civilian employment in the executive branch of 266,900. Reductions through 1995 total 168,600 measured against actual 1993 employment and 185,000 measured against the Administration's base level.

The question of the exact magnitude of employment cuts is theoretical. Regardless of the way in which one measures reductions, the fact remains that the caps in the Federal Workforce Restructuring Act require steep cuts that will reduce federal employment to well below 2 million for the first time in decades. Moreover, reductions accomplished to date have already pushed federal employment below the levels dictated by the caps. Employment in 1995 stood at 1.970 million, about 73,100 below the cap of 2.043 million (see Table 3).

How Agencies Cut Employment. The Office of Management and Budget has monitored agency employment levels to ensure compliance with the employment caps in the Workforce Restructuring Act. To some extent, however, the law has been

TABLE 3. EXECUTIVE BRANCH EMPLOYMENT COMPARED WITH EMPLOYMENT CAPS IN THE FEDERAL WORKFORCE RESTRUCTURING ACT (In thousands of workers)

	1994	1995	1996	1997	1998	1999
Actual Employment	2,052.7	1,970.2	n.a.	n.a.	n.a.	n.a.
Employment Caps ^a	2,084.6	2,043.3	2,003.3	1,963.3	1,922.3	1,882.3

SOURCE: Congressional Budget Office using data provided by the Office of Management and Budget.

NOTES: Totals are full-time equivalents. Data cover the executive branch and all work schedules and geographic areas.
n.a. = not applicable.

a. Employment caps are limits on employment dictated by the Federal Workforce Restructuring Act of 1994. Subsequent legislation exempted certain workers from employment caps, in effect raising the annual caps by about 6,000.

self-enforcing because tight budgets have made staff reductions a necessity. For whatever reasons agencies have had to cut staff--tight budgets, management improvements, or military base closings--they have used several methods for accomplishing the task.

The Federal Workforce Restructuring Act gave civilian agencies the authority to offer employees cash payments, or buyouts, as an incentive to leave federal service. The advantage of that approach to reducing employment, according to its advocates, is that it helps avoid layoffs. If administered properly, buyouts can also assist agencies in targeting separations toward certain groups of employees. On the downside, they can be costly and hard to target. Organizations may, for example, feel the need to offer payments broadly to ensure equity.

The act authorized civilian agencies to offer employees who quit or retired a choice of the severance pay for which they would be eligible or \$25,000, whichever was less. Authority to offer buyouts extended from March 1994 through March 1995. (Buyouts after March were permitted under certain circumstances.) The act extended to civilian agencies the same authority that DoD was granted a year earlier under the Defense Authorization Act of 1993. (The Postal Service and several other civilian agencies also had authority to offer buyouts before the Federal Workforce Restructuring Act extended it to all civilian agencies.) The buyout program at DoD continues through 1999.

According to the Office of Personnel Management (OPM), DoD made 80,000 buyout payments between January 1993 and September 1995. Civilian agencies made 32,600 payments between March 1994 and September 1995. Payments in 1995 averaged \$24,700 for employees who retired from civilian agencies with a buyout. Payments to those who quit but did not retire averaged \$13,400.

Among the other methods agencies have for separating employees, the most common approach is the hiring freeze. In such a freeze, an agency forgoes hiring replacements for some or all of the employees who leave. Since 1990, separations from government have averaged about 8.4 percent. About two-thirds of those separations represent employees who quit or retired. During periods of retrenchment, a freeze on hiring offers an opportunity to cut staff without having to incur the costs of the hardships caused by layoffs. On the downside, the approach is slow and difficult to target. Over the years the government has relied on hiring freezes as the primary means of reducing staff. DoD has been under a partial freeze since January 1990.

Another approach is to offer workers the opportunity to retire early. The government's practice has been to allow workers faced with layoffs to retire with pensions at an earlier age and with fewer years of service than they would otherwise

need. (The pensions of employees taking early retirement are reduced by 2 percent for each year they are under age 55.) Generally, OPM has been responsible for granting agencies the authority to use early retirement. Most agencies in government now have such authority.

The most direct approach to separating employees is to lay them off--an action the government refers to as a "reduction in force." That approach offers the advantages of speed and directness. However, layoffs can be costly and demoralizing. The costs include the benefits available to affected workers, such as severance pay. Despite the other options available to them, agencies sometimes find layoffs impossible to avoid. The government has used this method increasingly in recent years. From 1985 through 1990, annual layoffs in government averaged about 0.13 percent of employment, or 2,300. From 1991 through 1995, the average annual figure more than doubled, to about 0.30 percent of employment, or 5,200.

Savings from Employment Reductions. CBO projects that federal civilian, executive branch personnel costs will grow to \$111 billion by 1999 (see Table 4). In the absence of employment reductions, CBO estimates, that figure would stand some \$14 billion higher. Reductions in annual costs estimated for the period from 1994 through 1999 total \$61 billion. Personnel costs in this analysis cover salary and the employing agency's contributions to retirement and other benefit programs. The estimates have not been adjusted to reflect such costs of separating employees as severance pay or incentives to leave. The estimates reflect actual executive branch employment reductions achieved through 1995 (measured as full-time equivalents) and assume gradual decreases through 1999 to the level set by the Federal Workforce Restructuring Act, as adjusted by subsequent legislation. The total reduction in employment by 1999 would amount to about 250,000. As described above, the government has to date exceeded the cuts required by the law. If that trend continued, savings would be higher than estimated here.

Savings in personnel costs do not always translate into reductions in federal budgets or federal budget deficits. When agencies achieve employment cuts by privatizing activities, savings in federal personnel costs are partly offset by increases in contracting costs.¹ Agencies also sometimes devote savings from contracting or employment reductions to other activities. But the tight budgets of recent years have forced agencies to make budget reductions a priority. Even when savings are allocated to other priorities, the taxpayer may still enjoy some benefit; assuming wise cuts in employment, they get more for the same tax dollar. Moreover, eliminating

1. Federal policy governing the procurement by federal agencies of support services from private contractors is set out in the Office of Management and Budget's Circular A-76. Under provisions of the circular and the Federal Workforce Restructuring Act, agencies must demonstrate that using contractors instead of federal employees would produce savings to the government.

excessive federal jobs and shifting federal work to private contractors are not important for budgetary reasons alone. That is, they may result in more effective federal operations, wholly apart from the way in which savings are used. However, poorly planned reductions in employment can reduce service levels and raise costs in the long term.

**CHANGES IN FULL-TIME FEDERAL CIVILIAN EMPLOYMENT
BY GEOGRAPHIC AREA**

The federal civilian workforce is scattered around the country. Only about 16 percent of all full-time employees of the U.S. government work in the Washington, D.C., metropolitan area. Accordingly, most cuts in federal employment have occurred outside Washington. Those cuts, moreover, have been widely dispersed--more than half of all states have experienced some net reduction in their federal civilian employment (see Table 5). That pattern reflects, in part, the fact that defense facilities, which have carried the burden of so much federal employment reduction to date, are spread widely across the nation. Some states actually experienced an increase in federal employment during the 1985-1995 period. But those increases were small compared with the decreases and employment dropped by a net of 114,451 for the entire country. (That figure, in contrast to those reported earlier,

**TABLE 4. SAVINGS FROM REDUCTIONS IN FEDERAL CIVILIAN, EXECUTIVE
BRANCH EMPLOYMENT, 1994-1999 (In billions of dollars)**

	1994	1995	1996	1997	1998	1999	Total, 1994- 1999
Personnel Costs Before Employment Cuts	108	112	114	118	121	126	699
Personnel Costs After Employment Cuts	<u>104</u>	<u>104</u>	<u>104</u>	<u>106</u>	<u>109</u>	<u>111</u>	<u>638</u>
Savings	4	8	10	11	13	14	61

SOURCE: Congressional Budget Office.

NOTES: Personnel costs in the table cover the pay and benefit expenses of employing agencies. Savings estimates represent reductions in agency costs, including savings from lower contributions to government retirement programs. Such estimates differ from those representing net savings to the government as a whole, which exclude reductions in retirement contributions, because they are receipts to other government funds. The Congressional Budget Office estimates that excluding those reductions would lower gross savings by a total of \$4 billion for the 1994-1999 period.

TABLE 5. CHANGES IN FEDERAL CIVILIAN EMPLOYMENT BY REGION AND STATE, 1985-1995

	Federal Civilian Employment		Change in Federal Employment, 1985-1995	Percentage Change in Federal Employment, 1985-1995	State Nonfarm Employment, 1995 (In thousands)	Change in Federal Employment as a Percentage of State Employment
	1985	1995				
North East						
Connecticut	9,494	9,524	30	0.32	1,542.0	a
Maine	13,511	8,412	-5,099	-37.74	541.7	-0.94
Massachusetts	31,252	29,523	-1,729	-5.53	2,947.5	-0.06
New Hampshire	3,452	3,605	153	4.43	532.8	0.03
Rhode Island	5,991	5,692	-299	-4.99	434.2	-0.07
Vermont	<u>2,228</u>	<u>2,763</u>	<u>535</u>	24.01	<u>268.3</u>	0.20
Subtotal	65,928	59,519	-6,409	-9.72	6,266.5	-0.10
New York/New Jersey						
New Jersey	40,433	33,710	-6,723	-16.63	3,599.6	-0.19
New York	<u>69,768</u>	<u>64,697</u>	<u>-5,071</u>	-7.27	<u>7,828.3</u>	-0.06
Subtotal	110,201	98,407	-11,794	-10.70	11,427.9	-0.10
Mid-Atlantic						
Delaware	3,031	2,785	-246	-8.12	360.3	-0.07
District of Columbia						
Columbia	164,553	160,804	-3,749	-2.28	648.6	-0.58
Maryland	106,055	104,446	-1,609	-1.52	2,160.8	-0.07
Pennsylvania	86,654	75,635	-11,019	-12.72	5,229.3	-0.21
Virginia	134,844	130,490	-4,354	-3.23	3,069.3	-0.14
West Virginia	<u>9,550</u>	<u>11,253</u>	<u>1,703</u>	17.83	<u>683.8</u>	0.25
Subtotal	504,687	485,413	-19,274	-3.82	12,152.1	-0.16
South East						
Alabama	49,933	41,105	-8,828	-17.68	1,774.1	-0.50
Florida	56,745	61,311	4,566	8.05	5,956.9	0.08
Georgia	64,202	66,639	2,437	3.80	3,377.3	0.07
Kentucky	25,933	25,340	-593	-2.29	1,627.5	-0.04
Mississippi	18,254	17,861	-393	-2.15	1,055.8	-0.04
North Carolina	28,060	31,578	3,518	12.54	3,432.0	0.10
South Carolina	25,783	19,391	-6,392	-24.79	1,624.1	-0.39
Tennessee	<u>43,411</u>	<u>34,465</u>	<u>-8,946</u>	-20.61	<u>2,481.9</u>	-0.36
Subtotal	312,321	297,690	-14,631	-4.68	21,329.6	-0.07
Great Lakes						
Illinois	54,273	48,848	-5,425	-10.00	5544.9	-0.10
Indiana	24,230	23,530	-700	-2.89	2,770.3	-0.03
Michigan	26,915	24,049	-2,866	-10.65	4,245.7	-0.07
Minnesota	13,367	14,025	658	4.92	2,357.7	0.03
Ohio	54,340	50,709	-3,631	-6.68	5,174.2	-0.07
Wisconsin	<u>12,021</u>	<u>12,292</u>	<u>271</u>	2.25	<u>2,532.5</u>	0.01
Subtotal	185,146	173,453	-11,693	-6.32	22,625.3	-0.05

(Continued)

TABLE 5. CONTINUED

	Federal Civilian Employment		Change in Federal Employment, 1985-1995	Percentage Change in Federal Employment, 1985-1995	State Nonfarm Employ- ment, 1995 (In thousands)	Change in Federal Employment as a Percentage of State Employment
	1985	1995				
South Central						
Arkansas	12,220	11,373	-847	-6.93	1,066.4	-0.08
Louisiana	20,195	21,010	815	4.04	1,788.1	0.05
New Mexico	22,348	22,581	233	1.04	685.1	0.03
Oklahoma	37,403	30,480	-6,923	-18.51	1,295.1	-0.53
Texas	<u>115,414</u>	<u>113,447</u>	<u>-1,967</u>	-1.70	<u>7,946.5</u>	-0.02
Subtotal	207,580	198,891	-8,689	-4.19	12,781.2	-0.07
Central						
Iowa	7,891	7,634	-257	-3.26	1,345.3	-0.02
Kansas	14,916	16,115	1,199	8.04	1,192.2	0.10
Missouri	44,953	40,222	-4,731	-10.52	2,542.0	-0.19
Nebraska	<u>8,657</u>	<u>8,390</u>	<u>-267</u>	-3.08	<u>811.3</u>	-0.03
Subtotal	76,417	72,361	-4,056	-5.31	5,890.8	-0.07
North Central						
Colorado	35,900	37,632	1,732	4.82	1,799.1	0.10
Montana	8,276	8,215	-61	-0.74	348.8	-0.02
North Dakota	5,098	5,202	104	2.04	300.5	0.03
South Dakota	6,688	7,032	344	5.14	341.9	0.10
Utah	32,553	25,926	-6,627	-20.36	892.0	-0.74
Wyoming	<u>4,816</u>	<u>4,693</u>	<u>-123</u>	-2.55	<u>220.1</u>	-0.06
Subtotal	93,331	88,700	-4,631	-4.96	3,902.4	-0.12
West						
Arizona	27,146	28,218	1,072	3.95	1,747.3	0.06
California	211,805	179,088	-32,717	-15.45	12,228.1	-0.27
Hawaii	23,044	20,373	-2,671	-11.59	535.1	-0.50
Nevada	<u>6,350</u>	<u>7,531</u>	<u>1,181</u>	18.60	<u>769.1</u>	0.15
Subtotal	268,345	235,210	-33,135	-12.35	15,279.6	-0.22
North West						
Alaska	10,711	11,860	1,149	10.73	262.6	0.44
Idaho	7,046	7,544	498	7.07	479.2	0.10
Oregon	18,648	18,964	316	1.69	1,408.2	0.02
Washington	<u>48,988</u>	<u>46,886</u>	<u>-2,102</u>	-4.29	<u>2,353.9</u>	-0.09
Subtotal	85,393	85,254	-139	-0.16	4,503.9	a
All States	1,909,349	1,794,898	-114,451	-5.99	116,159.3	-0.10

SOURCE: Congressional Budget Office using data provided by the Office of Personnel Management and the Bureau of Labor Statistics.

NOTE: Data cover full-time employees of the executive and legislative branches who work in one of the 50 states or in the District of Columbia.

a. Rounds to less than 0.01 percent.

covers only full-time employees in the legislative and executive branches who work in one of the 50 states or in the Washington, D.C., area.) Neither the decreases nor the increases in employment were significant compared with overall state employment, although such comparisons probably understate the impact in particular localities.

Thirty states and Washington, D.C., show a total of 136,965 decreases in full-time civilian employment for the 1985-1995 period. Reductions in just four states--Pennsylvania, Alabama, California, and Tennessee--make up almost half of that total. Reductions in California alone, which totaled 32,717, constituted almost one-quarter of all reductions. That number represents 15 percent of the state's federal employees.

Whereas decreases in a state's federal employment most often have to do with changes in the nation's defense needs, increases in a state's federal employment are often related to increased federal responsibilities for caring for veterans, fighting crime, housing prisoners, and, to a lesser extent, managing natural resources. Twenty states have had increases in full-time civilian employment during the past decade, totaling 22,514. The increases in three states--Florida, Georgia, and North Carolina--make up almost half that figure.

OTHER TRENDS IN FEDERAL EMPLOYMENT

Size is not the only characteristic of the federal civilian workforce that has changed in the past 10 years. In addition to shrinking in size, the workforce has become more white-collar, older, and more concentrated in highly skilled occupations.

Changes in Occupational Distribution and Educational Attainment

The only major occupational groups in which employment in 1995 was lower than in 1985 are those that the government designates as blue-collar and white-collar clerical. In 1985, employees in blue-collar occupations totaled 410,000; by 1995, employment in such jobs had fallen to 274,000, a decrease of one-third. Over the same period, employment in less-skilled, white-collar, mostly clerical jobs dropped from 429,000 to 259,000. By contrast, employment in occupations that the government designates as professional, administrative, or technical stood higher in 1995 than in 1985, although employment in those jobs has declined in recent years under initiatives inspired by the National Performance Review and other programs. Employment in such occupations totaled 1.1 million in 1985, compared with 1.3 million in 1995.

As the pattern of changes in the workforce suggests, federal civilian workers today are more highly skilled and educated, and more white-collar, than those of a decade ago. In 1985, about 79 percent of the federal civilian workforce held jobs in white-collar occupations, and 41 percent of all jobs were designated as professional or administrative (see Table 6). By 1995, those percentages had grown to 85 percent and 51 percent, respectively. At the same time, the portion of the civilian workforce with advanced degrees has also risen. In 1985, 30 percent of the federal civilian workforce had a bachelor's or higher degree. By 1995, the figure stood at 38 percent.

Mirroring the trends described above, more of the white-collar workforce holds jobs assigned to high grades on the government's pay schedule. In the federal pay system, most white-collar workers are paid according to the General Schedule, a pay structure of 15 grades. Job levels are based primarily on duties and responsibilities. Under that system, the highest-paid jobs are designated grade 15 and the lowest-paid

TABLE 6. OCCUPATIONAL DISTRIBUTION AND EDUCATIONAL ATTAINMENT OF FEDERAL WORKERS, SEPTEMBER 1985 AND 1995

Occupational Group	Percentage of the Federal Workforce		Percentage of Occupational Group with a Bachelor's or Higher Degree	
	1985	1995	1985	1995
White-Collar Workers				
Professional	18	23	88	87
Administrative	23	28	46	48
Technical	17	19	13	14
Clerical	19	12	6	7
Other	<u>2</u>	<u>2</u>	8	13
Subtotal	79	85	38	44
Blue-Collar Workers	<u>21</u>	<u>15</u>	2	3
All Occupations	100	100	30	38

SOURCE: Congressional Budget Office using data provided by the Office of Personnel Management.

NOTE: Data cover employees in the executive branch who have full-time work schedules

jobs grade 1. In 1985, about 39 percent of the white-collar workforce held jobs at grades 11 and above; by 1995, the figure had grown to 50 percent.

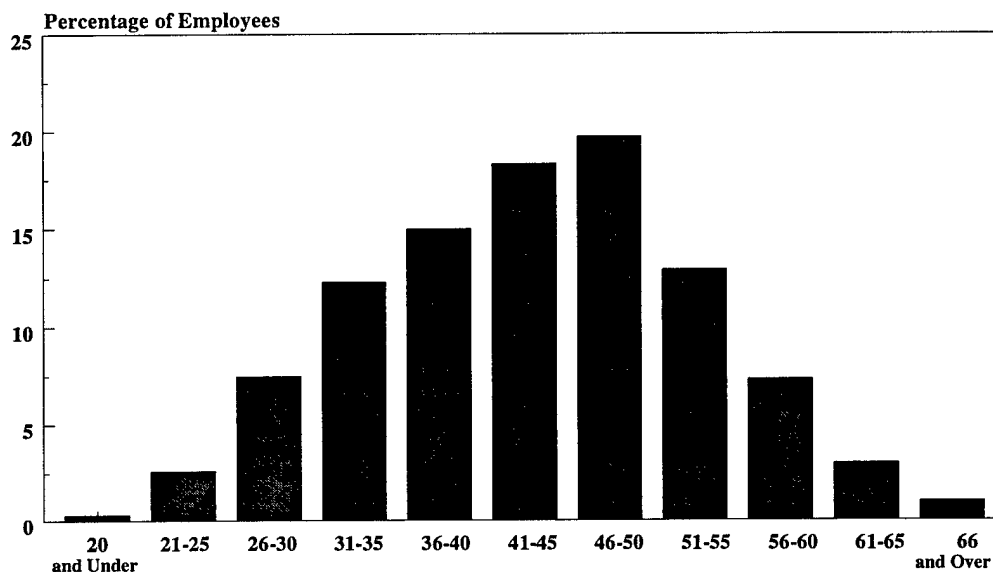
A number of factors have contributed to the shift in federal employment toward highly graded professional and administrative positions, although it is difficult to isolate each factor's precise contribution. Certainly, the cutbacks in the nation's defense requirements help explain the large reductions in the ranks of the government's blue-collar workers. Traditionally, the Department of Defense has been the government's largest employer of such workers.

The loss of other, lesser-skilled jobs may be an indication of the government's success in its efforts to improve the efficiency and effectiveness of federal operations. Many of the remedial measures proposed for government, such as automation and turning operations over to private firms, apply most appropriately to, and allow for reduction in, lower-skilled work. Employment at the Social Security Administration, for example, dropped by about 20 percent between 1985 and 1995, continuing a trend begun in the early 1980s. Those reductions have been helped by initiatives to improve agency operations. Some of the most significant involved automating operations in field offices and in centers where benefit claims are processed. That automation has fallen heavily on lower-level data processing and clerical positions.

At the same time that the government has reduced clerical and blue-collar workers, its need for higher-skilled employees has risen. Although management improvement efforts may help reduce lower-level positions, they may actually increase the demand for more highly trained personnel. For example, contracting out to private firms, which shifts lesser-skilled work into the private sector, may heighten the government's need for well-trained professionals to prepare and monitor contracts. The increasing size and complexity of the problems with which government is asked to deal have also contributed to the changing profile of the workforce. Demands such as those associated with drug-related and other crime, regulation of banks, AIDS, environmental protection, and the highly complex weapons and control systems needed to preserve national security often require the skills of highly trained professionals and administrators.

Some managers may have also used the grade system to obtain higher pay for jobs in order to help them recruit and keep employees. Errors in assigning grades may also have contributed to the shifts in the grade and occupational distribution of the federal workforce, but there is little evidence suggesting that such misclassification is common.

FIGURE 2. AGE DISTRIBUTION OF FEDERAL CIVILIAN EMPLOYEES
(As of September 1995)



SOURCE: Congressional Budget Office using data provided by the Office of Personnel Management.

NOTE: Data cover full-time employees of the executive branch.

The Aging of the Federal Workforce

In a 1992 report, the General Accounting Office (GAO) noted that the federal workforce is older than the nonfederal workforce by an average of five years. Moreover, GAO noted that the nonfederal workforce, like the federal, is growing older.² In 1985, for example, about 50 percent of the full-time federal civilian workforce was over 40 years old. By 1995, the comparable figure was about 66 percent. A significant peak in the age distribution occurs between the ages of 40 and 50, where about 40 percent of all workers are located (see Figure 2).

In view of the prospect that tight budgets will limit employment levels for the foreseeable future, the aging of the workforce is likely to continue. Federal managers will begin to feel the effects of that phenomenon as federal employees now in the "middle-age" range begin to retire. In preparation, GAO has urged the government

2. General Accounting Office, *The Changing Workforce: Demographic Issues Facing the Federal Government*, GAO/GGD-92-38 (March 1992) and *Federal Personnel: Employment Policy Challenges Created by an Aging Workforce*, GAO/GGD-93-138 (September 1993).

to make more use of federal workforce planning that takes into account both long- and short-term trends and requirements--especially when downsizing.

GAO argues that such planning will have to find a balance between the need to train and promote young, fresh talent and the often competing need to keep enough older, more experienced employees around to meet supervisory requirements and needs for expertise. For agencies that find they need to retain more senior employees, GAO notes that the effects of the aging of the workforce can be somewhat mitigated by programs to provide employees with incentives to stay with or return to federal service.

APPENDIX TABLE 1. NUMBER OF FEDERAL CIVILIAN WORKERS BY BRANCH AND AGENCY, FISCAL YEARS 1985-1995 (In thousands of workers)

	1985	1986	1987	1988	1989	1990	1991
Legislative Branch	39.4	37.8	37.6	38.1	37.9	37.9	38.2
Judicial Branch	17.6	18.6	19.5	20.8	21.5	22.6	24.6
Executive Branch							
Executive departments							
Agriculture	115.4	111.2	111.0	115.2	117.8	118.9	118.4
Commerce	35.5	35.1	34.5	39.5	49.1	155.9	45.5
Defense	1,080.3	1,088.5	1,084.0	1,072.8	1,066.9	1,060.0	1,014.7
Education	5.1	4.7	4.6	4.7	4.6	4.8	4.9
Energy	16.8	16.7	16.7	16.8	17.1	17.5	18.6
HHS ^a	141.8	136.9	130.3	123.9	122.6	123.0	126.3
HUD	12.3	11.9	12.5	13.2	13.4	13.5	13.8
Interior	76.2	74.2	72.5	74.0	75.2	75.0	76.4
Justice	62.9	65.3	67.7	73.4	78.9	81.6	87.0
Labor	18.3	18.0	17.8	18.1	18.4	17.9	17.7
State	25.1	25.4	25.4	25.7	25.3	25.3	25.5
Transportation	62.4	61.6	61.7	62.7	64.6	66.5	67.8
Treasury	134.7	138.3	147.0	162.8	163.5	162.2	169.1
Veterans Affairs ^b	<u>244.7</u>	<u>243.8</u>	<u>246.3</u>	<u>246.7</u>	<u>245.2</u>	<u>247.3</u>	<u>252.7</u>
Subtotal	2,031.5	2,031.6	2,032.0	2,049.5	2,062.6	2,169.4	2,038.4
Independent agencies							
GSA	27.7	24.9	22.0	20.4	19.9	20.2	20.6
NASA	22.5	22.1	22.6	22.9	24.2	24.5	25.3
All other	<u>95.6</u>	<u>98.7</u>	<u>99.6</u>	<u>101.6</u>	<u>101.0</u>	<u>107.4</u>	<u>114.6</u>
Subtotal	145.8	145.7	144.2	144.9	145.1	152.1	160.5
Total, executive branch	2,177.3	2,177.3	2,176.2	2,194.4	2,207.7	2,321.5	2,198.9
All Federal Civilian Workers	2,234.3	2,233.7	2,233.3	2,253.4	2,267.1	2,382.0	2,261.6

(Continued)

APPENDIX TABLE 1. CONTINUED

	1992	1993	1994	1995	Change, 1985-1995		Change, 1994-1995	
					Num- ber	Per- cent	Num- ber	Per- cent
Legislative Branch	39.1	38.7	36.9	34.4	-5.0	-12.7	-2.5	-6.8
Judicial Branch	27.0	28.1	27.9	28.3	10.7	60.8	0.4	1.4
Executive Branch								
Executive departments								
Agriculture	122.3	120.9	115.6	109.1	-6.3	-5.5	-6.5	-5.6
Commerce	37.8	38.3	37.7	37.3	1.8	5.1	-0.4	-1.1
Defense	1,003.7	952.1	900.3	851.8	-228.5	-21.2	-48.5	-5.4
Education	5.1	5.0	4.9	4.9	-0.2	-3.9	0	0
Energy	20.5	20.7	20.2	20.0	3.2	19.0	-0.2	-1.0
HHS ^a	131.6	131.6	129.6	127.6	-14.2	-10.0	-2.0	-1.5
HUD	14.1	13.3	13.1	12.3	0	0	-0.8	-6.1
Interior	80.4	81.5	79.5	75.5	-0.7	-0.9	-4.0	-5.0
Justice	94.8	98.0	97.8	100.5	37.6	59.8	2.7	2.8
Labor	18.0	17.7	17.1	16.5	-1.8	-9.8	-0.6	-3.5
State	25.9	26.1	25.9	25.1	0	0	-0.8	-3.1
Transportation	70.3	70.0	66.9	63.8	1.4	2.2	-3.1	-4.6
Treasury	169.8	164.3	159.7	163.3	28.6	21.2	3.6	2.3
Veterans Affairs ^b	<u>257.8</u>	<u>263.8</u>	<u>264.2</u>	<u>262.0</u>	<u>17.3</u>	7.1	<u>-2.2</u>	-0.8
Subtotal	2,052.1	2,003.3	1,932.5	1,869.7	-161.8	-8.0	-62.8	-3.2
Independent agencies								
GSA	21.1	20.7	19.8	17.2	-10.5	-37.9	-2.6	-13.1
NASA	25.6	25.2	24.1	22.6	0.1	0.4	-1.5	-6.2
All other	<u>119.6</u>	<u>121.0</u>	<u>119.1</u>	<u>111.7</u>	<u>16.1</u>	16.8	<u>-7.4</u>	-6.2
Subtotal	166.3	166.9	163.0	151.5	5.7	3.9	-11.5	-7.1
Total, executive branch	2,218.4	2,170.2	2,095.5	2,021.2	-156.1	-7.2	-74.3	-3.5
All Federal Civilian Workers	2,284.5	2,237.0	2,160.3	2,083.9	-150.4	-6.7	-76.4	-3.5

SOURCE: Congressional Budget Office using data provided by the Office of Personnel Management.

NOTES: Data are averages of monthly employment counts. Averages cover both permanent and temporary appointments, as well as full-time, part-time, and other schedules. All geographic areas are represented, as are all agencies except the Central Intelligence Agency and other intelligence-gathering organizations. Data do not cover overtime hours.

HHS = Department of Health and Human Services; HUD = Department of Housing and Urban Development; GSA = General Services Administration; NASA = National Aeronautics and Space Administration.

a. Includes the Social Security Administration, which became an independent agency in 1995.

b. The Department of Veterans Affairs replaced its predecessor, the Veterans Administration, in March 1989.