United States Federal Government Workforce: Planning in an Era of Change

December 9, 2010
Overview

• U.S. Federal Civilian Workforce at a glance
• Approach to Human Resource Management
• Comprehensive workforce planning at a federal agency level
• Recent proposals to limit the size, pay, and benefits of federal employees
Full time Federal Employees (in millions), 1973 - 2009

Fed employees per 1000 population, 1973 - 2009
ESTIMATED FEHBP ENROLLMENT
BY STATE (2010)
(Run Date: October 20, 2010)

FEHB Enrollment
- 16445 - 25000
- 25001 - 50000
- 50001 - 75000
- 75001 - 100000
- 100001 - 150000
- 150001 - 200000
- 200001 - 250000
- 250001 - 300000
- 300001 - 400000
- 400001 - 700000

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Federal Employees by Pay Range, 2005/2010

- 89% of federal employees at or below the $20,000 - $29,999 pay range.
- 79% of federal employees at or below the $30,000 - $39,999 pay range.
- 3.9% of federal employees at the $180,000 or more pay range or higher.
- .4% of federal employees at the $160,000 - $169,999 pay range or higher.
- 79% of federal employees at or below the $50,000 - $59,999 pay range.
- 3.9% of federal employees at the $140,000 - $149,999 pay range or higher.
## Human Resource Functions

<table>
<thead>
<tr>
<th>Function</th>
<th>Structure</th>
<th>Central</th>
<th>Agency Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hiring</td>
<td>Decentralized</td>
<td>Sets policy; identifies and encourages best practice</td>
<td>Conducts hiring within policy guidelines</td>
</tr>
<tr>
<td>Pay and performance</td>
<td>Mixed</td>
<td>Employees part of one of several pay plans; fairly rigid grade/step system</td>
<td>Hire employees into particular pay plan; conduct performance reviews</td>
</tr>
<tr>
<td>Health Benefits</td>
<td>Centralized</td>
<td>Negotiates rates and benefits with insurance companies; conducts ‘open season’ for entire government</td>
<td>Informs employees of choices; processes initial enrolment</td>
</tr>
<tr>
<td>Retirement Benefits</td>
<td>Mixed</td>
<td>Calculates retirement benefit according to complex rules</td>
<td>Assembles work history; processes initial application</td>
</tr>
<tr>
<td>Workforce Planning</td>
<td>Decentralized</td>
<td>Sets policy; identifies and encourages best practice; reviews agency plans</td>
<td>Conducts planning consistent with strategic plans</td>
</tr>
<tr>
<td>Work/Life programs</td>
<td>Decentralized</td>
<td>Sets goals; identifies and encourages best practice</td>
<td>Conduct customized programs based on agency needs and available resources</td>
</tr>
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</table>
Framework for Managing the Multi-Sector Workforce (July, 2009)

• Human capital planning must consider all the functions for which the organization is responsible and performance by all sectors of the workforce – not just those performed by federal employees.

• Workforce planning
  – Derive workforce needs from organizational goals. Determining the most effective and appropriate mix of skills and amount of labor for the workforce begins with strategic human capital planning based on a clear understanding of an organization’s mission and performance goals. This understanding enables the agency to identify the functions that are needed by the organization and, equally important, those that are redundant or are no longer required and may be eliminated.
  – Determine skill mix and total labor requirements. Armed with an understanding of the organization’s mission, functions, workload, and desired performance standards, the agency should determine the mix of skills and total amount of labor that is required for the organization to perform efficiently and effectively. This analysis should consider all the functions for which the organization is responsible.
Example of Agency-based Workforce Planning: U.S. Department of Transportation
Workforce Planning Critical Success Factor

- The workforce plan links directly to the agency's strategic and annual performance plans
- Mission-critical occupations and competencies are identified
- Implementation of gap reduction strategies such as:
  - Restructuring
  - Recruitment
  - Competitive sourcing
  - Redeployment
  - Retraining
  - Retention (e.g., compensation, quality of work life)
  - Technology solution
Success Factors (cont.)

• Business forecasting process is implemented
• The agency is appropriately structured to allow the right mix and distribution of the workforce, including the right balance of supervisory and non-supervisory positions
• http://www.opm.gov/hcaaf_resource_center/3-4.asp
Federal Employee vs. Contractor

After the agency has carefully mapped out the organization’s functions and related performance and labor needs, it must determine which sector may be considered to fill each identified position.

<table>
<thead>
<tr>
<th>If the function is...</th>
<th>Positions performing the function may be filled...</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inherently governmental</td>
<td>only with federal employees</td>
</tr>
<tr>
<td>Critical, but not inherently governmental</td>
<td>only with federal employees to the extent required by the agency to maintain control of its mission and operations (or if required by law, executive order, or international agreement); and by either federal employees or private sector contractors once the agency has sufficient internal capability to control its mission and operations.</td>
</tr>
<tr>
<td>Essential, but not inherently governmental</td>
<td>by either federal employees or private sector contractors.</td>
</tr>
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National Commission on Fiscal Responsibility and Reform

• **Demand productivity and effectiveness from Washington.** We must use fiscal restraint to promote reforms and efficiencies that force government to produce better results and save money. We should insist on consistent productivity growth in our government.

• **Impose a three-year pay freeze on federal workers and Defense Department civilians.** This proposal would institute a three-year government-wide freeze on federal pay at every government agency, including the Department of Defense civilian workforce.

• **Reduce the size of the federal workforce through attrition.** Over time, the Commission recommends cutting the government workforce – including civilian defense – by 10 percent, or by 200,000.

• **Pilot premium support through FEHB Program.** The Commission recommends transforming the Federal Employees Health Benefits (FEHB) program into a defined contribution premium support plan that offers federal employees a fixed subsidy that grows by no more than GDP plus 1 percent each year.
Fiscal Commission (cont.)

• **REVIEW AND REFORM FEDERAL WORKFORCE RETIREMENT PROGRAMS.** Create a federal workforce entitlement task force to re-evaluate civil service and military health and retirement programs and recommend savings of $70 billion over ten years.
  
  – Use the highest five years of earnings to calculate civil service pension benefits for new retirees (CSRS and FERS), rather than the highest three years prescribed under current law, to bring the benefit calculation in line with the private sector standard.
  
  – Defer Cost of Living Adjustment (COLA) for retirees in the current system until age 62, including for civilian and military retirees who retire well before a conventional retirement age.
  
  – Adjust the ratio of employer/employee contributions to federal employee pension plans to equalize contributions.

• **GRADUALLY INCREASE EARLY AND FULL RETIREMENT AGES, BASED ON INCREASES IN LIFE EXPECTANCY.** After the Normal Retirement Age (NRA) reaches 67 in 2027 under current law, index both the NRA and Early Eligibility Age (EEA) to increases in life expectancy, effectively increasing the NRA to 68 by about 2050 and 69 by about 2075, and the EEA to 63 and 64 in lock step.

• **GRADUALLY INCREASE SOCIAL SECURITY’S TAXABLE MAXIMUM TO COVER 90 PERCENT OF WAGES BY 2050.**
Current status of reform initiatives

• Fiscal Commission failed to achieve required votes for full Commission endorsement
• President Obama has proposed 2 year federal pay freeze
• For any of these changes to occur, Congress must act