

8. STRENGTHENING THE FEDERAL WORKFORCE

In President Obama's Public Service Recognition Week Proclamation, issued on May 2, 2015, he reflected:

“With more than 2 million civilian workers and more than 1 million active duty service members, our Federal workforce represents extraordinary possibility. Our Government can and must be a force for good, and together, we can make sure our democracy works for all Americans. We know there are some things we do better when we join in common purpose, and with hard work and a commitment worthy of our Nation’s potential, we can keep our country safe, guarantee basic security, and ensure everyone has a shot at success.”

Historically, this sentiment has had bipartisan support. President Ronald Reagan stated, “Government employees, with their commitment to excellence and diversity of skills, contribute significantly to the leadership of the United States in the world. These dedicated men and women are a valuable national resource, serving in the Executive, Legislative, and Judicial branches at all levels of government, and dealing with nearly every aspect of national life.”¹

Investing in a strong Federal workforce is integral to the competitiveness and security of the United States. The workforce needs to be hired based on merit, trained to be prepared for tomorrow, engaged to improve performance, and compensated on the basis of results. Personnel rules must support the type of work the Government does today and tomorrow, balancing flexibility and consistency.

The Federal Workforce Today

Investments to strengthen the workforce have far-reaching implications. The Federal Government is America's largest employer, with more than 2.1 million civilian workers and 1.3 million active duty military serving throughout the country and the world. About 85 percent of Federal employees work outside of the Washington, D.C. metropolitan area. Federal Employees are our neighbors, civic leaders, and tax-payers. The Federal Government is the Nation's largest employer of doctors and employs individuals responsible for protecting our natural resources, waterways and historic landmarks, providing grants for research, housing, and education. Federal employees are also called into action in the event of a disaster, whether that means stopping Ebola or out-of-control forest fires.

Every day Federal employees actively collaborate with the private and nonprofit sectors, as well as state and local governments to advance our national priorities.

During the years of delayed budgets, sequestration, pay freezes and award caps, Federal employees have continued to serve their country. In 2015 alone, Federal employees addressed a wide range of national priorities – including modernizing the military by opening all combat positions to women, negotiating complex trade and political treaties and determining a way to rate college's return on investment. Thanks in part to the efforts of Federal employees, the Nation's economy and fiscal outlook continued to improve in 2015, with unemployment falling to 5 percent and annual deficits continuing a historic decline.

Reflecting the importance of the workforce, one of the four pillars of the President's Management Agenda (PMA) is People & Culture, focused on unlocking the full potential of today's Federal workforce and building the workforce we need in the future. This Cross-Agency Priority (CAP) Goal is improving how we hire, engage and lead our workforce. Removing frustrating barriers will allow us to achieve the breakthroughs and daily operational success that the American public expects. Fixing broken human capital processes will help agencies concentrate on performance and results.

This chapter discusses four broad areas related to the Federal workforce. First, it describes trends in Federal employment levels over the past several decades and includes estimates for the FY 2017 Budget. Second, it outlines the shifts in composition of the Federal workforce over the past decades. Third, the chapter lays out some of the challenges the Federal workforce has faced, such as pay freezes, sequester and furloughs. Finally, it discusses the Administration's recent accomplishments and future plans to fully capitalize on the talents in the Federal workforce today, and recruit and develop the capabilities we need to serve the American people tomorrow.

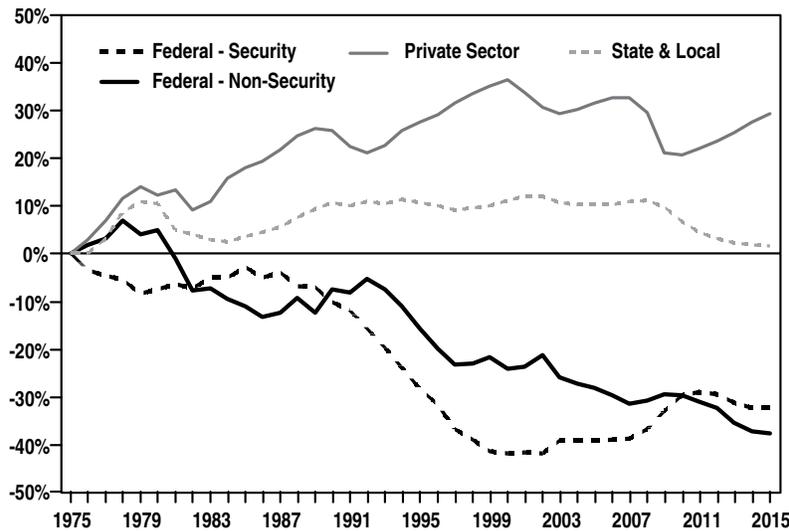
Trends in Federal Workforce Size

The size of the Federal civilian workforce relative to the country's population has declined dramatically over the past several decades, with occasional upticks due, for example, to military conflicts and the administration of the Census. Since the 1960s, the U.S. population increased by 67 percent, the private sector workforce increased by 136 percent, and State and local government workforces (excluding education workers) increased by 127 percent, while the size of the Federal workforce rose about 10 percent.²

¹ Proclamation 5813 - Public Service Recognition Week, 1988, May 5, 1988

² Teachers, professors, and workers in schools, colleges, and universities make up almost half of the State and local workforce. To make the State and local workforce more comparable to the Federal workforce, those educational workers are excluded from these comparisons.

Chart 8-1. Changes Since 1975 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.

Chart 8-1 highlights the sharp drops, relative to population, in both the security and non-security parts of the Federal workforce since 1975 (the end of the Vietnam War), compared to increases in the private sector and State and local governments (excluding education). Since 1975, the security and non-security parts of the Federal workforce have declined 32 and 38 percent, respectively, relative to the population, but the patterns in the declines differ. The Federal security workforce (63 percent of the current Federal civilian workforce) has largely tracked the history of U.S. engagement in conflicts overseas. The non-security workforce decreased drastically in the 1980s. While the 1990s reversed some of that decline, the non-security Federal workforce has declined by about 18 percent since 1992 (during a period of time when the private sector workforce has increased 34 percent). The reasons for the decline in the non-security Federal workforce are less clear than for the security workforce, particularly given increasing responsibilities at many Federal agencies.

Explanations for the relative decline of the non-security Federal workforce include: (1) relative increases in efficiency in the Federal sector; (2) an increase in the contract workforce (which likely also plays a role on the security side); and (3) shifting of some duties of the Federal Government to State and local governments. Both an increased reliance on a contract workforce and shifting responsibilities to State and local governments have required the Federal workforce to take on greater management roles over time.

Table 8-2 shows actual Federal civilian full-time equivalent (FTE) levels in the Executive Branch by agency for fiscal years 2014 and 2015, with estimates for 2016 and 2017. Estimated employment levels for 2017 result in

an estimated 1.5 percent increase compared to 2016, or approximately 30,000 Federal jobs. This increase is primarily driven by growth at the Departments of Veterans Affairs, Homeland Security and Treasury. Table 8-3 shows actual 2015 total and estimated 2016 and 2017 total Federal employment, including the Uniformed Military, Postal Service, Judicial and Legislative branches. The total growth of .1 percent is a result of decreases in the Uniformed Services and Postal Service, but increases in the Executive, Legislative and Judicial Branches. Total compensation is summarized in Table 8-4, with an increase of 1.9 percent between the estimates for 2016 and 2017.

Attributes of the Federal Workforce

The previous section describes the long-term decline in the size of the Federal workforce relative to the U.S. population, the private sector workforce, and State and local government workforces. That relative reduction in size in the face of a Federal mission that has only grown more complex, along with an historical trend of greater reliance on contractors and State and local partners in many areas, results in Federal jobs that have become increasingly complex and require greater levels of skill. It is equally important to consider how the Federal workforce differs from the private sector and how it has changed over time. As discussed in more detail below, in comparison to private sector jobs, Federal jobs are concentrated in higher paying professions and are based in higher cost metropolitan areas.

Type of occupation. The last half century has seen significant shifts in the composition of the Federal work-

Table 8–1. 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	2.0%	0.6%
Engineers	4.3%	1.9%
Scientists and social scientists	5.2%	0.7%
Managers	11.8%	13.8%
Pilots, conductors, and related mechanics	2.0%	0.5%
Doctors, nurses, psychologists, etc.	7.7%	6.3%
Miscellaneous professionals	15.4%	8.8%
Administrators, accountants, HR personnel	6.1%	2.7%
Inspectors	1.3%	0.3%
Total Percentage	55.8%	35.6%
Medium Paid Occupations Ranked by Private Sector Salary		
Sales including real estate, insurance agents	1.3%	6.2%
Other miscellaneous occupations	3.4%	4.5%
Automobile and other mechanics	1.7%	3.0%
Law enforcement and related occupations	9.4%	0.8%
Office workers	2.5%	6.0%
Social workers	1.4%	0.5%
Drivers of trucks and taxis	0.8%	3.2%
Laborers and construction workers	3.4%	9.5%
Clerks and administrative assistants	13.4%	10.9%
Manufacturing	2.8%	7.6%
Total Percentage	40.0%	52.0%
Lowest Paid Occupations Ranked by Private Sector Salary		
Other miscellaneous service workers	2.2%	5.9%
Janitors and housekeepers	1.1%	2.4%
Cooks, bartenders, bakers, and wait staff	0.8%	4.0%
Total Percentage	4.2%	12.3%

Source: 2011-2015 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.

force. Fifty years ago, most professional Federal employees performed clerical tasks, such as filing or data entry. Today their jobs are vastly different, requiring advanced skills to serve a knowledge-based economy. For example, the IRS previously required thousands of employees in warehouses to print and sort hard-copy tax returns, while thousands more manually adjudicated the returns. With the majority of tax returns now electronically filed, the IRS today requires more forensic accountants and analysts rather than warehouse clerks. Federal employees must manage highly sensitive tasks that require great skill, experience, and judgment. Many need sophisticated management and negotiation skills to effect change, not just across the Federal Government, but also with other levels of government and the private sector.

Using data from the Bureau of Labor Statistics on full-time, full-year workers, Table 8-1 breaks all Federal and private sector jobs into 22 occupation groups to demonstrate

the differences in composition between the Federal and private workforces. Professionals such as doctors, engineers, scientists, statisticians, and lawyers now make up a large and growing portion of the Federal workforce. For example, the Federal STEM workforce has increased by about 10 percent from FY 2008 to FY 2015, with all other occupations growing 6 percent. More than half (56 percent) of Federal workers are employed in the nine highest-paying private sector occupation groups, such as judges and lawyers, engineers, and scientists, compared to a little over a third (36 percent) of private sector workers. In contrast, 12 percent of private sector workers are employed in the three lowest-paying occupation groups, as cooks, janitors, service workers, etc. Only about 4 percent of Federal workers are employed in those three lowest-paying occupation groups.

Education level. The complexity of much Federal work – whether that work is analyzing security or financial risk, forecasting weather, planning bridges to withstand

Table 8-2. 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: 2016 to 2017	
	2014	2015	2016	2017	FTE	Percent
Cabinet agencies:						
Agriculture	86.1	85.9	90.1	90.5	0.4	0.4%
Commerce	39.5	40.4	44.1	45.6	1.5	3.4%
Defense	723.9	725.0	738.1	732.9	-5.2	-0.7%
Education	4.0	4.1	4.3	4.5	0.2	4.7%
Energy	15.0	14.7	16.0	16.1	0.1	0.6%
Health and Human Services	69.9	70.6	72.6	74.4	1.8	2.5%
Homeland Security	183.2	179.3	184.0	188.1	4.1	2.2%
Housing and Urban Development	8.4	8.3	8.3	8.4	0.1	1.2%
Interior	64.4	63.5	65.6	66.7	1.1	1.7%
Justice	112.4	113.6	118.3	119.8	1.5	1.3%
Labor	16.7	16.6	16.9	17.7	0.8	4.7%
State	33.1	34.0	34.2	34.5	0.3	0.9%
Transportation	54.1	54.3	55.7	56.2	0.5	0.9%
Treasury	99.2	95.1	99.0	103.0	4.0	4.0%
Veterans Affairs	323.0	335.3	349.8	366.5	16.7	4.8%
Other agencies—excluding Postal Service:						
Broadcasting Board of Governors	1.7	1.7	1.9	1.9	0.0	0.0%
Corps of Engineers—Civil Works	21.8	21.6	22.2	22.2	0.0	0.0%
Environmental Protection Agency	15.3	14.7	15.5	15.6	0.1	0.6%
Equal Employment Opportunity Comm	2.1	2.2	2.3	2.4	0.1	4.3%
Federal Deposit Insurance Corporation	7.3	6.8	7.1	6.8	-0.3	-4.2%
General Services Administration	11.5	11.1	11.7	11.9	0.2	1.7%
International Assistance Programs	5.5	5.6	5.7	5.8	0.1	1.8%
National Aeronautics and Space Admin	17.7	17.3	17.4	17.4	0.0	0.0%
National Archives and Records Administration ...	2.9	2.8	2.9	2.9	0.0	0.0%
National Labor Relations Board	1.5	1.6	1.6	1.6	0.0	0.0%
National Science Foundation	1.4	1.4	1.4	1.4	0.0	0.0%
Nuclear Regulatory Commission	3.8	3.7	3.6	3.5	-0.1	-2.8%
Office of Personnel Management	5.0	5.0	5.6	5.8	0.2	3.6%
Railroad Retirement Board	0.9	0.9	0.9	0.9	0.0	0.0%
Securities and Exchange Commission	4.2	4.3	4.6	4.9	0.3	6.5%
Small Business Administration	3.3	3.1	3.3	3.3	0.0	0.0%
Smithsonian Institution	4.9	4.9	5.4	5.6	0.2	3.7%
Social Security Administration	60.8	63.9	65.5	67.0	1.5	2.3%
Tennessee Valley Authority	11.3	10.9	11.5	11.5	0.0	0.0%
All other small agencies	17.6	17.8	18.8	19.3	0.5	2.7%
Total, Executive Branch civilian employment * ...	2,033.4	2,042.0	2,105.9	2,136.6	30.7	1.5%

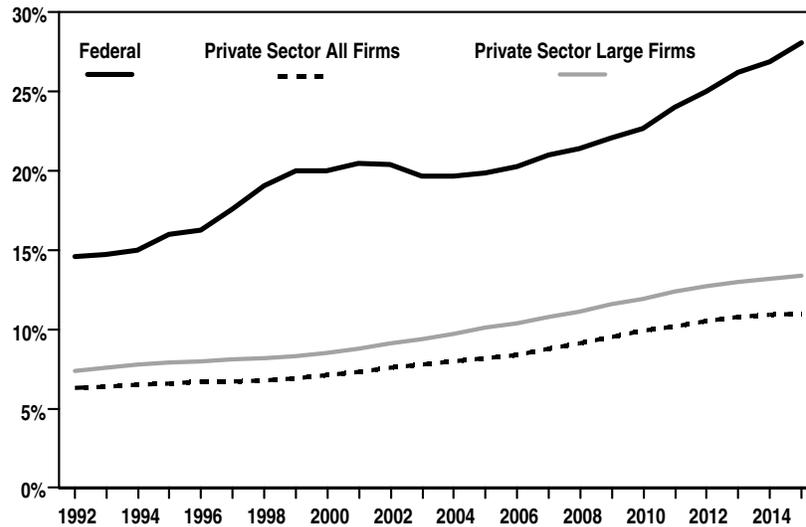
* Totals may not add due to rounding.

extreme events, conducting research to advance human health or energy efficiency, or pursuing scientific advancements in a laboratory – necessitates a workforce with education requirements and licensures. Charts 8-2 and 8-3 present trends in educational levels for the Federal and private sector workforces over the past two decades. In 1992 there were only about half as many highly-educated Federal workers (masters degrees or above) compared to less-educated workers (high school degrees or less); by 2015 there were almost twice as many highly-educated Federal workers than less educated workers. The private sector has also experienced increases in educational level, but the increases in highly educated workers have been

slower than in the Federal sector. Even in large firms, the percentage of highly educated workers is less than half that of the Federal sector and the rate of growth over the last decade is only about half as fast.

Size of organization and responsibilities. Another important difference between Federal workers and private sector workers is the average size of the organization in which they work. Federal agencies are large and often face challenges of enormous scale – distributing benefit payments to over 66 million Social Security and Supplemental Security Income beneficiaries each year, providing medical care to 8.9 million veterans, or managing defense contracts costing billions of dollars. Most

**Chart 8-2. Masters Degree or Above
by Year for Federal and Private Sectors**



Source: 1992-2015 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

Federal employees work in large organizations more comparable to the largest firms. Data shows that workers from large firms (those with 1,000 or more employees) are paid about 16 percent more than workers from small firms (those with fewer than 100 employees), even after accounting for occupational type, level of education, and other characteristics. However, even large private sector firms may not be ideal comparisons to the Federal sector, because the Federal sector is larger and more highly educated (see Charts 8-2 and 8-3).

Demographic characteristics. Federal workers tend to have demographic characteristics associated with higher pay in the private sector. They are more experienced, older, and live in higher cost metropolitan areas. For example, Federal workers, on average, are 45.4 years old – up 2.6 years from 20 years ago and higher than the average age of 42.1 years old in the private sector (even in large firms). Chart 8-4 shows the trends in average age in both the Federal and private sectors over the past two decades.

Table 8-3. TOTAL FEDERAL EMPLOYMENT
(As measured by Full-Time Equivalents)

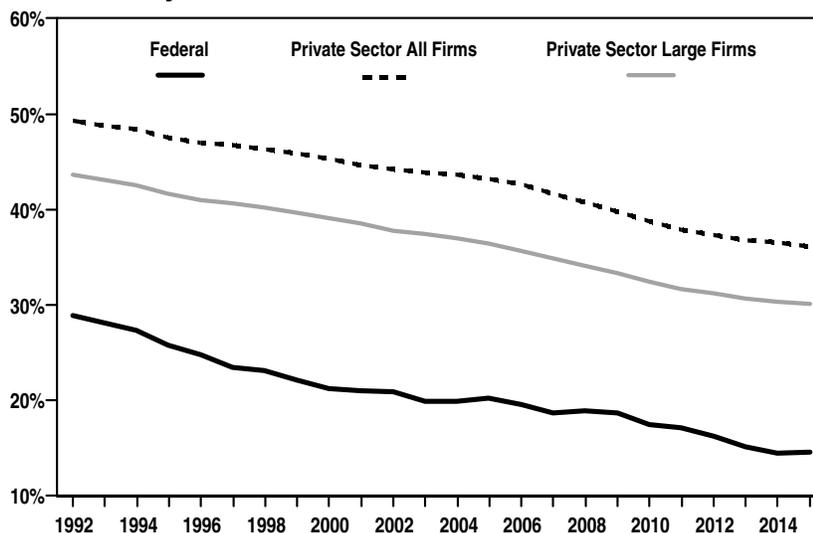
Description	2015 Actual	2016	2017	Change: 2016 to 2017	
		Estimate	Estimate	FTE	Percent
Executive Branch Civilian:					
All Agencies, Except Postal Service	2,041,974	2,105,915	2,136,590	30,675	1.5%
Postal Service ¹	575,906	574,122	562,024	-12,098	-2.1%
Subtotal, Executive Branch Civilian	2,617,880	2,680,037	2,698,614	18,577	0.7%
Executive Branch Uniformed Military:					
Department of Defense ²	1,356,612	1,340,473	1,327,007	-13,466	-1.0%
Department of Homeland Security (USCG)	40,025	41,777	42,054	277	0.7%
Commissioned Corps (DOC, EPA, HHS)	7,004	7,100	7,112	12	0.2%
Subtotal, Uniformed Military	1,403,641	1,389,350	1,376,173	-13,177	-0.9%
Subtotal, Executive Branch	4,021,521	4,069,387	4,074,787	5,400	0.1%
Legislative Branch ³	29,825	33,953	34,256	303	0.9%
Judicial Branch	32,467	33,101	33,343	242	0.7%
Grand total	4,083,813	4,136,441	4,142,386	5,945	0.1%

¹ Includes Postal Rate Commission.

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

³ FTE data not available for the Senate (positions filled were used).

Chart 8-3. High School Graduate or Less by Year for Federal and Private Sectors



Source: 1992-2015 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

In FY 2015 (as of September 2015), the percentage of minorities in the Federal workforce increased by 0.5 percent from 34.9 percent in FY 2014 to 35.4 percent in FY 2015. The Federal workforce is 17.7 percent Black, 8.4 percent Hispanic, 5.7 percent Asian, 0.5 percent Native Hawaiian/Pacific Islander, 1.7 percent American Indian/Alaska Native, 1.3 percent Non-Hispanic/Multi-Racial, and 64.6 percent White. Men comprised 56.8 percent of all Federal permanent employees and women 43.2 percent. The SES is 11.3 percent Black, 4.4 percent Hispanic, 3.3 percent Asian, 0.2 percent Native Hawaiian/Pacific Islander, 1.2 percent American Indian/Alaska Native, and 0.7 percent Non-Hispanic/Multi-Racial. In addition, women now make up 34 percent of the SES, which is a 0.5 percent increase from FY 2014. Federal employment for people with disabilities increased from 239,615 in FY 2014 to 258,001, representing an increase from 11.7 percent to 12.5 percent. Overall, the percentage of minority employment increased 1.4% from 2009 to 2015.

Veteran hiring. In recent years, the Executive Branch has had made considerable progress hiring veterans, and the Federal Government continues to benefit from retaining the dedication, leadership, and skills these veterans have honed. In November 2009, President Obama signed Executive Order 13518, establishing the Veterans Employment Initiative and the Council on Veterans Employment. In FY 2011, the first full year of the President's Veteran Employment Initiative, veterans made up 28.3 percent of the total new hires in the Federal Government and veterans were 47.1 percent of new hires at DOD (highest) and 4.1 percent of new hires

at NSF (lowest). By the end of FY 2014, veterans were 33.2 percent of new hires Government-wide, and 47.1 percent of new hires at DOD (highest) and 8.1 percent of new hires at NSF (lowest). The total number of veterans employed by the Government also increased. In FY 2011, there were 567,314 veterans in the Federal Government, or 27.3 percent of the workforce. By the end of FY 2014 (the most recent available data), the number of veterans had grown to over 612,661, or 30.8 percent of the entire Federal workforce, and veterans represented 46.9 percent of the workforce at DOD (highest) and 7.2 percent of the workforce at HHS (lowest). By comparison, veterans comprise approximately 6 percent of the private sector non-agricultural workforce.

Federal Compensation Trends

Chart 8-5 shows how increases in the Federal pay scale have compared to increases in private sector wages since 1978. After more than a decade when the percentage increases in annual Federal pay raises did not keep pace with the percentage increase in private sector pay raises, Congress passed the Federal Employees Pay Comparability Act of 1990 (FEPCA) pegging Federal pay raises, as a default, to changes in the Employment Cost Index (ECI). The law gives the President the authority to propose alternative pay adjustments for both base and locality pay, and Presidents have regularly supported alternative pay plans. A civilian pay raise less than 2.1 percent in FY 2017 would result in the eighth consecutive below-ECI increase, resulting in a relative decrease in civilian pay compared to the private sector of about 9 per-

Table 8–4. PERSONNEL COMPENSATION AND BENEFITS

(In millions of dollars)

Description	2015 Actual	2016 Estimate	2017 Estimate	Change: 2016 to 2017	
				Dollars	Percent
Civilian Personnel Costs:					
Executive Branch (excluding Postal Service):					
Direct compensation	181,206	189,584	195,929	6,345	3.3%
Personnel Benefits	74,580	77,809	79,908	2,099	2.7%
Subtotal	255,786	267,393	275,837	8,444	3.2%
Postal Service:					
Direct compensation	36,208	35,853	35,768	-85	-0.2%
Personnel benefits	19,051	18,967	18,177	-790	-4.2%
Subtotal	55,259	54,820	53,945	-875	-1.6%
Legislative Branch: ¹					
Direct compensation	2,036	2,147	2,228	81	3.8%
Personnel benefits	614	680	709	29	4.3%
Subtotal	2,650	2,827	2,937	110	3.9%
Judicial Branch:					
Direct compensation	3,095	3,375	3,418	43	1.3%
Personnel 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					
Direct compensation	96,160	96,118	97,856	1,738	1.8%
Personnel 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, uniformed personnel:					
Direct compensation	3,294	3,317	3,358	41	1.2%
Personnel benefits	720	698	698	0	0.0%
Subtotal	4,014	4,015	4,056	41	1.0%
Total, Military Personnel Costs ²	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:					
Retired pay for former personnel					
Government payment for Annuitants:	83,864	84,820	86,983	2,163	2.6%
Employee health benefits	11,695	12,004	12,984	980	8.2%
Employee life insurance	45	47	48	1	2.1%
Former Military personnel:					
Retired pay for former personnel	56,829	57,334	58,256	922	1.6%
Military annuitants health benefits	9,508	9,770	10,272	502	5.1%

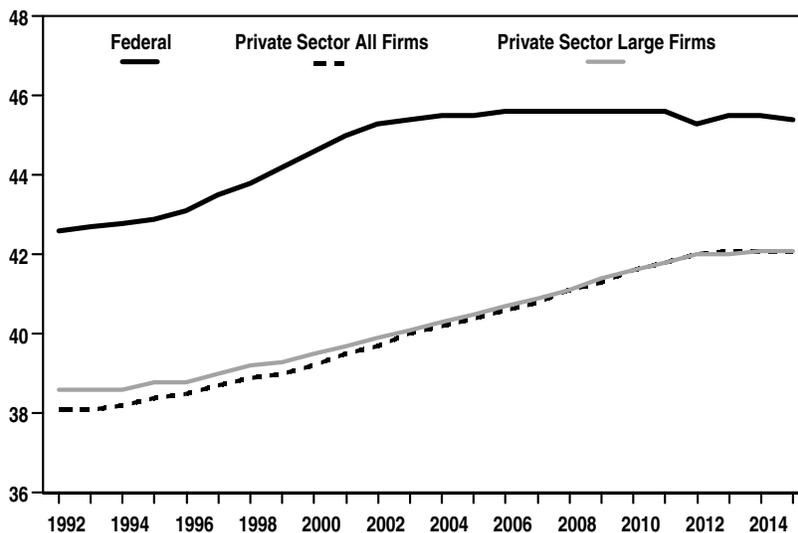
¹ Excludes members and officers of the Senate.² Amounts in this table for military compensation reflect direct pay and benefits for all service members, including active duty, guard, and reserve members.

cent since 2009. This would be the largest relative pay cut over an eight year period since the passage of FEPCA by a significant margin (the second largest eight year drop, from 1990 to 1997, was roughly 2 percent).

While increases in Federal and private sector pay remained fairly even during the early 1990s, private sector pay incrementally rose in comparison to the public sector in the mid-1990s. That trend reversed itself in the 2000s when the Federal pay scale rose relative to private sector wages. Other factors have also eroded relative compen-

sation for civilian Federal employees. For example, the Bipartisan Budget Act of 2013 requires Federal employees hired after January 2014 to pay an additional 3.6 percent of their salaries, 4.4 percent in total, into the Federal Employees Retirement System (FERS) compared to those hired before 2013. The Office of Personnel Management (OPM) also reports that budgetary constraints have created an impediment for agencies in funding discretionary civilian recruitment and retention programs, one of the most popular being student loan repayments.

Chart 8-4. Average Age by Year for Federal and Private Sectors



Source: 1992-2015 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.

Comparisons of Federal and Private Sector Compensation

Federal worker compensation receives a great deal of attention, particularly in comparison to that of private sector workers. Comparisons of the pay and benefits of Federal employees and private sector employees must account for factors affecting pay, such as differences in skill levels, complexity of work, scope of responsibility, size of the organization, location, experience level, and exposure to personal danger, and should account for all types of compensation, including pay and bonuses, health benefits, retirement benefits, flexibility of work schedules, job security, training opportunities, and profit sharing.

Taking into account both the pay freezes in place in 2011 through 2013 and the changes in retirement contributions that started in 2014, earnings for new Federal employees have fallen more than 10 percentage points relative to the private sector between 2009 and 2015. The President's Pay Agent Report, which is unique in basing its findings on Federal employee job descriptions, rather than the characteristics of the employees filling the jobs, concludes that Federal jobs are severely underpaid, relative to a salary that would be needed to attract a truly qualified candidate for a similar job in the private sector. While the average gap is currently 35 percent, it varies considerably by grade level with higher GS levels showing a 70 percent gap or more with their private sector counterparts and lower grade levels being closer to zero in some areas. Following the 3-year pay freeze, a one percent pay increase for General Schedule employees was implemented in 2014 and 2015, a 1.3 percent increase

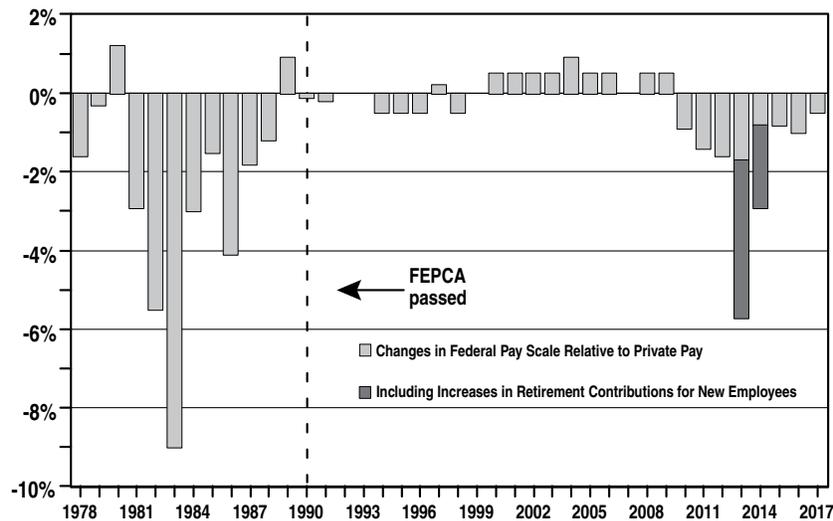
was enacted in 2016 and a 1.6 percent increase is proposed in 2017.

A series of reports released in January 2012 by the Congressional Budget Office (CBO) that accounted for some, but not all, of the factors described above, found that prior to the three-year Federal pay freeze, Federal pay, on average, was slightly higher (2.0 percent) than comparable private sector pay. CBO reported that overall Federal sector compensation (including benefits) was on average substantially higher, but noted that its findings about comparative benefits relied on far more assumptions and were less definitive than its pay findings. The CBO study also excluded forms of compensation, such as job security, that favor the Federal sector, and factors such as training opportunities and profit sharing that favor the private sector.

CBO emphasized that focusing on averages is misleading, because the Federal/private sector differentials vary dramatically by education and complexity of job. Compensation for highly educated Federal workers (or those in more complex jobs) is lower than for comparable workers in the private sector, whereas CBO found the opposite for less educated workers. These findings suggest that across-the-board compensation increases or cuts may not be the most efficient use of Federal resources.

The CBO reports focus on workers and ask what employees with the educational backgrounds and other characteristics of Federal workers earn in the private sector. The President's Pay Agent Report, mentioned above, focuses on jobs and asks what the private sector would pay people with the same roles and responsibilities as

Chart 8-5. Pay Raises for Federal vs. Private Workforce, 1978-2017



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.

Federal workers. Unlike CBO, which found that Federal pay is (on average) roughly in line with private sector pay, the Pay Agent Report found that in 2015 Federal jobs paid 35 percent less than comparable non-Federal jobs.

There are possible explanations for the discrepancy in the CBO versus the Pay Agent Report findings. First, methodological issues around the classification of Federal and private sector jobs introduce considerable uncertainty into the Pay Agent Report approach. It is significantly easier to compare college graduates in Federal versus private sector jobs than it is to determine what private sector job is most comparable to a given Federal job. Second, the studies ask fundamentally different questions that are not necessarily in conflict. It could be the case that Federal and private sector workers with similar characteristics are paid about the same, but that jobs in the Federal sector are underpaid relative to their private sector counterparts. That would imply that, at least in some jobs, the Federal Government could have difficulty hiring and retaining workers with the same skills or managerial experience as their counterparts in equivalent private sector jobs. This could be a reason for concern, given the decline in the size of the Federal workforce relative to the population and the increasingly supervisory role it plays (e.g., supervising contractors and State and local governments).

Finally, differences in non-salary compensation such as student loan repayment, transportation subsidies, travel funds to attend professional development conferences or site visits, training and professional certifications, as well as sabbaticals and other incentives common in the private sector can also affect an employee's choice of employer. While the Federal Government is a leader in telework and

alternative work schedules, those benefit only a subsection of employees whose positions do not require either onsite performance or 24/7 coverage.

Workforce Challenges

The Federal Government faces unique human capital challenges, including a personnel system that requires further modernization, an aging and retiring workforce, and the need to engage a future generation of Federal workers. According to the Partnership for Public Service, individuals younger than 30 years of age make up 23 percent of the U.S. workforce, but account for only 7 percent of permanent, full-time Federal employees. If the Government loses top talent, experience, and institutional memory through retirements, but cannot recruit, retain, and train highly qualified workers, performance suffers. While the current Federal age distribution and potential for a large number of retiring workers poses a challenge, it also creates an opportunity to reshape the workforce and to infuse it with new workers excited about government service and equipped with strong management skills, problem-solving ability, technology skills, and fresh perspectives. A national climate of criticism of service in the Federal Government makes it difficult to recruit the needed workforce and convince them to commit their talents and develop into future leaders.

Modernizing the Federal Personnel System

In the past sixty years, the workplace and workforce have changed dramatically, and approaches to personnel management in the private sector have continued to adapt to reflect this evolution. While the Federal personnel system is founded

on core principles and requirements that necessarily distinguish it from other employment sectors (e.g., providing hiring preference to veterans, or ensuring fair and open competition so that every citizen who is interested in a Federal job has a fair opportunity to apply), in many ways, the Federal personnel system can also benefit from modernization. Recent hiring reform efforts are showing some progress in simplifying hiring, however, additional reforms are needed to ensure that hiring, pay, classification, benefits systems, and the performance management process (including how to reward top performers and address low performers) meet today's needs and demands. The General Schedule (GS) pay system has been in effect since 1949. Enacted in 1951, aspects of the current benefit and leave laws do not always reflect today's employee and family structures. The Administration is committed to developing modern, cost-effective systems that will allow the Government to compete for and reward top talent, incentivize performance, and encourage adequate flexibility to family caregivers, among other requirements.

To that end, the Administration proposed to the Joint Select Committee on Deficit Reduction that the Congress establish a Commission on Federal Public Service Reform comprised of Members of Congress, representatives from the President's National Council on Federal Labor-Management Relations, members of the private sector, and academic experts. The purpose of a Congressionally-chartered Commission would be to develop recommendations on reforms to modernize Federal personnel policies and practices within fiscal constraints and core principles, including – but not limited to – compensation, staff development and mobility, and personnel performance and motivation.

One clear manifestation of the challenges of the GS system is the continued requests for additional flexibilities, exceptions, and authorities that the agencies need to effectively manage their workforce. While a fragmented personnel system provides needed customization, today's personnel strategy and oversight must strike a balance between flexibility and consistency to continue to reflect and uphold longstanding core merit principles. Quite simply, a 21st Century Government must be supported by a 21st Century personnel system.

Retirement-Eligible Workforce

Between FY 2009 and FY 2013, the annual number of Federal retirements steadily increased, rising from 87,907 to 116,039, leveling at 99,710 in 2014. The 99,864 Federal retirements in 2015 represent approximately 3.6 percent of the total workforce, including Postal, Judiciary and Congressional workers. Consistent with 2014 levels, twenty-five percent of respondents to the 2015 Employee Viewpoint Survey (EVS) expressed intent to retire during the next five years, with four percent intending to retire in the next year. Given these demographics, the Federal Government faces a few immediate challenges: preparing for retirements by maximizing knowledge transfer from one generation to the next; succession planning to assure needed leadership; and hiring and developing the next generation of the Government workforce to accom-

plish the varied and challenging missions the Federal Government must deliver.

Employee Engagement

OPM administers the Government-wide Employee Viewpoint Survey (EVS) to gather employee perceptions about whether, and to what extent, their agencies share the characteristics of successful organizations. The EVS measures employee engagement, defined as employees' sense of purpose, evident in their display of dedication, persistence, and effort in their work or overall attachment to their organization and its mission. The commitment of the Federal workforce is evident in the 2015 EVS results. Federal employees continue to be engaged in their work, with a one percent increase in the Employee Engagement Index (EEI) reported since the 2014 survey. Additionally, 53 items showed increases of at least one percentage point, and for the first time ever, no items decreased Government-wide. While these changes are modest, they are in the right direction and consistent across the survey results.

One well-documented challenge in any organization is managing a workforce so it is engaged, innovative, and committed to continuous improvement. Federal employees are extremely positive about the importance of their work and repeatedly express a willingness to put in extra effort to accomplish the goals of their agencies. Consistent with the 2014 results, the 2015 EVS indicates that 96 percent of respondents answer positively to the statement "When needed I am willing to put in the extra effort to get the job done." Addressing training needs has increased two percentage points to 52 percent positive, approaching the 2012 level of 53 percent. Also a one percentage point increase was noted for whether employees "feel encouraged to come up with new and better ways of doing things."

The Employee Engagement Index is an important tool to measure the conditions likely to lead to employee engagement. There are three subfactors that make up the index – Leaders Lead, Supervisors and Intrinsic Work Experiences. Ratings of Leaders Lead and Intrinsic Work Experience each improved by one percentage point Government-wide, and supervisors maintained a score of 71 percent positive. Given the focus in the President's Management Agenda on engaging agency leaders and managers, these results provide some evidence that the Federal workforce is responding to these initiatives.

Budgetary Constraints

Throughout the Administration, relative reductions in Federal employee compensation have contributed significant Federal savings during a period of rapidly declining federal deficits. Cuts in salaries and benefits over the past six years have already saved the Government tens of billions of dollars. Using the current pay assumptions for 2017 and assuming ECI-level pay increases in FY2018 and later, these reductions in benefits will save the Government an additional \$260 billion over the next decade. This equals more than \$100,000 per FTE, the equivalent of an entire year of the civilian payroll.

Addressing Federal Workforce Challenges

The Administration is committed to accelerating employee performance and human capital management. These initiatives are a core component of the President's Management Agenda, as discussed in the main Budget volume. Multiple efforts are underway, including: building a workforce with the skills necessary to meet agency missions, developing and using personnel analytics to drive decision making, new programs to infuse talent into agencies, heightened attention to a diverse and inclusive workforce, continued focus on the Senior Executive Service (SES) hiring and performance appraisal systems, and strengthened labor-management partnerships.

Mission Focused and Data-Driven Personnel Management

The Administration is committed to strengthening Federal agencies' capacity to analyze human resources data to address workplace problems, improve productivity, and cut costs. OPM, in conjunction with OMB, is implementing several key initiatives that will lead to better evaluation and management of Federal employees. These efforts include using the EVS as a diagnostic tool to guide management of our Federal workers, expanding implementation of data-driven review sessions, greater alignment between human capital and mission performance, and quarterly updates of key HR performance indicators on Performance.gov.

As discussed earlier, OPM's EVS is a valuable management tool that helps agencies identify areas of strength and weakness and informs the implementation of targeted action plans to help improve employee engagement and agency performance. Notably, OPM has worked with agencies in recent years to increase the number of components within agencies for which office-specific results are available. Whereas only 1,687 components received results in 2011, more than 26,000 offices received results in 2015. The increased response and reporting granularity enables agencies to identify areas of strength, offering possible models for others, and areas of weakness needing attention. Agencies across Government are using EVS data to develop and implement targeted, mission-driven action plans to address identified challenges. With the 2014 release of UnlockTalent.Gov, an innovative, data visualization tool, OPM is providing managers across Government the ability to review their own results on engagement and satisfaction indices in comparison to the rest of Government. In addition, while previously only Federal managers and leaders were able to access Unlocktalent.gov, with the release of the 2015 EVS results, members of the public can view agency-level data on the website and Federal employees can register to see their agency-specific dashboards with more granular data. This broadening of access to the results provides transparency to Federal employees, who share their views through the survey, and to the taxpayer, who wants accountability. The Administration continues its investment in OPM's data analytics to increase the number of data sets available to Federal managers.

Since 2012, Chief Human Capital Officer (CHCO) level agencies have utilized HRstat reviews. These quarterly data-driven reviews, which are led by the agency CHCOs in collaboration with the designated agency Performance Improvement Officer (PIO), focus on agency-specific human capital performance and key human resources management metrics. Agencies have the flexibility to focus on areas critical to their mission and use metrics to understand issues such as performance management, succession planning, recruitment timeliness, and strategic workforce planning. The HRstat reviews are intended to enable quick course correction, if needed, to help ensure progress is being made on key human resources issues. For example, through HRstat, the Treasury Department matched up different bureaus as partners to collaborate on veterans hiring and in one year more than doubled the rate of new veterans hires.

Creating a Culture of Excellence and Engagement to Enable Higher Performance

Leadership, organizational culture, and employee engagement are critical factors in the success of private and public institutions. While employee engagement is linked to everything from higher earnings per share, to lower workplace accidents and turnover, and overall high performance in the private sector³, the Administration's focus on employee engagement and mission performance are critical to supporting a Culture of Excellence that can improve all Federal services, and are important components of the Management Agenda. As the President said in his remarks to the SES on December 9, 2014: "One of the things that we know in the private sector about continuous improvement is you've got to have the folks right there on the front lines able to make suggestions and know that they're heard, and to not simply be rewarded for doing an outstanding job, but to see their ideas implemented in ways that really make a difference."

Elevating employee engagement is a top priority for the Administration. In December 2014, the Director and Deputy Director of OMB, Director of OPM and Deputy Director of the White House Presidential Personnel Office co-signed a memorandum to the Heads of all Agencies that outlined the linkage between strengthening employee engagement and organizational performance. Building on strong evidence from the private sector and case studies within the Federal Government, Senior Leaders will be held accountable for ensuring that employee engagement is a priority and becomes an integral part of the performance-management system.

Following the signing of the memorandum, OPM and OMB staff met with each of the 24 Senior Accountable Officials (SAO) designated by agency heads to lead employee engagement initiatives. These meetings included candid discussions on the challenges individual agencies and the Federal Government are facing. Throughout the year, the agencies collaborated to share best practices and

³ Heskett, J. L., T. O. Jones, G. W. Loveman, W. Earl Sasser, and L. A. Schlesinger. "Putting the Service-Profit Chain to Work." *Harvard Business Review* 72, no. 2 (March-April 1994): 164-174; Heskett, J., W. E. Sasser Jr., and L. Schlesinger. *The Service Profit Chain*. N.Y.: Free Press, 1997.

refine their engagement efforts. The results are promising as no EVS questions showed a decline in 2015.

There are also effective tools available for managers and supervisors to address employee performance challenges. OPM offers periodic classroom training sessions; on-line training on HR University; and an OPM desk guide for supervisors to assist them in addressing and resolving poor performance of employees they supervise. Consistent with recommendations from the President's Management Council (PMC), OPM will help agencies understand the authorities they have and how to use them effectively to spread best practices to deal with poor performers who fail to improve as needed or are ill suited to their current positions.

One other promising development is a new way to permit part-time details, allowing employees to work on agency projects for different managers. "GovConnect" is helping agencies deploy a more mobile, agile, and innovative Federal workforce through testing and adopting new workforce models. The Environmental Protection Agency (EPA), General Services Administration (GSA), Housing and Urban Development (HUD), and OPM collaborated to develop GovConnect. The proposal was approved by President's Management Council (PMC) and the GovConnect initiative was launched at a PMC meeting in March 2014. Agencies are already seeing success with manager-initiated micro-projects, employee suggested projects and cloud-based skills deployment systems.

As capabilities are enhanced and credibility is built, these efforts will incorporate continuous improvement in learning and development opportunities and tools available to Federal managers and employees. As part of the Government Performance and Results Act implementation, agencies are aligning strategic human capital planning, with mission planning – specifically strategic and performance plans.

Building a World-Class Federal Management Team Starting with Enhancements to the Senior Executive Service

One of the key pillars of the President's Management Agenda is building a world-class Federal workforce, starting with the Senior Executive Service. The Administration is committed to investing in and supporting the thousands of hard working and dedicated leaders in the SES and ensuring the Federal government remains competitive in attracting and retaining top talent for leadership positions.

On December 9th, 2014 the President announced the creation of a White House Advisory Group (WHAG) to Strengthen the Senior Executive Service. The WHAG, comprised of 24 leaders from across the Federal Government, was charged with making recommendations to the Administration on how to improve the way the Federal Government recruits, hires, develops, manages, retains, and ensures accountability for its senior career leaders. Over the past year, OMB and OPM, working collaboratively with the WHAG, sought the viewpoints of many agencies and stakeholder groups and incorporated feedback and input on proposals that have led to the rec-

ommendations issued as part of an Executive Order in December 2015. The Executive Order, along with a series of actions the administration is undertaking, focus on three key themes – hiring the best talent, strengthening SES development and improving SES accountability, recognition and rewards. Many of these recommendations will be implemented immediately, while some will be phased in over three years.

To improve the hiring process, agency leadership will track and monitor SES vacancies and recruiting efforts on a regular basis. OPM will review the Qualifications Review Board (QRB) process and determine new materials acceptable for QRB consideration and agencies will streamline their hiring process accordingly. Building on successful models currently employed at the Department of Defense and in the Intelligence Community, agencies will establish an annual talent and succession management process to inform decisions about promotions, career development, and executive rotations.

To strengthen SES development, agencies will implement robust onboarding programs, capitalizing on the success of onboarding pilots in six agencies. Agencies are required to develop plans to facilitate the rotation of their SES based on the needs of the agency and the developmental needs and growth opportunities of the executive. In addition, executives are required to participate in regular professional development opportunities, including a multi-rater assessment, such as a 360 degree review, every three years.

The Administration is also taking steps to improve performance and accountability. In October, 2015, OPM issued a final rule to help standardize a common framework for the performance management of all SES members across the Federal Government, ensuring agencies have a consistent approach to SES performance management and hold leaders accountable for individual and agency performance. While the new rules only took effect on October 26, 2015, many agencies are already meeting these new requirements under the basic SES performance appraisal system that they have voluntarily adopted. Executive reviews will also include performance factors that address customer and employee perspectives, leadership effectiveness in promoting diversity, inclusion and engagement in their organizations, and the productivity and effectiveness of their employees.

In 2016, OPM plans to launch an education campaign on SES performance and accountability. OPM will develop a short summary of the rules and processes that govern SES performance and will host quarterly webinars to provide information, training, and sharing of successful practices. Furthermore, OPM is establishing an expert team to consult two or three agencies to address SES conduct and performance challenges. OPM will help agencies assess SES performance management systems and programs, prepare action plans, and provide technical assistance.

The Executive Order creates a subcommittee of the PMC to advise OPM, members of the PMC, and the President on implementation of the order and additional ways to strengthen and improve the SES workforce. The

Deputy Director for Management for OMB, the Director of OPM and three other members of the PMC will serve on the Subcommittee. The Subcommittee will select at least two career members of the SES to advise them and will collaborate with the Chief Human Capital Officers Council.

The White House Leadership Development Fellows

Announced in December 2014, the Administration launched the White House Leadership Development Program. Through this program, GS-15 (and equivalent) emerging leaders participate in rotational assignments to drive progress on Cross-Agency Priority (CAP) Goals and lead change across Departments and programs. Agencies nominated dozens of their top-performing leads who then were assessed by panels comprised of existing executives across Government. The initial class of 16 Fellows entered on duty in November 2015 and are now working on cross-agency priorities such as shared service centers, veterans mental health, climate change and human capital. The cadre meets weekly for executive development sessions. Participants in the program will gain valuable cross-agency experience by playing a key role in addressing critical management challenges facing the Federal Government while building networks and best practices to bring back to their agencies. Upon completion of the program many of the Fellows will be better prepared to enter senior leadership roles with a whole-of-government perspective.

Enabling Agencies to Hire the Best Talent

The Administration is committed to working with labor groups, universities, nonprofits and the private sector to improve hiring outcomes by exploring flexible approaches to recruit, hire, and retain individuals with high-demand talents and skills to fill our most critical positions. As part of the President's Management Agenda, the Administration will continue to engage with agencies in 2016 to identify promising practices in recruiting, hiring, onboarding, and deploying talent across agencies. The goal remains to increase the quality of new Federal hires, foster diversity and inclusion throughout the hiring process, and improve organizational outcomes. OPM is working individually with agencies to "untie the knots" that previously hindered the ability to hire the best talent from all segments of society. Also in FY 2015, OPM completed the design and development of a web-based Hiring Toolkit that will provide a wide variety of resources and information related to hiring authorities, hiring process, mythbusters, and technical support/information for hiring managers and HR practitioners. In FY 2016, OPM will be building upon the 2010 Hiring Reform efforts but with a focus on Hiring Excellence, ensuring the Government can attract applicants and hire highly qualified and diverse talent, achieved through engaged and empowered hiring managers, and supported by highly skilled HR staff. In FY 2016, OPM will launch a Hiring Excellence Campaign for outreach and education to human resources professionals, managers and supervisors supported by robust tools and guidance.

Family Friendly Workplace Policies

The Federal Government has also made progress towards pay equality. Based on recent studies, the gap between average male and female salaries in the Federal Government is about half the gap in the private sector. A growing number of working Americans – both men and women – struggle to balance the needs of their families with the responsibilities of their jobs. Leading companies in the private sector are working to develop new tools to redesign their workplaces to provide greater flexibility to workers. While the Federal leave system has been enhanced over the years and is generally regarded as providing good benefits and flexibilities, there is room for further enhancements that would help the Federal Government in its efforts to recruit and retain a quality workforce.

On June 23, 2014, the President issued a broadly focused Presidential Memorandum (PM) on Enhancing Workplace Flexibilities and Work-Life Programs that directs agency heads to ensure that various workplace flexibilities are available 'to the maximum extent practicable,' including the advancement of leave for employee and family care situations. The June PM requires that agencies review and assess the efficacy of existing workplace flexibilities and work-life programs in meeting employee needs.

While Federal workers already have access to paid sick leave and vacation time, the Government has fallen behind industry-leading companies and offers no paid time off specifically for family or parental leave. In order to recruit and retain the best possible workforce to provide outstanding service to American taxpayers, OPM is proposing legislation, with the President's support, that would provide Federal employees with six weeks of paid administrative leave for the birth, adoption, or foster placement of a child. In addition, the proposal would allow parents to use sick days to care for a new child. In doing so, the proposals will strengthen Federal recruitment and retention, and make significant progress in bringing Federal parental leave policies in line with benefit programs already provided by many companies, while also encouraging wider adoption of such standards in the private sector. The costs of providing this benefit would be covered within agency budget requests for salaries and expenses.

The President also signed a Presidential Memorandum, Modernizing Federal Leave Policies for Childbirth, Adoption and Foster Care to Recruit and Retain Talent and Improve Productivity on January 15, 2015, directing agencies to allow for the advance of 30 days of paid sick leave for parents with a new child, employees caring for ill family members, and other sick leave-eligible uses. This allows new mothers the opportunity to recuperate after child birth, even if they have not yet accrued enough sick leave. It allows spouses and partners to care for a new mother during her recuperation period and both parents to attend proceedings relating to the adoption of a new child. Finally, it directs agencies to consider a benefit some agencies already provide—help finding, and in

some cases subsidizing, emergency backup child care (as well as backup care for seniors and adults with disabilities) that parents can use for a limited number of days per year when they need to go to work but their regular care is not available. Some agencies provide this benefit through their Employee Assistance Program and it can help parents with a temporary need for safe care for their children.

The Federal Government should be a model employer and has already aggressively increased the use of telework and other policies to promote family-friendly policies. The 2015 EVS indicated that teleworkers are more likely to feel empowered (47 percent versus 41 percent), and more likely to be satisfied with their jobs (69 percent compared to 63 percent of non-teleworkers). Finally, employees who telework are more likely to want to stay with their agencies (67 percent compared to 64 percent of non-teleworkers) and to recommend their agencies to others (67 percent compared to 61 percent of non-teleworkers). As documented by OPM's 2013 report on the status of telework (the most recent available), the percentage of eligible Federal employees who participated in routine telework grew to 21 percent as of September 2012, compared to 10 percent during calendar year 2009. Equally important, the number of employees deemed eligible to telework increased by nearly 50 percent from 2011 to 2012. However, there is still more work to be done in breaking down barriers to the effective use of telework.

Closing Skills Gaps in the Workforce

The demands of the workplace necessitate new and agile skill sets in the Federal workforce. OPM's mission is to ensure that the Federal Government recruits, retains, and honors the talent agencies require to serve the American people. In 2011, OPM partnered with the CHCO Council to take on the challenge of closing skills gaps across the Government. This initiative was launched in response to the President's 2012-2013 CAP Goal to close skills gaps, as well as GAO's designation of human capital as a Government-wide high risk area. The Department of Defense joined OPM in chairing an inter-agency workgroup that designed a sustainable strategic workforce planning method to identify and close skills gaps in mission-critical occupations. Based on rigorous data analysis, the workgroup identified the following mission-critical occupations: IT-Cybersecurity Specialists, Acquisition Specialists, Economists, Human Resources Specialists, and Auditors. In addition, the workgroup identified STEM (science, technology, engineering, and mathematics) as a sixth functional area covering multiple occupations which requires sustained strategic attention across Government. In 2016, the workgroup is expanding its work to more broadly involve subject matter experts and examine more series.

To close skills gaps in these areas, OPM designated sub-goal leaders from agencies whose missions critically depend on these occupations. Together with these sub-goal leaders, OPM is developing and executing strategies to close skills gaps in these occupations. The sub-goal leaders meet quarterly with the OPM Director to apprise

her of their progress by providing updated metrics that will be reported on Performance.gov.

OPM will continue to work with these occupations' leaders to close skill gaps. In Cybersecurity, OPM has completed a major initiative to populate the Enterprise Human Resources Integration (EHRI) database with a Cybersecurity data code that designates which Federal positions work in the Cybersecurity function, and in which specialty area. In FY 2014, all agencies met their targets to add a Cybersecurity identifier to all relevant positions. In FY 2015, OPM validated and analyzed the data to identify tools that can be applied to workforce planning for this occupation, which poses high risk to the Federal Government if the positions are not filled. As part of the Office of the Federal CIO's Cybersecurity Strategy Implementation Plan, OPM is partnering with several agencies to map the current cybersecurity workforce and identify strategies to close critical skills gaps in this area in 2016. In the STEM functional area, a specific Pathways Program was developed for attracting STEM applicants for the Presidential Management Fellows opportunity. The PMF-STEM Pathways track was piloted during FY 2014. The Acquisition area has begun to increase efficiencies in training, development, and management of the workforce. Interagency workgroups are exploring possible pilots to test special hiring and compensation authorities for several occupations, including Economist, STEM, and Cybersecurity roles. OPM is assisting the Auditor occupational area in studying what changes are needed to the classification and qualification requirements to increase the talent brought into that workforce. Individual agencies are also identifying and targeting critical skills gaps as a priority, and are piloting innovative approaches to competency gap closure. OPM is helping agencies share promising practices and lessons learned from these pilot projects, and will drive replication of best practices upon completion of the pilots.

Successful skills gap closure is particularly dependent on a strong HR workforce that can provide strategies, programs, and tools that help occupational leaders design and implement skills gaps closure efforts. For this reason, OPM has been focusing heavily on this workforce and designated HR Skills Gaps as an Agency Priority Goal. One of the ways OPM is addressing skills gaps among human resources professionals is through HR University. Developed in 2011 by the CHCO Council, HR University provides an excellent training foundation for human resources professionals to become more effective. HR University is a source of centralized training that takes courses and resources Federal agencies have already developed and provides a platform for cross-agency sharing. HR University realizes savings through the sharing of resources (agencies no longer need to independently develop courses that already exist) and economies of scale. In addition, HR University ensures that courses meet OPM's high standards by vetting each course through a very rigorous quality review.

In partnership with the CHCO Council, OPM will continue to expand HR University's offerings. This effort may include more partnerships with colleges and universities,

development of HR certifications, accreditation of courses, greater use of social media, website enhancements, and more courses on key topics that will close identified skill and competency gaps in the human resources field. OPM registered 98 percent of the human resources workforce onto HR University by September 30, 2015. In FY 2015, OPM added 10 courses to HR University. In FY 2016, OPM will continue to engage agencies to register and expand the course offerings.

Developing an Agile Workforce

To maximize effectiveness and potential, the Federal Government must continue to prepare its talent for challenges on the horizon. New cost-effective programs are being implemented to develop current employees, foster collaboration with innovators from the private sector, and enhance institutional knowledge transfer. For example, OPM has implemented a phased retirement program that provides employees who once had a financial incentive to retire fully, to work part time while mentoring and training new employees. Several agencies have implemented phased retirement, and others are currently developing policies to fully implement and leverage this important tool. These efforts are essential for developing a nimble, efficient 21st Century workforce that can help ensure agencies achieve their important missions under a tightening fiscal climate.

Informing Our Work with a Diversity of Experiences

A rich diversity of experiences and talents inform the abilities of Federal applicants and everyday work of Federal employees. Opportunities exist both in employee hiring and throughout employment experiences to leverage this diversity. In recent years, OPM has been focusing on improving the way agencies use Federal applicant and applicant flow data to improve the hiring process. OPM continues to increase the accessibility and use of this data by hiring managers, so they can determine whether outreach, recruitment, and hiring strategies have been successful in attracting and retaining a workforce that reflects the diversity of our country and the many talents of its people.

Leveraging the diversity of our workforce also requires that we measure and improve the extent to which diversity and inclusion are supported in work units. To that end, and mirroring the aforementioned efforts to measure and target improvements in employee engagement, OPM developed an index based on 20 EVS items called the New Inclusion Quotient (New IQ) that represents each work unit's inclusive intelligence and provides feedback to executive leadership, program managers, and supervisors on how well work units are leveraging the unique experiences, perspectives, and viewpoints of their employees to improve program delivery.

Importantly, the Budget recognizes that increased availability of this data is not sufficient. Fostering inclusive work environments and realizing the full potential of our workforce's diversity requires agencies to employ effective management practices. OPM's change manage-

ment tools supplement the inclusion index. The index and tools, referred to jointly as the New Inclusion Quotient Plus, arm agencies with instruments and practices necessary to support diversity and inclusion more fully. In addition, OPM will continue to promote proven practices in using all workforce data to inform everyday support for diversity and inclusion in the workplace.

Strengthening Labor-Management Relations

In early FY 2015, OPM released a report on "Labor Management Relations in the Executive Branch," describing how labor-management relations are structured and how they operate in the Federal Government. This report detailed examples of the benefits that can result from strengthening labor-management relationships. Specifically, improving labor-management relations facilitates opportunities for agencies to improve their performance. This report is expected to be updated in early FY 2017.

The Administration continues to fulfill the robust vision laid out in Executive Order 13522, Creating Labor-Management Forums to Improve Delivery of Government Services. Issued in 2009, this Executive Order created a National Council, which meets regularly to coordinate Government-wide efforts, and a multitude of labor-management forums around Government where agency management and union representatives work collaboratively to improve service delivery to the public. In 2016, Labor-Management Forums will continue to use metrics to track progress.

At the Council's meetings, representatives from both management and labor regularly provide details about their efforts to improve performance and productivity at their agencies by working together. Recently, the Council heard from participants in the General Services Administration, Region 5, the American Federation of Government Employees, and the National Federation of Federal Employees on their formation of a Space Council, a joint, collaborative body formed to facilitate sharing information about how to handle office relocations early and often to avoid the disagreements that occur when employees are not involved in these major changes. The Council also allowed them to reduce the need for formal bargaining. They were able to establish a consistent, known, participatory process that encouraged pre-decisional involvement (PDI) even outside of the space issues. The Council also heard from participants in the forum between the EPA and the National Treasury Employees Union. This group worked together to implement the Skills Marketplace at EPA, which was the first large scale use of PDI for an initiative at the agency. The Skills Marketplace is a program that gives employees the opportunity to work on a program 20 percent of the time anywhere else in the agency without leaving their home office. In the past year, they have done 340 projects. EPA employees who participate bring new skills back, and are provided an opportunity for staff career growth without them leaving permanently or going on full time detail.

The Council will continue to seek ways to spread these and other labor-management successes to other agencies

in 2016 and 2017. One method employed by the Council has been to develop training and guidance to assist forums with successfully engaging in PDI and with using metrics to track their activities. The Council is currently gathering lessons-learned narratives which are based upon the many success stories that the Council has heard about labor-management cooperation and PDI. The narratives will allow the parties to share their experiences and how they succeeded with regard to PDI. The information gleaned from the narratives will be compiled and posted on the Council website as a series of lessons learned that can be used by other parties. Additionally, the Council is exploring the measurement and reporting of PDI outcomes, PDI awards and recognition, and PDI barriers and accountability. The Council is also working to identify common contract language in collective bargaining agreements and make it available to agencies and unions in contract negotiations. The goal is to find contract language that could serve as a template for agencies and labor unions in order to reduce time and resources spent by parties in the negotiation process. Recently, the Council supported the work of the Federal Labor Relations Authority (FLRA), Federal Mediation and Conciliation Service (FMCS), and the GSA on their collaborative effort to present a live two day pilot training program to labor and management participants about the labor re-

lations aspects of space management and the potential use of PDI in office moves and space allocation. The pilot program will lead to additional training opportunities, including a webinar. The Council will continue working in 2016 to ensure that additional labor-management forums transition into effective partnerships with a focus on improving the productivity and effectiveness of the Federal Government.

Honoring a World-Class Workforce

Federal Employees make a difference every single day in the lives of millions of people across the country and around the world. As President Obama said in his Public Service Recognition Proclamation:

“In the face of difficult challenges, public servants give new life to the values that bind our Nation together... Public service is a calling which has meant so much to so many. It embodies our sense of shared values and reflects our drive to serve a cause beyond our own—to give back to our Nation, leave our mark, and nudge history forward. There is no greater opportunity to help more people or to make a bigger difference.”