



January 2014

FEDERAL WORKFORCE

Recent Trends in Federal Civilian Employment and Compensation

Why GAO Did This Study

Skilled federal workers are critical to the successful operation of government. At the same time, personnel costs for current and former federal civilian employees represented about 26 percent of total discretionary spending in 2012; these personnel costs are outlays from budget authority authorized by appropriations acts. Given the need to control agencies' personnel costs while also maintaining agencies' high performance, a thorough understanding of employment and compensation trends is a critical component of strategic workforce planning.

GAO was asked to provide data on federal employment and compensation trends. This report examines (1) employment trends of federal civilian personnel from 2004 to 2012 and some factors that affect these trends, and (2) the extent to which federal civilian employee compensation has changed (as a percentage of total discretionary spending) and some reasons for this change.

For this report, GAO analyzed government-wide executive branch civilian personnel data from 2004 to 2012. GAO also interviewed Office of Personnel Management (OPM), Office of Management and Budget (OMB), and other selected agency officials. GAO also reviewed relevant literature, such as studies on attrition.

GAO is not making any recommendations in this report. GAO received technical comments on a draft of this report from OMB, OPM, and the Departments of Defense, Homeland Security, and Veterans Affairs; comments were incorporated as appropriate.

View [GAO-14-215](#). For more information, contact Robert Goldenkoff at (202) 512-2757 or goldenkoffr@gao.gov.

FEDERAL WORKFORCE

Recent Trends in Federal Civilian Employment and Compensation

What GAO Found

From 2004 to 2012, the federal non-postal civilian workforce grew by 258,882 employees, from 1.88 million to 2.13 million (14 percent). Permanent career employees accounted for most of the growth, increasing by 256,718 employees, from 1.7 million in 2004 to 1.96 million in 2012 (15 percent). Three agencies—the Departments of Defense (DOD), Homeland Security (DHS), and Veterans Affairs (VA)—accounted for about 94 percent of this increase. At DOD, officials said that converting certain positions from military to civilian, as well as the growth of the agency's acquisition and cybersecurity workforce, contributed to this overall increase. At VA, officials said the increased demand for medical and health-related services for military veterans drove most of the growth in personnel levels. DHS officials said the increase in employment was due in large part to the nation's border security requirements. (In contrast, ten agencies had fewer career permanent employees in 2012 than they did in 2004). Government-wide, most of the increase in employment from 2004 to 2012 occurred within occupational categories that require higher skill and educational levels. These categories include professional occupations (e.g., doctors and scientists), and administrative occupations (e.g., financial and program managers), as opposed to clerical, technical, and blue collar occupations (which remained stable). In terms of turnover, retirement rates remained relatively flat (at around 3.5 percent) from 2004 until the start of the recession in December 2007. Retirement rates fell to a low of around 2.5 percent during the recession in 2009, and then increased to pre-recession rates in 2011 and 2012. With respect to retirement eligibility, of the 1.96 million permanent career employees on board as of September 2012, nearly 270,000 (14 percent) were eligible to retire. By September 2017, nearly 600,000 (around 31 percent) will be eligible to retire, government-wide.

Spending on total government-wide compensation for each full-time equivalent (FTE) position grew by an average of 1.2 percent per year, from \$106,097 in 2004 to \$116,828 in 2012. Much of this growth was driven by increased personnel benefits costs, which rose at a rate of 1.9 percent per year. Other factors included locality pay adjustments, as well as a change in the composition of the federal workforce (with a larger share of employees working in professional or administrative positions, requiring advanced skills and degrees). In terms of employee pay per FTE, spending rose at an average annual rate of 1 percent per year (a 7.9 percent increase overall). However, as a proportion of government-wide federal discretionary spending, spending on compensation remained constant from 2004 to 2010 (at 14 percent), with slight increases in 2011 and 2012.

While the federal civilian workforce grew in size from 2004 to 2012, most of the growth was concentrated in three federal agencies and was driven by the need to address some of the nation's pressing priorities. At the same time—as GAO reported in February 2013—large numbers of retirement-eligible employees in the years ahead may be cause for concern: Their retirement could produce mission critical skills gaps if left unaddressed. As GAO reported in its February 2013 High Risk update, strategic human capital planning that is integrated with broader organizational strategic planning will be essential for ensuring that—going forward—agencies have the talent, skill, and experience mix they need to cost-effectively execute their mission and program goals.

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January 29, 2014

The Honorable Jeff Sessions
Ranking Member
Committee on the Budget
United States Senate

Dear Senator Sessions,

Current budget and long-term fiscal pressures demand that agencies operate more strategically and efficiently than ever before, and this includes cost-effective management of their human capital policies and practices. Indeed, personnel costs for both current and former federal civilian employees in 2012 represented about 26 percent of total discretionary spending, outlays from budget authority provided by appropriation acts. That said, skilled federal workers—including program managers, scientists, engineers, and clerks—are critical to the successful operation of government and need to be deployed at the right place, at the right time, and in the right numbers in order to address such complex national challenges as disaster response, national and homeland security, economic stability, and other evolving national issues. As we have previously reported, the government’s capacity to address these challenges could be undermined by a potential wave of employee retirements that could produce gaps in leadership and institutional knowledge.¹

Given the need to control agencies’ personnel costs while also maintaining agencies’ high performance, a thorough understanding of employment and compensation trends is a critical component of strategic workforce planning. This will help ensure agencies have the competency and skill mix needed to execute their mission and program goals within the constraints of available resources now, and into the future.

Because the Budget Committee needs information to help it study proposals that improve analytical and systematic evaluation of existing programs, you asked us to examine (1) employment trends of federal civilian personnel from 2004 to 2012 and some factors that affect those

¹ GAO, *High-Risk Series: An Update*, [GAO-13-283](#) (Washington, D.C.: Feb. 14, 2013).

trends, and (2) the extent to which federal civilian employee compensation has changed as a percentage of total discretionary spending and some of the reasons for this change.

To examine employment trends, we used OPM's Enterprise Human Resources Integration (EHRI) Statistical Data Mart,² which contains information on personnel actions and other data for most federal civilian employees, including employees of the 24 Chief Financial Officers (CFO) Act agencies,³ which represent the major departments (such as the Department of Defense) and most of the executive branch workforce.

We analyzed EHRI data starting with fiscal year 2004 because personnel data for the Department of Homeland Security (DHS)—which was formed in 2003 with a mix of new hires and transfers from other agencies—had stabilized by 2004. We selected 2012 as the endpoint because it was the most recent, complete fiscal year of data available during most of our review.

We assessed the reliability of EHRI data through electronic testing to identify missing data, out of range values, and logical inconsistencies. We also reviewed our prior work assessing the reliability of these data and interviewed OPM officials knowledgeable about the data to discuss the data's accuracy and steps OPM takes to ensure reliability. On the basis of this assessment, we believe the EHRI data we used are sufficiently reliable for the purpose of this report.

To assess the extent to which federal civilian employee compensation (pay and benefits) has changed as a percentage of total discretionary spending from fiscal years 2004 through 2012, we used the Office of Management and Budget's (OMB) MAX Information System (MAX),⁴ a database that contains budgetary data, including compensation costs of

² EHRI (formerly Central Personnel Data File—CPDF) is the primary government-wide source for information on federal employees. The EHRI data we analyzed cover executive branch civilian employees, and do not cover the U.S. Postal Service, legislative or judicial branch employees, or intelligence agencies. OPM transitioned from CPDF to EHRI as of fiscal year 2010.

³ The CFO Act agencies are the executive branch agencies listed at 31 U.S.C. § 901(b).

⁴ OMB's MAX Information System is a database used to support the federal management and budget process. The system collects, validates, analyzes, models, and publishes information relating to government-wide management and budgeting activities.

federal employees.⁵ We analyzed trends in discretionary outlays as well as pay and benefits overall and pay and benefits per full-time equivalent (FTE),⁶ based on the MAX database designation for FTEs.⁷

To assess the reliability of the MAX data, we performed electronic testing and cross-checked it against the numbers reported in the President's Budget. In addition, we interviewed OMB officials to understand any discrepancies in the data. For example, we met with OMB officials and provided them our initial results to determine whether we were accurately representing spending on pay and benefits. Based on these discussions, we made adjustments to our scope and methodology, as appropriate.

For both objectives, to determine the factors contributing to employment, turnover, and compensation trends in the civilian workforce from 2004 to 2012, we interviewed officials at the three agencies the data showed were responsible for some of the largest changes to these trends: the Departments of Defense (DOD), Veterans Affairs (VA), and Homeland Security (DHS). We also interviewed officials at two of the federal government's central management agencies, the Office of Personnel Management (OPM) and OMB. (See appendix II for a more detailed description of our objectives, scope, and methodology).

We conducted this performance audit from June 2012 to January 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that

⁵ The U.S. Postal Service, legislative and judicial branches, intelligence agencies and personnel, and non-civilian federal employees are excluded from our analysis.

⁶ OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, defines the pay and benefits categories we use in this report. Pay includes payments to full-time permanent employees, part-time permanent and temporary employees, and pay for overtime, holiday pay, and payments above the basic rate for night work, and other types of premium pay, among other components. The benefits category includes federal agency contributions to life insurance, health insurance, and employee retirement benefits, as well as recruitment bonuses and other payments.

⁷ FTEs reflect the total number of regular straight-time hours (i.e., not including overtime or holiday hours) worked by employees divided by the number of compensable hours applicable to each fiscal year. Annual leave, sick leave, and compensatory time off and other approved leave categories are considered to be hours worked for purposes of defining FTE employment.

the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

In our earlier work on studies comparing federal and non-federal pay, we noted how the composition of the federal workforce has changed over the past 30 years, with the need for clerical and blue collar roles diminishing, and the need for professional, administrative, and technical roles increasing.⁸ Today's federal jobs require more advanced skills at higher grade levels than federal jobs in years past. As a result, a key management challenge facing the federal government in an era of fiscal austerity is balancing the size and composition of the federal workforce so it is able to deliver the high quality services that taxpayers demand, within the budgetary realities of what the nation can afford.

As we have previously stated, inadequate planning prior to personnel reductions jeopardizes the ability of agencies to carry out their missions.⁹ For example, in the wake of extensive federal downsizing in the 1990s—done largely without adequate planning or sufficient consideration of the strategic consequences—agencies faced challenges deploying the right skills when and where they were needed.

More recently, this management challenge has been exacerbated by the fact that today's federal workforce consists of a large number of employees who are eligible for retirement. Various factors affect when individuals actually retire. Some amount of retirement and other forms of attrition can be beneficial because it creates opportunities to bring fresh skills on board and allows organizations to restructure themselves in order to better meet program goals and fiscal realities. But if turnover is not strategically managed and monitored, gaps can develop in an organization's institutional knowledge and leadership as experienced employees leave. We have previously reported that the needs and missions of individual agencies should determine their approach to workforce planning.¹⁰

⁸ GAO, *Human Capital: Sustained Attention to Strategic Human Capital Management Needed*, [GAO-09-632T](#) (Washington, D.C.: Apr. 22, 2009).

⁹ [GAO-09-632T](#).

¹⁰ GAO, *Human Capital: Key Principles for Effective Strategic Workforce Planning*, [GAO-04-39](#) (Washington, D.C.: Dec. 11, 2003).

Our prior work has shown that strategic human capital management has been a pervasive challenge facing the federal government, and has led to government-wide and agency-specific skills gaps. Our February 2011 update to our high risk list noted that federal strategic human capital management was a high risk area because current and emerging mission critical skills gaps were undermining agencies' abilities to meet their vital missions.¹¹ To help close these skills gaps, we reported that actions were needed in three broad areas:

- planning, to identify the causes of, and solutions for, skills gaps and to identify the steps to implement those solutions;
- implementation, to put in place corrective actions to narrow skills gaps through talent management and other strategies; and
- measurement and evaluation, to assess the performance of initiatives to close skills gaps.

Since our February 2011 update, OPM, individual agencies, and Congress have taken a number of steps to close mission critical skills gaps, but as we noted in our 2013 High Risk update, additional actions were needed, as our work found that skills gaps were continuing in such areas as cybersecurity, acquisition management, and aviation safety, among others.¹² These actions included reviewing the extent to which new capabilities were needed, in order to give OPM and other agencies greater visibility over government-wide skills gaps so that agencies could take a more coordinated approach to remediating them. OPM agreed that these were important areas for consideration.

Since our 2011 High Risk update, OPM's efforts to address mission critical skill gaps have included establishing the Chief Human Capital Officers Council Working Group in order to identify and mitigate critical skills gaps for both government-wide and agency-specific occupations and competencies. Moreover, the Working Group's efforts were designated a cross-agency priority goal within the administration's fiscal year 2013 federal budget; OPM is partnering with the Chief Human Capital Officer's Council to create a government-wide Human Resources

¹¹ GAO, *High-Risk Series: An Update*, [GAO-11-278](#) (Washington, D.C.: Feb. 16, 2011).

¹² [GAO-13-283](#).

Information Technology strategy that can provide greater visibility to OPM and agencies regarding current and emerging skills gaps.

The Federal Civilian Workforce Grew by 14 percent from 2004 through 2012, and 14 percent of On Board Employees were Eligible to Retire in 2012

From 2004 to 2012, the non-postal civilian workforce grew from 1.88 million to 2.13 million, an increase of 14 percent, or 258,882 individuals. Most of the total increase (94 percent) was from 2007 through 2012. The number of permanent career executive branch employees grew by 256,718, from about 1.7 million in 2004 to 1.96 million in 2012 (an increase of 15 percent). Of the 24 CFO Act agencies, 13 had more permanent career employees in 2012 than they did in 2004, 10 had fewer, and one agency was unchanged. Three agencies (DOD, DHS, and VA) accounted for 94 percent of the growth between 2004 and 2012. These three agencies employed 62 percent of all executive branch permanent career employees in 2012. A number of factors contributed to the overall growth of the civilian workforce: For example, at DOD, according to agency officials, converting certain positions from military to civilian, as well as the growth of the agency's acquisition and cybersecurity workforce contributed to this overall increase. At VA, according to agency officials, approximately 80 percent of employees hired from 2004 through 2012 were hired by the Veterans Health Administration (VHA), primarily to meet increased demand for medical and health-related services for military veterans. At DHS, the increase in civilian permanent career employment was due to increased staffing to secure the nation's borders.

Employees in professional or administrative positions account for most of the overall increase in federal civilian employment.¹³ For example, the number of employees working in professional positions increased by 97,328 (from 394,981 in 2004 to 492,309 in 2012). This growth accounts for nearly 38 percent of the 256,718 total government-wide increase in permanent career employees during this period. In comparison, employees in administrative positions increased by 153,914 (from 582,509 in 2004 to 736,423 in 2012). This growth accounts for 60 percent of the total government-wide increase during this period. Technical, clerical, blue collar, and other white collar positions accounted for the remaining 2 percent of those full-time permanent positions added from 2004 to 2012.

The retirement rate of federal civilian employees rose from 3.2 percent in 2004 to a high of 3.6 percent in 2007 when, according to data from the National Bureau of Economic Research, the recession began. During the recession, the total attrition rate dropped to a low of 2.5 percent in 2009 before rebounding to pre-recession levels in 2011 and 2012. Beginning at the end of 2007, the recession saw retirement rates decline to 3.3 percent in 2008, 2.5 percent in 2009, and 2.7 percent in 2010, before increasing again to 3.5 percent in 2012.

With respect to retirement eligibility, of the 1.96 million permanent career employees on board as of September 2012, nearly 270,000 (14 percent) were eligible to retire. By September 2017, nearly 600,000 (31 percent) of on board staff will be eligible to retire. Not all agencies will be equally

¹³ OPM has established a uniform set of classification standards for agencies to determine grade levels for their positions organized within occupational categories — Professional, Administrative, Technical, Clerical, Blue Collar, and Other White Collar (PATCO). Professional positions (e.g., doctors) require knowledge in a field of science or learning characteristically acquired through education or training equivalent to a bachelor's degree or higher. Administrative positions (e.g., financial managers) involve the exercise of analytical ability, judgment, discretion, and personal responsibility, and the application of a substantial body of knowledge of principles, concepts, and practices applicable to one or more fields of administration or management. Technical positions (e.g., medical technicians) are typically associated with and supportive of a professional or administrative field. Those positions involve extensive practical knowledge, gained through experience and/or specific training less than that represented by college graduation. Clerical positions (e.g., data transcribers) involve structured work in support of office, business, or fiscal operations. Blue Collar positions comprise the trades, crafts, and manual labor (unskilled, semi-skilled, and skilled). Other White Collar positions (e.g., correctional officers) are miscellaneous white-collar occupations that do not fall into any of the prior categories.

affected. By 2017, 20 of the 24 CFO Act agencies will have a higher percentage of staff eligible to retire than the current overall average of 31 percent.¹⁴ About 21 percent of DHS staff on board as of September 2012 will be eligible to retire in 2017, while over 42 percent will be eligible to retire at both the Department of Housing and Urban Development (HUD) and the Small Business Administration (SBA). Certain occupations—such as air traffic controllers and those involved in program management—will also have particularly high retirement eligibility rates by 2017.

From 2004 through 2012,
Federal Civilian
Compensation Remained
Relatively Constant as a
Proportion of Total
Discretionary Spending

With respect to pay and benefits as measured by each full-time equivalent (FTE) position, total government-wide compensation grew by an average of 1.2 percent per year from 2004 to 2012 (\$106,097 to \$116,828—about a 10 percent overall increase). Much of this growth was driven by increased cost of personnel benefits, which rose at a rate of 1.9 percent per year (a 16.3 percent increase overall). According to OMB, the government's contribution to the Federal Employee Health Benefits (FEHB) program rose, on average, 5.2 percent from 2004 to 2011 and 4.7 percent from 2011 to 2012. One study showed that employer contributions for premiums for family insurance coverage nationwide grew by about 58 percent from 2004 through 2012, for an average annual increase of around 5 percent.¹⁵ In terms of employee pay per FTE, spending rose at an average annual rate of 1 percent per year (a 7.9 percent increase overall). While government-wide spending on pay and benefits rose slightly, some agencies had significant increases in their spending on compensation per FTE. For example, the Department of State's spending on pay and benefits per FTE increased by 4.5 percent per year, on average, from 2004 through 2012. In total, government-wide spending on pay and benefits increased by \$51 billion, from \$193.2 billion to \$244.3 billion (an average annual increase of 3 percent and an overall increase of 26.4 percent) from 2004 to 2012.

Spending on pay and benefits as a proportion of the federal discretionary budget remained relatively constant (at about 14 percent) from 2004 to 2010, with slight increases in 2011 and 2012. Specifically, the proportion

¹⁴ These projected retirement eligibility rates do not take into account hiring and separations that may occur over the next 5 years.

¹⁵ Kaiser Family Foundation and the Health Research & Educational Trust (Kaiser/HRET), *Employer Health Benefits 2012 Annual Survey*, (Menlo Park, CA and Chicago, IL: September 2012).

spent on pay increased by 0.6 percent and the proportion spent on benefits increased by 0.5 percent from 2004 to 2012. According to OMB, a portion of this increase can be attributed to an increase in the growth in federal civilian employment at certain agencies, locality pay adjustments, across-the-board pay increases, and (as previously stated) increases in the government's share of FEHB program premiums. Government-wide, while the proportion of the discretionary budget spent on compensation remained constant, certain agencies had increases from 2004 to 2012.

Three agencies—DOD, DHS, and VA—accounted for 77 percent of the total government-wide increase in compensation from 2004 to 2012, largely due to increased hiring. DOD increased its spending on compensation by \$19.9 billion (about 39 percent of the total increase), VA increased its spending by \$10.5 billion (about 21 percent of the total increase), and DHS increased its spending by \$8.8 billion (about 17 percent of the total increase).

With respect to occupational categories,¹⁶ 48 percent of the overall increase in spending on pay from 2004 to 2012 was due to more employees working in professional or administrative positions, which often require specialized knowledge and advanced skills and degrees, and thus, higher pay. Specifically, the percentage of those employees grew from 56 percent of the federal civilian workforce in 2004 to 62 percent in 2012. Even if there had been no change in pay for the occupations, the changing composition of the federal workforce alone would have caused average federal pay to increase from \$70,775 in 2004 to \$73,229 in 2012, as opposed to the actual 2012 average of \$75,947.

Appendix I provides more detail on each of our objectives and related findings.

Concluding Observations

While the size of the civilian federal workforce grew moderately during the period of our study, most of this growth was concentrated in a few large agencies and reflects some of our nation's pressing priorities. The cost of compensating the civilian workforce has remained relatively constant as a percentage of the discretionary budget during the past decade; however,

¹⁶ Because OMB's MAX Information System does not include occupational categories, we used EHRI data to conduct our analysis of the change in compensation costs due to the changing federal civilian workforce.

nearly half of the increased pay and benefits costs can be attributed to a shift toward more employees serving in professional and administrative capacities, in jobs that require specialized knowledge and higher levels of education. Although employment levels have grown, large numbers of retirement-eligible employees may be cause for concern among agencies, decision-makers, and other stakeholders, because they could produce mission critical skills gaps if turnover is not strategically managed and monitored.

Replacing retiring workers, both in terms of training and hiring costs, and in terms of the largely unquantifiable costs of losing experienced, high-level employees, could be problematic given the era of flat or declining budgets that the government is experiencing.¹⁷ At the same time, retirement-eligible employees present an opportunity for agencies to align their workforces with current and future mission needs. Indeed, as the federal government faces an array of current and future challenges, agencies will be confronted with going beyond simply replacing retiring individuals by engaging in broad, integrated planning and management efforts that will bolster their ability to meet both current and evolving mission requirements.

Combined, these challenges underscore the importance of strategic workforce planning and early preparation to help ensure agencies maintain their capacity to carry out their vital functions. Thus, as we have reported in our prior work, agencies should (1) take such key steps as determining the critical skills and competencies that will be needed to achieve current and future programmatic results; (2) develop appropriate talent management strategies to address any gaps in the number, deployment, and alignment of skills; and (3) monitor and evaluate their progress toward their human capital goals. In short, understanding the dynamics of the federal workforce and the drivers of agencies' compensation costs will help guide decision-making on workforce composition and budgeting.

Agency Comments

We provided a draft of this report to the Director of OMB and the Director of OPM for their review and comment. In addition, we provided sections

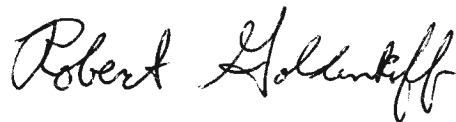
¹⁷ See Partnership for Public Service and Booz Allen Hamilton, *Beneath the Surface, Understanding Attrition at Your Agency and Why it Matters* (Washington, D.C., November 2010).

of this report to DOD, DHS, and VA. GAO received technical comments on a draft of this report from OMB, OPM, DOD, DHS, and VA, which we incorporated as appropriate.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies to OMB, OPM, DOD, DHS, VA, and other interested parties. In addition, the report will be available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-2757 or goldenkoffr@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix III.

Sincerely yours,



Robert Goldenkoff
Director
Strategic Issues

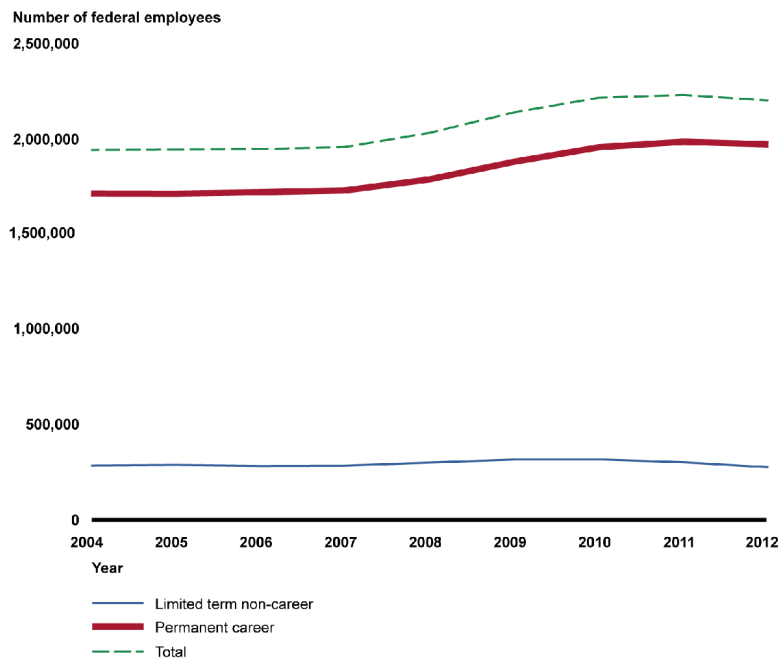
Appendix I: Briefing Slides

Appendix I: Briefing

Federal Civilian Employment Levels Remained Relatively Stable from 2004 to 2007, but Increased from 2008 to 2012

- From 2004 through 2012, the federal civilian workforce grew from 1.88 million to 2.13 million, an increase of 14 percent, or 258,882 individuals. Most of the total increase (94 percent) occurred between 2007 and 2012. There was a slight decline in the number of employees (about 28,000) between 2011 and 2012.
- Compared to 2004, when the federal government employed 1.7 million permanent career employees,¹⁸ there were 256,718 more permanent career employees in 2012, for a total of 1.96 million, an increase of 15 percent. Most of the growth in the federal civilian workforce government-wide came from an increase in permanent career employees, who accounted for 99 percent of this increase, while the number of limited term and temporary employees¹⁹ has remained fairly stable (growing by a total of 2,164).

Figure 1: Change in the Number of Federal Civilian Employees, 2004-2012



Source: GAO analysis of data from the OPM Enterprise Human Resources Integration Statistical Data Mart.

¹⁸ Permanent career employees are employees with appointments that do not have an ending date or maximum length of service.

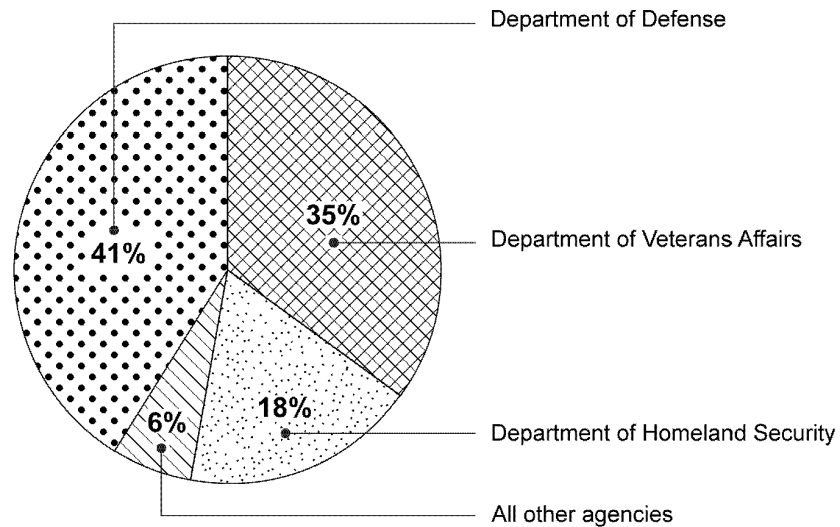
¹⁹ Temporary employee appointments are generally one year or less although they may be extended for a second year. Term employee appointments are generally for more than one year but not more than four years.

Three Agencies Accounted for 94 Percent of the Increase in Permanent Career Federal Employees from 2004 through 2012

Of the 256,718 permanent career employees added from 2004 to 2012, 242,460, or 94 percent, were at the Departments of Defense (DOD), Veterans Affairs (VA), and Homeland Security (DHS). These three agencies accounted for 62 percent of the federal civilian workforce in 2012.

- DOD added about 105,000 employees (an average annual increase of 2 percent). According to DOD, the growth in the size of the federal civilian workforce at DOD is attributable to a number of factors, including converting certain positions from military to civilian, converting contracting staff to permanent DOD staff, and the growth of the agency's acquisition and cybersecurity workforce.
- VA added about 90,000 employees (an average annual increase of 4.5 percent), 81 percent of whom were hired by the Veterans Health Administration (VHA). According to VA, this increase in staff was primarily to meet increased demand for medical and health-related services related to the wars in Iraq and Afghanistan. VA reports that from 2004 through 2012, the number of new veterans increased by 18.1 percent and the number of veterans seeking health care increased by 22.6 percent.
- DHS added about 47,000 employees (an average annual increase of 3.7 percent). According to DHS officials, this increase was due to increased staffing to secure the nation's borders.
- All other agencies accounted for 6 percent of the total growth in employment from 2004 through 2012.

Figure 2: Percent of Total Increase among Permanent Career Employees, 2004-2012

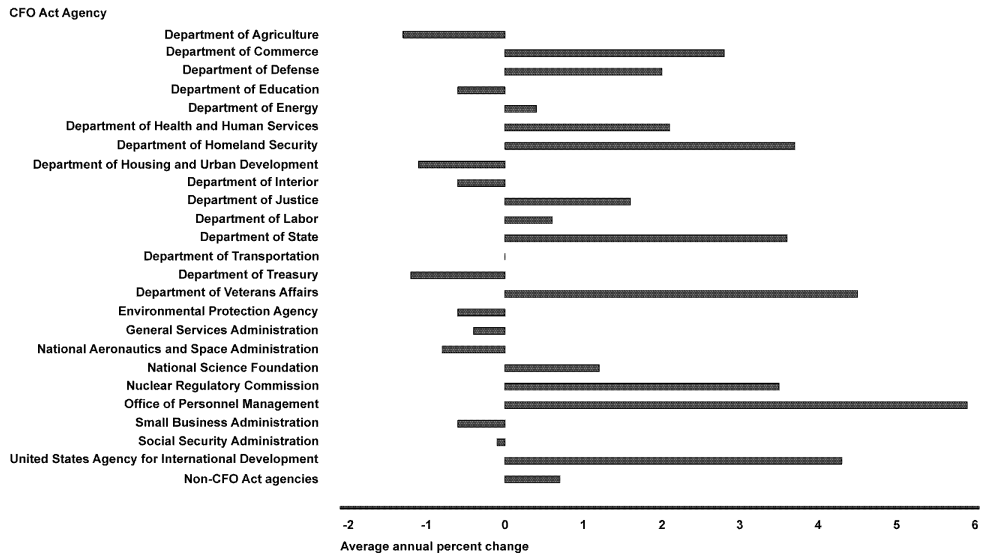


Source: GAO analysis of data from the OPM Enterprise Human Resources Integration Statistical Data Mart.

Most Agencies Had Small Changes in the Size of Their Workforces

- Of the 24 Chief Financial Officers (CFO) Act Agencies, 10 had a lower number of career permanent employees in 2012 than they did in 2004, 13 had a greater number, and 1, the Department of Transportation, was unchanged.
- Of the agencies with increased employment levels, those with the largest average annual percentage increase were the Department of State (3.6 percent), DHS (3.7 percent), the U.S. Agency for International Development (USAID) (4.3 percent), VA (4.5 percent), and the Office of Personnel Management (OPM) (5.9 percent). Non-CFO Act agencies increased their employment levels by less than 1 percent per year, on average.

Figure 3: Average Annual Percent Change in the Number of Permanent Career Employees by Agency, 2004-2012



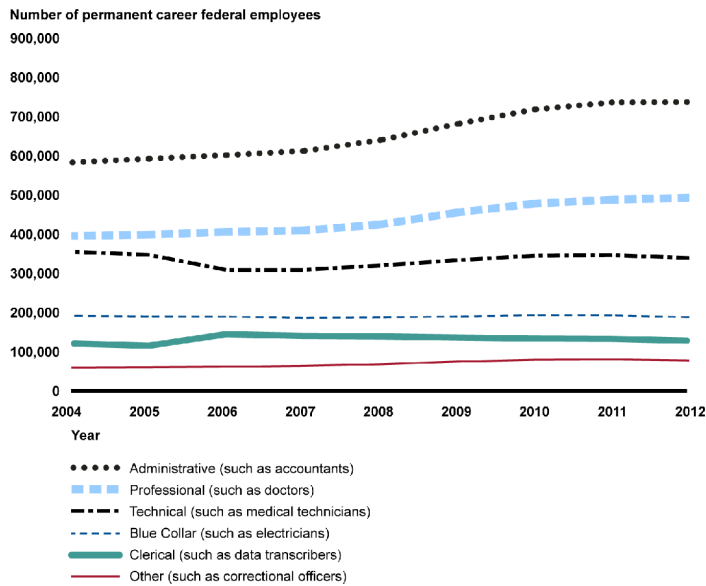
Source: GAO analysis of data from the OPM Enterprise Human Resources Integration Statistical Data Mart.

Government-wide, Professional and Administrative Occupations Had the Most Employees as Well as the Largest Rate of Growth

- In terms of rate of growth, the number of employees in professional and administrative positions increased from 2004 to 2012. Employees in professional positions, which include doctors and scientists, increased by about 97,000, from 394,981 in 2004 to 492,309 in 2012 (24.6 percent). Employees in administrative positions, which include such positions as financial and program managers, increased by about 154,000, from 582,509 in 2004 to 736,423 in 2012 (26.4 percent).
- Of the more than 256,000 permanent career employees added from 2004 through 2012, professional positions accounted for about 38 percent of the overall increase. The largest growth was in administrative positions, which accounted for 60 percent of the total positions added over that time.
- The number of employees working in technical and blue collar positions decreased slightly from 2004 through 2012.

As we have previously reported,²⁰ today's federal jobs require more advanced skills at higher grade levels than federal jobs 30 years ago. As a result, the composition of the federal workforce has changed, with the need for clerical and blue collar occupations diminishing and professional and administrative occupations increasing.

Figure 4: Administrative and Professional Occupations Had the Most Federal Civilian Employees as well as the Greatest Increase in the Number of Employees, 2004-2012



Source: GAO analysis of data from the OPM Enterprise Human Resources Integration Statistical Data Mart.

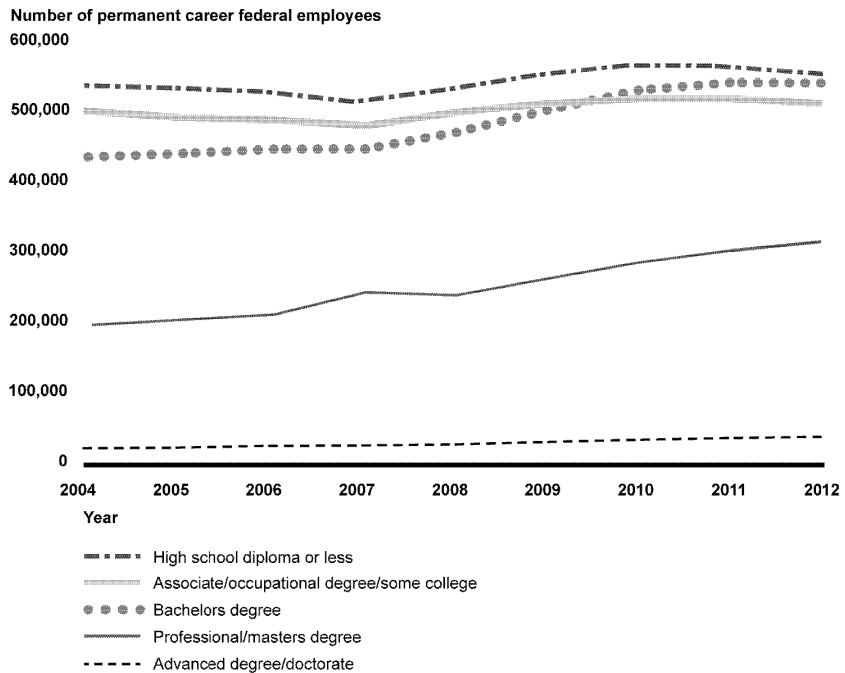
²⁰ GAO, *Federal Workers: Results of Studies on Federal Pay Varied Due to Differing Methodologies*, GAO-12-564 (Washington, D.C.: June 22, 2012).

Employees with at Least a Bachelor's Degree Accounted for Most of the Increase in Federal Employees

Trends in the education level of the career permanent workforce may reflect the growth in professional and administrative positions, many of which require advanced skills and degrees.

- Of the more than 256,000 permanent career employees added by the federal government from 2004 to 2012, about 240,000 (or 93 percent) had at least a bachelor's degree. Specifically, of the more than 256,000 permanent career employees added from 2004 to 2012, about 105,000 (40.8 percent) had a bachelor's degree and an additional 135,000 (52.5 percent) had at least a master's degree.
- The number of employees in each educational category increased from 2004 to 2012. The largest increase was for those employees with a master's or professional degree (a 55.7 percent increase). The smallest increases came from those with a high school diploma (a 2.5 percent increase) or either an associate's degree or some college (a 1.2 percent increase).

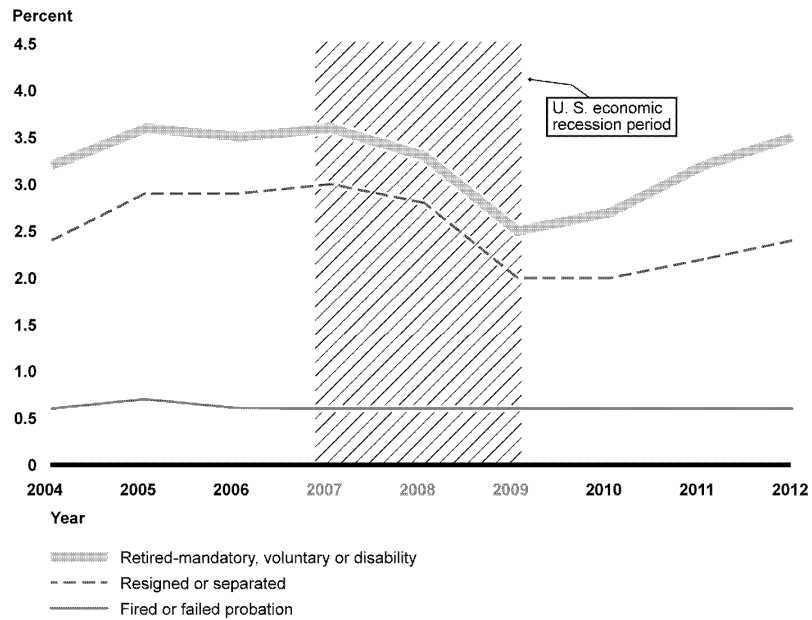
Figure 5: Change in the Composition of the Federal Civilian Workforce by Education, 2004-2012



Employee Attrition Declined During the Recession and Has Since Been Increasing

- The recession that—according to the National Bureau of Economic Research—began in December 2007 and continued through June 2009 corresponds to the dip in retirement and other separation rates. According to OPM officials, when the economy is weak, separation rates decrease.
- From 2004 to 2007, the years leading up to the recession, the retirement rate fluctuated from 3.2 to 3.6 percent. Beginning at the end of 2007, the recession saw retirement rates decline to 3.3 percent in 2008, 2.5 percent in 2009, and 2.7 percent in 2010 before increasing again to 3.5 percent in 2012.
- Employee resignations increased from 2.4 percent in 2004 to a high of about 3 percent in 2007 before trending downward to 2 percent in both 2009 and 2010. In 2012, resignations increased to about 2.4 percent.
- The level of employees who were either fired or failed probation remained relatively stable (between 0.6 and 0.7 percent) from 2004 through 2012.

Figure 6: Attrition Rates among Career Federal Civilian Employees, 2004-2012

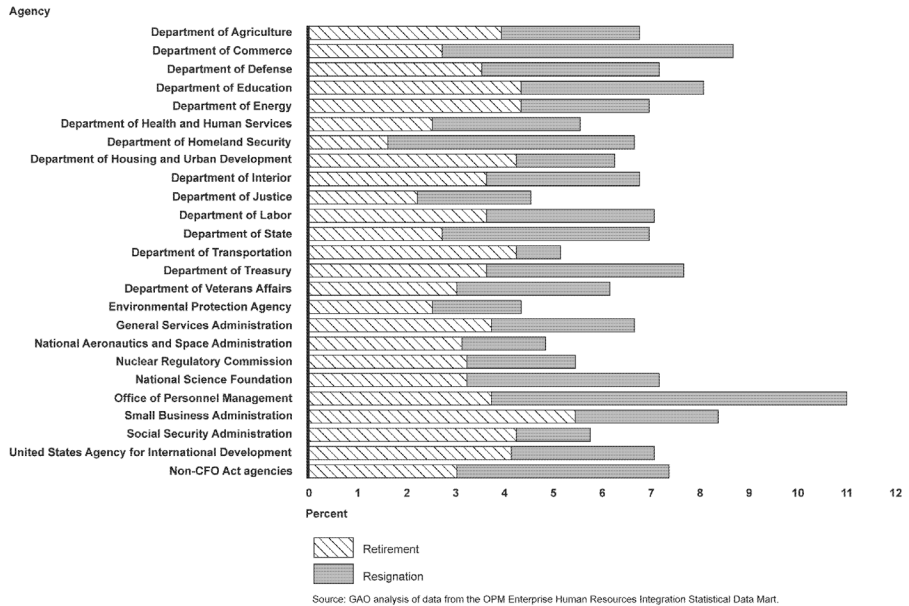


Source: GAO analysis of data from the OPM Enterprise Human Resources Integration Statistical Data Mart.

Employee Attrition Varied by Agency

- Government-wide, from 2004 to 2012, the average annual retirement rate was 3.5 percent and the average annual resignation rate was 2.4 percent, for a combined separation rate of 5.9 percent.
- Those agencies with the highest average annual retirement rates were the Small Business Administration (SBA) (5.4 percent); the Departments of Energy (4.3 percent), Education (4.3 percent), and Transportation (4.2 percent); the Social Security Administration (4.2 percent); the Department of Housing and Urban Development (HUD) (4.2 percent); and USAID (4.1 percent).
- Those agencies with the highest average annual separation rates were OPM (10.9 percent), the Department of Commerce (8.6 percent), SBA (8.3 percent), and the Department of Treasury (8.2 percent).
- OPM, whose average annual retirement rate was 3.7 percent, had 7.2 percent of its staff (on average) resign their positions within the agency each year between 2004 and 2012. Each year of the same time period, Commerce lost 2.7 percent of its staff (on average) to retirement and 5.9 percent to resignation.

Figure 7: Average Annual Percentage of Retirements and Resignations by Agency, 2004-2012

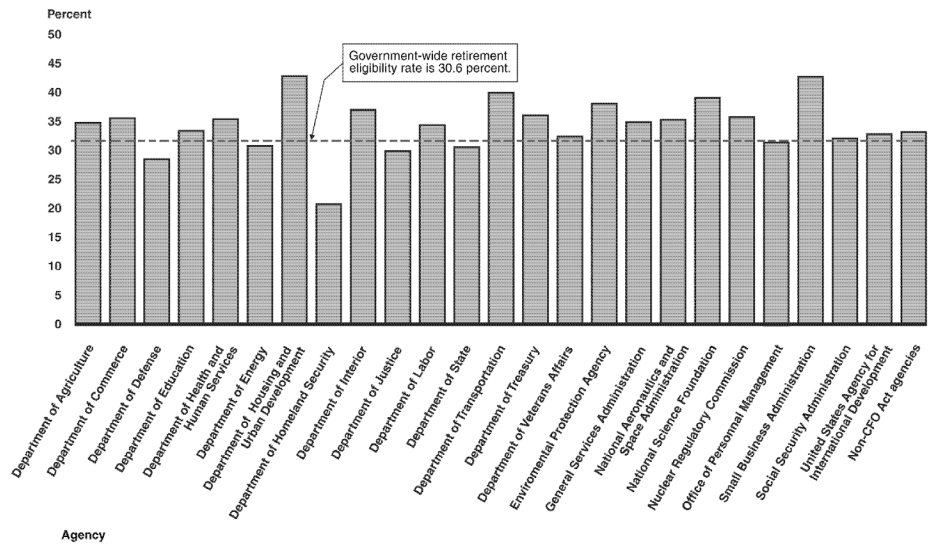


About 30 Percent of Employees On Board as of September 2012 Will Become Eligible to Retire by September 2017

Retirement Eligibility Rates Vary Across Agencies

- Government-wide, by September 2017, 30.6 percent of all career permanent employees who were on board in September 2012 will be eligible to retire.
- Across agencies, by 2017 retirement eligibility rates are projected to range from 21.4 percent (DHS) to 42.7 percent (HUD).
- The high projected retirement eligibility rates across government underscore the importance of effective succession planning, including determining the critical skills and competencies that will be needed to achieve current and future programmatic results; developing strategies that are tailored to address gaps in the number, deployment, and alignment of all critical skills and competencies; and monitoring and evaluating progress toward human capital goals.

Figure 8: Percent of Career Permanent Employees On Board in 2012 Eligible to Retire by 2017 by Agency

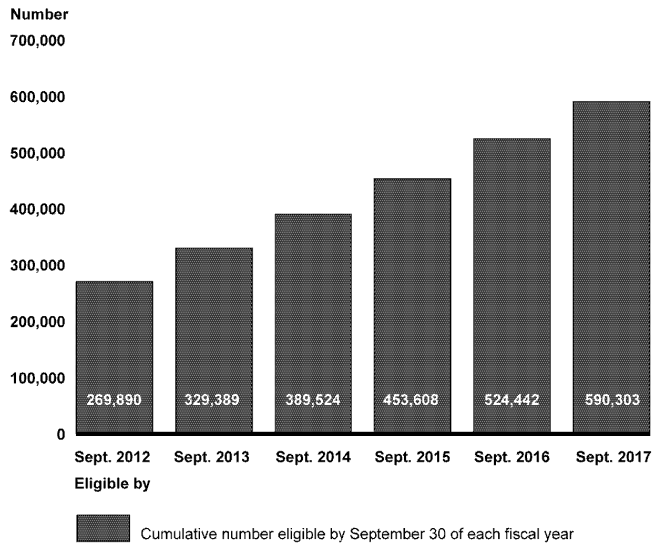


Source: GAO analysis of data from the OPM Enterprise Human Resources Integration Statistical Data Mart.

Government-wide, at Least 59,000 Employees Will Be Eligible to Retire Each Year from September 2012 through September 2017

- At least 59,000 career permanent employees are projected to become eligible to retire each year from September 2012 through September 2017, for a total of about 300,000.²¹ By September 2017, nearly 600,000 of the 2012 on board employees will be eligible to retire.
- Although a number of factors determine when employees actually retire, a 2008 OPM study found that the median number of years an employee stays with the government after first becoming retirement-eligible is 4 years, although nearly 25 percent remain for 9 years or more.

Figure 9: Cumulative Number of Permanent Career Federal Employees Eligible to Retire, 2012-2017



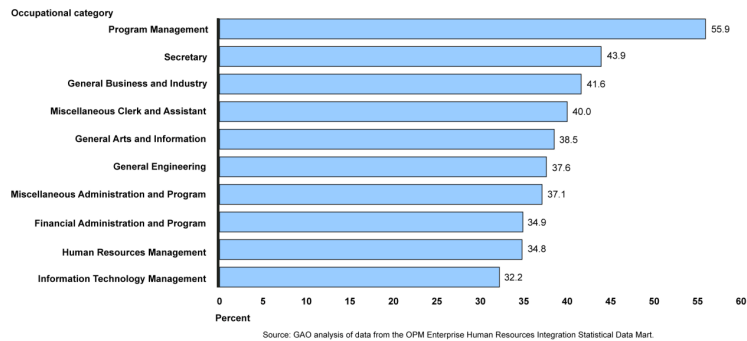
Source: GAO analysis of data from the OPM Enterprise Human Resources Integration Statistical Data Mart.

²¹ These projected retirement eligibility rates do not take into account hiring and separations that may occur over the next 5 years.

Retirement Eligibility Rates Will Vary by Occupational Category

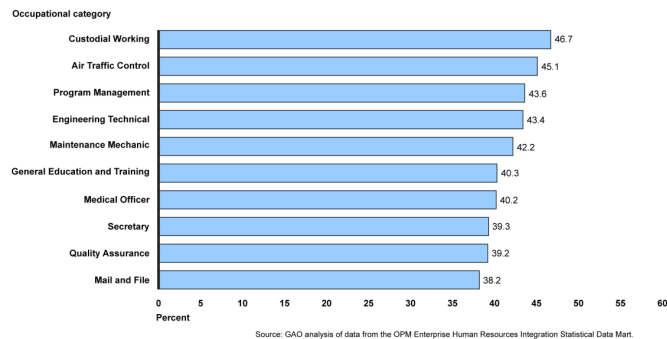
At midsize CFO Act agencies,²² certain occupational categories may face significantly higher turnover rates compared to others by September 2017. For example, 56 percent of employees on board in 2012 involved in program management will be eligible to retire.

Figure 10: Top 10 Occupational Categories with the Highest Percent Eligible to Retire by September 2017 within Midsize CFO Act Agencies



Among large CFO Act agencies, by September 2017, nearly 44 percent of federal employees involved in program management will be eligible to retire. Other occupational categories, such as air traffic controller, are agency-specific. With 45.1 percent of air traffic controllers on board as of 2012 becoming eligible to retire by September 2017, DOT's mission could be affected without adequate succession planning. Similarly, over 40 percent of medical officers will be eligible to retire by September 2017.

Figure 11: Top 10 Occupational Categories with the Highest Percent Eligible to Retire by September 2017 within Large CFO Act Agencies

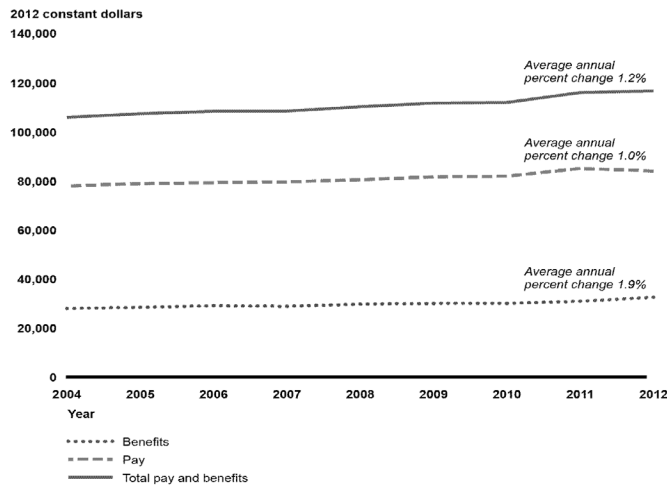


²² As defined by the Partnership for Public Service, large agencies are those with more than 15,000 full-time permanent employees. Midsize agencies are those with between 1,000 and 14,999 full-time permanent employees.

Spending on Pay and Benefits per FTE Increased from 2004 to 2012, but at a Lower Rate than Overall Compensation Spending

- Government-wide spending on pay and benefits per full-time equivalent (FTE)²³ position rose from \$106,097 in 2004 to \$116,828 in 2012, an average annual increase of 1.2 percent and about a 10 percent increase overall.
- Government-wide spending on pay per FTE rose from \$78,085 in 2004 to \$84,247 in 2012, an annual increase of about 1 percent and a 7.9 percent increase overall.
- Government-wide spending on benefits per FTE rose from \$28,012 in 2004 to \$32,581 in 2012, an average annual increase of 1.9 percent and a 16.3 percent overall increase. According to OMB, the government's contribution to the Federal Employees Health Benefits (FEHB) program rose, on average, 5.2 percent from 2004 to 2011 and 4.7 percent from 2011 to 2012.²⁴ According to OMB, increases could also be attributable to shifts and changes in the population under FEHB, with new employees picking more expensive health plans, or to current employees shifting to more costly plans due to age or life events (e.g., marriage, family).
- Government-wide spending on pay and benefits increased by \$51 billion, from \$193.2 billion to \$244.3 billion (an average annual increase of 3 percent and an overall increase of 26.4 percent) from 2004 to 2012. According to OMB, a portion of this increase is due to the growth in employment levels at the DOD, State, Department of Justice, DHS, and VA, to across-the-board pay increases, to locality pay adjustments, and to federal agencies' share of annual health benefits premium increases.

Figure 12: Overall Government-wide Spending on Pay and Benefits, 2004 - 2012



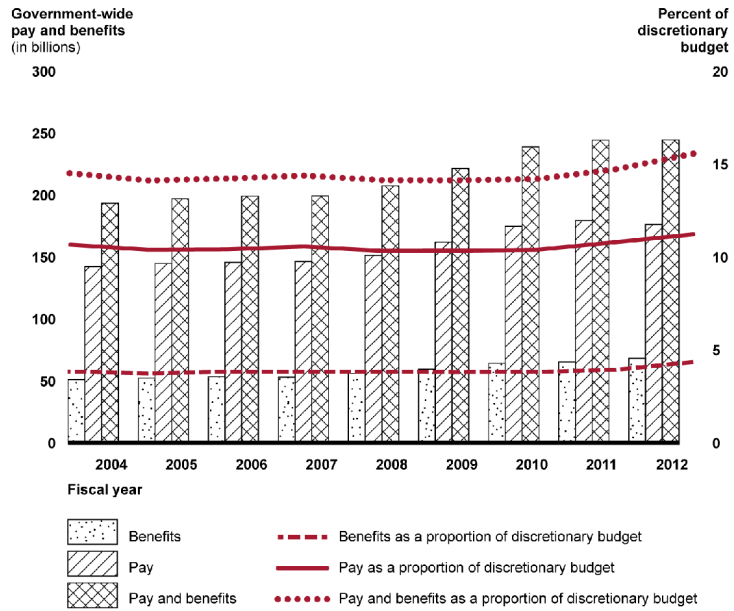
²³ FTEs reflect the total number of regular straight-time hours (i.e., not including overtime or holiday hours) worked by employees, divided by the number of compensable hours applicable to each fiscal year. As an example, 2 employees working half time would be the equivalent of 1 FTE. Annual leave, sick leave, and compensatory time off, and other approved leave categories are considered to be hours worked for purposes of defining FTE employment.

²⁴ The federal government's share of premiums paid is set by law. For most employees and annuitants, the government contribution equals the lesser of (1) 72 percent of amounts OPM determines are the program-wide weighted average of premiums in effect each year, for Self Only and for Self and Family enrollments, respectively, or (2) 75 percent of the total premium for the particular plan an enrollee selects.

While Spending on Compensation Increased from 2004 to 2012, it Remained Relatively Constant as a Proportion of the Federal Discretionary Budget

- While government-wide spending on pay and benefits increased by \$51 billion from 2004 to 2012, spending on pay and benefits as a proportion of the federal discretionary budget remained relatively constant at about 14 percent from 2004 to 2010, with slight increases in 2011 and 2012.²⁵
- The proportion spent on pay increased by 0.6 percent and the proportion spent on benefits increased by 0.5 percent from 2004 to 2012.

Figure 13: Spending on Federal Employee Pay and Benefits, 2004-2012



Source: GAO analysis of data from OMB MAX Information System.

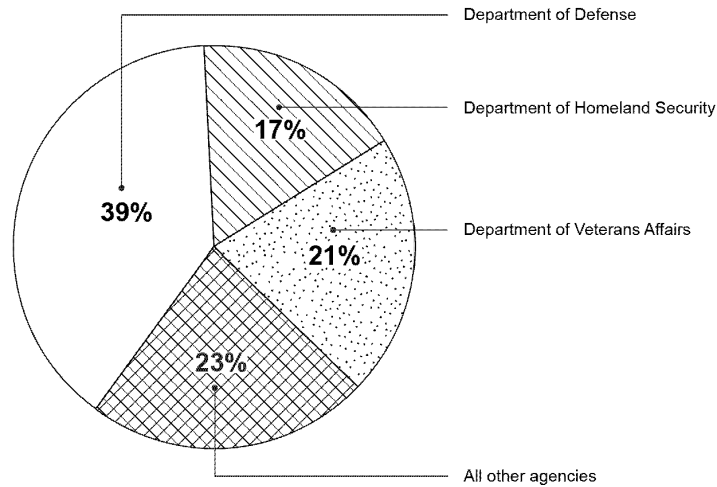
²⁵ OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, defines the pay and benefits categories we use in this report. Pay includes payments to full-time permanent employees, to part-time permanent and temporary employees, and pay for overtime, holiday pay, and payments above the basic rate for night work, and other types of premium pay, among other components. The benefits category includes federal agency contributions to life insurance, health insurance, and employee retirement benefits as well as recruitment bonuses and other payments.

DOD, VA, and DHS Accounted for 77 Percent of the Increase in Spending on Pay and Benefits

Of the \$51 billion increase in spending on pay and benefits from 2004 to 2012, DOD, VA, and DHS accounted for 77 percent. As shown previously, these three agencies accounted for 94 percent of the growth in permanent career employees.

- DOD accounted for 39 percent of the increase. DOD's spending on pay and benefits increased by \$19.9 billion, a 32.6 percent increase from 2004 to 2012. The spending increase at DOD is primarily attributable to the growth in the size of DOD's civilian workforce.
- VA accounted for 20.6 percent of the increase. VA's spending on pay and benefits increased by \$10.5 billion, a 53.4 percent increase from 2004 to 2012. As mentioned earlier, VA increased staffing primarily to meet increased demand for medical and health-related services related to the wars in Iraq and Afghanistan.
- DHS accounted for 17.3 percent of the increase. DHS's spending on pay and benefits increased by \$8.8 billion, a 64.4 percent increase from 2004 to 2012. According to DHS officials, this increase is partially attributable to increases in overall law enforcement personnel, in particular at Customs and Border Protection, the component within DHS that is responsible for securing the border and facilitating lawful international trade and travel.

Figure 14: Percent of Total Increase in Pay and Benefits by Agency from 2004-2012



Source: GAO analysis of data from the OMB MAX Information System.

Some Agencies Had a Substantial Increase in Spending on Pay and Benefits as a Percent of their Discretionary Budget from 2004 to 2012

- USAID's spending on pay and benefits increased from \$361 million to \$762 million (a 111 percent increase) from 2004 to 2012.
- According to OMB, personnel levels at USAID have increased due in part to increased levels of hiring for the foreign and civil service, temporary appointments, and local hires. These additional staff were brought on board to address increased security needs, consular service growth, and the growth in civilian response to stabilize Iraq and Afghanistan. Related to Iraq and Afghanistan, an increased number of employees received hardship differentials, danger pay, overtime, and other incentives.
- Spending on pay and benefits at three agencies increased by more than 50 percent, including DHS, from \$13.7 billion to \$22.5 billion (a 64.4 percent increase), State, from \$3.9 billion to \$6 billion (a 56.3 percent increase), and VA, from \$19.7 billion to \$30.2 billion (a 53.4 percent increase). As noted earlier, DHS and VA, along with DOD, were responsible for most of the increase in hiring from 2004 to 2012.

Table 1: Spending on Pay and Benefits for Agencies with More than a 50 Percent Increase in Spending from 2004-2012

Billions of 2012 constant dollars

CFO Act agency	2004	2005	2006	2007	2008	2009	2010	2011	2012	Percent change
United States Agency for International Development	0.36	0.38	0.43	0.45	0.46	0.53	0.65	0.74	0.76	110.9
Department of Homeland Security	13.7	15.1	15.8	16.6	17.9	19.7	21.1	22.1	22.5	64.4
Department of State	3.9	4.3	4.3	4.4	4.6	5.3	5.5	5.7	6.0	56.3
Department of Veterans Affairs	19.7	20.2	20.6	21.5	23.9	26.6	28.7	29.9	30.2	53.4

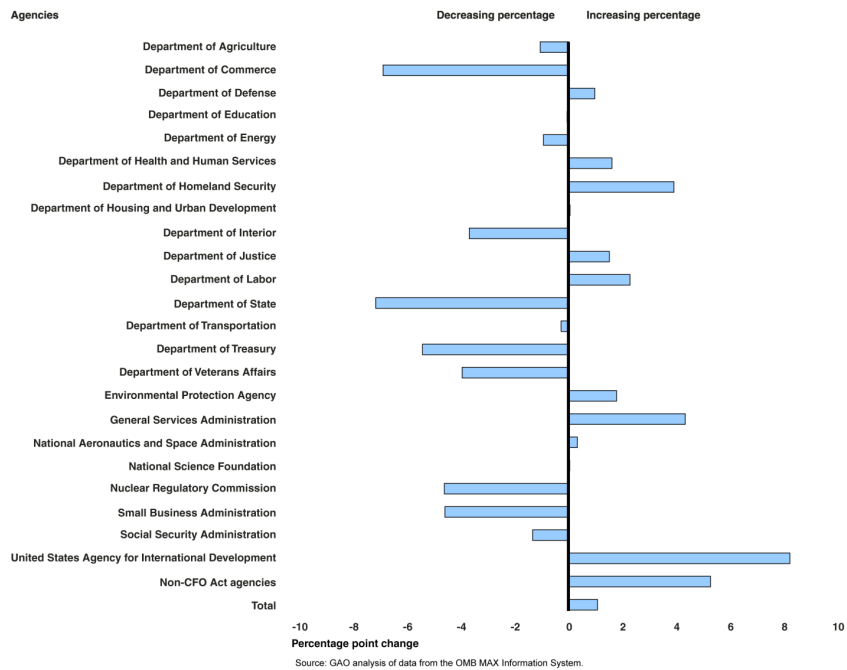
Source: GAO analysis of data from the OMB Max Information System.

While the Proportion of the Government-wide Discretionary Budget Spent on Pay and Benefits Generally Stayed Constant, Some Agencies Saw Changes in the Proportion Spent from 2004 to 2012

Of the CFO Act agencies (excluding OPM), 12 decreased the proportion of their discretionary budget spent on pay and benefits from 2004 to 2012, while 11 increased the proportion.²⁶ The agencies with the greatest changes in the proportion of their discretionary budget spent on pay and benefits from 2004 to 2012 include the following:

- USAID, whose spending rose from 5.8 percent to 14 percent (an 8.2 percentage point increase)
- State, whose spending declined from 24 percent to 16.9 percent (a 7.2 percentage point decrease)
- Commerce, whose spending declined from 44.3 to 37.4 percent (a 6.9 percentage point decrease)

Figure 15: Percentage Point Change for Each Agency's Discretionary Budget Spent on Pay and Benefits, 2004- 2012 (Excluding OPM)

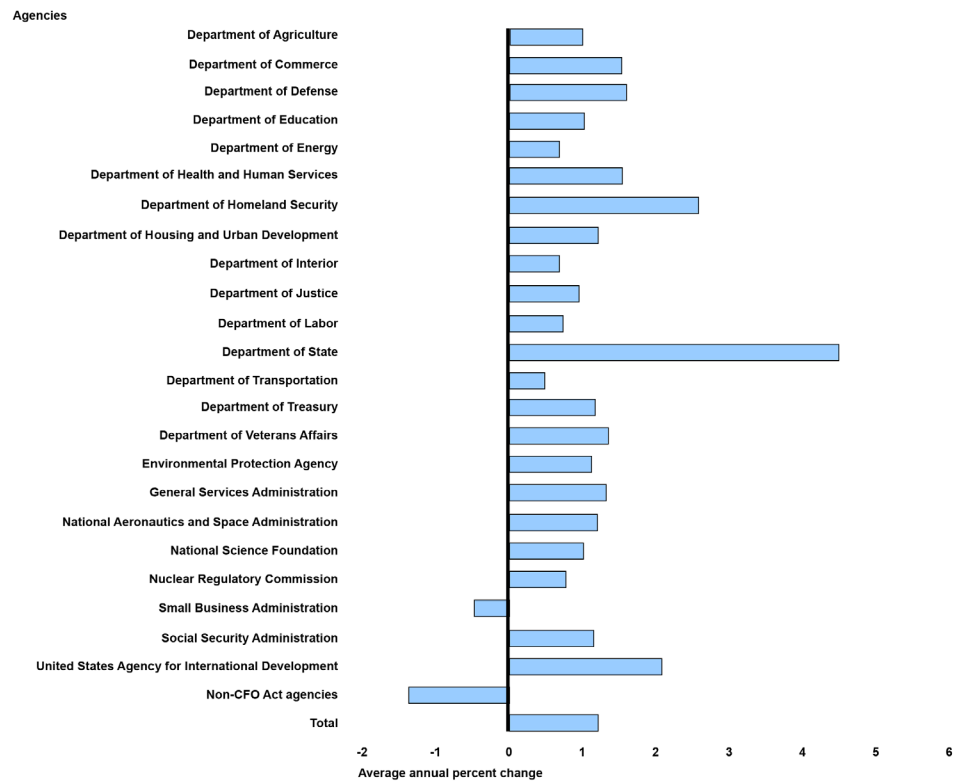


²⁶ OPM, one of the 24 CFO Act agencies, was excluded from this analysis. OPM budget data include pay and benefit obligations for government-wide programs which they operate. For example, OPM's totals include payments to the Civil Service Retirement and Disability Fund. These government-wide programs make the agency's spending on payment benefits not comparable to those of other agencies.

While Government-wide Pay and Benefits per FTE Increased Slightly from 2004 to 2012, Some Agencies Saw a More Pronounced Change

- Pay and benefits per FTE increased by an average of 1.2 percent per year from 2004 to 2012. However, some agencies saw more pronounced increases. For example, State's spending on pay and benefits per FTE increased by 4.5 percent per year (on average) while USAID's spending on pay and benefits per FTE increased at an average annual rate of 2.1 percent.
- According to OMB, a contributing factor is a change in pay policy that provides a pay increase for Foreign Service officers. Another factor is that there have been an increased number of employees receiving hardship differentials, danger pay, overtime, and other types of incentive pay. These increases reflect State's and USAID's mission in Iraq and Afghanistan and the increased threat levels worldwide.
- DHS's spending on pay and benefits per FTE increased at an average annual rate of 2.6 percent, which, according to OMB, was partially attributable to an increase in law enforcement personnel.

Figure 16: Average Annual Percent Change in Pay and Benefits per FTE by Agency, 2004-2012 (Excluding OPM)



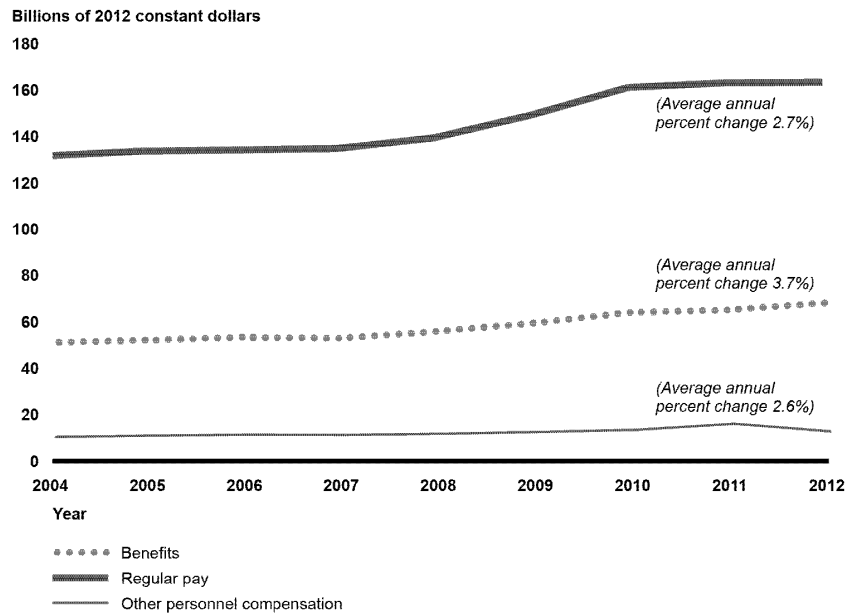
48 Percent of the Increase in Spending on Pay from 2004 to 2012 Is Attributable to a Shift toward More Professional and Administrative Occupations, which Require Higher Levels of Education

- Average base pay for all federal civilian employees increased from \$70,775 in 2004 to \$75,947 in 2012 (a 7.3 percent increase). Nearly half (48 percent) of this increase can be explained by a shift toward more employees working in professional and administrative occupations from 2004 to 2012. Specifically, the percentage of federal civilian employees working in either professional or administrative occupations, many of which, as noted earlier, require advanced skills and degrees, grew from 56.2 percent of the total federal workforce in 2004 to 61.9 percent in 2012.
- Even if there had been no change in pay for the occupations, the changing composition of the federal workforce would have caused average federal pay in 2012 to be \$73,229, as opposed to the actual average of \$75,947. Consequently, the change in the proportion of employees working in professional and administrative occupations accounts for nearly half of the overall increase in spending on pay from 2004 to 2012.

Spending on Benefits for Federal Civilian Employees Grew Faster than Spending on Pay from 2004 to 2012

Spending on benefits, which was partially driven by increases in the government's contribution to the FEHB program, increased by an average annual rate of 3.7 percent from 2004 to 2012, a larger proportional increase than spending on regular pay,²⁷ which increased by an average annual rate of 2.7 percent. In addition, other personnel compensation (which includes overtime, holiday pay, night work differential, hazardous duty pay, and other payments above the basic rates) increased by an average annual rate of 2.6 percent from 2004 to 2012.

Figure 17: Spending on Pay and Benefits from 2004-2012 for Selected Categories with Average Annual Percent Change



²⁷For the purposes of this report, regular pay includes pay for full-time permanent federal civilian employees and for part-time and temporary employees.

Appendix II: Scope and Methodology

To analyze workforce and turnover trends, we used OPM's Enterprise Human Resources Integration Statistical Data Mart (EHRI-SDM),¹ which contains personnel action and on board data for most federal civilian employees. We analyzed agency-level EHRI data for the 24 Chief Financial Officers (CFO) Act agencies,² which represent the major departments (such as the Department of Defense) and most of the executive branch workforce. We analyzed EHRI data starting with fiscal year 2004 because personnel data for DHS (which was formed in 2003 with a mix of new hires and transfers from other agencies) had stabilized by 2004. We selected 2012 as the endpoint because it was the most recent, complete fiscal year of data available during most of our review. We analyzed on board trends for most of the executive branch workforce, including temporary and term limited employees. However, we focused on career permanent employees in our analysis of separation trends, retirement eligibility, and changes in occupational categories and education levels because these employees comprise most of the federal workforce and become eligible to retire with a pension, for which temporary and term limited employees are ineligible. To calculate the number of federal civilian employees, we included all on board staff, regardless of their pay status. In addition, we excluded foreign service workers at the State Department since those employees were not included in OPM data for the years after 2004.

We examined on board, attrition, and retirement eligibility trends by agency, occupation, and education level. Occupational categories include Professional, Administrative, Technical, Clerical, Blue Collar, and Other white-collar (PATCO) groupings and are defined by the educational requirements of the occupation and the subject matter and level of difficulty or responsibility of the work assigned. Occupations within each category are defined by OPM and education levels are defined by OPM as the extent of an employee's educational attainment from an accredited institution. We grouped education levels to reflect categories of degree attainment, such as a bachelor's or advanced degree.

¹ EHRI (formerly Central Personnel Data File-CPDF) is the primary government-wide source for information on federal employees. The EHRI data we analyzed include executive branch civilian employees, and do not include the postal service, legislative or judicial branch employees, or intelligence agencies. OPM transitioned from CPDF to EHRI as of fiscal year 2010.

² The CFO Act agencies are the executive branch agencies listed at 31 U.S.C. § 901(b).

To calculate attrition rates, we added the number of career permanent employees with personnel actions indicating they had separated from federal service (for example, resignations, retirements, terminations, and deaths) and divided that by the 2-year on board average. To calculate retirement eligibility for the next 5 years, we computed the date at which the employee would be eligible for voluntary retirement at an unreduced annuity, using age at hire, years of service, birth date, and retirement plan coverage.

We assessed the reliability of the EHRI data through electronic testing to identify missing data, out of range values, and logical inconsistencies. We also reviewed our prior work assessing the reliability of these data³ and interviewed OPM officials knowledgeable about the data to discuss the data's accuracy and the steps OPM takes to ensure reliability. On the basis of this assessment, we believe the EHRI data we used are sufficiently reliable for the purpose of this report.⁴

To assess the extent to which federal civilian employee compensation has changed as a percentage of total discretionary spending from fiscal year 2004 through 2012, we analyzed discretionary outlays from OMB's MAX Information System⁵, which captures compensation costs as gross obligations, hereafter referred to as "spending."⁶ We analyzed spending on employee compensation as a ratio of federal discretionary spending (as opposed to other baseline measures, such as total federal spending

³ For example, GAO, *Women's Pay: Gender Pay Gap in the Federal Workforce Narrows as Differences in Occupation, Education, and Experience Diminish*, [GAO-09-279](#) (Washington, D.C.: Mar. 17, 2009) and GAO, *Federal Workers: Results of Studies on Federal Pay Varied Due to Differing Methodologies*, [GAO-12-564](#) (Washington, D.C.: June 2012).

⁴ We previously reported that government wide data from CPDF were 96 percent or more accurate. See GAO, *OPM's Central Personnel Data File: Data Appear Sufficiently Reliable to Meet Most Customer Needs*, [GAO/GGD-98-199](#) (Washington, D.C.: Sept. 30, 1998). Also, in a document dated February 28, 2008, an OPM official confirmed that OPM continues to follow the CPDF data quality standards and procedures contained in our 1998 report.

⁵ OMB's MAX Information System is a database used to support the federal management and budget process. The system collects, validates, analyzes, models, and publishes information relating to government-wide management and budgeting activities.

⁶ In customary use, "gross" refers to the sum or total value of a transaction before reduction by applicable offsets. Gross obligations refer to budgetary totals from which offsetting collections (such as user fees) have not been deducted.

or gross domestic product) because discretionary spending—that is, spending that is decided upon by Congress each fiscal year through annual appropriations acts—includes personnel costs as well as other operational and program expenses (such as equipment and contracts) that agencies incur to carry out their mission. As a result, the ratio of compensation to discretionary spending enabled us to compare personnel costs to other agency spending. Moreover, using discretionary spending as a baseline allowed us to present this information for both the entire federal government as well as for an individual agency. Obligations data are reported in object classes, which are categories that present obligations by the type of expenditure.⁷ We analyzed the object class, “personnel compensation and benefits,” for executive branch agencies in our analysis.⁸ Because OMB does not distinguish between mandatory and discretionary spending categories when reporting on budget obligations, we used outlays as a proxy for pay and benefits obligations. According to a senior OMB official, this approach is appropriate for pay and benefits spending categories because most (or all) of the budget authority for these categories is obligated in the same year that it is authorized, resulting in similar numbers between outlays and obligations.

We analyzed pay and benefits per full time equivalent (FTE) based on the MAX database designation for FTEs.⁹ To assess the reliability of the MAX data, we performed electronic testing and cross-checked it against the numbers reported in the President’s Budget. In addition, we interviewed OMB officials to understand any discrepancies in the data. For example, we met with OMB officials and provided them our initial results to determine whether we were accurately representing spending on pay and benefits. Based on these discussions, we made adjustments to our scope and methodology, as appropriate. Based on our assessment, we believe these data are sufficiently reliable for the purpose of this report.

⁷ Office of Management and Budget, *Preparation, Submission, and Execution of the Budget*, OMB Circular A-11 (Washington, D.C.: July 2013).

⁸ The U.S. Postal Service, legislative and judicial branches, intelligence agencies and personnel, and non-civilian federal employees are excluded from our analysis.

⁹ FTEs reflect the total number of regular straight-time hours (i.e., not including overtime or holiday hours) worked by employees, divided by the number of compensable hours applicable to each fiscal year. Annual leave, sick leave, compensatory time off, and other approved leave categories are considered to be “hours worked” for purposes of defining FTE employment.

To determine the factors contributing to workforce, turnover, and compensation trends in the civilian workforce from 2004 to 2012, we interviewed officials at the Office of Personnel Management (OPM), Office of Management and Budget (OMB), Department of Defense (DOD), Veterans Administration (VA), and the Department of Homeland Security (DHS).

We conducted this performance audit from June 2012 to January 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact

Robert Goldenkoff, (202) 512-2757 or goldenkoffr@gao.gov.

Staff Acknowledgments

Robert Goldenkoff (Director), Trina Lewis (Assistant Director), and Chelsa Gurkin (Assistant Director) managed this assignment. Jeffrey Schmerling (Analyst-in-Charge) and Wesley Sholtes (Analyst) made key contributions to all aspects of the work. Ben Bolitzer, Sara Daleski, and John Mingus provided assistance with data analysis. Karin Fangman and Sabrina Streagle provided legal support; Robert Gebhart provided key assistance with message development and writing. Robert Robinson provided key assistance with graphics and Rebecca Shea provided methodological assistance.

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