OFRA
OFFICE FOR FISCAL AND REGULATORY ANALYSIS

OFRA SIMULATION S2025–001

Table: Fiscal Effect of Reducing Federal Civilian Workforce in Different Scenarios[1]		
Calibration: OFRA Quick Score[2] **Budget Window:** 2025–2034		
Scenario	**Source of Fiscal Effect**	**Net Revenue Change Over Budget Window ($ billion)**
10-Percent Reduction		
Baseline: Current policy[3] **Reform:** 10-percent reduction of federal workforce in 2025[4]	Decrease in compensation spending	414.0
	Increase in productivity	20.9
	Total	**434.9**
Baseline: Current policy **Reform:** 10-percent reduction of federal workforce every year during 2025–2028[5]	Decrease in compensation spending	1,243.3
	Increase in productivity	65.4
	Total	**1,308.7**
20-Percent Reduction		
Baseline: Current policy **Reform:** 20-percent reduction of federal workforce in 2025[6]	Decrease in compensation spending	828.1
	Increase in productivity	43.9
	Total	**872.0**
Baseline: Current policy **Reform:** 20-percent reduction of federal workforce every year during 2025–2028[7]	Decrease in compensation spending	2,167.3
	Increase in productivity	115.5
	Total	**2,282.8**
40-Percent Reduction		
Baseline: Current policy **Reform:** 40-percent reduction of federal workforce in 2025[8]	Decrease in compensation spending	1,656.2
	Increase in productivity	89.3
	Total	**1,745.5**

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Source: Tax-Calculator (v.4.3.4); OG-USA (v.0.2.1); Tax-Microdata-Benchmarking (v.0.5.0); Edward Glaeser and Matthew Resseger (2010), "The Complementarity Between Cities and Skills," *Journal of Regional Science*, 50: 221–244; Congressional Budget Office, *Comparing the Compensation of Federal and Private-Sector Employees in 2022* (April 2024), www.cbo.gov/publication/59970. See github.com/PSLmodels for open-source code.

1. The effect of a federal civilian workforce reduction on the budget is extrapolated from two sources.
   a. A reduction in the federal workforce means a reduction of spending on federal employees' compensation. According to the Congressional Budget Office (2024), the federal government spent roughly $271 billion in 2022 on federal employees' compensation, excluding those in the Postal Service. We scale this compensation spending to include that of the Postal Service and inflation-adjust it over the budget window.
   b. Population density is known to have an effect on productivity. According to Glaeser and Resseger (2010), $\ln(productivity) = 0.13 \times \ln(population) + 9.3$, which implies, for example, that doubling the population would mean a 9.42% increase in productivity, and halving the population would mean an 8.62% decrease in productivity. The simulations here assume that the civilians leaving the federal workforce (about 3 million total as of October 2024) will join the private sector (about 135.5 million) or state or local governments (about 20.5 million). Therefore, a 10% reduction of civilian federal workforce (or 0.3 million) would mean a 0.025% increase in productivity.
2. OFRA Quick Score is calibrated using a mixture of conventional and dynamic models for revenue and spending simulations.
3. The current policy baseline assumes that the Tax Cuts and Jobs Act's temporary provisions are extended beyond 2025.
4. This reform assumes that the federal civilian workforce will be reduced by 10% in 2025, but there will be no more net employment flow between the federal and private sectors after 2025.
5. This reform assumes that the federal civilian workforce will be reduced by 10% every year from 2025 to 2028, but there will be no more net employment flow between the federal and private sectors after 2028.
6. This reform assumes that the federal civilian workforce will be reduced by 20% in 2025, but there will be no more net employment flow between the federal and private sectors after 2025.
7. This reform assumes that the federal civilian workforce will be reduced by 20% every year from 2025 to 2028, but there will be no more net employment flow between the federal and private sectors after 2028.
8. This reform assumes that the federal civilian workforce will be reduced by 40% in 2025, but there will be no more net employment flow between the federal and private sectors after 2025.