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Our federal government today faces challenges of unprecedented complexity, from combating terrorism, to competing in a global marketplace, to fixing our nation's decaying physical infrastructure, to dealing with an aging population at home. As federal agencies grapple with these and other critical issues, their most experienced workers are retiring — and the government is ill-prepared and ill-equipped to replace this talent. By 2012, federal agencies will lose nearly 530,000 employees, many of whom hold leadership and critical skills positions. This challenge is intensified for the federal government because downsizing in the 1990s reduced the size of the federal workforce by nearly 400,000 positions and left agencies with critical skills gaps. Moreover, the war for today's talent is fierce, and the federal government is at a distinct hiring disadvantage with its often slow and antiquated hiring practices.

TROUBLE ON THE HORIZON

Exodus of Talent. Throughout the next five years, about one-third of the federal government's full-time permanent workforce will leave government, the majority through retirement. While the private sector faces similar challenges, the crisis for government is more acute, because its workforce is older. The civil service has far more employees over age 45 (58 percent) than the private sector (41 percent), and the average age of a federal worker is 46 and climbing.

Given these statistics, it comes as no surprise that federal government turnover has increased. From fiscal years 2002 to 2006, annual separations of permanent full-time employees increased from 5 to 6.7 percent. During the same four-year period, the number of full-time permanent employees who voluntarily retired increased by almost 50 percent, from about 30,300 annually to more than 45,000.

Loss of Key Employees. While the numbers alone are alarming, the impact on government effectiveness will be compounded by the concentration of turnover in high-level and supervisory positions, and for agencies with disproportionate numbers of retirees. For example:

- By 2012, 36 percent of the Senior Executive Service will retire.ⁱ The proportion of SESers who will be *eligible* to retire is even higher — 76 percent — meaning actual retirements could be greater than projected. In 2006, several agencies had SES turnover rates of more than 15 percent (e.g., Department of Homeland Security, Federal Trade Commission, Small Business Administration and Office of Personnel Management), meaning that these agencies are losing the civil servants charged with leading the organization.
- Twenty-seven percent of the supervisors who direct the day-to-day work of 1.6 million civil servants will retire by 2012. According to the National Academy of Public Administration, "... even a small deficiency (in federal supervision) could result in a loss of billions of dollars."
- By 2012, retirements at 23 large agencies will top 20 percent of their workforces. These include agencies that provide direct and highly-visible services to the public, such as the Federal Aviation Administration (26 percent of employees projected to leave) and the Social Security Administration (23 percent). The Department of Defense, the largest federal agency, is projected to lose 20 percent of its more than 600,000 employees through retirement. Retirement eligibility percentages in these agencies are even higher.

The brain drain will also hit specific occupations hard. For example, almost 6,300 air traffic controllers (almost one out of every three) are projected to retire by 2012. And, just as 78 million baby boomers reach retirement age, 24 percent (6,500) of Social Security Administration workers will retire by 2012. Likewise, the government is increasingly contracting more work, to the tune of more than \$400 billion annually, at a time when 5,250 (19 percent) of all federal contracting officers are projected to retire by 2012.

TOP TEN AGENCIES WITH HIGHEST PERCENTAGES OF EMPLOYEES PROJECTED TO RETIRE BY 2012

Agency	Percent Retirements
Federal Aviation Administration	26%
Department of Housing and Urban Development	26%
Social Security Administration	23%
Department of Education	22%
Department of Energy	22%
National Science Foundation	22%
General Services Administration	22%
Department of the Interior	21%
Department of Labor	21%
Department of Treasury	21%

Making this challenge even more daunting is the often slow and inefficient federal hiring process, which can take a year or more. Federal employment also requires U.S. citizenship, and more than half of federal employees have college degrees (compared to about one-third of employees in the private sector). These factors further limit the pool of qualified candidates for federal jobs.

NEW APPROACHES NEEDED

There is some good news, too. Some federal agencies are focusing more on mapping their skill needs and hiring new talent. But much more work remains. The Partnership urges agencies to:

- Develop and implement workforce plans that identify and meet future talent needs, with OPM maintaining its leadership role.
- Modify recruiting strategies to attract new talent, including at the mid- and senior- levels.
- Streamline hiring processes, and make greater use of recruitment, retention, and relocation incentives, including student loan repayments.
- Also focus on retention, including taking steps to improve employee satisfaction, and strategically using workforce flexibilities to help retain experienced talent.

We also urge Congress to enact legislation to allow retired federal employees to return to government part-time and still retain their pensions.

The Bottom Line. Heading off this brain drain will require federal agencies to aggressively recruit a new generation of top talent at all levels, will require Congress to conduct much-needed oversight and consider legislative reforms, and will require the American public to hold government accountable for addressing its workforce needs.

ⁱ All retirement projections are from the Office of Personnel Management, based on permanent full-time employees on board as of October 1, 2006. These are the most recent OPM retirement projections.