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BIGGER GOVERNMENT THE GROWING FEDERAL BUREAUCRACY

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SUMMARY

The points discussed in this paper are the following:

- Government spending, deficits, and debt are at record levels. But another important measure of the size of government is the growth of the Federal bureaucracy.
- While the private sector continues to contract, the government is expanding. Since enactment of the “stimulus” bill, the private economy has lost 2.3 million jobs, while the Federal Government has added 25,000.
- These Federal jobs are not temporary positions. Even after excluding defense and the temporary hires for next year’s census, the President’s budget shows the Federal workforce growing by more than 102,000 in 2009 and 2010.
- Moreover, these figures do not reflect the additional Federal jobs likely to result from cap-and-trade legislation, the planned government takeover of health care and student loans, financial regulation, and other parts of the President’s agenda. It all adds up to a hiring spree not seen since the Great Society, according to *The Washington Post*.

INTRODUCTION

Nearly seven months after the President signed his \$787-billion economic “stimulus” bill, the U.S. economy continues to shed jobs, and unemployment continues to rise. But at least one sector has managed to grow: the government itself. The American Recovery and Reinvestment Act has funded about 3,000 government jobs across 14 major agencies, and the Federal workforce overall has expanded by more than 25,000. Several agencies – including the Health Resources and Services Administration, the Recovery Accountability and Transparency Board, the Government Accountability Office, and the Department of Transportation – have made hires *just to oversee “stimulus” spending*.

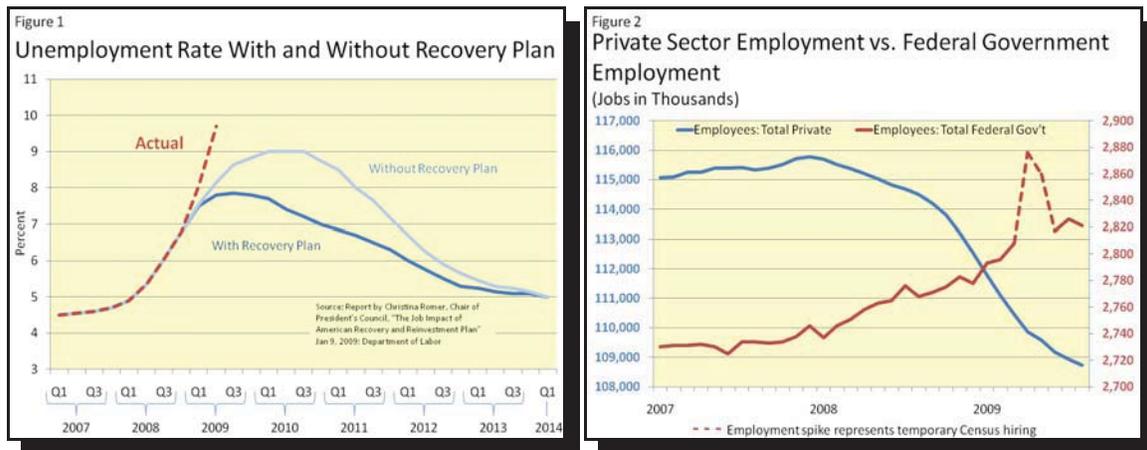
In the 1990s, a Republican Congress achieved significant reductions in the Federal civilian workforce, most of them from the defense drawdown following the end of the Cold War. But in recent years, the Democratic Congress has reversed the trend. Since 2006, Federal employment has grown by more than 15 percent – 20.5 percent in non-defense agencies. The pattern is one clear expression of the overall expanse of government that has occurred in the past 3 years and sharply accelerated this year.

In calling for the “stimulus” bill in February, the President stressed the need to create jobs, but not necessarily by expanding government. “As soon as I took office,” he said, “I asked this Congress to send me a recovery plan by Presidents’ Day that would put people back to work and put money in their pockets. Not because I believe in bigger government – I don’t.”

Yet bigger government is what he and the Congress have pursued, with incursions into the housing market, financial markets, insurance, and the auto industry; and planned takeovers of energy and health care also are in the works. The Federal Government is expected to spend more than \$4 trillion this year, and to run up about \$9 trillion in deficits over the next 10 years. All this spending is being accompanied by an expansion of the permanent Federal workforce. The discussion below describes this pattern.

THE CURRENT JOBS OUTLOOK, PUBLIC AND PRIVATE

If the recession has indeed ended, as some analysts believe, the effect has not shown up in the jobs picture. The administration famously claimed its American Recovery and Reinvestment Act [ARRA] would “save or create” 3 million to 4 million jobs – 90 percent of which were to be in the private sector – and the President’s budget predicted a peak unemployment rate this year of 8 percent. Instead, since the beginning of the year, the economy has lost 3.8 million jobs – 2.3 million of them since the “stimulus” bill was enacted – and unemployment has reached 9.7 percent (up from 7.6 percent when the President took office).



Employment is a “lagging indicator” as an economy returns to expansion. But even with the huge “stimulus” bill in place, and its promise of job creation, many forecasters see a jobless recovery. The Congressional Budget Office projects the unemployment rate reaching 10.2 percent in 2010,¹ and even the administration’s *Mid-Session Review* of the budget sees the figure approaching 10 percent.²

¹ Congressional Budget Office, *The Budget and Economic Outlook: An Update*, August 2009.

² Office of Management and Budget, *Mid-Session Review: Budget of the U.S. Government – Fiscal Year 2010*, August 2009.

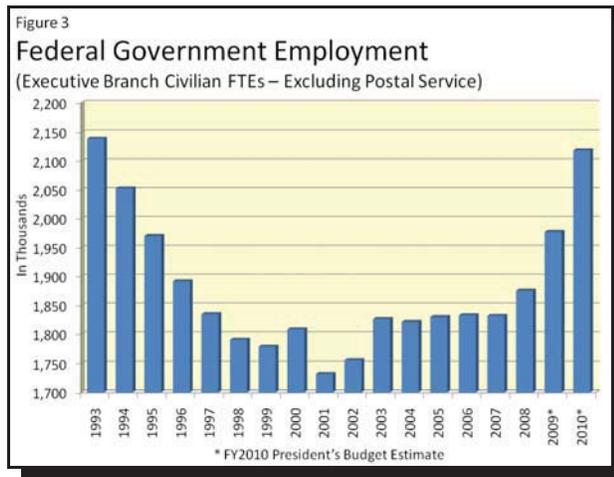
While private-sector employment has continued declining, government has expanded. Federal jobs have increased by 43,000 since the start of the year, 25,000 of which followed enactment of the ARRA.³ But this figure vastly understates the government’s employment growth, because it includes the workforce reduction at the Postal Service. If the USPS is excluded, Federal employment has increased by more than 65,000.

By next year, Federal employment will have risen by 15.6 percent since 2006, the period of Democratic control of Congress – an increase of about 286,000 full-time equivalents [FTEs], according to administration figures (see Table 1 and Table 2 in the appendix of this document).⁴ The growth of non-defense agencies has been larger, at 20.5 percent. Even if the Defense and Commerce Departments are excluded – the latter to account for the large force of temporary hires for next year’s census – Federal civilian employment will have expanded by nearly 12 percent since 2006. The vast majority of this growth – 102,800 positions – will occur in 2009 and 2010 (see Table 1); and this does not include the additional Federal employees who will be needed as a result of cap-and-trade legislation, the planned government takeover of health care, financial regulation, and other components of the President’s agenda.

In other words, while the economy has been shrinking, the government has expanded *in absolute terms*. Since the beginning of the recession, the economy has lost 7 million jobs, while the Federal Government has added 75,000 jobs.

The growth in Federal employment is a significant reversal from Federal workforce declines in the 1990s under the Republican Congress. By 2001, Congress had reduced the Federal civilian workforce by 18.2 percent. Most of the reductions – about 286,000 FTEs – came from the Department of Defense. The remaining 107,000 came from non-defense agencies.

Federal employment rose after 9-11, but held roughly steady through 2007, when government jobs began increasing under the Democratic Congress. (See Figure 3.)



THE NEW TREND IN FEDERAL EMPLOYMENT

The growth in Federal employment is not isolated to one or two agencies, and is not just due to the boost in Federal employment that results from the decennial census. Nor are these simply temporary jobs to deal with the financial crisis or the recession. This is a permanent expansion of

³ Bureau of Labor Statistics figures.

⁴ Office of Management and Budget, *Analytical Perspectives: Budget of the U.S. Government – Fiscal Year 2010*. The budget uses FTEs to measure civilian Federal employment. One FTE equals one work-year. Hence, as the budget puts it: “[O]ne full-time employee counts as one FTE, and two half-time employees also count as one FTE.”

the workforce across the Federal Government; and under the President's ambitious domestic agenda, the bureaucracy would grow even more than the current figures reflect.

According to the President's fiscal year 2010 budget, some of the growth in FTEs will occur in the following areas:

- **The Department of Energy.** The Department has expanded by 15 percent since 2006, for "increased levels of management and oversight of all federally funded projects as a result of investment in research and development efforts, and early deployment of clean sources of energy," according to the President's budget.
- **The Department of Health and Human Services.** The President's budget cites "increased staffing levels to support activities such as: expanding health care access and quality; uncovering new knowledge; improving food and medical safety; oversight for the American Recovery and Reinvestment Act [ARRA]; expansion of health centers; and increased Federal Medicaid funding to States." The Department staff has increased by 10 percent since 2006.
- **The Department of Labor.** Department staffing has increased by nearly 14 percent since 2006, for "increased levels of oversight of programs in the Employment and Training Administration; vigorous enforcement of current laws protecting the rights and safety of American workers in the worker protection agencies; enforcement work in the area of pension and health benefits for workers in the Employee Benefits Security Administration; updates to the Current Population Survey in the Bureau of Labor Statistics."
- **The Agency for International Development [AID].** AID will increase by almost 15 percent between now and 2010 (29 percent since 2006). According to the President's budget, the expansion is for "improved management and stewardship of foreign assistance programs."
- **The Office of Personnel Management [OPM].** The government's personnel agency has increased by more than 16 percent since 2006, for "additional oversight and staffing to meet customer demands." It should be noted that OPM's "customers" are Federal employees.

These figures do not include the effects of other government expansions planned under the President's ambitious domestic agenda. For example, the government health care proposal under consideration in the House would create a "maze of bureaucracy standing between patients and medical service providers," according to a statement by Representative Kevin P. Brady, Ranking Republican on the Joint Economic Committee. "It would establish at least 31 new commissions, agencies, and mandates that would decide what doctors you can see, what treatments you deserve, and what medicines you can receive."⁵

The Waxman/Markey "cap-and-trade" bill governing carbon emissions would produce another substantial expansion of government. While the majority of the trillion-dollar bill is associated with the costs of new emissions permits, approximately \$50 billion over 10 years is needed to

⁵ Statement of Representative Brady, 23 July 2009. <http://www.house.gov/jec/news/2009/pr111-17.pdf>

administer the program. The Environmental Protection Agency [EPA] currently employs about 3,742 employees for every \$1 billion spent on environmental programs. Assuming “cap-and-trade” follows a similar pattern, it can be expected approximately 61,369 new Federal employees will be needed to implement the program by 2019.

The Waxman/Markey cap-and-trade plan expands government bureaucracy by adding several new commissions, task forces, and bureaus; by issuing new rule-makings; and by creating several new funds in the Treasury. Some examples: a new Carbon Storage Research Corporation; a Clean Energy Deployment Administration; a nationwide Renewable Electricity Standard; new funds in the Treasury for natural resources climate adaption, and climate change health protection; a stratospheric ozone and climate protection program; myriad new energy efficiency programs and grants; funding for tropical deforestation, international adaptation, and technology transfer; and more funding for “green” energy education. One preliminary analysis of the bill identified 38 new required EPA/Department of Energy rule-makings and studies, and the words “rule” and “regulation” appear in 95 separate sections within the bill.

Another expansion proposed by the administration would create a new “Consumer Financial Protection Agency” to oversee a range of financial products. Rather than streamlining the current patchwork of regulators – many of whose duties overlap – this agency would have broad jurisdiction, would add another layer of bureaucracy, and would likely create a multitude of government positions. For example, the Securities and Exchange Commission [SEC], which has been criticized for failing to provide proper oversight of systemically linked institutions, nevertheless expanded its workforce during the period leading to the financial crisis. The 2000 budget allocated about \$254 million for personnel and benefits at the SEC. In 2008, this figure more than doubled, to \$618 million. Adjusting for inflation, the compensation and benefits per FTE increased from about \$109,000 to \$173,000, or 58 percent. Total employment at the SEC now is about 3,700 FTEs, roughly 28 percent above the 2000 level.

Most analysts believe the President’s policy agenda will require hundreds of thousands more Federal employees in the coming years. Assuming these estimates are realized, *The Washington Post* notes the President’s policy goals would “spur a government hiring spree on a scale unseen since President Lyndon B. Johnson’s Great Society agenda in the 1960s.”⁶

Another, less obvious, example of the current administration’s planned expansion of the Federal workforce is its direction to Federal agencies to reduce reliance on contractors and return work to government agencies. The plan would reverse a Bush administration policy called the “Competitive Sourcing Initiative.” The program, launched in 2001, was designed “to open the commercial activities performed by the government to the dynamics of competition between the public and private sectors.” The intent of the program was to leverage competitive forces of the private market to improve government efficiency and provide the best value to the taxpayers. The Bush administration credited this program with estimated savings of \$7 billion from 2003 through 2008, a contention labor unions strongly challenged. In any case, the Obama administration’s intention to end the program will further expand the Federal workforce at a time when the private workforces continues to shrink.

It is well known that once a Federal employee is hired, the individual becomes a member of the permanent Federal workforce, which is virtually impossible to reduce except through attrition or a

⁶ “Many Hires Needed for Budget Goals,” *The Washington Post*, 3 March 2009.

major restructuring such as the defense drawdown of the 1990s. This is largely due to worker protections that prevent arbitrary dismissals or discipline. But these same protections make it extremely difficult to remove Federal employees for cause or government downsizing. Most agency managers tend to choose the easier course of simply moving personnel from one office to another.

CONCLUSION

Years before he became President, Ronald Wilson Reagan described the persistence of government employment this way: “[N]o government ever voluntarily reduces itself in size. Government programs – once launched – never disappear. Actually, a government bureau is the nearest thing to eternal life we’ll ever see on this Earth.”⁷

The current expansion of government employment began in 2006, and has accelerated sharply, with more to come depending on how much of the ambitious government expansion by the current President and Congress gets enacted. One thing is certain, however: the government’s growth will come, as it always does, at the expense of taxpayers and the rest of the economy.

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⁷ “A Time for Choosing,” as delivered on national television, 27 October 1964.
<http://www.freerepublic.com/focus/f-news/1689701/posts>

Appendix
FEDERAL CIVILIAN EMPLOYMENT, 2006-2010

Table 1: Total Civilian Federal Employment
(full-time equivalents in thousands, excluding the Postal Service)

	2006	2007	2008	2009	2010
Cabinet Departments					
Agriculture	97	94.8	93.9	96.1	95.3
Commerce	36	36.3	37.5	52.5	141.4
Defense	661.8	658.8	671.2	689	708
Education	4.2	4.1	4.1	4.1	4.3
Energy	14.7	14.6	14.7	16.1	16.9
Health and Human Services	59.1	58.8	59.8	62.6	65
Homeland Security	144.4	148.1	158.2	169.1	176.1
Housing and Urban Development	9.6	9.5	9.4	9.5	9.7
Interior	68.7	67.4	67.4	68	70.1
Justice	104.2	105	106	116.4	119.4
Labor	15.8	15.9	16	16.6	18
State	30	30.1	30.4	32.2	33.6
Transportation	53.3	53.4	54.7	56.4	57
Treasury	107.7	107.7	106.7	111.8	113
Veterans Affairs	222.6	230.4	249.5	269.4	279.2
Other Agencies (excluding Postal Serv.)					
Agency for International Development	2.4	2.4	2.4	2.7	3.1
Broadcasting Board of Governors	2.1	2	2	2	2.1
Corps of Engineers - Civil Works	22.1	21.2	21.1	21.6	21.7
Environmental Protection Agency	17.3	17	16.8	17.4	17.5
Equal Employment Opportunity Commission	2.2	2.2	2.2	2.6	2.6
Federal Deposit Insurance Corporation	4.5	4.5	4.6	5.9	6
General Services Administration	12.3	11.9	11.8	12.4	12.6
National Aeronautics and Space Administration	18.3	18.2	18.4	18.7	18.7
National Archives	2.8	2.8	2.8	3	3
National Labor Relations Board	1.8	1.7	1.6	1.6	1.7
National Science Foundation	1.3	1.3	1.3	1.4	1.4
Nuclear Regulatory Commission	3.2	3.5	3.7	3.9	4
Office of Personnel Management	4.3	4.6	4.7	5	5
Peace Corps	1.1	1.1	1	1.1	1.2
Railroad Retirement Board	1	1	1	1	1
Securities and Exchange Commission	3.7	3.5	3.5	3.7	3.7
Small Business Administration	5.9	4.4	3.6	4	3.2
Smithsonian Institution	5	5	5.1	5.3	5.4
Social Security Administration	63.7	61.7	61.3	65.1	68.3
Tennessee Valley Authority	13.1	11.3	11.6	12.3	12.4
All Other Agencies	15.4	15.6	15.2	16.8	17.1
Totals	1,832.8	1,831.6	1,875.3	1,977.3	2,118.6
Totals Excluding Defense and Commerce	1,135	1,136.5	1,166.6	1,235.8	1,269.2

Source: Office of Management and Budget, *Analytical Perspectives: Budget of the U.S. Government – Fiscal Year 2010*.

Table 2: Change in Civilian Federal Employment
(in thousands of full-time equivalents and percentages, excluding the Postal Service)

	Change in FTEs		Percent Change	
	2006-10	2009-10	2006-10	2009-10
Cabinet Departments				
Agriculture	-1.7	-0.8	-1.75%	-0.8%
Commerce	105.4	88.9	292.78%	169.3%
Defense	46.2	19	6.98%	2.8%
Education	0.1	0.2	2.38%	4.9%
Energy	2.2	0.8	14.97%	5.0%
Health and Human Services	5.9	2.4	9.98%	3.8%
Homeland Security	31.7	7	21.95%	4.1%
Housing and Urban Development	0.1	0.2	1.04%	2.1%
Interior	1.4	2.1	2.04%	3.1%
Justice	15.2	3	14.59%	2.6%
Labor	2.2	1.4	13.92%	8.4%
State	3.6	1.4	12.00%	4.3%
Transportation	3.7	0.6	6.94%	1.1%
Treasury	5.3	1.2	4.92%	1.1%
Veterans Affairs	56.6	9.8	25.43%	3.6%
Other Agencies (excluding Postal Serv.)				
Agency for International Development	0.7	0.4	29.17%	14.8%
Broadcasting Board of Governors	0	0.1	0.00%	5.0%
Corps of Engineers - Civil Works	-0.4	0.1	-1.81%	0.5%
Environmental Protection Agency	0.2	0.1	1.16%	0.6%
Equal Employment Opportunity Commission	0.4	0	18.18%	0.0%
Federal Deposit Insurance Corporation	1.5	0.1	33.33%	1.7%
General Services Administration	0.3	0.2	2.44%	1.6%
National Aeronautics and Space Administration	0.4	0	2.19%	0.0%
National Archives	0.2	0	7.14%	0.0%
National Labor Relations Board	-0.1	0.1	-5.56%	6.3%
National Science Foundation	0.1	0	7.69%	0.0%
Nuclear Regulatory Commission	0.8	0.1	25.00%	2.6%
Office of Personnel Management	0.7	0	16.28%	0.0%
Peace Corps	0.1	0.1	9.09%	9.1%
Railroad Retirement Board	0	0	0.00%	0.0%
Securities and Exchange Commission	0	0	0.00%	0.0%
Small Business Administration	-2.7	-0.8	-45.76%	-20.0%
Smithsonian Institution	0.4	0.1	8.00%	1.9%
Social Security Administration	4.6	3.2	7.22%	4.9%
Tennessee Valley Authority	-0.7	0.1	-5.34%	0.8%
All Other Small Agencies	1.7	0.3	11.04%	1.8%
Totals	285.9	141.4	15.60%	6.9%
Totals Excluding Defense and Commerce	134.3	32.5	11.83%	2.2%

Source: Office of Management and Budget, *Analytical Perspectives: Budget of the U.S. Government – Fiscal Year 2010*.

Please note: the charts and tables used in this document can be found separately at http://www.house.gov/budget_republicans/graphs/20090930govfte.pdf

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