

Policy Backgrounder

Federal Workforce Reductions – Potential Impacts

The Administration has prioritized reducing the Federal workforce, starting with hiring freezes and voluntary separations before more recently moving to involuntary cuts. The potential impacts remain uncertain due to legal challenges and ongoing Administration actions, but plans for workforce reductions submitted by agencies in March offer strong indications as to the Administration's thinking on the Federal workforce and its priorities.

Key Insights

- Legal and regulatory hurdles have complicated efforts to shrink the Federal workforce, with courts ruling that some firings of probationary employees were illegal.
 - In addition to general cuts, some agencies, including the Department of Education, USAID, IRS, and EPA, have instituted larger reductions.
 - At the direction of the President, agencies submitted plans in March for the first phase of mass workforce reductions. Agencies are expected to submit additional plans for reductions and reorganizations in April.
 - The eventual impacts of these cuts (and whether they will be upheld by courts) remain uncertain, though press reports have noted disruptions to some functions from cuts made so far. In addition, younger employees will be disproportionately affected because of the processes governing Federal layoffs. Many former employees are seeking employment in the private sector or state and local government.
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Reducing the Federal Workforce

The Administration has stated that reducing the size of the Federal workforce is a [key priority](#), arguing that a smaller workforce would be more “efficient and effective” and reduce Federal debt. Upon taking office, the Administration instituted a [hiring freeze](#), extended a [voluntary resignation](#) offer, [directed](#) agencies to eliminate DEI-related positions – initial steps that had a relatively modest impact on the overall size of the Federal workforce. More recently, however, it has significantly escalated its efforts, attempting mass terminations of Federal employees.

These efforts, however, have been complicated by a range of legal constraints rooted in [past reforms](#) aimed at transitioning civil service employment from a patronage-based system – where hiring was influenced by political affiliation or contributions – to a merit-based system that prioritizes qualifications and competence. As a result, robust civil service protections govern dismissal of Federal employees without cause. In addition, [many](#) Federal employees are unionized and thus covered by collective bargaining [agreements](#) which impact processes for managing dismissals.

By law, Federal employees are [classified](#) into three service categories: competitive service, excepted service, and the Senior Executive Service (SES). The competitive service comprises about 67% of workers. Excepted service accounts for an additional 32% of the workforce and includes positions where the Office of Personnel Management (OPM) has determined that standard competitive hiring procedures are “not practicable.” This category also includes Presidential appointees and other specialized roles. Finally, the SES, about 0.4% of workers, includes high-level executives who oversee agency operations and policy implementation.

Civil service protections apply to most employees across the three types of service; however, new employees (and some employees who have been promoted) are generally subject to a [probationary period](#), one or two years depending on the position, with fewer protections.

Key Options for Reducing the Federal Workforce

Within the legal framework for managing the Federal workforce, there are several established processes for position elimination, which address eliminating roles rather than dismissing specific employees for [performance](#) or [misconduct](#).

Reduction in Force

The broadest method for eliminating Federal positions is a “reduction in force” (RIF). RIFs are governed by [5 USC §3501-3504](#) and [regulations](#) and [procedures](#) issued by OPM. According to the law, agencies may initiate RIFs to respond to organizational needs (e.g., reorganization, insufficient appropriations, or a lack of work).

The [RIF process](#) broadly includes several stages designed to ensure fairness and continued ability to complete the agency’s mission. In brief, once an agency determines an employee’s retention standing based on stated criteria, it releases employees (with some exceptions)

according to inverse order, beginning with the employee with the lowest retention standing. Agencies are generally required to provide employees affected by a RIF with 60 days' notice in advance of release [except](#) when the RIF is caused by “circumstances not reasonably foreseeable.” In addition, OPM regulations give impacted employees 30 days to appeal their release to the Merit Systems Protection Board (MSPB) if they believe the agency did not properly follow RIF regulations.

Voluntary Separation Options

In addition to involuntary separations stemming from a RIF, agencies may also offer two [voluntary options](#). Federal [law](#) grants agencies the authority to offer Voluntary Separation Incentive Payments (VSIPs), lump sum payments of up to \$25,000, as an incentive for an employee to voluntarily leave Federal service. Federal [law](#) also allows agencies, with approval from OPM, to use Voluntary Early Retirement Authority (VERA), which lowers the age and years of service requirements for employees to receive retirement benefits.

Earlier, the Administration sought to offer an additional voluntary separation offer, which it described as “Deferred Resignation” (see CED Policy Backgrounder “[Recent Actions Remaking the Federal Workforce](#)”). OPM [claims](#) that about 75,000 employees accepted the Deferred Resignation offer, though according to [reports](#), some probationary employees who took the offer ended up getting fired. The program has also been subject to lawsuits [challenging](#) its legality, and experts [caution](#) that if the courts invalidate it, affected employees may be required to repay funds received and may not be reinstated to their previous positions. Some employees have also accepted VSIPs and VERAs.

Probationary Terminations

The Administration has also used another approach to eliminating employees – dismissing newly hired Federal employees in their probationary or trial periods, a group which includes up to 200,000 employees. While agencies are prohibited from firing employees due to political affiliation, marital status, or on the basis of a protected class (e.g., race, religion, sex, or national origin), [regulations](#) allow agencies to dismiss for “unsatisfactory performance or conduct” simply by notifying the employee of the agency’s assessment of their performance rather than through the more cumbersome processes applied to tenured employees. The Administration’s exceptionally wide use of this authority is [currently](#) being litigated.

Administration Actions and Legal Developments

According to court [filings](#), on January 20 OPM directed agencies to identify employees serving their probationary periods and dismiss those not identified as “mission critical” by February 17. The filings also indicate that subsequent OPM communications directed agencies to dismiss the probationary employees based on performance. However, in an [injunction](#) issued March 14, a judge stated that OPM does not have the authority to direct the firing of employees at other agencies. The judge also cast doubt on the government’s claim that the firings were made due

to performance, [stating](#) that “it was a sham in order to try to avoid statutory requirements.” The judge’s previous injunction directed the agencies named in the suit (the National Park Service, Bureau of Land Management, Department of Veterans Affairs, Department of Defense, Small Business Administration, and Fish and Wildlife Service) to reinstate the affected employees.

A second lawsuit led to a broader order affecting 18 agencies, including the Departments of Agriculture, Commerce, Education, Energy, Health and Human Services, Homeland Security, Labor, State, Transportation, Treasury. The order excluded the Department of Defense (DoD), OPM, and the National Archives and Records Administration (NARA) as the judge determined that the plaintiffs had not yet presented sufficient evidence to demonstrate that those employees were dismissed unlawfully. In his [order](#) issued March 13, the judge stated that the government’s claim that it had dismissed the employees for performance was untrue and amounted to an illegal RIF. The judge ordered that the employees be returned to their positions.

Filings made as part of the lawsuits [indicated](#) that about 25,000 probationary employees have been affected, including about 7,600 from the Internal Revenue Service (IRS), 5,700 from the Department of Agriculture, and 3,200 from the Department of Health and Human Services. These totals do not include staff from DoD, OPM, and NARA since they were excluded from the March 13 order. Taken together, the orders led to the reinstatement of most dismissed probationary employees while the legal process continues. The Administration has [indicated](#) it plans to appeal the judges’ rulings.

Agency RIF Plans

The Administration has also begun taking steps to initiate larger scale RIFs. In a February 11 [executive order](#), the President directed agencies to promptly initiate RIF preparations and by March 13 submit “agency reorganization plans” that “discuss whether the agency or any of its subcomponents should be eliminated or consolidated.” Subsequent [guidance](#) jointly issued by OPM and the Office of Management and Budget (OMB) further clarified that plans submitted by March 13 should “focus on initial agency cuts and reductions” and additional plans submitted by April 14 should “outline a positive vision. . . for agency operations,” and plans for further RIFs.

Cumulative Impacts and Target Agencies

The Administration has not yet made the RIF plans submitted by agencies public or released a comprehensive report of the cumulative effects of its efforts so far, though press reports have offered some insights. For example, the Department of Defense has [reportedly](#) approved 21,000 civilian employee resignations and plans to dismiss an additional 5,400 probationary employees as part of its goal of shedding between 50,000 and 70,000 employees. In addition to its broader goal of reducing the overall size of the federal workforce, the Administration has targeted specific agencies for disproportionate reductions or complete elimination. These include the Department of Education, the US Agency for International Development (USAID), the IRS, and the Environmental Protection Agency (EPA).

- Department of Education: The Administration has [indicated](#) it would like to eliminate the Department, which it cannot do without Congressional action. However, on March 11, the Education Secretary announced the Department had initiated a RIF impacting 50 percent of its staff (about 2,000 employees). This includes about 600 employees who had already accepted voluntary separation offers. The President also signed an [Executive Order](#) looking to the “closing” of the Department, though it cannot be abolished without Congress.
- USAID: The Administration has effectively shuttered USAID – placing nearly all its 4,700 employees on administrative leave and announcing [plans](#) for a RIF. However, on March 18, a Federal judge [ruled](#) that aspects of the Administration’s actions were likely unconstitutional and in conflict with Congress’s sole authority “to take action to eliminate agencies that it has created.” Litigation is ongoing.
- IRS: The Administration reportedly aims to cut headcount by between [20](#) and [50%](#) through a mix of layoffs, attrition, and buyouts. The cuts reportedly include the [Taxpayer Advocate Service](#) and newly hired workers [focused](#) on enforcement. [Observers](#) have raised concerns that the layoffs could degrade customer service, delay tax refunds, and harm enforcement.
- EPA: The President had stated that he expected about 11,000 positions (65 percent) to be eliminated, though the White House later [clarified](#) that it planned to eliminate 65 percent of “wasteful spending.” However, the EPA has [reportedly](#) shared plans for staff reductions with the White House, including eliminating about 1,100 scientists located in the Congressionally mandated Office of Research and Development, about 75 percent of its headcount.

In an Executive Order [released](#) on March 14, the President also directed significant reductions at several smaller agencies, including the US Agency for Global Media (which operates Voice of America), the Community Development Financial Institutions Fund (which helps promote access to capital and economic growth in distressed communities), and the Minority Business Development Agency (which promotes the growth of minority business enterprises). Reductions have also been planned or attempted at health agencies such as the National Institutes of Health and the Centers for Disease Control ([5,200 employees](#)), the National Oceanic and Atmospheric Administration ([3,000 employees](#)), and the Department of Energy ([2,000 employees](#)).

It is unclear what impact these cuts will have on these agencies’ ability to provide services or execute its functions. In announcing its reduction plans, the Social Security Administration [stated](#) that it would cut about 7,000 employees through “implement[ing] efficiencies” and “reducing non-mission critical work” while ensuring a “positive effect on the delivery of Social Security services.” However, some experts [warn](#) that staffing cuts and [plans](#) to close 47 offices will lead to significant service delays and disruptions, particularly for seniors or people with disabilities who may have trouble navigating online systems.

The Department of Veterans Affairs (VA), which [reportedly](#) plans to eliminate 80,000 positions (about 17 percent of staff), may also experience disruptions to the delivery of services and critical research. With about 480,000 employees, the VA is the largest employer of the civilian Federal workforce aside from the US Postal Service. About 77 percent of VA [employees](#) are health care professionals who provide care to 9.1 million veterans across 1,380 health care facilities. It also conducts medical research on issues including traumatic brain and spinal cord injuries. The

Administration has stated that its plans will not impact care for veterans; however, press [reports](#) have highlighted disruptions to medical trials, mental health services, and [services](#) for homeless veterans due to cuts already implemented.

Reversals of some layoffs enacted last month have underscored how staffing cuts could have unintended consequences if not done carefully. For example, about 300 National Nuclear Security Administration staff were [fired](#) and then reinstated. Some food safety and medical device reviewers and staff involved in the bird flu response were also [reinstated](#) after it was determined that their positions were critical to health and national security. Experts have also raised [concerns](#) about the potential national security impacts of cutting 130 positions from the Department of Homeland Security's Cybersecurity and Infrastructure Security Agency and of counterintelligence risks [stemming](#) from adversaries targeting fired workers with high-level security clearances.

Conclusion

Given the fluid state of the litigation and OMB's current review of agency RIF plans the potential impacts on federal employees and agencies' ability to achieve their missions or curtail parts of their missions will remain difficult to determine for some time. Some of those leaving federal service – particularly those opting for voluntary separation option – would have retired or departed regardless of these workforce reduction efforts. However, because Federal law and regulations governing layoffs prioritizes retaining employees with longer tenures, a significant number of displaced workers will likely seek employment in the private sector or state and local government roles. Some [state](#) and [local](#) governments have launched recruitment campaigns specifically targeting former Federal workers.

Notably, these displaced workers will skew younger. While only 7 percent of the [overall](#) Federal workforce is under 30 years old, about 27% of probationary employees – who are more vulnerable to workforce cuts – fall within this age group. This contrasts with the general labor force, where individuals under 30 make up approximately 20% of workers. Those older than 65, perhaps more likely to take voluntary separation options, account for 5% of the Federal workforce. As a result, the workforce reductions have implications for the age and experience distribution of the Federal workforce, potentially shaping future employment trends within the government and the functions it will perform.

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