

The National and Regional Economic Impacts of Federal Government Reductions in Force

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What's Happening to Federal Workers?



Multi-pronged effort to reduce the federal workforce

- Deferred Resignation Program (~77,000 workers accepted)
- Firing probationary workers (fewer protections, SCOTUS recently upheld)
- Wider staffing, funding cuts (~60,000 so far, plans for another ~150,000; NIH)
- Eliminating departments and agencies (USAID, CFPB, Department of Education)
- Politically motivated firings and layoffs (DOJ, FBI, IGs)
- Creating a hostile work environment (5 things, "unproductive", RTO, uncertainty)

*what does **REMI** say?sm*

Why?

Several motivations behind reduction in federal workers

- Cost-cutting
 - Department of Government Efficiency (DOGE) is leading the effort
 - \$336 billion total federal payroll is less than 5% of \$6.8 trillion federal spending
 - Currently aiming for total reduction of ~275,000 workers (~9% of 3.0 million)
- Increase share of politically loyal workers, minimize “Deep State” influence
 - Reduce worker protections under Schedule Policy/Career (a.k.a. Schedule F)

What are the Impacts of the Reductions?



There are both immediate and wider impacts

- Immediate:
 - Economic impacts of the lost jobs themselves (focus of this talk)
- Wider:
 - Lost benefits of government work (research, safety, SSA reliability, IRS capacity)
 - May be hard to rebuild/retain workers in the future (esp. high performers)

What are the Economic Impacts?



- Direct Job Losses:
 - ~135,000 combined layoffs and resignations so far, potentially up to ~275,000
- Secondary Impacts:
 - Lower consumer spending (high-paying jobs, ~66% more than national average)
 - Lower supply chain demand (professional services, insurance, military equipment)
 - Lower levels of investment (stemming from decreases in business activity)
 - Lower domestic and international trade volumes (exports)

Data



- Federal workforce reductions pulled from layoffs.fyi (as of April 7, minor adjustments)

CATEGORY		Count	Sum	Sum				
Department of Transportation (DOT)		Count 4	Sum 775	Sum 0				
48	Federal Aviation Administration (FAA)		400		2/17/2025	DOGE Layoff		https://www.reuters.com/world...
49	Federal Transit Administration (FTA)				2/14/2025	DOGE Layoff	Unspecified number	https://www.cnn.com/2025/0...
50	National Highway Traffic Safety Adminis...		32		2/14/2025	DOGE Layoff	4% of 800	https://www.reuters.com/world...
51	Unspecified agencies in DOT		343		2/14/2025	DOGE Layoff	Remainder of the 775-person Feb. 14-24 layoff not c...	https://storage.courtlistener.co...
CATEGORY		Count	Sum					
Department of the Treasury		Count 6	Sum 27,616					
52	U.S. Mint		8					
53	Bureau of Engraving and Printing (BEP)		48					
54	Bureau of the Fiscal Service (BFS)		169					
55	Internal Revenue Service (IRS)		20,000					
56	Internal Revenue Service (IRS)		7,315					
57	Office of the Comptroller of the Currenc...		76					
70	National Park Service (NPS)		1,000		2/19/2025	DOGE Layoff		https://apnews.com/article/tru...
71	National Science Foundation (NSF)		168		2/18/2025	DOGE Layoff		https://www.npr.org/2025/02/...
72	Office of Personnel Management (OPM)		75		2/24/2025	DOGE Layoff		https://www.reuters.com/world...
73	Office of Personnel Management (OPM)		70		2/13/2025	DOGE Layoff		https://federalnewsnetwork.co...
74	Small Business Administration (SBA)			2,700	3/21/2025	DOGE Layoff	A 43% layoff is under consideration	https://www.sba.gov/article/20...
75	Small Business Administration (SBA)		720		2/11/2025	DOGE Layoff		https://www.politico.com/news...
76	Social Security Administration (SSA)			7,000	2/27/2025	DOGE Layoff		https://apnews.com/article/soc...
77	U.S. Agency for Global Media (USAGM)		1,300		3/17/2025	DOGE Layoff		https://www.cbsnews.com/new...
78	U.S. Digital Service (USDS)		50		2/14/2025	DOGE Layoff		https://www.nextgov.com/peo...
79	U.S. Securities and Exchange Commissio...		500		3/21/2025	DOGE Layoff	10% of 5,000 employees leaving via buy-out program	https://www.politico.com/news...
80	United States Postal Service (USPS)			10,000	3/14/2025	DOGE Layoff		https://apnews.com/article/us-...
CATEGORY		Count	Sum	Sum				
Deferred Resignation Program		Count 1	Sum 77,000	Sum 0				
81	Deferred Resignation Program		77,000		2/13/2025	Deferred Re...	Employees who voluntarily resign get paid through ...	https://www.cnn.com/2025/02...

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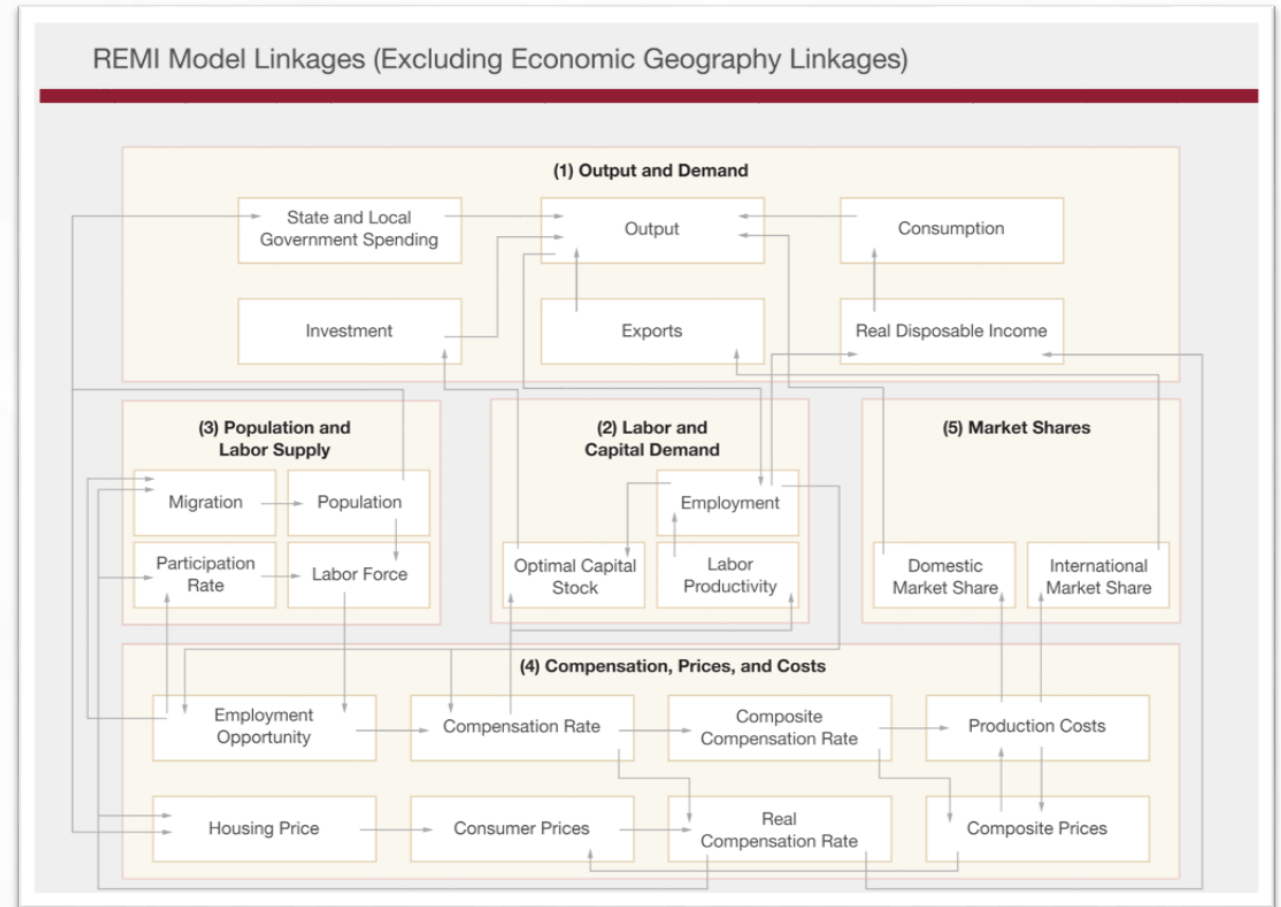
- Federal employee data from <https://www.fedscope.opm.gov/>
 - Federal Employment by Department by State
 - Layoffs data by department/agency, able to break out by state
 - Wages of Federal Workers by Department
 - Distributional data by department, able to estimate average salaries
 - National level, tailored to states using REMI model baseline forecasts

REMI Model



PI+ is the premier software solution for conducting dynamic macroeconomic impact analysis of public policy.

As our flagship model, PI+ specializes in generating realistic year-by-year estimates of the total local, state, and national effects of any specific policy initiative.



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Methodology



- Model Inputs: Job Losses & Associated Salaries, by state
 - Two scenarios: Current Losses, Current & Planned Losses
- Study Period: 4 Years
 - Job losses held constant
 - Salaries inflated using model baseline salary forecasts for federal workers by state
- Tool: REMI PI+ 70-industry, 51-region model of 50 states + D.C.
 - Industry detail roughly at 3-digit NAICS code level (intermediate)

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Results



- I will show the following types of results:
 - Employment
 - GDP
 - Personal Income
- I will show results for:
 - DMV Region (D.C., Maryland, and Virginia combined) – Incl. Population Impact
 - Entire U.S.

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Results



DMV Region

- Current Losses:

Result	2025	2026	2027	2028	Average
Employment	-118.9	-117.6	-118.4	-115.1	-117.5
GDP	-17.6	-17.5	-17.8	-17.6	-17.6
Personal Income	-13.3	-14.1	-14.9	-15.3	-14.4
Population	-28.7	-48.1	-64.0	-76.3	-54.3
Employment & Population in Thousands; GDP & Personal Income in Billions of 2025 Dollars					

- Current & Planned Losses:

Result	2025	2026	2027	2028	Average
Employment	-182.5	-178.1	-178.7	-173.1	-178.1
GDP	-28.2	-27.8	-28.2	-27.7	-28.0
Personal Income	-19.8	-20.8	-22.0	-22.5	-21.3
Population	-38.4	-64.1	-85.2	-101.7	-72.4
Employment & Population in Thousands; GDP & Personal Income in Billions of 2025 Dollars					

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Results



Entire U.S.:

- Current Losses:

Result	2025	2026	2027	2028	Average
Employment	-542.3	-465.5	-449.6	-413.7	-467.7
GDP	-75.8	-65.9	-64.2	-59.9	-66.4
Personal Income	-49.0	-46.2	-46.7	-45.5	-46.8
Employment in Thousands; GDP & Personal Income in Billions of 2025 Dollars					

- Current & Planned Losses:

Result	2025	2026	2027	2028	Average
Employment	-1,105.1	-946.4	-914.6	-841.2	-951.8
GDP	-156.7	-136.2	-132.9	-124.1	-137.5
Personal Income	-97.9	-91.9	-92.9	-90.3	-93.2
Employment in Thousands; GDP & Personal Income in Billions of 2025 Dollars					

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Discussion



- In the Current Losses scenario, the DMV region experiences:
 - 25% of the Employment impact (5% of baseline U.S. employment)
 - 27% of the GDP impact (5% of baseline U.S. GDP)
 - 31% of the Personal Income impact (5% of baseline U.S. Personal Income)
 - Larger impact associated with loss of Population to the rest of the U.S.
 - More job loss in the DMV ($>1\%$) than the U.S. ($<0.25\%$) drives out-migration

Discussion



- In the Current & Planned Losses scenario, the DMV region experiences:
 - 19% of the Employment impact (5% of baseline U.S. employment)
 - 20% of the GDP impact (5% of baseline U.S. GDP)
 - 23% of the Personal Income impact (5% of baseline U.S. Personal Income)
- The smaller national footprint is primarily due to the large planned VA staffing cuts
 - 83,000 jobs out of the ~150,000 planned cuts
 - Only 5% of VA jobs are in the DMV region, as care is distributed across the U.S.

Discussion



- For every federal job lost in the DMV region (U.S.), another 2 (2.5) jobs are lost
 - Larger regions generally experience larger multipliers (less leakages)
- Secondary Impacts (consumer spending, supply chain, investment, trade)
 - Consumer spending impacts driven by loss of high-paying jobs
 - Consumer spending and investment are bigger factors for the DMV region
 - Primarily due to loss of population (spending, residential investment)

Conclusion



- There is a concerted effort to reduce the federal workforce by ~9%
- These reductions and how they are implemented will have varied and lasting impacts
 - Quantity and quality of government work may suffer
 - Attracting and retaining new talent may be difficult in a new administration
 - Direct economic impacts of losing hundreds of thousands of well-paying jobs
 - While most federal jobs are outside the DMV region, it is disproportionately affected (though less so if significant VA staff cuts are implemented)

Thank You!

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