



AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES, AFL-CIO

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In re: the Size and Cost of DoD's Workforce of Military Personnel, Civilian Personnel, and Service Contractors

Dear Senator:

On behalf of the American Federation of Government Employees, AFL-CIO, which represents 650,000 federal employees, including almost 250,000 in the Department of Defense (DoD), who serve the American people across the nation and around the world, I appreciate this opportunity to revisit the facts about the DoD's workforce, which consists of military personnel, civilian personnel, and service contractors.

1. THE CIVILIAN WORKFORCE COSTS THE LEAST OF THE DOD'S THREE WORKFORCES

Please review the attached chart from the DoD. In FY2015, the DoD will spend \$143.6 billion on its military workforce, \$68.7 billion on its civilian workforce, and, conservatively estimated,^[i] \$146.8 billion on service contractors.^[ii] In other words, the cost of civilian personnel to the DoD is less than one-half of the cost of both military personnel and service contractors.

So, given that the civilian workforce costs the least, what explains the obsession of certain lawmakers and certain defense think tanks^[iii] with the size of the civilian workforce? Is it because they believe the civilian workforce has grown by leaps and bounds?

2. THE CIVILIAN WORKFORCE HAS EXPERIENCED A MODEST INCREASE IN SIZE WHILE THE COST OF SERVICE CONTRACTORS HAS MORE THAN DOUBLED

As the Senate Armed Services Committee noted in report language to the FY2012 National Defense Authorization Act (NDAA): "Over the last decade, DoD spending for contract services has more than doubled, from \$72.0 billion in fiscal year 2000 to more than \$150.0 billion (not including spending for overseas contingency operation), while the size of the Department's civilian employee workforce has remained essentially unchanged."^[iv]

The Congressional Budget Office reported in March that spending by the DoD on service contracts had increased by 116% from 2000 to 2012.^[v] According to the Green Book, the DoD's spending on civilian personnel increased by just 26% during that same period.^[vi]

There is no question that the civilian workforce did increase after the onset of the wars in the Middle East. In FY2001, the DoD reported the actual size (as opposed to an estimate) of the civilian workforce was 692,100.^[vii] In the DoD's most recent report on actual size, for FY2013, the civilian workforce stood at 774,000,^[viii] an increase of 81,900.

However, that increase in the civilian workforce ultimately reduced costs to the DoD and addressed pressing needs. As the Comptroller pointed out in 2014, 67,000 positions were added to the civilian workforce between 2001 and 2011 because positions held by more expensive military personnel^[ix] and

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service contractors^[x] were converted to civilian personnel. According to the Comptroller, the DoD also added 20,000 civilian personnel to better oversee contractors, another 7,000 civilian personnel to care for wounded warriors, and then another 8,000 civilian personnel to combat cyber warfare.^[xi] These programmatic increases were not just consistent with Congressional design, they were often undertaken in response to Congressional requirements.

So, no, the civilian workforce has not grown by leaps and bounds.^[xii] Indeed, most of the growth in the civilian workforce has saved money for the DoD by using cheaper civilians, increased readiness by freeing up military personnel for warfighting, and reduced the likelihood of illegal service contracts for the performance of inherently governmental functions. Other growth was mandated to meet pressing programmatic concerns. So, again, what could explain the obsession of certain politicians and certain think tanks with the size of the civilian workforce? Is it because they do not believe that the size of the civilian workforce is being reduced as the DoD encounters harsh budgetary realities?

3. THE CIVILIAN WORKFORCE, THE ONE THAT COSTS THE LEAST, IS BEING CUT THE MOST

Pursuant to a provision in the FY2013 NDAA, spending on civilian personnel and service contracts must be reduced through FY2017 by no less than the percentage the DoD reduces spending on military personnel.^[xiii] So is the DoD complying with this requirement? Yes and no. Yes, with respect to civilian personnel; no, with respect to service contracts.

In April 2014, DoD reported that military personnel are being reduced by 8.7% and civilian personnel by 9.1% through FY2019.^[xiv] What about service contractors? The DoD did not present a forecast, but did acknowledge that such costs would increase by 0.3% in FY2015.^[xv]

In September 2014, the DoD reported that “(t)hrough the end of the FY2015 President’s Budget projection window in FY2019, the Department projects its civilian FTEs decrease by 14.8%, which outpaces the 8.7% reduction in military average strength.”^[xvi] The DoD reported it is compliant with the required cut in spending on civilian personnel. However, with respect to the required cut in service contract spending, the DoD asserted its compliance with a different law, one which merely imposed a cap on service contract spending. Again, the DoD acknowledged that service contract spending would increase in FY2015 but expressed optimism that the projection of service contract costs would increase as it “implements an enterprise-wide approach to tracking contract expenditures and improves programming for contracted services”.^[xvii]

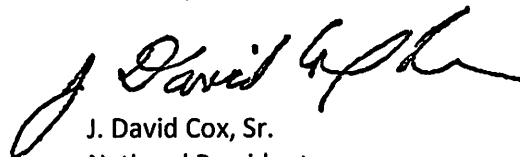
The Army reported in February 2015: “Programmed reductions for civilian Full-Time Equivalents in FY15 and FY16 are programmed at 3.4% and 5.8% respectively. During the same time period, military end strength reductions will be 1% and 3.3%. All of these percents are calculated from the FY14 position. Deeper cuts are projected for some civilian jobs as a result of sequestration planning in which the Army is accepting greater risk in functions that support readiness and are primarily performed by civilians...Extending the projection out from FY14 through FY18 with BCA (Budget Control Act) levels of funding will reduce Military from 1,049,200 to 980,000, a total reduction of 6.6%. During the same period civilian FTEs will reduce from 265,000 to 238,000, or 10.1%.”^[xviii] And service contractors? “It is difficult to determine the contract service reduction percentages projected in 15 and 16...However, there is a pilot program under way to improve visibility of contract services in the POM (Program Objective Memorandum) that capitalizes on data in the Inventory of Contract Services”.^[xix] It should be noted that the requirement to establish the inventory was enacted in 2008.^[xx]

So the civilian workforce costs a fraction of the DoD's other two workforces; experienced modest and, indeed, understandable growth after the conflicts in the Middle East; but is now being cut the most. The agenda being pursued by certain politicians and think tanks to vilify and scapegoat the DoD's civilian personnel has everything to do with politics and nothing to do with the facts.^[xxi]

Meanwhile, the costs of DoD service contracts have skyrocketed; senior DoD officials acknowledge that civilian personnel are significantly cheaper than service contractors;^[xxii] and the DoD is unable to even identify and control its service contract costs, let alone reduce them as the law requires. Yet even the most minimal reforms in DoD service contract spending are conspicuously absent from the agenda of certain think tanks. How do "defense intellectuals" at think tanks who study the DoD manage not to notice the \$150 billion spent annually on service contracts by DoD when they concoct their prolix manifestos for reform? Perhaps if DoD civilian employees contributed as generously to some of these think tanks as their service contractor counterparts they might get a fairer shake from these "defense intellectuals", but civilian employees also understand, ultimately, the truth will out.

Thank you for your consideration. Please contact AFGE's John Threlkeld (threlj@afge.org) if you have any questions.

Sincerely,



J. David Cox, Sr.
National President

^[i] I write that the cost of service contractors is "conservatively estimated" because it is acknowledged that the DoD's contracts for goods also include services, as is alluded to in the attached chart from the DoD: "not including services provided under goods contracts". It is well-known that, in the absence of an inventory of service contracts the DoD cannot reliably estimate the size of its service contractor workforce. However, it is less well-known that the DoD cannot reliably report how much it has actually spent on service contracts, let alone forecast its spending on service contracts, the way the Department can for military and civilian personnel.

^[ii] Department of Defense, "The Total Force and the Top Line".

^[iii] https://www.aei.org/publication/open-letter-a-defense-reform-consensus/?utm_source=paramount&utm_medium=email&utm_campaign=mediaeaglendefenseconsensus&utm_content=letter

^[iv] Senate Armed Services Committee, FY2012 National Defense Authorization Act, Report 112-26.

^[v] Congressional Budget Office, Federal Contracts and the Contracted Workforce, March 2015.

^[vi] Department of Defense, National Defense Budget Estimates for FY 2014, May 2013.

^[vii] Department of Defense, Defense Manpower Requirements Report Fiscal Year 2003, April 2002.

^[viii] Department of Defense, Defense Manpower Requirements Report Fiscal Year 2015, June 2014.

[ix] Department of Defense, Comptroller, DoD Civilian Personnel in the FY2015 President's Budget: Should There Be Additional Reductions?, April 2014: "Over 40% (50 thousand) of the growth in civilians supported the war requirements by converting functions from military to civilian performance. The conversion refocused the military force on military essential operational roles and civilians on supporting functions..." (Civilian personnel are more cost effective than military personnel because of the greater sacrifice required by the latter. The Congressional Budget Office (CBO) regularly recommends to the Congress that it shift much more work from military personnel to civilian personnel. In November 2013, the CBO recommended, in its Options for Reducing the Deficit: 2013 to 2023, that the DoD "replace 70,000 of the more than 500,000 uniformed military personnel in commercial jobs with 47,000 civilian employees, and, as a result, decrease military end strength by 70,000. By the Congressional Budget Office's estimate, these changes could reduce the need for appropriations by \$20 billion and for discretionary outlays by \$19 billion from 2015 through 2013.")

[x] Ibid.: "The second initiative involved in-sourcing—using DoD civilians to perform functions then being done by contractors. In-sourcing added 17,000 civilians to cut costs and minimize the chances that contractors were performing inherently governmental tasks."

[xi] Ibid.: "(A)bout 20,000 civilians were added to the acquisition workforce, supporting specific efforts to improve the Department's acquisition performance and create the Defense Acquisition Workforce Development Fund (DAWDF). The DAWDF was established by the FY2008 National Defense Authorization Act to recruit, train, and retain the highest quality acquisition personnel...(T)he Department added civilians in certain functional areas to support the warfighter and meet strategic requirements. Two of the larger growth areas included medical support (7,000) and cyber protection (8,000)."

[xii] When pressed with the facts, critics of the civilian workforce often backtrack and try to shift the focus to the DoD's headquarters personnel, complaining that this particular workforce is bloated. Of course, the civilian workforce in headquarters is a tiny fraction of the overall civilian workforce. For example, the Air Force's civilian workforce in the component's headquarters is just 4%. (Air Force, Air Force Civilian Workforce: Road to Recovery, February 2015.)

Moreover, headquarters, like the rest of the Department's workforce, consists of military personnel, civilian personnel, and service contractors. As the Government Accountability Office (GAO) reported last year, the number of service contractors in the Office of the Secretary of Defense exceeds the number of military personnel and civilian personnel combined. (GAO, DEFENSE HEADQUARTERS: DoD Needs to Reassess Personnel Requirements for the Office of Secretary of Defense, Joint Staff, and Military Service Secretariats, January 2015.) In the Army, service contractors consist of almost one-third of headquarters personnel. (Ibid.) In the rest of the DoD, the number of headquarters contractors is shrouded in mystery because of an almost uniform failure to implement an inventory of service contracts. (Ibid.) It's hard to reduce the cost of a budget item when one doesn't even know how much it costs.

To the extent the DoD's headquarters is over-staffed, it should be reduced, although such cuts should be based on the identification of functions which should be narrowed in scope or eliminated altogether, rather than imposed arbitrarily or automatically.

Any proposals to impose cuts in headquarters personnel should take into account that civilian personnel in headquarters are, according to GAO, being reduced and explicitly include service contractors. As the CBO pointed out, the 129% increase in DoD spending on professional, administrative, and management support contracts between 2000 and 2012 even exceeds the 116% hike in general service contract costs. (Congressional Budget Office, Federal Contracts and the Contracted Workforce, March 2015).

[xiii] Section 955 of the FY2013 National Defense Authorization Act, P.L. 112-239.

[xiv] Department of Defense, FY2015 President's Budget: Civilian and Contractor Workforce, April 2014.

[xv] Ibid.

[xvi] Department of Defense, Report on the Civilian Personnel Workforce and Contract Services Reductions in the Fiscal Year 2015 Budget, September 2014.

[xvii] Ibid.

[xviii] Department of the Army, Information Paper: Status of the Civilian Workforce, February 2015.

[xix] Ibid.

[xx] In the House Armed Services Committee's mark for the FY16 NDAA, this report language was included: "The committee has been concerned for years with the Department of Defense's acquisition of contracted services. Proper management of the acquisition of contracted services is critical to the proper functioning of the Department. Services contractors support the daily missions of the Department, whether in the United States or abroad. Proper management of the acquisition of contracted services begins with acknowledgment of the level of services being contracted and identification of the functions that are contracted. To that end, the National Defense Authorization Act for Fiscal Year 2008 (Public Law 110-181) mandated an inventory of contracts for services. The committee remains disappointed that after 8 years, the Department of Defense has failed to produce an inventory that is accurate and reliable and that facilitates the Department's strategic workforce planning, workforce mix, and budget decisionmaking processes, as required by law."

[xxi] Even the Defense Business Board (DBB), which consists of businesspersons and business consultants and which philosophically cannot be more sympathetic to service contractors and distant from civilian personnel, acknowledges that service contractors must be significantly reduced. In its most recent report, from January 2015, Transforming DoD's Core Business Processes for Revolutionary Change, the DBB recommends using attrition and retirement incentives to fractionally reduce the civilian workforce but would impose a far larger cut on service contractors--\$90 billion over five years, in its most aggressive scenario. The ultimately arbitrary cuts in civilian personnel and service contracts recommended by the DBB are based exclusively on private sector practice and are uninformed by the DoD's own experiences, let alone the DoD's need to engage in risk mitigation. However, at least the DBB understands that reductions in the DoD's overall workforce should focus on service contractors.

[xxii] E.g., former DoD Secretary Robert Gates, in *The Washington Post*, July 2010: "Hiring contractors was supposed to save the government money. But that has not turned out to be the case...Gates said that federal workers cost the government 25 percent less than contractors."

E.g., former Comptroller Robert Hale, at a June 2013 hearing of the Senate Defense Appropriations Subcommittee under questioning by then Chairman Richard Durbin (D-IL). Durbin: "Mr. Hale, do you dispute the finding that the average contract employee costs two to three times as much as the average DoD civilian employee?" Hale: "No, it sounds about right...(I)f you're going to have a job over a long period of time, probably better off, it's probably cheaper to have a government employee do it."



The Total Force and the Top Line

