

STATEMENT BY

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DEPARTMENT OF DEFENSE

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Introduction.

Mr. Chairman and distinguished members of the subcommittee, thank you for the opportunity to appear before you today to discuss how we manage our military and Department of Defense (DoD) civilian workforce and determine our workforce mix, particularly with regard to how it relates to Defense contracting.

The Department strives to provide our warfighters and managers with the force structure and workforce they need to support the strategic objectives, daily operation, and effective and economical administration of the DoD. The Department routinely looks at ways it can improve its workforce mix to provide the "right numbers and kinds" of military, DoD civilian, and contractor support to accomplish our missions. My testimony today will address the processes the Department uses to determine our workforce mix and initiatives we use to shape our military and DoD civilian workforce.

Manpower Management and Workforce Mix.

The Department's manpower management policies and procedures address the Total Workforce. Our objective is to provide the right numbers of military and civilian personnel with the right competencies at the right time to accomplish our Defense missions and to use contract support when it is cost effective and appropriate to do so.

Manpower management begins with translating mission requirements into requirements for military and civilian manpower and contract support. DoD Components assess both peacetime and wartime missions so that the workforce is structured to accomplish its day-to-day operations and transition to meet contingency requirements.

DoD Components use a formal process for determining manpower requirements that considers mission requirements, workload, and prescribed performance objectives. A formal process is also used to determine the workforce mix. This process considers the type of work performed (inherently governmental or commercial), and what must be retained in-house for readiness and workforce management purposes. The Department's "Guidance for Determining Workforce Mix" identifies inherently governmental functions that require military unique knowledge and skills and inherently governmental functions that require DoD civilian performance. In addition, our guidance exempts certain commercial functions in the operating force from contractor performance for risk mitigation purposes. Commercial work is also exempted from contractor performance if military or civilian positions are needed for overseas or sea-to-shore rotation, career progression, continuity of operations, or if the incumbents of the positions are dual-tasked for assignments in the operating force during a crisis or war. In addition, certain functions are exempted by law, Executive Order, treaty or International Agreement. All other commercial functions are identified for private sector contractor performance except in cases where a satisfactory commercial source is not available or when it has been determined, through economic analyses or public-private competition, that DoD civilian or military personnel perform the work in a more cost-effective manner.

The Department also provides guidance on the kinds of risks that should be considered when deciding whether to designate DoD civilian or private sector contractor personnel to provide a support service in operational environments and the risks of using contractors to perform functions that are closely associated with inherently governmental functions. The Department's Guidance for Risk Assessments also addresses personal service contracts and degree of government involvement and expertise necessary to keep sufficient oversight and

control of government operations. This guidance is used to help achieve the proper balance of military, DoD civilian, and private sector support.

Subpart 7.503 of the Federal Acquisition Regulation (FAR) requires an agency head or "designated requirements official" to provide contracting officers, concurrent with transmittal of the statement of work (or any modification thereof), a written determination that none of the functions to be performed are inherently governmental. The Department's supplement to the FAR (the Defense Federal Acquisition Regulation Supplement, DFARS) recently amended this requirement. The Department now requires the contracting officer to obtain written confirmation from the agency head or requiring official that none of the functions to be performed under contract are inherently governmental (as currently required by the FAR) or are exempted from private sector performance. The DFARS also requires the requiring official to use the "Guidance for Determining Workforce Mix" (referred to above) when determining whether a function is inherently governmental or exempt from private sector performance. This modification to the DFARS will help ensure that the same policies and procedures that govern workforce mix decisions are used when deciding whether to contract for support services.

Workforce Costs.

Workforce costs are a major contributor to the Defense budget and a significant consideration during the strategic planning process. Typically the type of work (inherently governmental or commercial) and the readiness and workforce management requirements of the Department are the basis for workforce mix decisions. However, cost is a factor in some cases.

The Department conducts public-private competitions consistent with Office of Management and Budget (OMB) Circular A-76 to determine the low cost provider before

converting commercial activities performed by 10 or more DoD civilian personnel (and any number of military personnel) to private sector performance. Until recently, the Department also conducted OMB Circular A-76 competitions to determine if government personnel should perform a new mission requirement, an expansion to an existing commercial activity, or an activity performed by the private sector. However, section 324 of the Fiscal Year 2008 National Defense Authorization Act (FY 2008 NDAA) significantly expanded our ability to use DoD civilian personnel to perform commercial functions. Moreover, as a result of section 324, DoD Components may use DoD civilian employees to perform a new mission requirement, an expansion of an existing commercial activity, or an activity that is performed by a contractor provided an economic analysis shows that DoD civilian employees are the low cost provider. In order to ensure the accuracy of the economic analyses that support these kinds of workforce mix decisions, the Department is developing new business rules for estimating the full costs of military and DoD civilian personnel and for making "like comparisons" of the costs of government and private sector contractor support. These business rules will be applied Defense-wide to ensure an accurate accounting and comparison of the costs of government and private sector contract support. Contractors provide essential support to many of our operations and the Department is committed to giving full and appropriate consideration to their use. Economic analyses will help confirm whether, and to what extent, contractors provide cost savings to the Department.

Inventory of the Defense Workforce.

Since many of the factors used to determine the workforce mix are dynamic, DoD Components must consider the advantages of converting from one form of support to another

when reprioritizing programs, assessing risk, evaluating readiness, and developing manpower authorization requests for Congress each year. One of the tools the Department uses to maintain oversight and assess the adequacy of its workforce mix is the Inherently Governmental/ Commercial Activities (IGCA) inventory. This inventory accounts for all military (Active, Guard, Reserve) and civilian (U.S. and foreign national) manpower in functions that are inherently governmental, exempt from private sector performance, and subject to private sector performance based on our "Guidance for Determining Workforce Mix." DoD Components use the IGCA inventory to identify activities that should be converted from one source of support to another (military, DoD civilian or contract support) to improve readiness, reduce risk, reduce workforce costs, or enhance workforce management (e.g., overseas and sea-to-shore rotation, career progressions, and continuity of operations).

Military to Civilian Conversions.

The Department is committed to using its military personnel for "military essential" tasks whenever possible. Each year, as part of the IGCA Inventory process, if military personnel are identified in activities that are not military essential, the billets are identified for possible conversion to DoD civilian or private sector performance. Since this initiative began in 2004, over 55,000 military billets have been programmed for conversion.

Over the past few years as the Navy and Air Force converted military billets to DoD civilian or private sector performance, both Services reduced their military end strength without any loss of combat capability and used the net savings for force modernization, recapitalization, and other compelling needs.

When the Army and Marine Corps converted their military billets, both Services retained military end strength. The Army used the military end strength from its conversions to hasten Army modularity and reduce stress on the Active force. The Marine Corps used its military end strength to move additional Marines to operating units. Military to civilian conversions provided the Army and Marine Corps a way to man units quicker at the mid-grade level than accessing an equivalent number of more junior personnel.

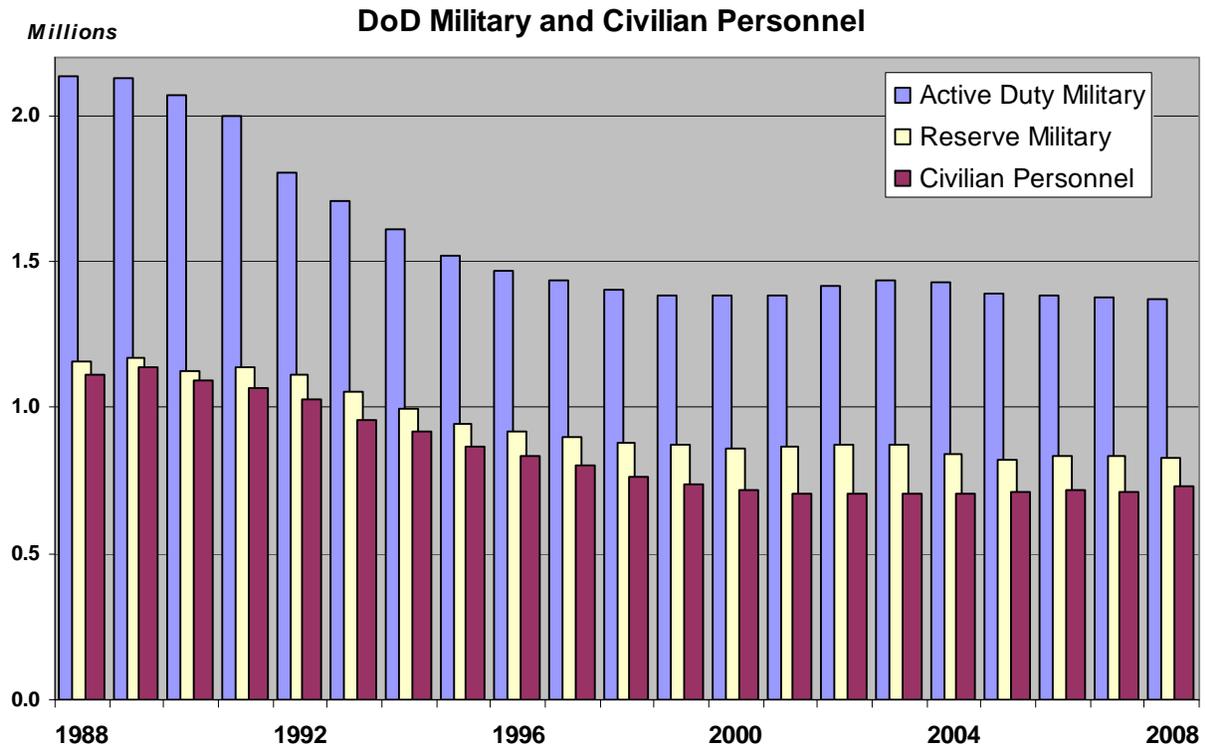
Competitive Sourcing.

Competitive sourcing is a key President's Management Agenda (PMA) initiative focused on increasing public-private competition of commercial activities to determine the best source in the public or private sector as the service provider. Introducing private sector competition into commercial functions performed by the Department improves business efficiency and reduces cost to the taxpayer. Public/private competitions using the procedures of OMB Circular A-76 have demonstrated substantial savings whether the in-house or private sector wins the competition. During FY 2000 through 2007, the Department completed 892 such competitions encompassing about 92,000 positions and saved taxpayers over \$7 billion in actual documented savings as a result of these competitions. Competitive sourcing is an important and essential management tool that saves money while promoting innovation, efficiency and greater effectiveness of government operations.

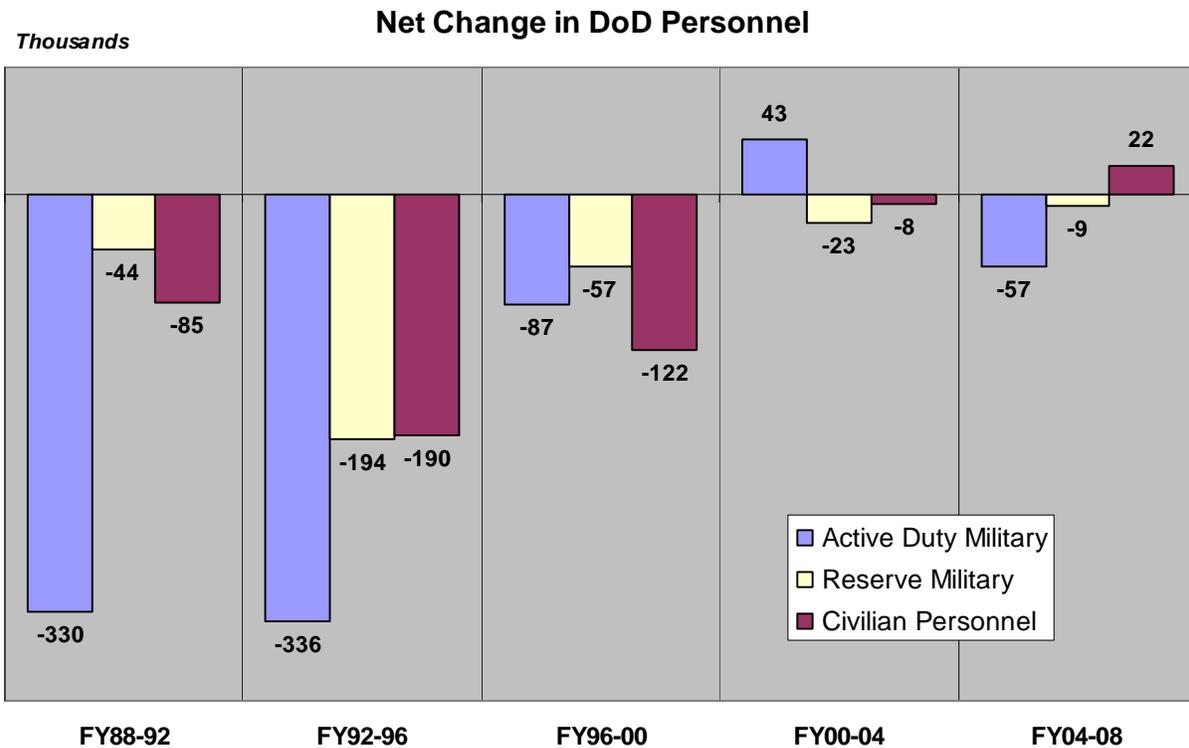
Historical Trends of the Defense Workforce.

The size of the Defense workforce has declined significantly over the past twenty years. Active military end strength was at a post-Vietnam high of 2.17 million at the end of FY 1987,

and was reduced to 1.38 million by the end of FY 2000. During this timeframe, the civilian workforce experienced a similar reduction. Civilian levels were at a relative high of 1.16 million in FY 1987, but were reduced to 702K by FY 2002. The following two tables show the downward trend of Active and Reserve military and DoD civilian personnel and the net change in DoD personnel.



Source: FYDP database (PB09 position) and FY09 President's Budget (including the FY07 & FY08 Supplementals)



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Although much of the downsizing of the Defense workforce can be attributed to the force structure drawdown in the late 1980s and early 1990s and Base Realignment and Closure (BRAC), initiatives of the last three Administrations and Congress have contributed significantly to the reduction of the Department's workforce.

Workforce reductions that occurred during the 1990s were due, in part, to a significant effort during the Clinton administration to "streamline" government. This effort was championed by Vice President Al Gore as part of the National Partnership for Reinventing Government (NPR), originally the National Performance Review. This effort began in March 1993 and lasted through the end of 2000, and resulted in an overall reduction to the size of the federal workforce. By the end of the 1990's, this initiative had reduced the overall federal

government civilian workforce to its lowest level in 30 years. The Government Performance Results Act (GPRA) also influenced the Defense workforce.

Congressional initiatives also played a role. The FY 1996 NDAA required a plan to reduce the Defense acquisition workforce by 25 percent over the 5-year period beginning October 1, 1995, with a 15,000 person reduction in FY 2006 and a combined 30,000 reduction for FY 2006 and 2007. Additional reductions were directed in the 1998 NDAA.

Moreover, Congress placed additional limitations on portions of the Department in the FY 1998 NDAA. Section 911 of that Act directed a phased approach to reducing the military and civilian personnel performing management headquarters and headquarters support activities and on the United States Transportation Command and the Service Transportation Component Commands. This section was amended three times (in 1999, 2000, and 2004) – but the 2008 NDAA repealed it.

Recent Changes to the Defense Workforce.

During budget and program reviews, the Department assesses the adequacy of its military end strength to ensure the Department is balancing its needs – increasing where we must, decreasing where it makes sense. To that end, the Presidentially directed permanent increases of the Army of ~65,000, and Marine Corps of ~27,000 starting 2007 focuses on combat capability. Reductions from transformation efforts in the Active Air Force of ~40,000 (since 2006), and Active Navy of ~40,000 (since 2003), and Navy Reserves of ~85,000 (since 1990) balances risk with fiscally responsible manpower decisions.

The Department continues to manage its civilian workforce based on the workload required and the funds made available to the Department consistent with section 129 of title 10,

United States Code (U.S.C.) which prohibits the management of DoD civilians based on an "end strength."

Rebalancing Active/Reserve Mix.

Since 9/11, the Department has instituted policies and practices that significantly improve how we manage people to ensure the burdened is shared more equally across the force and to alleviate stress on the force. The Department identified which military skills were in high demand and which were not. Some were weighted so heavily toward Reserves that it put Reserve component members in jeopardy of repeated, extensive mobilization. New force management approaches were developed to achieve a better allocation and mix of capabilities in our Active and Reserve Components to meet the demands of the global war on terrorism and sustain an Operational Reserve.

Over the past five years, the Services have been rebalancing their military and billets in less-stressed career fields to more heavily used specialties—such as military police, civil affairs, and others. As of this year, the Services have rebalanced about 106,000 billets and have planned and programmed an additional 99,000 billets for rebalancing between FY 2008 and 2012.

Although the amount and type of rebalancing varies by Service, key stressed capability areas include: engineers, intelligence, special operations, military police, infantry, aviation, space and combat air superiority. By 2012, we expect to have rebalanced about 205,000 billets.

Rebalancing is a continuous and iterative process. The Department will continue to work closely with the Services as they review and refine their rebalancing plans to achieve the right mix of capabilities and alignment of force structure. This will greatly help reduce stress and support the Operational Reserve by providing a deeper bench for those skills that are in high demand.

Civilian Expeditionary Workforce.

Our DoD civilian employees play an integral role in supporting our military members around the globe. Defense civilians have supported wartime and contingency operations throughout American history. Since 2001, more than 14,000 civilians have served or are currently serving in direct support of U.S. military Global War on Terror operations. Approximately 1,600 DoD civilian employees have deployed to Afghanistan and over 6,500 to Iraq. Alongside our military men and women, these civilians have been called upon to support combat operations; expand Security, Stability, Transition, and Reconstruction (SSTR) operations, including on Provincial Reconstruction Teams; and assist with humanitarian, emergency, and other contingency operations around the globe. We are proud of our brave men and women who participate and support these types of assignments.

However, the dynamic and asymmetric 21st century mission challenges require even greater expeditionary capability within the civilian workforce to help reduce stress on our military personnel—a top Department priority. These challenges call for a civilian capability that is ready, trained, and prepared to participate in and support military operations swiftly and competently. The Department has learned from its participation in Iraq and Afghanistan that the traditional approach of pre-identifying positions for support of military operations must be expanded to serve complex contingency operations, and be complemented with an approach that leverages individual capabilities and competencies. In November 2007, the Department launched an effort to do just that, to build greater expeditionary capability that addresses mission, deployment, and readiness requirements and develops appropriate human resource policies to complement these requirements.

It is critical that the Department have the right incentives and benefits to support an expanded civilian expeditionary capability. DoD civilian employees are not immune to the dangers associated with some of these global and expeditionary assignments. With the help and support of Congress, we have obtained important incentives and benefits to help compensate for the inherent risks of deployment. In particular, I want to thank the Congress for passage of Public Law 109-234, Section 1603, which authorized agencies to provide allowances, benefits, and gratuities comparable to those provided to members of the Foreign Service. These included such benefits as an enhanced death gratuity, travel, home leave, and rest and recuperation breaks.

The Department has also implemented policies that provide injured DoD civilian employees deployed in support of U.S. military forces engaged in hostilities prompt and professional medical treatment, both in theater and upon their return to the United States. These policies require pre- and post-deployment health assessments, to include health assessments with a trained health care provider within 30 days of returning home and a reassessment within 90-180 days after returning home. Additionally, DoD policies state that the scope of care provided to DoD civilian employees shall be equivalent to what is provided to our active duty military personnel. As the Department examines its requirements for an expeditionary civilian workforce, we look forward to working with Congress to ensure the availability of other benefits and authorities that might be needed to provide for the interoperability of Federal employees to support the DoD missions.

Conclusion.

The processes the Department uses to establish the size and composition of the Defense workforce are predicated on Defense missions and the readiness and management needs of the Department. They are the subject of continuous review and improvement.

Mr. Chairman, thank you for the opportunity to provide you and the members of the Subcommittee with an overview of how we determine our workforce mix and manage our military and civilian workforce.