



AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES, AFL-CIO

J. David Cox, Sr.
National President

Eugene Hudson, Jr.
National Secretary-Treasurer

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National Vice President
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January 27, 2015

Re: Oppose H.R. 340, which would increase costs and reduce readiness by preventing DoD from using civilian employees, the smallest and least costly workforce of the Department's three workforces—military, civilian, and contractor—and the one also being reduced the most.

Dear Representative:

On behalf of the American Federation of Government Employees, AFL-CIO, which represents more than 650,000 federal employees, including 270,000 civilian employees of the Department of Defense (DoD), who serve the American people across the nation and around the world, I urge you to oppose H.R., 340 (the so-called REDUCE Act), a bill recently introduced which would arbitrarily reduce the DoD's civilian workforce by 15%, or approximately 120,000 jobs. Identical legislation (H.R. 4257) was introduced last year and encountered intense and bipartisan opposition, particularly from the authorizing and appropriating committees for the Department; ultimately, the bill attracted only nine cosponsors.

At a time when Congressional supporters of the military should be focusing like a laser on ensuring that the onerous sequestration spending caps aren't imposed in FY16 on DoD and other federal agencies, H.R. 340 would instead scapegoat the reliable and experienced civilian workforce for Washington's gridlock. The legislation would not reduce the Department's workload—instead, DoD would simply have to do the same with less—and it would not require any cuts in service contract spending, which has doubled over the last ten years.

Here are the facts:

1. the civilian workforce is already the smallest of DoD's three workforces of military personnel, civilian personnel, and contractors, according to the Department;^[i]
2. the civilian workforce is the cheapest of the Department's three workforces, according to senior DoD officials;^[ii]
3. the civilian workforce is being cut more sharply than DoD's other workforces, according to the Department;^[iii]
4. the modest increase in the civilian workforce during the conflicts in the Middle East is primarily because the Department was able to save money by converting work performed by more expensive military personnel and contractors to civilian personnel, according to the Pentagon;^[iv]
5. the civilian workforce in headquarters is being reduced, but it is not clear that the significant contractor workforce in headquarters is actually being cut, according to the Government Accountability Office;^[v] and
6. the Defense Business Board, which the sponsor claims to have been his inspiration, just repudiated the reasoning behind his bill.^[vi]

The REDUCE Act is not just misguided policy which is utterly uninformed by the complicated realities of government and business, but it is also an unfair political attack on the working and middle class Americans who make up the civilian workforce. Thank you for your consideration. Please contact John Threlkeld in AFGE's Legislative Department (threlj@afge.org) if you have any questions.

Sincerely,



Beth Moten
Legislative and Political Department

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Ⓜ Please see the attached chart which was prepared by the Pentagon.

Ⓜ In 2011, the Project on Government Oversight (POGO), which accepts no union contributions, compared the costs of federal employees and contractors in a seminal study entitled *Bad Business: Billions of Taxpayer Dollars Wasted on Hiring Contractors*, the first to compare service contractor billing rates to the salaries and benefits of federal employees. POGO determined that “on average, contractors charge the government almost twice as much as the annual compensation of comparable federal employees. Of the 35 types of jobs that POGO looked at in its new report, it was cheaper to hire federal workers in all but just 2 cases.”

DoD officials have admitted that contractors cost more than civilian employees. Former Secretary Robert Gates told *The Washington Post* in 2010 that civilian personnel are 25% cheaper. Former DoD Comptroller Robert Hale acknowledged in 2013 testimony before the Senate Defense Appropriations Subcommittee that service contractors generally cost two to three times what in-house performance costs, particularly for long-term functions, a view subsequently affirmed by the Army Chief of Staff.

In fact, civilian employees are now in such short supply that the Department is, increasingly, using more expensive military personnel to perform routine functions that could be performed more efficiently by civilian personnel, which, as was pointed out in FY14 NDAA report language by the House Armed Services Committee, is increasing costs and diminishing readiness. As the Comptroller reported to Congress last year: “Large additional civilian cuts could, for example, force the Department to increase the use of military personnel to perform support functions, which substitutes expensive military personnel for civilians and takes those military out of warfighting roles.”

The REDUCE Act, in imposing further arbitrary reductions on the civilian workforce, will increase costs to the Department, because DoD will be forced to rely even more on more expensive contractors and military personnel, and reduce readiness.

Ⓜ Over the objections of the White House and the Pentagon, the FY13 NDAA included a provision (Section 955) that by 2017 requires DoD to cut civilians and contractors by the same percentage as it will reduce military personnel. Because of Section 955 and the Department’s own cuts, DoD is actually cutting civilian personnel at a faster rate than military personnel, but it is not cutting contractors. Through FY19, according to the Comptroller, civilian personnel are being reduced by 9.1% and military personnel by 8.7%. No long-range reductions are available for contractor personnel. However, spending for contractors is scheduled to increase slightly in FY15, particularly on Operations and Maintenance.

Ⓜ According to DoD, the actual size of the DoD civilian workforce in FY01 was 692,100; in FY13, the last year for which the actual size is available, the civilian workforce consisted of 774,000, an increase of 81,900. As the Comptroller pointed out last year, the civilian workforce increased during the intervening years in order to reduce costs and bolster performance of inherently governmental functions:

1. Secretary Donald Rumsfeld oversaw the mid-decade conversion of 50,000 military positions to civilian employees in order to relieve stress on the military workforce and return military members to operational duties.
2. Insourcing also increased the size of the civilian workforce. In FY10 and FY11, DoD created 28,000 positions through insourcing. More than one-half of those positions were, according to the Department, created in order to save money. The rest were created because the work was too important or sensitive to privatize, also per the Pentagon.
3. After years of counter-productive in-house cuts that essentially allowed contractors to be supervised by other contractors, 20,000 civilians were also added to the acquisition workforce.
4. Another 8,000 civilians were hired to bolster the Department's increasingly-important CYBER/IT capacity.
5. 7,000 civilians were added to the medical workforce in order to care for wounded warriors.

These additions to the civilian workforce saved money for the taxpayers and enhanced the performance of vital functions. In this instance, the Department should be praised, not condemned, for its effective workforce management. The modest increase in the size of the civilian workforce in the last dozen years is dwarfed by the increase in spending on service contracts. As the Senate

Armed Services noted in FY12 report language: *“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 operations), while the size of the Department’s civilian employee workforce has remained essentially unchanged.”* Of course, the flawed REDUCE Act would impose arbitrary cuts only on the civilian workforce.

^{lv} The author of the REDUCE Act emphasizes the growth in the number of civilian employees in headquarters in advocating for this legislation. However, this argument fails to take into account three facts:

1. the Department’s headquarters workforce is a tiny fraction of the civilian workforce;
For example, the increase in the number of authorized civilian positions in the Office of Secretary of Defense (OSD) and the Joint Staff increased from 2,205 in FY01 to 2,646 in FY13, according to the Government Accounting Office in a recent report—DEFENSE HEADQUARTERS: DoD Needs to Reassess Personnel Requirement for the Office of Secretary of Defense, Joint Staff, and Military Service (15-10).
2. a significant part of the Department’s headquarters workforce consists of service contractors.
“For example, DoD’s fiscal year 2013 Inventory of Contracted Services, OSD estimated that there were about 3,287 contractor full-time equivalents throughout the organization, which represents about 55 percent of OSD’s total workforce in fiscal year 2013,” reports GAO.
3. while the civilian workforce in headquarters is being reduced, it is not clear if the number of contractors in headquarters is also being reduced.
“While there has been a net increase in the number of authorized positions in (DoD headquarters) organizations from fiscal year 2001 through fiscal year 2013, in recent years the number of authorized positions has leveled off or begun to decline, which DoD officials said is primarily due to DoD efficiency efforts,” reports GAO. At the same time, the only headquarters organizations in DoD that can report on service contractor reliance are OSD and the Army, whose headquarters are more than one-half and almost one-third contractors, respectively, because of the Department’s failure to finish the statutorily-required inventory of service contracts.

The GAO report indicates that the Pentagon needs to finalize its planned 20% reductions in its headquarters workforces, although those quotas specifically apply only to the military and civilian workforces. However, the REDUCE Act ignores that the civilian workforce in headquarters, which is a tiny fraction of the overall civilian workforce, is being reduced, but not necessarily the large number of contractors.

^{lvii} In *Transforming DoD’s Core Business Processes for Revolutionary Change*, which was released on January 22, 2015, the Defense Business Board (DBB), which consists of business leaders and consultants, called for targeted reductions in the civilian workforce of 23,000 positions through the use of attrition and early retirement. Not only did the DBB reject the REDUCE Act’s huge, arbitrary cuts in the civilian workforce, it also identified service contractors as the workforce that must be significantly reduced. In its most aggressive scenario, the DBB called for reductions in spending on civilian employees through early retirement and attrition of \$52 billion over five years while recommending \$89 billion in cuts in service contracts over the same period. The REDUCE Act, of course, would not impose even a single cent reduction in spending on DoD service contracts.



The Total Force and the Top Line

