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HOUSE ARMED SERVICES COMMITTEE
SUBCOMMITTEE ON READINESS
UNITED STATES HOUSE OF REPRESENTATIVES

ON

CIVILIAN WORKFORCE REQUIREMENTS – NOW AND ACROSS THE
FUTURE YEARS DEFENSE PROGRAM

July 26, 2012

INTRODUCTION

Chairman Forbes, Ranking Member Bordallo, Members of the Subcommittee. Thank you for the opportunity to appear before you today. The Department of Defense (DoD) appreciates all this Subcommittee does to support the readiness of our armed forces. On behalf of the Secretary of Defense, Leon E. Panetta, and the Under Secretary of Defense (USD) for Personnel and Readiness (P&R), Erin C. Conaton, I would like to thank you for the invitation to discuss a key element of that readiness, our career government civilian workforce.

As you know, we must address the civilian workforce within the larger context of the Department's Total Force of active and reserve military, civilians, and contracted services. As we look to the future, we must continue to strive to achieve the most effective, efficient, and appropriate mix for the Total Force in order to best meet the readiness and capability needs of our commanders, sustain the All-Volunteer Force while maintaining faith with those who serve, and ensure availability of fiscal resources for other compelling needs, such as recapitalization.

Today, our forces are the most capable in our Nation's history. Our Active and Reserve Service members and defense civilians must be well prepared to execute the widest range of current operations and respond to emergent needs. They are highly experienced and proficient in a wide range of real world operations. The Department's current plans, reflected in the President's Budget request for fiscal year (FY) 2013, represent a carefully coordinated approach that addresses operational needs, satisfies mission requirements, and recognizes fiscal constraints. Our future plans require us to align capabilities and associated costs of all elements of the Total Force. These elements cannot be managed in isolation if we are to avoid a hollow force and unnecessary expense. Our strategic plan recognizes:

- An active military that has decreased, yet highly demanding, operational commitments and revised overseas posture;
- A Reserve force that is a capable strategic and operational asset;
- A highly skilled and diverse career civilian workforce capable of performing mission essential and inherently governmental (IG) tasks;
- Contracted support that is cost effective and designed to provide appropriate and complementary support to our operational needs; and
- Efficient management of our contracted support as part of our Total Force mix.

TOTAL FORCE MANAGEMENT (TFM)

Total Force Management is the life-cycle process used to ensure the Department's capabilities are enabled by an effective, efficient, and appropriate mix of military, civilians, and contracted support to deliver requisite readiness while minimizing costs. During this period of constrained defense budgets, the Department must ensure that a sufficient number of federal civilian personnel are available to meet the support needs of our military forces, and deliver critical capacity building and security force assistance requirements. The Department must also prioritize and reduce less critical missions while we ensure that military and civilian personnel are performing all IG jobs, and that there are sufficient numbers to perform critical oversight, management, and readiness functions.

The Department's sourcing decisions must be made on the basis of law, cost, policy and risk. As required in the FY 2012 National Defense Authorization Act (NDAA), we are committed to ensuring those decisions are made consistent with title 10 requirements regarding workforce management. We will continue to deliver a flexible, responsive civilian workforce that mitigates risk and ensures continuity of operations; promotes an organic knowledge base; and ensures mission requirements are met most cost effectively and efficiently.

To achieve these objectives, we must ensure decision makers have access to relevant information and data, such as the statutorily required Inherently Governmental and Commercial Activities (IG/CA) Inventory, the Inventory of Contracts for Services (ICS), and accurate data to forecast environmental and demographic workforce trends associated with strategic workforce planning. Additionally, we must have the flexibility and tools necessary to appropriately align workload and balance the Department's workforces, including in-sourcing contracted services, converting work from military to civilian performance when military expertise is not required, and public-private competitions (when/where permissible). Total Force Management decisions should be aligned to support the Department's Strategic Workforce Plan, and the mitigation of risk associated with mission critical occupations and high risk skills within functional communities.

CURRENT CIVILIAN WORKFORCE PLANS

Since 2001, civilian full-time equivalents grew by roughly 17 percent, from less than 700,000 to approximately 800,000. This includes United States and foreign national direct hires, as well as foreign national indirect hires. This growth occurred while the country was

prosecuting two wars; new war-fighter domains such as cyber and unmanned intelligence, surveillance, and reconnaissance emerged; and the global security and geo-political risk environment significantly changed. Today's career civilians:

- Operate in the field, performing intelligence, surveillance, reconnaissance, cyber, and security functions;
- Perform equipment reset and maintenance, of ships, planes and weapons;
- Manage and oversee acquisition, logistics, personnel, and finances, including in an expeditionary capacity in support of ongoing operations;
- Provide engineering expertise across the full spectrum of the Defense enterprise;
- Deliver medical care and health services;
- Perform critical and innovative science, technology, and research lab functions in support of improved weapons systems, war-fighter capabilities, and the delivery of state of the art health care;
- Deliver base operating support, installation readiness and security, and family support services;
- Perform installation security; force protection; and chemical, biological, radiological, and nuclear response; and
- Support entry and institutional training of our forces

In an effort to significantly reduce excess overhead costs and apply the savings to war-fighting capability, force structure and modernization, and readiness, the Department carried out a number of initiatives beginning in FY 2011 including directing Components to maintain civilian personnel at FY 2010 levels. Components were directed to make trade-offs and separate core mission requirements from less compelling support needs based on organizational assessments and mission/function prioritization. This reflects a commitment to challenge workload requirements and size our workforce to meet our most pressing and critical priorities. Exceptions to this have been granted on a case by case basis, where justified by workload or other specific rationales.

The FY 2013 President's Budget request reflects an objective and reasonable approach that decreases spending on all components of the Total Force: military, government civilians, and contracted services. The current budget request continues to fund the civilian workforce at FY 2010 levels, with some exceptions. However, we recognize that we operate in a dynamic and

changing environment and therefore must retain the flexibility to adapt our workforces accordingly.

To achieve civilian personnel reductions, the Services are using all voluntary means available. This includes incentivizing early retirements, strategic pauses in hiring, and normal attrition.

FUTURE CIVILIAN WORKFORCE PLANS

We have over the past 10 years grown our workforce in response to changing mission demands and priorities and we are constantly evaluating workforce requirements to reflect changes, particularly eliminating requirements where workload has declined or the assigned work is considered to be of a lower priority or redundant. Given the strategic direction of the Department, the planned reductions among the uniformed force, and in order to meet the requirements of the Budget Control Act (BCA), the funding for civilian positions are currently planned to decline by approximately 2 percent from FYs 2012 to 2017. We continue to assess whether further reductions and realignment of civilian personnel can be made, in the context of adjustments to the Total Force and the new defense strategy, and will keep this Committee informed of the results.

The civilian workforce is extremely talented and critical to success in meeting our strategic goals. We are committed to providing strong support to programs which support their continued training and professional development. Civilians perform key enabling functions for the operating forces and deliver vital services that support our uniformed men and women. Changes in the civilian workforce must be done in a way that preserves mission essential skills and abilities over the long term and in a manner that enables us to recruit and retain the most talented individuals.

CONTRACTED SERVICES

We also recognize the need to review and assess levels of contracted support in order to ensure appropriate and cost effective utilization of such support. The Department is committed to complying with and implementing Congressional direction in the FY 2012 NDAA to limit aggregate spending on service contracts. Guidance issued by the Deputy Secretary of Defense in June 2012 limits total obligations for contracted services.

POLICIES, PROCESSES, AND TOOLS

DoD organizations are increasingly challenged to prioritize their limited resources, to ensure that military or career civilian employees are performing all IG jobs, and sufficient numbers of career civilian employees are available for critical oversight, management, and readiness functions. We are committed to complying with Congressional direction in the FY2012 NDAA to “undertake a more holistic approach to its [the Department of Defense] requirements in order to achieve the appropriate balance in its total workforce” and to improve our “ability to appropriately plan and budget for its total manpower requirements.” We agree that “risk mitigation should take precedence over cost when necessary to maintain appropriate manpower to support the Department’s operations and readiness to perform the core missions of the Armed Forces.”

To support these goals, the USD(P&R) chairs the Defense Human Resources Board (DHRB). The goal of the DHRB is to promote and facilitate improved Department-wide Total Force Management, through the improved alignment of statutes, policy, business practices, information technology, and resources.

Workforce Mix: In October 2011, OMB’s Office of Federal Procurement Policy issued its policy letter regarding IG and other work reserved for government performance. The identification of IG functions, work that is closely associated with IG, and workload critical to the Department’s ability to execute its mission are fundamental processes in our Total Force Management strategy.

The workforce should also be structured in such a manner so as not to use military personnel outside of their primary specialty to perform non-related functions or tasks. Doing so would limit their availability to mobilize and perform the operational mission, support and maintain necessary states of unit readiness, or impede their training and career progression requirements. In March 2012, we issued guidance to the Department regarding the use of “borrowed” or “repurposed” military manpower. This guidance is intended to ensure that with declining operational tempos for our military personnel and, as civilian reductions associated with efficiencies are implemented, military personnel are not inappropriately utilized.

As planned reductions are implemented, we will continue to focus on the proper mix of personnel. The annual IG/CA Inventory is one of many data sets and workload quantification sources that components have available as they shape their workforces and develop their budget proposals. The inventory provides visibility into component workforces based on functional

descriptors, manpower mix criteria, and location of services. We are improving the utility of the IG/CA Inventory beyond its historical use associated with public-private competition.

Improvements include the addition of major headquarters activities indicators; delineating workload associated with operating forces and infrastructure; and flagging specific elements of the workforce such as Defense Acquisition Workforce or Defense Health Program.

Inventory of Contracts for Services (ICS): The Department remains committed to meeting its statutory obligations under title 10 to annually review its contracted services. In November 2011, we delivered a consolidated plan to Congress that identified both short and long-term actions that will improve the ICS, make it a more reliable and complete data set, and improve visibility and accountability in the area of contracted services. This plan, and subsequent guidance issued in December 2011, specifically addresses how we will:

- Measure contracted support level of effort using direct labor hours and associated cost data collected from contractors;
- Assess the type of work being performed by the private sector and for whom based on standardized taxonomies and portfolio groups;
- Strengthen the relationship between the ICS and annual budget justification materials; and
- Ensure the ICS supports strategic workforce planning and an appropriately balanced, effective, and efficient workforce.

The actions being taken will improve the long-term utility of the ICS and will enable us to more accurately and holistically assess contracted workload. Coupled with an improved IG/CA Inventory, the goal is to develop the ICS to achieve the appropriate mix in our workforce, aligning IG activities to military and civilian workforces and commercial activities to the most cost effective service provider. Additionally, improvements currently underway will enable the Department to more accurately identify contracted level of effort based on direct labor hours and associated data. We are moving forward with fielding an enterprise-wide system, modeled after the Army's Contractor Manpower Application, as directed by Congress. This more accurate accounting of the level of effort will enable translating contracted services into a common unit of measure, full-time equivalents, comparable to civilian workforce levels. The increased fidelity into contracted services will serve as another critical tool to monitor possible workload

realignment, further facilitate Total Force Management, and assist to more appropriately realign limited resources to our most pressing priorities.

In-sourcing: The Department greatly values the support provided by the private sector, recognizing it as a vital source of expertise and innovation. However, in-sourcing continues to be a necessary workforce shaping tool to reduce excessive or inappropriate reliance on contract support and provide the best value for taxpayers. While some contracted services may be identified for in-sourcing, some services may no longer be required, or be of lower priority, and therefore reduced in scope or eliminated.

OMB Circular A-76: The Department is committed to ensuring adherence to the current restrictions regarding the outsourcing of any work performed by, or designated for performance by, civilian employees. Consistent with statutory changes that restrict the “direct” conversion of work by any number of civilian personnel to private sector (contract) performance, we issued guidance in December 2011, urging vigilance to prevent the inappropriate conversion of work to contract performance. In early March 2012, we issued guidance that reiterated the current statutory moratoriums on public-private competitions, placing existing statutory restrictions in the context of our changing fiscal and operational environment.

As noted earlier, contract support is critical to our operations. With a mission set as dynamic as the Department’s, the flexibility to transition work between sectors (government and private) in a timely, well-reasoned manner is critical to ensure we deliver capability in the most cost efficient and effective manner. Last summer, we submitted a report on our public-private competition policy and procedures under OMB Circular A-76. The report stated that the public-private competition process can be a useful tool for our commanders and managers to validate an organization's manpower and other requirements; drive a more consistent delivery of mission support and services to our service members and families; improve business processes; and deliver readiness. A-76 can also be an effective means of freeing fiscal resources to meet other compelling needs of the Department. That said, no steps will be taken in this area before making improvements to ensure the process is more equitable, less time consuming, and minimizes disruptions to incumbent workforces. In addition, we are fully committed to ensuring that any such improvement process would involve wide vetting with affected stakeholders.

Strategic Workforce Plan: The Department continues to make progress toward developing a more systematic approach and enhanced enterprise tools for strategic human capital

planning. In FY 2012, we developed initiatives to meet statutory civilian strategic workforce planning requirements by FY 2015. First, we expanded the functional community construct to cover all major occupations in the civilian workforce. Previously, only mission critical occupations, which made up less than 40 percent of the workforce, were covered in the DoD Strategic Workforce Plan. Second, we updated criteria for designating mission critical occupations following a more structured process defined by the Federal-wide Strategic Human Capital Management High Risk Initiative. Third, an Enterprise Competency Management Framework has been designed to include phased development of Department-wide occupational competency models and deployment of a tool for competency assessments. An Army system is now being updated for Department-wide use to replace multiple competency tools with a single enterprise system. That system, the Defense Competency Assessment Tool, is scheduled for deployment in FY 2013; and through it, we will be able to assess workforce competencies and develop strategies to reduce critical skill gaps that may impact mission accomplishment by FY 2015.

CONCLUSION

The Department has plans in place to address our needs for an effective and appropriately resourced Total Force. We continue to focus on life-cycle management of the civilian workforce by integrating strategic workforce planning, competency management, hiring process improvements, and workforce professional development initiatives to ensure that plans support the recruitment, retention, and development of a ready civilian workforce that is responsive to rapidly changing mission demands and complex challenges.