DoD Workforce Rationalization Plan

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DoD Workforce Rationalization Plan

- DBC/3-Star Programmers Consideration: 5 Sept 2017
- DHRB Coord/Concurrence: 8 September 2017
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- DoD Submittal to OMB: 18 September 2017
I. Introduction

As the Department seeks to maximize lethality, improve and sustain readiness, grow the force, and increase capability and capacity, we must improve the overall management of our Total Force of active and reserve military, government civilians, and contracted services. That means we must have the right manpower and human capital resources in the right places, at the right time, at the right levels, and with the right skills to provide for the nation’s defense, while simultaneously being good stewards of taxpayer dollars.

Days after taking office, the President directed an immediate 90-day freeze on federal civilian hiring, and further directed the Office of Management and Budget (OMB) to develop a longer-term strategy for reducing the size of the federal civilian workforce. A few days later, on January 27, 2017, the President directed the Secretary of Defense to conduct a readiness review, and within 60 days, to provide recommendations to increase the readiness of our Armed Forces while preparing to increase both force structure and end-strength. In mid-April, OMB issued memorandum M-17-22, lifting the hiring freeze on federal civilian workers and directing all agencies to develop agency reform plans and associated long-term federal civilian workforce reduction plans. On June 30, 2017, DoD submitted to OMB, among other items, a summary of recently executed and upcoming near-term workforce reductions already in progress and an Overarching Workforce Rationalization Strategy.

The Overarching Workforce Rationalization Strategy, and this more in-depth DoD Workforce Rationalization Plan, are in lieu of a long-term civilian workforce reduction plan. This recognizes the uniquely complex nature of the Department’s missions and Total Force, and provides a strategic roadmap for how DoD will work to optimize its Total Force to achieve the direction from the President and Secretary of Defense to maximize lethality, recover readiness, grow the force, and increase capability and capacity. Additional internal implementation guidance for DoD leaders and decision makers will be forthcoming.

The Workforce Rationalization Plan recognizes DoD’s government civilians as an essential enabler of our mission capabilities and operational readiness – we cannot fight without them. Civilians are also intrinsically critical to supporting our All-Volunteer Force and their families. Without question, our Soldiers, Sailors, Airmen, and Marines would not be ready or able to perform their missions without their civilian partners. Accordingly, we must ensure that our civilian workforce is sized appropriately to complement our military, and to reduce unnecessary costs – we must avoid artificial constraints on civilians (e.g., de facto caps) or arbitrary reductions to the civilian workforce. DoD is unlike other federal agencies – our civilian workforce is in the business of protecting the American way of life, not regulating or governing it. While it may be appropriate for other federal agencies to reduce their civilian workforce over the long-term, for the DoD, “right sizing” will necessitate targeted growth to both restore readiness and increase the lethality, capability, and capacity of our military force. Civilian workforce requirements should be a function of mission, workload, and risk. Moreover, we cannot manage our civilian workforce in isolation from other Total Force elements of military and contracted services. To do so invites the use of military manpower or contracted services to assume workload more appropriately performed by civilians. This often results in excessive borrowed military manpower to fill installation-level requirements, which will increase the
likelihood of hollowing the force, or the use of more costly contractor work-arounds, diverting already scarce resources from key readiness recovery, recapitalization, and modernization accounts.

Numerous opportunities currently exist for the Military Departments, Defense Agencies, Field Activities, Combatant Commands and other organizations and elements of the DoD to make well-reasoned adjustments to workforce mix. Among those are:

- Reduce overall Operations and Maintenance (O&M) spending through the in-sourcing of contracted services to government civilian performance, ensuring a more appropriate and effective alignment of work and freeing up critical O&M resources for other readiness, recapitalization, and modernization needs;
- Identify functions and positions that are commercial in nature that may be appropriately or efficiently delivered via private sector support;
- Reassess military manpower allocations for military essentiality, whether workload requires deployments, and whether traditional military incumbency is necessitated. Opportunities to convert workload to civilian performance should be pursued through programming conversions;
- Identify whether the duties, qualifications, and skills requirements of each position, and the organizational placement of the position, reflect current mission needs. Identify whether duties can be reassigned to lower organizational levels and/or converted to a lower grade (both military and civilian); and
- Review and revise (as needed) organizational design and position structures to ensure they are effective and efficient. Ensure that spans of control and delegations of authority are optimized to accomplish the work with the fewest amount of management layers needed to provide for appropriate risk management, oversight, and accountability.

II. Overarching Workforce Rationalization Strategy

*as submitted to OMB by DepSecDef June 30, 2017

In order to increase the lethality, improve the readiness, and grow the capability and capacity of our forces, it is imperative to improve the overall management of our Total Force of active and reserve military end-strength, government civilians, and contracted services. Total labor costs are where the Department spends the vast majority of our resources. At the same time, our Total Force is the key enabler for all operational and critical support functions. If we fail to better rationalize how we choose among Total Force alternatives for our work, our Commanders will lack the capabilities and readiness they require, and the associated waste will prevent essential warfighting recapitalization.

As we refine our overall management of the Total Force, the overarching objective must be the sustainment of the All-Volunteer Force (AVF), which is the implicit assumption upon which all of our Commanders’ plans are predicated. This does not mean that demands for military manpower should go unchallenged. On the contrary, many view the increasing and extraordinary costs of the AVF as the gravest threat to its future viability. At the same time, as we look to grow force structure and capability, while improving lethality, we must guard against
the creation of a hollow force—one that is theoretically sufficient, but lacking the right number and distribution of personnel with the right skills.

In order to maximize the readiness, capability, capacity, and lethality of our military, it is not enough to have a sufficient number of uniformed personnel—they must be complemented by a well-reasoned, balanced, and appropriately sized cadre of government civilians and contracted support. This means aligning our uniformed personnel to only military essential requirements, maintaining sufficient levels of government civilians to perform critical enabling and readiness functions, and providing for the most cost effective and economical solution for all other work.

Accordingly, to achieve better Total Force outcomes, the Services and other DoD Components will be guided by the following tenets:

- only justifiable demands for labor are considered for any form of Total Force funding;
- only those demands for members of the AVF that are militarily essential will be afforded military authorizations;
- demands that are clearly inherently governmental in nature, but not militarily essential, shall be performed only by government civilian employees;
- demands that could be appropriately performed by either government or industry will be allocated primarily based on cost, justified by a rigorous economic analysis; and
- workforce solutions that best promote the optimal readiness and fiscal outcomes the Department requires shall be achieved without artificial constraints on any element of our Total Force.

In accomplishing the above, Components will take the following actions:

- challenge military authorizations and demands, particularly in support staff and infrastructure, and wherever appropriate, eliminate or civilianize them;
- in-source contracted work if inherently governmental or if doing so would generate cost avoidance or savings;
- for both military and government civilian manpower authorizations, ensure that work is allocated to the lowest appropriate pay grades—including modifying officer authorizations to warrant officer/enlisted (leveraging an extraordinarily capable enlisted force wherever possible); and
- identify opportunities for competition with the private sector to ascertain whether commercial functions would be performed more economically by government employees or the private sector.

Moreover, optimal Total Force mixes are as diverse as our challenges, and the “right” mix is something that often can be determined only at the individual mission/command level, taking into consideration unique requirements and circumstances.

Improved Total Force management and workforce rationalization is an enduring and dynamic need. Therefore, the Under Secretary of Defense for Personnel and Readiness (USD(P&R)) and the Deputy Chief Management Officer (DCMO) will partner in leading DoD-wide efforts to assist the Services and other Components by aligning business practices, statutes,
policies, and culture through the removal of harmful impediments and promotion of helpful initiatives.

A strategy that does not address accountability and the measurement of results against expectations merely memorializes a desire. Accordingly, the USD(P&R) and the DCMO will partner in leading DoD-wide efforts to ensure that Total Force management and workforce rationalization outcomes (including, but not limited to fiscal outcomes) are quantified and assessed, permitting the well-reasoned initiation of subsequent actions in order to continuously promote:

- military lethality and readiness;
- government control of inherently governmental functions; and
- the reduction of unnecessary expense.

III. **Current Manpower and Workforce Management Statutes and Policies**

In accordance with section 129a of title 10, United States Codes (U.S.C.), the Department is statutorily obligated to have “the most appropriate and cost efficient mix of military, civilian, and contractor personnel to perform the mission of the Department of Defense” and to attain “a Department of Defense workforce sufficiently sized and comprised of the appropriate mix of personnel necessary to carry out the mission of the Department and the core mission areas of the armed forces.” This allows our uniformed manpower to focus on operational demands while also ensuring the readiness generating functions provided by civilians and contractors are appropriately resourced.

Additionally, the Secretaries of the Military Departments and DoD Component heads have the overall responsibility for determining requirements and for the planning, programming, and budgeting for those requirements. Each Military Department, and many DoD Components, have established specific procedures and processes to determine, validate, and source manpower requirements. Their approaches are designed to comply with statutory requirements (i.e., sections 129, 129a, 2330a, 2461, and 2463 of title 10, U.S.C), federal regulations (i.e., Office of Federal Procurement Policy Letter 11-01, Performance of Inherently Governmental and Critical Functions), and DoD policies (e.g., DoD Directive 1100.4, Guidance for Manpower Management; DoD Instruction 1100.22, Policy and Procedures for Determining Workforce Mix; and DoD Instruction 7041.04, Estimating and Comparing the Full Costs of Civilian and Active Duty Military Manpower and Contract Support).

It is DoD policy that its workforce will be established to successfully execute Defense missions at a low to moderate level of risk, and will consist of both military and civilian personnel, augmented, when necessary and appropriate, by contracted services. The Department’s workforce will have sufficient organic capability and flexibility to reconstitute or expand to meet an increased national security threat. Accordingly, risk mitigation shall take precedence over cost in order to maintain an appropriate level of internal control over operations and missions, and to maintain core capabilities and readiness.
DoD Component plans and programs must be structured in a manner that maximizes operational capabilities and readiness in support of the National Defense Strategy, while most efficiently, effectively, and economically utilizing scarce resources. Accordingly, manpower and personnel requirements are to be driven by validated workload and established at the minimum levels necessary to accomplish mission and performance objectives, within available budget. Specifically, in order to prioritize lethality and readiness, manpower requirements for infrastructure activities and support functions should be maintained at the lowest practicable proportion of the total force structure.

Accordingly, required manpower levels will be developed to inform the Planning, Programming, Budgeting, and Execution (PPBE) process, consistent with strategic priorities, operational plans, force structure decisions, and necessary infrastructure and support needs. In order to maintain readiness and minimize resource impacts, analytically-based manpower requirements are essential. The DoD’s workforce should be sized and structured in a manner that enables effective and efficient performance of mission, tasks, and functions and delivery of required capabilities, while reducing duplication, overhead, and excess, as well as instilling a culture of savings and restraint.

As the Department presses forward with workforce rationalization, decision makers must take into account the distinct value and legal restrictions on the use of each element of the Total Force in performing mission, tasks, and functions:

- Inherently Governmental Functions: functions or work that must be reserved for performance exclusively by DoD military personnel or Federal civilian employees.
- Work considered closely associated with inherently governmental functions and critical functions should, to the maximum extent practicable, be accomplished using DoD military personnel or Federal civilian employees.
- Except in extraordinary circumstances, military personnel should not be used to perform functions or work that do not have a demonstrated military essentiality and as such would...
be more appropriately performed by Federal civilian employees or contracted support. This is the case particularly when this use of military personnel results in repurposed or borrowed military manpower that:
  o Degrades unit readiness;
  o Degrades a Service member’s occupational proficiency, assignment, or promotion potential in their assigned career field; or
  o Is more costly than civilian employee performance or contracted support, based upon an application of fully-burdened costing principles.
• Provided that a requirement is military essential (to include requirements supporting career advancement/progression, overseas and sea-shore rotation, etc.) , requirements designated for commissioned officer performance must be supported by documentation and justification related to:
  o Command, direction, or control necessary to achieve desired mission outcomes.
  o Expertise or special knowledge required.
  o Joint, interagency or multi-national needs, including experience and accountability.
  o Statutory requirements, including military justice.
  o Developmental requirements for future demands such as command and joint duties.
• Using term or temporary civilian employees is encouraged, particularly when first establishing and hiring for new requirements or required for non-enduring inherently governmental functions or other functions lacking statutory authority for contract performance.
IV. **Guidance for Workforce Rationalization**

The alignment of statute, policy, business practice, and culture in today’s Department yields a Total Force of military personnel, government civilians, and contracted services that is unaffordable, often unexecutable, and does not promote larger force readiness goals. Rationalizing a blended military/civilian/contractor workforce team ensures that the right talent is in the right place, at the right time, and for the right price (supply) to meet mission requirements (demand).

An optimally sized and balanced Total Force is one in which the mix of labor sources supports the Department's strategic priorities and the needs of our military forces in an effective and cost-efficient manner. DoD Components will utilize an enterprise-wide, strategic approach emphasizing flexibility while balancing affordability and risk. When determining the appropriate labor source for mission requirements, strategic priorities and the DoD Component-specific mission areas all must be considered prior to determining manning. Determining the right “supply” requires careful consideration of the characteristics, strengths, and weaknesses of each type of labor.

### Different Labor Sources: Strengths, Weaknesses, and Perceptions

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<tr>
<th>Personnel Flexibility</th>
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<tbody>
<tr>
<td>(Ability to get existing personnel in positions)</td>
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<tr>
<td>Civilian &gt; Contractor &gt; Military</td>
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<tr>
<td>- Military Personnel assignments system allows us to rapidly move existing inventory – at a cost</td>
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<tr>
<td>- DoD contracting policy and systems less responsive than military assignments system</td>
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<tr>
<td>- No mechanism to rapidly move existing civilian inventory</td>
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<tr>
<th>Manpower Flexibility</th>
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<tr>
<td>(Ability to grow/shrink for changing manpower requirements)</td>
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<tr>
<td>Military &gt; Civilian &gt; Contractor</td>
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<tr>
<td>- Contract labor is the easiest and quickest to acquire and shed</td>
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<tr>
<td>- Trained civilian labor can be hired more quickly than military</td>
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<tr>
<td>- Accession and training pipelines make Military the least flexible option when no inventory exists</td>
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<tr>
<th>Mission Flexibility</th>
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<tr>
<td>(Ability to work longer hours)</td>
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<tr>
<td>Contractor &gt; Military &gt; Civilian</td>
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<tr>
<td>- Military personnel can be worked hardest without near-term costs (potentially long-term readiness/AVF effects)</td>
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<tr>
<td>- Government civilians require compensation to work extra hours</td>
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<td>- Contractor overtime is dependent on terms of the contract</td>
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<th>Cost</th>
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<td>(Ability to accomplish a mission within resourcing parameters)</td>
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<tr>
<td>Military &gt; Contractor &gt; Civilian</td>
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<tr>
<td>- Government civilians are frequently the most cost-effective labor solution on a per capita basis</td>
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<tr>
<td>- Contractors are often more expensive than civilians (though in certain occupational fields they can be cheaper)</td>
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<tr>
<td>- Military personnel are the most expensive form of labor once all factors (training, etc) are included</td>
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The Department's best interests are served by achieving and maintaining the appropriate Total Force balance in each DoD Component and across the many missions of the Department. Achieving the most appropriate and cost efficient Total Force that balances risk and sufficiency
is an extremely complicated task that is best implemented within DoD Components (e.g., the Military Departments, Defense Agencies, Field Activities, Combatant Commands).

V. **Next Steps**

a. **Implementation and Reporting**

Section 129 of title 10, U.S.C. requires the Secretary of Defense and the Secretaries of the Military Departments each to submit a report on the management of the civilian workforces under their jurisdiction, no later than February 1 of each year. The reports are required to, at a minimum, include an assessment of the projected size of the civilian workforce in the current year and for each year in the future-years defense program; an explanation of the reasons for the increase or decrease from the previous projection, including an explanation of any efforts that have been taken to identify offsetting reductions and avoid unnecessary overall growth in the size of the civilian workforce; and in the case of a transfer of functions between military, civilian, and contractor workforces, an explanation of the reasons for the transfer and the steps taken.

To comply with these requirements and ensure an optimally rationalized workforce mix, each Component will, as part of its Program Objective Memorandum process and budget submission, and to inform the report required under 10 U.S.C. 129, provide a detailed explanation and rationalization of its manpower size and composition, as follows:

- Articulate Component/organization role in achieving mission success and force readiness and identify capabilities necessary to successfully accomplish organizational mission.
- Identify Component/organization mission, task, and functions necessary to deliver capabilities in order to successfully accomplish the organizational mission.
- Conduct assessment of Component priorities, investments, and assumed risk, aligned to the National Defense Strategy (NDS) and Defense Programming Guidance (DPG).
- Conduct an assessment of the current workforce distribution and identify the required workforce/manpower mix allocation: military, government civilian, contracted support. Examine the total personnel costs. Specify the appropriate civilian full time equivalent (FTE) baseline.
- Identify opportunities for balancing/optimizing the workforce mix with the following objectives: increased lethality, improved capability and capacity, readiness recovery/sustainment. To identify the optimal mix, consider the following:
  - In-sourcing – conversion of contract services to government civilian performance
  - Out-sourcing – competition or conversion of military/civilian workforce to contract performance
  - Militarize the Military – non-military essential to civilian/contractor performance (except where there are military operational, training, or career progression requirements)
  - Changes in military manpower mix – Officer/Enlisted, Active/Reserve
  - Civilian employee grade review
  - Economies of scale, shared services, consolidations, etc.
  - Divestiture opportunities
Identify dollar (e.g., O&M) savings, or military pay avoidance, and how those will be reinvested to increase readiness, improve lethality, and/or sustain the warfighter.

Identify both near- and long-term manpower implications associated with the implementation of DoD Reform Initiatives, to include an analysis of anticipated changes to the manpower structure and mix, proposed revisions to manpower policies or statutes, and mitigation strategies, if needed.

DoD will develop additional guidance regarding reporting requirements. The Secretaries of the Military Departments will submit reports for their respective departments. The DCMO will consolidate and submit the report for all other DoD organizations, including the Office of the Secretary of Defense (OSD), the Defense Agencies and the DoD Field Activities, the National Guard Bureau, Joint Staff, and Combatant Commands. Workforce rationalization and reporting milestones will be tracked through the Agency Strategic Plan (ASP) and Annual Performance Plan (APP).

b. DoD Opportunities for Optimizing the Workforce Mix

As previously stated, current practices often do not necessarily reflect policy. Due to a variety of cultural/political factors, decision makers prefer military manpower over civilian manpower, as a result requiring additional military end-strength to support not only operational missions, but many supporting functions. These factors include, but are not limited to: the agility of the military workforce to address new and varied missions; labor and/or legal constraints on the civilian workforce; and the perceived financial costs (i.e., organizations perceive the cost of military manpower as zero). If the Department does not challenge these cultural and political biases, and change current practices, a truly optimized and rational workforce mix will not be attainable.

Accordingly, DoD will lead efforts to review and consider the following opportunities at an enterprise-wide level:

- Providing complete visibility into the full costs of military and civilian personnel, such as integration of funding;
- Reviewing alternative staffing models for Active/Reserve and Officer/Enlisted mixes;
- Reducing military manpower allocations outside of the military departments and Joint Force Headquarters, to maximize military manpower in operational units;
- Reviewing processes to adjust and reallocate Major Headquarters Activity (MHA) personnel and functions;
- Elimination of de facto civilian workforce caps, mandated reductions to the workforce, and legislative restrictions on the conduct of A-76 public-private competitions;
- Identifying enterprise service models to capitalize on economies of scale, shared services, and consolidations; and
- Identifying divestiture opportunities to maintain mission focus.

The Department recognizes the requirement and challenges we face in optimizing our workforce mix are not new. Our goal is to employ technology and proper guidance, coupled with changes to both our cultural mindset and business processes, to efficiently support our
efforts to create a better force mix, monitor our effectiveness, and rapidly adjust to meet mission needs. Optimal workforce mixes are as diverse as our challenges: the “right” Total Force mix is something that has to be achieved at the individual manager/command level. Moreover, our policies should be aimed at assisting these numerous decision makers to arrive at workforce mixes that promote the outcomes the Department wants, including military lethality and readiness, government control of inherently governmental and critical functions, and fiscal viability.