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INSTITUTE FOR DEFENSE ANALYSES

**Potential Savings from Substituting
Civilians for Military Personnel
(Presentation)**

Stanley A. Horowitz

May 2014

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IDA Document NS D-5193

Log: H 14-000580

INSTITUTE FOR DEFENSE ANALYSES
4850 Mark Center Drive
Alexandria, Virginia 22311-1882



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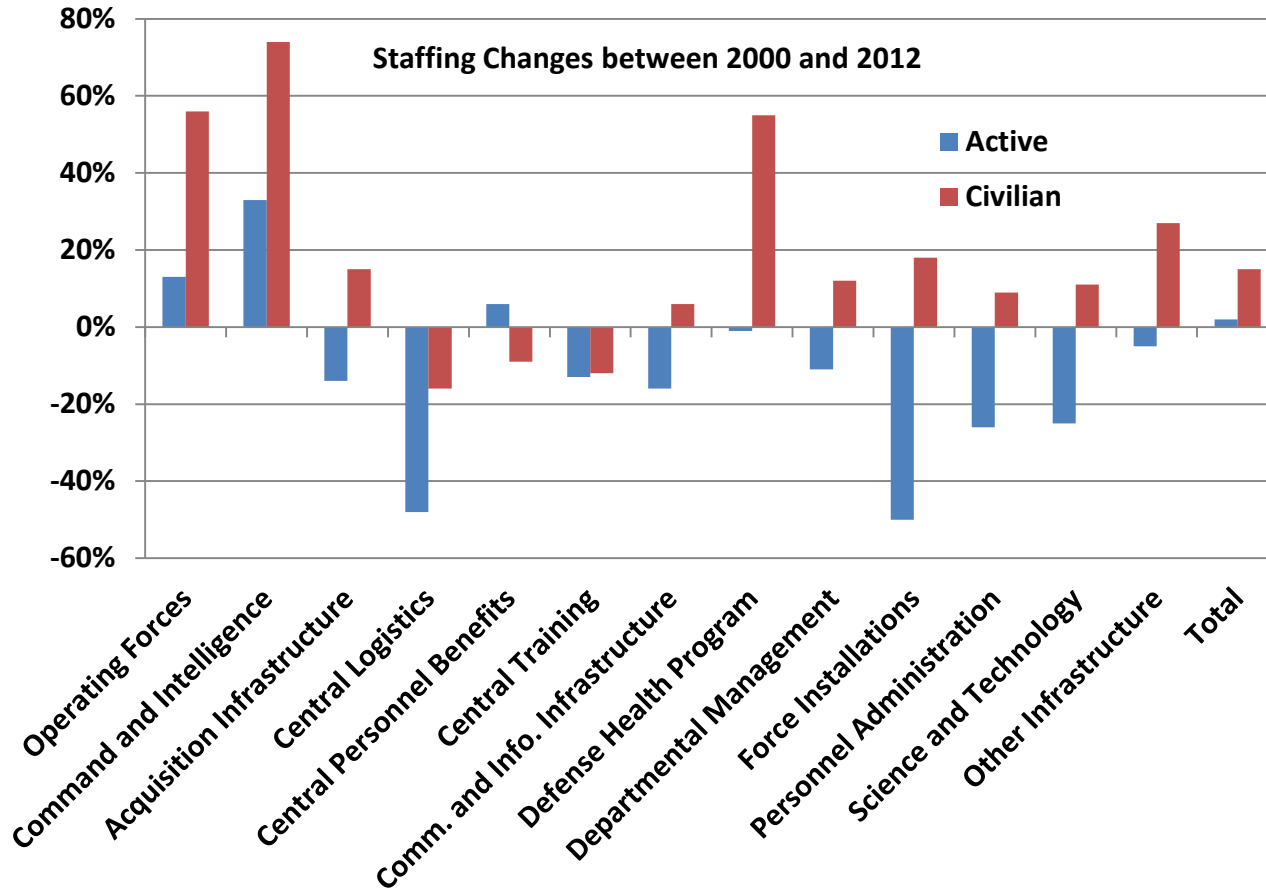
June 2014

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- Identify areas where it may be efficient to substitute some civilian personnel for military
- Provide rough estimates of potential savings
- Consider impediments to substitution

Much of this is preliminary and is meant to identify directions for analysis

- Background and motivation
- Areas of opportunity
 - Medical
 - Cyber
 - Infrastructure
- Conclusions and suggestions



- In almost all force and infrastructure categories, civilian staffing has risen more or fallen less than military staffing
- In FY 2012 there were still > 500,000 active duty personnel in infrastructure positions

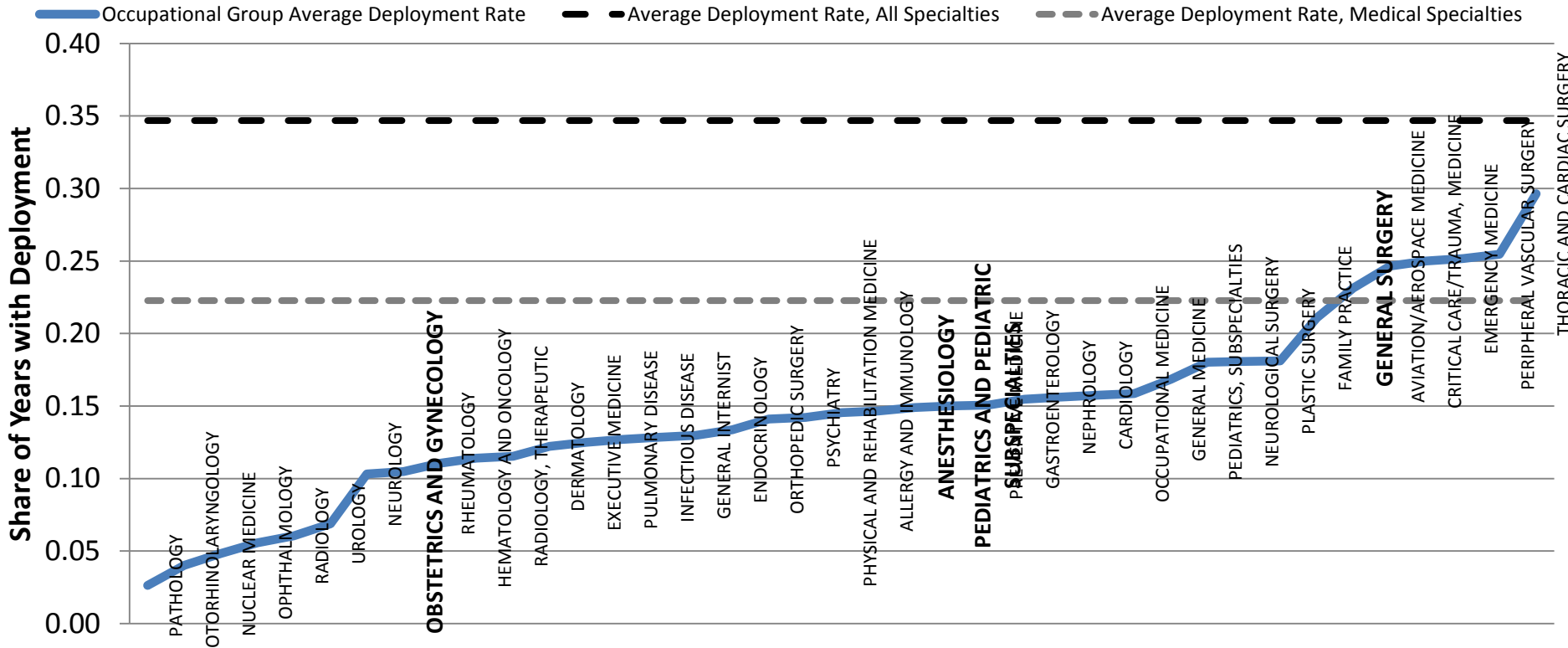
- There is pressure to cut civilian staff – management by input??
 - Medical: ban on mil-to-civ conversion; directed reduction in Army civilians
 - Continuing civilian personnel caps
 - FY 2013 NDAA emphasis on achieving savings in civilian workforce
 - H.R. 4257: “Rebalance for an Effective Defense Uniform and Civilian Employees Act” – 15% cut in civilians by 2021
 - American Enterprise Institute (AEI): “Hagel must rein in DoD civilian workforce”
- DoD Policy (Instruction 1100.22) provides proper framework
 - Identify mission requirements
 - Determine whether inherently governmental
 - Determine military essentiality
 - Identify most efficient performer for non-military essential positions
- Civilian personnel are generally less expensive than equivalent military
 - DoDI 7041.04: compare full marginal costs
 - Example in the instruction shows civilians cost 75% to 80% of military
- Many military personnel seem to be in non-military essential jobs
- The pressure to cut civilians may be revealed to be misguided

- Functions where many do not deploy
 - Less compelling case for military essentiality
 - Generating forces; e.g., training, personnel administration, acquisition support
 - Non-deploying combat-related forces: e.g., many cyber, non-operational medical, intelligence, UAVs
- Expanding, non-deploying functions where we are soon likely to substantially increase the number of military personnel
 - It's easier to influence something before it exists
 - Cyber and UAV workforce, for example

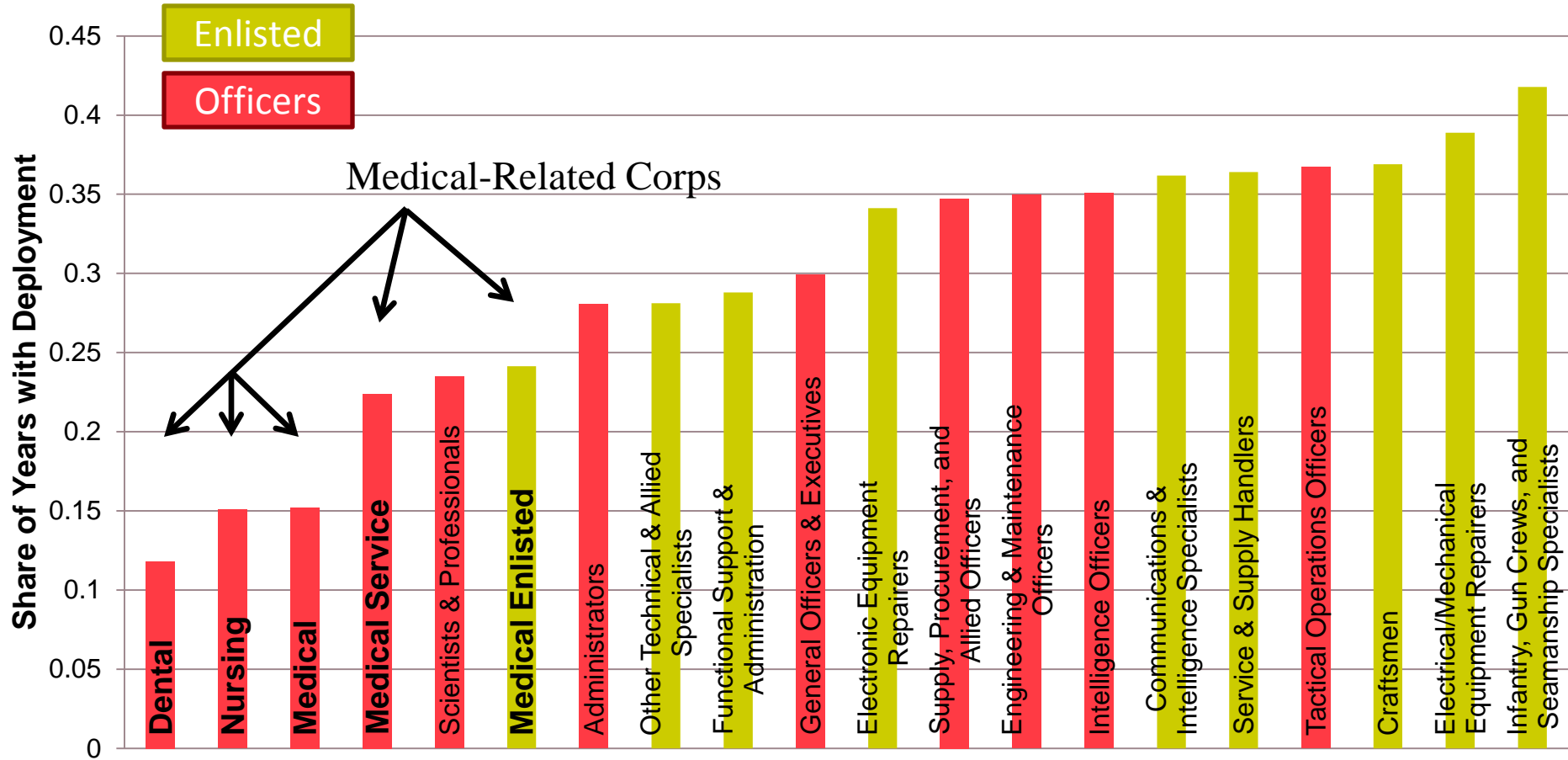
IDA | Army Medical Deployment Rates (2001–2012)

- Fraction of man-years with at least one day deployed in the year.

Army Medical Corps Specialties by Deployment Rate

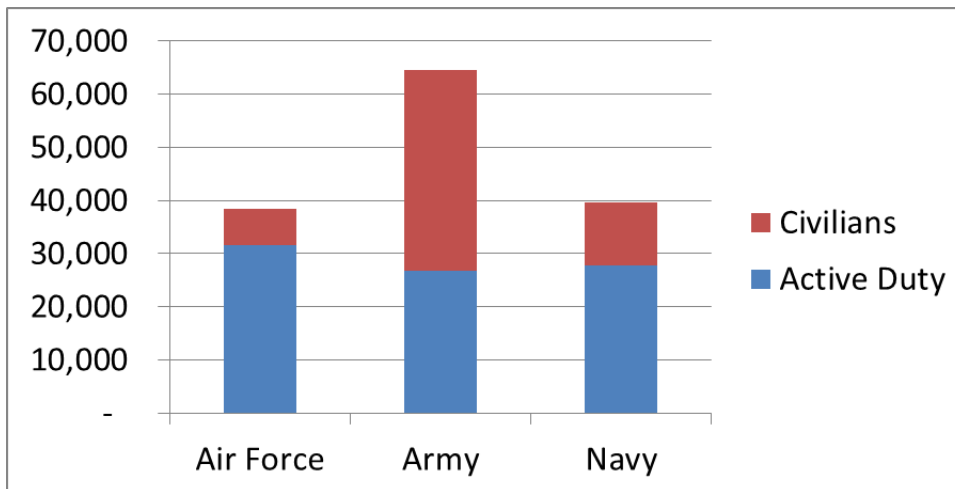


- Operationally required specialties deploy more than those primarily associated with beneficiary care
- Even the most deployed medical specialties had deployment rates below the Army average
- Other medically related corps display similar patterns



IDA | Potential to Use More Medical Civilians

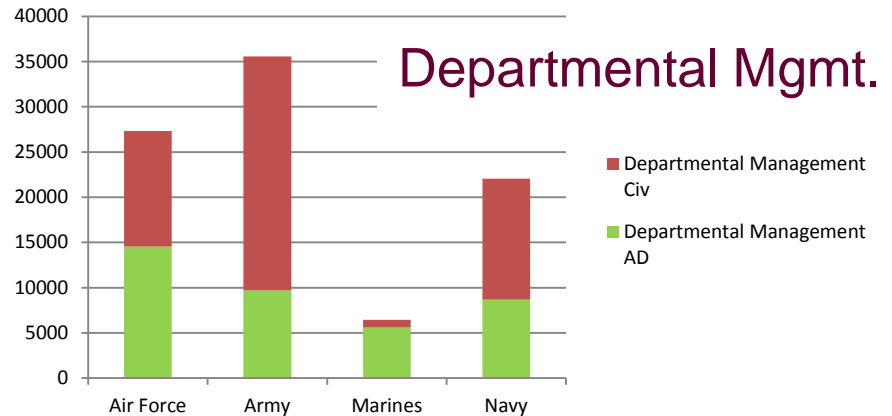
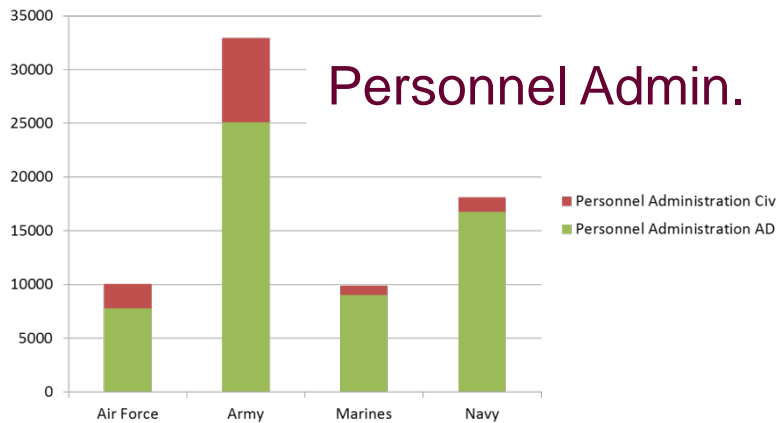
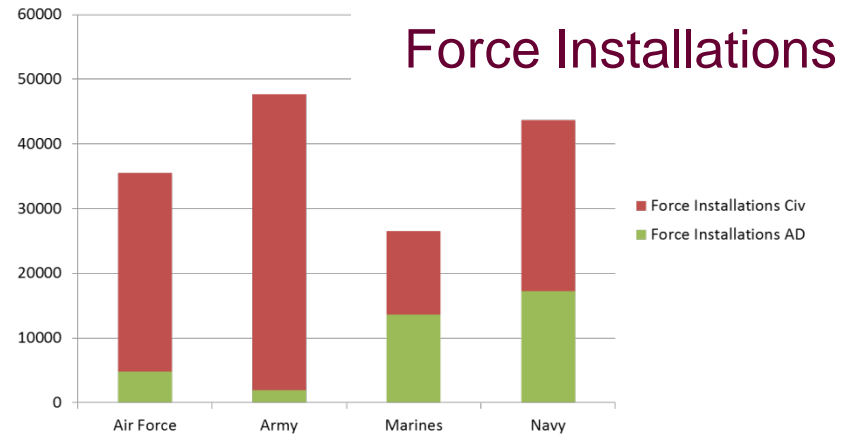
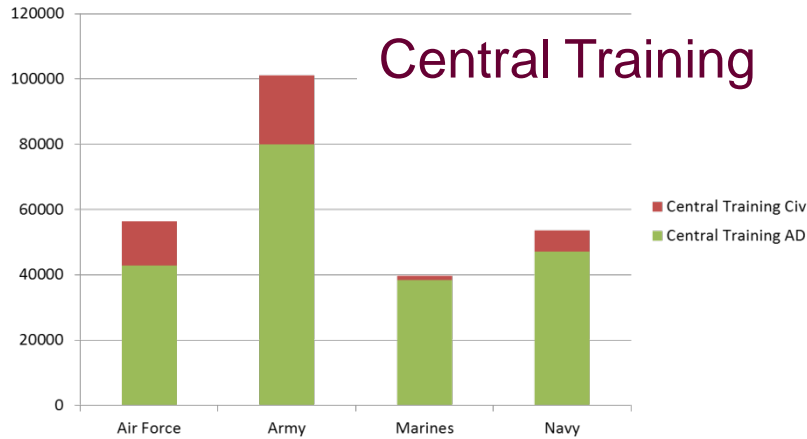
- Military medical staffing is greater than required to meet deployment/readiness requirements
- Civilian medical personnel are cheaper than military
 - Composite rate understates special pays and training costs
 - Full (or any) cost is not evident to users of military personnel
 - Civilian personnel have fewer overhead requirements; e.g., Graduate Medical Education (GME)
- Ratio of military/civilian medical personnel varies by Service



- Army has most aggressively civilianized
- Moving others to Army ratio could save \$500M/year (double in the long run)

- Management information, incentives, and constraints inhibit choosing the most efficient mix of personnel
- Recommendations
 - Develop annual estimates of training cost by specialty
 - Move more of the cost of military personnel into MILPERS account, so programmers see it
 - Develop pilot projects to allow organizations to trade expenditures on military, civilian, and contractor personnel
 - Remove prohibition to mil-civ conversion

- The cyber workforce is expanding rapidly
- Services are forming various kinds of cyber teams
- USCYBERCOM provided guidance that this workforce should be 80% military
- Service policies vary, but some meet or exceed the 80% guidance
- Most cyber work is done in CONUS offices
- We are examining the extent to which the positions are military-essential
- Savings may be possible. Training costs may be high and retention difficult



- Army usually has the highest fraction of civilians relative to military
- Moving all Services to same ratio as the highest Service could save \$1.6B/year
- Examine rationales for military personnel; e.g., sea-shore rotation

- Since 2000 we have been substituting civilians for military personnel
- It likely saved a good deal of money
- There is strong, continuing pressure to reduce the use of civilians in DoD under any circumstances. This is misguided
- There are opportunities for further civilianization in the medical area, in other infrastructure activities, and probably in the cyber workforce
- Fairly modest increases in civilianization would save several billion dollars a year – CBO agrees

REPORT DOCUMENTATION PAGE

*Form Approved
OMB No. 0704-0188*

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1. REPORT DATE (DD-MM-YYYY) xx-05-2014	2. REPORT TYPE Final	3. DATES COVERED (From - To)
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4. TITLE AND SUBTITLE Potential Savings from Substituting Civilians for Military Personnel (Presentation)	5a. CONTRACT NUMBER DASW01-04-C-0003
	5b. GRANT NUMBER
	5c. PROGRAM ELEMENT NUMBER

6. AUTHOR(S) Horowitz, Stanley, A.	5d. PROJECT NUMBER
	5e. TASK NUMBER CARDPD
	5f. WORK UNIT NUMBER

7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Institute for Defense Analyses 4850 Mark Center Drive Alexandra, VA 22311-1882	8. PERFORMING ORGANIZATION REPORT NUMBER IDA Document NS D-5193 H 14-000580
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9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES) Institute for Defense Analyses 4850 Mark Center Drive Alexandra, VA 22311-1882	10. SPONSOR/MONITOR'S ACRONYM(S) IDA
	11. SPONSOR/MONITOR'S REPORT NUMBER(S)

12. DISTRIBUTION/AVAILABILITY STATEMENT
Approved for public release; distribution is unlimited.

13. SUPPLEMENTARY NOTES

14. ABSTRACT
The objective of this work is to identify areas in which it may be efficient to substitute some civilian personnel for military, provide rough estimates of potential savings, and consider impediments to substitution. There has been pressure to cut civilian staff in DoD, some of it incorporated into legislation. DoD policy states that inherently governmental functions that are not military essential should be carried out by the most efficient performer. DoD's instruction on full costing of personnel indicates that civilian personnel are generally less expensive than equivalent military. Here we look at several occupational areas in varying levels of detail: medical, cyber, central training, installation support, personnel administration, and departmental management. Substantial savings appear possible. The pressure to reduce civilian staffing appears misguided.

15. SUBJECT TERMS
total force, civilian personnel, military personnel, workforce mix, cost comparison

16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT Same as Report	18. NUMBER OF PAGES 17	19a. NAME OF RESPONSIBLE PERSON Horowitz, Stanley, A.
a. REPORT Unclassified	b. ABSTRACT Unclassified	c. THIS PAGE Unclassified			19b. TELEPHONE NUMBER (Include area code) (703) 575-4685

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