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**Testimony**

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**DEFENSE FORCE  
MANAGEMENT**

**Expanded Focus in Monitoring  
Civilian Force Reductions Is  
Needed**

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Management Issues, National Security and  
International Affairs Division



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Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to provide our views on the Department of Defense's (DOD) management of civilian force reductions. Much of our recent efforts in this area resulted from a May 1991 request from you, Mr. Chairman, and from Congressman Evans, asking us to review DOD's April 1991 5-year civilian employment master plan for reducing the industrial and commercial sectors of its civilian work force. Congressional concern over DOD's management of civilian force reductions led to legislation in fiscal year 1991 requiring DOD to submit the plan for downsizing the industrial and commercial work force. Our report on that issue was submitted to you on February 5, 1992.<sup>1</sup> We recently provided testimony to a Senate subcommittee which basically outlined DOD's differing approaches to military and civilian force reductions,<sup>2</sup> and we have additional work under way examining the management of overall civilian and military force reductions.

Today, I would like to (1) summarize some of the problems and limitations associated with DOD's 5-year plan for its industrial and commercial workers, (2) place DOD's industrial and commercial work force within the framework of overall civilian force reductions, (3) contrast DOD's management of civilian and military force reductions, and (4) suggest that the magnitude of planned civilian force reductions within DOD calls for a broader focus to monitoring civilian force reductions since the industrial and commercial sectors constitute only one third of DOD's total civilian work force.

PROBLEMS ASSOCIATED WITH DOD'S 5-YEAR MASTER PLAN FOR INDUSTRIAL AND COMMERCIAL WORKERS

Mr. Chairman, you and Congressman Evans asked us to (1) evaluate the accuracy and completeness of DOD's 5-year master plan and (2) determine whether it provided an adequate baseline for monitoring force reductions involving commercial and industrial workers. The plan was intended to provide the Congress with an aggregate summary of projected work load and work force changes and to provide advance notice of plans for involuntary separations.

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<sup>1</sup>Defense Force Management: Limited Baseline for Monitoring Civilian Force Reductions, (GAO/NSIAD-92-42, Feb. 5, 1992).

<sup>2</sup>Defense Force Management: DOD Management of Civilian Force Reductions, (GAO/T-NSIAD-92-10, Feb. 20, 1992).

We found a number of data gaps and limitations associated with DOD's plan for downsizing its industrial and commercial work force. These problems included incomplete and inconsistent data and questions about whether projected force reductions fully accounted for involuntary separations. DOD acknowledged some important limitations in its plan, including the fact that the data was subject to change based on the results of the then-pending deliberations of the President's Base Closure and Realignment Commission. Further, data-gathering for the report took place during Operations Desert Shield and Storm, before the full impact of the war on industrial and commercial activities could be determined.

A significant limitation in DOD's plan involved the difficulty in projecting reductions in force at specific installations in the latter years of the plan. Many DOD and service officials we spoke with discounted the reliability of out-year data in the plan given the uncertainties of future military force structure changes and funding levels.

Another limitation in DOD's plan was the usefulness of data pertaining to the value of funded work loads. DOD concluded in its report that on balance, civilian employment levels decline consistent with funded work load, but we found that changes in funded work load do not necessarily correlate uniformly with work force requirements because work load dollar values can be affected by changes in personnel, equipment, material costs, and accounting methods. In addition, time, material, and personnel requirements vary from one type of industrial operation to another, and the dollar amount of funded work load shown at any one point in time reflects orders received in that year, uncompleted work carried over from the prior year, and work orders that may not be completed until the next year. The extent of desired work backlogs, measured in months of work, also can vary over time and from one type of activity to another. More general information regarding changes in work backlogs may be more useful for tracking trends in funded work load and gauging the potential for changes in employment levels.

Employment levels at industrial and commercial activities may not be as quickly affected by budget reductions as are other civilian activities. These activities operate with various types and sources of funding, some direct and some indirect, with some sources more stable than others, even in a period of downsizing and constrained hiring. Some activities, for example, are funded by (1) procurement or research and development appropriations, which are available from 2 to 5 years; (2) operations and maintenance appropriations, which normally are available for just 1 year; and (3) revenue generated under foreign military sales contracts.

Despite this more stable funding, a number of officials at industrial and commercial activities we visited expressed concern about the impact of DOD's hiring freeze on their ability to expand

and contract their work force as needed to respond to "peaks and valleys" in their funded work load. They also were concerned that the hiring freeze could result in imbalances in worker skills. Concerns about needed flexibility in hiring were partially addressed by the Deputy Secretary of Defense's July 1991 decision to permit the hiring of temporary employees in selected instances. This authority has been used by some activities and not by others depending on the extent of local hiring constraints.

With regard to the 5-year plan's usefulness for anticipating involuntary separations, we found instances where projected decreases in employment from one year to the next exceed historical patterns of attrition but involuntary separations are not indicated. Our analysis of the plan data suggests that the number of involuntary separations at some locations could be higher than indicated in the plan, but data errors and other limitations I've already mentioned preclude a definitive answer. Now, nearly a year after the report was submitted to the Congress, the information it contains is even more dated and less likely to provide a clear baseline for monitoring reductions in the industrial and commercial work force. DOD is in the process of updating some of its information from commercial and industrial activities that anticipate employee furloughs or involuntary separations through fiscal year 1996. However, this effort will not be a complete update of the 5-year master plan.

Last weekend we moderated a large group discussion attended by supervisory personnel from a variety of DOD and military service activities around the country. A clear consensus emerged among those present that many of their activities are being adversely affected by skill imbalances from hiring freezes and other force reduction actions that have been ongoing for up to 5 years. Some concerns were expressed that hiring constraints have led to increased contracting out for services at least in the short term. Concerns also were voiced about the aging of the work force and its long-term impact and about what is perceived to be a lack of attention to identifying and maintaining a balanced, basic level of skills for in-house capabilities as part of the Defense industrial base. All of this translated into concerns about an emerging "hollow force" among civilian personnel. We plan additional work to better identify the magnitude of these problems.

#### MAGNITUDE OF THE DRAWDOWN

By the end of fiscal year 1997, DOD expects to have completed a 25-percent reduction in the size of its active duty military since the end of fiscal year 1987. (See app. I.) That means that the services' authorized end strength will have been reduced by approximately 548,000 positions; about 219,000 positions scheduled to be eliminated during fiscal years 1992 and 1993. (See app. II.) By the end of fiscal year 1997, DOD expects to reduce its total

civilian end strength by nearly 229,000 positions, or 20 percent, from its fiscal year 1987 levels. About 87,000 of these reductions are scheduled to occur during fiscal years 1992 and 1993. (See app. III).<sup>3</sup> In the industrial and commercial sectors of the civilian work force, DOD's April 1991 report to the Congress projects a decline of nearly 49,000 positions, or 15.8 percent, during fiscal years 1992 through 1996.

#### DIFFERING APPROACHES TO MILITARY AND CIVILIAN FORCE REDUCTIONS

Important differences exist between DOD's approaches to downsizing its military and civilian forces. On one hand, DOD has relied primarily on a policy of restricted hiring (a general freeze on hiring from outside the Department, with some exceptions), coupled with normal attrition, to reduce civilian forces to the desired levels. On the other hand, DOD is trying to achieve and maintain a degree of balance between its accessions and losses in order to "shape" its military forces in terms of rank, years of service, and specialties. DOD believes that without this approach, the services would be faced with skill imbalances, promotion and career stagnation, and a senior work force with higher personnel costs and many senior persons performing lower level work.

Military personnel systems have greater flexibility than civilian personnel systems in terms of continuing or reducing employee levels through enlistment, reenlistment, defined periods of obligatory service, and other programs. Further, the management of DOD civilian personnel is more decentralized than that of uniformed military personnel, and civilian employment levels are driven more by operating budgets at the activity level. As a result of these factors, it is more difficult to obtain a full perspective on civilian personnel than on military personnel issues at the DOD or service headquarters levels.

#### BROADER FOCUS FOR MONITORING CIVILIAN FORCE REDUCTIONS IS NEEDED

DOD's 5-year master plan, with or without updated information, provides a limited perspective on the potential magnitude for civilian force reductions in that it addresses only one third of DOD's civilian work force. Ongoing downsizing of defense activities and the potential for involuntary separations of civilians are not limited to industrial and commercial workers. Broader assessments are needed to determine the magnitude of civilian force reductions and their potential impact on given areas and regions, as well as the impact of hiring constraints on the

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<sup>3</sup>Projections of overall military and civilian force reductions are as of February 1992.

ability of all DOD civilian organizations to efficiently and effectively accomplish their missions.

In our previous and recent assessments of overall civilian force reductions, we have found the Office of the Secretary of Defense (OSD) more optimistic than some service officials regarding the likelihood that force reductions are apt to be met primarily through restricted hiring and attrition. For example, OSD officials, using total loss figures, cite DOD-wide data showing voluntary civilian attrition and retirement rates of full-time career employees ranging between 5 and 7 percent in recent years (depending on how the data is aggregated), including fiscal year 1991. On the other hand, an Army official told us that the Army's reduction in civilian employment levels was 3 percent for the entire fiscal year 1991 and only 2 percent for the last half of fiscal year 1991, including regular attrition and retirements. The difference between the two sets of data is that OSD's data measures only losses whereas the Army's reflects a net decrease in employment levels after accounting for accessions still permitted under exceptions granted to DOD's hiring freeze.

Our analysis of available data on Army civilian employment levels shows net force reductions totaling 14,913 in fiscal year 1991, a decrease of less than 4 percent from the previous year's end strength. The Army is planning to reduce its civilian work force by an additional 34,686 positions in fiscal year 1992 and 21,349 positions in fiscal year 1993, or a 15 percent reduction from fiscal year 1991. Over 13,000 of these reductions in fiscal years 1992 and 1993 involve some consolidations and transfers of functions and personnel levels from the Department of the Army to DOD agencies as part of ongoing Defense Management Review initiatives; the actual number of positions that will be lost under these consolidations and transfers is unclear. However, even without any loss of positions under these initiatives, there would still remain a sizeable number of reductions to be made during this 2-year period. DOD's overall projected net force reduction for fiscal years 1992 and 1993, after consolidations and functional transfers from the services to DOD agencies are taken into consideration, is 8 percent.

Aggregate data on attrition rates and net force reductions will likely not adequately reflect the magnitude of separations and the potential for involuntary separations at selected locations such as bases slated for closure or other areas where significant changes in work requirements and work load are made.

Recently, the Army and the Navy mandated tighter controls on their hiring than already in place under DOD's partial hiring freeze. To what extent these controls will facilitate force reductions, minimize involuntary separations, or create other problems is unclear.

Given the level of organizational turbulence within DOD agencies and the military services during this period of downsizing, it is not clear whether broad measures, such as DOD's hiring freeze, will be sufficient to achieve the desired level of force reductions, minimize involuntary separations, and maintain balance in the remaining work force. It may be that the need DOD recognizes for balancing accessions and losses and shaping its military forces may be more applicable to its civilian work force than DOD has recognized to date. The need for closer monitoring could be even greater if additional reductions are made to DOD funding beyond currently planned decreases of 4 percent per year between now and fiscal year 1997. We are continuing our efforts to examine this issue as part of our ongoing work in reviewing the downsizing of DOD's military and civilian work forces.

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Mr. Chairman, this concludes my prepared remarks. I would be happy to respond to any questions from you or members of the subcommittee.



## MILITARY AND CIVILIAN END STRENGTH LEVELS, FISCAL YEARS 1980 THROUGH 1997

	<u>FY 1980</u>	<u>FY 1987</u>	<u>Net change from FY 1980 to FY 1987</u>	<u>FY 1997</u>	<u>Net change from FY 1980</u>	<u>Net change from FY 1987</u>
<b>Active duty</b>						
Army	776,500	780,800	4,300 (+01%)	536,000	-240,500 (-31%)	-244,800 (-31%)
Navy	527,200	586,800	59,600 (+11%)	501,000	- 26,200 (-05%)	- 85,800 (-15%)
Marine Corps	188,500	199,500	11,000 (+06%)	159,000	- 29,500 (-16%)	- 40,500 (-20%)
Air Force	<u>558,000</u>	<u>607,000</u>	<u>49,000</u> (+09%)	<u>430,000</u>	<u>-128,000</u> (-23%)	<u>-177,000</u> (-29%)
Total	2,050,200	2,174,100	123,900 (+06%)	1,626,000	-424,200 (-21%)	-548,100 (-25%)
<b>Guard and Reserves</b>						
Army	581,500	765,500	184,000 (+32%)	567,400	-14,100 (-02%)	-198,100 (-26%)
Navy	97,000	148,300	51,300 (+53%)	117,800	+20,800 (+21%)	- 30,500 (-21%)
Marine Corps	35,700	42,300	6,600 (+18%)	34,900	- 800 (-02%)	- 7,400 (-17%)
Air Force	<u>155,200</u>	<u>195,000</u>	<u>39,800</u> (+26%)	<u>200,000</u>	<u>+44,800</u> (+29%)	<u>+ 5,000</u> (+03%)
Total	869,400	1,151,100	281,700 (+32%)	920,100	+ 50,700 (+06%)	-231,000 (-20%)
<b>Combined military</b>						
Army	1,358,000	1,546,300	188,300 (+14%)	1,103,400	- 254,600 (-19%)	-442,900 (-29%)
Navy	624,200	735,100	110,900 (+18%)	618,800	- 5,400 (-01%)	-116,300 (-16%)
Marine Corps	224,200	241,800	17,600 (+08%)	193,900	- 30,300 (-14%)	- 47,900 (-20%)
Air Force	<u>713,200</u>	<u>802,000</u>	<u>88,800</u> (+12%)	<u>630,000</u>	<u>- 83,200</u> (-12%)	<u>-172,000</u> (-21%)
Total	2,919,600	3,325,200	405,600 (+14%)	2,546,100	- 373,500 (-13%)	-779,100 (-23%)
<b>Civilian</b>						
Army	360,500	418,000	57,500 (+16%)	294,644	-65,856 (-18%)	-123,356 (-30%)
Navy/Marines	308,700	353,000	44,300 (+14%)	261,265	-47,435 (-15%)	- 91,735 (-26%)
Air Force	244,300	264,000	19,700 (+08%)	202,767	-41,533 (-17%)	- 61,233 (-23%)
DOD agencies	<u>76,821</u>	<u>98,000</u>	<u>21,179</u> (+28%)	<u>145,669</u>	<u>+68,848</u> (+90%)	<u>+ 47,669</u> (+49%)
Total	990,321	1,133,000	142,679 (+14%)	904,345	-85,976 (-09%)	-228,655 (-20%)

Note: Some increases in personnel numbers for DOD agencies shown in fiscal year 1997 represent the consolidation of some activities and the shifting of personnel from individual services to DOD agencies.

Sources: DOD Manpower Requirements Reports and the Office of the Secretary of Defense. Prior-years data is actual while future-years data is projected as of February 1992.

DOD MILITARY END STRENGTH LEVELS, FISCAL YEARS 1991 TO 1993

	<u>FY 1991</u>	<u>FY 1992</u>	<u>FY 1993</u>	<u>Net change from FY 1991 to FY 1993</u>
Army	710,800	640,700	598,900	-111,900 (-16%)
Navy/	570,300	551,300	535,800	- 34,500 (-06%)
Marine Corps	194,000	188,000	181,900	- 12,100 (-06%)
Air Force	<u>510,500</u>	<u>485,100</u>	<u>449,900</u>	<u>- 60,600</u> (-12%)
Total	1,985,600	1,865,100	1,766,500	-219,100 (-11%)

Note: End strength figures for fiscal year 1991 do not include 17,059 mobilized reserves still on active duty as of September 30, 1991; 86 percent of those reserves were in the Army. Numbers presented include the effects of some rounding.

Source: Department of Defense Manpower Requirements Report, FY 1993.

DOD CIVILIAN END STRENGTH LEVELS, FISCAL YEARS 1991 TO 1993

	<u>FY 1991</u>	<u>FY 1992</u>	<u>FY 1993</u>	<u>Net change from FY 1991 to FY 1993</u>
Army	365,464	330,778	309,429	- 56,035 (-15%)
Navy/Marines	328,954	311,659	283,206	- 45,748 (-14%)
Air Force	232,661	218,386	213,870	- 18,791 (-08%)
Other DOD agencies	<u>117,456</u>	<u>140,176</u>	<u>151,200</u>	<u>+ 33,744 (+29%)</u>
Total	1,044,535	1,000,999	957,705	- 86,830 (-08%)

Notes: Some increases in end strength numbers for DOD agencies represent the consolidation of some activities and the shifting of personnel from individual services to DOD agencies.

Strength levels are actual for fiscal year 1991 and projected for fiscal years 1992 and 1993, as of February 1992.

Source: DOD.

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