Total Force Demand and Resourcing the Workforce

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Demands & Resourcing

- **IS NOT** just about “getting the money”

- Is about promoting Department’s larger objectives
  - Delivering capabilities and readiness **while**
  - Minimizing fiscal opportunity costs – risk management

- Not “getting it right” puts much at risk

- Total Force background: “mix” and cost vectors

- Special challenge: entitlements growth

- Balancing manpower demands with personnel supply

- Moving “Observed Outcomes” closer to “Desired Outcomes”

**Challenge:** Balance Manpower Demand **AND** Personnel Supply
Department’s larger Total Force objectives must be promoted
- Delivering capabilities and readiness while
- Minimizing fiscal opportunity costs

Facts of Life:
- Workforce costs and associated “tails” increasingly unaffordable
- Fiscal pressures will worsen

What’s at risk? – EVERYTHING:
- The AVF - fundamental enabler of all our plans
- Compelling recapitalization and investment
- Actual and perceived readiness that shapes global outcomes

To “Resource the Workforce” you first need to know:
- What “it” really should be
- What “it” would really cost – including second order costs

Knowing where we have been – a good start
Total Force Mix - Military, Civilian, Contractor

<table>
<thead>
<tr>
<th>Year</th>
<th>Active Duty Military</th>
<th>Civilians</th>
<th>Contracts for Services ($K)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY01</td>
<td>1,387,076</td>
<td>704,783</td>
<td>$104,820,780</td>
</tr>
<tr>
<td>FY10</td>
<td>1,405,600</td>
<td>764,400</td>
<td>$248,207,148</td>
</tr>
</tbody>
</table>

% Change: 1% 8% 137%

Reduction for In-sourcing.

The savings are here. This is Total Force Manpower, but its growth has been unchallenged and often we don’t even know what is in the base.

Increasingly Unaffordable

Per Capita Cost will not go down. We must reduce the inventory by challenging military essentiality of the growing support tail – covert to CIV or eliminate.

Total Increase From FY09 = $6B


OUSD(P&R) – Requirements and Program and Budget Coordination Directorate
Second Order Effect: Unaffordable Health Care

Risk Defined:

• Health care for 9.6M beneficiaries

• Up from 9.1M in 2007 – increasingly unaffordable share of resources

• At the same time, quality care to sustain the AVF, deliver readiness, and fulfill statutory obligations is imperative

![Graph showing total health care costs from 2001 to 2010](image-url)
Total Force Strategy – focus on the right mix

The DoD Topline and Personnel Costs (2007 Constant Dollars*)

* Using the GDP Price Index from the Budget of the United States Government: Historical Tables Fiscal Year 2009 (Table 10.1)
Defense Spending (Percent of DoD Topline)

Includes RDT&E, Procurement, MilCon, and other O&M (excluding CivPay & Service Contracts)

Non-Personnel Spending

Regan Era Recapitalization

Military Personnel Costs

Civilian Payroll

Increased GWOT Operations

Enacted Supplementals (FY01-FY07)*

Contracts for Services

50% of TOA

68% of TOA

60%

80%

100%

FY67 FY72 FY77 FY82 FY87 FY92 FY97 FY02 FY07

* From FY08 GWOT Amendment, Department of Defense, October 2007 – less MilPers & DHP from enacted Supplementals (PL 110-28/5; 109-234/62/13; 108-106/11; 107-20)
The Changing Composition of DoD Personnel

FY67 FY87 FY07

“Ballpark” Manpower Mix
- Active Duty
- Reserve (FTE)
- Civilian
- Contractors*

FY67 FY72 FY77 FY82 FY87 FY92 FY97 FY02 FY07

Active Duty Military

Civilians

Reserves (FTEs)

Contracts for Services

Contract Manyear Equivalent (CME) based upon $175K FY07 Dollars additionally deflated proportionately to Civilian Per Capita costs
Manpower Mix vs Manpower Costs

Takeaways include:
- Active Military “per capita” costs increasing – everyone else too
- Service Contract costs now almost equal to Active Military costs
- Capabilities & Productivity hard to capture “just from numbers”
  - Complicates ROI decisions

** Includes DHP, Retired Pay, & Family Housing (excludes O&M training & Reserve MilPers)

*Contract Manyear Equivalent (CME) based upon $175K FY07 Dollars additionally deflated proportionately to Civilian Per Capita costs
Entitlement Growth Driving Active Duty Costs

**Active Duty Per Capita***

<table>
<thead>
<tr>
<th>Year</th>
<th>FY67</th>
<th>FY07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Basic Pay</td>
<td>31%</td>
<td>59%</td>
</tr>
<tr>
<td>Basic Pay</td>
<td>69%</td>
<td>41%</td>
</tr>
</tbody>
</table>

Includes: Retired pay accruals; TRICARE for Life; BAH; Subsistence; Incentive & Special pays; Allowances; Separation Pays; Social Security Tax; PCS travel; & others

**Civilian Per Capita**

* Military Pay (Active and Reserve) divided by Military Personnel Costs (including Reserve)

** Using the GDP Price Index from the Budget of the United States Government: Historical Tables Fiscal Year 2009 (Table 10.1)

*** Military Personnel Costs divided by Active Duty Endstrength; MPC include MilPers (less Reserve), DHP, Family Housing, and Retired pay; does not include training (O&M)

** Civilian Pay divided by Civilian Full-time Equivalents (FTE)
Resourcing the Workforce: in context

**Desired Outcomes:**
“Deliver Readiness while Reducing Fiscal Opportunity Cost”

- **Workforce Planning** ("Requirements" Determination)
  - Demand ("Determine Needs")
  - Unchallenged Assumptions
  - Uncoordinated Demands
  - Fiscally Uninformed
  - Total Force and Technology often NOT optimized
  - Manpower considered a “free” good
  - Etc....

- **Resourcing Decisions**
  - Programming ("Fund Billets")
  - Not Always Executable
  - "True Costs" unknown
  - Uncoordinated decisions
  - Overhead (e.g. students) not always funded
  - Well-reasoned policy or statutes may prevent achieving personnel objectives
  - Etc....

- **Personnel Production** ("Grow")
  - Production ("Grow")
  - Pipelines rigid, flexibilities underutilized
  - Long lead times
  - Unanticipated costs
  - "Instant gratification" anticipated by Programmers
  - Fundamental "sub-strategies" uncoordinated, e.g. accession, promotion, compensation, divestiture, training, etc

- **Allocation** ("Faces")
  - Assignment ("Faces")
  - Billets often: - vacant - filled with the “wrong person”

- **Feedback?**

- **Measured by manning rather than capability**

- **Vacant billets**

- **Desired**
  - Observed
  - Gap

- **Readiness**

- **Fiscal**
  - Desired
  - Gap

- **“Opportunity costs”**

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Resourcing the Workforce: cannot be separated from larger Human Capital “Architecture”
Resourcing the Workforce: Not Just About “Getting Money”: TAKE-AWAYS

- Department’s larger Total Force objectives
  - Delivering capabilities and readiness while
  - Minimizing fiscal opportunity costs

- Complex problems – no “silver bullet”
  - Helpful “Resource-Related Actions” will span entire Human Capital Architecture
  - Critical to understand and shape Workforce Demands --- which are often incorrectly called “requirements”

- Tools, Information, and “Freedom of Action” lacking – examples:
  - Inventory of Contracts for Services – deficient
  - In-sourcing constrained & Out-sourcing prohibited
  - Medical military to civilian conversions prohibited
  - Business rules unhelpful – military manpower “free”
  - Personnel rules/practices constrain choices – create unnecessary cost
No lack of constructive possibilities – a few examples:

- **Strategic**
  - Incentivize leaders to make “smart trade-offs” by making all components of total force manpower and technology “fungible” (e.g. military manpower “not free”)

- **Operational**
  - Eliminate “Culture of Equity” in Officer Community Management – DOPMA does not mandate ill-reasoned “equity”

- **Tactical**
  - Increasingly educated and capable enlisted force assume some current officer requirements

**JUST EXAMPLES!**