

February 10, 2017

Defense Primer: DOD Contractors

Throughout its history, the Department of Defense (DOD) has relied on contractors.

A *defense contractor*, as defined by the Code of Federal Regulations, is “any individual, firm, corporation, partnership, association, or other legal non-Federal entity that enters into a contract directly with the DOD to furnish services, supplies, or construction” (see 32 C.F.R. 158.3, “Definitions”).

Within the defense policy community, the term *contractor* is commonly used in two different contexts. The word can describe the private companies with which DOD contracts to provide goods and services. It can also describe individuals hired by DOD—usually through private companies, which are also considered contractors in the previous context—to perform specific tasks. The term “contractor” does not refer to military servicemembers, DOD career employees, or political appointees.

Contractors as Companies

DOD contracts with many companies for all kinds of goods and services, but its contracting is dominated by five companies. In FY2015, these companies were the only five to individually receive more than \$9 billion in DOD contracts and together received 28% of all of DOD’s contracted dollars for the year. The five companies are often referred to as the primes, signifying their role as prime contractors who in turn subcontract to other companies. They are shown in **Table 1**.

Table 1. Five Largest DOD Contractors

As measured by contracted dollars in FY2015

Company	Contracted Dollars
Lockheed Martin Corporation	\$29.4
The Boeing Company	\$15.6
Raytheon Company	\$12.4
General Dynamics Corporation	\$11.8
Northrop Grumman Corporation	\$9.5

Source: FPDS Top 100 Contractors Report.

Note: Fifty percent of the Bell Boeing Joint Project Office is attributed to the Boeing Company.

Nevertheless, DOD also contracted with more than 50,000 companies in FY2015 besides the primes, a number that does not include subcontracts let by the primes themselves. Thirty companies received more than \$1 billion directly in DOD contracts, and another 200 received more than \$100 million in DOD contracts. The remaining companies received just less than 30% of funds DOD contracted in FY2015.

The primes dominate contracts for both products and services, largely because they also service the products they provide to DOD. Health care providers are the largest of the companies whose contracts are more than 90% services, followed by those firms that provide professional services, from research to management support. The bulk of contractors—more than 70%—provide products, and these include the smallest companies by contracted dollars, which tend to provide specific manufactured goods.

Contractors as Individuals

The rest of this primer focuses on the roles of individual people contracted to support DOD. Individual DOD contractors fulfill a wide variety of organizational functions, from intelligence analysis or software development to landscaping or food service.

Why does DOD use individual contractors?

Going back to Revolutionary times, the U.S. military has relied on individual contractors, including on the battlefield. In the 1990s, the US military—in line with a government-wide trend—embraced privatization, increasing reliance on contractors rather than in-house personnel to provide many services.

The benefits of using contractors include freeing up uniformed personnel to focus on duties only uniformed personnel can perform; providing expertise in specialized fields, such as linguistics or weapon systems maintenance; and providing a surge capability (quickly delivering critical support capabilities tailored to specific military needs). Because contractors can be hired when a particular need arises and released when their services are no longer needed, contractors can be less expensive in the long run than maintaining a permanent in-house capability.

How many contractors does DOD employ?

DOD’s Inventory of Contracted Services (ICS, required annually by Section 807 of the FY2008 National Defense Authorization Act) provides information on contractor hiring by individual DOD components (e.g., the military departments and defense agencies). ICS documents do not report a total number of contractors, but rather a number of “full-time equivalents” (FTEs—a measure referring to the estimated numbers of man-hours contracted).

According to the FY2014 ICS Report to Congress, DOD contracted about 641,000 FTEs that year. Of these, the Department of the Army contracted about 37%, the Navy about 29%, and the Air Force about 19%.

Table 2. Contractor FTEs, by DOD Component

DOD Component	Reported FTEs
Department of the Navy	236,762
Department of the Army	185,654
Department of the Air Force	123,668
Defense Health Affairs	14,778
Defense Information Systems Agency	13,134
Missile Defense Agency	12,380
Defense Logistics Agency	11,668
U.S. Special Operations Command	8,548
Defense Commissary Agency	6,445
Defense Threat Reduction Agency	5,379
Office of the Secretary of Defense	5,202
All other reported FTEs	17,810

Source: DOD FY2014 Inventory of Contracted Services.

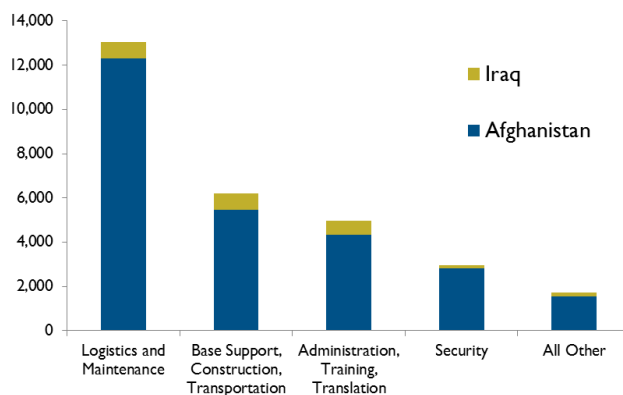
Note: Some DOD components provide their contractor FTE totals in a classified annex, which is not available to the public.

What role do contractors play in overseas operations?

Overseas contingency operations in recent decades have highlighted the role that contractors play in supporting the U.S. military—both in terms of the number of contractor personnel and the type of work being performed by these individuals. Since 2008, U.S. Central Command (CENTCOM) has published quarterly contractor census reports, which provide aggregated data—including elements such as mission category and nationality—on contractors employed through DOD-funded contracts who are physically located within the CENTCOM area of responsibility.

As of mid-2016, CENTCOM reported approximately 42,700 contractor personnel working for DOD within its area of responsibility, which includes Afghanistan and Iraq. A reported 26,435 contractor personnel were located in Afghanistan, while a reported 2,485 contractor personnel were located in Iraq.

Figure 1. Contractors in Iraq and Afghanistan, by Mission Category in Third Quarter of FY2016



Source: CENTCOM Quarterly Contractor Census Reports.

In Afghanistan as of mid-2016, about one-third of DOD's 26,435 reported individual contractors were U.S. citizens. Approximately 22% were third-country nationals and roughly 45% were local/host-country nationals. In Iraq,

about 65% of reported DOD contractors were U.S. citizens, with 21% third-country nationals and 14% local/host-country nationals.

In Iraq and Afghanistan, armed and unarmed private security contractors have been employed to provide services such as protecting fixed locations; guarding traveling convoys; providing security escorts; and training police and military personnel. The number of private security contractor employees working for DOD in Iraq and Afghanistan has fluctuated significantly over time, depending on various factors, including current force management levels in-country and U.S. operational needs.

As of mid-2016, DOD reported 2,802 private security contractors in Afghanistan, with 1,022 categorized as armed private security contractors. DOD reported 142 security contractor personnel in Iraq during the same period, none of whom were identified as armed private security contractors. Private security contractors peaked in Afghanistan in 2012 at more than 28,000 and in Iraq in 2009 at more than 15,000.

Relevant Statute

10 U.S.C. Part IV: Service, Supply, and Procurement.

CRS Products

CRS In Focus IF10548, *Defense Primer: U.S. Defense Industrial Base*, by Daniel H. Else and Sean I. Mills.

CRS Report R43074, *Department of Defense's Use of Contractors to Support Military Operations: Background, Analysis, and Issues for Congress*, by Moshe Schwartz.

CRS Report R44116, *Department of Defense Contractor and Troop Levels in Iraq and Afghanistan: 2007-2016*, coordinated by Heidi M. Peters.

Other Resources

Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics, *DoD Inventory of Contracted Services*, <https://acc.dau.mil/CommunityBrowser.aspx?id=18008>.

Office of the Assistant Secretary of Defense for Logistics and Materiel Readiness, *CENTCOM Quarterly Contractor Census Reports*, http://www.acq.osd.mil/log/ps/centcom_reports.html.

Russell Rumbaugh, rrumbaugh@crs.loc.gov, 7-6028

Heidi M. Peters, hpeters@crs.loc.gov, 7-0702

IF10600