

DEPARTMENT OF THE AIR FORCE

PRESENTATION TO THE COMMITTEE ON GOVERNMENTAL AFFAIRS

SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT

UNITED STATES SENATE

SUBJECT: "An Overlooked Asset: The Defense Civilian Workforce"

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INTRODUCTION

Mr. Chairman, I appreciate the opportunity to discuss the importance of our civilian workforce to maintaining Air Force readiness and accomplishing the Air Force mission. Today, we face a great challenge. We must adapt to a new steady state of accelerated operations and personnel tempo, face new enemies across the globe and here at home, and innovate rapidly to maintain our edge in the domain of air and space. This is our "transformational challenge" and business as usual will not be adequate to it. Our Air Force civilian workforce played important roles in helping us meet past challenges, and they will be critical partners in our Total Force team as we face this one.

Status of proposed civilian workforce reductions in the coming years and the rationale behind such reductions:

No single part of the Defense program alone holds the key to our success. The threats we face demand that we fight and win the Global War on Terror; protect readiness for the next conflict; modernize our aging weapons systems; recapitalize our deteriorating physical plants; retain our most experienced, skilled and "in demand" workers; realign our workforce skills to match tomorrow's needs, and do all of this without unduly burdening the nation's taxpayers and its economy. We believe the budgets we have prepared and submitted to the Congress achieve a reasonable and prudent balance among these competing demands. In our Fiscal Year 04 budget, we decided to reduce growth in aggregate labor costs, focusing our resources on re-shaping our force. Other than through scheduled competition and outsourcing activities undertaken in accordance with the provisions of OMB Circular A-76, our FY04 budget does not shrink our force. We must, in this current

fiscal year, however, implement civilian workforce reductions dictated by decisions made in previous budgets.

Force shaping--adapting our workforce to the challenges we face--will not be easy however, and there is turbulence ahead for our current employees. We'll place new demands on our civilians, as we shift our uniformed workforce toward the warrior-tasks of an expeditionary Air Force. As we recognize and understand our core competencies, we'll focus our in-house workforce on those activities, transitioning many other tasks to public and private sector partners outside the Air Force. Most functions remaining in-house will be re-engineered to drive down costs and improve performance. Our Air Force transformation is a journey we have only just begun. As we progress, the size of our workforce will change, as will their skills.

Workforce Shaping Authorities Progress (Reference the FY01-02 NDAA 9,000 voluntary early retirements and/or voluntary separation incentive payments):

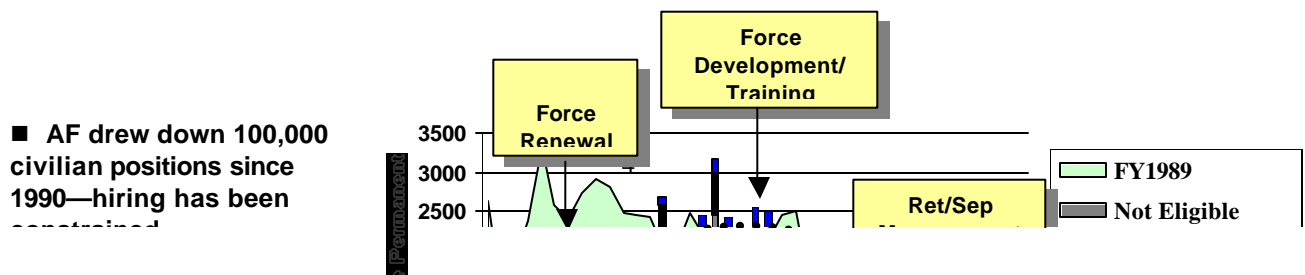
Senator Voinovich, the members of the Air Force team appreciate your assistance in developing the tools we will use to help us shape our civilian workforce for the challenging future we face. The flexibility of the Workforce Shaping Voluntary Separation Incentive Pay (VSIP) allows us to bring in employees with state-of-the-art skills and knowledge without the penalty of abolishing a position or RIFing an older employee. Without the Workforce Shaping VSIP, it would not have been possible for us to restructure many senior supervisory positions to entry or journeyman levels.

In FY01, DoD allotted the Air Force 284 Workforce Shaping VSIP authorizations. Due to the late distribution of the allocations and financial constraints, we only used 175. At first, we were allowed to offer Workforce Shaping VSIP to employees who were eligible for optional retirement; we did not use the Voluntary Early Retirement Authority in conjunction with the VSIP. In FY02, DoD guidance changed to permit the use of optional retirement, early retirement, and resignation in conjunction with VSIP. Approval authority was delegated to the Components, which we further delegated to our major commands. These flexibilities led to a greater use of VSIP authority in FY02, and we used 450 of the 457 allocations received from DoD. (Seven employees changed their mind at the last minute and did not use the VSIP and it was too late to reallocate them within the AF and DoD.)

Our philosophy for managing our current force restructure has consistently been to use voluntary programs first, and to use involuntary Reduction-in-Force (RIF) only as a last resort.

Possible law changes that would enhance the Department's ability to manage its civilian workforce:

Since 1989, we have eliminated or realigned over 100,000 civilian positions as we downsized the force. Civilian hiring was constrained as we attempted to minimize the impact of downsizing on our existing employees. The following chart illustrates the effect of the downsizing strategy on the demographics of the civilian workforce.



The drop in accessing new employees created a deficit in civilian employees with under ten years service – tomorrow’s civilian leaders. In addition, this segment of civilian workforce population has been leaving Air Force employment at an increasing rate over the last five fiscal years. Simultaneously, the downsizing strategy resulted in an overall force profile with increasing numbers of mid- to late-career employees. Within five years, approximately 42% of the civilian career force will be eligible to retire, either through voluntary retirement or early out - an estimated 20% of this force could retire by 2005.

The Air Force is finding it challenging to retain its mid-career employees and to attract younger candidates who possess state-of-the-art technical skills. In addition to positions that have been traditionally hard-to-fill (environmental engineers, bench scientists, medical personnel), we are finding it difficult at specific locations to recruit support personnel such as contracting specialists and aircraft mechanics. Even with the use of current flexibilities, such as recruitment, retention or relocation bonuses, and the slowdown in national economic growth, we are finding it difficult to entice intelligence, computer, and language specialists, among other skilled professionals, to join our team.

One of the factors contributing to civilian recruitment and retention problems is the civilian personnel management system. The current system was developed to meet the challenges of the early twentieth century and cannot quickly or adequately respond to the needs of the twenty first century. The hiring process, classification system, pay authorities and performance management programs reflect a different, less technical environment that impedes our ability to recruit and retain the best and the brightest. It results in the loss of good candidates, rewards longevity rather than performance, and restricts management's ability to rapidly move employees to meet new workloads or emergencies created by our national security environment. As our missions are re-directed and technology advances, we need a workforce that balances permanence and continuity with the ability to refresh itself with new sets of skills and talent.

While recognizing and supporting the need for a total overhaul of the entire personnel management system, Air Force leaders made maximum use of the flexibilities the current system does provide. Our Civilian Personnel Management Improvement Strategy (CPMIS) was developed to guide implementation of these tools, and to begin the workforce shaping, sizing and developing necessary to meet the demands and challenges of the 21st century. Traditionally, the Air Force civilian workforce provides continuity and comprises a significant percentage of personnel in the scientist, engineer, contracting, financial management, logistics, and maintenance career fields. In the Expeditionary Air Force (EAF), the role of continuity extends to providing the "reachback" expertise necessary to support deployed troops, where previously that support was provided through forward-deployed bases. Civilians are an integral part of the complex system that keeps the fighters, bombers, tankers and rockets flying. Civilians also play a critical role in the Department of Defense's (DoD's) homeland security mission.

The Civilian Personnel Management Improvement Strategy includes initiatives that invest in the training, reskilling, and education of the Air Force's civilian workforce. It contains a series of initiatives, a funding strategy, and a legislative strategy designed to promote orderly succession planning while ensuring the resultant workforce is also cost effective.

Recently we asked our bases to identify specific limitations of the current personnel management system that severely impacted the ability to meet their missions. We received numerous responses; here are a few:

- At Eglin Air Force Base, FL, which develops, tests, acquires and sustains integrated air armament and agile combat support, 9/11 created significant security issues. Eglin AFB is accessible by land and water and installation access and the security of large test ranges were enormous concerns. They needed to hire additional civilian security guards and police officers immediately. Under normal hiring procedures this would have been unthinkable. By the time the job announcement hit the streets, candidates were rated and ranked, selection certificates issuesissued, months would have gone by and many of the best qualified candidates would have found jobs in other companies. To complicate the situation, many of Eglin's military security forces were deployed, so the increased workload would have been absorbed by the already stretched military security personnel or assigned to non-security force personnel taking them away from their work. Fortunately, the 'on the spot' emergency hiring authority was available and 69 temporary civilians were hired as a stopgap. This situation is not unique to Eglin, as nearly all of our bases have had to respond quickly to the urgent situation of 9/11. Unfortunately, the emergency "on the spot" hiring authority can only be used for temporary employment and is not aiding us in locating

language specialists, intelligence specialists, scientists and others needed to win the war on terrorism. We must have a permanent “on the spot” hiring authority to cut through the bureaucracy of the Federal hiring system and not allow top candidates to slip away from us.

- Patrick Air Force Base, FL and Vandenberg Air Force, CA are directly involved in space launch and satellite surveillance operations. Their mission is highly technical, unique, and secret. The current classification system is not flexible enough to evolve with technology. Our positions frequently require a combination of skills that current classification standards do not address. Managers spend hours trying to use the current system (with outdated standards that were written to support the technology of the last century) to match their highly specialized duties and responsibilities. Rather than dedicate months to classify a position at the appropriate grade and duty level, managers at Patrick and Vandenberg when faced with short deadlines chose to hire contractors rather than Federal employees. We need generic, broad classification criteria that could readily and easily be adapted to local needs. Pay banding and its simplified classification system would free managers from the time intensive current process and allow them to use their discretion in establishing appropriate positions and levels for their organization.

For several years now, the DoD has been testing actively many of the management flexibilities mentioned above, and more. The Laboratory and Acquisition Demonstration Project and the Defense Civilian Intelligence Personnel System already use these flexibilities and more for their 7,400 Air Force covered employees. These demonstration projects and alternate personnel systems have shown that high performers are attracted and retained when their accomplishments and contributions are reflected in their pay.

Acknowledging the success of the demonstration projects and alternate personnel systems, the Under Secretary of Defense for Personnel & Readiness began a review of personnel management flexibilities already in use within the Federal Government. Multi-Component, multi-functional work teams and senior functional executives completed this yearlong review that identified "best practices"--those with the highest rate of success. Together, these "best practices" support a performance management system that provides greater responsibility and incentive for managers to fairly assess performance and that aligns rewards and opportunities with employees' contributions to the mission. Pay banding is a best practice, since, among other benefits, it will streamline the laborious classification system and the excessively process-oriented placement system by giving managers more latitude to move employees when and where they are needed. Best practices include a pay system that ensures supervisors and managers are paid commensurate with expanded responsibility and accountability. Best practices allow federal government organizations to get the right people to the right place at the right time by providing hiring flexibilities, such as on the spot hiring for emergencies and critical positions, significantly reducing the time it takes to fill vacant positions.

The Secretary of Defense incorporated these Best Practices into a legislative proposal for creation of a National Security Personnel System (NSPS) for defense civilians. **The NSPS was recently introduced into Congress as an opportunity to build a mission-based, total force system of management for defense civilians that supports the national security while retaining civil service values and core protections. The legislation preserves merit system principles and continues to accommodate veterans' preference and our obligation to bargain with labor organizations.** The system would allow managers to hire more quickly; to pay more competitively; and flexibly deploy, advance and remove employees. **It would**

also institutionalize DoD's current VSIP authority for both workforce reduction and workforce shaping.

SUMMARY

The Air Force must continue to transform, moving toward a more expeditionary posture while assuming new missions, and adapting to new threats. To transform, in this security environment, we must shape, not shrink, our workforce.

We sincerely thank the Congress, especially Senators Voinovich and DeWine for the workforce shaping authorities, which we now use to compensate for the coming retirement of a large portion of our civilian workforce. However, we need additional support. To shape the workforce appropriately for our challenging future, we need a modern civilian personnel management system tailored for and responsive to the unique demands of our national security mission. The Department's new National Security Personnel System proposal incorporates many of our CPMIS initiatives, and we enthusiastically and energetically support this **legislation**. Indeed, we believe it is essential to the Air Force's ability to accomplish its Air and Space mission in this emerging future.

We thank you for your continued interest in the Air Force and welcome your leadership as we continue to shape the force for the 21st Century.