

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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 UNITED STATES AIR FORCE**

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BY THE COMMITTEE ON GOVERNMENTAL AFFAIRS
SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT
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Mr. Chairman, thank you for the opportunity to address the state of the Air Force Materiel Command's civilian workforce before your subcommittee. Human capital strategic management is a critical aspect of our Transformation efforts, and we believe we are making significant progress in strategically managing our workforce, although we know we need to do more. We greatly appreciate the considerable support you have provided in this arena, from your successful introduction of legislation to allow the Department of Defense to use separation incentives as a force shaping tool, to the personnel flexibilities you added to the bill creating the new Department of Homeland Security. We welcome the opportunity to explain the successes we have had, the challenges we continue to face in this crucial matter, and to offer other areas for your consideration to help address these challenges.

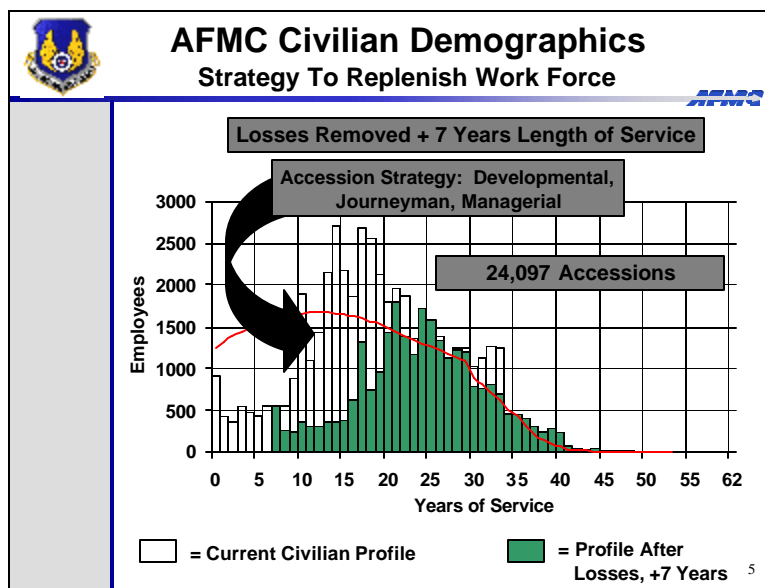
Background

I am pleased to report that the current state of our civilian workforce, 56,000 men and women strong, is first-rate, contributing greatly to the critical efforts of this command to support the warfighter. However, our concern with our civilian force has focused on the future, and our ability to shape the future force to ensure we can continue to effectively meet our mission imperatives for the 21st century. In order to accurately assess the current and projected state of our civilian workforce, it is necessary to understand how the past has shaped our present force. When the Air Force Logistics Command and Air Force Systems Command merged in 1992 to form the Air Force Materiel Command (AFMC), the combined civilian workforce totaled more than 93,000. Today our assigned civilian strength is just under 56,000. The closure of two of our Air Logistics Centers as a result of the Base Realignment and Closure (BRAC) process, the

transfer of Space and Missile Center to the Air Force Space Command as well as other transfers totaling approximately 13,000 authorizations contributed to the overall drop in our resources, but significant cuts were also levied across the command at each of our installations, as the Department of Defense downsized in the post-Cold War environment. Of the nearly 24,000 reductions we absorbed, the vast majority were accomplished through limitations on new hiring and by offering incentives to employees to retire or resign, although involuntary separations through reduction in force were also needed to manage our cuts. This command committed to minimizing adverse impact on our employees, by making every effort to place affected employees on continuing positions, although in some instances that was not possible.

The end result of this decade of downsizing was that AFMC consisted of a force rapidly approaching retirement eligibility, with few trainees available in the pipeline to draw on for future mission needs. In awareness of this concern, the AFMC Commander at that time, General Babbitt, directed a study be conducted to address how the command's human resources could be tailored to meet the future mission needs of AFMC. The results of this ground-breaking inquiry, completed in April 2000, reflected that AFMC would need to access approximately 24,000 new civilians over the next 7 years, and identified barriers to the achievement of this projected massive hiring surge. The study also identified needed policy and legislative enhancements that this command committed to pursuing, to allow us to overcome the cited barriers. In response, the command established a Work Force Shaping Office dedicated to conducting work force planning, implementing needed work force initiatives and advocating for funding and policy/legislative initiatives to support identified human capital needs.

The results of the initial study are highlighted in the chart below. The white bars reflect the workforce distribution by years of service in FY00; the green bars reflect the projected workforce distribution after 7 years (static model—e.g. assumed no new accessions). The red line represents an AF/DP-developed model on the optimal distribution of the workforce, based on maximizing skill level requirements and minimizing civilian payroll costs. The AF/DP template reflects that approximately 30 percent of the workforce should consist of employees with 10 or fewer years of service. At the time, the command workforce with less than 10 years of service was approximately 16 percent. Today the comparable figure is nearly 25 percent, due to our focused hiring efforts, which is much closer to the AF goal.

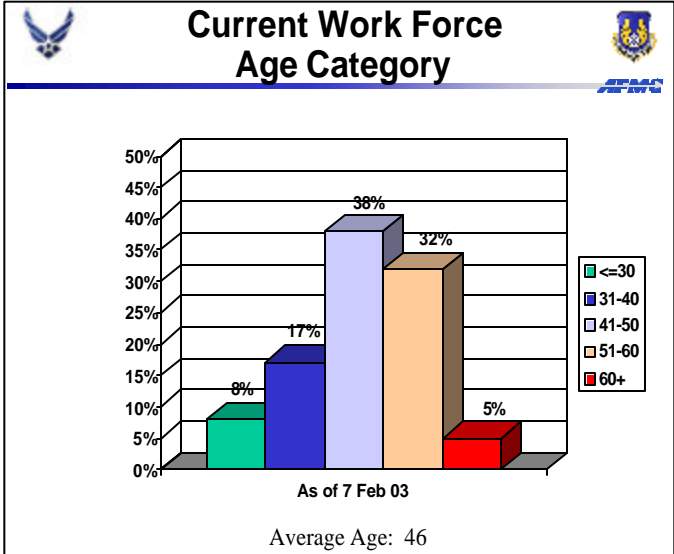


Work Force Profile

Approximately 20 percent of our civilian employees are professional workers, primarily engineers, while nearly a third of the force is employed in administrative positions, such as Contract Negotiator, Program Manager, or Logistics Specialist. As a result of our sustainment mission within the Air Logistics Centers, nearly a third of the force command-wide is blue

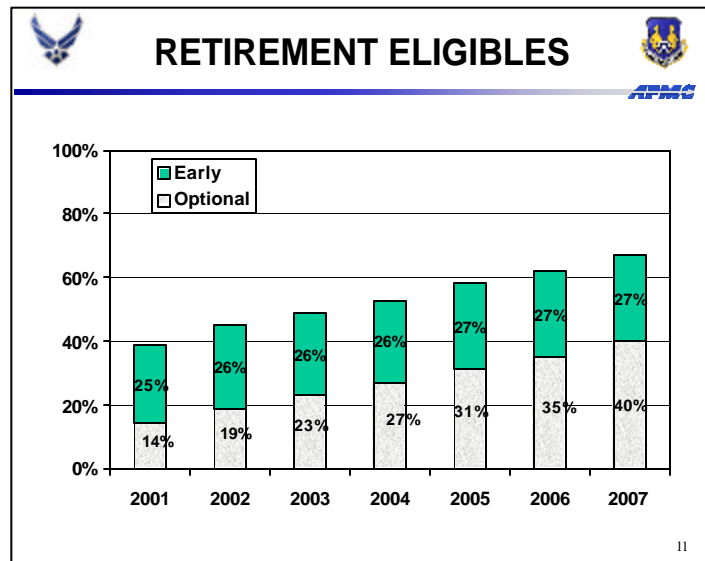
collar, primarily aircraft maintenance and related skills. Only 5 percent of the force is clerical, down significantly from 1991, when clerical positions constituted 12 percent of the total. This mirrors the more general transformation of this command to a more technologically and business focused entity. The types of positions we have today, and the types of positions we anticipate filling in the future, are critical to the design of our human capital strategic management plan.

Today the average age of our civilian employees is 46, which is down very slightly from the past few years, but significantly above private industry averages, which is closer to late 30s. In 1991 our average age was 43.6—it had been on a steadily upward movement, but has trended slightly downward over the past two years. A break out of our workforce by age is provided:



An older workforce is an experienced workforce, and that is helpful to us in the short term. To a certain extent, we have been able to maintain our mission effectiveness, despite a much smaller workforce, due to the expertise of our seasoned civilian force. However, we are concerned that 23 percent of our civilian employees are eligible to retire this year. If we also consider employees eligible for early retirement, the figure jumps to 49 percent. In four years, 67 percent of our force will be eligible for regular or early retirement. When we look at current supervisors and managers, the statistics are worse: 68 percent are eligible for regular or early retirement in

2003—by 2007, 83 percent will be in this category. We recognize that an employee who is eligible to retire will not necessarily immediately separate. However, an analysis of our AFMC data reflects that somewhere between 25-35 percent of employees retire within one year of eligibility, and an additional 15-20 percent leaves the following year. Clearly, we foresee a great deal of employee turmoil over the next several years, as seasoned employees retire, and new candidates are hired to replace the losses.



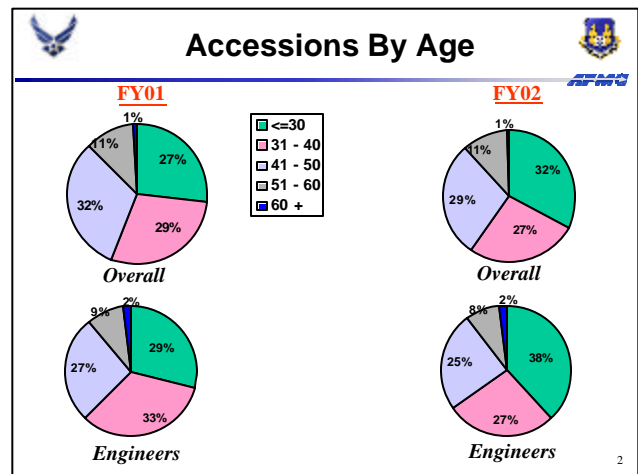
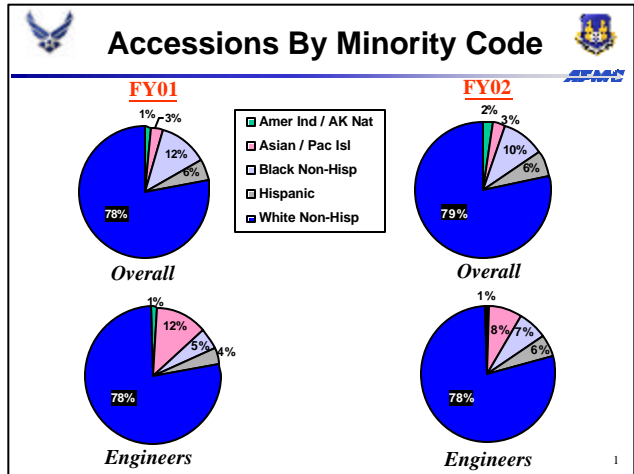
The age of our force, and the anticipated wave of retirements, has many implications for the future, in terms of funding and initiatives that must be used effectively to recruit, train and retain our future workers.

Demographically, 33 percent of our civilian force is female, and 67 percent male. Minority members represent 21.1 percent of the total force. We are very interested in ensuring we have a diverse workforce, and, despite the downsizing we experienced, our overall representation of minorities has held fairly steady. However, there are certain groups of potential candidates to whom we need to reach out. Hispanics are the fastest growing minority group in the country, and our representation of this group within the command has decreased, primarily due to the closure of our San Antonio Air Logistics Center at Kelly AFB, Texas, as a result of BRAC. We continue to monitor our diversity situation closely. In addition, approximately 36 percent of our civilian force has at least a bachelor’s degree, and an additional 28 percent have at least some college. By skill level, 80 percent of our force consists of journey employees, 12 percent are

managers and only 8 percent are in developmental positions. Although this may seem low, it is up significantly from 3 years ago, when the percentage of developmental employees was only 2 percent. This increase can be attributed to our workforce planning efforts.

Progress We Have Made

Unlike the military, the vast majority of our hiring is conducted at the local level, as opposed to being accomplished centrally. Within this command, only 6-10 percent of our total accessions are managed centrally. This fact reflects the importance of a command-wide focus on the hiring that is executed at our centers. With the ability to conduct a focused recruitment effort over the past few years and our use of targeted force shaping separation incentives (outlined in detail below), we have made significant progress in reshaping our force. For example, in FY91, 38.4 percent of the civilian force had 10 or fewer years of service. By FY99, that percentage had dropped to 15.7. Happily, we are rebounding: today, nearly 25 percent of our force has fewer than 10 years of service. This represents the pool of candidates from which our future workers and leaders will be drawn. Using another measure, in FY97, approximately 6.3 percent of our force separated, and we rehired only 5.5 percent of that total. By FY99, we were experiencing separation rates of 12.4 percent (some of it intentionally via incentives) while refreshing the force at only 5.4 percent. When we separate more employees than we hire, we cannot begin to shape the force of the future. Today, we are experiencing an attrition rate of 8.3 percent, and are hiring at 8.6 percent of the total—a much healthier state. Information on our accessions for the past two years, by minority and age, are provided for information.



Work Force Initiatives

As stated above, our initial work force study included an analysis of the barriers we identified to meeting our future workforce challenges. We then determined what legislative or policy relief was needed to eliminate these barriers. With the assistance of Air Force, the Department of Defense and the Office of Personnel Management, we have been able to implement a number of initiatives as a result of this effort, and more are on-going. A list of some of our key initiatives is provided below:

- a. *Delegated Examining Unit for Six Centers* (Edwards, Eglin, Hill, Robins, Tinker and Wright Patterson): Due to the significant level of hiring projected over the next 4-9 years it was critical that our centers have the capability to control the external hiring process, where candidates new to the government are selected. Therefore, six of our larger centers sought and obtained the ability to manage the rating and ranking process in-house. This has been an effective measure, enabling our centers to provide timelier processing of vacancies and better customer service to potential applicants.

b. *Ability to use Recruiting, Retention and Relocation Bonuses for Blue Collar*

Employees: Our centers determined that when surge hiring of specialized blue collar candidates was required, particularly in the aircraft maintenance arena, federal salary levels worked against our ability to successfully recruit sufficient high quality candidates. The ability to offer a range of compensation initiatives to blue collar workers has provided our centers more flexibility in achieving targeted hiring levels. OPM extended this authority to wage employees in Jan 01, after this command requested consideration of the initiative.

c. *Supervisory Guide to Work Force Planning:* Due to the complexity of our current personnel system, we found that many of our supervisors and managers were unaware of the flexibilities that currently exist to recruit and retain a high quality workforce. To remedy that concern we developed an easy-to-read guide that outlines the range of methods available for filling civilian positions, explaining existing personnel flexibilities and authorities, and providing ways currently available to increase pay. This guide was forwarded to each of our centers and posted on our Work Force Shaping web page, to allow easy access for all our managers.

d. *Entrance and Exit Surveys:* In our effort to benchmark our human resources policies to private industry best practices, we found that industry frequently uses employee surveys to assess the success of recruitment and retention initiatives currently in place. In order to gauge the strengths and weaknesses of both our recruiting and retention efforts, AFMC decided to implement entrance and exit surveys. Entrance surveys are now given to employees 120 days after entrance on duty, and exit surveys are given at the time employees separate from AFMC service. We are partnering in

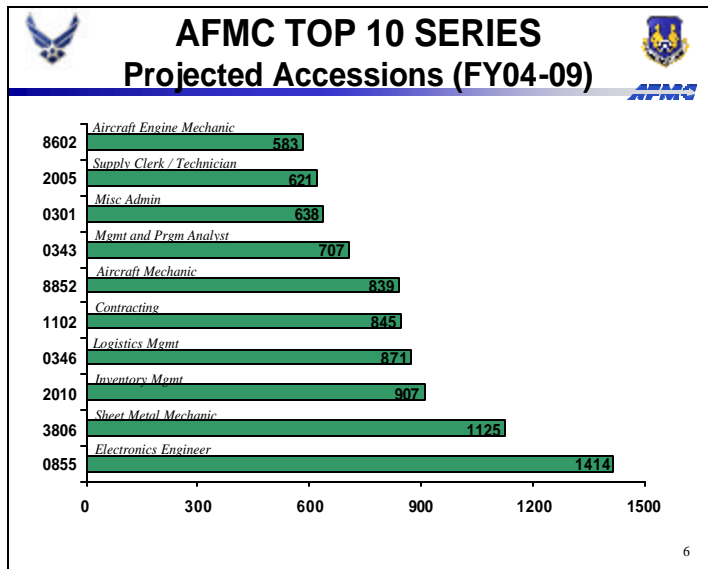
this initiative with the Air Force Personnel Center Survey Branch, who send the entrance surveys to new employees and conduct the initial analysis of survey results. Because this is a new initiative, we have not yet obtained results, but anticipate initial data in the near future.

e. *Diversity Best Practices*: Many of our centers implement effective recruiting and retention efforts based on locally identified concerns. We recognize that we must leverage the good ideas from across the command to ensure our entire organization benefits from the creativity of each of our members. In that vein we recently sought examples of diversity best practices from across the command. We are currently assessing which of these initiatives to implement command-wide, based on likely impact and measurable results. Several of these high-interest proposals could have immediate and long range benefits as we shape tomorrow's work force. These proposals include:

- a. *Leadership Enhancement and Preparation*, an initiative designed by Eglin AFB to establish a formal mentoring program to enhance leadership development and workforce diversity for aspirants to upper level management positions.
- b. *Diversity Training*, an initiative undertaken by Wright-Patterson AFB, Robins AFB and others to explain to all employees how a diversified workforce is a business imperative in today's marketplace.
- c. *Adopt-a-school*, an initiative being explored by several centers to adopt a local, inner city middle school to provide tutoring services and mentoring support for at-risk students.

f. *Work Force Planning*: In conjunction with the Air Force Planning, Programming and Budgeting cycle, we assess our centers' future hiring requirements annually. We apply an actuarial-based loss model to our employee data base, to determine likely numbers of losses due to retirement, resignation and other separations, by center, by year, by occupational specialty. We provide this information to our centers, who further refine the data, based on local insight into changes in mission direction that impact the distribution of skills required for the future. This information is then used to determine our funding requirements for recruiting and retention initiatives, including such items as recruiting bonuses, first duty station payment, and relocation bonuses. The information is also used to determine the level of funding required to support training courses that new employees must attend to become effective in their positions. As a result of the massive number of new hires we must access, our training needs have grown tremendously. To account for that, each of our major command functional areas (*e.g.* logistics, contracting, engineering, program management) developed a template of courses needed by new employees. The accession plan allows us to program and budget sufficient funding to pay for needed courses, and to ensure that adequate numbers of Air-Force provided courses are scheduled to meet our needs. In addition, the plan provides guidance as to how many total positions we anticipate filling over the next six years (21,400 between FY04-FY09) and what skills will be most in demand. For the past few years engineering in general, and electronic engineering in particular, is projected to be the skill we will be most in need of (2,677 engineers over the same period). This gives us data we can use to determine where we need to focus our attention, from a center and a command

perspective. The need for sizeable numbers of engineers has led to a number of initiatives (outlined below) specifically targeted to this group, based on the paucity of graduating engineers across the country relative to the demand, and our inability to compete with private industry on the basis of salary alone. The General Accounting Office conducted a review of our workforce shaping efforts last year, and specifically cited our work force planning efforts as a federal government best practice. A chart reflecting the top ten occupational requirements we project over the next few years is provided :



- g. *Group Retention Allowances*: Based on the excessive employee turnover and difficulty in recruiting certain types of engineers experienced by our Air Logistics Centers, the command agreed to offer group retention allowances to all AFMC electrical, electronic, mechanical and aeronautical engineers at grades 5-12, who are duty located at Tinker, Hill and Robins AFB. This incentive amounts to a 10 percent increase in basic pay, which will commence in Jul 03.

- h. *Centralized Recruiting Program*: We have found that our centers have the greatest difficulty in recruiting for high quality minority member scientific and engineering candidates. Since electronic engineering is our number one accession requirement for the future, and we have a great need for other engineering specialties as well, we have implemented a command-wide recruitment program targeting this group of highly sought after candidates. We have attended, or plan to attend the following national career fairs this year: Black Engineer of the Year Award Conference, Society of Hispanic Engineers Conference, National Society of Black Engineers Conference and Hispanic Engineering National Achievement Awards Conference. We provide the resumes that we obtain from these conferences to our center civilian personnel offices and strongly encourage them to use this targeted source of high quality applicants. To ease the confusion that applicants for AFMC positions can experience, we developed a public web page, which explains what we have to offer, and how to apply for specific vacancies. The page links to each of our centers' public web page for more detailed center explanations.
- i. *Workforce Development and Training Initiatives*: We have pursued a number of initiatives to ensure our force is trained to meet future mission requirements. Several of these include the following:
- a. *Individual Development Plans* are prepared for all civilian and military members in an effort to identify training requirements that will enhance both personal and professional growth and outline career goals. The data is captured through an automated command-wide system and is used to support the Programming, Planning and Budget process.

- b. *AFMC Mentoring* is a command-wide initiative to provide web-based mentoring information and connections to mentoring opportunities that is designed to encourage retention of critical workers.
- c. *Educational and Training Partnerships*: Several of our centers participate in such partnerships with local colleges and universities. These range from blue collar apprentice programs to college credit for supervisory development courses to conversion of traditional classroom-based courses to computer based training.
- j. *Expansion of Air Force Institute of Technology*: While not exclusively an AFMC initiative, the positive changes experienced by AFIT impact us greatly. Three initiatives directed by Air Force Secretary James G. Roche are positively impacting AFMC's relationship with and utilization of the Air Force Institute of Technology (AFIT) relative to our engineering work force. First, as a result of a joint study chartered by Secretary Roche and Secretary of the Navy Gordon R. England, the Air Force and Navy signed an agreement to form an alliance between the AFIT and the Naval Postgraduate School (NPS). NPS will be the lead institution for space operations while AFIT will be the lead for space science. NPS will no longer have an aeronautical engineering curriculum. However, it will continue to offer curricula in acquisition and meteorology, which AFIT will no longer offer. Second, at the direction of Secretary Roche, the Air Force Institute of Technology has established a new Center for Systems Engineering. Systems engineering is the glue that holds together all the processes performed within the acquisition and sustainment communities. AFMC and Air Force Space Command will play prominent roles as

both customers of the Center's education and training programs and as suppliers for some of the manpower and resources associated with the practical application of systems engineering principles to weapon systems acquisition and sustainment. Third, Secretary Roche directed an increase in graduate education quotas. The increase, which will affect the Naval Postgraduate School and AFIT's civilian institution programs, as well as its resident program, will see the current annual quota of 500 students rise to approximately 2500 graduate education opportunities annually by fiscal 2009. In addition, AFMC and AFIT continue to pursue direct partnership efforts supporting our functional communities. For example, for now, AFIT provides numerous hybrid short courses (combination of web-based and classroom) for our acquisition community satisfying the regulatory requirement for continuous learning.

- k. *Air Force Programs:* Air Force senior staff has been receptive to our requests for work force shaping assistance, and several initiatives have been undertaken which help this command. Based on our workforce shaping study finding, beginning in FY02, AF increased the number of centrally-funded interns by 120 a year. This is helpful to us because these interns are brought to our centers for three years, at no cost to the center payroll. At the end of the intern period, centers must place the employees on center-funded slots. This allows our activities to hire more trainees than they otherwise could. This command gained approximately 65 additional intern spaces annually from this initiative. This year the Air Force initiated a centrally-funded cooperative education program. The co-op program is highly effective, since students work for the government for a specified period of time, and can then be hired permanently with no additional competitive hiring requirements to be met. This

command was allocated 61 centrally funded co-op slots this year. In addition our centers have been self-funding this program in much greater numbers over the past few years. In FY00, the command had fewer than 100 co-op slots in total. Today we have in excess of 225 such slots. Air Force has also recognized the need for additional flexibilities in hiring and retaining engineers. They have allocated funding for the command to cover recruiting and retention allowances for scientists and engineer positions, which is slated to continue in the out-years. Funding has also been allocated to develop a robust recruiting program for scientists and engineers, to include advertising to increase awareness of civilian S&E opportunities, an S&E public web page and the offering of a training course for S&E civilian recruiters, similar to what the military recruiters obtain. Although we appreciate Air Force's efforts to support our work force initiatives with funding, the effort is complicated by the fact that our work force receives civilian payroll funding from multiple appropriations, including Operations and Maintenance, Defense Working Capital, Research and Development and Test. It is a continuing challenge to ensure that AF-funded incentives can be used for all of our employees. The inability to use these allocations for our entire workforce tends to result in de-motivating a portion of the very individuals we are seeking to encourage. *(NOTE: The Air Force has also supported incentives for our military engineers. A \$10,000 per year critical skills retention bonus was recently approved for military engineers with 4-13 years of service, requiring 4-year service agreements)*

Work Force Shaping Separation Incentives

This command is extremely appreciative of the opportunity the Chairman has afforded our centers to reshape their workforces with the passage of the work force shaping separation incentive initiative. Although not included in the list of incentives above, the need for this authority was a key element in our work force study findings. We found that our centers lacked the “headroom” to hire significant numbers of new employees that could be trained in advance of the bow wave of retirements that were facing us, and they had no tools to encourage the attrition that would create headroom. This authority provides us the ability to incentivize employees who may not have the skills this command needs for our future mission accomplishment (as we focus on transformation, new technologies and weapon systems), and allow us to backfill the resulting vacancy with a candidate who possesses the skills we need. By encouraging these employees to leave on a graduated basis, we can realign the vacant positions to the new skill areas required for the future and begin the process of training new employees to meet our mission requirements in a measured manner, before the exodus of aging baby boomers leaves us with little expertise to draw on for the future.

We have found that this authority is most valuable to our product and test centers, and the Air Force Research Laboratory. The closure of two major Air Logistics Centers (ALCs) and the transfer of workloads from those centers to the remaining three ALCs meant that these activities had a large number of authorizations to fill. The existence of these vacancies offered the ALCs an opportunity to reshape their sustainment force in a way our remaining centers were not able to duplicate. This explains the relatively low usage of this authority among our ALCs (Tinker, Hill, Robins).

The chart below documents the usage of this authority, by center, by year. The requirements and flexibilities associated with this authority have been different in each of the three years we have used it. In FY01 the authority could be used only to incentivize employees currently eligible for optional retirement only (*i.e.* employees eligible for early retirement could not be incentivized). There was no authority to use what we call “daisy chain” authority in that year. Daisy chain authority allows us to incentivize an employee in a top grade, for example, a GS-15 manager. Through a series of internal promotions a vacancy at the journey level (normally GS-12) is created. This vacancy can then be restructured to the entry level in an area where more such skills are needed to allow for force replenishment. In the absence of “Daisy chain” authority, the position previously occupied by the incentivized individual must be restructured. This limits the number and types of employees who can be offered this initiative, since it is difficult to restructure a managerial or supervisory position to the entry level. This command used 147 of the total 175 allocations the Air Force executed in FY01.

In FY02 we were given authority to use the daisy chain and also to offer incentives to employees eligible for early as well as optional retirement and resignation. This command used 362 quotas of the total AF allocation of 450. As reflected in the chart below, our take rate in FY02 was substantially higher than in either FY01 or FY03 to date. Nearly 40 percent of the FY02 incentives were approved for individuals taking early retirement. We did not use this authority to approve resignations, since it is not the goal of this tool to incentivize such employees to separate. This year, we are again able to offer incentives to early retirement eligibles, but were precluded from using the daisy chain authority. For FY03, this command was authorized a total of 750 incentive authorizations. Due to the unplanned reductions that our centers must absorb this year, it is unlikely that we will be able to use all the authorizations allotted to us. Many

separation incentives we have offered were approved to create vacancies to move employees from lower priority program areas to areas of greater mission importance. Moreover, at this point in time, we don't have visibility into the breakout between early and optional retirement eligibles among our incentive takers this year, since our centers report that data to us at the end of each fiscal year. Through 30 April, we have approved 270 incentives.

Command Force Shaping VSIP Usage:

Activity	FY01	FY02	FY03
AFRL	55	101	87
ARNOLD	0	11	2
BROOKS	0	2	10
AMARC		1	0
EDWARDS	30	25	20
EGLIN	30	61	41
HANSCOM	0	0	0
HILL	0	0	29
KIRTLAND	1	2	0
TINKER	10	13	0
WPAFB	21	146	77
Total	147	362	270

Work Force Challenges:

We continue to wrestle with many of the challenges outlined above. Numerous additional issues face us as well.

The **hiring process** is one area of concern. We do not fill our external positions as quickly as we need to. We need to work smarter to reduce overall fill time. Moreover, the bureaucratic requirements associated with our standard vacancy announcements, which must include reams of data, are enough to scare away all but the most determined applicants. We **need a way to streamline that document**, without facing the prospect of omitting required federal employment jargon. OPM has recently undertaken an initiative on that front, which we support. Your recent

provisions in the Homeland Security Bill, which allow us to use a **category ranking process**, should help us greatly, by allowing management to consider more than three highly qualified applicants for their positions, while preserving veterans' preference.

A **new compensation system**, based on employee contribution to mission, rather than longevity, is essential to help us motivate our workers to excel, and to reward them when they do. Two of our command activities are currently operating under Demonstration projects which include provisions for **contribution-based compensation**: the Air Force Research Laboratory operates a laboratory demo for its S&E employees; Edwards AFB participates in the Acquisition Demonstration Project. Senior managers appreciate the opportunity these systems offer to reward excellence. The Department of Defense has been developing an alternate personnel system, the **National Security Personnel System**, which includes a performance-based compensation system. Based on our reading of the recently issued Best Practices Federal Register, and the recently submitted legislation, the Defense Transformation for the 21st Century Act, the compensation system DoD envisions is different from the contribution-based systems we are familiar with. However, we welcome any system that allows us to appropriately incentivize employee contribution to mission accomplishment. Based on discussions we have held with both national and command-wide representatives within the American Federation of Government Employees, I can tell you that our union partners have expressed concern over such a system, and our ability to implement a performance based system for bargaining unit members is an open question. Our union partners have shared with us a fundamental concern that revised performance-based systems merely "rob Peter to pay Paul" unless additional resources are added to the compensation pool.

Pay banding is another initiative that we are very interested in. This provision greatly simplifies the arcane federal classification system by reducing the number of pay groups from 15 pay grades with 10 steps each to 3-4 bands that employees move through. This provision is also **included in the proposed NSPS** alternate personnel system.

Other helpful flexibilities included in the DoD legislation include the ability to hire highly qualified experts for up to 5 years and to rehire retired federal employees without requiring a salary offset to their annuity.

We continue to wrestle with the **ability of our human resources offices to remain agile service providers** as they downsize and certain work is shifted to offsite locations. Our HR staffs are key players in ensuring our workforce shaping initiatives receive the attention they deserve. We believe our **center HR providers need to be close to the leadership of our centers** as they continue to move from being process focused to becoming strategic partners who actively assist in managing our human capital requirements. We are presently looking at this organizational issue with the Air Force so we can better manage our human capital, particularly at the resource and strategic planning levels.

Impact of Future Reductions on Workforce:

There is little doubt that work force reductions are not strictly compatible with our workforce shaping efforts. Every position eliminated is a position we cannot use to refresh the force. Every separation incentive offered to create a vacancy to cover a surplus employee is a separation incentive that cannot be offered to reshape the force. The process by which the government identifies employees for adverse action when separation incentives do not yield

sufficient placements for surplus employees (*i.e.* reduction in force) unfailingly targets the most recently hired employees—effectively undoing the good we have managed to accomplish over the past few years. The decade of downsizing we underwent left us with little head room to replenish the work force and unprepared for future mission challenges. Fortunately, we have begun to remedy that situation, and your legislation to allow for force shaping separation incentives has helped immensely. The reductions we are experiencing in FY03/04 will set us back somewhat, but we believe that the future planned reductions for this command can, for the most part, be managed with minimal disruption to our work force reshaping efforts. As we become more efficient through transforming our processes and ways of doing business, we are attempting to develop an attrition strategy that balances the need to realign/reduce the workforce with the need to ensure adequate headroom exists to continue our replenishment efforts and not “undo” the progress we have made to date. If significant additional reductions are levied, however, it will be more difficult to execute our strategy effectively.

Rationale for Workforce Reductions:

The reductions are the result of complex, multiple factors that, when coupled together, required the Air Force to "balance the books" to bring its manpower levels into alignment with its funding. This is important because our authorized strength information is used for many important things. It provides the basis for determining our wartime capabilities and normal assignment actions. It also provides baseline information for determining potential savings from BRAC. If our documents are in error important decisions can be jeopardized.

After we “balance the books” we will work to realign our resources from lower priority work to high priority mission and warfighting jobs, most especially those career fields that have been

sorely stressed since the volatile events of 9/11. This will take time and it will not be easy. The Air Force Core Competency review and the PERSLOAD study will examine the stresses placed on critical career fields and identify places where we can convert jobs currently being performed by military to civilian or contractor to free up the military to work on critical military essential tasks. It is something we must do and it also provides an opportunity to shape the force of the future.

The most recent reductions for AFMC total about 2200 by FY09. We spread the original reductions across the command's installations in such a way that there should be no involuntary separations of AFMC civilians in FY03 at any location. People may be realigned from one job to another...but they will still have jobs. Some separation RIFs, already planned before these cuts, will go forward, which means there will be layoffs in specific situations, such as completed A-76 studies that have gone contract. At this time we cannot say whether civilians will be separated for the FY04 increment of the reductions. It is possible, but as I previously stated, we are exploring options for using an effective attrition strategy to mitigate the "people impacts" of the reductions.

Right now we think the civilian reduction laid in for FY03/04 is sufficient to get us to FY06 before we must assess the requirement for additional civilian reductions to the field. On the military side, we know we will need to allocate an additional reduction of about 200 to the centers beginning in FY06. These projections are based on the information we have right now. Fortunately, savings we obtain from future A-76 studies can be applied toward our reduction goal. Since future A-76 savings are projections based on historical averages, we will continue to assess the impact actual savings have on the reductions yet to be allocated to the field. AFMC is

committed to finding ways to meet these reduction challenges by finding ways to become more efficient through transforming our processes and ways of doing business. At the same time, we are trying to meet our workforce shaping goals as discussed earlier.

Proposed Policy/Legislative Changes:

Although we have recently received some much appreciated legislative relief with the passage of the Homeland Security Act, there are still additional legislative and policy changes we would like to see enacted to better enable us to manage our civilian work force. Many of the provisions we would like to see enacted are included in the Federal Workforce Flexibility Act of 2003 that you recently introduced. For example, we would like to see the additional flexibilities your bill envisions regarding the use of recruitment, retention and relocation bonuses. We believe that these options will be more useful to us with the additional flexibilities you are seeking, including the ability to structure recruitment bonuses so that they can be paid in installments or at the end of a service agreement. With the increased mobility of younger workers, it does not always make sense to offer an “up-front” bonus. A graduated or end-loaded bonus provides more incentive for employees to continue working for their current employer. The opportunity to offer larger bonuses would also be helpful, although, given the financial realities, we don’t envision offering payments significantly in excess of the current 25 percent of salary limitation, except in situations where the candidate is highly sought after and possesses particularly unique skills. This is a flexibility our lab might employ for senior scientist recruitment efforts, for example.

We also support the provision in your legislation that seeks to rectify an anomaly that prevents employees retiring from a part-time position from receiving appropriate credit for full time service prior to April 7, 1986. The current situation is unfair to employees who worked full time

for the majority of their career, by treating full time service as part-time for the purpose of annuity computation. Both the Administration's Managerial Flexibility Act and the President's FY 2004 Budget included the same provision. AFMC is now experiencing a critical need to transfer knowledge to the incoming workforce, especially program knowledge in science and engineering which cannot be transferred in a short timeframe. Part time employment allows us the flexibility for special project assignments such as knowledge transfer and to structure our operations more efficiently.

We are supportive of the DoD initiative to enact a National Security Personnel System, as outlined in the Defense Transformation for the 21st Century Act. We are particularly interested in implementing a compensation system that will reward our best workers, similar to private industry standard practices, and a form of performance based pay is incorporated into the proposed DoD system. We note that you have included proposed legislation for authorizing streamlined personnel management demonstration projects. Although demonstration projects are helpful, we believe that we have had plenty of opportunity to experiment with new personnel flexibilities across the government—it is time to implement a new system. Several agencies have implemented alternate personnel systems, including the FAA and the IRS. We support a more permanent personnel make-over for DoD as well. However, we believe that the individual Services should be provided flexibility within any DoD-wide personnel system, to ensure that Service or activity specific needs are accommodated in any agency-wide proposal. In short, we need to be able to “cobble a shoe to fit our foot”.

Mr. Chairman, in summary, I believe this command has made great strides in reshaping our civilian force within the constraints of today's personnel system to effectively meet the

challenges of the future, although we must continue to expend energy and attention on this critical issue. What I most need to be successful in this effort, succinctly stated, are agile HR authorities that enable us to respond quickly to dynamic mission changes and offer the tools to be competitive in the marketplace, foster expedited decision making and a personnel system that facilitates transformational changes to improve mission accomplishment. Thank you for the opportunity to share my reflections on work force shaping in the Air Force Materiel Command with you today, and for your continuing support for the defense civilian workforce. I will be pleased to respond to any questions you may have.