

DoD Cuts Could Hit Civilians Hard

Reduced Pay, Benefits Among The Possibilities

Defense News, By Stephen Losey

The Pentagon's renewed focus on reining in personnel costs could ripple throughout the U.S. government, resulting in reduced pay and benefits for all federal civilian employees. DoD's new strategy, which President Obama and Defense Secretary Leon Panetta unveiled Jan. 5, calls for "reducing the rate of growth of manpower costs" and cutting overhead, headquarters and other support spending, though it does not propose specific cuts. The eight-page strategy, titled "Sustaining U.S. Global Leadership: Priorities for 21st Century Defense," is meant to help guide more than \$450 billion in cuts to planned defense spending over the next decade.

Obama and Panetta said DoD will drop its ability to fight long, drawn-out wars, such as the Iraq and Afghanistan wars, and will reduce the size of the military. Consultant Mike Hager, former head of the Office of Personnel Management, said that will surely mean a smaller civilian workforce.

"There's no reasonable way you could expect the civilian workforce to continue to grow, while boots in the field take it on the chin," Hager said. The American Federation of Government Employees said in a news release that it fears DoD has not taken a hard enough look at contractor costs and will force the civilian workforce to absorb an outsized share of the cuts. Some segments of the workforce have already faced hiring freezes, buyouts and early outs. And AFGE is concerned that the Pentagon's focus on "manpower costs" will hit federal compensation, health care and other benefits.

"These are obviously coming," AFGE spokesman Tim Kauffman said.

Henry Romero, a consultant and former OPM executive, said that once the Pentagon starts looking at pay and benefits, even non-DoD civilians are likely to be snared. "There's no way DoD civilians are going to be treated differently than the rest of the civilian workforce," Romero said. "If the DoD comes up with a proposal to reduce the compensation package — whether through a high-five [a reduced method of calculating pension benefits that uses the average of a retiree's five highest salaries, instead of the current three highest salaries], or reduced contributions to health benefits — that could signal something for the federal workforce as a whole." Hager agreed.

"To pick out Defense would be a major mistake," Hager said. "It would be highly unfair. Why should areas like Energy, Education and Agriculture be given a break beyond the men and women who help defend the country?" Ron Sanders, former chief human capital officer for the intelligence community and an executive adviser at Booz Allen Hamilton, said Defense's renewed zeal to cut spending should prompt the government to take a hard look at how it pays federal employees. "Are we spending that part of the budget in the most effective manner?" Sanders said. "Is it going to the people with the most critical skills, and who contribute the most? Given the limited payroll dollars that will be available — just as the president has to set national security priorities — the president is going to have to set human capital priorities."

Romero said the Pentagon should consider cutting pay and benefits only if its workforce cuts don't yield enough savings. Bill Bransford, general counsel for the Senior Executives Association and a columnist for Defense News' sister publication Federal Times on federal workplace matters, said further buyouts and early outs are likely. But if those aren't enough, DoD could also turn to furloughs and reductions in force, he said. Hager said Defense, as it shrinks, must work closely with unions to find new, more efficient ways of getting the job done.

"We need real partnerships," Hager said. "There's so much opportunity out there."