

**PREPARED TESTIMONY OF U.S. SECRETARY OF DEFENSE  
DONALD H. RUMSFELD  
SENATE GOVERNMENT AFFAIRS COMMITTEE  
NATIONAL SECURITY PERSONNEL SYSTEM  
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Madam Chairman and Members of the Committee, thank you for this opportunity to discuss the President's proposal to create a National Security Personnel System—to transform the way the Department of Defense recruits, retains and manages its nearly 700,000-strong civilian workforce—so our country will be better prepared to deal with the emerging 21<sup>st</sup> century threats.

We are engaged in a new and unprecedented war—the global war on terror. But we are fighting that first war of the 21<sup>st</sup> century with management and personnel systems that were developed decades ago, during or even before the Cold War.

The threats we face today are notably different from that era.

To deal with the new threats we need military capabilities that are flexible, light and agile, so we can respond quickly and deal with surprise.

The same is true of the men and women, and the systems in the Department of Defense that support them. They also need flexibility—so they can move money, shift people, design and buy new weapons more rapidly, and respond skillfully to the continuing changes in our security environment.

Today, we do not have that kind of agility. In an age when terrorists move information at the speed of an email, move money at the speed of a wire transfer, and move people at the speed of a commercial jetliner, DoD is bogged down in the bureaucratic processes of the industrial age—not the information age.

The Department's civilian personnel system is a case in point. Consider just a few examples:

Today we have some 320,000 uniformed people performing non-military jobs. Think about that. More than two and one half times the number of troops that were on the ground in Iraq when Baghdad fell are doing jobs that could and should be done by civilian personnel.

Why is that? It's because managers are rational and they behave rationally. When managers in the Department want to get a job done, they turn to the military—because they know they can manage military people—put them in a job, give them guidance, transfer them from one task to another, and guide how they perform. Or managers turn to civilian contractors, because they know they can manage a contractor—they can put them to work on a task quickly, without a host of bureaucratic obstacles and delays.

But they cannot do that with the civil service employees. They are managed by others, with rules and requirements that, while well-intended, were fashioned for a different era.

The unwillingness to put civilians in the hundreds of thousands of jobs that do not need to be performed by uniformed personnel or contractors puts a serious strain on our uniformed personnel

and added cost to the taxpayers. That's not right—especially at a time when we are calling up the National Guard and Reserves to help fight the global war on terror.

It has to be demoralizing to for talented civilian employees. They are patriotic. They come because they want to make a contribution to our national security. So, naturally, when a challenge arises or a crisis occurs where their skills and talents are needed, they want the phone to ring—they want to participate. But today, more often than not, their phone does not ring, because of the nature of the DoD civilian personnel system.

Consider this fact: in Operation Iraqi Freedom 83% of the civilians deployed into the theater of operations were contractors—only 17% were civilian federal workers. Why? Because in most cases, the complex web of rules and regulations prevents us from moving DoD civilians to new tasks quickly. As a natural result, managers in the Department turn to the military or to private contractors to do jobs that DoD civilians could and should be doing.

The antiquated rules and regulations we cope with mean we are losing talented young people to private sector competitors. When DoD recruiters go to a college job fair, the person at the next table from a corporation can meet a promising young person, interview them, and offer them a job and a bonus right on the spot. When DoD interviews the same people, all we can offer them is a ream of paperwork and a promise to get back to them in three to five months. It should come as no surprise that the most talented young people end up working somewhere other than the Department.

This is a problem that will grow more acute each year as the baby-boom generation employees retire. As members of this committee know, up to 50% of federal employees will be eligible to retire over the next 5 years. According to one institute, “a recent survey of college students found that most would not consider a career in government because they thought the work was dull...and that the hiring process was Byzantine.” The future of our national security depends on our ability to make it less Byzantine and less burdensome on the employees.

In addition, the current system also prevents us from dealing effectively with fraud. Take the scandals regarding the abuse of government purchasing cards—where government employees were found using government credit cards to buy televisions, CD players, cameras, and refrigerators. With DoD uniformed personnel, if such abuses occur, we have the ability to garnish their wages to recover the stolen funds.

Not so with civilian personnel. In fact, DoD has been negotiating now for more than two years with more than 1,300 separate union locals for the right to do so—and we still have 30 more unions to go. It is unacceptable that it takes us years to try to deal responsibly with employee theft and waste of the taxpayers' money. If a private company ran its affairs that way it would go broke—and it should.

There are other such examples that the Chief of Naval Operations, Vern Clark, and Under Secretary of Defense David Chu, and may want to cite.

Madam Chairman, the point is this: DoD is working to deal with the security threats of the 21<sup>st</sup> century, with a personnel system that was fashioned for the mid-20<sup>th</sup> century. We have an industrial age organization that is struggling to perform in an information age world. We need the help of the Members of Congress to free us so we can better serve the American taxpayers.

- It takes an average of 5 months to hire a new federal worker, and 18 months to fire a federal employee.
- Pay raises are based on longevity rather than performance.

The bottom line is this:

- DoD's managers are not free to manage the civilian workforce;
- DoD's civilian employees are not rewarded for merit;
- civilian workers are losing opportunities to contribute, as critical tasks are assigned to military personnel and to contractors;
- we are wasting the skills of our uniformed personnel on civilian tasks in the midst of a war and we are wasting the taxpayer's hard-earned dollars to pay outside contractors to do tasks that could be handled internally;
- and, we are losing talented potential employees to private sector competitors.

We are misserving the American people. And we are weakening national security.

We need you to help free the Department so we can stop this waste.

Over the past several months, we have worked closely with Congress to fashion legislative language that would give us needed flexibility—language that is included in the Defense Authorization bill approved by the House.

The Administration's proposals did not come out of thin air—they are based on the personnel management system Congress approved last year for the Department of Homeland Security, and many years of experience with a number of successful Congressionally-mandated pilot programs.

Those pilot programs, which now involve over 30,000 DoD employees, tested many of the reforms that we are requesting, including pay-banding systems, simplified job classifications, pay for performance, recruiting and staffing reforms, scholastic achievement appointments, and enhanced training and development opportunities. In each of the demonstration programs employee satisfaction has been high and employers are retaining more of their top performers.

Our objective is to take those successful, Congressionally-approved pilot programs and expand them throughout DoD—so that more civil service employees can benefit from the increased opportunities they have created, and so their greater effectiveness can be applied across the Department.

There has been a good deal of misinformation circulating about our proposals. Let me put some of the myths to rest. Here is what the National Security Personnel System **will not do**, contrary to what you may have read:

- **It will not remove whistle blowing protections.** Those who report mismanagement, fraud and other abuses will retain the same protections they have today.
- **It will not eliminate or alter access of DoD employees to the equal opportunity complaint process.** Nothing in the proposed Personnel System affects the rights of DoD employees under our country's civil rights laws—which I voted for as a member of Congress back in the 1960s.

- **Notwithstanding allegations to the contrary, these proposals will not remove prohibitions on nepotism or political favoritism.** These will continue to be prohibited.
- **It will not eliminate veterans' preference.** That charge is also false.
- **It will not end collective bargaining.** To the contrary, the right of Defense employees to bargain collectively would be continued. What it would do is to bring collective bargaining to the national level, so that the Department could negotiate with national unions instead of dealing with more than 1,300 different union locals—a process that is grossly inefficient.
- **It will not give the Department a “blank check” to change the civil service system unilaterally.** Like the system Congress approved for the Department of Homeland Security, before any changes are made to the civil service system, employee unions must be consulted, the Office of Personnel Management is involved in design, and any disagreements must be reported to Congress. What it does do is give the President a “national security waiver” that would allow him to give DoD flexibility to respond in the event national security requires us to act quickly. Congress has regularly approved such national security waivers in various laws involving defense and foreign policy matters, recognizing the need for the Commander in Chief to be able to deal with unforeseen threats and circumstances.
- **The National Security Personnel System will not result in a loss of jobs or opportunities for civil service employees.** To the contrary, it is the *current* system that limits opportunities for DoD civilians, by creating perverse incentives for managers to give civilian tasks to military personnel and to contractors. We believe that the transforming initiatives we are proposing would most likely generate more opportunities for DoD civilians by creating incentives for managers to turn to them first—not last—when certain vital tasks need doing.

Members of the Committee, we need a performance-based promotion system for our civilian workforce. We need a system that rewards excellence—similar to the one Congress insisted on for the men and women in uniform.

Congress grants us the flexibility to manage the nation’s largest workforce—the uniformed military personnel. It works. The results are there for all to see—they are disciplined, well-trained and highly effective, and a model of equal opportunity employment. We simply are asking that Congress extend the same kinds of flexibility it gives us in managing the men and women in uniform to the management of the civilians who support the U.S. military.

In other U.S. government agencies, major portions of the federal workforce have already been freed from many of the archaic rules and regulations.

Now we must do the same for the Department of Defense.

As Paul Volcker put it yesterday, when he strongly supported our approach, “we have an opportunity the likes of which has not existed for many decades to make a real and constructive change in the way the civil service is managed in the United States.” The legislation for the Department of Defense, he said, will “provide the degree of flexibility... that is really required in this day and age...[a]chieving a balance between the need for flexibility and the needed accountability and oversight that’s important.”

Let me close by saying this: if the Department of Defense is to stay prepared for the security challenges of 21st century, we must transform not just our defense strategies, not just our military capabilities, not just the way we deter and defend—but we must also transform the way we conduct our business.

Our enemies are watching us—studying how we were successfully attacked, how we responded and how we might be vulnerable again. In distant caves and bunkers, they are developing new ways to harm our people—methods of attack that could kill not 3,000 people, but 30,000 or more. They are not struggling and burdened with massive bureaucratic red tape fashioned in the last century as they do so.

This does not mean an end to congressional oversight. What it means is that we need to work together to ensure that the Department of Defense has the flexibility to keep up with the new threats emerging as this century unfolds. The lives of the men and women in uniform, and indeed the American people, depend on it. I urge you to act now to help to bring the Department of Defense into the 21<sup>st</sup> Century.

Thank you for this opportunity to testify on this critical national security issue. And I'd be happy to respond to questions.

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