

Air Education and Training Command

Develop America's Airmen Today ... for Tomorrow



Monsters in the Closet?
The Impact of Collective
Bargaining Agreements in
A-76 Sourcing Decisions

U.S. AIR FORCE

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Integrity - Service - Excellence



Background



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- 1966: U.S. Government began using the A-76 process to evaluate governmental activities as **candidates for outsourcing**
- The A-76 process provides a roadmap for government to convert work from internal (military in our study) performance to either contractor support or a redefined in-house performance organization
- Goal: Save money, free military to perform inherently governmental functions



Problem



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- Units are **required to pay for often unpredictable wage increases**, resulting from SCA or CBA increases
- Perception is that contractor has **no incentive** to negotiate or control “must pay” pass-throughs
- Funding unpredictable labor cost increases within defined unit budgets creates negative impacts



Research Objectives



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- **Compare cost growth in labor rates** of military, civilian, Service Contract Act, and collective bargaining agreement employees
- **Compare current labor costs** for an A-76 affected activity to labor costs for the military requirement based on manpower standards



Assumptions



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- Direct **comparison of base pay rates** between military, civilian, SCA, and CBA employees **is acceptable** as a method of comparing labor cost growth
- SCA **base pay rates plus health and welfare** (H&W) costs **are directly comparable** to CBA base pay rates plus H&W costs
- **Overhead costs** for Civilian, SCA and CBA positions are assumed to be **relatively consistent** allowing comparison of wage increases without incorporating applicable overhead costs
- **The manpower standard** for Fuels can be used as an **independent comparison factor** for the fuels function



Methodology

Wage Increase Comparisons

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- **Identify bases** within AETC with multiple current CBAs
- **Collect labor cost growth data** from SCA, CBAs, and civilian wage tables by location
- **Calculate the composite pay** for CBA, SCA, and civilian employees accounting for health & welfare and other fringe benefits
- **Compute the composite military pay** accounting for all associated costs such as BAH, BAS, healthcare, etc.
- **Compare the CBA base and composite labor cost growth** to the other pay rates – specifically SCA rates
- **Compound the annual wage increases** for all pay types to show the cumulative increases
- **Adjust CBA pay increases** to match SCA increases for years without CBAs at each location



Sample



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- AETC bases with 3+ CBAs
 - Columbus
 - Keesler
 - Lackland
 - Laughlin
 - Randolph
 - Sheppard
 - Tyndall



Analysis and Results

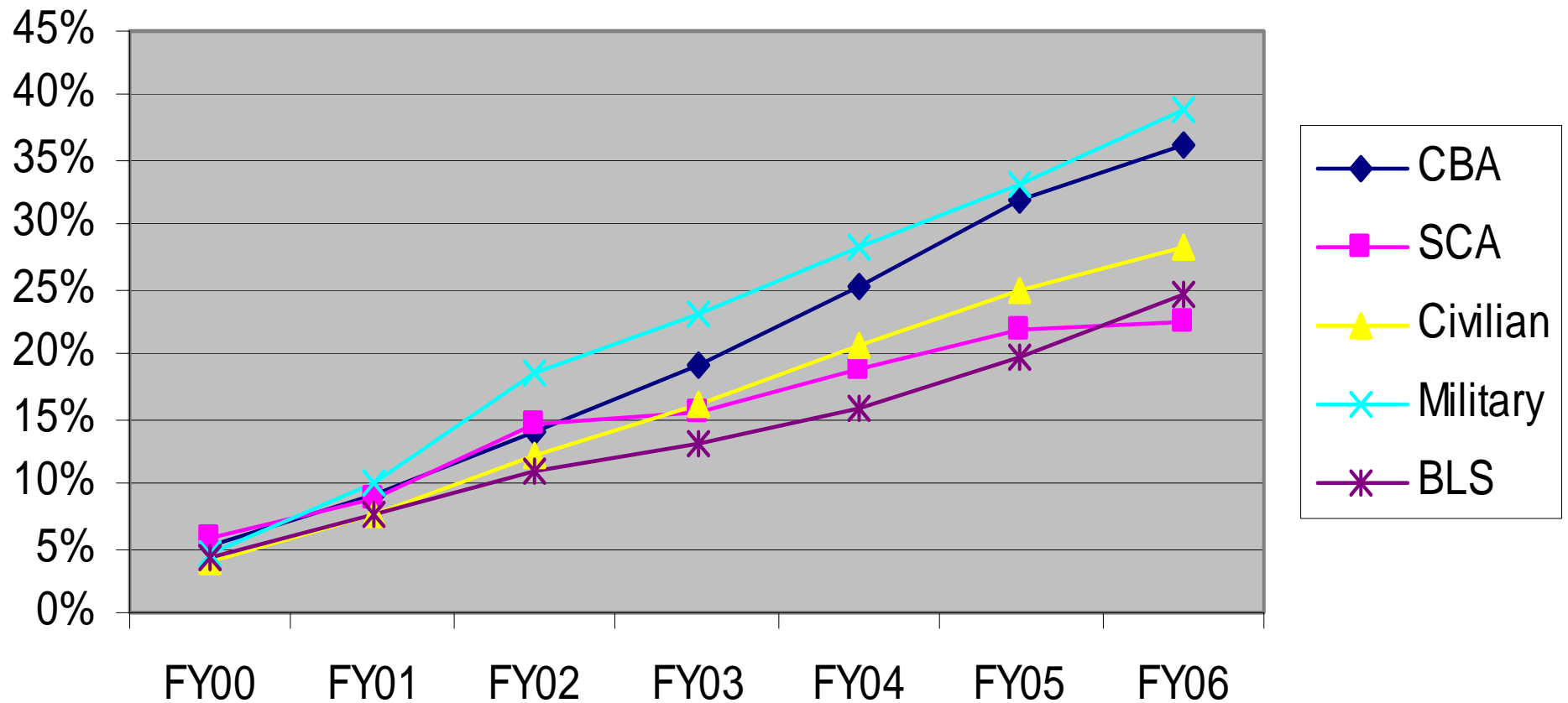
Cumulative Labor Cost Growth



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AETC Cumulative Base-Pay Increases





Analysis and Results

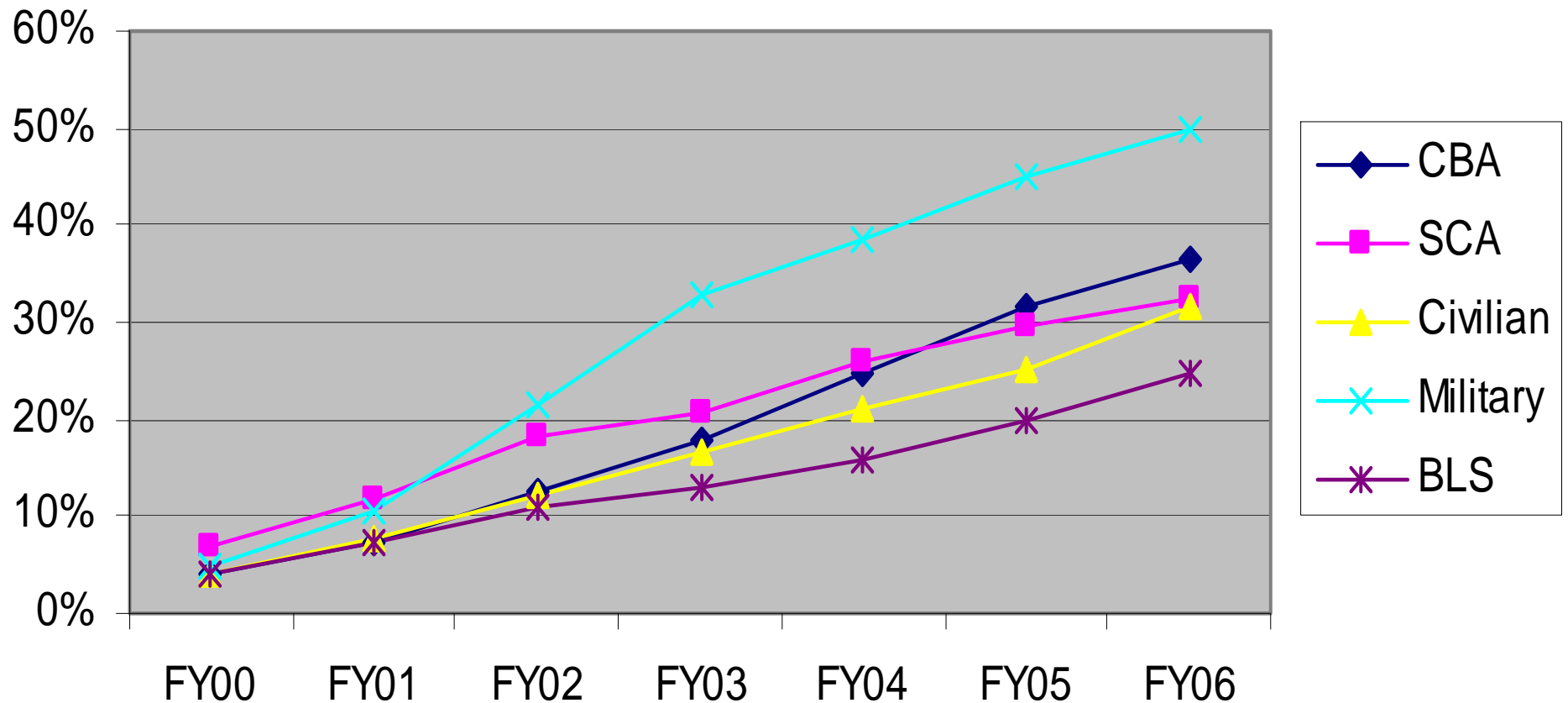
Cumulative Labor Cost Growth



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AETC Cumulative Composite-Pay Increases





Analysis and Results

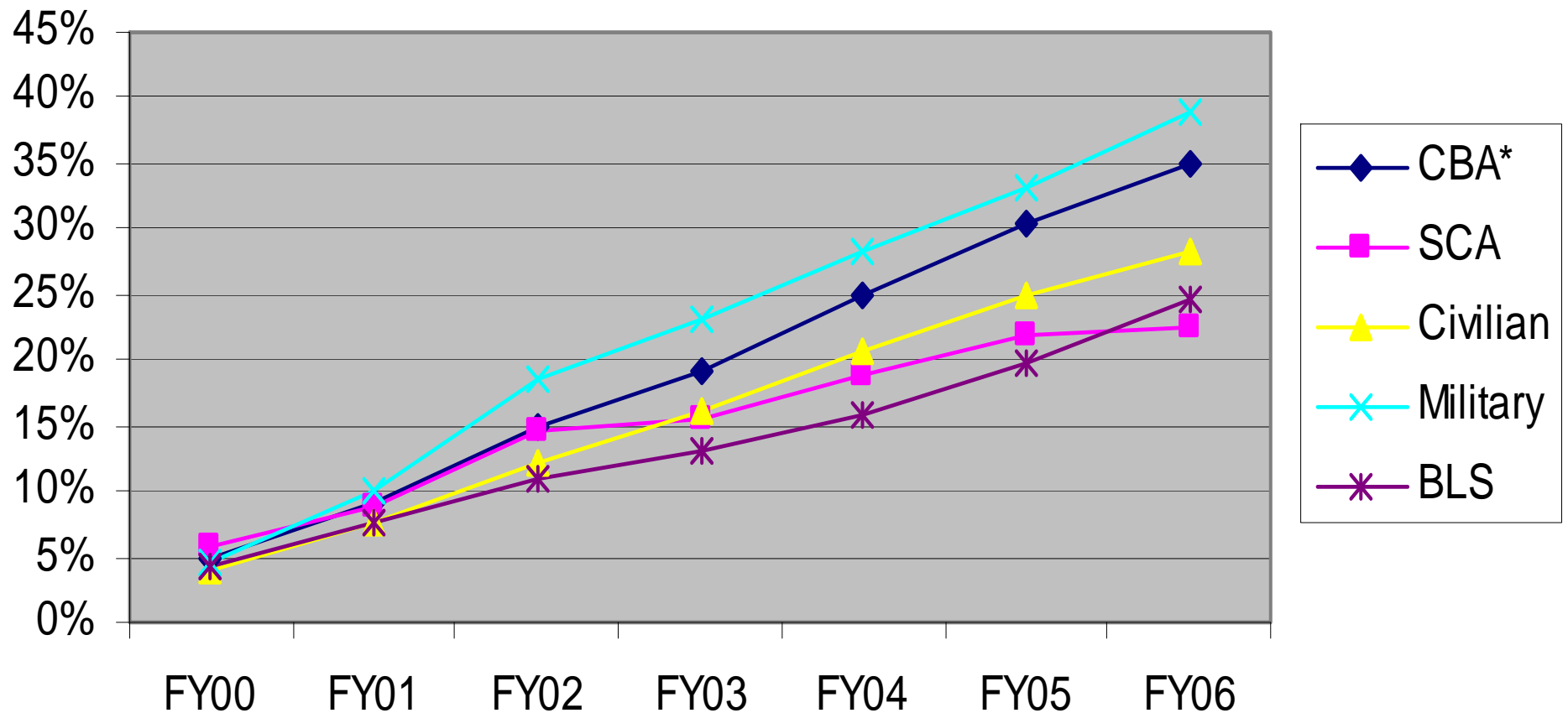
Cumulative Labor Cost Growth



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AETC Cumulative Base-Pay (CBA Adjusted)





Analysis and Results

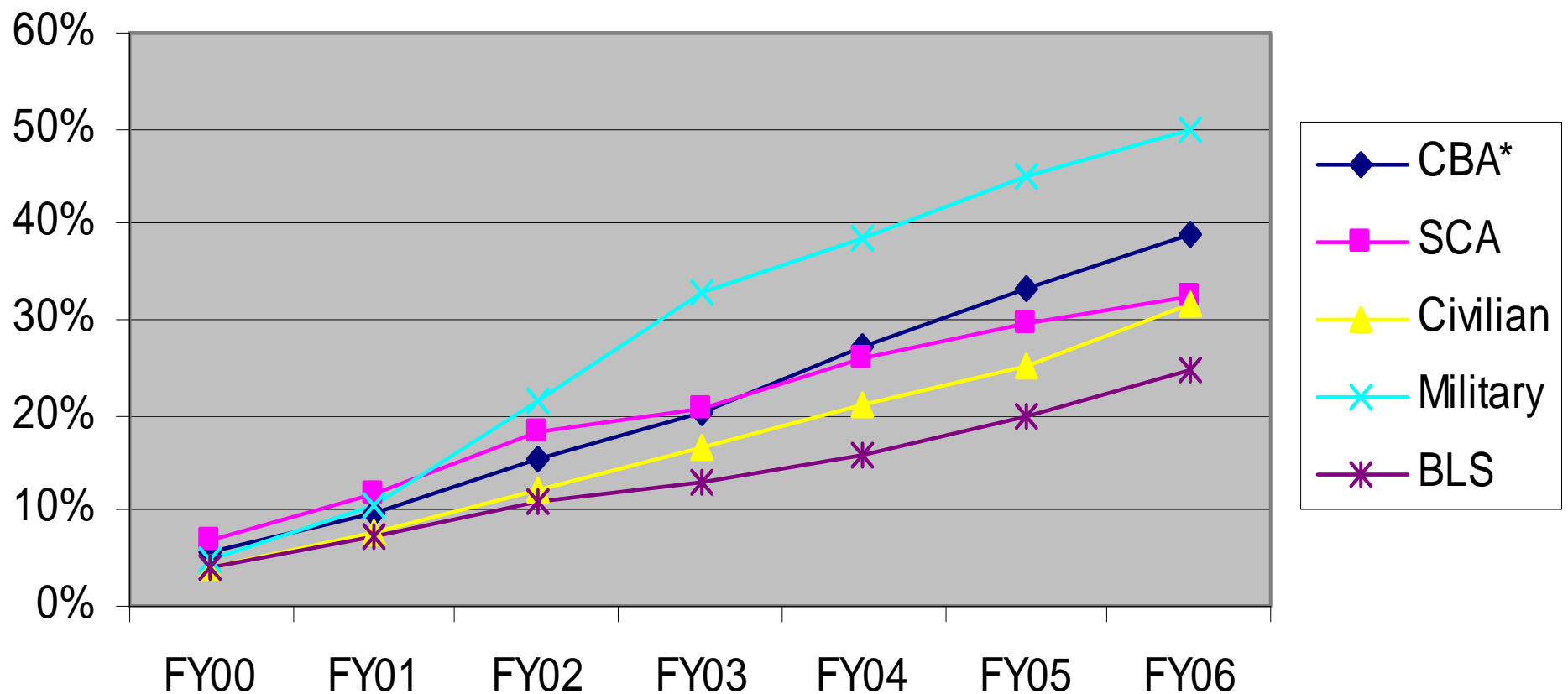
Cumulative Labor Cost Growth



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AETC Cumulative Composite-Pay (CBA Adjusted)





Analysis and Results

Cumulative Labor Cost Growth



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Pay Type	Cumulative Base-Pay Increases	Cumulative Composite-Pay Increases
Military	38.98%	50.03%
CBA	34.99%	38.87%
Civilian	28.21%	31.65%
SCA	22.63%	32.35%
BLS	24.60%	24.60%



Methodology

Manpower Standard Comparison



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- Identify **who performs fuel functions** at AETC bases (in-house/contractor)
- **Collect fuels data** required for manpower standard determination
- **Compute labor cost** based on manpower standard
- Calculate **labor cost for in-house** functions
- Calculate **labor cost for contractors** (contract cost)
- **Compare** actual in-house and contractor costs **to the manpower standard-derived cost**



Analysis and Results

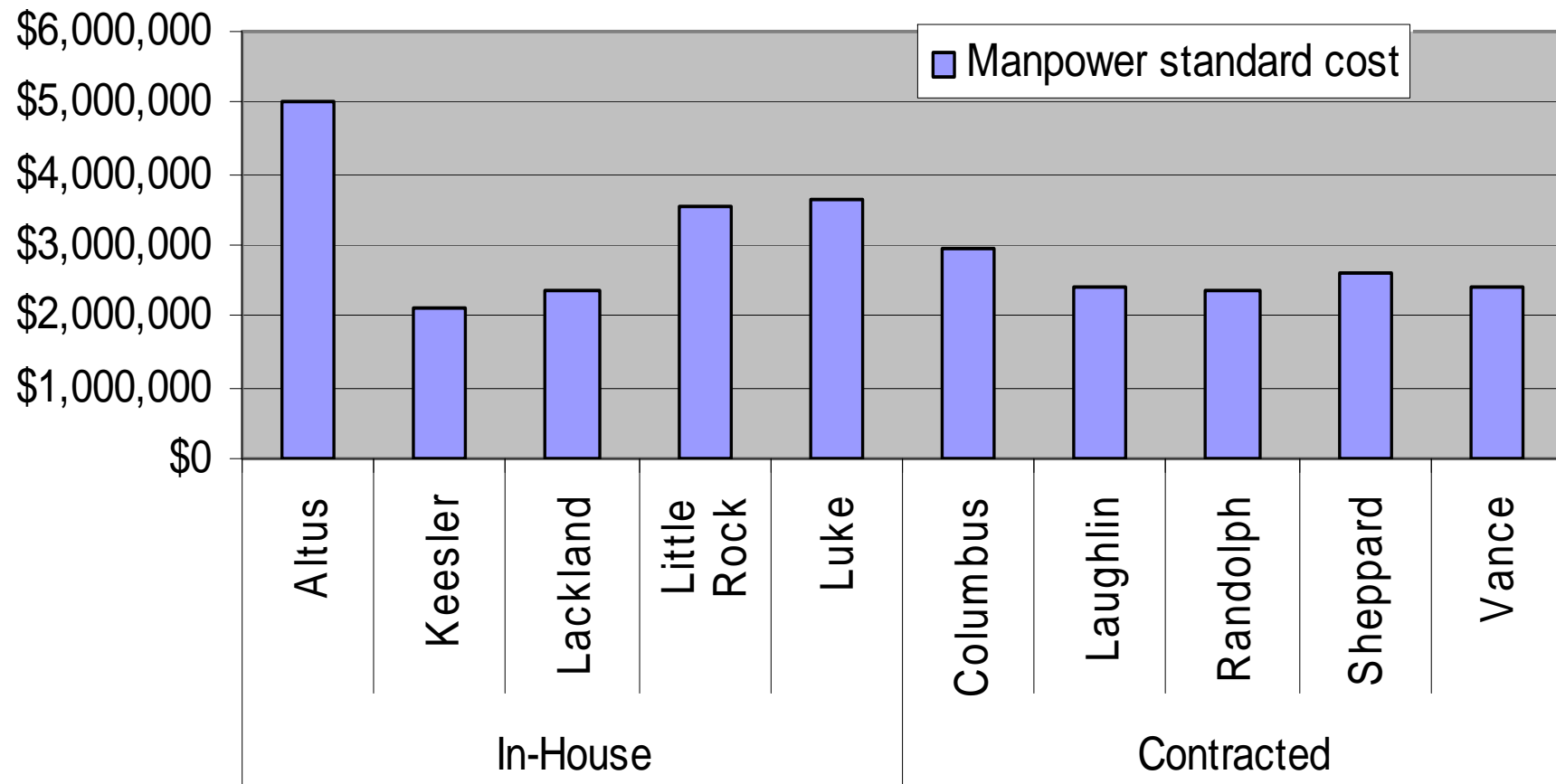
Manpower Standard



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Manpower standard cost





Analysis and Results

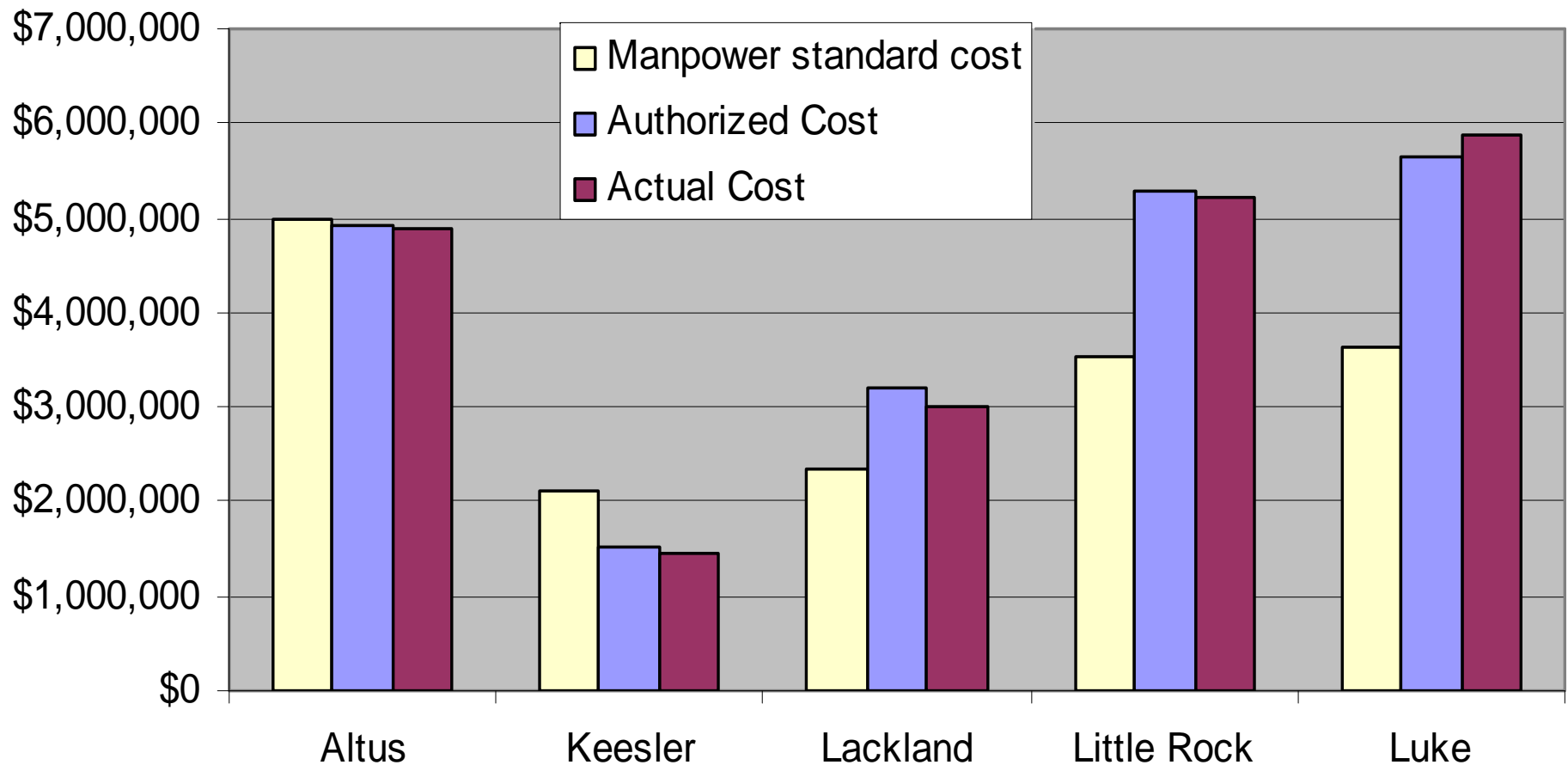
Manpower Standard – In House



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In-House Cost vs. Manpower Standard Cost



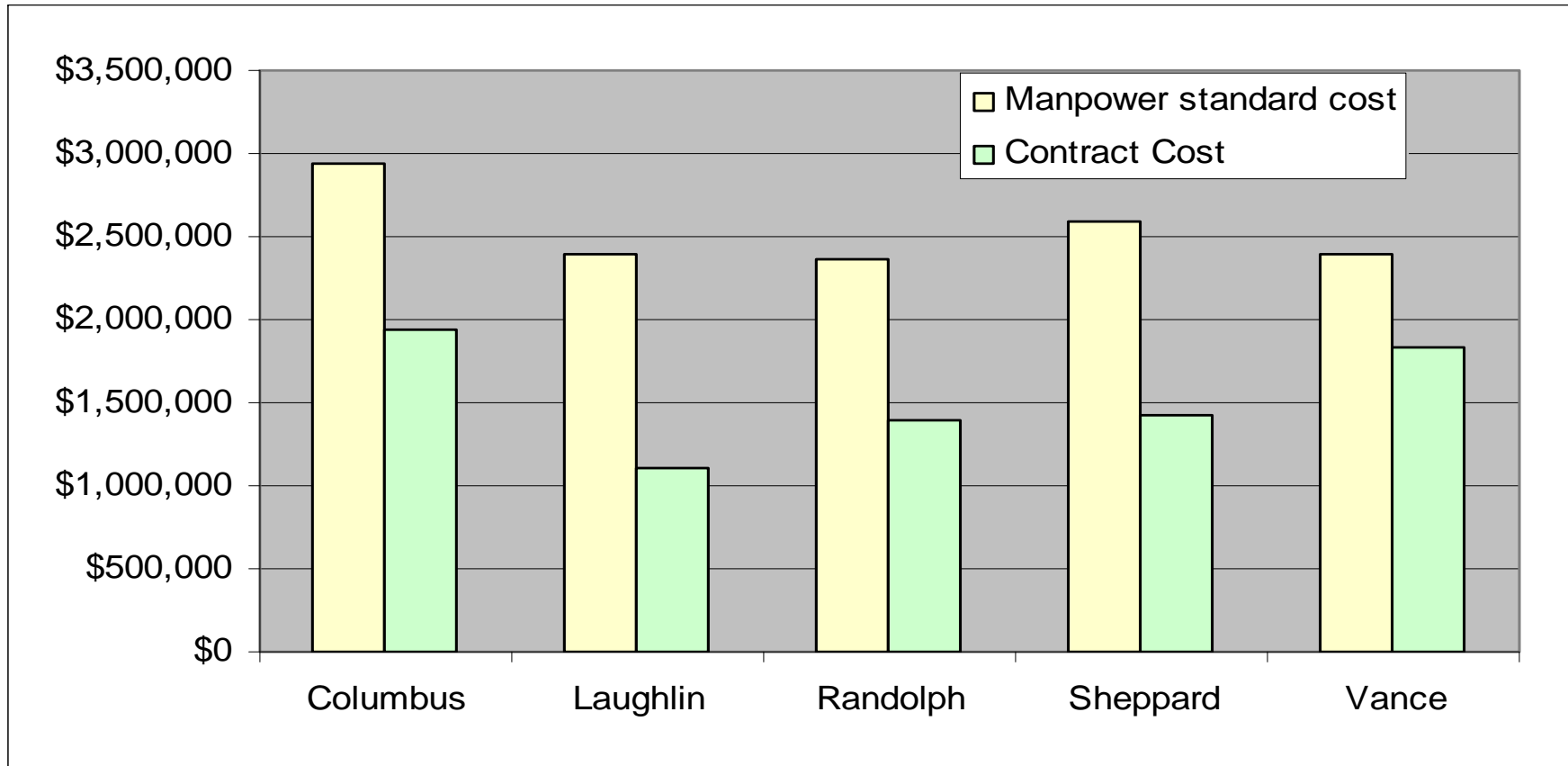


Analysis and Results

Manpower Standard - Contracted



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Analysis and Results

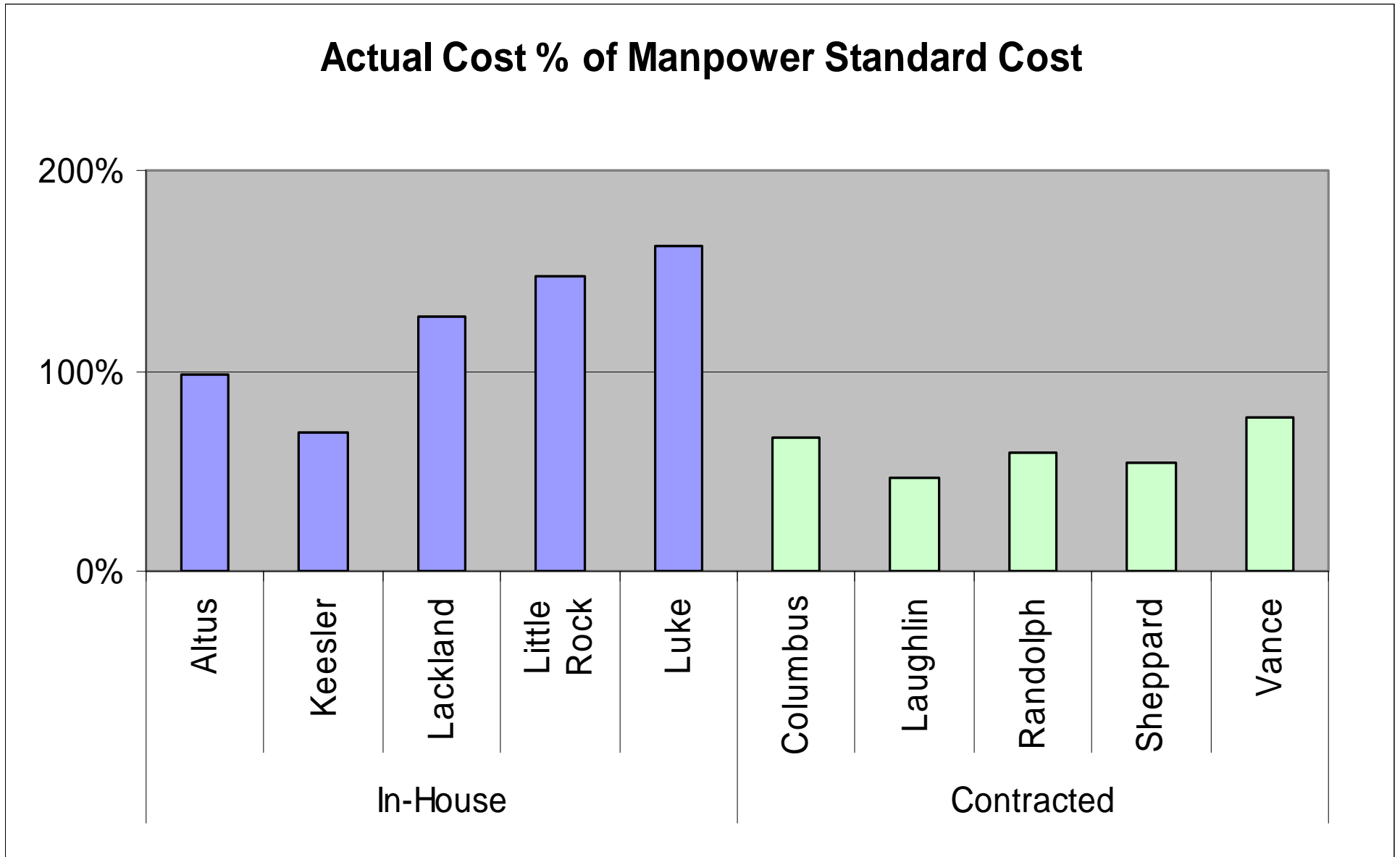
Manpower Standard



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Actual Cost % of Manpower Standard Cost





Percent of Actual Cost vs Standard Cost



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Base	In-house	Contracted	Percentage
Altus	X		97.8%
Keesler	X		69.2%
Lackland	X		127.2%
Little Rock	X		147.5%
Luke	X		162.2%
Columbus		X	66.2%
Laughlin		X	46.1%
Randolph		X	59.4%
Sheppard		X	54.6%
Vance		X	76.6%



Limitations



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- Manpower data is difficult to obtain
- Contract data is limited in its time frame
- There is a limited sample size available for the study. It only includes those service contracts within AETC that have CBAs
- Changes in position names/job titles when contractor positions unionize prevent a direct comparison of SCA and CBA wage growth
- All military and civilian pay grades were analyzed, but not all pay grades would typically be converted to service contract positions



Findings



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- **Objective 1: (Cost Growth of Labor Rates)**
- **CBA wages grew faster than SCA wages**
 - Typically, annual CBA base-pay increases were 1.76% higher than the SCA base-pay increases
 - The analysis showed that the annual composite-pay increases were ~1% higher in CBA positions than in SCA positions
 - This trend is probably more significant than shown considering the initial jump in wages that often occurs when SCA positions unionize
 - The military and CBA wage increases appeared to be the fastest growing of the four pay-types investigated at the seven bases



Findings (cont)



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- **Objective 2: (Contractor vs. Military Cost Growth)**
- **Contractors performed fuel functions at a lower cost** than in-house in comparison to their calculated manpower standard costs
 - For contracted services, the actual cost of contractors averaged ~40% less than the cost derived from the manpower standard
 - For in-house services, the actual in-house cost averaged over 20% higher than the cost derived from the manpower standard
 - A-76 actions still appear to be economically advantageous to the government



Conclusions



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- Lack of historical documentation in all areas
- Manpower assessment documents from the A-76 process are almost never available
- Assumptions used by A-76 evaluators on future labor cost growth are difficult to acquire, if not impossible
- While CBA cost growth is substantial, in our sample functional area, CBA cost growth lagged behind the cost growth of military labor
- Government service civilian cost growth was slower than both military and contract labor growth
- Commanders are forced to deal with realities of increasing contract costs at the MAJCOM and local level; they may be less aware of the challenges of dealing with the even more substantial increases in military personnel costs, which are often dealt with at the Air Staff level



Recommendations



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- Pursue A-76 document preservation program to capture assumptions and workload data for use in future historical analysis
- Explore opportunities to incentivize contractors to mitigate “pass through” cost
- Ensure that the GS labor option is fully examined in A-76 decisions
- Consider conversions to GS, PRIOR to A-76
- Develop comm plan to increase CCs’ awareness on mil-pay cost increases

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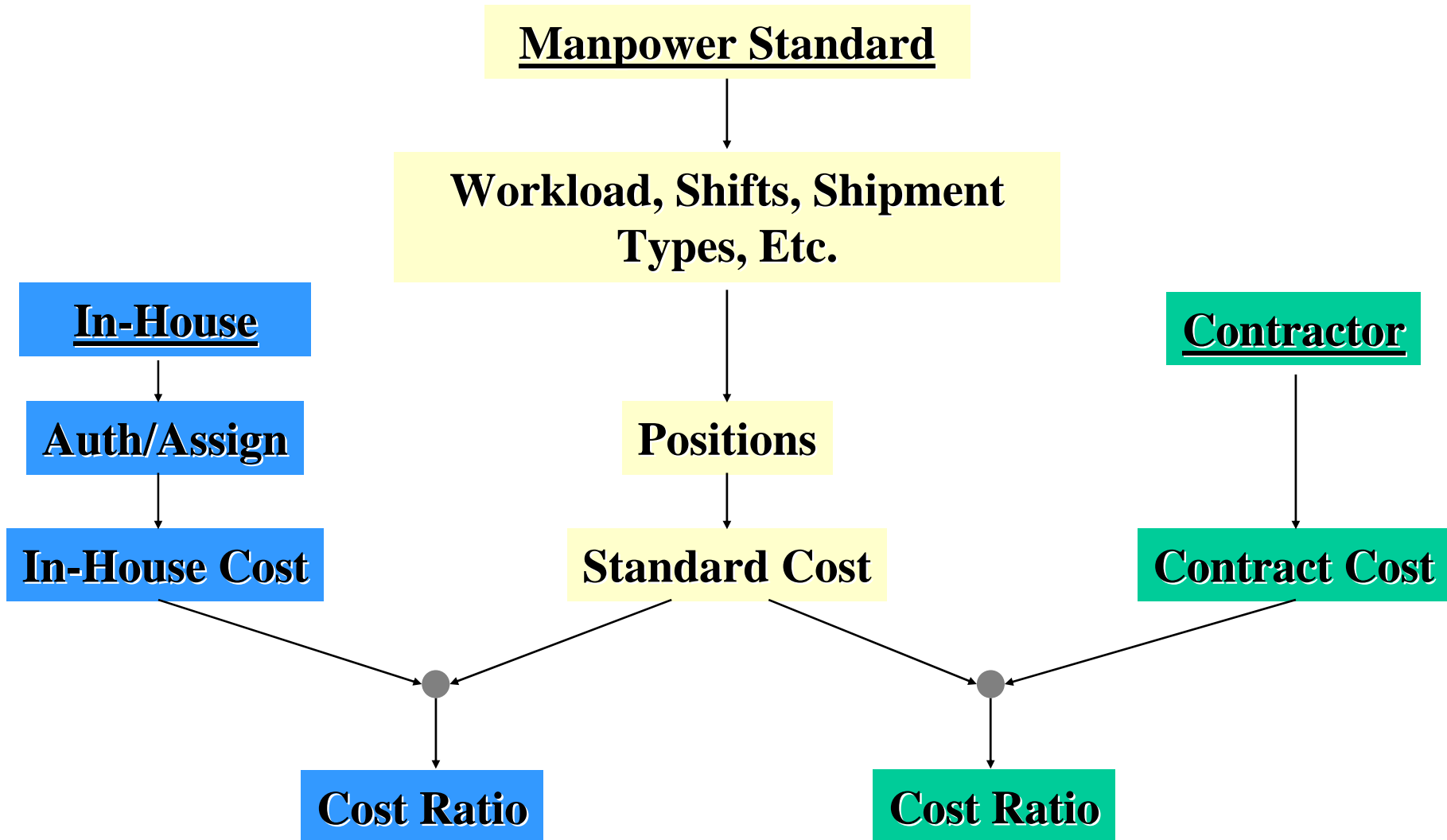
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Methodology



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Analysis and Results

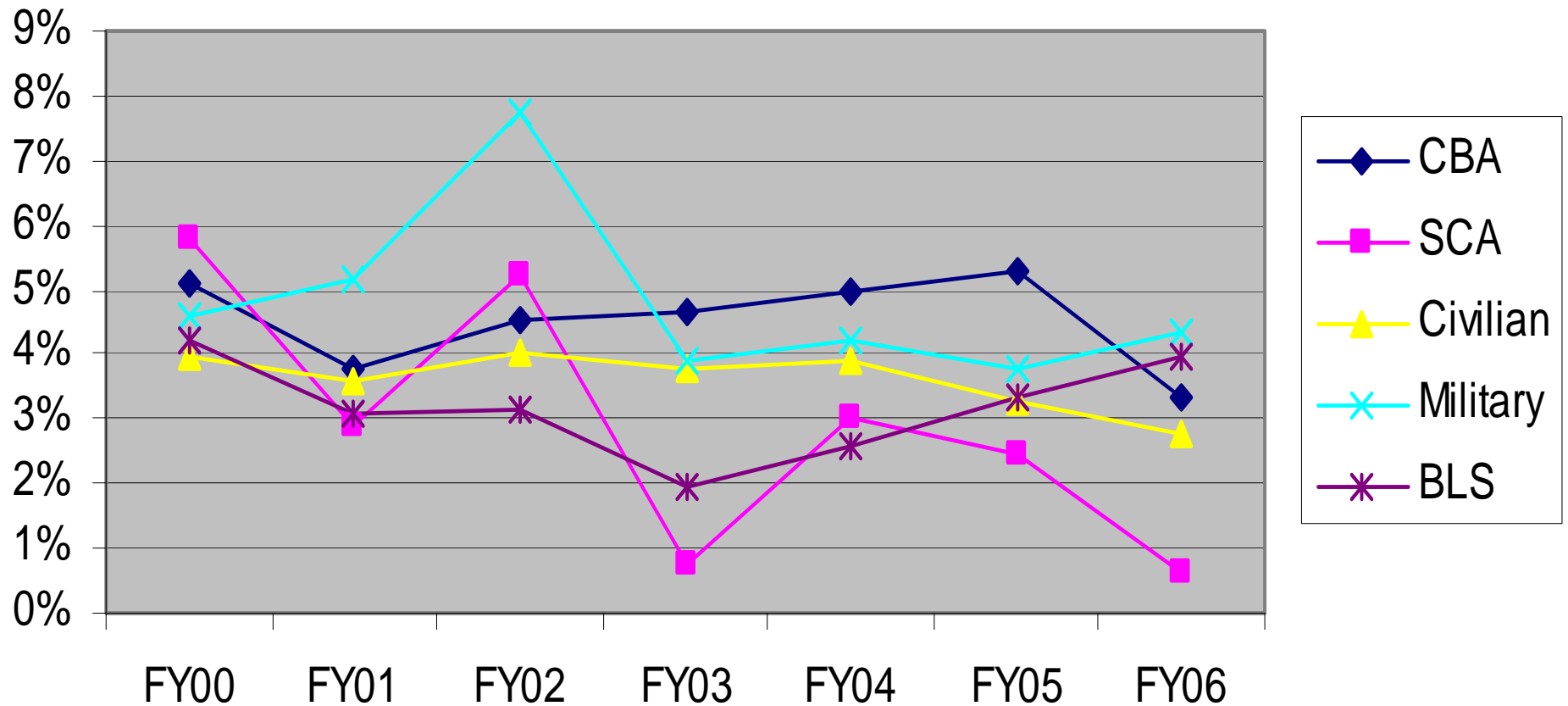
Labor Cost Growth



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AETC Base Pay





Analysis and Results

Labor Cost Growth



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AETC Composite Pay

