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Defense Primer: Department of Defense Contractors

Throughout its history, the Department of Defense (DOD) has relied on contractors to support a wide range of military operations. A *defense contractor*, as defined by the Code of Federal Regulations, is “any individual, firm, corporation, partnership, association, or other legal non-Federal entity that enters into a contract directly with the DOD to furnish services, supplies, or construction” (see 32 C.F.R. 158.3, “Definitions”).

Within the defense policy community, the term *contractor* is commonly used in two different contexts. The word can describe the private companies with which DOD contracts to provide goods and services. It can also describe individuals hired by DOD—usually through private companies, which are also considered contractors in the previous context—to perform specific tasks. The term “contractor” does not refer to military servicemembers, civilian DOD career employees, or civilian political appointees.

Operations over the past 30 years have highlighted the central role that contractors play in supporting U.S. troops, both in terms of the number of contractors and the type of work being performed. During recent U.S. military operations in Iraq and Afghanistan, contractors frequently averaged 50% or more of the total DOD presence in-country.

Contractors as Companies

In FY2017, DOD obligated more money on federal contracts (\$320 billion in current dollars) than all other government agencies combined. While DOD contracts with many companies for all kinds of goods and services, its contract activities are dominated by five companies: Lockheed Martin, Boeing, Raytheon, General Dynamics, and Northrop Grumman (see **Table 1**). In FY2017, these companies together received 33% of all of DOD’s contract obligations for the year. These five companies are often referred to as the *primes*, signifying their role as prime contractors who in turn subcontract to other companies.

Table 1. Five Largest DOD Contractors by Obligations, FY2017

in billions of current dollars

Company	Contracted Dollars
Lockheed Martin Corporation	\$48.1
The Boeing Company	\$21.3
Raytheon Company	\$14.0
General Dynamics Corporation	\$14.0
Northrop Grumman Corporation	\$10.0

Source: FPDS Top 100 Contractors Report, FY2017.

Note: Fifty percent of the Bell-Boeing Joint Project Office is attributed to the Boeing Company.

In FY2017, 41% of total DOD contract obligations were for services, 51% for goods, and 8% for research and development (R&D).

Contractors as Individuals

Individual DOD contractors fulfill a wide variety of organizational roles and functions, spanning from supporting intelligence analysis or software development to performing landscaping or janitorial services.

Why Does DOD Use Individual Contractors?

Following the conclusion of the Cold War, the U.S. military—in line with a government-wide trend—embraced privatization, increasing reliance on contractors rather than in-house personnel to provide many services.

Analysts have highlighted the benefits of using contractors, such as freeing up uniformed personnel to focus on duties only uniformed personnel can perform; providing expertise in specialized fields, such as linguistics or weapon systems maintenance; and providing a surge capability to quickly deliver critical support capabilities tailored to specific military needs. Because a contractor can be hired when a particular need arises and released when his or her services are no longer needed, some have argued that meeting immediate personnel needs through surges in the use of contractors by the federal government is more cost effective on a long-term basis.

Just as the effective use of contractors can augment military capabilities, the ineffective use of contractors can prevent troops from receiving what they need, when they need it, and can lead to wasteful spending. Contractors can also compromise the credibility and effectiveness of the U.S. military and undermine operations, as many analysts believe occurred during recent operations in Iraq and Afghanistan.

How Many Contractors Does DOD Employ?

DOD’s Inventory of Contracted Services (ICS, see 10 U.S.C. §2330a(c)) is a required annual report to Congress that provides information on certain categories of contractor hiring by individual DOD components (e.g., the military departments and defense agencies).

Under 10 U.S.C. §2330a, DOD is required to collect and report data for each purchase of services in excess of \$3 million within four service acquisition portfolio groups: logistics management services, equipment related services, knowledge-based services, and electronics and communications services.

The annual ICS report does not include a total number of contractors, but instead provides an estimate of contractor full-time equivalents (FTEs), a measure referring to the estimated numbers of man-hours contracted.

According to the FY2016 ICS Report to Congress, DOD contracted about 210,000 FTEs within the four defined service portfolios during that year. Of that total number of FTEs, the Department of the Air Force contracted about 32%, the Department of the Army about 31%, and the Department of the Navy about 22%.

Table 2. Estimated FY2016 Contractor FTEs, by DOD Component

DOD Component	Reported FTEs
Department of the Air Force	66,772
Department of the Army	65,095
Department of the Navy	45,270
U.S. Special Operations Command (SOCOM)	10,058
Defense Health Affairs (DHA)	3,400
Defense Information Systems Agency (DISA)	3,208
Missile Defense Agency (MDA)	3,156
Defense Threat Reduction Agency (DTRA)	2,731
Deputy Chief Management Office (DCMO)	2,109
All other reported FTEs	7,747

Source: DOD FY2016 Inventory of Contracted Services.

Notes: DIA and NSA provide their contractor FTE totals in a classified annex; these estimates are not included in summary totals. DOD also indicated that a number of components did not report FTE estimates for FY2016 (such as DODEA and DTRMC), and further indicated that other components submitted incomplete reports (DLA).

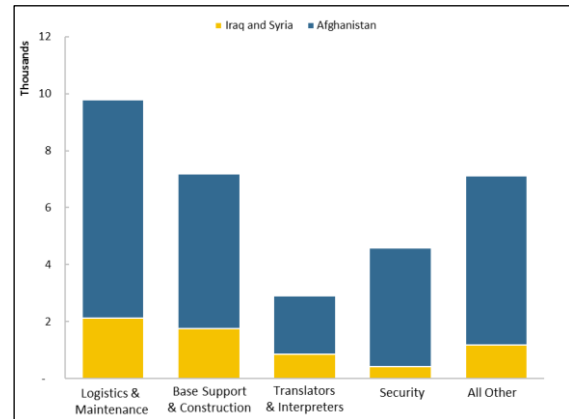
What Role Do Contractors Play In Overseas DOD Operations?

Overseas contingency operations in recent decades have highlighted the role that contractors play in supporting the U.S. military, both in terms of the number of contractor personnel and the type of work being performed by these individuals. Since 2008, U.S. Central Command (USCENTCOM) has published quarterly contractor census reports, which provide aggregated data – including elements such as mission category and nationality – on contractors employed through DOD-funded contracts who are physically located within the USCENTCOM area of responsibility.

As of October 2018, USCENTCOM reported approximately 50,000 contractor personnel working for DOD within its area of responsibility, which includes Afghanistan, Syria, and Iraq. A reported 25,239 contractor personnel were located in Afghanistan, while a reported 6,318 contractor personnel were located in Iraq and Syria.

In Afghanistan as of October 2018, about 44% of DOD's 25,239 reported individual contractors were U.S. citizens. Approximately 42% were third-country nationals and roughly 14% were local/host-country nationals. In Iraq and Syria, about 49% of the reported 6,318 DOD contractors were U.S. citizens, with 38% third-country nationals and 13% local/host-country nationals.

Figure 1. Contractors in Iraq, Syria, and Afghanistan, by Mission Category in October 2018



Source: CENTCOM Quarterly Contractor Census Reports.

In Iraq and Afghanistan, armed and unarmed private security contractors have been employed to provide services such as protecting fixed locations; guarding traveling convoys; providing security escorts; and training police and military personnel. The number of private security contractor employees working for DOD in Iraq and Afghanistan has fluctuated significantly over time, depending on various factors. As of October 2018, DOD reported 4,172 private security contractors in Afghanistan, with 2,397 categorized as armed private security contractors. DOD reported 418 security contractor personnel in Iraq and Syria during the same period, none of whom were identified as armed private security contractors.

Relevant Statutes

10 U.S.C. Part IV: Service, Supply, and Procurement.

CRS Products

CRS Report R43074, *Department of Defense's Use of Contractors to Support Military Operations: Background, Analysis, and Issues for Congress*, by Moshe Schwartz.

CRS Report R44116, *Department of Defense Contractor and Troop Levels in Iraq and Afghanistan: 2007-2017*, coordinated by Heidi M. Peters

Other Resources

Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics, *DoD Inventory of Contracted Services*, <https://prhome.defense.gov/M-RA/Inside-M-RA/TFM/Reports/>.

Office of the Assistant Secretary of Defense for Logistics and Materiel Readiness, *CENTCOM Quarterly Contractor Census Reports*, http://www.acq.osd.mil/log/ps/centcom_reports.html.

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