



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. Within the defense policy community, the term *contractor* is commonly used in two different contexts. The word can describe the private companies, academic institutions, and other entities with which DOD contracts to provide supplies, construction services, or other types of 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.

Contractors as Entities

In Fiscal Year (FY) 2021, DOD obligated more money on federal contracts (\$397 billion in current dollars) than the contract spending of all other government agencies combined. While DOD contracts with many entities, five companies (Lockheed Martin, Boeing, Raytheon, General Dynamics, and Northrop Grumman) typically received a majority of departmental contract obligations each fiscal year (see **Table 1**). These five companies are often referred to as the *primes*, signifying their frequent role as prime contractors who in turn subcontract to other companies. For FY2021, top recipients of DOD contract funding also included Pfizer Inc., with which DOD has contracts to obtain antiviral oral therapeutics and mRNA vaccines used to treat and prevent Coronavirus Disease 2019 (COVID-19). Some of these contracts were executed in partnership with the Department of Health and Human Services (HHS) as part of the national emergency response to COVID-19.

Table 1. Six Largest DOD Contractors by Obligations, FY2021

in billions of current dollars

Company	Obligations
Lockheed Martin Corporation	\$40.3
The Boeing Company	\$22.1
Raytheon Technologies Corporation	\$20.6
General Dynamics Corporation	\$17.3
Pfizer Inc.	\$13.3
Northrop Grumman Corporation	\$12.7

Source: SAM.gov Top 100 Contractors Report, FY2021.

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

In FY2021, 49% of total DOD contract obligations were for goods, 42% were for services (inclusive of IT services), and 9% were for research and development (R&D).

Contractors as Individuals

Individual DOD contractors fulfill a wide variety of organizational roles and functions from logistics and transportation to intelligence analysis and private security.

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 outsourcing, increasing reliance on contractors instead of using military servicemembers or government civilians to perform certain tasks. Some analysts have highlighted numerous benefits of using contractors. These benefits include freeing up uniformed personnel to focus on military specific activities; providing supplemental expertise in specialized fields, such as linguistics or weapon systems maintenance; and providing a surge capability to quickly deliver critical support functions tailored to specific military needs. Some have accordingly argued that meeting immediate personnel needs through surges in contractor use by the federal government is more cost-effective on a long-term basis. Just as the effective use of contractors can augment military capabilities, ineffective management and oversight of contractors can lead to wasteful spending of taxpayer dollars and impeded operational outcomes. Contractors can also compromise the credibility and effectiveness of the U.S. military and undermine operations, as some analysts believe occurred during operations in Iraq and Afghanistan.

How Many Contractors Does DOD Employ?

DOD’s Inventory of Contracted Services (ICS, see 10 U.S.C. §4505(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. §4505, DOD is required to collect and report data to Congress 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. Contracts valued at or below the simplified acquisition threshold (generally \$250,000) or for commercially available off-the-shelf items are exempt from this requirement.

These reports combine contract data routinely entered into the Federal Procurement Data System (FPDS) by DOD contracting officials with contractor-reported information reported to SAM.gov on an annual basis. Contractor-supplied information includes the total number of direct labor hours expended on services performed under contract, as well as the number of employees associated with these services. The report historically has not included a total number of individual contractors—instead, it has provided an estimate of contractor full-time equivalents (FTEs) for

direct labor, a measure referring to the estimated numbers of labor hours contracted.

According to the FY2021 ICS report, DOD contracted about 251,000 FTEs within the four defined service portfolios during that year (see **Table 2**). Of that number, the Department of the Army contracted about 36%, the Department of the Navy about 24%, and the Department of the Air Force about 21%.

Table 2. Estimated FY2021 DOD Contractor FTEs
Prime Contractors and Subcontractors for Contracts Required to be Reported Under 10 U.S.C. §4505, by DOD Component

DOD Component	Reported FTEs
Department of the Army	90,975
Department of the Navy	60,534
Department of the Air Force	52,987
Defense Advanced Research Projects Agency (DARPA)	10,062
Defense Information Systems Agency (DISA)	6,568
Defense Counterintelligence and Security Agency (DCSA)	5,938
U.S. Special Operations Command (USSOCOM)	5,713
Defense Health Agency (DHA)	4,283
Office of the Secretary of Defense (OSD)	4,018
Missile Defense Agency (MDA)	3,217
All other reported FTEs	46,762

Source: CRS analysis of DOD FY2021 Inventory of Contracted Services.

Notes: Some DOD components, such as DIA, which may provide classified contractor FTEs, are not included in these FTE estimates.

Value of ICS Report

In establishing the statutory requirement for the ICS report, Congress sought in part to gain more oversight of certain types of service contracts—particularly staff augmentation services and services that are closely associated with inherently governmental functions—and the associated labor. However, some observers have questioned the value of the ICS report in facilitating congressional oversight. A 2017 RAND Corporation study described the ICS report as including data that are “unprocessed, retrospective, and can largely be found elsewhere,” potentially limiting the utility of the report to Congress and DOD. Other experts, such as the Section 809 Advisory Panel, have recommended repealing or modifying the underlying statutory requirement to obtain more relevant data and analysis suitable for use by policymakers in Congress and DOD.

What Role Do Contractors Play In Overseas DOD Operations?

Operations over the past 30 years have highlighted the central role that contractors play in supporting U.S. servicemembers, both in terms of the number of contractors and the type of work being performed. During U.S. military

operations in Iraq and Afghanistan between 2001 and 2020, contractors frequently accounted for 50% or more of the total DOD presence in country.

Since 2008, U.S. Central Command (USCENTCOM) has published quarterly contractor census reports providing aggregated data on contractors employed through DOD-funded contracts who are physically located within the USCENTCOM area of responsibility, which includes Afghanistan, Syria, and Iraq. Prior to August 2021, these reports included data associated with DOD-funded contractor personnel in Afghanistan. Following the August 2021 withdrawal of U.S. military forces from Afghanistan and the Taliban takeover of the country, USCENTCOM reports that no DOD-funded contractor personnel remain in Afghanistan.

During the fourth quarter of FY2022, USCENTCOM reported approximately 22,000 contractor personnel working for DOD within its area of responsibility, with a reported 7,908 contractor personnel located in Iraq and Syria. As of the fourth quarter of FY2022, about 34% of DOD’s reported individual contractors in Iraq and Syria were U.S. citizens. Approximately 38% were third-country nationals, and roughly 27% were local/host-country nationals.

In Iraq, armed and unarmed 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 security contractor employees working for DOD in Iraq and Syria has fluctuated significantly over time, depending on various factors. As of the fourth quarter of FY2022, DOD reported 941 security contractor personnel in Iraq and Syria, none of whom were identified as armed security contractors.

Relevant Statutes

10 U.S.C. Part V to Subtitle A: Acquisition.

CRS Products

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

CRS Report R44116, *Department of Defense Contractor and Troop Levels in Afghanistan and Iraq: 2007-2020*.

Other Resources

Defense Pricing and Contracting, *Inventory of Services Contracts*, <https://www.acq.osd.mil/asda/dpc/cp/policy/service-contract-inventory.html>.

Office of the Assistant Secretary of Defense for Sustainment, *CENTCOM Quarterly Contractor Census Reports*, https://www.acq.osd.mil/log/LOG_CSD/CENTCOM_reports.html.

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