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Defense Primer: Department of Defense Contractors

Throughout its history, the Department of Defense (DOD), which is “using a secondary Department of War designation,” under Executive Order 14347 dated September 5, 2025, 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. Congress has exercised its legislative powers in the past to establish certain reporting requirements regarding DOD contractors, and exercised oversight of DOD contractor activities.

Contractors as Entities

In Fiscal Year (FY) 2024, DOD obligated more money on defense contracts (\$445 billion) than all other government agencies combined (\$310 billion). While DOD contracts with many entities, five companies (Lockheed Martin, RTX Corporation, the Boeing Company, Northrup Grumman Corporation, and General Dynamics Corporation) received 30% of departmental contract obligations (see **Table 1**). These companies frequently serve as *prime contractors*, or *primes* (i.e., a company that maintains a direct contractual relationship with the government). Primes in turn subcontract to other companies that serve as *subprime contractors*, or *subprimes*.

Table 1. Five Largest DOD Contractors by Obligations, FY2024

(in billions of current dollars)

Company	Obligations	% of Obligations
Lockheed Martin Corporation	\$50.7	11
RTX Corporation	\$24.8	6
The Boeing Company	\$23.2	5
Northrup Grumman Corporation	\$18.6	4
General Dynamics Corporation	\$15.6	4
Other DOD Contractors	\$312.2	70
Total DOD Contractors	\$445.1	100

Source: CRS analysis of SAM.gov Top 100 Contractors Report, FY2024.

According to the Government Accountability Office (GAO), in FY2024, 54% of total DOD contract obligations were for services and 46% of DOD contract obligations were for goods, or products.

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.

Reasons for DOD Using Individual Contractors

After the Cold War, the U.S. military—in line with a government-wide trend—embraced outsourcing and increasingly used private contractors instead of military servicemembers or government civilians to perform certain tasks. Proponents of this trend note that effective use of contractors in specialized fields, such as linguistics or weapons maintenance, helps DOD by freeing up uniformed personnel to focus on inherently governmental activities. Contractors can also meet surge demands and provide critical support functions tailored to specific military needs that is more cost-effective on a long-term basis than by adding permanent, federal government or uniformed staff. Critics of the trend counter that ineffective management and oversight of contractors can lead to wasteful spending of taxpayer dollars and impede operational outcomes. Some critics point out that contractors can also compromise the credibility and effectiveness of the U.S. military and undermine operations, pointing to certain operations in Iraq and Afghanistan.

Tracking Numbers of Certain Contractors DOD Employs

Per Title 10 U.S.C. §4505(c), DOD publishes an annual Inventory of Contracted Services (ICS) 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. The statute specifies that these data are to be collected “in a manner that is comparable to the manpower data elements used in inventories” of similar DOD civilian employee functions. After the data have been collected, relevant DOD agencies are to provide a review that includes ensuring that the contracting activities in the report “do not include any governmental functions,” and identify potential contracting activity that could be converted to civilian employee performance.

The ICS reports combine contract data that DOD contracting officials routinely enter into the Federal Procurement Data System (FPDS) with contract data that vendors report annually to the government. Contractor-supplied data include 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 reports only provide an estimate of contractor full-time equivalents (FTEs) for direct labor, a unit of measurement referring to the estimated numbers of labor hours contracted, and do not include a total number of individual contractors.

According to the FY2024 ICS report, DOD contracted about 400,620 total prime and subprime contractor FTEs within the four defined service portfolios during that year (see **Table 2**). Of that number, the Department of the Army contracted about 47%, the Department of the Navy about 23%, and the Department of the Air Force about 19%.

Table 2. Selected Reported FY2024 DOD Component Contractor FTEs

Prime Contractors and Subcontractors for Contracts Required to be Reported Under 10 U.S.C. §4505, by DOD Component

Contracting Agency	Reported FTEs
Department of the Army	187,920
Department of the Navy	93,634
Department of the Air Force	76,666
Defense Contract Management Agency (DCMA)	2,425
Defense Information Systems Agency (DISA)	6,725
Defense Counterintelligence and Security Agency	3,906
U.S. Special Operations Command (USSOCOM)	4,062
Defense Health Agency (DHA)	4,835
Washington Headquarters Services (WHS)*	3,290
Missile Defense Agency (MDA)	3,405

Source: CRS analysis of DOD FY2024 Inventory of Contracted Services.

Notes: FTE estimates in the ICS include contractor-provided data. Some DOD components, such as DIA, which may provide classified contractor FTEs, are not included in these FTE estimates. *Includes the Office of the Secretary of Defense (OSD).

Value of the ICS Report for Congress

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. As such, the ICS does not serve as a complete inventory of all DOD contractors.

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,” assessing that this potentially limits the utility of the report to Congress and DOD. Other experts, such as the [Advisory Panel on Streamlining and Codifying Acquisition Regulations](#) (Section 809 Panel), established per Section 809 of the FY2016 National Defense Authorization Act (P.L. 114-92) to analyze acquisition statute and regulations, 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.

Contractors’ Role 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. According to the latest publicly available data (second quarter of FY2025), USCENTCOM reported approximately 20,356 contractor personnel working for DOD within its area of responsibility (AOR). Similar reporting for government personnel is not publicly available.

During combat operations in Iraq, armed and unarmed security contractors were 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 since 2003 and is dependent on a variety of factors, including current force management levels in-country and U.S. operational needs.

Given military actions undertaken over the last year (e.g., Operation Absolute Resolve in Venezuela and U.S. military strikes in Nigeria, and U.S. weapons transfers to Ukraine and Taiwan), Congress may consider whether or not to require similar reporting requirements for other AORs, such as U.S. Southern Command (SOUTHCOM), U.S. Africa Command (AFRICOM), or U.S. European Command (EUCOM,) to aid its oversight. Congress may also consider whether or not to require additional information in any such reports, including personnel break-outs for each individual country in the AOR that could provide additional insight into contractor presence, as well an unclassified level description of the nature of the work being performed.

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/CSD/CENTCOM_reports.html.

Alexandra G. Neenan, Analyst in U.S. Defense Policy

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