

RECOVERY UNDERWAY

**DEFENSE INDUSTRY STILL IN
RECOVERY MODE, BUT SPRING
MAY BE COMING.**

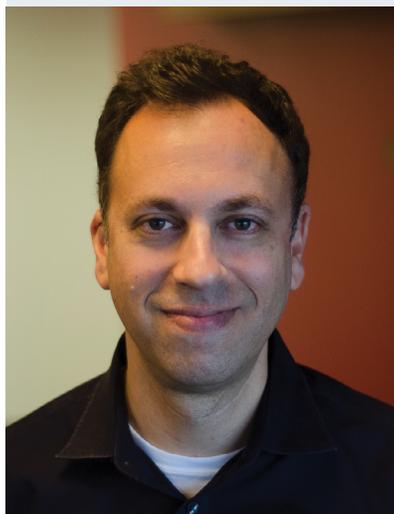
A COMPREHENSIVE EARNINGS SURVEY OF SECURITY-CLEARED PROFESSIONALS, WITH 21,823 RESPONDENTS FROM
DECEMBER 2016 TO JANUARY 2017 — PROVIDED BY ClearanceJobs.

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LETTER FROM THE PRESIDENT

“All of that industry turmoil has yet to equate to higher salaries for cleared professionals...”



Evan Lesser
President and Founder
ClearanceJobs.com

At ClearanceJobs.com we’ve characterized the past several years as a ‘perfect storm’ — sequestration, a government shutdown, the OPM hack, a reduction in the size of the cleared workforce, and a doubling or tripling of security clearance processing times. Couple that with a commercial sector experiencing the lowest unemployment rates of the past decade¹ and it has been a challenging season for defense recruiters.

All of that industry turmoil has yet to equate to higher salaries for cleared professionals, according to data collected from nearly 22,000 professionals with active federal security clearance. Average compensation totaled \$86,902, down from \$88,022 reported in 2014, the last time ClearanceJobs conducted a compensation survey.

Compensation numbers show the defense industry is still in recovery mode, with several factors contributing to largely unchanged salary numbers:

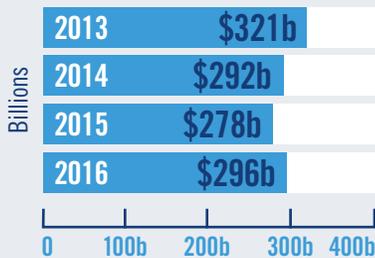
- The commercial sector, while strong, is also reporting largely stagnant salary figures.²
- While reductions in the size of the cleared workforce have made the competition for cleared talent higher, companies are able to find professionals with the skills and clearance needed to do the work.
- Lowest Price Technically Acceptable (LPTA) contracts continue to be awarded, which pushes average salaries down as the government is forced to select the lowest-priced contract.
- The Intelligence Community’s push to reduce the number of TS/SCI security clearances has reduced the number of respondents in that pool, and increased the number of respondents with lower-paying Secret security clearances.
- The massive retirement of baby boomers is increasing the number of entry-level workers and reducing the number of senior executives in the cleared workforce.

While these market trends support salary stagnation, other factors suggest the trends may soon begin to move back up. Larger government contractors are already reporting the cost of cleared talent — including entry-level cyber talent — is rising. And defense budgets are finally on the move back up. Department of Defense contract obligations increased 7% in 2016, an increase of \$18 billion from 2015.

The struggles for the defense industry are far from over, but the good news is, spring may be coming.

OVERVIEW

Defense Contract Obligations



Year	Average Total Compensation
2014	\$88,022
2017	\$86,902

DoD budgets dropped \$29 billion from 2013 to 2014, and another \$14 billion from 2014 to 2015, while salaries remained fairly unchanged. In 2016, DoD spending was up \$18 billion, and ClearanceJobs has seen an increase in the number of contracted positions as well. Could an uptick in salaries soon follow?

What impact has a recovering defense industry had on salaries? Despite seismic scandals affecting the security clearance community (from the Office of Personnel Management hack to Edward Snowden), salaries remain largely unchanged.

According to the 2017 ClearanceJobs Compensation Survey results, total compensation for all surveyed security-cleared professionals worldwide is \$86,902. Average total compensation is down 1.27% overall since 2014, the last time ClearanceJobs conducted a salary survey. In 2014, the workforce was contending with:

- Sequestration
- A government shutdown
- The aftermath of the Navy Yard Shooting
- Scrutiny of background investigations and the downfall of background investigation firm USIS

Three years later, the workforce is contending with:

- A roughly 30% decrease in the total number of security-cleared professionals since 2013
- An increase in end-to-end, total processing time for new security clearances
- An increase in the backlog of pending security clearance awards to approximately 500,000
- The continued prevalence of Lowest Price Technically Acceptable (LPTA) and firm-fixed price contracting models

KEY FINDINGS



While total compensation for all surveyed security-cleared professionals worldwide is down since 2014 results, mean base salary has increased slightly to \$77,086.



The two highest-paid industries are Engineering with an average total compensation of \$96,327 and IT with an average total compensation of \$94,144.



The two highest-paid job categories are Systems Engineering with an average total compensation of \$118,865 and IT-Software with an average total compensation of \$116,881.

“These numbers really highlight the challenges facing recruiters and hiring managers in the cleared space,” said Evan Lesser, founder and president of ClearanceJobs.com. “We have a very strong commercial

sector and a still struggling defense sector. While there are still high-paying jobs, the competition for those professionals is incredibly strong.”

THE GOVERNMENT'S ALTERNATE REALITY

With the number of cleared professionals continuing to decline, and a heightened demand for cleared talent (as evidenced by the average of 20,000 visible jobs on ClearanceJobs in 2016 compared to 6,000 in 2013), one would expect salaries to be on the rise. Why isn't that the case?

Two market trends support salary stagnation in the defense market today: the continued prevalence of Lowest Price Technically Acceptable contract awards, and a shift in the demographic make-up of the cleared candidate workforce.

LPTA CONTRACTS

“We revamped our approach to candidates and don't limit our opportunities in terms of discussing just salary.”

Maria Whitney
Recruiting Manager
[Smartronix](#)

Over the past two years, government officials have argued they're reducing LPTA contracts, yet many continue to be awarded. In August of 2016 the Department of Defense moved forward with its [10-year \\$17.5 billion Encore III IT services contracting³](#) — using an LPTA model — and above the formal protests of Booz Allen Hamilton and CACI.

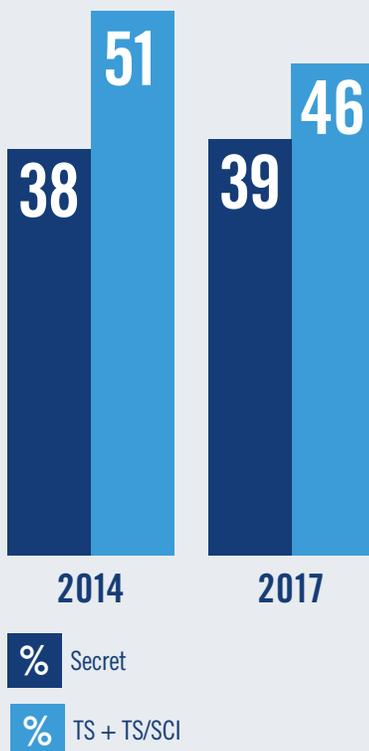
What's the problem with LPTA? It forces the government to choose the lowest-priced contract, not necessarily the most innovative, or the one with the most experienced talent.

“For us specifically we created a 2015 initiative to move from LPTA contracts that require lots of resources to capture and even more to staff low volume positions on impossible salaries that yield little return,” said Maria Whitney, recruiting manager at Smartronix. “In terms of overcoming these trends, we revamped our approach to candidates and don't limit our opportunities in terms of discussing just salary, we reference our salary as a part of our total compensation that encompasses our benefits package including professional development and formal education policies.”

This corresponds with other market trends, including companies increasingly willing to offer signing bonuses, relocation expenses, and perks from telework to unlimited leave.

THE CHANGING FACE OF CLEARED CANDIDATES

Decline in Top Secret Candidates, Rise in Secret Candidates



Outside of LPTA, a shift in the demographic make-up of the cleared workforce may also be at play. There is increased pressure to reduce the number of higher-level clearances, and that bore out in the 2017 survey responses. Professionals with a TS or higher clearance made up 46% of the survey respondents in 2017 — down 5% since last surveyed in 2014. Secret candidates made up nearly 39% of the respondents in 2017, up 1% since 2014.

In 2013, then Director of National Intelligence James Clapper called on industry to reduce the number of individuals with access to classified information.

“I write to express my concern about threats to national security resulting from the increasing number of people with eligibility for access to classified national security information, particularly Top Secret (TS) and Top Secret/Secure Compartmented Information (TS/SCI),” [Clapper wrote in a three-page memo](#)⁴. In the memo, Clapper asked agencies to conduct an audit and ensure only those currently in-access kept their clearances.

“That was right around the time of Snowden and we were really looking into our cleared workforce, and whether everybody with access to these high level programs really needed it.” said Michelle Sutphin, ISP and industry representative for the National Industrial Security Program Policy Advisory Council (NISPPAC). “That was an initiative that was happening several years ago, so if you’re seeing a decrease in TS/SCI clearances that makes perfect sense, and it’s in keeping with the risk-based strategy of the intelligence community.”

This audit accompanied by the massive retirement numbers among baby boomers (as many as 10,000 baby boomers retire each day) is starting to shift the demographic make-up of the cleared workforce, with an increasing number of younger professionals entering, and more experienced professionals leaving.

WHERE'S THE MONEY?

Top Five Highest Paid Job Categories



1 SYSTEMS ENGINEER

\$118,865



2 IT SOFTWARE

\$116,881



3 SALES

\$104,864



4 IT SECURITY

\$101,901



5 LEGAL

\$100,263

Despite some declines in compensation there are still a number of high-paying cleared jobs. The two highest-paid industries are Engineering with an average total compensation of \$96,327 and IT with an average total compensation of \$94,144.

The two highest-paid job categories are Systems Engineering with an average total compensation of \$118,865 and IT-Software with an average total compensation of \$116,881.

Luke Mann, talent acquisition lead in the Technology Services Sector for Northrop Grumman noted salary trends in his arena – emerging technologies and technical roles – have shown steadily increasing salaries over the past several years.

“I’ve seen a spike in market trend for salaries over the last three years,” noted Mann. “Our annual market data has shown a few percentage point increases for most of our technical roles each year, and an even bigger spike when you look at new grad talent.”

He noted the concern with baby boomers set to retire seems to continue to push entry-level salaries up. That supports the findings of the 2017 compensation survey, which found average total compensation for entry-level professionals largely unchanged, but median total compensation to be 9% higher. That means more entry-level professionals are seeing salaries closer to the average total compensation than when the 2014 survey was conducted.

The demand for Science, Technology, Engineering and Math (STEM) students is nothing new. The push for STEM talent has prompted government contractors including Lockheed Martin to [launch their own STEM recruitment initiatives](#)⁵, geared toward luring students as young as middle school to consider a government contracting career.

The push for computer skills has had some effect: the percentage of computer-related college graduates has risen 6% since 2001. The problem? It’s not close to keeping pace with the [Department of Labor’s projected growth](#)⁶ in these disciplines – 18.8% for software developers and 20.9% for computer systems analysts.

“We are very concerned about the rising cost of cleared candidates.”

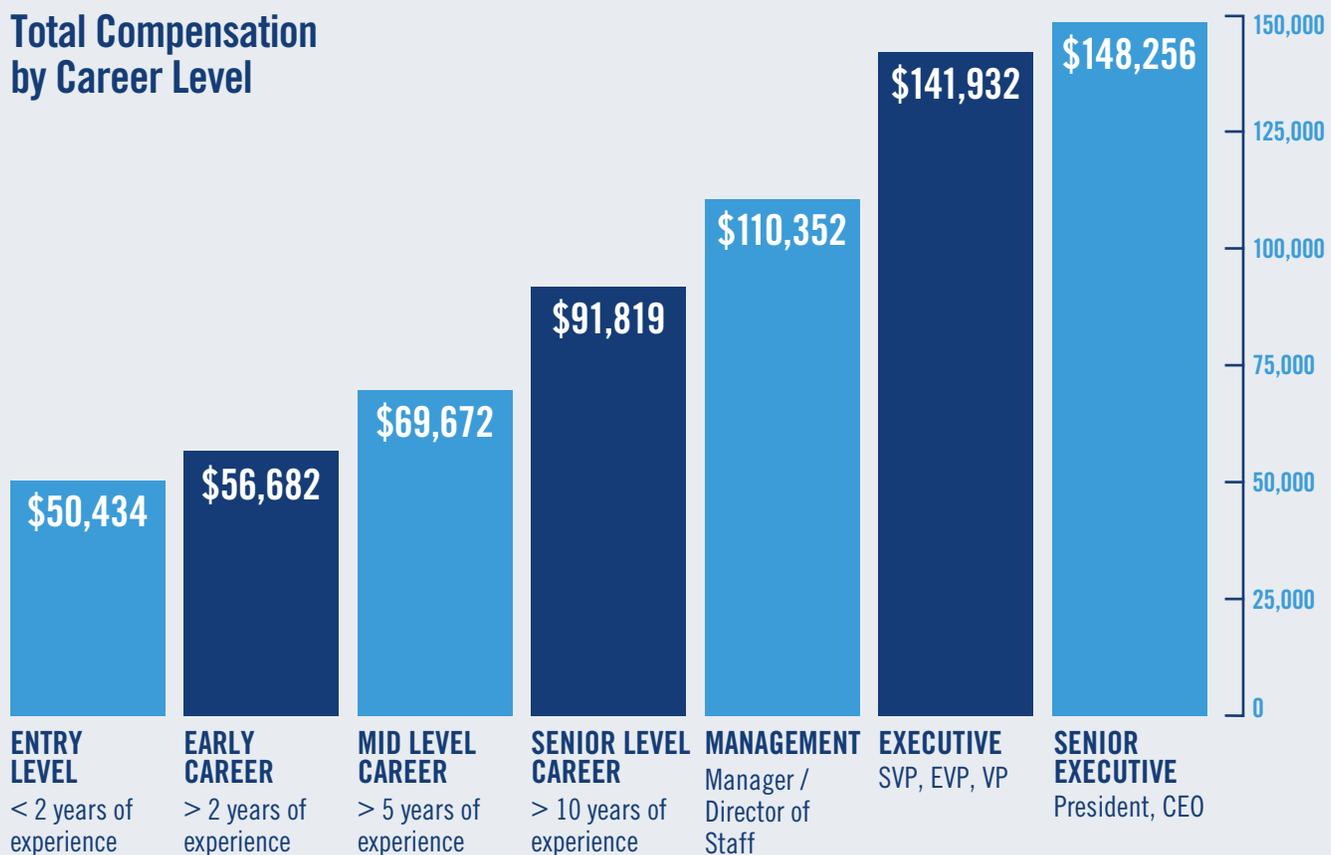
Michelle Sutphin

Industry Representative
NISPPAC

Recruiting young professionals into government careers is an increasingly costly problem for government contractors, who don't have to pay for the costs of the actual investigation, but do have to pay for the logistics of keeping candidates engaged through a months-or-years long investigation process. Michelle Sutphin, NISPPAC industry representative, cited the approximately 500-day processing timeline for Top Secret security clearance investigations as a major industry pain point. It's something she regularly conveys at her meetings with the government.

“We are very concerned about the rising cost of cleared candidates and how that's going to impact us,” said Sutphin. “We've been emphasizing this over and over again that this is now a C-suite issue. That is what we keep saying because this is going to start hitting the bottom lines of companies because salaries keep increasing.”

Total Compensation by Career Level



COMPENSATION BY SPONSORING AGENCY

“Threats against critical infrastructure are a part of today’s reality, and utility employees with cybersecurity background are essential to our core mission of keeping customers and communities safe...”

Lori S. Traweek

Chief Operating Officer
[American Gas Association](#)

When it comes to compensation, the issuing agency behind the security clearance is also a major driver of compensation. Candidates with security clearances issued by the intelligence agencies (NSA, CIA, FBI) reported a 5.53% increase in average base salary since last surveyed.

Candidates with security clearances issued by the Dept. of Energy (Q or L) reported a 7.53% increase in average base salary since last surveyed — the highest overall increase.

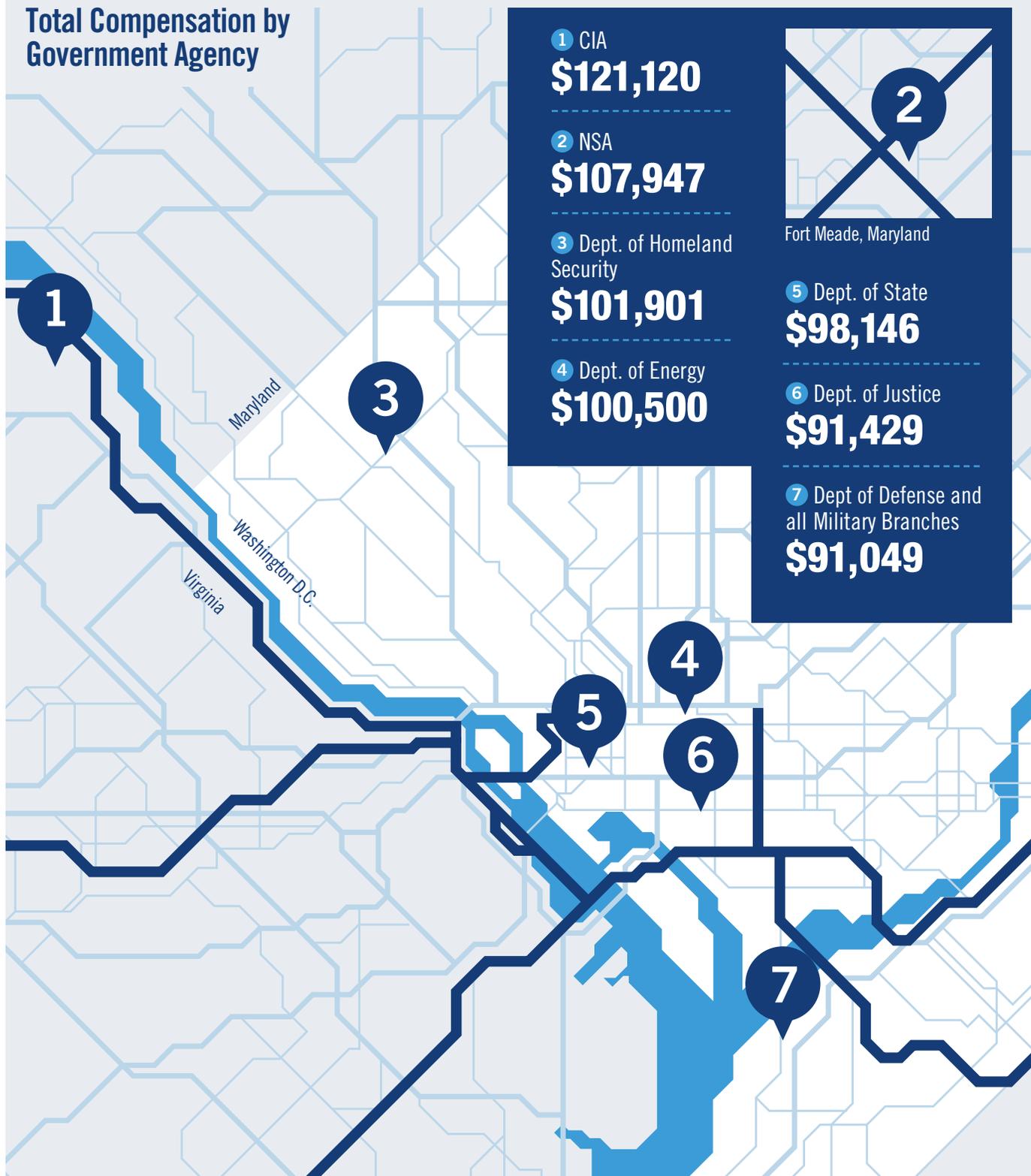
When you think of the Department of Energy, national security may not be the first thing that comes to mind, but it should — over the past several years the need to protect critical infrastructure from hacking attempts and other threats has grown exponentially. Combine that with the DoE’s responsibility to design, build and test the nation’s nuclear arsenal, and it just might be the home of some of the most important national security jobs in the nation.

“NNSA’s workforce is made up of dedicated professionals who are leaders in their fields, including occupations in cybersecurity, counterterrorism, and nonproliferation, said Amy R. Boyette, acting press secretary for the National Nuclear Security Administration (NNSA), a division of the U.S. Department of Energy. “As part of the National Security Enterprise, NNSA recruits highly qualified candidates in these competitive fields to support our mission. Our employees’ pay increases are performance-based, which provides faster pay progression for high performing employees consistent with the results-oriented performance culture within NNSA.”

The types of positions required in the DoE today are at the top of the security clearance career pay scale, including cybersecurity professionals and engineers.

“Threats against critical infrastructure are a part of today’s reality, and utility employees with a cybersecurity background are essential to our core mission of keeping customers and communities safe,” said Lori S. Traweek, chief operating officer at the American Gas Association.

Total Compensation by Government Agency



COMPENSATION FLAT, SATISFACTION HIGH

“I can continue to serve my country, and I find I’m working with other civilians who feel the same.”

Brian Hall
Army Veteran

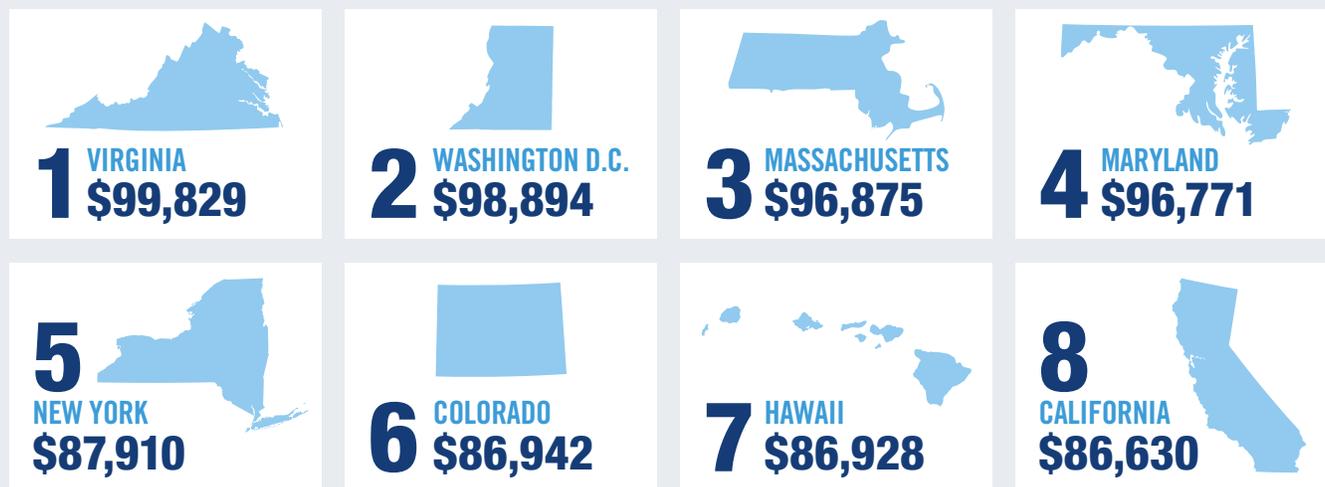
With continued market uncertainty, processing delays and flat compensation, you might think the cleared workforce would come to work with a chip on their shoulder. That’s hardly the case — 64% of surveyed cleared professionals indicated they are “somewhat” or “very satisfied” with their current jobs. That’s higher than the roughly 50 percent satisfaction score the average American gives their current job.⁷

When you talk to cleared professionals, the response is overwhelming — it’s the mission, not the money, that keeps them most motivated to pursue security clearance work over the commercial sector.

“Those I’ve worked with, including myself, are drawn to the idea of doing something bigger than just another commercial game,” said Brian Hall, an Army veteran who has worked in software engineering developing video games used for military training. He’s worked for several companies since leaving military service, but every company has been a government contractor.

“I can continue to serve my country, and I find I’m working with other civilians who feel the same,” said Hall.

Top Eight States with Total Highest Compensation



CAN A 10% RAISE KEEP THE COMPETITION AWAY?

53% of security-cleared professionals surveyed said they were “likely” or “very likely” to change jobs in the coming year. Unsurprisingly, respondents whose salaries were in the lowest 20% were the most likely to consider switching jobs. The difference in the average base salary between those “very likely” and those “not at all likely” to change jobs was 10%.

Total Compensation by Clearance Level



Military Branches Total Compensation



THE FINAL WORD

While cleared compensation may be largely unchanged from 2014, it's clear the market isn't. And there is a significant likelihood that the security clearance processing delays of the past two years have failed to be fully realized in the defense hiring market — outside of the increased competition among recruiters. The good news? Defense budgets are finally starting to grow after years of stagnation.

METHODOLOGIES

The 2017 ClearanceJobs Compensation Report was administered online between December 9, 2016 and January 30, 2017. Participants had to have a current, active federal security clearance and be currently employed to be included in the results, which included 21,823 usable responses. The survey included, but was not limited to, questions about base salary, compensation, benefits, job satisfaction and compensation satisfaction. A detailed description of the methodology can be received by emailing dan.schulz@clearancejobs.com.

REFERENCES

The content provided in this document is largely based on the in-depth research report, “2017 Security Clearance Jobs Compensation Survey Executive Summary.” **ClearanceJobs clients** can receive a copy of the 65-page report by emailing a request to morgan.wheeler@clearancejobs.com.

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