

SPSE-UPTE Poll to Suggest an Improved Future for Lawrence Livermore National Laboratory



SOCIETY OF
PROFESSIONALS,
SCIENTISTS AND
ENGINEERS

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Background: Nuclear Weapon Labs go Private-for-Profit: With No Competition

We have all experienced the transition of the management and operating (M&O) contract for LLNL and LANL from a public, non-profit entity, UC, to the new private-for-profit LLNS and LANS, LLC model. Perhaps each of us would have a different characterization of the results – from “greatly improved” to “utter disaster”, or anything in between. In any case, now that we have had a chance to see and experience the LLNS, LLC model, it is perhaps an appropriate time, with the changes in Congress and the Presidency coming up, to assess what the sentiment is among employees for whether to retain this management model or replace it with something else.

Accordingly, we have prepared below a poll enabling employees to cast their vote on what they feel would be the best future management model for our labs. Several choices are supplied, along with a request to “write in” a different model, so that we are as inclusive as possible. Please respond by marking with a check (✓) the blank next to “Yes” or “No” for each option. In addition, feel free to write in your own proposed future model. We have included with this poll a document briefly summarizing the “pro” and “con” arguments for each of the options presented.

A short ballot on possible lab futures

1. Continue with the current model of the Labs being managed by a private company or a corporate partnership like LLNS. Trust the future, including workforce restructuring, pension contributions, 401k matching, health benefits, and lab mission to the expertise within the new private for profit corporate structure.
 - a. Yes, we should continue this way _____
 - b. No, I don't like this future _____

2. Retain competitive bidding for M&O contracts, but have separate bid competitions for different Lab missions. In this model, there could be more than one M&O contractor on the site, and the separate contractors would have to compete with each other for the employees. Private or publicly traded companies as well as non-profit entities could bid.
 - a. Yes, we should explore this future _____
 - b. No, I don't like this future _____

3. Federalize the Labs, i.e., have NNSA manage them in the same way the U.S. Department of Commerce manages their big science labs, like National Institute of Standards and Technology and the National Oceanic and Atmospheric Administration. Employees would be federal employees; current employees could be “grandfathered” into their TCP-1 or TCP-2 plans, and all new employees would go into the federal pension plan and the federal government's 401k, which has an employer matching contribution.
 - a. Yes, we should explore this future _____
 - b. No, I don't like this future _____

4. Give the M&O contract back to a purely public-sector entity. This could be UC alone, as it once was, or be comprised of a consortium of public universities as the M&O contractor, similar to the management model of the big science facilities funded by the National Science Foundation, like the National Radio Astronomy Observatory or the Space Telescope Science Institute.
 - a. Yes, we should explore this future _____
 - b. No, I don't like this future _____

5. Other alternative future model for management of the labs, including your thoughts about applying any of these options to Los Alamos as well as Livermore: (Please write in a short description!)

Finally, are you:

- _____ **Currently employed at Livermore Lab**
 _____ **Currently employed at Los Alamos Lab**
 _____ **Retired from LLNL or LANL**
 _____ **Other customer / stakeholder (e.g. a taxpayer)**

Thank you for participating in our poll!

*** ARGUMENT IN FAVOR OF OPTION 1 ***

Pro: Private-sector management, like we have now, is best equipped to bring “best business practices” to the management and operation of the Lab. In the long run, this management model provides the best hope for reducing overhead costs, improving efficiency, and making the Labs more competitive in attracting funding. Short-term difficulties merely reflect the state of the broader economy and one should not judge its success globally by focusing on individual projects or departments. Their demise is a natural function of the business cycle.

*** REBUTTAL TO ARGUMENT IN FAVOR OF OPTION 1 ***

Recent observations in the world of finance are sound and sufficient evidence that the private sector model does not necessarily result in “best business practices” for all forms of enterprise. As far as “the long run”, this argument has already failed. In a good private sector business, it is standard that an endeavor like LLNS or LANS, LLC should pay out its capital investment within three years. LANS, LLC, the twin to LLNS, LLC, has already been in existence for three years, and shows no signs of improving cost, efficiency, or making the lab more competitive. In fact, costs have gone up and the lab has become less competitive, and this model has certainly not improved morale or retention of top talent. Since LLNS, LLC has the same Board of Governors as LANS, LLC, we should expect similar negative results from the LLNS, LLC model. After over a year of LLNS, LLC, we are on track to put our lab into the same downward spiral that has afflicted Los Alamos since the advent of LANS, LLC.

*** ARGUMENT AGAINST OPTION 1 ***

Con: The very nature of the Labs’ primary mission --- to maintain the credibility and reliability of the nation’s nuclear weapons deterrent capability --- is not a mission that can be effectively managed by “free market” competition. Indeed, the privatization of the Labs has not only failed to deliver on its promise to reduce costs and enhance efficiencies; even after the loss of some 2000 employees at LLNL over the first year after the transition, overhead rates are higher than before, more layers of management have been added, and employees who have remained have seen a steady erosion in pay, benefits, job security, and morale.

*** REBUTTAL TO ARGUMENT AGAINST OPTION 1 ***

We must allow sufficient time for the LLNS, LLC model to prove itself. The investment up front, and the pain of layoffs and benefit cuts that we all share, will be worth it eventually. “No pain, no gain” as the old saying goes.

*** ARGUMENT IN FAVOR OF OPTION 2 ***

Pro: Same as for Option 1. Having more than one M&O contractor onsite creates some free-market competition that is lacking in Option 1, because the separate contractors would have to compete with one another for employees by offering better working conditions, better pay, better benefits, not to mention having to compete with one another for the contracts with NNSA and other agencies.

*** REBUTTAL TO ARGUMENT IN FAVOR OF OPTION 2 ***

Option 2 might create more stress on NNSA personnel, because they would hear multiple views on various mission and technical issues, instead of just the LLNS or LANS, LLC “one voice” viewpoint. The idea of choosing LANS, LLC to run Los Alamos and LLNS, LLC to run Livermore was to obtain a management structure that would always agree with each other, have the same oversight Board of Directors, and always agree with NNSA. This keeps things simple and adds to cost effectiveness. As long as nothing goes wrong, it is simpler to just trust what the “one voice” says, because our main mission is not going to be put to the test anyway. We have already set up the LLNS and LANS, LLC structures so that money will be saved, with Performance Bonus incentives for top management to reduce the workforce each year. This process is right on track, so morale in the structure is reported to be high, so we should keep the LLNS, LLC monopoly at the Livermore site and not burden the employees with additional choices.

*** ARGUMENT AGAINST OPTION 2 ***

Con: Same as for Option 1. In addition, “balkanization” of the workforce at the Lab would make it much more difficult for employees to organize to promote and protect their job and due process rights, interests, and benefits. It is more likely that we would move even farther along the road to creating different classes of employees at the Lab, more than the two classes we have now (those with TCP-1 and those with TCP-2). Further, a balkanized workforce would make it more difficult for the Lab to maintain its core competencies, so, in the long run, this may make the Lab less competitive in the funding competition, not more.

*** REBUTTAL TO ARGUMENT AGAINST OPTION 2 ***

Option 2 solves the numerous problems with Option 1 (the current LLNS, LLC monopoly model) because now the employees – truly the most valuable asset of the lab – have a choice. They can leave LLNS, LLC without leaving the lab and without uprooting their lives. This is a tremendous advantage and will compel any of the “tenants” or “mission manager” entities, public or private, profit or non-profit, large or small, to do their very best to attract the strong workforce that comprises our lab. It is the oppressive management structures that would be “balkanized”, not the employees of the lab.

Option 2 would not make it harder for employees to organize. There are many examples of employee organizations (whether they be unions or professional societies) that cross employer lines, and this gives them strength. As far as creating different classes of employees, we already have four classes:

- * TCP1
- * TCP2 (UC-LLNL Legacy Employees)
- * TCP2 (New Employees with minimal benefits)
- * “TCP3” (LLNS Key Personnel)

The LLNS, LLC model gives the employees no choice among these classes. You are stuck in whatever “TCP” you are in, unless you want to sell your house and start a new career somewhere else. Option 2 empowers the employees of the lab to change their situation while staying at the lab and not uprooting their lives. This empowerment will make it easier to attract and retain top employees at the lab.

*** ARGUMENT IN FAVOR OF OPTION 3 ***

Pro: Federal Labs like NIST (National Institute of Standards and Technology) and NOAA (National Oceanic and Atmospheric Administration) are top-notch multi-disciplinary science labs (indeed, a NIST employee was a co-winner of the Nobel Prize in Physics a few years ago).

There is no reason LLNL could not maintain its status as a world-class lab as a federal lab. Further, employees would gain back all the public-sector job rights and protections we once had as UC employees. All employees would have both a pension and an employer-match 401k, like all federal employees. Current employees that had to choose between TCP1 and TCP2 when they got moved from UC to LLNS could be “grandfathered” so that they could keep their TCP1 and TCP2 benefits and links to UCRS unmolested; that is, they could grandfather these arrangements with “PreNups” of the type the LANS leaders got – except this time, everybody would get that type of equivalent grandfathering. Better, we would no longer have to worry that these retirement benefits could be changed or taken away at the whim of a private contractor. Employees also would no longer be subjected to an arbitrary, subjective, and much-abused so-called “merit pay” system based on “ranking”. Huge management fees, excessive executive compensation, and special pension deals for top management would also go away.

*** REBUTTAL TO ARGUMENT IN FAVOR OF OPTION 3 ***

Private sector management is the most efficient means to proceed when stated goals include rightsizing a workforce. Since performance incentives involve doing just this, we should not federalize the workforce. The small annual cost of a few hundred million dollars for the LLNS, LLC and LANS, LLC structures are small compared to the savings that can be obtained due to rightsizing and implementation of more cost effective pay and benefit structures. The LLNS, LLC 401(k) is substantially equivalent to the combined pension, 403(b), and other benefits offered to federal employees. Furthermore, the federal pay scale tops out far below the LLNS, LLC pay for an AD or even a DAD, so it is the wrong model if we want to attract the caliber of people LLNS, LLC desires at the AD and DAD level.

*** ARGUMENT AGAINST OPTION 3 ***

Con: We will have little or no flexibility to negotiate pay (we would all be on the General Services pay schedule, which is basically a seniority-based pay system within each pay grade). Managers will have much less flexibility to reward outstanding performance with big raises.

*** REBUTTAL TO ARGUMENT AGAINST OPTION 3 ***

There are many talented and dedicated people with long careers filled with pride and honor in the public federal sector. The “GS” pay schedule is actually quite competitive with the current LLNS, LLC pay structure, at least below the Division Leader / DAD / AD level. Isn’t this the focal point and value of our lab? That is, the scientists, engineers, and other professionals should be paid fairly while looking forward each day to a rewarding career. If the pay is not good enough for the DL/DAD/AD/Key Personnel level, they could be “released” to make the money they deserve in the private sector. The implication that the federal system is “seniority based” is misleading. Talent is rewarded within the pay grade structure and by advancing in pay grade. This structure is used with success in the private sector as well – it is just not used within the LLNS, LLC model.

*** ARGUMENT IN FAVOR OF OPTION 4 ***

Pro: This option more-or-less returns us to the status we had as UC employees. As in Option 3 we would regain all the job rights and due process protections guaranteed by law for public-sector employees. We would also have more flexibility in salary management than in Option 3. Perhaps most important, the Lab would once again have its main focus on its public mission of providing the very best science in support of the nation's defense, rather than on cost cutting and efficiency of business operations.

*** REBUTTAL TO ARGUMENT IN FAVOR OF OPTION 4 ***

We already tried having a University run the lab[s], and since one university would likely be just as bad as another, we should not try this again. Furthermore, the science and morale are already better under the LLNS, LLC models, as evidenced by the testimonies of the Presidents of both LLNS and LANS.

*** ARGUMENT AGAINST OPTION 4 ***

Con: University management is ill-suited to running the Labs effectively, safely, and at low cost. Public-sector pension plans are too costly and not sustainable to the government in the long term. It was for these reasons that Congress chose originally to privatize the Labs.

*** REBUTTAL TO ARGUMENT AGAINST OPTION 4 ***

It can be argued that a small group of people near the top of the UC LLNL structure made some mistakes in the years that led to the bid process. However, even if this is true, most of these people are now either gone, or ironically with LLNS, LLC. So, with fresh top talent ready at any of a number of universities, this proven model could still work and be the very best in cost effectiveness, scientific credibility, and academic freedom. Public sector pension plans are certainly not any more costly than the added cost of LLNS, LLC and LANS, LLC. The reasons stated in "Argument Against Option 4" above may have been the reasons why Congress mandated that the labs be bid. However, Congress requested an open competition. It was DOE and NNSA that compelled privatization, a cumbersome conglomerate and LLC structure, and the higher costs associated with that structure. The old model, whether with UC or another university, was undeniably more cost effective.