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Recruiting and Retention in the Active Component Military: Are There Problems?

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Summary

This report provides information on recruiting and retention trends in the active component of the armed forces since 1989, including recruiting and retention shortfalls that occurred within the past few years; the congressional and executive branch response to these shortfalls; and an assessment of the current situation. Additionally, it contains an analysis of factors that may have an impact on recruiting and retention in the future, and discusses policy options that could be considered to minimize any negative effects that these factors might cause.

In recent years, the Military Services have experienced recruiting and retention shortfalls for their active component forces. The Army, Navy, and Air Force had trouble meeting their goals for new recruits (also known as "accessions") in the late 1990s, and all of the Services experienced declines in the quality of their recruits from the early 1990s to 2000. With respect to retention, the Army, Navy, and Air Force had difficulty meeting their retention goals for enlisted personnel in the late 1990s, and the Navy and Air Force are still having some problems today. Also, concerns have been raised about low retention rates in certain critical specialties and a declining retention rate among younger officers.

Cited causes of recruiting shortfalls in the late 1990s include the residual effects of the post-Cold War drawdown, competition with a robust civilian economy, competition with institutions of higher education, demographic and attitudinal changes among younger Americans, and a need for more recruiting resources. Commonly cited causes of retention shortfalls include competition with the civilian economy and job dissatisfaction due to a variety of factors, including the nature and pace of current military operations, a lack of critical supplies and equipment, "quality of life" issues, and changes in the military culture. However, the data used to ascertain the causes of these shortfalls have often been rather limited.

Congress and the executive branch have initiated or modified a number of policies in response to these shortfalls. Most notably, Congress provided more money for recruiters, advertising, enlistment bonuses and re-enlistment bonuses, as well as increasing military pay and improving retirement benefits. The executive branch refocused its advertising, provided its recruiters with more and better resources, launched several programs designed to expand the pool of potential enlistees, and began working on ways to better manage deployments. Additionally, other policy changes have been made, most notably with respect to improving military housing benefits and reimbursements for moves.

These policy changes and other factors appear to have had the desired effect, at least in the short term. In fiscal years 2000 and 2001, all of the Services met their quantity goals for new recruits. Recruit quality in fiscal year 2001 was slightly better than it had been the previous year. With respect to retention, the data indicate improvements in some areas. In spite of these positive signs, a number of longer term factors – such as demographic, attitudinal, and lifestyle shifts – could have a negative impact on recruiting and retention in the future.

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This report is broken down into two sections: the first section deals with the issue of recruiting; the second with retention. Both of these sections are structured in the following manner:

- Background information on recent shortfalls in recruiting or retention.
- A discussion of perceived causes of the shortfalls.
- A summary of the major congressional and executive branch response to those shortfalls.
- An assessment of the impact of the congressional and executive responses.
- An analysis of factors that could have a negative impact on recruiting or retention trends in the future.
- A discussion of policy options that Congress might consider.

Recruiting

Background. Recruiting has been called the life blood of the Military Services. Without a robust ability to bring new members into the military, the Services would lack sufficient manpower to carry out mission essential tasks in the near term and would lack a sufficient pool of entry-level personnel to develop into the mid-level and upper-level leaders of the future. To protect against this, the individual military Services set goals for "accessions" or new recruits each year. There are both "quantity" goals[1] and "quality" goals. Officer and enlisted goals are set separately.

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[1]This quantity goal is based primarily on the difference between the congressionally authorized end strength of the Service for a given fiscal year and the projected number of personnel the Service will actually have at the end of the year. Officer and enlisted accession goals are set separately. For example, if a Service has an authorized end strength of 200,000 enlisted personnel in a given year, and it projects that it will retain 175,000 of its current enlisted members through the year, it will set a goal 25,000 new enlisted recruits for that year. The actual number of new enlisted recruits it needs, however, may fluctuate throughout the year as new projections are made about the retention of currently serving enlisted personnel.

As the Services have generally achieved their goals for officer accessions in recent years, this section will focus on enlisted accessions only.

In FY1998, the Army and the Navy failed to meet their quantity goals for enlisted accessions, and in fiscal year 1999, the Army and the Air Force failed to meet their quantity goals as well. This was perceived by some as a serious problem not only because of its potential impact on the force structure, but also because none of the military Services had failed to meet their enlisted accession quantity goal since 1979. See Tables 1 through 5 for a breakdown of actual enlisted accessions versus goals for DOD and for each of the individual Services.

Although the quantity of enlisted recruits is an important measure of recruiting success, so too is recruit quality. DOD measures enlisted recruit "quality" based on two criteria: graduation from high school and score on the Armed Forces Qualification Test (AFQT). Since fiscal year 1993, DOD's benchmarks for recruit quality stipulate that at least 90% of new recruits must be high school graduates and at least 60% must score above average on the AFQT.[2] Those recruits who are both high school graduates and score above average on the AFQT are considered "high quality recruits."

Every Service has met or exceeded these recruit quality standards in every year since they were established; indeed, every Service met or exceeded these standards in each of the seven years preceding the establishment of the standard. However, recruit quality peaked in fiscal year 1992 and generally declined up through fiscal year 2000. For example, between 1992 and 2000, the proportion of new recruits with a high school diploma dropped from 99% to 91%, the proportion who scored above average on the AFQT dropped from 74% to 66%, and the proportion of recruits who were deemed "high quality" dropped from 74% to 57%. This trend is even more pronounced with respect to the Army, which historically has always been the Service with the greatest recruiting problems. This downward trend line of recruit quality caused some concern in recent years, especially when coupled with the quantity shortfalls of fiscal years 1998 and 1999.

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[2]These benchmarks were derived from a model called the Accession Quality Cost Performance Trade-off Model (CPTM). The CPTM is an optimization model that solves for the "number and quality mix of recruits predicted to generate a given level of performance and to fill required positions over the first term of service at the lowest cost...The rationale underlying the model is relatively straightforward. High-quality recruits – high school diploma graduates scoring in the top half of the Armed Forces Qualification Test – are more capable in virtually all military occupations. Their level of performance is higher, and they complete their enlistment at higher rates than do other recruits. Hence, it takes fewer of them to generate a given level of performance, and training costs are lower. However, the cost of each additional high quality recruit increases at a greater rate than for other types of recruits...The CPTM optimization model trades off the higher recruiting costs, higher expected performance, higher retention, and lower training costs of the high-quality recruit with the lower recruiting cost, lower expected performance, lower retention, and higher training costs of recruits from other quality categories." Office of the Assistant Secretary of Defense (Force Management Policy) Report To Congress entitled *Review of Minimum Active Enlisted Recruit Quality Benchmarks: Do They Remain Valid*?, March 2000, p. 5-6.

However, FY1992 was not a "normal" year: the resounding victory of the Gulf War was fresh in people's minds and the Services were taking in a comparatively low number of new recruits, allowing them to be more selective. It is also important to point out that no Service has fallen below DOD's quality benchmarks. Thus, this decline in recruit quality may simply be a return to "normalcy." Additionally, the data for fiscal year 2001 show slight improvements in the quality of Army, Marine Corps and Air Force recruits. See Tables 1 through 5 for an overview of recruit quantity and quality trends between 1989 and 2000. Additional data from 1975, 1980, and 1985 is included for historical perspective.

Table 1: Enlisted Accessions, Department of Defense

	Recruit Quantity			Recruit Quality		
FY	Goal	Actual	Percent	HSDG	AFQT I-IIIA	"High Quality"
1975	456,600	457,547	100%	65%	62%	45%
1980	388,785	389,861	100%	66%	38%	35%
1985	316,449	316,676	100%	93%	62%	56%
1989	292,021	293,896	101%	92%	64%	58%
1990	229,172	232,315	101%	95%	68%	64%
1991	206,573	206,617	100%	97%	75%	72%
1992	200,168	202,752	101%	99%	74%	74%
1993	206,290	206,927	100%	95%	71%	67%
1994	184,020	184,096	100%	96%	72%	68%
1995	174,806	175,783	101%	96%	71%	67%
1996	185,646	185,987	100%	96%	69%	65%
1997	196,957	197,081	100%	94%	69%	63%
1998	192,309	186,132	97%	94%	68%	63%
1999	195,092	187,180	96%	93%	66%	59%
2000	202,017	202,917	100%	91%	66%	57%
2001	195,324	196,355	101%	93%	66%	61%

Source: Department of Defense, Directorate for Accessions Policy.

Table 2: Enlisted Accessions, Army

	Recruit Quantity			Recruit Quality		
FY	Goal	Actual	Percent	HSDG	AFQT I-IIIA	"High Quality"
1975	209,100	208,915	100%	57%	61%	38%
1980	172,800	173,228	100%	52%	22%	21%
1985	125,300	125,443	100%	91%	61%	52%
1989	119,875	120,535	101%	90%	62%	55%
1990	87,000	89,620	103%	95%	67%	62%
1991	78,241	78,241	100%	98%	80%	78%
1992	75,000	77,583	103%	100%	78%	78%
1993	76,900	77,563	101%	95%	70%	66%
1994	68,000	68,039	100%	95%	71%	66%
1995	62,929	62,929	100%	96%	69%	65%
1996	73,400	73,418	100%	95%	67%	63%
1997	82,000	82,088	100%	90%	68%	58%
1998	72,550	71,733	99%	90%	68%	58%
1999	74,500	68,209	92%	90%	63%	53%
2000	80,000	80,113	100%	90%	65%	52%
2001	75,800	75,855	100%	90%	63%	58%

Source: Department of Defense, Directorate for Accessions Policy.

Table 3: Enlisted Accessions, Navy

	Recruit Quantity			Recruit Quality		
FY	Goal	Actual	Percent	HSDG	AFQT I-IIIA	"High Quality"
1975	110,000	110,030	100%	74%	61%	49%
1980	97,627	97,678	100%	74%	51%	44%
1985	87,592	87,592	100%	89%	61%	51%
1989	94,286	95,186	101%	90%	57%	48%
1990	72,402	72,846	101%	92%	62%	55%
1991	68,311	68,311	100%	96%	66%	62%
1992	58,208	58,208	100%	98%	68%	66%
1993	63,073	63,073	100%	94%	70%	64%
1994	53,964	53,982	100%	95%	68%	63%
1995	48,637	48,637	100%	95%	66%	61%
1996	48,206	48,206	100%	95%	66%	61%
1997	50,135	50,135	100%	95%	66%	61%
1998	55,321	48,429	88%	95%	64%	60%
1999	52,524	52,595	100%	90%	65%	55%
2000	55,000	55,147	100%	90%	64%	54%
2001	53,520	53,690	100%	90%	63%	53%

Source: Department of Defense, Directorate for Accessions Policy.

Table 4: Enlisted Accessions, Marine Corps

	Recruit Quantity			Recruit Quality		
FY	Goal	Actual	Percent	HSDG	AFQT I-IIIA	"High Quality"
1975	60,300	60,500	100%	47%	55%	32%
1980	43,684	44,281	101%	70%	39%	35%
1985	36,536	36,620	100%	97%	55%	53%
1989	34,130	34,424	101%	95%	67%	63%
1990	33,521	33,600	100%	95%	66%	62%
1991	30,015	30,059	100%	98%	69%	67%
1992	31,851	31,852	100%	99%	71%	70%
1993	34,802	34,776	100%	97%	68%	66%
1994	32,056	32,056	100%	95%	71%	68%
1995	32,346	33,217	103%	96%	66%	63%
1996	33,173	33,496	101%	96%	65%	63%
1997	34,512	34,548	100%	96%	65%	62%
1998	34,244	34,285	100%	96%	64%	62%
1999	33,668	33,703	100%	96%	64%	61%
2000	32,417	32,440	100%	95%	64%	60%
2001	31,404	31,429	100%	96%	64%	62%

Source: Department of Defense, Directorate for Accessions Policy.

Table 5: Enlisted Accessions, Air Force

	Recruit Quantity			Recruit Quality		
FY	Goal	Actual	Percent	HSDG	AFQT I-IIIA	"High Quality"
1975	77,200	78,102	101%	87%	69%	63%
1980	74,674	74,674	100%	84%	55%	56%
1985	67,021	67,021	100%	99%	69%	69%
1989	43,730	43,751	100%	99%	84%	82%
1990	36,249	36,249	100%	99%	85%	85%
1991	30,006	30,006	100%	99%	86%	85%
1992	35,109	35,109	100%	99%	86%	85%
1993	31,515	31,515	100%	99%	80%	79%
1994	30,000	30,019	100%	99%	81%	80%
1995	30,894	31,000	100%	99%	84%	83%
1996	30,867	30,867	100%	99%	83%	82%
1997	30,310	30,310	100%	99%	79%	78%
1998	30,194	31,685	105%	99%	78%	77%
1999	34,400	32,673	95%	99%	76%	75%
2000	34,600	35,217	102%	99%	73%	72%
2001	34,600	35,381	102%	99%	75%	74%

Source: Department of Defense, Directorate for Accessions Policy.

Perceived Causes. A number of factors have been offered as the "cause" of the quantity shortfalls in the late 1990s and the quality levels that, though still above DOD's benchmarks and quite high from a historical perspective, were declining throughout most of the 1990s. Commonly cited causes include the residual effects of the post-Cold War drawdown, competition with a robust civilian economy, competition with institutions of higher education, demographic and attitudinal changes among younger Americans, and insufficient recruiting resources. Such factors may not be mutually exclusive and are not necessarily competing explanations. Rather, they may each be seen as partial answers to the question "What caused these recruiting trends?" Each is listed below and discussed in some detail; however, the reader should be aware that they are not necessarily listed in order of actual importance.

Perceived Cause #1: Residual Effects of the Post-Cold War Drawdown. The end of the Cold War forced the United States to rethink the security threats it faced and the type of military it needed to respond to those threats. As a result of this re-evaluation, Congress substantially reduced the size of U.S. military forces, primarily between fiscal years 1991 and 1996. This "drawdown" was accomplished in part by offering military personnel early retirement and voluntary separation bonuses, as well as by involuntarily separating a small number of those who did not take advantage of these voluntary separation incentives. However, a key tool in managing the drawdown was a large reduction in the number of new recruits brought into the Services. As one report noted, "During the drawdown, accessions...were deliberately cut below the level needed to sustain the force. This avoided having to induce even more people to leave the military who otherwise might want to stay."[3]

Because accessions were cut below the level needed to sustain the force, a substantial increase in the number of accessions was inevitable in subsequent years. As Table 1 indicates, goals for accessions for all the Services dropped from 292,021 in FY1989, the last pre-drawdown year, to a low of 174,806 in FY1995. In FY1996 and subsequent years, the goals for accessions began increasing, to 202,017 in FY2000. To put it another way, between FY1995 and FY2000, the Services' demand for new recruits increased by 16%. For the Army, the change was even more pronounced: between FY1995 and FY2000, its need for new recruits grew by 27%.[4] This increase might not have been a problem for the Services if it had not been compounded by a variety of other factors that decreased the size of its primary recruiting pool and inhibited recruiting effectiveness. These factors are discussed below.

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[3]*Military Recruiting Outlook: Recent Trends in Enlistment Propensity and Conversion of Potential Enlisted Supply*, 1996, RAND, p.1. Of all the services, the Air Force utilized this strategy the most. See David Grissmer and Bernard D. Rostker, "Military Personnel in a Changing World," in *1991-1992 American Defense Annual*, Lexington Books, 1992, 132-135.

[4]Note also that, during the drawdown, the Marine Corps' was the Service whose strength was decreased the least. As a result, it was able to maintain fairly constant accession levels throughout the drawdown and subsequently. It is also the only Service that consistently met its recruiting goals throughout the 1990s.

Perceived Cause #2: Demographic and Attitudinal Changes Among Young Americans. The vast majority of new recruits are young men, usually those who have just graduated from high school and those who have spent a few years in a civilian job or in college. Thus, the primary demographic group targeted by recruiters is 18-24 year old males. Since 1981, the size of this age cohort has been decreasing, the product of declining fertility rates in the 1960s and 1970s (the "baby bust"). In the late 1990s, there were roughly 1 million fewer 18-24 year old men than there were in 1989. The size of the 18-24 year old male cohort reached its lowest point in 1996, and has been gradually increasing since then (See Table 6). Population projections indicate that this cohort will continue to increase in size until 2013, at that point it will begin to decline again.[5]

Women make up a small but significant proportion of new recruits. In 1999, they made up 18% of enlisted accessions. The female 18-24 year old cohort declined from 1981 to 1996 and has been gradually increasing since then. It, too, is expected to increase in size until 2013, at that point it will begin to decline again.

In addition to the smaller size of the 18-24 year old cohort during the 1990s, attitudinal changes among younger Americans also made it more difficult for the Services to recruit during that time-frame. Until 1999, the Department of Defense conducted an annual survey known as the Youth Attitude Tracking Study (YATS), which measured the attitudes of youth between the ages of 16 and 24.[6] One of the key types of questions asked in that survey concerned the individual's "propensity to serve" or willingness to consider joining the military. The correlation between propensity to serve and the likelihood of eventually joining the military is quite strong. One study compared the propensity to serve of high-quality youth with actual enlistment rates and found that among those with a highly positive propensity to serve, 34.4% actually enlisted; among those with a lower, but still positive, propensity to serve, 19% actually enlisted; and among those with a negative propensity to serve, only 5.1% actually enlisted.[7] Thus, changes in a cohort's propensity to serve can make it easier or harder for the Services to recruit.

Positive propensity to serve among 16-21 year old males dropped significantly between 1989 and 1999. In 1989, the last pre-drawdown year, 33.7% of young men (16-21 years old) indicated a positive propensity to serve. That number generally declined in subsequent years, although it jumped up in 1991, in the aftermath of the Gulf War victory, and showed a small increase in 1995. Positive propensity to serve also showed an increase in 1999, with 28.6% of young men indicating a positive

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[5]U.S. Census Bureau, Population Division, Population Estimates Program, for years 1980-2000. U.S. Census Bureau, Population Division, Population Projections Program for years 2001 and later.

[6]In 1999, YATS was replaced by a trimester quick-turn polling process.

[7]*Military Recruiting Outlook, Recent Trends in Enlisted Propensity and Conversion of Potential Enlisted Supply*, RAND Corporation, 1996, 10-11. Note, however, that even though those with a negative propensity to serve have a very low likelihood of joining the military, they make up about half of each year's accessions. This is due to the very large size of the "negative propensity" group, which constitutes the great majority of the target population.

propensity to serve. A similar but less pronounced trend in positive propensity to serve occurred among young women, although their level of positive propensity to serve has historically been much lower than that of young men. Additionally, in recent years their level of positive propensity to serve has returned to its pre-drawdown level. The trend in positive propensity to serve for 22-24 year old males and females has generally tracked that of their younger peers, but at a lower level.

Table 6: Size of Youth Cohort Ages 18-24, 1980-2000

(In Thousands)

Year	Males 18-24	Females 18-24	Total 18-24
1980	15,101	15,002	30,103
1981	15,192	15,053	30,245
1982	15,165	14,994	30,159
1983	15,070	14,854	29,924
1984	14,860	14,601	29,461
1985	14,596	14,306	28,902
1986	14,283	13,944	28,227
1987	14,032	13,660	27,692
1988	13,888	13,467	27,355
1989	13,817	13,338	27,155
1990	13,679	13,155	26,834
1991	13,418	12,935	26,353
1992	13,240	12,736	25,976
1993	13,111	12,629	25,740
1994	12,931	12,466	25,397
1995	12,793	12,320	25,113
1996	12,662	12,180	24,842
1997	12,737	12,243	24,980
1998	12,995	12,482	25,477
1999	13,276	12,736	26,012
2000	13,658	13,090	26,748

Source: U.S. Census Bureau, Population Division.

Table 7: Positive Propensity To Serve on Active Duty Among Those 16-21 Years Old

Year	White Males	African American Males	Hispanic Males	**Total Males**	White Females	African American Females	Hispanic Females	**Total Females**
1989	28.6	54.2	46.1	**33.7**	8.9	32.2	24.6	**14.2**
1990	27.2	41.9	47.0	**32.3**	8.6	23.9	20.9	**13.2**
1991	28.5	49.2	45.9	**34.3**	9.3	28.2	28.4	**15.2**
1992	24.7	35.6	45.3	**29.4**	8.6	16.2	22.2	**12.0**
1993	24.7	36.8	42.1	**29.4**	7.5	23.4	20.7	**12.0**
1994	22.2	31.6	39.4	**26.3**	8.8	20.1	24.9	**13.4**
1995	22.5	32.4	43.6	**27.5**	7.4	24.3	25.1	**13.5**
1996	20.4	33.6	42.7	**26.5**	9.2	23.4	25.0	**14.4**
1997	21.2	34.2	36.8	**26.2**	7.0	19.0	20.5	**11.6**
1998	20.2	29.6	43.7	**26.2**	7.2	23.0	25.9	**13.4**
1999	22.0	35.7	46.1	**28.6**	9.1	28.9	22.4	**15.0**

Source: Department of Defense, Youth Attitude Tracking Study.

The reasons for the decline in propensity to serve during the 1990s are not entirely clear. Some have attributed it to the low advertising budgets of the military during the drawdown years; others have attributed it to the declining number of veterans among youth "influencers" such as parents, teachers, and guidance counselors. While plausible, these accounts do not adequately explain why the decline has been heavily concentrated among one specific group: African American males. African Americans have long had a higher propensity to serve in the military than whites or Hispanics, so this trend may simply be a normalization of African American attitudes towards the military. Nonetheless, if such a decline were to persist, it would have troubling ramifications for the military's ability to recruit, as it has long benefitted from the relatively high propensity to serve of African American men to fill its ranks. The propensity of this group to serve did rebound in 1999.

Perceived Cause #3: A Robust Civilian Economy. Traditionally, the primary recruiting pool for enlisted personnel has been young men[8] who have graduated from high school within the past few years. Essentially, these people have three options available to them: enlist in the military, work in a civilian job, or attend

[8]About 80% of recruits are male. The age breakdown of new recruits for the military in FY1999 was as follows: age 17 (6.1%), age 18 (34.3%), age 19 (22.2%), age 20 (11.6%), age 21 (7.4%), age 22 (5.1%), age 23 (3.5%), age 24 (2.6%), older than 24 (7.2%). Source: Office of the Assistant Secretary of Defense (Force Management Policy), *Population Representation in the Military Services*, November, 2000, p. 2-10.

college.[9] The decision among these options is based on a number of factors, one of which is a rough comparison of the costs and benefits that could be derived from each choice. When the civilian economy is "booming," the anticipated costs of pursuing a civilian job decrease while the anticipated benefits increase. One measure of the relative attractiveness of civilian employment versus military employment is the unemployment rates. The higher the unemployment rate, the lower the chance an individual has of securing and keeping a civilian job, and this in turn makes military employment more attractive. Historical data indicates that the unemployment rate in the United States was generally falling from 1992 to 2000.[10]

Another measure of the attractiveness of civilian employment versus military employment is relative levels of compensation. If military compensation is lower than civilian compensation, military service becomes a less attractive option, and vice versa. However, compensation levels can be difficult to quantify accurately. For example, the valuation of employer provided benefits can differ markedly depending on the methodology used. Even seemingly simple comparisons, like pay rates, can be complicated due to the differing structure of military and civilian pay. For example, military pay includes not only basic pay, but allowances for housing and subsistence, and tax advantages as well. Some members of the military receive bonuses and special pays too. As a result, estimations of average military pay levels can vary substantially depending on how these different elements are accounted for.

An alternative to comparing average military and civilian pay is to compare rates of pay growth over time. Typically, military basic pay is the variable used to calculate changes in military pay levels and the Employment Cost Index (ECI)[11] is the variable used to calculate changes in civilian pay levels. Using this methodology, *if* civilian pay grew by 25% over a given time period and military pay grew by 15% over the same time-frame, one might conclude that military pay was becoming less competitive relative to civilian pay during that period. This methodology has been widely used to create a measure of pay competitiveness during the past two decades and, during the 1990s, it indicated a "pay gap" of about eleven to 13% in favor of civilian employment.[12] It also indicated that the gap grew as the decade progressed.[13]

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[9]Kilburn, Rebecca and Jacob Alex Klerman, *Enlistment Decisions in the 1990s: Evidence from Individual Level Data*, RAND Corporation, 1999.

[10]The unemployment rate in 1992 was 7.5%; from there it dropped steadily to 4.0% by 2000.

[11]The Employment Cost Index used measures changes in private sector wages and salaries

[12]Congressional Budget Office report entitled *What Does The Military "Pay Gap" Mean*, June 1999, by Richard L. Fernandez, figure 2.

[13]A likely reason for this increase in the "pay gap" in the 1990s was the way in that military pay raises were calculated for much of that decade. Since 1967, federal law has provided that military pay be adjusted upward, at the same time and by the same percentage, as the average increase in the pay rates for federal General Schedule (GS) employees. In 1990, Congress enacted a statutory formula for federal civilian pay raises that provided for an annual increase, beginning in fiscal year 1992, of 0.5% *less* than the annual increase in the employment compensation index (ECI). Thus, by statute, military pay raises were supposed to be determined by the an "ECI minus 0.5%" formula. As the "pay gap" formula is based on a

(continued...)

However, the methodology used to create this measure has serious shortfalls as well,[14] including the previously mentioned problem of which elements of military pay to count as "pay." Indeed, some studies have disputed the existence of a "pay gap," or have found no link between the pay gap as it is usually measured and recruiting or retention.[15] However, whether this "pay gap" actually existed, or was as large as claimed, was to a certain extent overshadowed by the wide media coverage of the issue, which often reported the existence of a "pay gap" as though it were an established fact.

Thus, although the data on relative pay levels is ambiguous, it seems fair to say that military pay was widely *perceived* as being lower than civilian pay during the 1990s. Coupled with the previously mentioned data on unemployment rates, this lends some support to the argument that civilian jobs became an increasingly attractive option to recent high school graduates during the 1990s, thus increasing competition for the pool of potential enlistees.

Perceived Cause #4: Increase in College Bound Youth. As mentioned above, the military's primary recruiting pool for enlisted personnel has traditionally been young men who have graduated from high school within the past few years. These individuals either enlist in the military, work in a civilian job, or attend college. The latter choice has become increasingly popular in recent years. In 1980, just under half (46.7%) of male high school graduates went straight on to college. That proportion rose to 57.6% in 1989 and peaked at 63.5% in 1997. Since then, the proportion has tapered off slightly to 61.4% in 1999.[16] Among women, a similar trend is evident, although women have gone straight from high school to college at a consistently higher rate than men in every year but one since 1988.

In part, this trend is due to the perceived benefits of a college education: better employment prospects, higher wages, and higher social status. Nor is this perception misguided. One study showed that, in 1998, the earnings of those who had completed at least a bachelor's degree were dramatically higher than those who had only a high school education. For men, the "college premium" was 56% – that is, men with at least a bachelor's degree earned 56% more than those with just a high school diploma – while for women, it was 100%. Additionally, this college premium has increased

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[13](...continued)
comparison of the ECI and military basic pay, it is not surprising that the "pay gap" grew.

[14]For a more extensive discussion on the difficulty of comparing military and civilian compensation generally, and pay specifically, see CRS Issue Brief IB10089, *Military Pay and Benefits: Key Questions and Answers*, by Robert Goldich, p. 8-10. See also the CBO report entitled *What Does The Military "Pay Gap" Mean?*, by Richard L. Fernandez.

[15]See Eugene J. Devine, *The Myth Of The Military Pay Gap: Comparison of Military and Civilian Earnings Levels*, paper presented at the Conference of the Western Economic Association International, July 1, 1996; and the CBO report entitled *What Does The Military "Pay Gap" Mean?*, by Richard L. Fernandez. See also Andrew Compart, "Study Casts Doubt On Military pay Gap," *Navy Times*, October 6, 1997, 8.

[16]U.S. Department of Commerce, Bureau of the Census, Current Population Reports, Series P-20.

fairly steadily over the past two decades. In 1980, for example, the college premium for men was only 19%, while it was 52% for women.[17]

An additional reason for the increasing rates of college attendance may be found in the decreasing financial barriers to attending college. Although it is true that the costs of attending college have grown significantly in recent years, this has been accompanied by an increasing number of ways to finance the costs. Students now have access not only to scholarships, grants, and student loans, but are increasingly able to get tuition reimbursement from their employers or to receive financial assistance in exchange for some type of public service other than active military service. Since World War II, the premier educational assistance package for public service has been the GI Bill,[18] but the GI Bill now has competition from other sources. As military sociologist Charles Moskos points out:

> "...we now spend over $15 billion a year on Federal grants and loan subsidies to college students. In other words, we're paying people not to serve their country. We have created...a GI Bill without the GI. In fact, if you have a GI Bill, if you get the Montgomery GI Bill, colleges will deduct other student aid. They'll count the GI Bill as part of their income and therefore reduce student aid you might otherwise get."[19]

In addition to federal educational grants, the GI Bill also faces competition from federal programs like AmeriCorps, which provides participants with educational grants of up to $9,450 upon completion of service, and from various state National Guards, which often offer free tuition at state schools as a benefit of membership in addition to the scaled down version of the GI Bill available to all reservists. Additionally, it is not uncommon today for private businesses to provide educational benefits to their employees.

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[17]U.S. Department of Education, National Center for Education Statistics, *The Condition of Education 2000*, NCES 2000-062 (Washington, D.C.: U.S. Government Printing Office) June, 2000, 34.

[18]"GI Bill" is a generic term used to describe the veteran's educational benefits authorized by various acts of Congress since 1944. The current GI Bill is formally known as the Montgomery GI Bill and it provides up to 36 months of educational benefits to eligible veterans for college or certain other educational programs. The monthly benefit for an individual varies depending on a variety of factors, but the basic benefit for full time students at eligible educational institutions was $672 per month in 2000. As a result of provisions in the Veterans Education and Benefits Expansion Act of 2001 (P.L. 107-103, section 101), the benefit was increased to $800 per month on January 1, 2002, and will increase to $900 per month on October 1, 2002 and to $985 per month on October 1, 2003.

[19]Speech by Dr. Charles Moskos, Professor of Sociology at Northwestern University, delivered to the 121st National Guard Association of the United States General Conference, Sept. 5, 1999.

Table 8: College Enrollment Rates of High School Graduates, 1989-1999

(Percent of Total)

Year	Total	Male	Female
1989	59.6%	57.6%	61.6%
1990	59.9%	57.8%	62.0%
1991	62.4%	57.6%	67.1%
1992	61.7%	59.6%	63.8%
1993	62.6%	59.7%	65.4%
1994	61.9%	60.6%	63.2%
1995	61.9%	62.6%	61.4%
1996	65.0%	60.1%	69.7%
1997	67.0%	63.5%	70.3%
1998	65.6%	62.4%	69.1%
1999	62.9%	61.4%	64.4%

Source: Department of Education, *Digest of Educations Statistics: 2000*

The data on college attendance certainly supports the argument that competition from higher education decreased the supply of potential recruits in the 1990s. The historically high proportion of people enrolling in college immediately after high school posed a direct challenge to the military's enlisted recruiting efforts, which has traditionally focused on recruiting recent high school graduates. Put simply, with more high school graduates choosing to go straight to college, fewer potential recruits were in the military's primary recruiting pool.

Perceived Cause #5: Insufficient Recruiting Resources. The preceding paragraphs point to both an increase in the military's demand for recruits and a decrease in the available supply of potential enlistees as the fundamental causes of the military's recruiting shortfalls in the mid to late 1990s. However, another factor certainly bears examination: the resources available to the Services to achieve their recruiting goals. Most agree that these resources – such as advertising, recruiters, enlistment bonuses, and educational benefits – have historically been valuable tools for convincing potential recruits to sign an enlistment contract. While it would be impossible to specify the "correct" level of these resources, it appears that the levels were not adequate for the challenging recruiting environment that emerged as the 1990s progressed.

As mentioned previously, a key tool the military used in managing the drawdown was a large reduction in the number of new recruits brought into the Services. Based on this policy of reduced accessions, the military spent less on recruiting related expenditures during the drawdown period. For example, as Table 9 indicates, the total advertising expenditures for all the Services fell by over 50% between 1989 and

1993. The number of recruiters employed by the Services also dropped between 1990 and 1994 by about 10%, as indicated in Table 10. This aggregate figure, however, masks the fact that the Army reduced the number of recruiters it employed by 15%, while the Navy cut its recruiting force by 25%. The Marine Corps, it should be pointed out, actually increased the number of recruiters it employed between 1990 and 1994 by nearly 20%.

Table 9: Active Enlisted Advertising Expenditure

(Constant FY2001 Dollars, in Millions)

Fiscal Year	Army	Navy	Air Force	Marine Corps	TOTAL
1989	76.5	20.1	11.3	18.0	125.9
1990	73.0	26.0	7.6	17.2	123.9
1991	49.4	15.2	3.7	10.8	79.1
1992	41.8	11.6	4.6	11.4	69.4
1993	34.3	13.9	5.2	11.5	64.9
1994	45.2	33.6	6.3	11.3	96.4
1995	57.9	39.8	11.5	10.7	120.0
1996	72.8	42.7	10.5	15.2	141.2
1997	98.0	38.2	12.0	21.3	169.5
1998	97.8	63.8	12.3	27.2	201.1
1999	102.7	67.3	60.5	32.1	262.6
2000	106.3	64.7	49.7	33.0	253.7

Table 10: Active Enlisted Recruiters

Fiscal Year	Army	Navy	Air Force	Marine Corps	TOTAL
1989	N.A.	N.A.	N.A.	N.A.	N.A.
1990	6,228	4,184	1,175	2,136	13,723
1991	5,860	4,337	1,132	2,388	13,717
1992	5,938	3,842	1,178	2,325	13,283
1993	5,577	3,702	1,151	2,325	12,755
1994	5,307	3,132	1,153	2,550	12,142
1995	5,771	3,408	1,010	2,550	12,739
1996	5,774	3,450	1,010	2,550	12,784
1997	5,772	3,492	1,017	2,550	12,831
1998	5,691	3,561	1,068	2,650	12,897
1999	5,961	5,074	1,364	2,650	14,753
2000	6,257	4,931	1,426	2,650	15,202

Recruiting resources increased steadily between 1994 and 1998, and rose dramatically after 1998, but some believe that the decline in recruiting resources in the early part of the decade had a negative long term affect on recruiting. According to the Department of Defense, "With the military drawdown, we cut advertising budgets... and reduced the number of people that we enlisted.... We believe that this created a perception that the military was no longer hiring. We also believe that by not advertising during the middle of the 1990s we missed the opportunity to communicate with people who are now enlistment age."[20]

The Congressional Response. Congress has expressed concern about recruiting trends since at least 1994. The committee report that accompanied H.R. 4301, the National Defense Authorization Act for Fiscal Year 1995, stated:

> The committee has heard compelling testimony from [the] Department of Defense and Service witnesses that the armed forces are experiencing difficulty in meeting recruiting objectives. If left unchecked, these trends will ultimately require the Services to access lower quality recruits than those that fueled the resurgence of the armed forces in the 1980s.[21]

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[20]Response provided by the Directorate for Accessions Policy, Office of the Assistant Secretary of Defense (Force Management Policy), in response to questions asked by the author of this report.

[21]H.Rept. 103-499, Report of the Committee on Armed Services on H.R. 4301, the National Defense Authorization Act for Fiscal Year 1995, May 10, 1994, 184.

Similar concerns are found in the committee reports accompanying many subsequent Defense Authorization bills through FY2001. The level of concern evidenced in these reports increased substantially in FY1998 and FY1999, when several of the Services failed to meet their accessions quantity goals.

Congress has responded to the military's recruiting challenges in a number of ways. The most direct way has been to increase the amount of money available for activities related to recruiting, such as advertising (see Table 9), enlistment bonuses, and educational benefits. It has also authorized substantial pay increases for the military.[22] Additionally, Congress has taken action to preserve recruiters' access to students in the following ways: by prohibiting almost all colleges that accept federal funds (except student aid) from discriminating against recruiters on campus; by prohibiting secondary schools that receive certain types of federal assistance from discriminating against recruiters on campus; and by requiring those secondary schools to provide military recruiters with access to the names, addresses and phone numbers of their students, unless the student or parent of the student objects.

Less directly, Congress has also funded an increasing number of Junior Reserve Officer Training Corps (JROTC) programs, which are located at high schools. Although recruiting is not the purpose of JROTC, and its members are in no way legally affiliated with the armed forces, it may instill participants with a positive attitude towards the military. The Army Times, for example, reported that "more than half of the students who participated [in JROTC] become affiliated with the military in some fashion."[23] Nonetheless, the extent to which JROTC instills positive attitudes towards the military, as opposed to simply attracting people who already view military service positively, is unclear.

The Executive Branch Response. The executive branch has taken a number of actions designed to mitigate its recruiting shortfalls. The Department of Defense has conducted more market research on both potential enlistees and their "influencers" (e.g. parents, teachers, and guidance counselors), and has used this information to refocus its advertising campaigns. Thus, most of the Services have recently devised new advertising "messages" to appeal to the attitudes of young Americans and have developed a stronger presence on the Internet, a popular medium of communication for these potential recruits.

Significantly, the military has also begun to rethink its strategy of recruiting enlistees primarily from the ranks of recent high school graduates. Increasingly, the Services are implementing programs that are designed to appeal to college minded students. For example, the Army's "College First" program pays a stipend to people while they are in college in exchange for enlisted service after graduation. Recruiters are also working with colleges and universities to contact those students who "drop out" (leave college with no intention of returning) or "stop out" (leave college with the intention of coming back in the future). The Army has also launched a pilot program known as "GED Plus," which helps high school drop-outs with exceptionally

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[22]For more information on military pay raises, see CRS Issue Brief IB10089, *Military Pay and Benefits: Key Questions and Answers*, by (name redacted).

[23]Army Times, "Congress Sets Own Goals For Recruiting," June 7, 1999, p. 16.

high scores on the AFQT to complete their General Educational Development (GED) credential and then enlist in the Army.[24]

Results. The response of Congress and the executive branch over the past few years, together with other factors such as a slackening economy, has yielded some success. In FY2000, for the first time in three years, all Services met their recruiting goals for both quantity and quality, and this success was repeated in FY2001. Additionally, recruit quality improved slightly for most of the Services in FY2001. It seems fair to conclude that the increased recruiting budgets, improved pay and benefits, and modified recruiting strategies have had a positive effect on recruiting. Some of this improvement can also be attributed to factors largely unrelated to new recruiting initiatives: for example, the growing youth cohort, an economic slowdown, a slight drop off in college enrollment rates, and the hard work of individual military recruiters.

Factors That May Cause Shortfalls in the Future. Despite the recent improvements in meeting recruiting goals, a number of factors have the potential to cause recruiting shortfalls in the future. These factors – changes in the military's recruit quality needs, demographic changes, and continuing competition with institutions of higher education – have the potential to significantly reshape the recruiting environment. Additionally, a resurgent economy and further declines in "propensity to serve" could cause recruiting shortfalls as well.

Factor #1: Changing Recruit Quality Needs. Assuming that military personnel requirements (i.e. end strengths) are not significantly increased in future years, and assuming stable retention, the military's demand for new recruits will not increase significantly over the number of accessions required in FY2001. However, the *type* of recruit needed may change dramatically over the next twenty years. Much attention has been paid to the "revolution in military affairs" (RMA), a military concept based on the premise that the integration of sophisticated information technologies into military operations will transform the way in which the United States fights its wars. Typically, discussions of RMA center on new types of "networked" combat systems or on new tactics that can be employed while utilizing these systems. Less frequently mentioned is the type of people who will be required to man these systems and implement the tactics. They may need to have higher cognitive ability than is presently required, and this could reduce the pool of people qualified to enlist.[25] Additionally, as these "high cognitive ability individuals" are highly prized by corporations and institutions of higher education, competition for them will be fierce.

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[24]Allowing more recruits with GEDs into the Services is a controversial issue. See the section entitled "Revised Recruit Criteria" later in this report.

[25]On the other hand, technology may simplify certain military tasks in such a way as to *reduce* the need for high cognitive ability. For example, a test conducted in 1984 showed that the performance differential between upper AFQT tank gunners and lower AQFT tank gunners was lower on the new, more technologically sophisticated M-1 tank than on the older M-60 tank. Barry L. Scribner, D. Alton Smith, Robert H. Baldwin, and Robert W. Phillips, *Are Smart Tankers Better Tankers: AFQT and Military Productivity*, Office of Economic and Manpower Analysis, United States Military Academy.

Factor #2: Changing Demographics. Another important factor is the changing demographics of the youth cohort. As indicated previously, the size of the 18-24 year old cohort is expected to expand in size through the year 2013. This is good news for recruiters, as it means there is a larger pool of potential enlistees from which to recruit. Additionally, as this cohort grows in size, it is also expected to have an increasing proportion of Hispanics, who currently have the highest "propensity to serve" of any major ethnic or racial group. This too could be good news for recruiters, if it creates a primary recruiting pool with an increasingly positive attitude towards military service. However, the increasing representation of Hispanics in the youth cohort also has a drawback: one of DOD's key measures of recruit quality is possession of a high school diploma and Hispanics currently have a much higher high school drop-out rate than other major groups. In 1999, for example, the drop-out rate among Hispanics was 29%, compared to 7% for whites, and 13% for African Americans.[26] Thus, unless the high school graduation rate increases for Hispanics or DOD changes its definition of recruit "quality," the benefit from the increase in cohort size may be less than proportional.

Factor #3: Competition With Institutions of Higher Education. Competition with colleges appears to be one of the key recruiting challenges of the future. As mentioned previously, the "wage premium" awarded to college graduates is large and growing. Today, nearly two of every three high school students go straight on to college after graduating from high school[27] and that proportion may increase in the future. This changing educational pattern will almost certainly require DOD to shift its primary recruiting pool from recent high school graduates to those with at least some college.[28] Such a shift would pose significant challenges. Recruiting incentives, for example, would need to be adapted from targeting those with future plans for college toward targeting those with immediate plans for college, those who are already in college, and those who have recently left college. Recruiters would also need to be retrained to market the benefits of military service to people whose career plans are substantially different than the typical high school graduate. Additionally, colleges might be more reluctant to cooperate with recruiters than high schools have been, as colleges might perceive recruiting efforts as attempts to "steal" their undergraduates.

Factor #4: Competition with civilian employers. The United States is currently in the midst of an economic slowdown, which started in early 2001. This actually benefits military recruiting, as it reduces the competition it faces from civilian employment opportunities. However, the economy tends to follow a cyclical trend, so it is likely that the currently sluggish economic conditions will be replaced in the

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[26]U.S. Department of Education, The Digest of Education Statistics 2000 (Washington, D.C.: National Center For Education Statistics, 2001), Table 106.

[27]U.S. Department of Education, The Digest of Education Statistics 2000 (Washington, D.C.: National Center For Education Statistics, 2001), Table 185. See Table 8 for historical data on college enrollment rates of high school graduates.

[28]In FY1999, the percentage of new recruits with college experience was 6.6%. Office of the Assistant Secretary of Defense (Force Management Policy), *Population Representation in the Military Services, Fiscal Year 1999*, table 2.7.

not too distant future by a more robust economy. Such a revival could create challenges for military recruiting like the economic boom of the 1990s did.

Factor #5: Changing Attitudes Towards Military Service. It appears that the decline in "propensity to serve" that began in 1992 reached its low point in 1997 and 1998 (See Table 7). The data from 1999 show an increase in this key predicator of willingness to serve in the military, and this upward trend may continue in light of the growing proportion of Hispanics in the youth population. Such a trend would be good news for the military Services. However, if a downward trend recurs in future years, it would have a negative effect on recruiting.

Options for Congress. Should any of these factors manifest themselves in the future, Congress may consider legislative remedies. Below is a list of policy options that could address one or more of the factors mentioned above.

Increase Recruiting Resources. Historically, the first response to a difficult recruiting environment has been to increase the amount of funds available for recruiting operations; specifically, funds for advertising, enlistment bonuses, and increasing the number of recruiters on duty. Experience has shown that this response is usually an effective way of improving recruiting within a relatively short time frame,[29] and the amount of funding committed can be scaled to match the scope of the recruiting shortfall. This approach likely would be effective if it appeared that recruiting shortfalls were principally caused by increased recruit quality demands, competition with higher education, or competition with civilian employers (factors 1, 3, and 4 above).

Revised Recruit Quality Criteria. This response might be considered if it appeared that recruiting shortfalls were caused by changing demographics, specifically the increased representation of a group that has a relatively low rate of high school completion (factor 2 above). As mentioned earlier, completion of high school is one of the two key indicators that DOD uses to assess recruit "quality." It is important to point out, however, that the primary reason that DOD uses graduation from high school as an indicator of recruit quality – rather than a GED – rests on the strong statistical link between completion of high school and completion of one's enlistment contract. In other words, those who graduate from high school are substantially more likely to complete their enlistment than those who did not complete high school but who have a GED.[30] As a measure of quality then, high school graduation is less one of intelligence or knowledge and more one of perseverance. Admittedly, perseverance is a critical factor in recruit quality, for failure to complete an enlistment

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[29]Author's conversation with Bernard Rostker, former Under Secretary of Defense for Personnel and Readiness.

[30]According to the Department of Defense, "About 80% of recruits with a high school diploma will complete their first three years, whereas only about half of those who failed to complete high school will make it. Those holding an alternative credential (e.g. General Educational Development [GED] high school equivalency certificate) fall between those extremes." Office of the Assistant Secretary of Defense (Force Management Policy), Report to Congress, *Review of Minimum Active Enlisted Recruit Quality Benchmarks: Do They Remain Valid?*, March, 2000, p. 1

contract results in higher training costs for the military, undermanned units, and personnel turbulence. However, there may be alternative ways by which an individual's "perseverance" could be measured. Currently, DOD is testing just such an alternative measure in the form of a questionnaire known as the "Assessment of Individual Motivation." If it proves to be an accurate gauge of an individual's motivation, it could be coupled with a GED as a substitute for the high school graduation requirement without lowering recruit quality. Congress, which has generally been skeptical about suggestions to alter recruit quality standards, may decide to closely review any such changes.

Expanding and Restructuring Military Educational Programs. This response could be explored if it appeared that recruiting shortfalls were caused by increased recruit quality demands or by increased competition with institutions of higher education (factors 1 and 3 above). The military's extensive educational benefit programs are primarily structured to attract those who want to go to college eventually, but not to attract those who want to go to college immediately after high school, those who are already in college, or those who have completed at least some college.

For example, the principal educational benefit offered to enlistees is the Montgomery GI Bill. The Montgomery GI Bill provides a substantial educational benefit to enlistees in return for their service, but until recently they could only use it *after* they fulfilled their enlistment contract. (Even so, most service members do not use their benefits until after they leave the military). The military also has an extensive network of colleges that service members can attend while on active duty. The cost of the courses is largely or entirely paid for by the military. Although it is possible to complete an associate's, bachelor's, or even a graduate degree through these "concurrent education" programs, it can be difficult for service members to take full advantage of them because military duties can easily conflict with academic pursuits. Recently, some of the Services have implemented student loan repayment programs for those who have already attended college and are willing to enlist. There has also been some experimentation with "college first" type programs, where the military provides a stipend to individuals while they attend college in exchange for military service after completion of college. At present, however, these programs are relatively small in size and not offered by all Services.

If the Services want to expand their pool of recruits – to include those who are motivated to go to college immediately after high school, those already in college, and those who have some college education already – they could request Congress to consider a restructured educational benefits program. Expansion of the student loan repayment program and "college first" type programs would be options for doing this. Another option might be to integrate the military's "concurrent education" programs more closely into an individual's enlistment contract. For example, the Services might guarantee an enlistee that in exchange for a 6-year enlistment, he or she would be given enough "educational leave" during the course of the enlistment to complete an associate's degree. Incentives such as full military pay and benefits while attending a college that accepted military training as partial credit towards an associate's degree could be considered. Tuition and fees might either be paid for out of the individual's Montgomery GI Bill benefit, or directly by the military.

More Generous Pay and Benefits. This approach could be effective if it appeared that recruiting shortfalls were principally caused by increased recruit quality demands, competition with higher education, or competition with civilian employers (factors 1, 3, and 4 above). Potential recruits, especially the highest quality recruits, have options other than military service, including civilian employment and higher education. In confronting these options, individuals make a rough comparison of the costs and benefits that could be derived from each choice. Increased pay and benefits for military service would make the choice of enlisting more attractive. The magnitude of the increase could be scaled to the magnitude of the recruiting shortfall. Thus, modest recruiting shortfalls could be countered with modest increases in pay and benefits, while major shortfalls would require more substantial increases. However, this is usually a very expensive option, as increased pay and benefits usually apply to the entire force rather than just new recruits. The costs of this approach also continue even if competition for recruits wanes. Most analysts believe that enlistment bonuses, which can be targeted solely towards new recruits, are a more efficient way of improving recruiting than across-the-board improvements in pay or benefits.

Retention

Background. Retention in the military refers to the rate at which military personnel voluntarily choose to stay in the military after their original obligated term of service has ended.[31] Imbalances in the retention rate can cause problems within the military personnel system. If too few people stay in, the military will suffer from a lack of experienced leaders, decreased military efficiency and lower job satisfaction. If too many people stay in, promotion opportunities decrease and a higher percentage of people must be involuntarily separated in order to prevent the organization from becoming "top heavy" with middle and upper level leaders.[32]

In recent years, concerns have been raised that retention rates in the military were too low in three areas: the retention rate of enlisted personnel generally, the retention rate of enlisted and officer personnel in critical specialties, and the retention rate of officers in certain paygrade. Retention data are presented and analyzed below to explain the basis for these concerns.

Retention Among Enlisted Personnel Generally. Tables 11 through 14 provide a breakdown of retention data from each of the Services from fiscal year 1989, the last year before the end of the Cold War, to fiscal year 2001. As each of the Services tracks its retention data in different ways,[33] the tables do not lend

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[31]For enlisted personnel, the obligated term of service is determined by their initial enlistment contract (usually three to six years). For officers, the obligated term of service is determined by rules governing the program through which they receive their commission (usually four or five years).

[32]Each of these outcomes, in turn, can have a negative impact on recruiting by making the military a less attractive career option.

[33]Between FY1989 and FY2000, retention computation methodologies varied among the Services. Retention rates for each of the Services were computed by dividing the "number

(continued...)

themselves to direct comparison. Additionally, as each Service has a unique mission and force structure, their retention requirements vary substantially. *Thus, the data from one Service should not be directly compared with the data from another Service. Each data set should be viewed and analyzed individually.*

Army. The retention rates for enlisted personnel in the Army are listed in Table 11. The Army tracks retention rates in three categories: initial term (serving in first enlistment, regardless of length), mid-career (second or subsequent enlistment with less than ten years of service), and career (second or subsequent enlistment with more than ten but less than twenty years of service). It states its retention goals in terms of raw numbers. A review of those numbers indicates that the Army did not meet many of its retention goals in the first half of the 1990s: it failed to meet its initial term retention goals in FY1991, 1992, 1993, and 1995; its mid-career retention goals in FY1991 and 1995; and its career retention goals in FY1991, 1992, 1993, and 1994. This trend is somewhat surprising in light of the generally declining retention goals sought during that time-frame; but it is understandable if viewed as a response to the post-Cold War drawdown. The drawdown was carried out principally between FY1991 and FY1996 (highlighted in the table). Thus, the lower than expected retention rates in the early 1990s might well have been the result of soldiers making rational decisions to avoid the grim career prospects of the drawdown years in favor of brighter prospects in the civilian world. Additionally, the imperative of reducing the size of the Army due to drawdown pressures may have made meeting retention goals a lower priority for Army officials in the early 1990s than it would otherwise have been.

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[33](...continued)
retained" by the total "loss population." For the Army, Air Force, and the Marine Corps the number retained was simply the number who re-enlisted. For the Navy, the number retained was the number who re-enlisted plus the number who signed a long-term extension to their current enlistment. With respect to the "loss population," the Army, Air Force, and Marine Corps calculated it in essentially the same way: it was simply the total number of people *eligible* to re-enlist (whether they actually choose to re-enlist or not). Until 2001, however, the Navy's loss population included the total number of people eligible to re-enlist plus those who were not eligible to re-enlist and who left the service. This difference in computation methodology made the Navy's retention rate appear lower than it would have been if calculated in a manner similar to the other Services. In April 2001, the Navy adopted a computation methodology that brought it in line with the other Services.

Table 11: Army Retention Rates For Enlisted Personnel, FY1989-2001

	Initial Term			Mid-Career			Career		
	Goal	Achieved		Goal	Achieved		Goal	Achieved	
Year	*Number*	*Percent of Goal*	*Percent of Eligibles*	*Number*	*Percent of Goal*	*Percent of Eligibles*	*Number*	*Percent of Goal*	*Percent of Eligibles*
FY1989	34400	115%	48.6%	25400	127%	81.6%	28200	108%	74.3%
FY1990	27000	106%	40.7%	20000	158%	81.6%	20000	158%	70.3%
FY1991	21000	97%	41.4%	27000	91%	72.0%	29000	96%	71.8%
FY1992	25321	89%	30.7%	27052	102%	62.5%	29497	92%	61.6%
FY1993	30000	93%	46.1%	25500	100%	75.6%	22000	93%	58.7%
FY1994	22600	109%	49.2%	23000	105%	73.8%	21400	98%	54.4%
FY1995	20197	99%	45.6%	24551	97%	72.8%	27862	102%	58.2%
FY1996	21433	100%	46.5%	22671	102%	70.0%	28966	98%	65.7%
FY1997	23935	102%	54.4%	29699	102%	75.4%	26325	95%	65.5%
FY1998	20542	106%	51.2%	22912	102%	74.1%	18671	96%	60.1%
FY1999	20200	103%	50.3%	23000	105%	75.9%	21800	120%	66.0%
FY2000	20000	107%	49.7%	23200	104%	82.4%	24800	104%	70.6%
FY2001	19750	101%	53.0%	23350	102%	76.3%	20900	102%	66.5%

Source: Department of Defense, Directorate for Officer & Enlisted Personnel Management

Since FY1996, the last year of the drawdown, the Army has met or exceeded its retention goals in both its initial term and mid-career categories. However, it continued to have trouble meeting its retention goals for career personnel until FY1999. From FY1996 to FY1998, the Army missed its retention goals for career personnel by between 2 and 5%. Since FY1999, however, the Army has been able to meet its career retention goal by substantial margins.

Navy. The retention rates for enlisted personnel in the Navy from FY1989-2000 are listed in Table 12. During this time-frame the Navy tracked retention rates in three categories: first term (serving in first enlistment, regardless of length), second term (second or subsequent enlistment with less than ten years of service), and career (second or subsequent enlistment with more than ten years of service). It is important to reiterate, however, that during this time period the Navy calculated its retention rate in a way that made its rates appear lower than those of the other Services; *thus, Navy retention rates cannot be directly compared with the retention rates of other Services.*

A review of Navy retention data does indicate an overall decline in retention rates between fiscal years 1989 and 1999 in all three retention categories. Although it is not surprising that retention rates for the Navy dropped during the drawdown years, it is surprising that retention rates continued to decline after FY1996, which is generally considered to be the last drawdown year. However, the Navy started its

drawdown later than the other Services (its peak drawdown years in terms of declines in endstrength were FY1994 and 95), and the Navy continued to experience significant cuts in endstrength even after the principal drawdown years had passed (Navy endstrength declined by 5% in FY1997 and by 3% in FY1998). Thus, it is reasonable to conclude that the Navy's retention rates were affected by the drawdown for a longer period of time than the other Services.

Additionally, caution must also be used in interpreting these data because the Navy did not have any formal retention goals during this time-frame. Therefore, it is difficult to assess the meaning of these retention rates. Was the decline an indicator of retention problems in the Navy, or was it simply a reflection of force structure readjustments in the post-drawdown Navy? In all likelihood, it was some combination of these two explanations, but it is unclear from the data alone. Still, testimony from senior Navy leaders indicates that the Navy had substantial retention problems with its enlisted force between FY1996 and FY2000. For example, despite retention levels substantially higher than those of 1999, the Chief of Naval Operations indicated that as of June 2001, retention rates were not at a "steady state" level.[34]

Recently the Navy changed the way it tracks retention. Beginning in FY2001, it has modified the definitions of its retention categories, set goals for each of them, and significantly changed the formula by which its retention rates are calculated, bringing them in line with the formula used by the other Services. The Navy's new retention categories are Zone A (17 months to 6 years of service), Zone B (6 to 10 years of service) and Zone C (10-14 years of service). The Navy's goals and retention rates for FY2001 are listed in Table 13 below and indicate that the Navy came very close to meeting its retention goals in FY2001. Nonetheless, the retention pattern exhibited in previous years, coupled with the comments by Admiral Clark, suggest that enlisted retention in the Navy may still be a cause for concern.

[34]Statement of Admiral Vernon E. Clark, Chief of Naval Operations, before the Senate Appropriations Subcommittee on Defense, June 20, 2001.

Table 12: Navy Retention Rates For Enlisted Personnel, FY1989-2000

(No official goals were set by the Navy during this time)

	1ST Term Achieved	2ND Term Achieved	Career Achieved
Year	*Percent of Eligibles*	*Percent of Eligibles*	*Percent of Eligibles*
FY1989	37.4%	56.0%	66.9%
FY1990	38.3%	55.7%	70.6%
FY1991	41.4%	58.0%	71.4%
FY1992	38.9%	56.8%	65.4%
FY1993	34.8%	51.9%	61.7%
FY1994	35.7%	47.4%	57.7%
FY1995	36.4%	49.2%	56.5%
FY1996	32.9%	48.9%	55.7%
FY1997	30.8%	48.4%	57.5%
FY1998	30.5%	46.3%	54.6%
FY1999	28.2%	43.8%	53.3%
FY2000	29.6%	46.5%	56.6%

Source: Department of Defense, Directorate for Officer & Enlisted Personnel Management.

Table 13: Navy Retention Rates For Enlisted Personnel, FY2001

	Zone A		Zone B		Zone C	
	Goal	**Achieved**	**Goal**	**Achieved**	**Goal**	**Achieved**
Year	*Percent of Eligibles*	*Percent of Eligibles*	*Percent of Eligibles*	*Percent of Eligibles*	*Percent of Eligibles*	*Percent of Eligibles*
FY2001	57%	56.9%	69%	68.2%	89%	84.6%

Source: Department of Defense, Directorate for Officer & Enlisted Personnel Management.

Marine Corps. The retention rates for enlisted personnel in the Marine Corps are listed in Table 14. The Marine Corps also tracks retention rates in three categories: first term (serving in first enlistment, regardless of length), second term (second or subsequent enlistment with less than ten years of service), and career (second or subsequent enlistment with more than ten but less than twenty years of service). Since FY1992, the Marine Corps has set retention goals, which are stated as a percentage of those eligible for retention, for its first term personnel. However, it has not set goals for second term or career personnel, which makes evaluating the retention data in these categories difficult. A review of the data for first term personnel indicates that the Marine Corps had some difficulty meeting its goals during the post-Cold War drawdown, but recovered in subsequent years. In fiscal years 1998 through 2001, the Marine Corps essentially met its retention goals for first term personnel. It appears that a similar trend occurred in the second term and career categories: retention rates dropped during the drawdown, followed by a gradual upswing that eventually produced retention rates higher than those immediately before the drawdown. Indeed, second term retention rates in FY2001 are about 13 percentage points higher than those in FY1989, and career retention rates for FY2001 are about 19 percentage points higher than those of FY1989.

Table 14: Marine Corps Retention Rates For Enlisted Personnel, FY1989-2001

(percent of eligibles)

	1ST TERM		2ND TERM	CAREER
Year	Goal	Achieved	Achieved	Achieved
FY1989		26.3%	47.7%	77.2%
FY1990		29.9%	54.7%	78.7%
FY1991		21.3%	47.5%	72.4%
FY1992	22-26%	19.3%	43.8%	71.2%
FY1993	22-26%	17.2%	46.6%	74.0%
FY1994	22-26%	19.4%	42.5%	73.7%
FY1995	22-26%	20.5%	43.8%	73.1%
FY1996	22-26%	22.0%	46.5%	77.5%
FY1997	22-26%	21.4%	45.8%	80.2%
FY1998	22-26%	21.8%	47.1%	80.4%
FY1999	22-26%	23.8%	47.5%	80.4%
FY2000	26.3%	26.6%	63.4%	95.6%
FY2001	26.8%	26.7%	60.4%	96.1%

Source: Department of Defense, Directorate for Officer & Enlisted Personnel Management.

Air Force. The retention rates for enlisted personnel in the Air Force are listed in Table 15. The Air Force tracks retention rates in three categories: first term (serving in first enlistment, regardless of length), second term (second or subsequent enlistment with less than ten years of service), and career (second or subsequent enlistment with more than ten years of service and up through the point where retirement papers are approved). The Air Force sets retention goals stated in percentage terms. A review of the retention data for the Air Force indicates that it has had some difficulty meeting its retention goals in recent years.

Throughout most of the 1990s, the Air Force rarely had difficulties meeting or exceeding its retention goals. However, that pattern changed toward the end of the decade. The Air Force did not meet its retention goals for first term personnel in FY1998 - 2000; for second term personnel in FY1997 - 2001; and for career personnel in FY1998 - 2001. The shortfall was most pronounced with respect to second term personnel where the Air Force fell short of its goal by about six percentage points per year.

Table 15: Air Force Retention Rates For Enlisted Personnel, FY1989-2001

	1ST TERM		2ND TERM		CAREER	
	Goal	Achieve	Goal	Achieve	Goal	Achieve
FY1989	55%	59.0%	75%	76.0%	95%	96.0%
FY1990	55%	52.0%	75%	69.0%	95%	93.0%
FY1991	55%	59.0%	75%	77.0%	95%	95.0%
FY1992	55%	58.0%	75%	76.0%	95%	96.0%
FY1993	55%	61.0%	75%	82.0%	95%	97.0%
FY1994	55%	59.0%	75%	81.0%	95%	96.0%
FY1995	55%	63.0%	75%	77.0%	95%	96.0%
FY1996	55%	59.0%	75%	76.0%	95%	95.0%
FY1997	55%	56.0%	75%	71.0%	95%	95.0%
FY1998	55%	53.9%	75%	69.0%	95%	93.0%
FY1999	55%	49.1%	75%	69.4%	95%	92.0%
FY2000	55%	52.0%	75%	68.8%	95%	90.6%
FY2001	55%	55.4%	75%	68.8%	95%	90.6%

Source: Department of Defense, Directorate for Officer & Enlisted Personnel Management

Retention In Critical Specialties. In addition to concerns about overall retention patterns among enlisted personnel, there has been ongoing concern about the military's ability to retain people – both officers and enlisted personnel – in certain key occupational specialties. Retention of pilots has been a highly publicized area of

concern for years,[35] but significant concerns have also been raised about retention in fields such as communications, intelligence, maintenance, electronics, information technology, and the health professions.

This shortfall appears to have gotten worse, at least in some specialties, in the post drawdown era. A report issued by the General Accounting Office (GAO) in March of 2000 compared retention rates at the occupational level in the 1988-1990 and 1996-1998 time-frames. The study found that substantial drops in retention had occurred among enlisted personnel in a number of critical specialties and that smaller drops had occurred among officers as well. The more severe declines for enlisted personnel occurred in the intelligence field (retention rate down 16 points in the Army and 11 points in the Air Force), data processing (down 10 points in the Army, 11 points in the Navy, and 15 points in the Air Force), and air crews (down 20 points in the Navy and 14 points in the Air Force).[36]

According to this same report, reductions in retention rates among officers occurred as well. However, these reductions occurred in a lower proportion of occupational fields and the declines were, on average, substantially smaller than those among enlisted personnel. Additionally, the fields where the declines occurred varied substantially among the different Services. In the Army, retention rate declines of between 3 and 5% occurred among officers in the fields of nursing, dentistry, health service administration, automotive maintenance, data processing, and fiscal administration. In the Navy, declines of between 3 and 4% occurred in the fields of ordnance and electronics, and in some supply related fields. In the Air Force, declines of 3 to 5% occurred in the fields of counterintelligence, electronics, missile maintenance, fiscal administration, psychology, and rotary wing aviation (helicopter pilots). In the Marine Corps, declines of 3 to 4% occurred in the fields of intelligence, electronics, supply, and aircraft crew operations.[37]

Retention In Certain Grades Of Officers. A final area of concern in recent years has been the retention of officers in the O-3 and O-4 paygrades (These paygrades correspond to the ranks of Captain and Major in the Army, Air Force, and Marine Corps; Lieutenant and Lieutenant Commander in the Navy). These officers are important in several respects: their large numbers make them a "center of gravity" of the officer corps; they often function in key front line leadership roles; and they are the pool from which the senior military leaders of the future will be drawn. In recent years, there have been reports that retention among these officers has been declining, perhaps precipitously. For example, one recent news article stated that "Anecdotal reports to DOD officials suggest Army, Air Force, and Marine Corps captains and

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[35]Pilot retention is a very specialized issue that is largely dependent on the hiring status of commercial airlines. For more information on this topic, see CRS Report 98-764, *Military Pilot Retention: Issues and Options*, by Mike Ryan.

[36]GAO Report to Congressional Requestors, *Military Personnel: Systematic Analyses Needed to Measure Retention in Key Careers and Occupations*, March 2000, page 19.

[37]GAO Report to Congressional Requestors, *Military Personnel: Systematic Analyses Needed to Measure Retention in Key Careers and Occupations*, March 2000, pages 62-63.

Navy lieutenants are leaving the military in numbers not seen since 1973...."[38] An April 2000, article stated that "Dissatisfied younger Army officers are leaving the service in droves, worrying the service's leadership and provoking intense debates about the problem at military bases across the nation."[39] An analysis of retention data indicates that these assertions are overstated for officers in the O-3 paygrade, but do not appear accurate for those in the O-4 paygrade.

The continuation rates[40] of officers in paygrade O-3 are displayed in Table 16 and broken out by Service and fiscal year. The pattern is quite similar for each Service: all show a drop in continuation rates early in the drawdown, a recovery several years later, followed by another drop off in more recent years. For all Services, the continuation rate for 0-3 officers was lower in FY2000 than in FY1989. However, this decline was more pronounced in the Army than in the other Services. The Army's continuation rate in FY2000 was 3.4 percentage points lower than it was in FY1989, compared with a 2.6 percentage point decline in the Air Force, a 2.1 percentage point decline in the Navy, and a 0.7 percentage point decline in the Marine Corps. While these declines appear to be small, their impact on the officer corps can be larger due to the numbers of officers in the 0-3 paygrade. For example, if the Army's continuation rate for captains were the same in FY2000 as it had been in FY1989, it would have kept about 725 more of them on active duty then actually occurred. If the Air Force's continuation rate for captains were the same in FY2000 as it had been in FY1989, it would have kept about 670 more of them on active duty.

Although the change in the Navy's continuation rate for 0-3 officers between FY1989 and FY2000 has been less than that of the Army and Air Force, the Navy's continuation rate for these officers is troubling for another reason: its showed less of a recovery after the "drawdown drop" then the other Services did. Although all the Services showed a significant drop in continuation rates in FY1992 and 1993, most recovered strongly in subsequent years. The Army and Air Force saw their continuation rates rebound in FY1994, and the Marine Corps continuation rate began to improve in FY1995. The Navy, however, did not see a turnaround in its 0-3 continuation rate until FY1996, and the recovery proved short-lived: continuation dropped in FY1997, 1998, and 1999. Thus, the Navy's decline in 0-3 continuation rates, while not as large as the Army's, may be a greater problem as it did not recover as robustly from the lows of the drawdown era. The Navy's 0-3 continuation rate in FY1999 was actually lower than in any year of the drawdown era.

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[38]Jim Garamone, "DOD Examines Captain/Lieutenant Retention," American Forces Press Service, May 17, 2001.

[39]Thomas E. Ricks, "Younger Officers Quit Army At Fast Clip," *The Washington Post*, April 17, 2000, p 1.

[40]Continuation rates are the measure of retention commonly used with commissioned officers. Unlike enlisted personnel, officers do not sign enlistment and re-enlistment contracts for specified periods of time; they may resign at any time after the end of their service obligation (usually four or five years after commissioning). As such, continuation rates – which measure the percentage of officers who continue in the service from one year to the next – are commonly used to measure their retention.

Thus, with the exception of the Marine Corps – whose continuation rates have recovered to nearly the same level as before the drawdown – the data indicate that continuation rates for officers in the 0-3 paygrade are an area of concern. This concern is magnified by the possibility that the overall retention data presented here may mask troubling shifts in voluntary separation of officers in the O-3 pay grade versus involuntary separation. One study by the Army indicates that voluntary separation has climbed significantly for Army captains in a recent five year period,[41] while the proportion of involuntary separations has decreased. This has led some to infer that fewer officers are being released for substandard performance, which might indicate a decline in the quality of the officers being retained. Nonetheless, in light of the currently available data, the assertion that there has been a massive exodus of officers in the O-3 paygrade does not appear to be supportable.

Table 16: Active Duty O3 Officer Continuation Rates by Service, FY1989-2000

	% Army	% Navy	% Marine Corps	% Air Force	% DOD
FY1989	92.0	88.2	89.2	91.5	90.8
FY1990	91.4	88.5	89.2	90.5	90.3
FY1991	94.0	89.2	90.4	91.5	91.7
FY1992	86.7	87.3	88.5	87.3	87.2
FY1993	84.3	87.2	88.0	84.6	85.3
FY1994	89.3	86.2	85.4	93.7	90.0
FY1995	90.3	86.0	90.8	90.6	89.3
FY1996	90.2	88.6	89.2	91.4	90.2
FY1997	90.8	87.7	87.1	91.1	89.9
FY1998	90.7	86.4	89.2	90.0	89.2
FY1999	88.8	85.5	88.5	89.2	88.1
FY2000	88.6	86.1	88.5	88.9	88.0

Source: Department of Defense, Directorate for Officer & Enlisted Personnel Management.

The retention rates of officers in paygrade 0-4 between FY1989 and FY2000 are displayed in Table 17. The pattern of retention rates for these officers is slightly different from that exhibited by officers in the 0-3 paygrade: retention rates changed little between FY1989 and FY1991, dropped from about FY1992 to FY1994 and recovered from about FY1995 to FY1998. Since FY1998, the continuation rates have shifted somewhat from year to year, but have remained at or slightly below the level they were at during the pre-drawdown time-frame. This pattern is consistent with the imperatives of the drawdown: voluntary and involuntary separations induced a decline in retention rates as the drawdown era began, followed by a recovery of

[41]Taken from briefing slides of "Commander's Conference," presented by Lieutenant General Timothy Maude, Army Deputy Chief of Staff for Personnel, October 19, 2000.

retention rates as the drawdown era came to a close. While continuation rates for officers in the O-4 paygrade deserve continued observation, the data do not indicate a significant shortfall in aggregate O-4 retention rates as of FY2000.

Table 17: Active Duty O4 Officer Continuation Rates by Service, FY1989-2000

	% Army	% Navy	% Marine Corps	% Air Force.	% DOD
FY1989	94.4	92.1	93.1	92.0	92.8
FY1990	94.2	91.1	92.4	92.0	92.5
FY1991	94.2	92.0	92.7	92.3	92.9
FY1992	87.9	91.2	91.6	89.4	89.5
FY1993	88.3	90.7	91.5	89.4	89.5
FY1994	88.5	81.6	90.0	84.5	85.4
FY1995	89.0	89.0	93.2	86.8	88.5
FY1996	87.5	90.3	91.4	89.4	89.2
FY1997	90.2	90.7	91.6	89.8	90.3
FY1998	94.5	92.8	91.4	91.0	92.6
FY1999	94.2	89.1	91.6	91.3	91.7
FY2000	93.8	91.0	92.1	90.6	91.9

Source: Department of Defense, Directorate for Officer & Enlisted Personnel Management.

Perceived Causes. Aggregate retention rates in the military are the product of thousands of individual decisions on whether or not to stay in the military. These individual decisions, analysts believe, are based on the individual's answer to one basic question: "Would I be better off if I stayed in or left the military?" The question, while simple to state, can be an extraordinarily complex one to answer, as the definition of "better off" entails a broad array of factors including pay and benefits, job satisfaction, and quality of life. Some of these factors, like pay, are tangible and can be quantified and compared with civilian jobs.[42] Others, like quality of life, are less tangible and can be very difficult or impossible to quantify and compare with civilian life. Additionally, different individuals attach different levels of importance to these various factors. Given the exact same environment, the answer to the question "Would I be better off if I stayed in or left the military?" will be answered differently by different people depending on their personal priorities. Thus, it is impossible to identify some sort of objective "tipping point" that leads military personnel to decide for or against continued service.

However, based on survey research, focus groups, and individual interviews it is possible to get a general idea of the most important factors affecting retention decisions at a given point in time. The factors most commonly cited as the "causes" of recent military retention shortfalls are identified and discussed below. These

[42] Although, as discussed previously with respect to the "pay gap," attempts to do this can be a very controversial.

factors are not mutually exclusive and should not be seen as competing explanations, but instead as partial answers to the question "Why have the military Services experienced retention shortfalls?" Additionally, the factors are not necessarily listed in order of importance, for it is not entirely clear what the relative importance of these factors is. Finally, it should be pointed out that Congress and the executive branch have already taken a number of steps to address these issues. They are listed in the next section.

Perceived Cause # 1: Relative Value of Pay and Benefits. In a 1999 survey of active duty personnel administered by the Department of Defense, respondents were asked to choose the "most important factor for leaving or considering leaving active duty." The most commonly cited response was basic pay (28.2%). Indeed, many commentators have argued that the major reason for the military's recent retention shortfalls is the gap between military pay levels and civilian pay levels. As pointed out in the previous section on recruiting, there is robust debate among compensation analysts over whether such a "pay gap" actually exists,[43] however, it is clear that the vast majority of military personnel *believe* that it does. In the 1999 survey just mentioned, two-thirds of the respondents indicated that they would receive a better total compensation package (pay, benefits, bonuses, and allowances) in the civilian world than they were receiving in the military.

Contributing to this belief may be the well publicized manner in which military pay raises were calculated throughout most of the 1990s. Since 1967, federal law has provided that military pay be adjusted upward, at the same time and by the same percentage, as the average increase in the pay rates for federal General Schedule (GS) employees.[44] In 1990, Congress enacted a statutory formula for federal civilian pay raises that, beginning in fiscal year 1992, provided for an annual increase of 0.5% *less* than the annual increase in the private sector wages and salaries component of the employment compensation index (ECI).[45] Thus, by statute, military pay raises were supposed to be determined by the an "ECI minus 0.5%" formula (although this was not always the case in fact).[46] As the ECI is considered a standard measure of the rate at which civilian compensation rates are increasing, military personnel likely saw the "ECI minus 0.5%" formula as evidence that their wages were not keeping up with those of private sector employees.

Another factor cited by some as contributing to military retention shortfalls was changes in military benefits, most notably retirement pay. A major change was made

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[43]See CRS Issue Brief IB10089, *Military Pay and Benefits: Key Questions and Answers* by Robert Goldich.

[44]The Uniformed Services Pay Act of 1967, P.L. 90-207, December 16, 1967. Codified at 37 USC 1009.

[45]The Federal Employees' Pay Comparability Act of 1990, P.L. 101-509, November 5, 1990. Codified at 5 USC 5303.

[46]Despite this statutory formula, which could operate each year without any intervention, Congress passed laws that mandated specific pay raises for the military each year. In general, these pay raises were identical to that determined by the "ECI minus 0.5%" formula, although Congress specified pay raises higher than the statutory formula in FY1997 and FY1999.

to the military retirement system in 1986. Under the Military Retirement Reform Act of 1986, military personnel who first entered military service on or after August 1, 1986 would receive a less generous retirement plan than those who first entered military service before that date. The new retirement plan, known as "Redux," was unpopular among the servicemembers who fell under its provisions.[47] Although no one actually received reduced benefits under this plan – compulsory Redux was repealed in 1999,[48] seven years before the first Redux payments would have been made – some have argued that the existence of Redux had a negative effect on retention rates in the later half of the 1990s. From this perspective, the diminished retirement benefit available to Redux eligible servicemembers did not provide a sufficient incentive for them to stay in the military for a full career. It does not appear that researchers have been able to document an empirical link between Redux and lower retention rates.

Retirement benefits are also cited as a special concern for personnel in critical occupational specialties. In a survey conducted in 1998 and 1999,[49] officers in critical skill specialties who indicated an intention to leave the military picked retirement pay as one of the top reasons for leaving the military, along with frequency of deployments. For enlisted personnel in critical specialties, basic pay was the most important reason for leaving the military, but retirement pay was tied with frequency of deployments for second place.[50] These concerns about retirement pay can probably be attributed – at least in part – to the same concerns about Redux that other servicemembers may have had at that time. However, another cause of this concern about retired pay may be the way in which retired pay is calculated, and the impact this has on people in critical skill specialties.

Depending on when a person first entered military service, retired pay is based on either the level of basic pay that the servicemember earned just prior to retirement or on the average of the highest 36 months of basic pay that the servicemember has received during his or her career. Regardless of which formula is used, however, *basic pay* is the only aspect of total compensation that is included in the calculation: special pays and bonuses are omitted. This is significant for those in critical specialties because they often receive very large bonuses or special pays as an incentive to keep them in the service. Although these bonuses and special pays may substantially increase their average monthly pay while on active duty, it does not enhance their retirement pay. Thus, the value of their retirement pay is relatively low

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[47]Nonetheless, even under Redux, military retirement would compare quite favorably with most civilian retirement systems, as it continued to contain a distinctive feature: eligibility for retired pay after 20 years of service, regardless of age.

[48]P.L. 106-65, sections 641-644. The law repealed compulsory Redux and gave military personnel the option of retiring under the old, more generous, pre-Redux retirement pay computation formula, or retiring under Redux with an immediate cash bonus.

[49]General Accounting Office Report (GAO/NSIAD-99-197BR), *Perspectives of Surveyed Service Members in Retention Critical Specialties*, August, 1999.

[50]General Accounting Office Report (GAO/NSIAD-99-197BR), *Perspectives of Surveyed Service Members in Retention Critical Specialties*, August, 1999, p 25

in comparison to their active duty pay, and this may decrease the perceived value of staying in the military long enough to receive retirement benefits.

Perceived Cause #2: Lower Quality of Life. Many servicemembers and outside observers believe that there has been a decline in the quality of life associated with military service in the post-Cold War era. During the Cold War era, the United States was focused primarily on containing the spread of communism, with a particular emphasis on protecting Europe from a potential Soviet invasion and protecting South Korea from a potential North Korean invasion. To facilitate this military posture, major bases were maintained in Western Europe and Asia. Military personnel stationed at these overseas bases had demanding jobs, but great efforts were made to provide servicemembers with a "normal" life. For example, overseas bases typically had most of the amenities of stateside bases and servicemembers' families were usually allowed to accompany them.

With the end of the Cold War, however, the situation changed dramatically. Although many overseas bases were closed and a large number of servicemembers were transferred to stateside bases, U.S. military operations around the globe grew. In the absence of the Soviet threat, the U.S. began to focus more on peacekeeping and humanitarian missions in underdeveloped parts of the world. Deployments on these missions typically took servicemembers away from their families for six to nine months and sent them to places with comparatively primitive infrastructures. Additionally, as the number of these military commitments increased during the 1990s and as the size of the military decreased during the drawdown, the pace of deployments for individuals increased.[51] This put new pressures on servicemembers, as the time spent on mission preparation, deployment, and post-deployment reconstitution activities decreased the amount of leisure and family time available.

Nonetheless, military deployments do not always correlate with lowered retention rates. For example, non-commissioned officers (NCOs) in the Army's V Corps reportedly have a higher retention rate than NCOs in the other three Army Corps, despite V Corps higher rate of deployment.[52] Most studies indicate that, provided they are well managed and not excessive, deployments can enhance retention by providing participants with a sense of accomplishment.[53] However, these studies also indicate that after a certain threshold level, deployments can have a negative effect on retention.

Another quality of life issue that has been raised in recent years is the quality of housing used by military personnel and their families. In the military, servicemembers either live free of charge in military housing or receive an allowance to pay for civilian

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[51]See CRS Report 98-41, *Military Readiness, Operations Tempo (OPTEMPO) and Personnel Tempo (PERSTEMPO): Are U.S. Forces Doing To Much?*, by Mike Ryan, p. 29.

[52]Eric B. Pilgrim, "V Corps Tops On NCO Retention," *Stars and Stripes*, August 28, 2001.

[53]See for example James Hosek and Mark Totten, *Does Perstempo Hurt Reenlistment? The Effect of Long or Hostile Perstempo on Reenlistment*, RAND, 1998; Paul Sticha, Paul Hogan and Maris Diane, *Personnel Tempo: Definition, Measurement, and Effects on Retention, Readiness and Quality of Life*, Army Research Institute, 1999; and Peter Francis, *OPTEMPO and Readiness*, Center for Naval Analysis, 1999.

housing. Military housing, although free, has often been criticized for being old and poorly maintained. Recently, for example, a senior defense official testified before Congress that, "over two-thirds of our [DOD] housing inventory in the United States is substandard"[54] and Air Force General Joseph Ralston, commander in chief of the U.S. European Command, recently stated "although we continue to make progress as a whole, family housing throughout Europe remains old, is in need of extensive repair and modernization and is well below contemporary standards in the U.S."[55] Those who receive a housing allowance (known as Basic Allowance for Housing or BAH) in lieu of military housing usually have greater flexibility in selecting well maintained housing with modern amenities. However, as BAH currently covers 92.5% of the average rental cost of civilian housing that meets DOD standards, servicemembers receiving BAH are essentially forced to choose between accepting lower-cost, below average housing or paying money "out of pocket" to live in better accommodations. Recently, the senior enlisted members from each of the military Services testified that quality of housing was a major quality of life concern for their members.[56] The Department of Defense is in the midst of a multi-year plan to raise BAH to 100% of the average rental cost, but it will not be completed until 2005.

Perceived Cause #3: Decreased Job Satisfaction. Retention shortfalls may also be attributed to a decrease in the level of "job satisfaction" reported by military personnel. Some of the common reasons cited for this decline in job satisfaction include unhappiness with the actions of military superiors, a lack of enthusiasm for the new missions undertaken by the military in the post Cold War era, difficulties in accomplishing assigned tasks due to lack of resources, and disapproval of changes in the military culture. Each of these topics is discussed in more detail below.

Dissatisfaction with Leadership. A commonly repeated complaint in recent years, especially among lower level officers, has been that their supervisors "micromanage" them, do not properly mentor them for more challenging assignments, and punish them with career ending evaluations for comparatively minor mistakes. Though this type of complaint is not new to the military Services, some factors may have exacerbated the issue in recent years, including the more competitive promotion environment that emerged during the drawdown, which may have promoted excessive risk avoidance behaviors on the part of some leaders; more extensive and critical media coverage of the behavior of members of the military, which may prompt leaders to monitor and control their subordinates more closely; and advances in communications technologies, which allow superiors at all levels to keep closer track of subordinates.

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[54]Undersecretary of Defense Randall Yim, Testimony before the House Appropriations Subcomittee on Military Construction, March 15, 2001.

[55]Rick Maze, "Ralston Decries Conditions At European Bases," *Army Times*, February 14, 2002.

[56]Testimony of before the House Appropriations Subcommittee on Military Construction, March 8, 2001.

Changing Mission. During the Cold War era, the mission of the armed forces was clearly defined – protect the free world from communism – and unmistakably oriented towards fighting a massive war. For many, the knowledge that they were defending the nation and its allies from a major threat was psychologically rewarding in itself. In the post-Cold War era, the military's mission shifted toward peacekeeping and humanitarian relief operations. While these types of missions certainly have their own psychological rewards and were appealing to many military personnel, some may have found them less rewarding and not important enough to justify the sacrifices of military life. This factor is probably irrelevant now, however, as the recent terrorist attacks on the United States and the ongoing operations in Afghanistan have dramatically reemphasized the military's mission of defending the nation.

Lack of Resources. Another complaint revolves around shortages of resources necessary to accomplish assigned missions. Some of the resource shortages cited as interfering with mission accomplishment include: insufficient personnel assigned to the unit, a lack of required equipment, shortages of spare parts to repair needed equipment, and a lack of fuel, ammunition, and training areas to perform realistic training. Most of these shortages can be attributed to budgetary decisions, although personnel issues are also linked more broadly with recruiting, retention, training and assignment policies, and training area issues are linked with base closure and environmental protection issues as well.

Changing Military Culture. A final cluster of issues cited in relation to job dissatisfaction revolve around the ongoing changes in the military's internal culture and its relationship to the culture of the civilian world. The culture of the military is unique and, in many ways, stands in sharp contrast to the broader American culture: the military is hierarchical, not egalitarian; it is regimented in areas where civilians expect liberty; decision making is typically "top down," rather than democratic. Although many Americans would find this type of environment oppressive, others find it quite rewarding, for it can instill a strong sense of purpose, promote deep interpersonal bonds and create a powerful sense of community. Those who do enjoy the unique culture of military life naturally want to see it preserved and express dissatisfaction when they think that it is being changed for the worse.

Complaints that the military way of life is changing for the worse are nothing new, but they may have been more highly publicized in the 1990s due to related policy disputes at the federal level. Some servicemembers resented attempts by policymakers to allow homosexuals to serve in the military, to allow women to serve in combat, or to change military rules prohibiting adultery and fraternization. Others perceived a de-emphasis on traditional military values like courage, fidelity, and self-sacrifice and an increased focus on values like tolerance and compassion.[57]

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[57]For examples of these perspectives, see opinions contained in Joseph C. Myers, *Legitimization and Tolerance: Not the Same*, Army, July, 1993, 37-39; James Webb, *The War on Military Culture*, The Weekly Standard, January 20, 1997, 17-22; Adam G. Mersereau, *Diversity May Prove Deadly on the Battlefield*, The Wall Street Journal, November 14, 1996, A22; Tranette Ledford, *Many Soldiers Unhappy With Fraternization Proposals*, Army Times, January 18, 1999, 7; Stephanie Gutmann, *Today's Army: Warriors*

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The Congressional Response. In recent years, Congress has passed a number of laws aimed at improving military retention. Perhaps the most visible of these initiatives has been a string of military pay raises and the repeal of the "Redux" retirement plan. Other legislative initiatives include pay table reform, increased funding for reenlistment bonuses, and increased ceilings on reenlistment bonuses and incentive pays.

With respect to pay, Congress passed a law in 1999 that suspended the "ECI minus 0.5%" formula (discussed previously) and replaced it with an "ECI plus 0.5%" formula for the period FY2001-2006. Under this new formula, military personnel will receive pay raises one half of a percent higher than the ECI and a full one percent higher than they would have under the old formula. Assuming that it is fully implemented, this policy will increase the basic pay of military personnel relative to civilian occupations; additionally, it will probably help dispel any negative perceptions generated by the "ECI minus 0.5%" formula. Congress also approved a "pay table reform" initiative in 1999 that increased the pay of certain enlisted personnel and officers. The change was most beneficial for mid-career officers, providing extra pay to those officers at precisely the time in their careers when they make their most important retention decisions. It was also beneficial to some junior and mid career enlisted personnel, although they received smaller increases than the officers.

Another major retention initiative passed by Congress in 1999 was the repeal of the Redux military retirement system. As mentioned previously, the Military Retirement Reform Act of 1986 made major compulsory cuts in the future retired pay of those people who first entered the military on or after August 1, 1986. The National Defense Authorization Act for FY2000 repealed the compulsory nature of those cuts by providing affected military personnel with the option, upon reaching 15 years of service, of electing retirement under the old, pre-Redux system, or retirement under the Redux system with a substantial cash bonus.[58]

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[57](...continued)
Vs. Schoolmarms, The Wall Street Journal, May 9, 2000.

[58]Another major change to the military retirement system recently approved by Congress allows members of the military to participate in the federal Thrift Savings Plan (TSP). The TSP, which is similar to the 401(K) plans offered by private corporations, allows participants to invest pre-tax dollars in a special account where the invested money and any earnings are not taxed until they are withdrawn. Beginning in late 2001, military personnel were allowed to contribute up to 5% of their base pay to their TSP. In addition, they can contribute all or part of any special or incentive pay they earn, provided their total contibutions do not exceed the limits set by the Internal Revenue Service. This latter provision is considered to be especially attractive to those military personnel serving in retention critical specialities. These people often receive large retention bonuses or incentive pays to encourage them to continue military service; however, these bonuses and special pays are not considered to be part of the salary base for calculating retired pay. By allowing these people to deposit all or part of their bonuses and special pays in a TSP, they can enhance their retirement income. At this point, however, the effect of the TSP on military retention is unclear. Some have argued that it will have a negative effect on retention by providing military personnel with a sufficient retirement "nest egg" to leave the service after ten or fifteen years.

Congress has also responded to retention shortfalls in the military by substantially increasing the amount of money available for re-enlistment bonuses, officer retention bonuses, and various special and incentive pays. For example, Congress provided more money than the Services requested for Selective Reenlistment Bonuses in fiscal years 1999-2001. The 106th Congress increased the maximum amount of the active duty re-enlistment bonus from $45,000 to $60,000 and established a special retention bonus for members of armed forces qualified in critical military skills.[59] The 106th Congress also established, extended and/or increased bonuses, special pays, and incentive pays designed to retain personnel in critical military occupations such as aviation, health care, special warfare, and naval surface warfare.[60] The 107th Congress authorized an accession bonus of up to $100,000 for new officers in certain critical skill areas and provided authority to the Services to allow the transfer of GI Bill benefits from an enlisted person in a critical skill areas to certain family members as a reenlistment incentive.[61]

The Executive Branch Response. The executive branch has been very involved in developing policies aimed at improving military retention. In addition to recommending and/or supporting the legislative policy changes mentioned above, the various military Services have also enacted administrative policies designed to improve retention rates. The most notable of these efforts have been those directed toward better managing personnel tempo[62] (PERSTEMPO), reducing manpower shortages in units, and improving military housing.

Perhaps the most well known PERSTEMPO management initiative has been the implementation of the Expeditionary Aerospace Force (EAF) concept by the Air Force. The EAF, established in 1999, established ten "packages" of Air Force units, known as Aerospace Expeditionary Forces (AEFs). At any given time, two of these AEFs are "on call" for deployment to handle ongoing military operations; the other eight are conducting normal training and operations. Every three months, two new AEFs rotate into "on call" status. This system provides Air Force personnel with greater stability, provides more planning time for deployments, and better distributes the burden of deployment throughout the Air Force.

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[59]P.L 106-65, section 618, National Defense Authorization Act For FY2000, October 5, 1999. P.L. 106-398, section 633, National Defense Authorization Act For FY2001, October 30, 2000.

[60]P.L 106-65, section 612-629, National Defense Authorization Act For FY2000, October 5, 1999. P.L. 106-398, sections 622-634, National Defense Authorization Act For FY2001, October 30, 2000.

[61]P.L. 107-107, section 621 and 654, National Defense Authorization Act For FY2002, December 28, 2001.

[62]Personnel Tempo, or PERSTEMPO, is the rate at which military personnel are deployed away from their home station. Until recently, this was usually measured on a unit basis, rather than an individual basis. However, due to a 1999 law passed by Congress (P.L.106-65), each of the Services now track the personnel tempo of each individual. This rate of individual personnel tempo is commonly referred to as ITEMPO. ITEMPO is simply a specific way of measuring PERSTEMPO.

Another important PERSTEMPO management tool has been the increased use of Reserve Component forces, especially by the Air Force and the Army. In the Cold War era (1946-1989), reservists were involuntarily activated for federal service in military operations[63] four times, an average of about once every decade. In the post Cold War era (1990-2001), reservists have been involuntarily activated for federal service in military operations six times, an average of about once every two years Additionally, the Services are also making increased use of reserve volunteers to help them conduct operational missions. Moreover, reserve units are increasingly being tasked with missions formerly reserved for active duty units. For example, the Army made a historic decision when it selected the 49th Armored Division from the Texas Army National Guard to serve as the headquarters element for the Bosnian peacekeeping mission in 2000. The Army also selected six other Army National Guard units to serve as the headquarters element in Bosnia during later rotations. More recently, a National Guard infantry battalion was mobilized to take part in the Multinational Force and Observers mission in the Sinai, a mission normally performed by active component forces.

Another area where the Services have taken action is in attempting to reduce manpower shortages in units. All of the Services have become more aggressive in bringing former military personnel and reservists onto active duty. Different ways of using existing manpower are also being tried. For example, the Army launched a "man the force" initiative designed to fill combat divisions by transferring individuals from non-combat units, such as the Training and Doctrine Command, to billets in the Army's divisions, armored cavalry regiments, and certain "early deploying" units.

Improving military housing has been designated as a top priority by the Department of Defense and the various Services. As mentioned previously, the Department of Defense is in the midst of a multi-year plan to raise the Basic Allowance for Housing to 100% of the average rental cost. DOD has also requested substantial increases in the amount of money appropriated for military housing in FY2002. In comparison to the funds appropriated in FY2001, DOD requested a 60% increase in military construction funds for barracks, dormitories, and similar facilities, and requested a 13% increase in funds for family housing. Congress approved these requests and added funds for additional housing projects.[64] Finally, the Services are also making increased use of their authority under the Military Housing Privatization Initiative, a congressionally authorized program, to produce commercially owned and operated housing for military personnel.[65]

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[63]This category excludes those reservists who served on active duty under voluntary orders or annual training orders and excludes members of the National Guard serving in a state status. Additionally, with the exception of those mobilized in response to the terrorist attacks of September 11th, it excludes involuntary activations of reservists for domestic reasons, such as responding to civic disorders. For more information on this topic, see CRS Report RL30637, *Involuntary Reserve Activations For U.S. Military Operations Since World War II*, by (name redacted).

[64]P.L. 107-64, Military Construction FY2002 Appropriations Act, November 5, 2001.

[65]For more information on the Military Housing Privatization Initiative, see CRS Report RL31039, *Military Housing Privatization Initiative: Background and Issues*, by Daniel H.

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Results. The retention initiatives taken by both Congress and the executive branch appear to be bearing some positive results, but there are still areas of concern. With respect to retention of enlisted personnel generally, the Army and the Marine Corps appear to be doing fairly well; however, the Air Force continues to experience retention rates that fall short of its 2nd term and career goals, and Navy retention rates, while improving in FY2001, still bear watching. With respect to retention in critical specialties, the available data indicate that this continues to be a cause of concern for the military. Recent increases in reenlistment bonuses, officer retention bonuses, and various special and incentive pays, along with the general slowing of the economy and the surge in patriotism following the September 11th terrorist attacks, have probably mitigated this problem somewhat, but the proof (i.e. the data) is not yet in. With respect to officers in the O-3 paygrade, there has been no massive exodus from the services in recent years, but they are exhibiting a somewhat lower than normal retention rate. Retention rates for officers in the 0-4 paygrade are little different than they were before the drawdown began.

Factors That Could Cause Shortfalls in the Future. Despite the recent improvements in military retention, a number of factors could change these trends. Perhaps the most significant is the increasingly demanding retention environment created by the small cohorts of new accessions brought in during the drawdown era of the 1990s. Other variables include future PERSTEMPO levels and the state of the economy. Each of these is discussed below.

Factor #1: Comparatively Small Size of Certain Retention Cohorts. As mentioned earlier in this report, during the post-Cold War drawdown of the early to mid-1990s, the Army, Navy and Air Force reduced their accessions below the level needed to sustain the force as a way of meeting their endstrength goals. As a result, the cohorts that entered the services during these years are comparatively small. These smaller cohorts will create a more challenging retention environment in future years when the comparatively low number of recruits in these cohorts finish their enlistments and begin to make retention decisions. In order to meet their needs for mid-level enlisted personnel, the affected Services will need to achieve a higher than normal retention rate. This factor is even more of an issue in certain retention critical specialties. According to Vice Admiral Patricia Tracey, deputy assistant secretary of defense for military personnel policy, the Services will need "virtually a 100% continuation rate"[66] to sustain normal manning in certain specialized skill areas.

Factor #2: PERSTEMPO Level. Another factor that could negatively impact retention rates would be a high PERSTEMPO level. Although deployments can have a positive effect on retention, studies indicate that after a certain threshold level, high PERSTEMPO levels have a negative effect on retention.[67] While it is

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[66]Cited by Jim Garamone,, "DOD Working On Retention Challenges,"*American Forces Press Service*, May 9, 2001.

[67]See for example James Hosek and Mark Totten, *Does Perstempo Hurt Reenlistment? The* (continued...)

difficult to assess just where this threshold level is, it is possible that future increases in PERSTEMPO levels could have a negative effect on retention.

Factor #3: Competition With Civilian Employers. The United States is currently in the midst of an economic slowdown. This benefits military retention, as it reduces the attractiveness of leaving the military. However, as the economy tends to follow a cyclical trend, it is likely that the currently sluggish economy will be replaced in the not too distant future by a more robust one. Such a revival would create more civilian employment opportunities for military personnel and could create a more challenging retention environment. On the other hand, the vicissitudes of the economy may lead some military members to view the security of a military career with greater appreciation.

Options for Congress. There are a number of options that Congress could consider to address retention shortfalls. Below is a list of policies that could be used to respond to one or more of the factors mentioned above, grouped under four broad headings.

More Competitive Pay and Benefits. This response could be effective if it appeared that serious retention shortfalls were being caused primarily by increased competition with civilian employers. As mentioned previously, aggregate retention rates in the military are the product of thousands of individual decisions on whether or not to stay in the military. These individual decisions, it is believed, are based on the individual's answer to one basic question: "Would I be better off if I stayed in or left the military?" A major factor in this calculation is military compensation – pay and benefits – or, more specifically, the perceived value of military compensation relative to civilian compensation.

Pay. Across-the-board pay raises would be an option to improve the perceived competitiveness of military compensation. However, they are expensive and some argue that they are inefficient because they give raises to people in pay grades or occupational specialties that do not have retention shortfalls. Another option would be to target pay raises towards retention critical pay grades. This can also be problematic, however, as it can distort the relationship between pay grades and minimize the incentive to get promoted. For example, targeted pay raises might enable lower ranking members to make nearly as much higher ranking members, a phenomenon known as "pay compression," or more than higher ranking members, a phenomenon known as "pay inversion." Another option, should Congress view this as a problem, would be to increase total pay in a targeted manner by increasing re-enlistment or retention bonuses for those in retention critical occupational skills, pay grades, or retention cohorts. It might be considered if the projected shortfalls occur due to the comparatively small size of certain retention cohorts mentioned above.

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Effect of Long or Hostile Perstempo on Reenlistment, RAND, 1998; Paul Sticha, Paul Hogan and Maris Diane, *Personnel Tempo: Definition, Measurement, and Effects on Retention, Readiness and Quality of Life*, Army Research Institute, 1999; and Peter Francis, *OPTEMPO and Readiness*, Center for Naval Analysis, 1999.

Benefits. With respect to benefits, the military currently offers a number of valuable benefits to servicemembers, including health care, a generous non-contributory retirement plan, educational benefits, subsidized grocery stores, and free or inexpensive access to various recreational facilities. Congress might consider enhancing these benefits or expanding certain benefits to family members.

Retention officers and career counselors will often repeat the adage that "individuals enlist, but families reenlist." This summarizes the belief that servicemembers' decisions are profoundly affected by the attitudes of their spouses and children. In light of this, an option to encourage retention would be to provide more benefits to family members, particularly spouses. For example, Congress recently gave the Services the authority to allow certain military personnel to transfer their GI Bill benefits to their spouse or children as a reenlistment incentive. While this will likely increase the cost of the GI Bill program – as the benefit likely will be utilized more often – it arguably provides family members with a significant incentive to endure the hardships of military family life. If this program is successful, it may be worth further consideration. The Department of Defense has opposed efforts to transfer GI Bill benefits to family members in the past on the grounds that it is an untested concept, could be very expensive, and could hurt recruiting efforts in the future because children of servicemembers, who are an excellent source of recruits, would not need to join the service to acquire GI Bill benefits.[68] However, Deputy Secretary of Defense Paul Wolfowitz indicated at his Senate confirmation hearing in 2001 that he favored expanded family educational benefits.[69]

Increased Funding For Operations And Maintenance. One of the issues commonly cited as a cause of retention shortfalls is decreased job satisfaction. There are several components to this sense of dissatisfaction, not all of which are easy to resolve through congressional action. Dissatisfaction over the level of resources provided could be addressed by Congress if it were deemed a major problem. Increasing the amount equipment, spare parts, ammunition, fuel, and related supplies might mitigate a significant source of job dissatisfaction among some military personnel. However, increasing funding of operations and maintenance accounts might have a negative impact on other budgetary priorities.

More Flexible Career Paths. Another strategy for improving job satisfaction, some analysts suggest, would be to make military career paths more flexible, thereby giving military personnel more control over their professional development. At present, the military personnel system usually requires servicemembers to serve in a fairly rigid progression of assignments, involving frequent moves and constant rotation into new jobs. Some have argued that this system should be modified to allow individual's greater involvement in their duty assignments; for example, by allowing them to stay longer at a given assignment or in a given pay grade if they so desire. On the other hand, longer tours would mean that military personnel would receive a narrower array of job experiences during the

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[68]Rick Maze, "Pentagon Opposes GI Bill Transfer To Family Members," *Army Times*, September 11, 2001, 10.

[69]Vince Crawley, "Expanding GI Bill Gets DOD Support," *Marine Corps Times*, March 12, 2001, 20.

course of their careers, and staying longer in a given pay grade could reduce promotion rates for more junior personnel.

Another option might be to expand current programs that allow military personnel, usually officers, to earn an advanced degree at a civilian university or to learn the best business practices of a given industry by working for a corporation while remaining on active duty. In exchange for this opportunity, the servicemember must agree to serve a specified number of years in the military at the completion of the program (generally the service obligation is three years for every year in the program). This type of program might be extended to more officers and enlisted personnel as well. The military could benefit from this both by obtaining substantial service obligations from participating servicemembers and by obtaining better educated or more highly trained employees. The downside, of course, is that servicemembers are unavailable for military duties while enrolled in these programs. A less expensive variation of this would be to allow unpaid sabbaticals for a year or eighteen months to allow military personnel to take a break from military life without damaging their careers. This option might be an especially useful tool for retaining those who basically enjoy military life, but who have need a temporary break in service to attend to family problems or to recover from "burn out."

Reduced PERSTEMPO Levels. This response would likely be effective if retention shortfalls were caused primarily by dissatisfaction with high rates of deployment away from home station. PERSTEMPO management is generally considered to be an executive branch function, but Congress certainly has the ability to influence PERSTEMPO levels in a number of ways. Two of the most obvious are providing funding for fewer military commitments or, alternatively, increasing the number of military personnel available to handle existing or future commitments. Other options frequently mentioned include requiring greater use of Reserve Component forces or civilian contractors. Another option, often mentioned with respect to the various Services "transformation initiatives," would be to promote the procurements of various systems that reduce the demands on military manpower. For instance, plans for a new Navy destroyer call for a crew of about 95 people, as compared to a crew of more than 300 for current Navy destroyers.