

**NOT FOR PUBLICATION UNTIL RELEASED BY
THE HOUSE ARMED SERVICES COMMITTEE**

JOINT STATEMENT OF
VICE ADMIRAL GERALD L. HOEWING, U.S. NAVY
DEPUTY CHIEF OF NAVAL OPERATIONS
(MANPOWER, PERSONNEL, TRAINING AND EDUCATION)
AND
VICE ADMIRAL JOHN G. COTTON, U.S. NAVY
CHIEF OF NAVY RESERVE
BEFORE THE
MILITARY PERSONNEL SUBCOMMITTEE
OF THE
HOUSE ARMED SERVICES COMMITTEE
ON
RECRUITING AND RETENTION

19 JULY 2005

**NOT FOR PUBLICATION UNTIL RELEASED BY
THE HOUSE ARMED SERVICES COMMITTEE**

Mr. Chairman, and distinguished members of the subcommittee, we appreciate the opportunity to appear today to offer an update on the state of Navy, active and reserve, recruiting and retention. It is particularly gratifying to have this additional opportunity to meet with you, as it allows us, prior to conference on the National Defense Authorization Act for Fiscal Year 2006, to share the progress we are making in integrating Navy's active and reserve components, and how that is enhancing Navy's total force readiness

We would like to emphasize at the outset, our collective appreciation, on behalf of all Navy men and women, active and reserve, civilian and contractor, for your sustained and unwavering support for our efforts and for significant quality of service improvements, largely attributable to your steadfast commitment to us and to our mission.

ACTIVE NAVY

Navy personnel readiness remains high as we continue to meet retention goals across most zones. We are continuing to emphasize retention, increasing reenlistment rates and reducing attrition, and our efforts are yielding favorable results. Attrition across all zones remains at historical lows. Enlisted retention remains strong. To date in FY05, our zone A (0-6 YOS) reenlistment rate is 57.1 percent, with a goal of 53 percent, in contrast with an FY04 cumulative rate of 56.0 percent. The current FY to date zone B (6-10 YOS) reenlistment rate is 66.2 percent, while zone C (10-14 YOS) is at 85.6 percent, with goals of 69 percent and 85 percent, respectively. We are making very good progress in working toward attainment of these goals by end of FY05.

Sustained success on the retention front has allowed us to continue focusing on quality and being more selective in our retention and recruiting efforts. While aggregate Navy strength continues to decline to match force structure and mission, we are able to refine the shape and skill mix of the force to respond to new technology and emerging requirements. The competitive environment we established for reenlistment enables us to more effectively shape the force by retaining our strongest performers. We have the most educated and capable force in the history of the Navy. We continue to develop a more educated and experienced group of professionals to lead and manage an increasingly high-technology Navy.

In alignment with this competitive environment, we have created more detailed and precise reenlistment goals for our enlisted force. In previous years, we set aggregate percentages by zone. Now, Enlisted Community Managers have built and are tracking toward goals for each individual rating. Ongoing efforts provide improved accuracy and fidelity in inventory management. Rating health is directly related to our ability to influence retention behavior that supports fleet manning requirements throughout the career continuum. These initiatives are enhancing the Navy's ability to accurately target incentive programs to effectively shape the enlisted force. The numerical goal for zone A is just over 15,000, and we are adjusting target incentives to reach this number by the end of this fiscal year. This approach will ensure that we focus our efforts on retaining the right sailors with the right skills.

To ensure that the right numbers of strong performers reenlist in the right ratings, we are combining the desired reenlistment goals with the appropriate force shaping tools. We continue

to use the Perform-to-Serve program to align our personnel inventory and skill sets, and institutionalize the competitive aspect of the retention process. Since the inception of Perform-to-Serve, we have had almost 60,000 applicants. More than 4,500 capable sailors have been steered to undermanned ratings, and more than 47,000 sailors have been approved for in-rate reenlistment. We view separation as a last option for personnel in overmanned skill areas only after exhausting the feasibility of moving them into undermanned skills. Perform-to-Serve is good for the sailor and good for the Navy. By moving sailors from overmanned skill areas to undermanned skill areas, we provide them with increased opportunities for training and advancement, while improving our skill mix and overall personnel readiness.

Targeted special pays are essential force shaping tools, which continue to have the most favorable impact on our reenlistment efforts. Fully-funding the Selective Reenlistment Bonus (SRB) account is essential to sustaining acceptable retention levels among personnel in our most critical skills. Focusing on retaining quality sailors and maintaining the right skill mix, we are targeting personnel in critical skills, who are costly to replace in terms of recruiting, training, and lost readiness. Sailors in many ratings have been given new opportunities to compete and grow in our institution through adjusted NEC-targeted Selective Reenlistment Bonuses. Special pays and bonuses constitute approximately six percent of the MPN budget, but enable Navy to cost-effectively meet personnel retention and manning objectives in terms of both quality (skill & performance) and quantity.

We use special pays to focus retention efforts for sailors who acquired and accumulated particular skills, qualifications, and certifications. For example, we use dive pay, for sailors who take increased risk or special duty assignment pay, for those who take on more responsibility. We also use assignment incentive pay for sailors who voluntarily accept assignments to challenging jobs, locations, or working conditions. Although Navy may not be able to compete dollar-for-dollar with the private sector, careful timing and targeting of bonuses and special pays continue to prove effective in incentivizing continued service. These tools deliver improved retention and a favorable return on investment.

In addition to various force shaping tools that are currently available to us, the Defense Authorization Request included a proposal for new Targeted Separation Incentives that are essential to Navy's ongoing force realignment. We seek your support for an integrated package of targetable voluntary separation incentives that could be offered to service members at various stages in their careers, beginning at six years and beyond, to be applied under Secretary of Defense authority, and which will allow us to more effectively and precisely shape the workforce under our emerging 21st Century Human Capital Strategy. Permitting various force shaping tools to be utilized concurrently would greatly enhance the incentive power of the incentives and would preclude the necessity of forcing sailors to go home after they have made a commitment and planned to serve for a full career.

Through career management symposiums, Navy's Center for Career Development, together with enlisted assignment detailers, continues to have a significant impact on retention as they deliver career information to sailors one-on-one in every fleet concentration area each year. Addressing more than 50,000 sailors in FY04 and more than 30,000 sailors to date in FY05 on career opportunities, pay, compensation and retirement benefits and the advantages Sea Warrior

offers our people, these symposiums directly impact sailors' decisions to stay Navy. Likewise, a strong communications effort that includes Direct to Sailor television spots, Navy Newsstand articles and media interviews continues to reach sailors ashore, at sea and overseas with timely career information.

We are succeeding in shaping the force, but there is more work to do. Since our enlisted force is not homogenous, our incentives toolkit must simultaneously address the need to recruit, retain, distribute, and assign. In the future, we anticipate the need to expand our force shaping tools, and we will rely on even more "surgical" force shaping as the Navy seeks to become more efficient and avoid any skill or experience imbalance in a smaller force. By necessity, the military personnel system is primarily an internal labor market where we grow our own. Accordingly, unanticipated under and over-manning can and will occur due to changes in manpower requirements, changing retention, and world events.

We are working to expand our successful Perform-to-Serve Program to include all of Zone A. Since our primary consideration is given to shifting personnel from overmanned skill areas to undermanned skill areas through retraining and lateral conversion, we are evaluating possible expansion of this tool to Zone B. Where appropriate, we are emphasizing the process where separating active component personnel can transition to the reserve component. We are focusing our efforts to ensure that Reserve Affiliation remains a priority. We are also supporting inter-service transfer programs like the Army's Blue-to-Green initiative to generate Regular Army enlistments. This program enables the Army to tap into the skills and experience of personnel from the other Services. For Navy, this provides sailors who separate under Perform-to-Serve, High Year Tenure or who voluntarily choose to leave the Navy, with the opportunity to continue serving the country, while helping Army fill valid requirements with highly trained, disciplined, dedicated, and patriotic professionals. To date, over 118 enlisted sailors have transferred to Army via the Blue-to-Green initiative.

We are proud of the progress we have made in enlisted retention...and we continue to break new ground. We will use the tools and policies that have served us well, abandon those that do not, while planning a comprehensive set of force shaping tools and policies for future years that take us to the desired end-state, creating the most educated, experienced force to support future combat readiness.

NAVY RECRUITING

Operation Single Force

Commander, Navy Recruiting Command has continued the process of consolidating active and reserve recruiting functions, which we began in Fiscal Year 2003. In FY04, we conducted several pilot programs to evaluate the impacts of the organizational change on active and reserve accession missions. As a result, as of February 2005 all recruiting activity has been consolidated under 31 Navy Recruiting Districts. Additionally, the FY04 budget merged active and reserve component recruiting Operations and Maintenance accounts. Through this unity of effort, we expect to maximize effectiveness and realize operational efficiencies. Throughout

FY05, we have continued to identify potential enterprise-wide savings by streamlining the organization and eliminating excess overhead.

Enlisted Recruiting

Navy is on track to achieve its accession mission of 37,635 recruits in FY05. Navy has set the quality goals above the Department of Defense minimum standards, and will meet or exceed both the 95 percent high school diploma graduate quality goal and the 70 percent Test Score Category I-III A goals. We expect the accession mission be approximately 38,550 in FY06 and that it will remain closed to that level in future years. Recent recruiting success has provided Navy with a healthy Delayed Entry Program pool, and we expect to begin FY06 with close to 60 percent of the year's accessions already identified. We believe the strong DEP position will enable us to achieve the larger mission, but expect recruiting to become increasingly more challenging as the economy continues to improve.

In recent years, Navy has enjoyed historically high success in retaining its sailors beyond their initial enlistment. While this has been a boon to the active duty forces, it has hampered recruiting into the Navy Reserve, since individuals with prior Navy service represent our primary source of recruit applicants. This is particularly true in certain jobs for which we have large recruiting goals. For example, the recruiting goal for Seabees is 3100; but in the last 32 months only 4600 sailors in this skill set, who are eligible for reserve duty, have separated from the Navy. The Active and Reserve recruiting consolidation has allowed Navy to shift resources in (both recruiters and advertising dollars) from the active mission to the reserve mission for this Fiscal Year. In spite of this, we may not meet our FY05 affiliation goal. Reserve affiliation in FY06 will be aided by the first sailors who entered Navy under the National Call to Service (NCS) program, will complete their Active duty commitment and begin to enter the Reserve force. As Navy is contemplating a smaller Active force the prior service pool will become even smaller, which highlights the importance of rethinking the way we recruit and train those without prior service into the Navy Reserve.

National Call to Service

NCS has been fully integrated into Navy's recruiting, training and manpower management programs, beginning with the first sailor recruited into the program in May 2004. Navy is utilizing short-term contract NCS program predominantly in support of future manning requirements in the Selected Reserve force. The FY05 NCS goal is 1,899 and for FY06 2,341. The number of NCS contracts and skills included in the program are at the Secretary's discretion. In FY06, Navy's NCS goal continues to primarily target ratings essential to meeting Global War on Terrorism requirements - 1,340 Hospital Corpsman and 650 Master-at-Arms (Force Protection). The remainder will be accessed into one of 31 other ratings in which valid requirements exist. NCS accessions are limited to Upper Mental Group status (above the 50th percentile on Armed Services Vocational Aptitude Battery (ASVAB)). There are currently 1,533 NCS sailors on active duty. The first NCS sailor will release from active duty and affiliate with Navy Reserve in November 2005. Others will follow after completing the required 15 months active duty following required formal training.

Recruiter Misconduct

Over the last five years, Navy has significantly increased enlistment qualifications and is holding both recruits and recruiters to a higher standard. However, recruiter integrity (and misconduct) is something we watch closely. We take every allegation of misconduct seriously. We have an aggressive series of internal controls designed to spot early symptoms. These include an auditing program for those in the Delayed Entry Program and those entering recruit training. We recently added a number of questions to a questionnaire completed by new recruits to permit them to voice concerns if they experienced or observed any possible recruiter improprieties during their processing into the Navy. We also conduct ongoing group and individual training to maintain our high standards of conduct.

The integrity and reputation of Navy recruiters are vitally important to our success. In light of increasing concerns about possible recruiter misconduct, Commander Navy Recruiting Command recently directed recruiters to contact all 28,000 applicants in the Delayed Entry Program, as well as their parents or other influencers, to ensure they were completely comfortable with the process that has them joining the best Navy the world has ever seen. As you know, even a very small number of recruiter improprieties can have significant, adverse, consequences to Navy-wide recruiting efforts. Our goal is to ensure every recruiter understands his or her responsibility to unflinchingly uphold our credo of “Honor ~ Courage ~ Commitment”.

Recruiter Access to Schools

Access goes right to the heart of our ability to recruit and is a matter of fairness to students about to enter the job market. The No Child Left Behind Act has contributed to the Navy's enjoying reasonably good access to schools and students. However, we are now seeing a small spike in anti-war activism in several regions targeted toward school boards and secondary school administrators, seeking to deny recruiters access to schools. Thus far, administrators seem to be taking a balanced approach to their responsibilities and our access remains good. Continued, or expanding, activism could create additional challenges to our success should it result in limiting our access.

DOD Directory Information List

Direct mail advertising constitutes a small but important amount of service advertising efforts. To avoid duplicating resource expenditures, the Office of the Secretary of Defense has coordinated collection of mailing lists. Navy believes this is a cost-effective approach and has never used this list for anything other than direct mail. Should development of this list be discontinued, Navy would be compelled to incur costs associated with developing lists for direct mailing. Although the list may or may not include Social Security Numbers, Navy has never been given a list that includes them, nor do we use that information.

NAVY RESERVE

Enhancing Readiness Through Integration

Navy's Reserve Component (RC) is more aligned and integrated with the Active Component than ever before. We are Ready, Responsive and Relevant in support of Navy and Joint Forces in the Global War on Terrorism (GWOT).

We are completing transformation of the Navy Reserve from a strategic, standby force to an integrated and engaged operational force. As a result of ongoing Navy active and reserve integration, Navy Reserve support will increasingly take the form of individual sailors augmenting active component forces, over the traditional approach of mobilizing as entire RC units. Continuing to refine our ability to meet the "demand signal" selectively, vice en masse, will greatly ease the burden on the Reserve Component and will provide many more capabilities and opportunities for Reservists to serve.

To enable this fully integrated support to the fleet the Navy Reserve goal is to place the right person with the right skills in the right place at the right time. To accomplish that, we are focusing Navy Reserve recruiting, training and retention efforts to produce a force with the proper balance of skill sets. The first priority is to retain members in critical skills, retrain and covert members in overmanned skills where possible, and recruit and train new members to fill any remaining vacancies. As noted previously, the Navy Reserve faces several unique challenges in recruiting the right skill sets, particularly with the current successes in Navy Active Duty Retention. Consequently, Navy must pay particular attention to its own RC retention efforts.

Navy Reserve's focused attrition rate is currently 16 percent. The good news is that we have not seen any increase in our focused loss rate due to operations in Iraq, Afghanistan or elsewhere in the GWOT. However, it is a higher loss rate than we find acceptable. We are working aggressively to bring our focused attrition rate down to 11 percent. To close the current gap we are employing a variety of Force Shaping Tools (FST), which will allow the Navy Reserve to reach and maintain its Zero-Based Review (ZBR) validated end strength of 73,100 Sea Warriors. Additional FSTs are designed to target the technical rates that the Navy Reserve is using in the GWOT. Rates such as Medical Corpsmen, Combat Service Support, Special Forces and Naval Coastal Warfare rates are in high demand and have low manning density. The FSTs Navy Reserve needs fall into three broad categories, standards, training and incentives.

Navy is getting tough on Physical Training and Medical Standards. Navy Reserve sailors must be ready to mobilize on short notice. They don't have time to get in shape for war after the deployment order comes. As the CNO said in a recent message announcing new fitness standards, "Fitness is a readiness issue. We are a world-wide deployable force operating under the fleet response plan and we must be prepared to deploy at a moment's notice".

In the RC, every opportunity to train is extremely important. Our newest recruits need to experience full Navy Boot Camp, with fully integrated classes of AC and RC recruits. This will

produce junior RC sailors ready to mobilize as soon as they begin drilling and provide for their seamless integration with their counterparts in the fleet.

The transition to an expeditionary operational force requires that we re-train some of our sailors in the skills most needed to support the GWOT. Navy has quantified the number of Reservists and types of skills it needs. In many cases we have people who want to serve and mobilize but whose skill sets are not optimized for the Navy's GWOT role. There are also sailors who leave the AC and want to continue to serve in the RC but whose skill sets do not match Navy's needs. The Navy Reserve needs the FSTs to train these volunteers in required skills.

Focused incentives will allow the Navy Reserve to improve retention of the people who are already trained in critical skill sets, encourage existing sailors to acquire those skills, and attract new recruits into these undermanned fields. These incentives come in a variety of forms ranging from cash bonuses to increased education benefits.

Quality of Service is just as important to retaining and recruiting the Navy Reserve Force. Pride in our nation and our way of life, and defending the freedoms we hold so dearly, especially during times of war, are the primary reasons American men and women serve. We consistently find that reenlistment rates are highest among units that are closest to the engagement. The more opportunities our sailors have to perform the missions for which they have trained so arduously, the greater their capabilities. It is these men and women, our most capable sailors, who are making the career decision to stay Navy. .

CONCLUSION

The dedicated men and women of the United States Navy continue to perform with distinction around the globe, ensuring worldwide presence in executing the Global War on Terrorism. Together, we must continue to explore ways to enhance Navy's capacity to fulfill the National Military Strategy and meet emerging mission requirements. Navy's Active and Reserve Team is working very hard toward this goal. Your continued support for our integration and force-shaping efforts is providing the tools we need to meet the challenges we face in the 21st Century. Collectively, we are providing the means for projecting greater military capability, with greater effectiveness and efficiency, while enhancing national security, now and in the future.