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BEFORE

HOUSE ARMED SERVICES COMMITTEE

SUBCOMMITTEE ON MILITARY PERSONNEL

UNITED STATES HOUSE OF REPRESENTATIVES

FIRST SESSION, 109TH CONGRESS

JULY 19, 2005

NOT FOR PUBLICATION

UNTIL RELEASED BY THE

HOUSE ARMED SERVICES COMMITTEE

Chairman McHugh, Representative Snyder, distinguished Members of the Committee, thank you for the opportunity to appear before you today on behalf of America's Army. The United States Army owes its success to the All-Volunteer Force, which provides the high-quality versatile young Americans we depend on to serve as Soldiers. This is the first time in our history in which the Nation has tested the All-Volunteer Force during a prolonged war. Determining the kind of All-Volunteer Army we need and developing the environment, compensation, education, and other incentives to keep it properly manned may be the greatest strategic challenge we face.

The Army continues to face and meet challenges in the Human Resources Environment. In recent years, Congressional support for benefits, compensation and incentive packages has ensured the recruitment and retention of a quality force. Today, I would like to provide you with an overview of our current military personnel policy, and the status of our recruiting and retention efforts, and our proposed incentive packages as they relate to maintaining a quality force.

Recruiting

Recruiting Soldiers who are confident, adaptive, and competent; able to handle the full complexity of 21st century warfare in this combined, joint, expeditionary environment is highly competitive and very challenging. The competition with industry, an improving economy, and lower unemployment coupled with a decrease in support from key influencers have added to the challenges of recruiting solid candidates.

As we noted previously, we continue to experience recruiting challenges across all components. The Active Component finished June 2005 at 109 percent accomplished with a year to date achievement of 86 percent. The United States Army Reserve finished June 2005 at 101 percent accomplished with a year to date achievement of 85 percent. The National Guard finished June 2005 at 86 percent accomplished with a year to date achievement of 77 percent. We will likely miss recruiting missions for all three components.

Minority recruiting is also a critical piece of the over all recruiting mission. There has been a softening in propensity over the past 18 to 24 months for African-American and Hispanic recruits. Recruiting command continues to focus on minorities through their advertising and marketing campaigns. To ensure a diverse Army that represents America's population the Army uses advertising in popular publications and on radio in ethnic markets. We participate in special ethnic events such as Cinco de Mayo as well as groups such as the National Urban League and the U.S. Hispanic Leadership Institute. These opportunities provide prospects the exposure to Army and an opportunity to meet our great Soldiers.

Recruiting For the Future Force

The Army's recruiters are most effective when given the proper tools such as incentives and advertising. The recruiting environment remains a challenge in terms of economic conditions and alternatives. Therefore we have increased our resources, including additional recruiters, incentives, and advertising as necessary to compete in the current and future markets and to ensure annual goals are met. For all components we have added 3,349 non-commissioned officers to serve as recruiters. Distributions of these 3,349 additional recruiters are as follows:

1,215 for the Active Army, 734 for the Army Reserve, and 1,400 for the Army National Guard.

The Army's focus is recruiting high quality men and women to serve as Soldiers and to answer our Nation's call to service. Though we may not achieve the quality goals at the end of each month, we expect our quality marks to be at the Army goal at the end of the year. Our quality mark goals have not changed and remain 90 percent High School Diploma Graduate, 67 percent Test Score Category I-III A and two percent Test Score Category IV. We also are examining what policies need to be updated and better aligned with today's population, such as maximum age limitations, as well as the Call to Service 15-month plus training enlistment option. In expanding the age limitation to 40, we have enlisted an additional 487 Army Reserve and National Guard Soldiers.

Incentives include Enlistment Bonuses, the Army College Fund, the Loan Repayment Program, and the Army Home Ownership Fund

Bonuses are the primary and most effective tool for MOS precision fill. The Army must maintain a competitive advantage to continue to attract high quality applicants. The Army offers a range of bonuses that pay up to \$20,000 to qualified recruits. These bonuses are geared to the special needs of the Army and our applicants. The bonuses help us react to current market conditions and competitors, today and tomorrow. We are able to use the bonuses to target critical skills, the college market, and "quick-ship" priorities.

We thank the House for raising the enlistment bonus to \$30,000 for the Active Components and \$15,000 for the Reserve Components. Army Recruiters utilize a suite of incentives to motivate applicants to enlist for

hard-to-fill jobs and to start training for that job as soon as training courses are available. Improved economic conditions and the Global War on Terror have rendered the current maximum caps for all components too low. There is a need in the Active Army and both Reserve Components for the means to attract prospective Soldiers with a reasonable and effective incentives package. The mix and amount of these individual incentives vary based on market conditions. Currently, the cost of these separate incentives can total in excess of \$30,000.

The Army College Fund is a proven expander of the high-quality market. College attendance rates are at an all-time high and continue to grow, with 68 percent of the high school market attending college within one year of graduation. The Army College Fund allows recruits to both serve their country and earn additional money for college.

The Army College fund primarily targets those who have not yet gone to college, while the Loan Repayment Program is the best tool for those who have college education credits and student loans. The Loan Repayment Program, maximum of \$65,000, is another incentive to entice high-quality recruits from a difficult recruitment market. In fiscal year 2004, 24 percent of our recruits had some college education credits.

We appreciate your additions to the House Authorization bill for the \$1,000 referral bonus and an eight-year enlistment option. Additionally, I ask that the committee understand that this is not a static market. Therefore the Army as well as the DOD leadership must continue to be able to approach you for changes in our enlistment options.

Research indicates a potential high interest among young adults to enlist and from serving Soldiers to re-enlist if provided an incentive to purchase a home. As such, the Army is exploring the creation of an Army Home Ownership Fund to attract and retain America's best. An Army Home Ownership Fund has the potential to rival the attractiveness of the Army College Fund.

Enlisted Retention

Worldwide deployments and an improving economy impact on retention. All components closely monitor leading indicators including historic reenlistment rates, retirement trends, first term attrition, Army Research Institute Surveys, and Mobilization/Demobilization Surveys, to ensure we achieve total success.

Moreover, all components are employing positive levers including Force Stabilization policy initiatives, updates to the reenlistment bonus program, targeted specialty pays, and policy updates to positively influence retention program. Ultimately, we expect to achieve FY05 retention success in the Active Army, the Army National Guard, and the United States Army Reserve.

In FY05, the Active Army must retain approximately 64,162 Soldiers to build to desired manning levels. This is an increase of 8,000 over last year's mission and we are on glide path and ahead of last year's pace. We remain confident that we will achieve all assigned retention goals. Thus far, the Active Army has achieved 106 percent of year-to-date mission, while the Army Reserve has achieved 102 percent and the Army National Guard has achieved 106 percent of year-to-date missions. Along with the appreciation and accolades of the American public, a robust bonus program will facilitate achievement of our retention goals.

Maintaining A Quality Force Through Incentives

The Active Army has achieved all retention goals for the past five years, a result that can be directly attributed to the patriotism of our Soldiers and enhanced by the Army's Selective Reenlistment Bonus (SRB) program. The Active Army retained 60,010 Soldiers in fiscal year 2004, finishing the year 107 percent of mission. Both the Army Reserve and Army National Guard came in at 99 percent last year.

We continue to review our Reenlistment Bonus Programs and their association with the retention of sufficient forces to meet combatant commander and defense strategy needs. Retaining Soldiers directly engaged in the ongoing Global War on Terrorism is critical. We are aggressively awarding bonuses to eligible Soldiers who reenlist while deployed to Afghanistan, Iraq, or Kuwait. They can get up to \$15,000 tax-free. All components are benefiting from this program and we are realizing increased reenlistments among deployed Soldiers.

The Army is using Critical Skills Retention Bonus (CSRB) to retain the valuable experience of our senior Soldiers who are in high-demand, low-density critical skills such as Explosive Ordnance and Special Operations. Through June the Army has been able to retain over 660 of these high quality senior NCO's.

The Army fully appreciates the increase in the Reserve Component Affiliation Bonus for enlisted Soldiers to affiliate with a Reserve Component unit to a maximum of \$10,000 approved in the Supplemental request. This bonus will help the RC meet end strength requirements with seasoned, prior service Soldiers and in many case, battle-tested, combat veterans.

The Army continues to develop programs that address the unique challenges we face as an expeditionary force. The legislation authorized by Congress provides the flexible tools needed to encourage Soldiers to volunteer for difficult to fill assignments in less desirable places or to extend their tours in these places. This past year the Department of the Army implemented Assignment Incentive Pay (AIP) for Soldiers assigned to Korea. This program has been a tremendous success in providing Soldier stability while enhancing readiness for units stationed in Korea. To date, over 12,000 Soldiers: officer, warrant officer, and enlisted personnel have applied to serve an additional one or two year tours resulting in increased stability, predictability and improved readiness in Korea while reducing personnel turbulence Army-wide.

The Army has used Assignment Incentive Pay (AIP) as an incentive for voluntary and involuntary extensions for Soldiers serving in Iraq and Afghanistan. Using AIP in this manner provides flexibility in maintaining unit stability and retaining the necessary Soldier experience gained from serving in these countries.

Congressional authorization for increased special pay for our warfighters has allowed the Army to take care of Soldiers and their families serving in the most difficult and stressful duties. The increases to Hostile Fire Pay, Family Separation Allowance and authorization of per diem for family members of injured Soldiers, offers comfort and stability to our Soldiers while they serve in combat and recover from serious injury.

We continue to look for ways to compensate our Soldiers for the hardships they and their families endure and we appreciate your commitment in this regard.

Officer Recruitment

The Army has steadily increased basic branch accessions beginning in FY00 with 4000, capping at 4,600 for FY05 and FY06 to build a sustainable inventory to support Captain and Major requirements. The Army expects to meet its FY05 mission for active Army officer accessions through current commissioning sources (Reserve Officer Training Corps (ROTC), Officer Candidate School (OCS), United States Military Academy (USMA), and United States Army Recruiting Command). Reserve Component Lieutenant accessions present near and long-term challenges, but the numbers have improved significantly over the past few years, and are expected to continue to improve. For FY06, we anticipate recruiting challenges for all sources. We have increased our OCS Active Component mission for FY06 in an effort to meet the increased mission and are initiating several incentive programs designed to increase accessions and retention.

Officer Retention

The Army continues to monitor officer retention rates as an important component of readiness. The aggregate fill rate is at 102 percent as of May 2005. The projected attrition for Lieutenants and Captains for FY2005 is 7.73 percent. This projection is lower than the attrition for Lieutenants and Captains in FY04. The FY04 attrition rate equaled the historical attrition rate at 8.4 percent. The Company Grade officer attrition rate for FY03 was the lowest in the history of the all-volunteer force. I am encouraged that we have not seen any increase in the attrition of our young officers in any of the past three years.

Stop Loss

Based on the commitment to pursue the Global War on Terrorism and provide our combatant commanders with the cohesive, trained and

ready forces necessary to decisively defeat the enemy, required us to re-institute the Active Army Unit Stop Loss program and to retain the Reserve Component Unit Stop Loss program currently in effect.

Department of Defense guidance to the Services is to discontinue Stop Loss policies as soon as operationally feasible. The size of future troop rotations will in large measure determine the levels of Stop Loss needed in the future. Consequently, there is not a specific end date for the current use of Stop Loss. Initiatives such as Force Stabilization, Modularity, and our Active Component/Reserve Component rebalancing should alleviate much stress on the force and will help mitigate Stop Loss in the future. As of May 2005 (UPDATE), the current Stop Loss program affects a total of 14,082 Soldiers of all Components (Active Army – 7,986, Army National Guard – 2,480, and the United States Army Reserve – 3,616). We understand the stress this puts on individual Soldiers and are employing force stabilization to reduce that number.

FY06 Recruiting and Retention Budget

Both the FY05 and FY06 budgets for recruiting and retention were built on a base force of 482,400 Soldiers. The FY05 base budget for Active Component recruiting and retention was actually five percent less than the FY04 base budget since the Army was programmed for a slight decrease in end strength; however, the National Defense Authorization Act of 2005 authorized the Army to increase its end strength. To accomplish this end strength growth and to address the challenges in the current recruiting environment, we received and want to thank Congress for providing an additional \$572 million in supplemental funding for all components.

With this supplemental funding the Army will field an additional 1215 Active Component, 734 Reserve and 1900 National Guard recruiters. It will

provide the infrastructure support and means to place them in locations that will help expand the recruiting market. This supplemental funding will also allow continuation of our robust enlistment and retention incentive programs described earlier that are critical to making our end strength mission.

In comparison to the FY04 base budget, the FY06 base budget contains \$879 million for recruiting and retention: reflecting a 3% annual growth from FY04. In FY06, we fully expect to experience the same recruiting and retention challenges we have today. Since the FY06 base budget is programmed to fund 482,400 end strength, we intend to pursue supplemental funding in FY06. The request will also address the new realities of recruiting and retaining the all-volunteer force in a wartime environment.

Advertising Program

Today's recruiting marketing program recognizes all of the significant issues noted previously – the improving economy, the increase in end-strength, the need to find prospects - future Soldiers – who are capable of learning and performing their important, skilled rolls. The marketing must also address the most significant concern among prospects and their influencers – the risk of being in harm's way.

The recruiting marketing effort addresses the need to inform and educate prospects of the Value of Being a Soldier to motivate them to meet with a recruiter and gain the support of their parents. This education includes information about the tangible, often hi-tech skill training and educational benefits, discussed previously. It also includes the significant intangible benefits of leadership, teamwork and personal maturation so valued both in the Army and by the private sector. These attributes, and more, comprise the Value of Being a Soldier --- and all must be communicated persuasively.

The marketing effort recognizes this process is actually a continuum. It begins with the Army identifying audience groups that can become Soldiers and their influencers. It provides basic information in broad reach vehicles such as general market and ethnic market television, magazines and radio. These invite the prospects and influencers to learn more via communications channels that can deliver detailed information – channels such as direct mail, videos delivered in response to direct response television ads and the Army recruiting web site, “go-army.com” - our 24/7 information repository. And, as the most convincing source of information is from a peer who has “been there”, event marketing, both in the general market and the ethnic markets, provides face to face contact with Soldiers, while “go-army.com” provides that interaction on a virtual basis via Soldier stories and live “recruiter chat.”

Maintaining a strong presence year-round is vital, as there is no seasonality to the decision to serve in the Army. It is a decision that prospects and their parents consider at any time during the year. Persuasive marketing efforts, ever present, lead to that important face-to-face meeting with a recruiter.

Conclusion

To ensure our Army is prepared for the future, we need full support for our proposed policy issues and corresponding funding request.

Once again thank you for the opportunity to appear before you today. I look forward to answering your questions.