

COMBINED STATEMENT OF  
VICE ADMIRAL D. T. OLIVER, U.S. NAVY  
CHIEF OF NAVAL PERSONNEL  
AND  
DEPUTY CHIEF OF NAVAL OPERATIONS  
(MANPOWER & PERSONNEL)  
AND  
REAR ADMIRAL B. E. MCGANN, U.S. NAVY  
COMMANDER, NAVY RECRUITING COMMAND  
BEFORE THE  
SUBCOMMITTEE ON PERSONNEL  
OF THE  
SENATE ARMED SERVICES COMMITTEE  
ON  
RECRUITING/RETENTION  
24 FEBRUARY 1999

## **Introduction**

Mr. Chairman, members of the subcommittee, Admiral McGann and I appreciate this opportunity to appear before you to discuss the status and direction of Navy personnel programs. Last year, when we testified before this subcommittee we expressed concern about the Navy's recruiting and retention situation, stating that they were not only our biggest challenges but absolutely fundamental to our success in achieving satisfactory personnel readiness. And while we were then cautiously optimistic that we would be successful, unfortunately the factors that adversely impact retention and recruiting have persisted and in some instances intensified. These factors include; the very robust economy (Alan Greenspan calls it "the best economy in 50 years"), enduring, record low unemployment (28-year record), ever decreasing propensity for military service (Navy remains the lowest of the four Services), and an ever growing perception among Sailors of eroding benefits.

Because of the unanticipated severity of these factors and the application of too few resources too late in the year we missed our recruiting goal by 6,892 recruits causing us to further miss the Congressionally mandated end strength floor by 4,556 Sailors. Further, we have seen our enlisted retention continue to decrease in all categories (1<sup>st</sup>, 2<sup>nd</sup>, & 3<sup>rd</sup> term )and remain well below our required steady state objectives. With respect to officers, our Unrestricted Line communities (the warfighters), made up of aviation warfare, surface warfare, submariners and special warfare are all struggling to retain the required numbers to adequately man our ships, squadrons, submarines and aircraft.

While this paints a bleak picture, I am firmly convinced with your continued help in support of our personnel legislative initiatives we can turn the situation around and achieve success. This, however, will require immediate action and adoption of the full range of personnel initiatives that we are bringing forward. I am just as firmly convinced that doing anything less will lead to a severe personnel crisis and further contribute to personnel readiness declining to an unacceptable level. As Chairman Warner stated in his 8 February letter to the Secretary of the Navy, "We need to demonstrate to our service members that we do care and we are taking quick, positive action to improve their compensation benefits."

## **People And Personnel Readiness Are Paramount**

The perennial truth of military readiness is people are first and foremost – they are the single most important factor. In a 15 November 1998 White House address discussing the situation in Iraq, the President stated,

"In the century we are leaving, America has often made the difference between tyranny and freedom, between chaos and community, between fear and hope. In this case, as so often in the past, the reason America can make this difference is the patriotism and professionalism of our military."

As the current National Security Strategy states, the quality of our men and women in uniform will be the deciding factor in all future military operations, the linchpin to successfully exploiting our military capabilities across the spectrum of conflict. Therefore it is absolutely essential that we place the highest priorities on initiatives and

programs that ensure success in recruiting and retention - the heart and soul of military personnel readiness.

As I outlined in the introduction, a number of factors have made this challenge increasingly difficult and complex, including, a prolonged flourishing economy, record low unemployment, decreasing propensity to serve in the Navy and dramatically increasing college attendance. However, succeeding in both of these areas is absolutely vital to ensuring our continued readiness and our ability to execute the National Military Strategy. Since Fiscal Year (FY) 1995, we have been on watch looking for signs of a storm. Each year, we have monitored all our indicators and concluded that, while conditions were serious, they were tied to the drawdown and were not critical. Last year, with the drawdown nearly complete, we upgraded from a "watch" to a "warning." Our indicators clearly suggest that we are headed for a storm. Immediate course correction is required.

Decreasing fleet manning levels, coupled with consistently high levels of operational tempo are presenting tough challenges to Navy overall readiness. We currently have 15,000 gapped billets in the fleet, down from a high of 22,000 in September. These gapped billets, are a combination of an inventory shortfall of 3,000 Sailors and a distribution shortfall of another 12,000, and have caused the readiness of our non-deployed forces to be much lower than just a few years ago. More ominously, we are now seeing signs that deployed readiness is being impacted with more of our units deploying at a lower, although still acceptable level of readiness. The number of our deployed forces being at the highest level of readiness, C1, has decreased from approximately 80 percent in early 1997 to just over 60 percent in late 1998. It is imperative that we reverse this alarming course and do all we can to maintain a force of high quality experienced Sailors, especially those with critical skills. Recently, the Secretary and CNO have approved a number of aggressive personnel initiatives that will halve the manning gap to just over 7,000, by the end of next year, and improve fleet manning. However, these measures will only be successful if they are done in concert with the legislative personnel proposals included in the President's Budget.

### **A Comprehensive, Competitive, Military Compensation Strategy**

Along with the economic factors, there are a host of dissatisfiers (family separation, adverse working conditions, lack of spare parts, etc.) that are negatively impacting our recruiting and retention. And while there is no one panacea to solve these issues, a significant boost to military compensation is absolutely fundamental to both the immediate and the long-term solution. Navy leadership has acknowledged the need for a multi-faceted approach to improving our personnel readiness. No single approach will solve this increasing challenge. As discussed in the previous paragraph, the Secretary and the CNO have already instituted a group of initiatives to improve manning. Additionally, the CNO has tasked fleet commanders to reduce the Inter-deployment Training Cycle (IDTC) by 25 percent to give our Sailors more time with their families. Despite these actions, it has been made clear by Fleet input and statistical analysis that enhanced military compensation will be a fundamental factor in any long-range solution.

The "military compensation engine" comprised of basic pay, retirement, bonuses and special pays has historically served us well. Unfortunately, the "engine" is running low on fuel and failing to deliver the required performance. Exit surveys and a Personnel Pay Survey, completed in January 1999, of almost 4,000 active duty Sailors,

affirm that Sailors are becoming increasingly disenchanted over the disparity in compensation between today's men and women in the military and their private sector counterparts. Although we are resolute in our need to adequately compensate our Sailors, it is increasingly clear that we cannot afford to do so without budgetary changes. Simply allowing our current manpower shortages to continue is not an option we can support. To do so would put an unacceptable burden on our force structure already stretched too thin. Unless we increase overall Defense funding, we will be forced to continue to mortgage tomorrow's capabilities to pay for today's readiness, retention, and recruiting. This trend cannot continue without adversely impacting morale, readiness and Navy's ability to execute the National Military Strategy.

Navy fully supports the recently announced Department of Defense (DOD) compensation triad (basic pay increase of 4.4 percent, pay table reform, and reform of the Military Retirement Reform Act of 1986 (Redux)) as an excellent step toward addressing pay gap and compensation concerns.

### **Basic Pay Raise**

Pay raises are a critical factor in recruiting and retaining the highly skilled, high quality personnel the Navy needs to maintain readiness and fulfill Navy's mission. A significant basic pay raise will send a clear and immediate signal of leadership's commitment to enhanced compensation.

Results of the Navy Personnel Pay Survey indicate that our mid-grade petty officers place nearly equal importance on basic pay and retirement pay (82 percent/78 percent). More importantly, 90 percent of the respondents felt they were not adequately paid for the job they do. This was more than a perception, it was overwhelmingly (78 percent) based on knowing someone in a similar job in the civilian sector or from their own job hunting experience. According to Navy's Retention/ Separation Questionnaire data (FY94 through FY98), Basic Pay is cited as one of the most important reasons for enlisted Sailors leaving the Navy. For officers, the issue of basic pay increased in importance. In FY94, Basic Pay was sixth on the list for reasons for leaving the Navy; today it is second.

The first component of DOD's triad, an across-the-board 4.4 percent increase in basic pay beginning on January 1, 2000, and 3.9 percent annually from FY00-05, represents the largest increase in basic pay military pay in nearly a generation. It is a significant step toward ensuring adequate compensation for our personnel and begins to close the 13.5 percent pay gap (real or perceived). Further, it not only sends a strong signal of leadership's commitment, it also communicates a national declaration of the high value we place on our Navy men and women for the arduous work they do and the sacrifices they make.

### **Pay Table Reform**

The second aspect of the triad, the FY00 Pay Table Reform initiative, further enhances basic pay compensation by providing raises for mid-career personnel which reward promotion and advancement more heavily than longevity. Modeled after analysis and recommendations resulting from the 7th Quadrennial Review of Military Compensation (QRMC), the proposed pay table reform relieves compression between grades by restoring significance to every promotion relative to longevity pay increases.

Further this reform eliminates inconsistencies; and shifts the balance in emphasis toward promotion, while retaining meaningful and consistent longevity raises. By lashing pay more tightly to promotion, the resulting pattern of pay-increases rewards performance and motivates our higher quality members to compete.

There are two significant justifications for moving now to reform the pay table. First, we must retain those mid-career officers and petty officers who are absolutely vital to our day-to-day operations and readiness. These individuals do the vast majority of direct leading, supervising, managing and planning 'down on the deck plates.' They build cohesion and readiness. They are the trainers who ensure that future generations of warriors are prepared to replace them. These are the people in greatest demand in the private sector and those whom the private sector is prepared to compensate well. These are also the individuals in whom Navy has made the greatest training and education investments. We must capitalize on that investment and avoid being forced to pay the high costs associated with replacing them prematurely.

Second, there is a growing recognition that for years our pay tables have insufficiently rewarded promotion at a number of critical junctures. These incentives need to be strengthened. Some raises for promotion are disproportionately low while raises based on longevity are disproportionately high. Pay table reform reverses this obstruction to rewarding skill and performance over longevity.

Overall, the proposed baseline pay table, which reflects the across-the-board pay raise, is a significant step in the right direction toward closing the "pay gap" for mid-career personnel, and eventually for all personnel, as they progress through the ranks.

### **Reform of Redux**

Of the three aspects of the DOD compensation triad, reform of Military Reform Act of 1986, or Redux, has been the most discussed and controversial topic. When passed into law, Redux was intended to discourage military members who had reached the 20-year point in their careers from retiring, "taking the money and running". It was designed to make departure at 20 years seem less attractive when faced with the additional benefits that remaining until 30 years had to offer. Unfortunately it is having a perverse effect, and over the last several years Navy has experienced a significant reduction in retention of senior, career Sailors who entered after July 1986. Since Redux impacts those entering the Services in 1986 and after, we have only recently begun hearing from those career military people about their perception of the plan: it is extremely negative. And, we expect the chorus to grow as we approach 2006 when the first of those under Redux will reach retirement eligibility.

A defense specialist from the Congressional Research Service recently commented that, "The existing system has become such a negative symbol that if they didn't repeal it, it would have a profoundly negative effect." His statement effectively sums up what we are hearing from the Fleet. The Chief of Naval Operations and Master Chief Petty Officer of the Navy have stated that concern about Redux is nearly always the first or second topic raised by Sailors during Fleet visits. In particular, is the issue of fairness. The question has frequently been asked why one generation is worth a 50 percent retirement and another worth only 40 percent. A study conducted by the Center for Naval Analyses (CNA) in 1997, estimated that Redux would reduce retention at the 8-14 years of service point by 3-4 percent for enlisted personnel and 7-8 percent for

officers. Further, on recent Retention/Separation questionnaires, nearly 38 percent of second-term enlistees indicated that they are dissatisfied or very dissatisfied with retirement benefits. Six and a half percent of those suggested that poor retirement benefits was the most important reason they were leaving or thinking of leaving the Navy.

It is often stated that military retirement is far too rich, even as reduced under Redux. This is more fiction than fact and inaccurately represents the limited value of military retirement under Redux. For example, the average chief petty officer (E-7) on active duty, with 20 years of service, is paid \$42 thousand per year. Under Redux, after 20 years of faithful dedicated service, his retirement is \$11 thousand. This is below the poverty level for a family of two and well below the poverty level for a family of three. By the time the retired chief reaches the age of 61, his retirement will be reduced through COLA offsets to \$8900, below the poverty level for a family of two. Redux retirement being too rich is a myth. The truth is, Redux retirement is far from rich and is clearly not even adequate as a means of economic support. Military retirement has historically been considered more generous and costly than most other retirement systems, including the federal civilian retirement system. For example, the Federal Employee Retirement System (FERS) has distinct provisions for law enforcement officers and firefighters. When these provisions are factored in, the FERS retirement is more expensive (35 percent of individual pay) than military retirement (24 percent of individual pay).

To more adequately understand Sailors' concerns about Redux, Navy used the recent Personnel Pay Survey to identify the most significant compensation dissatisfiers among our people which any proposed corrective measures would be intended to address. Almost 70 percent of respondents indicated that retirement pay was an important factor in their career decision. The most disturbing data was that 84 percent of respondents under Redux felt that the 40 percent retired pay they had to look forward after 20 years of active duty to was insufficient to make them want to remain until retirement eligible. Sixty-four percent indicated they would be more likely to reenlist if retired pay reverted back to the pre-Redux rate of 50 percent. In sharp contrast to the original intent of Redux, we are unaware of anyone suggesting that the 40 percent retired pay after 20 years was likely to cause them to remain until 30 years.

### **Special and Incentive Pays and Bonuses**

While the compensation triad will begin to address broad recruiting and retention concerns, it will not ensure adequate retention in many of our undermanned, highly skilled, warfare specialties. As devised, the compensation triad was never intended to address all retention issues. Instead it was envisioned that special and incentive pays and bonuses would be used to fill the breach. Historically, targeted bonuses have proven highly effective and very cost efficient in attacking these retention problem areas. This year, we have planned and budgeted to make even greater use of this proven strategy. The DOD Omnibus request seeks congressional support for establishment of two new bonuses and expanded authorization of four others to address key personnel problem areas. Specifically to address enlisted recruiting and retention, we are asking for an increase in the maximum authorization of the Enlistment Bonus (EB) and Selective Reenlistment Bonus (SRB). In support of improving the retention within the Unrestricted Line communities we are seeking two new continuation bonuses, one for Surface Warfare Officers, and another for Special Warfare Officers. Additionally, we are asking

for legislative flexibility in using the Aviation Continuation Pay and an increase to the maximum amount authorized under Nuclear Officer Incentive Pay (NOIP). These pays are used to target specific job skills and experience levels to cost-effectively attract, retain, and distribute the highest-quality Sailors in the fleet. These pays are absolutely critical to the success of the Navy manpower and personnel plans and will be specifically addressed further within this statement. Each of these bonuses has been submitted by OSD as part of the President's Budget, but they are currently under final review and consideration by the Office of Management and Budget (OMB).

### **Thrift Savings Plan**

Providing opportunities for the future must be paramount when evaluating any compensation policy that affects Sailors and their families. We strongly believe that a plan that addresses long-term savings and financial security for our Sailors is good for them and good for the Navy. It will not only positively affect recruiting and retention but will improve readiness. Therefore, in addition to the DOD compensation triad, we believe that a 401K-type payroll savings plan would pay significant dividends in providing Sailors with an uncomplicated, low initial-investment means of establishing financial security and would make Navy a more attractive career choice. While such a plan is not a part of the President's budget, Navy has historically supported such a proposal in order to provide for the long-term financial health and well-being of our Sailors.

Our desired approach would be a tax-deferred long-term savings program that would authorize service members to contribute up to five percent of basic pay, with no government matching funds. It would be managed by the Federal Thrift Investment Board (FTIB), which already oversees the Civil Service Thrift Savings Plan, and would be charged with professional oversight and participant education for the Navy.

Establishment of a Uniformed Services Thrift Savings Plan will be a significant step in addressing continuing congressional concerns that young men and women joining the Services have inadequate knowledge and understanding of skills required for personal financial management and fiscal responsibility. While the Department has implemented personal financial management programs that provide excellent access to information for managing a Sailor's financial future, these are merely a first step and should be complemented by a DOD-sponsored savings plan. Ultimately, such a plan will:

- Encourage savings (a National priority),
- Start Sailors on the road to long term financial security and stability, and
- Empower and encourage Sailors to help themselves through systematic savings.

Fleet Sailors have expressed a strong desire for a 401K-type tax deferred savings plan. Our recent pay survey revealed that implementation of such a plan would positively influence almost 50percent of enlisted personnel with respect to their decision to stay Navy. Not only do our Sailors want this program, they need it. This is a highly beneficial, no cost to DOD proposal that encourages independent personal savings that we should make part of our overall compensation program.

## **The Truth About Money**

"Man has two supreme loyalties, to country and to family. So long as their families are safe, they will defend their country, believing that by their sacrifice they are safeguarding their families also. But even the bonds of patriotism, discipline, and comradeship are loosened when the family itself is threatened."

- Liddell Hart

Our Sailors are extremely professional and deeply patriotic. Their love of country, dedicated service, and willing acceptance of self-sacrifice are hallmarks of their chosen profession – yes; they all volunteer. Men and women of this calling are understandably reluctant to speak of the monetary value of their service; discussions of money as an instrument of motivation is alien to them and goes against their very nature.

In spite of this, the money we pay them (they earn so much more than we can afford) is fundamental to their and, more importantly, their family's quality of life. Today, this is even more significant in a Sailor's career decision than in years past, as significant percentages of our Sailors are married with families. And while they might expect to endure significant personal sacrifice, self-denial, and even suffering in support of the mission and defense of country, they expect better for their family. Like all Americans, they want their children to have a better life than they did. And as the people most responsible for making that way of life free, safe and the envy of the world, they more than others cherish it. Said simply and often in recent congressional hearings, "We recruit a Sailor but reenlist a family."

When Sailors leave the Navy in search of a better life for their family, it is not solely about money. It is so much more than that. In many cases, it is an individual who has lost faith that leadership is willing to take a stand to get him or her a better wage. These Sailors have no one else they can turn to – if we are not their advocates, who will be? A longstanding and very important part of the military's appeal has been a tacit understanding that the military would look after its own. In particular we in the Navy have a commitment to keep faith with our Sailors. Consequently, we must fairly compensate our military men and women. Leadership must recognize quality and dedicated professionalism and be willing to pay for it. When it comes to our Sailors and the sacrifices they make, we can never pay them too much but we have been paying too little.

## **Recruiting the Best and Brightest**

### **The Mission**

Navy Recruiting Command's mission is to attract and enlist the best and brightest young men and women to ensure that we remain the greatest Navy in the world. The recent environment of defense cutbacks and downsizing has left many with the mistaken belief that Navy has stopped, or greatly reduced, hiring young men and women into our enlisted and officer ranks. Nothing could be further from the truth. The need for highly trained, intelligent, responsible, and motivated people in today's Navy is greater than ever. With the drawdown nearly complete, the Department of the Navy is working hard to ensure that the Nation's youth are aware of the diverse and rewarding career opportunities that the United States Navy has to offer America's best and brightest.



Navy service stimulates and challenges young people while serving their country. It provides a solid foundation of high-tech training, life skills, and leadership experience, all at a relatively early age.

### **FY98 Was Extremely Challenging**

In FY98, Navy faced an accession mission of 55,321 recruits and began the year with a Delayed Entry Program (DEP) pool of recruits equal to about 34 percent of our overall annual recruiting goal. This was about 10 percentage points lower than we like. Despite the best efforts of our recruiters in the field, added resources from within the Navy's budget, and reprogramming of funds authorized by Congress, Navy ultimately accessed 48,429 new recruits, a shortfall of 6,892 Sailors. While attainment was consistent with the previous three years, the mission was higher. In fact, the accession goal was the highest since FY93, but since Navy will reach steady state in terms of size by the end of FY99, we face anticipated annual goals similar to that of FY98 and FY9999. About 75 percent of last year's missed accessions have been re-phased into this fiscal year. Despite the difficulty we had with achieving the necessary numbers, 64 percent of recruits we brought into the Navy scored in the upper half of the Armed Forces Qualification Test (AFQT). No recruits were accessed from the lowest recruitable test category, known as Category IV. We continued to emphasize specific critical skill requirements and achieved 100 percent of Navy's Nuclear Field goal; we project we will achieve the overall nuclear field accession requirement this year as well. Additionally, in FY98 we exceeded our prior year's production of both minorities and women in terms of both raw numbers and percentages. This year we are cautiously optimistic we will achieve the overall FY99 enlisted accession requirement. My optimism is tempered because we have entered the traditionally most difficult to recruit months of February, March, April and May.

FY98 was a challenging year for officer accessions. With the end of the drawdown and the transition to a steady state environment near, bringing in the right types of officers in sufficient quantities has become a matter of great importance. FY98 officer accessions were over 200 short of the goal. We experienced shortfalls in Naval Flight Officers, Submarine and Nuclear-trained Surface Warfare Officers, targeted Nurse Corps subspecialties, and certain medical specialty areas. Among the warfighting communities, nuclear submarine and nuclear surface officer accessions have been a challenge for several years due to a robust economy and competition with the civilian sector. In FY98 Naval Flight Officer accessions were added to the list of significant challenges. To address these shortfalls, we are implementing solutions such as increases in Nuclear Officer Incentive Pays, continued use of approved medical department specialty pays and Armed Forces Health Professions Scholarships, and aggressive, targeted recruiting in other areas.

### **What We're Up Against in FY99**

FY99 will be every bit as challenging as last year in the face of similar competitive factors. The economy remains strong, employment opportunities are plentiful, and college enrollments continue to increase. Meanwhile, the DOD Youth Attitude Tracking Survey (YATS) reflects a continuing drop in propensity toward joining the Navy. We continue to trail all other Services. Further, the declining size of the veteran population and dissatisfaction among veterans over issues such as access to

quality health care have reduced the desirable influence they have historically had on the decisions of young Americans to follow in their footsteps.

While Navy Recruiting achieved first quarter FY99 goals, we are now facing the historically most difficult recruiting months of February through May. We continue to work month-to-month on making the next month's goal. This sub-optimum method of operating has been forced upon us as a result of having so little of our FY99 recruiting mission in the DEP pool (under contract awaiting shipping to RTC) at the beginning of the year. In FY99, we anticipate improving upon gains made in recruiter productivity last year (seven percent increase over FY97) and capitalizing on an early additional infusion of resources, thanks largely to congressional support in last year's DOD Emergency Supplemental Appropriation. We believe we can make our FY99 accession requirements, but it will be a year-long struggle. More troubling, however, is that our projected FY00 DEP, while getting somewhat healthier assuming we attain the higher new contract objective this year, will remain critically low to support an even bigger FY00 recruiting mission. Our long-term strategy is to build a healthy, stable recruiting program that will meet our post-drawdown requirements. With the active support of the Secretary of the Navy and the Chief of Naval Operations, we are focusing time, talent, energy and money on doing so, but the environment is the toughest one since the inception of the All Volunteer Force 25 years ago.

### **Action in the Face of Adversity**

In response to this adversity, we have developed an aggressive strategy. With your help, we were able to accomplish a number of initiatives in FY98, such as increases in the budget for Navy College Fund (NCF), Enlistment Bonus (EB) program, and recruit advertising, which helped us exceed the new contract and accession goals during first quarter FY99. In addition, we created the Recruiter Selection Team one year ago. Already in FY99, we have taken additional steps to further enhance our chances for success.

### ***Building the Necessary Recruiting Force***

First, we have increased the size of our recruiter force by 25 percent, from 3600 in 1998, to over 4500, a number we will reach this Spring. We will have an average of 4300 production recruiters in FY99 and are programming to maintain a force of 4500 in the field across the Future Years Defense Plan (FYDP). In addition, we opened recruiting duty to a limited number of E-4 petty officers. To generate fleet Sailor interest in joining our recruiting team, the Recruiter Selection Team continues to visit afloat units and solicit volunteers, actively seeking the best Sailors to serve as Navy Recruiters. The call has also gone out for volunteer Selective Reservists and Fleet Reservists to return to active duty for a 2-year stint in recruiting. And, we are continuing the recruiter refresher training program to help all recruiters brush up on their skills. This program has resulted in increased productivity as we share the best techniques with the entire recruiting force.

### ***Attracting the Best through Advertising***

In FY99, thanks to your very strong support, Navy achieved an overall funding level of \$65 million for active duty recruitment advertising, with over \$50 million applied to high profile media such as bowl games, increased television presence, new

commercial spots, an infomercial and new print media. The Navy advertising campaign continues to incorporate the "Let the Journey Begin" tag line in all advertising products and media while beginning a shift in focus to more in-depth concentration on "Navy Life". This advertising strategy will place increased emphasis on what young people can expect in Navy life and the advantages of Navy benefits: education/training at sea and ashore; preparation for the future; travel/adventure; teamwork; and quality of life enhancements such as leisure activities, e-mail at sea, and family support. The campaign continues to add depth and realism by featuring real Sailors speaking in their own words about their Navy life and opportunities – allowing young men and women to "see and hear themselves" in these Sailors.

As you have seen so many times during your visits to our deployed forces, Sailors are our best representatives and spokespersons. Navy is using all media markets, including television, radio, magazines, newspapers, print materials direct mail and Internet. We are expanding Internet presence through the new web site (August 98 launch), web site game and banner/interstitial advertising. Two new video products, the enlisted programs video "Navy, Journey of a Lifetime", and the Nuclear Officer video, "Engineered for Success", join our previous Dental Officer and Physician videos as recruiting and fulfillment products. Other new products planned for Spring 1999 release are 4-6 new commercials, our first-ever infomercial, new Direct Response Television (DRTV) and Public Service Announcements (PSA). Computer products continue to expand with the release of the Screen Saver/Calendar (disk) Advanced Programs and "Let the Journey Begin" CD-ROMs.

For FY00 we have increased our recruiting advertising budget over the FY99 level to almost \$70 million and plan to continue the very innovative and aggressive advertising programs discussed above.

### ***Enhancing the Attraction***

We have further empowered our recruiters by translating the support you have given us into enhanced recruiting incentives, including the Enlistment Bonus (EB) and Navy College Fund (NCF), and a series of specific bonuses and contracts targeted to attract general detail (GENDET) Sailors. We have used shorter-term enlistment contracts to attract young people who may not be ready to make a long-term commitment. These shorter commitments will get Sailors into the Fleet to evaluate the many benefits Navy has to offer before deciding whether Navy is the right career choice for them. In this year's legislative proposals, we have included a request to further increase the maximum EB from \$12 thousand to \$20 thousand, to help attract enlistees into critical ratings. Your investment in increasing the NCF budget in FY99 has already paid off. Current quota utilization is at 70 percent (applicants who have shipped to recruit training or are in the DEP).

The EB is an effective tool in attracting high-quality people into our most technical and critical skills. In addition to assisting recruiters, it helps channel applicants into the hard to recruit months – keeping the supply of recruits more consistent throughout the year. This is important given our highly constrained training infrastructure with a single recruit training facility at Great Lakes, Illinois. In FY98, we increased the bonus levels for critical rating skills and offered a bonus to undermanned General Detail (GENDET) Sailors. The primary focus of EB will continue to be the high-quality applicants. Current quota utilization is 50 percent (applicants who have shipped to

recruit training or are in the DEP). The EB award is paid after completion of initial training. Quotas are sold in the current fiscal year, but depending on the length of training, funding may be obligated for up to two fiscal years later.

Educational opportunity remains a cornerstone of Navy career-incentive programs. Navy recruits report that the Montgomery GI Bill (MGIB) is still the number one reason for enlisting. NCF, which provides educational benefits in addition to the MGIB, continues to function as a primary incentive for attracting quality recruits into specialized-skill areas. In FY98, we increased the maximum NCF benefit to \$40 thousand for Nuclear Field accessions. In FY99, the National Defense Authorization Act raised the maximum amount for the combination of MGIB and Service College funds to \$50 thousand. Additionally, it authorized the joint offering of EB and NCF. While this tool has not yet been used pending authorization from OSD General Counsel, we appreciate your assistance in providing us the maximum flexibility to adjust incentives to meet market demand.

### ***Expanding the Field of Opportunity***

In January, Secretary Danzig announced that we would increase, from Navy's prior standard of five percent to the DOD limit of 10 percent, the number of enlistees who do not hold a high school diploma. This initiative authorizes recruitment of up to an additional 2200 entrants who, while not having a high school diploma, have demonstrated through work experience, character references, and above average performance on the Armed Forces Qualification Test, that they possess positive potential for success. We recognized in taking this initiative that some would express reservations about whether we were sacrificing quality for quantity. Further, we fully recognize, and place no less emphasis on, the importance of obtaining a high school diploma. However, during these challenging times, where a variety of factors are causing a decline in propensity for military service, particularly Navy service, we must consider each aspect of a potential recruit's overall makeup in evaluating his or her prospects for success. Additionally, as part of their recruit training experience, we will provide non-high school diploma graduates with highly effective remedial training through our Personal Academic Capacity Enhancement Program. This additional training will offset the historical recruit training success rate for those without high school diplomas which runs about 10 percent below those with diplomas. Further, this metric is more than offset by the fact that recruits without diplomas who successfully complete their first enlistment have higher retention rates and faster promotion rates than their peers in the Fleet. Some of our most successful senior enlisted force do not have high school diplomas. In fact, 11.4 percent of E7-E9s (3,931) currently on active duty did not possess high school diplomas when they enlisted.

### **Enlisted Production:**

Navy Recruiting is reasonably confident that we will achieve FY99 accession mission, but it will be a tough fight all year. Current projections show that we will also achieve more than 90 percent High School Diploma Graduates and more than 62 percent will be in Armed Forces Qualification Test or AFQT Test Score Category I-III A (minimum score of 50 on AFQT).

Navy is very different from our counterparts in that we have 12 critical rating skills (four belonging to the submarine force) that not only require above average scores on

the Armed Forces Vocational Aptitude Battery or ASVAB tests, but also very stringent moral, physical and security clearance qualifications. Additionally, a five or six year minimum service obligation is required due to the significant investment Navy makes in these candidates both in terms of cost and a long training pipeline. Although Navy has placed increased emphasis on filling these ratings and has improved overall critical-skill accessions by 148 percent since FY94, there are still serious shortfalls in non-nuclear submarine ratings. One of the 12 critical rating areas is the Nuclear Field program. The average Nuclear Field recruit scores in the 89<sup>th</sup> percentile of the AFQT and must pass an additional screening test, the Navy Advanced Programs Test (NAPT). The Nuclear Field program is our top priority and we believe we will achieve goal in this program again in FY99.

Recruit quality for the submarine force is very similar. There is an aggressive effort to review requirements and streamline the screening process for the submarine ratings without sacrificing quality. We currently offer Navy College Fund (NCF) and Loan Repayment Program (LRP) incentives to attract high quality applicants to these programs. The Enlistment Bonus (EB) is also used to channel qualified applicants into these programs. In February 1999, we increased NCF to \$50 thousand for Nuclear Field and raised it to \$40 thousand for all other critical skills.

#### **Officer Recruiting:**

Officer Candidate School (OCS) production is on track to achieve accession mission for FY99. Eighty-six percent of the goal has been selected for the current fiscal year to date compared with 68 percent for the same period in FY98. Only 91 percent of the total non-Nuclear OCS goal was attained in FY98. Although the overall picture in FY99 is good, many challenges remain in Nuclear Officer and Chaplain recruiting.

Nuclear Officer recruiting is of primary concern. As the centerpiece of the Officer Recruiting Program, nuclear recruiting assets – both personnel and financial have increased. The entry pay grade for the Nuclear Power Collegiate Program (NUPOC) was raised to E6 and the signing bonus was increased to \$10 thousand. On the personnel side, we established a National Nuclear Trained Officer (NTO) program, comprised of five teams of two officers dispersed throughout the Nation near prestigious engineering universities, to focus on Nuclear Officer recruiting. A top quality Nuclear Officer recruiting video was produced and has received positive reviews. We project over 70 percent attainment of Nuclear Submarine and Surface Officer goal in FY99 compared to 45 percent in FY98. Goal attainment for FY00 is viewed with cautious optimism as the impact of these initiatives is fully realized; we are currently at 26 percent of FY00 goal.

Chaplain recruiting is facing another difficult year. We will achieve goal in all faith groups with the exception of the Roman Catholic and Jewish faiths. The goal for Roman Catholic priests has increased to 15 (it is typically five) per year. Which, along with the shrinking pool of civilian priests to draw from makes achieving goal in this program especially challenging.

Overall Medical Officer recruiting is tracking toward goal. Physician and Physician Financial Assistance programs are on track to achieve goal in FY99, as are Dentist, general Nurse and many of the Medical Service Corps programs. However, Nurse Specialists, Dental Financial Assistance Program (FAP) and some of the Medical

Service Corps (MSC) specialties, such as Health Care Administration, Optometry, Physician Assistant and Pharmacology, remain challenging.

The financial incentives and scholarships offered to the medical specialties are vital to our ability to continue to attract highly qualified applicants. The Nurse Corps Accession Bonus is available to nurse specialists with one or more years of experience in critical-care, acute-medical care, and maternal-child care. The Dental Accession Bonus (for direct accessions and dental students) is a strong recruiting incentive. The Health Collegiate Scholarship Program (HCSP) continues to be our best recruiting tool to access specialists while in college who have been difficult to recruit from the workforce. The HSCP program offers financial support in the following categories: Health Care Administration, Optometrist, Pharmacist, Physician Assistant, Industrial Hygiene, and Environmental Health. In addition, we offer a loan repayment program. The Health Professions Loan Repayment Program (HPLRP) has five loans available (designated for two Orthopedic and three General Surgeons) that will pay up to \$22 thousand of the specialist's educational debt for each year of service. The average debt load for new dentists and physicians trained in the civilian sector is \$72 thousand. We are continuing to work on improving our market strategies to attract only the best students and professionals in the medical field in our effort to achieve goal.

Two other officer programs of note are Supply Corps and Naval Flight Officer (NFO). We have currently achieved over 91 percent of FY99 Supply Officer attainment is currently over 94 percent compared to achieving 85 percent of the FY98 goal. NFO attainment is on track at 66 percent of goal compared to 67 percent in all of FY98. Improvements can be attributed to increased fleet Sailor recruiting, increased emphasis in recruiter incentive systems, increase in minimum age limit for NFO, and early attainment of pilot goal, thus channeling applicants into other programs

### **Recruiting Summary**

Navy is facing the toughest recruiting market and strongest economy since the inception of the All-Volunteer Force. Our recruiters are working hard and, through their tremendous efforts, have increased productivity. The investments you helped us make in initiatives implemented in FY98, along with the supplemental money in FY99, are paying off during the first quarter FY99, but the toughest recruiting months are still ahead. We all must make a commitment to fully resource Navy Recruiting, maintain Navy awareness through advertising, and focus on building a healthy DEP that will meet future accession requirements.

### **The Retention Challenge**

Our current retention picture is not good, and thus the need for significant improvement in a number of areas has our full and undivided attention as we approach a steady-state Navy. A strong economy with its lure of higher salaries with fewer personal sacrifices presents a formidable obstacle to our efforts. Consequently, we continue to take advantage of a number of tools available throughout the drawdown that now provide the flexibility needed to effectively shape the steady state force. We have also developed a number of new initiatives and proposed expansion of others to address areas which pose the most significant challenges in our retention efforts but which will be the most cost-effective and efficient means available for stimulating the retention we need throughout the force.

### **Force Shaping Tools:**

Force shaping tools, such as enhanced authority for Selective Early Retirement (SER), Temporary Early Retirement Authority (TERA), Voluntary Separation Incentive (VSI) and Special Separation Bonus (SSB) were invaluable throughout the drawdown and will continue to play an equally important role in shaping our force after we reach steady-state. They have helped greatly in our efforts to achieve the optimal mix of skills and pay grades of both officer and enlisted personnel, while at the same time keeping faith with career Sailors and their families.

The need for SER continues to decline, yet it remains a valuable force shaping tool, particularly in some small officer communities. SER boards selected less than 40 senior officers for early retirement in FY98, down from 150 in FY97, and over 500 below our peak year in FY94. FY99 SER boards selected less than 24 senior officers for early retirement. We anticipate using SER again in FY00, but only for a relatively small number of officers.

TERA has been an exceptionally important, remarkably effective, and cost-efficient shaping tool. It has enabled us to target for retirement specific pay grades, skills, and years of service of those most likely to remain on active duty despite slow advancement opportunities in over-manned skills. Use of TERA has helped us achieve a proper mix of grades and skills as well as long-term fiscal savings. Only 15 percent of all retirements during peak downsizing years occurred for members with less than 20 years of service. Navy would like to continue using TERA to trim the number of mid-career Sailors in overmanned skills to shape the force, correct imbalances and improve promotion opportunities. In FY99, we will again use TERA, targeting 410 officers and 2,036 enlisted for early retirement. By reducing overages, we will be able to improve advancement opportunity and promotion flow-points and bring people into, and subsequently retain them in, critical skill areas. These efforts will help properly shape the force as well as improve retention. While we do not anticipate, at this point, using TERA in FY00-01; we would ultimately like its authorization to be made permanent for utility as a selective force shaping tool in the future.

### **Officer Retention:**

During the past few years, reduced force levels partially offset the adverse impact of Navy officer community shortages, which, nonetheless, were exacerbated by high-tempo worldwide operations. Unfortunately, now that we have reached steady-state, the thriving civilian market offers strong employment alternatives to officers. Inadequate retention only increases the personal sacrifices demanded of our remaining officers, as sea tours are lengthened due to operational requirements and commitments. Positive changes are needed immediately to help stem the loss of highly skilled and motivated people before current readiness is more adversely affected.

Officer retention is key to maintaining Navy's steady-state force structure. While retention in the Restricted Line (RL) and Staff Corps is generally satisfactory, retention in the heart of the officer corps, our aviators, submariners, and surface and special warfare officers, must improve to meet officer manning requirements. It is critical that retention improve in these Unrestricted Line (URL) communities if we are to maintain readiness and adequately man our ships, submarines, and aircraft in the coming years.

Poor officer retention is felt most keenly at the senior O-3 and O-4 levels, our lieutenants and lieutenant commanders. Several factors contribute to the junior officer retention problems. With the change in the overall mission of the Navy from a specific Cold War threat to a less well- defined program of peacetime engagement and contingency operations, it becomes harder to justify to these young people the extended periods of time away from home and the resulting family separation. Concerns over increases in PERSTEMPO/OPTEMPO, lack of parts and equipment, shortage of flying hours, and increased underway time, are all factors. A shortage of mid-grade officers results in longer tour lengths, further reducing retention. The erosion of pay and benefits, coupled with the lure of a strong economy with excellent opportunities for educated professionals and a perception of enhanced quality of life in the civilian sector, often provides the final push in a junior officer's retention decision.

Last year when I testified before this Committee I stated that we were approaching officer retention from a number of different directions. These included:

- Fully funding the MPN account to allow officers to focus on warfighting and not be distracted by uncertain PCS moves, delayed promotions, and missed training opportunities.
- Increased funding for flight hours, steaming days and spare parts to allow officers to maintain the highest level of warfighting proficiency.
- Continued vigilance in maintaining CNO-directed PERSTEMPO goals.
- Communicating to our officers the value and significance of their contributions in meeting today's viable Navy mission. We would stress through oral and written communication that the Navy is a place where one can experience a challenging and rewarding career.
- Continue to explore increased compensation in the form of bonuses, career incentive pays, and sea pay reform. I fully expect to bring these type initiatives in FY00.

We have achieved success in many of the above areas. As discussed earlier, the CNO has not only held the line on his stated PERSTEMPO goals but also has gone further and reduced the IDTC requirements by 25 percent. With your help the MPN account is fully funded in FY99 and no PCS moves were "bow waved" from 1998 into 1999. As a result of your support, especially in the supplemental appropriations, we have begun to address the issues of inadequate spare parts, flying and steaming hours. We have been working diligently through various community-specific working groups, flag officer field visits, retention teams, and junior officer feedback and through a host of other mechanisms to establish dialogue with our junior officers to hear and address their concerns and to convey our issues and plans for improvement.

But now, as I stated last year, it is time to come forward with additional bonuses and expansion of several existing authorities. Our studies, working groups, and feedback from the fleet all strongly support this move. As you can see these bonuses are



by no means our only approach to dealing with officer retention, but they are instrumental to the overall success in this critical area.

### **Surface Warfare Officer (SWO) Community**

Despite a large reduction in the number of ships since the Cold War “high-water mark” in the mid-1980s, the Surface Warfare Officer (SWO) community is experiencing difficulty retaining enough senior lieutenants to meet department head requirements. Surface Warfare has the lowest retention among the Navy’s Unrestricted Line (URL) communities. The two primary dissatisfiers driving SWOs to leave the Navy or the SWO community are: lack of quality personal time (while in homeport) and family separation. In light of these concerns, the robust economy provides attractive and lucrative alternative employment opportunities. SWOs are also a prime source of warfare qualified officers to fill many Restricted Line and Staff Corps community billets. Laterally transferring to other communities provides the opportunity to remain in the Navy and pursue a professional interest and enhanced (real or perceived) quality of life, yet experience no loss of benefits.

In FY97 only 23 percent of officers that started in Surface Warfare, attended Department Head (DH) School. In FY98, retention to DH School was 24 percent, and it is projected to be only 24 percent in FY99. This is 14 percentage points below required 38 percent steady-state retention. There are several reasons for this shortfall. Since the 1980s, the pool of division officers has decreased by 43 percent, while the need for DHs has decreased by only 23 percent. This change was driven by the replacement of older manpower-intensive ships with more modern, capable, high-tech ships which are less manpower-intensive. As the pool of division officers decreased, retention to DH needed to increase, but it actually declined. In the ‘80s, retention to DH averaged 32 percent; during the height of the drawdown it fell to a low of 17 percent; and indications are that retention to DH is now leveling off at around 24 percent. Required retention for the next five years is 34-38 percent (depending upon Year Group (YG) size). This DH retention shortfall is forcing extensions of 8-12 months on sea duty for officers in DH tours, further negatively impacting community retention and morale. It is also creating an inventory shortfall of Defense Officer Personnel Management Act (DOPMA) Control Grades (O-4, O-5, O-6), particularly at the Lieutenant Commander (O-4) level.

In order to reverse this trend, SWO community leadership is attacking the ship home tempo issue. Initiatives like “Smart Ship” are reducing some of the requirements that were overloading SWO junior officers during their division officer tours. Inter-deployment training requirements are also being reviewed and reduced under a recent Chief of Naval Operations initiative. Lastly, and perhaps most importantly, we have included in the DOD Omnibus submission a request for a Surface Warfare Officer Continuation Pay (SWOCP). The SWOCP proposal is based on a SAG Corporation study that analyzed the retention effects of bonuses in other communities. The proposed SWOCP would pay Surface Warfare Officers up to \$50 thousand to remain in the Navy through the DH tour, would be tied to the department head screening process, and would only be offered to the targeted number of officers/year groups needed to meet DH requirements.

### **Special Warfare (SpecWar) Community**

Historically, the Naval Special Warfare (NSW) community, commonly referred to as SEALs — Sea, Air, Land forces, has enjoyed one of the highest retention rates in the

Navy. However, during the past 10 years it has dropped by over 20 percent. Since 1996, the annual number of resignations has risen dramatically, and the trend shows no sign of abating. The SEAL retention rate at the critical seven-year point has fallen to 58.2 percent from historical levels of greater than 80 percent. Because of the large numbers of resignations, current retention requirements to meet post platoon commander (DH equivalent) are 81 percent, and will be difficult to achieve. Moreover, the combination of the significant retention drop of the past 10 years, the dramatic increase in lieutenant resignations and increasing SpecWar requirements will have a serious adverse impact on SpecWar's ability to fill critical senior leadership billets. Specifically, it has resulted in a shortage of lieutenants to fill 0-3 requirements and it is seriously impacting our ability to fill critical 0-4/5 billets. We are examining the best possible ways to correct the decline in retention to meet our operational requirements. We also must ensure the community retains enough quality officers to promote to our 0-4 and 0-5 requirements.

To recover from the higher loss rates, accessions have been increased over the past three years to meet end strength, but the decline in retention has and will prohibit necessary growth at the 0-4/5 level. Additionally, this temporary accession increase must be reduced, beginning in FY99, to ease the backlog of junior officers at Special Warfare Command awaiting initial platoon assignment. This backlog is having a negative impact on morale which further drives down retention.

The DOD Omnibus submission includes a request for establishment of a Special Warfare Officer Continuation Pay (NSWOCP) as well as two additional proposals related to an increase in Dive Pay and authorization for divers to be paid Hazardous Duty Incentive Pay for each hazardous duty they perform. The NSWOCP will target annual bonus of payments of \$10,000 per year to SEAL officers with 6-14 years of commissioned service. The Special Pay initiatives will result in a monthly increase of \$190 for all SEAL Officers. In response to junior officer focus groups and a specially developed SEAL junior officer survey, the Special Warfare leadership is aggressively pursuing a series of sweeping initiatives that address the professional, operational and quality of life concerns raised by the junior officers. Among them was the formal establishment of a Special Warfare executive and commanding officer screening board. In FY98, for the first time in its 36-year history, a panel of SEAL officers selected its own leaders. Additionally, community leadership has provided a greater diversity of post-graduate education opportunities. It is also reevaluating its task organization and developing smarter ways of satisfying fleet and theater requirements while extending SEAL officers' operational longevity and improving operational employment satisfaction. Because many of these efforts are works in progress, it is still too early to assess their impact. We remain confident that Navy, and specifically the Special Warfare leadership, is on the right track to correct this retention challenge.

### **Aviation Warfare Community**

Overall Navy pilot retention decreased to 39 percent in FY97 and further declined to 32 percent in FY98. This trend is expected to continue for the foreseeable future, and pilot retention already falls short of the 35 percent aggregate level required to fill critical department head and flight leader positions. Naval Flight Officer retention is also declining, with aggregate retention in early 1999 at the minimally acceptable level of 38 percent. While continuation of these mid-level officers represents our greatest aviation retention challenge, there has also been an increase in resignations of more senior aviators, particularly due to intense competition from private industry.

As force structure stabilizes, managing personnel shortages in critical operational billets remains a priority. Aviator retention is currently below that required to meet Fleet demands in the aggregate and is projected to remain so for the foreseeable future. Historically Navy has employed retention tools, particularly Aviation Continuation Pay (ACP), to address our manning challenges by targeting specific aviation sub-communities with a demonstrated shortfall of aviators to meet DH requirements. While this method proved marginally successful in retaining some of these targeted groups, ACP has not met all of its pilot goals since FY94. Our current data indicates that we must retain a greater number of aviators in the aggregate to meet mission requirements throughout an aviator's career. It is imperative that we maintain adequate numbers of quality career force aviators to fill operational billets not only at the DH level but also for disassociated sea, command and post-command tours.

Among the initiatives we are pursuing to address aggregate retention is a new career incentive plan, Aviation Career Continuation Pay (ACCP). Based on information gathered by the Naval Aviation Retention Team and officer exit surveys, aviators are dissatisfied with traditional ACP programs (unpredictability, inequitable distribution, etc.). ACCP is designed to address these dissatisfiers and target aviators at all critical career decision points for tours that require sea duty (DH, disassociated sea tour, etc.). ACCP is tied to sea billet requirements of the force structure, and is projected to increase retention in the aggregate. The flexibility afforded by our proposal reflects a consensus of Service views developed during the OSD-sponsored Aviation Compensation Working Group and will allow each service the ability to tailor compensation programs to meet their specific retention challenges and accommodate their unique career path requirements. As we approach the minimum service obligations of those aviators accessed during the downsizing environment of FY92-95, the challenge to retain high quality aviators will increase. We will continue to review the adequacy of our compensation programs and initiate effective solutions.

### **Submarine and Nuclear Surface Warfare Communities**

The success of the Naval Nuclear Propulsion program is a direct result of quality personnel, rigorous selection and training, and high standards that exceed those of any comparable program in the world. Attracting and retaining the right quantity and quality of nuclear-trained officers remain the primary challenges for both the submarine and nuclear warfare community. Nuclear officer accessions and retention are currently below that required to sustain the post-drawdown force structure. Although adequate for the near-term due to the effects of downsizing, retention rates for both communities must improve by FY01 to meet steady-state manning requirements on nuclear aircraft carriers and submarines, which comprise nearly 50 percent of all major combatants. Inadequate retention only compounds the sacrifices incurred by those officers remaining, as demanding sea tours are lengthened to meet safety and readiness requirements.

Competition from the private sector for nuclear-trained officers continues to pose a serious challenge to career retention. Nuclear-trained officers possess special skills as a result of costly and lengthy training. Predominately from the very top of their classes at some of the Nation's premier colleges and universities, they are highly sought for positions in career fields outside the nuclear power industry. Nuclear-trained officer accessions have been short of requirements for the past seven consecutive years. FY98 nuclear officer accessions were 19 percent below requirements. Accessions shortfalls exacerbate

the retention challenge by increasing required retention and extending junior officer sea tours.

The 1998 Report to Congress on Nuclear Officer Incentive Pay Program Alternatives concluded that the current NOIP program structure, with rates adjusted as required, provides the surest, most cost-effective, means of achieving nuclear officer accession and retention requirements. The Strom Thurmond National Defense Authorization Act for Fiscal Year 1999 included only a 3-month extension to the NOIP program. Long term, extended program authorization and increased legislative limits are essential to provide the Secretary of the Navy with sufficient program flexibility to address current and future accession and retention challenges.

### **Enlisted Retention**

Enlisted retention is another area of significant concern. Since last year, when we testified before you, retention has declined and is well-below steady state requirements:

<b>Year</b>	<b>1<sup>st</sup> Term (%)</b>	<b>2<sup>nd</sup> Term (%)</b>	<b>3<sup>rd</sup> Term (%)</b>
1998	34	51	53
1999 (to-date)	28	43	46
Steady-State	38	54	62

While our projected losses remain on plan, the willingness of Sailors to commit to a 4-year reenlistment has dropped significantly. Instead, they are obligating for much shorter periods of service, opting to "sit on the fence" and see what we will be able to deliver in terms of increased pay, retirement benefits and health care.

Equally disturbing last year was the under-execution of the FY98 Selective Reenlistment Bonus (SRB) program which developed as the year progressed. SRB, targeted at our most necessary critical skills, executed at only 85 percent of the dollar funding and only 80 percent of the anticipated reenlistments. That equated to almost 2,300 fewer Sailors than desired taking a targeted bonus. As a result of this under-utilization, we developed a three-prong approach, about which I testified last year, to strengthen SRB:

- Increasing Navy's maximum SRB award levels to the legislative maximum of \$45 thousand,
- Seeking congressional support to lift the 10 percent cap on the number of Sailors to whom we can pay the maximum SRB award level, and
- Gradually increasing the percentage of reenlistees receiving SRB, commensurate with the pre-drawdown retention requirements.

We deeply appreciate the support you gave this plan by lifting the 10 percent cap and OSD approved the increase of SRB to the maximum authorized. Now, in order to continue the ramp-up of SRB usage, we are asking for your support in increasing the legislative maximum SRB from the current \$45 thousand to \$60 thousand. This will restore flexibility and increase value to this tool, which we plan to use in the case of our highly technical critical ratings.

Prior to the drawdown, over 40 percent of Sailors who reenlisted received an SRB. This dropped to a low of 25 percent at the height of the drawdown. The SRB ramp-up coincides with Navy's return to a steady-state end strength requirement. While proposed increases to base pay and the retirement system are beneficial, they do not address the specific and much higher levels of compensation required to retain our most technically proficient Sailors in the numbers required to sustain the force over the long term.

Over the past several years, to keep faith with our career Sailors, Navy undercut the accession mission in order to make necessary force reductions. This has resulted in much smaller cohorts reaching the first reenlistment decision point. Our goal is to convince a much greater percentage of these cohorts to stay Navy, and to also provide greater reenlistment incentives to second term Sailors. These efforts will help improve the imbalance in the experience mix. Your approval of the increase in the maximum SRB payment will make available a more aggressive payment schedule. We have a single opportunity to retain our more highly skilled Sailors. If the bonus offering is not attractive enough, we don't get a second chance with many of these Sailors. The strong economy and 28-year low in unemployment affords every outgoing Sailor the opportunity for immediate employment. Sailors in high tech aviation, nuclear, electronics, engineering, medical and computer fields enjoy many high-paying, attractive job opportunities.

### **Other Recruiting and Retention Contributing Factors**

While inadequate, uncompetitive compensation has been identified as a significant source of dissatisfaction, clearly there are a number of other, perhaps less tangible, issues which play a significant role in attracting people to serve and in incentivizing them to remain in our Navy. Included among them are, maintaining a reasonable levels of OPTEMPO/ PERSTEMPO, properly funding of the Military Personnel account, transferring Navy members and their families on time, providing quality leisure time activities, coordinating and providing access to educational opportunities, and maintaining comfortable and affordable housing. We must continue in our pursuit of addressing and providing for these key components of personal Quality of Life, as they are directly related to our ability to attract and retain young men and women to service in our Navy.

### **Reducing the Burden During the Interdeployment Training Cycle (IDTC)**

A recent broad sweeping initiative has been the CNO 's objective to implement a 25 percent reduction in the demands placed on operational units during the IDTC. While Sailors understand the need for six-month overseas deployments, what they don't understand is why they have to spend so much time at sea once they return. These initiatives are cutting the number of inspections, streamlining training, increasing commanding officer flexibility over workload requirements, shortening overly long workdays, and generally reducing underway time when ships are between deployments.

### **Properly Funding the Military Personnel, Navy (MPN) Account**

Navy leadership continues to be committed to properly funding the MPN account. In FY99 with strong congressional support we adequately funded the MPN account and currently do not see the need for a reprogramming of funds into the MPN account for the

first time in ten years. Our budget request for FY00 again adequately funds the account and provides for the very difficult challenges we are facing in both retention and recruiting. In FY00, our request of \$17.2 billion properly funds an end strength of 53,587 officers, 314,194 enlisted, and 4,000 midshipmen. To stem the loss of officer warfighters and Sailors in critical skills, we have added resources to the Aviation Continuation Pay, introduced proposals for Surface Warfare and Special Warfare bonus programs and increased the Selective Reenlistment Bonus programs. We are continuing to fund recruiting programs such as Enlistment Bonus program, Student Loan program, and Navy College Fund program at the levels appropriated in FY99. We will continue to monitor the recruiting market and to respond when it changes. The Permanent Change of Station move program, a Quality of Life issue, has been fully funded.

### **Permanent Change of Station (PCS)**

In FY98 we fully funded the Permanent Change of Station (PCS) move program, which was a considerable improvement over the uncertainty of past years. Sailors and their families were moved on time - a "good news" story. As a result, FY98 was the first time in many years that we were not forced to "bow wave" PCS moves into the next fiscal year due to funding shortfalls. In continuing to improve the Quality of Life of our Sailors and their families, we are funding a pilot program under the Permanent Change of Station move program in the States of Florida, North Carolina, and South Carolina moving household goods under performance contracts versus the lowest bidder. In addition, Military Traffic Management Command has signed a global contract to move privately owned vehicles for Service members. The contract calls for better customer service and additional Vehicle Processing Center sites for our Sailors. Navy leadership is committed to adequate PCS funding to ensure stability and predictability for Sailors and their families, and to maintain Fleet Manning. We ask for your continued help in this area.

### **Lifelines**

Over the past two years, hundreds of Quality of Life (QOL) professionals and trained volunteers from more than 14 QOL domains have demonstrated extraordinary vision and tenacity in the creation of LIFELines, which was opened to the American public in January 1999. This innovative Joint Military Services Partnership in QOL Support Services Delivery, spearheaded by Navy personnel, uses military and civilian partnerships and technology to overcome traditional barriers to QOL service delivery including transportation, child care, work schedules, geography, privacy concerns and the stigma associated with seeking help.

LIFELines' Internet Component (QOL Mall), Broadcast Component (QOL Broadcast Network) and the first three LIFELines Resource Centers (RCs) represent the basic framework for this new "High Tech - High Touch" Continuum of Care. By offering service and family members maximum access to shared QOL resources as well as choices regarding when, where and how they will receive QOL information and services, significant improvements are anticipated in operational, personal and family readiness. For the first time in our history, through the LIFELines System of Care, QOL information and support services will be accessible 24 hours-a-day, 7 days-a-week. As our modernization initiatives move forward, so will our QOL business practices. We'll not only provide "SMART Access" via hardware, but SMART Messages" to and from people who care.

### **Family Service Centers**

Navy's 62 Family Service Centers (FSC) worldwide, and over 1,300 dedicated counselors, educators, program coordinators, and support staff, provide services and responses to over four million contacts annually. The FSC mission is to increase Navy's operational readiness by supporting commanding officers and providing information, education and counseling to Sailors and their families. Today, 69 percent of our officers, 89 percent of warrant officers, and 54 percent of enlisted personnel are married, and Navy family members total approximately 542,000. FSCs offer a wide range of programs that enhance quality of life for Sailors and their families and provide assistance to commanders through readiness support capabilities for operational, mobility, counseling and advocacy, and management and technology support. FSCs are regionalizing services and using advanced technology to provide support services to dispersed personnel and family members.

### **Morale, Welfare and Recreation Programs**

Navy MWR contributes dramatically to retention, readiness, and well-being of active duty, reserve, and retired personnel, and to the welfare of their families by providing a varied program of recreational, social, and community activities. MWR services play a key role in encouraging our Sailors to achieve and maintain their physical fitness, afloat or ashore. Our programs promote teamwork and create a lifestyle that enhances readiness and retention. We continue to place emphasis on supporting our deployed Sailors by enhancing shipboard fitness and recreation equipment, installing state-of-the-art movie and television equipment, and providing telecommunications systems access for our deployed Sailors to communicate with their families. These efforts are in addition to the quality programs being sponsored at the shore commands, which further enhance the lives of Sailors and their family members.

We are enhancing force readiness and improving the quality of life of our Sailors and families through continued appropriated fund support and by dedicating substantial amounts of non-appropriated funds for investment into the programs and facilities that directly benefit MWR patrons. We also are employing customer-directed program decision processes to deliver effective MWR services to Sailors in order to learn what Sailors want and when they want it. The program's goal is to impact their satisfaction; thereby, improving Navy's retention and readiness objectives. Finally, we are letting the private sector know what Navy MWR provides in order to help them partner with Navy to improve MWR services for Sailors and their families when it makes good business sense. Clearly MWR is a significant factor in Navy's strategy to increase our emphasis on Sailors and the quality of their lives as military members.

### **Educational Opportunities**

Our new Recruit Survey indicates that educational incentives are the top reason applicants enlist: educational incentives are clearly then, highly effective recruiting tools. In further support of this data, we are finding that Sailors are increasingly pursuing educational opportunities to acquire new skills for career advancement and as a means to provide a better quality of life for themselves and their families. Education not only reaps dividends for our Sailors, but serves as a force and quality of life multiplier. During FY98, approximately 92,000 Sailors participated in some aspect of the Voluntary

Education System. These Navy men and women embraced the concept of life-long learning. They were involved in Academic Skills Learning Centers, testing programs for college credit and college admission, or taking college courses on-base or at-sea under the Program for Afloat College Education (PACE). Navy members continue to indicate that education is a major factor in both their recruitment and retention. An educated and trained Sailor is better equipped to handle the demanding, fast-paced, high-tech Navy of the 21st century. In fact a CNA study documented a significant positive relationship between voluntary education and promotion and retention. For example a Sailor who completes 15 to 30 college credits has a 20percent greater chance of being promoted to E-5 in their first 5 years of service than who do not; those with 60 college credits have a 35percent better chance. The study further found that for each dollar invested in college courses the Navy gets two dollars back in reduced recruiting and training cost. And for each dollar invested in academic skills, the Navy realizes a return of up to \$22.

The reality that a significant number of our Sailors are at-sea or stationed overseas is no longer a barrier to pursuing educational advancement. Technology has made a dramatic difference in our ability to increase educational instructional courses through the PACE program. The use of computer-based instruction, video-teleconferencing, the Internet, and multimedia applications, in combination with traditional-based instructional programs, means that there are few barriers remaining to educational achievement.

## **Summary**

Navy is firmly committed to improving our personnel readiness posture while addressing the wide variety of needs of our outstanding Sailors. We will continue to aggressively attack our recruiting and retention challenges through effective use of all available resources. Essential to both the short and long term solution, however, is a comprehensive, competitive, compensation package comprised of broad across-the-board pay initiatives, complimented by targeted special and incentive pays and bonuses, and retirement reform. We ask for your continued support of FY00 initiatives that will help us achieve optimum personnel readiness, improve quality of life for Sailors, help us maintain OPTEMPO/PERSTEMPO at acceptable levels, and contribute to our mission of recruiting and retaining the best and brightest young men and women this Nation has to offer. In closing, I would like to reemphasize the singular and vital importance of our people who are fundamental to the very success of our Navy. Future military modernization will have been for naught if we take our people for granted. This sentiment was recently expressed by the Chairman, Joint Chiefs of Staff, General Hugh Shelton, in testimony before Congress:

"The most critical element of both current and future readiness is the men and women we are privileged to have serving in uniform today. Our people are more important than hardware."