

**STATEMENT OF
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**ACTING ASSISTANT SECRETARY OF DEFENSE
(FORCE MANAGEMENT POLICY)**

**Before The
Personnel Subcommittee
Senate Committee on Armed Services**

ON

Military Recruiting and Retention

February 24, 1999

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FRANCIS M. RUSH, JR.

ACTING ASSISTANT SECRETARY OF DEFENSE FOR FORCE MANAGEMENT POLICY

Mr. Rush serves as the Acting Assistant Secretary of Defense for Force Management Policy which includes military and civilian personnel policy, equal opportunity, personnel support, families and education.

Mr. Rush was born in Des Moines, Iowa on November 19, 1934. He received a Bachelor of Arts Degree from Drake University in 1956 and a Master of Public Administration from Auburn University in 1975. He has completed additional graduate studies at the George Washington University, University of California (Berkeley), and the University of Illinois in industrial relations and public administration. He has also completed the Harvard University Program for Senior Executives in National and International Security, the Program for Government Executives in Scientific and Technical Management (University of Wisconsin), and the Economics of National Security Program of the Industrial College of the Armed Forces, and is a graduate of the Air Command and Staff College.



Mr. Rush was appointed to the Senior Executive Service on August 28, 1989 and previously served as Deputy Assistant Secretary of Defense for Reserve Affairs (Manpower and Personnel). He served as Consultant in National Defense, Congressional Research Service, The Library of Congress, in 1988-1989, and as the Director of the Sixth Quadrennial Review of Military Compensation from 1986 to 1988. From 1978 to 1986, Mr. Rush served in various positions in the Office of the Secretary of Defense and on the Air Staff.

Mr. Rush's awards include the Presidential Rank of Meritorious Executive, the Department of Defense Medal for Distinguished Civilian Service, Secretary of Defense Medal for Meritorious Civilian Service, the Defense Superior Service Medal, the Air Force Meritorious Service Medal with two oak leaf clusters, the Air Force Commendation Medal with two oak leaf clusters, the National Guard Bureau Eagle Award, the Patrick Henry Citation of the National Guard Association of the United States, and the Distinguished Alumnus Award of the Institute of Labor and Industrial Relations, University of Illinois.

Mr. Chairman and members of the Subcommittee, I am pleased to appear today to discuss recruiting and retention. Those two functions are the cornerstones of personnel readiness; therefore, the Department continues to maintain top-level oversight, including review of program execution by the Senior Readiness Oversight Council.

Today, we face multiple challenges: the cohorts affected by the Military Retirement Reform Act of 1986 now are moving to key career decision points; the nation's strong economy affords greater opportunities than at any time in the recent past; and the tempo of deployments appears to be causing families to think twice about a career in the military. Our Fiscal Year 2000 budget and legislative program are shaped to respond to those challenges.

Let me first turn to a review of our military recruiting programs.

RECRUITING

Each year, the Department must recruit about 200,000 young people for the active duty Armed Forces, and approximately 150,000 for the Selected Reserve. We closely monitor recruiting results throughout the year, reallocating manpower and resources when needed. We know that high-quality youth are more expensive to recruit, but we also know that they perform better both in training and on the job. High-quality recruits are also more likely to complete their initial terms of enlistment.

The robust U.S. economy, with the lowest unemployment rate experienced during the history of the All-Volunteer Force -- coupled with ever-increasing youth college attendance -- makes recruiting especially challenging today. Annual youth attitude surveys show that young people's interest in the military (enlistment propensity) has fallen since Operation Desert Storm, although there are recent signs that falling propensity has stabilized. As a related matter, completion of the military downsizing, along with growing retention challenges, means that accession goals now are increasing. To enhance our likelihood of success in recruiting sufficient

numbers of quality youth during Fiscal Year (FY) 1999, additional funds beyond the Readiness Supplemental have been reprogrammed, and additional recruiters have been assigned.

QUALITY IS IMPORTANT

We generally report recruit characteristics along two dimensions -- educational achievement and aptitude. Both are important, but for different reasons.

We value recruits with a high school diploma because years of research and experience tell us that high school diploma graduates are more likely to complete their initial three years of service. About 80 percent of recruits who have received a high school diploma will complete their first three years, yet only about 50 percent of those who have not completed high school will make it. Those holding an alternative credential, such as a General Education Development (GED) high-school-equivalency certificate, fall between those two extremes.

More Education Means Better Retention...

How Many Complete Their First Enlistment:

- **High School Diploma Graduates** **80%**
- **Alternative Credentials (eg, GED)** **60%**
- **Non-Graduates** **50%**

Figure 1

The better retention associated with those who complete high school saves money. It costs taxpayers more than \$35,000 to replace (recruit, train, and equip) each individual who leaves service prematurely. This argues for recruitment of those who are most likely to adapt to military life and stay the course -- the high school diploma is a reliable indicator of "stick-to-itiveness."

In addition to the high school diploma, there are other education credentials that are earned by individuals who may possess attributes that would enable them to adapt to the military. The

home school diploma and GED certificates earned through the National Guard Youth Challenge Program are two such examples. The Strom Thurmond National Defense Authorization Act for Fiscal Year 1999 mandates a five-year pilot project to attract more home school graduates and Challenge-GED holders to the military by treating them as high school diploma graduates for enlistment purposes. We now are exploring ways to identify and to encourage more home-schooled graduates and Challenge-GED holders to enter the military. Once these young people are on active duty, we will assess their military performance and follow this attrition pattern to determine their appropriate enlistment priority.

All applicants also take a written enlistment test, called the Armed Services Vocational Aptitude Battery (ASVAB). One component of that test is the Armed Forces Qualification Test, or AFQT, which measures math and verbal skills. Those who score above average on the AFQT are in Categories I-III A. We value these higher-aptitude recruits because their training and job performance are superior to those in the lower (below average) groupings (Categories IIIB - IV).

Research shows a strong correlation between AFQT scores and on-the-job performance, as measured by hands-on performance tests across a range of occupations. In Figure 2 we show that relationship. Even with on-the-job experience, enlistees with lower aptitude continue to lag behind those with higher aptitude. For example, Category IV recruits, with three years experience, never catch up with the level of performance at which the higher-aptitude recruits (AFQT Categories I-II) begin.

Higher Aptitude Means Better Performance

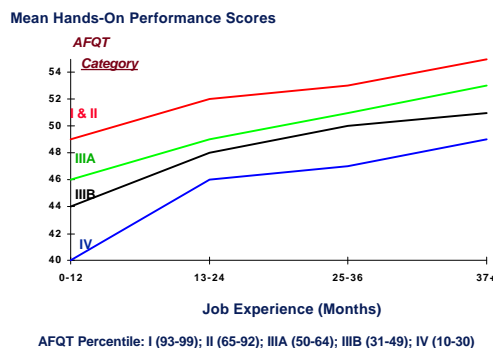


Figure 2

To put all of this in perspective:

- About 75 percent of American youth, ages 18 to 23, hold a high school diploma. In FY 1998, 94 percent of our active duty recruits held that credential. This means that the Services are able to better control attrition during the initial years of service, helping to capitalize on substantial training investments.
- In FY 1998, 68 percent of new recruits scored in AFQT Categories I-III A compared to 50 percent of the youth population. Higher levels of aptitude serve to increase hands-on job performance -- and that means productivity, which is essential to unit performance and readiness.
- In FY 1998, the Services enlisted 10,841 non-high school graduates. Of these, 10,795 held alternative credentials such as a GED, and of those, 94 percent scored above average on the ASVAB. While their attrition rates may be higher, on average, that those of traditional high school diploma graduates, their aptitude scores indicate that they are more trainable and have better job performance than their lower scoring high school graduate peers.

In conjunction with the National Academy of Sciences, the Department developed a mathematical model that links educational attainment, aptitude, and recruiting resources to job performance. This model was used to establish recruit quality benchmarks of 90 percent high school diploma graduates and 60 percent scoring above average on the enlistment test. Those benchmarks were set by examining the relationship between costs associated with recruiting, training, attrition, and retention using as a standard the performance level obtained by the enlisted force of 1990. Thus, the benchmarks reflect the education and aptitude levels necessary to minimize personnel and training costs while maintaining the performance level of the force that served in Operations Desert Shield and Desert Storm.

Since the mid 1980s, all Services have recruited at levels above the DoD benchmarks. While there has been some slight decline over the past three years, when comparing education and aptitude with historical trends, today's entering recruit quality remains excellent. In the current

recruiting environment, the Services have made measured adjustments in the mix of high school diploma graduates and individuals with above average aptitude scores to maintain needed performance levels while balancing recruiting costs, attrition risks, and training requirements.

DoD Recruit Education and Aptitude...

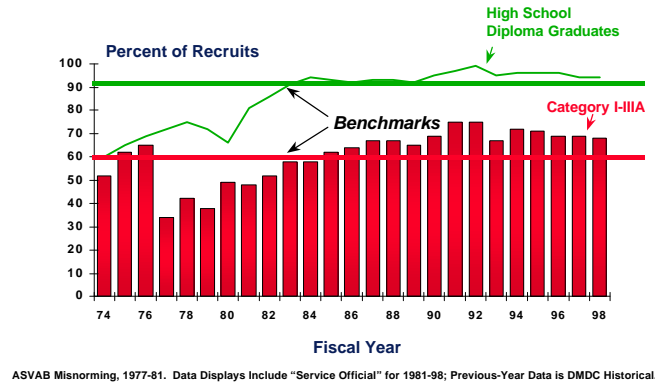


Figure 3

FY 1998 RESULTS

Fiscal Year (FY) 1998 was the most difficult recruiting year we've had in quite some time. Although not fully successful in attracting the numbers of new recruits sought, the Services did enlist young people with the education and aptitude levels necessary to sustain a capable, ready force. The Services recruited nearly 180,000 first-time enlistees -- 94 percent were high school diploma graduates (HSDGs) with 68 percent scoring above average on the enlistment test (AFQT I-IIIs). Two Services -- the Marine Corps and Air Force -- achieved their numeric goals. The Army reached 99 percent of its objective, missing by 776 individuals, while the Navy achieved 88 percent of its mission, a shortfall of 6,892 recruits. The recruiting challenges we faced in FY 1998 placed the Services in a less-than-desired starting position for the FY 1999 Delayed Entry Program (DEP).

FY 1999 Starting DEP Percentages				
	Army	Navy	Marine Corps	Air Force
FY 1999 Mission	74,500	53,224	34,580	34,100
FY 1999 Starting DEP	24%	28%	56%	35%
Service Goal	35%	43%	55%	43%

Source: Service Recruiting Commands

Table 1

As shown in Table 1, the Army, Navy, and Air Force were all below their desired begin-year DEP levels. This suggests that FY 1999 will be a challenging year to contract applicants for the shipping mission and to build the DEP for FY 2000.

FY 1999 YEAR-TO-DATE RESULTS

Through the first four months of this fiscal year (October 1998 to January 1999), the Navy and Marine Corps met their numeric recruiting goals, while the Army (87 percent) and Air Force (94 percent) fell short. Nonetheless, recruit education and aptitude levels across the Services remained above DoD benchmarks. Table 2 shows those levels for young people either shipped in the first four months of FY 1999, or who enrolled in the Delayed Entry Program (DEP) for subsequent enlistment during this fiscal year.

FY 1999 Recruit Quality through January 1999					
	Army	Navy	Marine Corps	Air Force	DoD
HSDGs	94	94	96	99	95
Cat I-IIIAs	66	66	63	77	68
Cat IVs	1.7	0	0.3	0.2	0.7

Table 2

ACTIONS TO ADDRESS RECRUITING PROBLEMS

In response to a difficult recruiting environment, Navy has adjusted its recruit education and aptitude goals from 95 percent HSDGs to 90 percent, and from 65 percent top-half aptitude to 62 percent. With this adjustment, Navy will make prudent use of available training capacity and will give proven performers (individuals older than the typical recruit with demonstrated success in civilian jobs) the opportunity to become good, sometimes exceptional, sailors. The Air Force and Marine Corps plan to continue their recruit quality goals at current levels and none of the Services intend to raise the input of low-aptitude recruits. Education and aptitude levels are projected to remain above the DoD benchmarks.

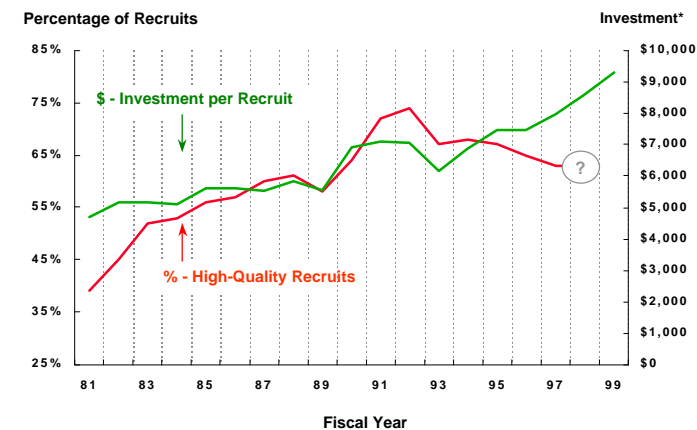
The Army has increased recruiting resources by more than \$100 million above its planned FY 1999 investment, including a hike in the enlistment bonus (EB) ceiling for three-year enlistments from \$4,000 to \$6,000. Both the Army and Navy have implemented a new \$3,000 EB

for those enlisting in historically low-flow months (February to May). The Navy also is increasing recruiter strength by 10 percent (up to 4,500) by March 1999. The Air Force has increased its FY 1999 advertising budget by \$23 million (from \$16 million to \$39 million) and front-loaded \$37 million for FY 2000 advertising. The Air Force also is working to fill an 18-percent deficit in recruiter manning. The Army and Navy have added to their College Fund “kickers” (additions to Montgomery GI Bill benefits) so that their maximum "money-for-college" incentive increases from \$40,000 to \$50,000.

RECRUITING RESOURCES MUST KEEP PACE

We must always remember that high-quality recruits come at a cost. As you can see in Figure 4, there is a positive correlation between the money we spend for recruiting and the percent of our new recruits who are high school diploma graduates, scoring above average on the enlistment test. As the lines begin to diverge in about FY 1993 (greater investments do not translate to higher quality), it is clear that a powerful additional factor is at work. In this case, it is a consequence of a strong economy which features excellent employment opportunities outside the military, coupled with increased college attendance. In other words, civilian educational and job opportunities operate to reduce our market, which in turn tends to demand higher investments. We recognize that improved business practices also can bring those lines together, and I will discuss those initiatives in a moment.

Resources & Quality



* Spending means recruiters, recruiter support, advertising, education benefits, and bonuses per recruit in the year shown (constant FY 1998 dollars). High-Quality Recruits = HSDG/I-III.A.

Figure 4

Table 3 reflects the total resources dedicated to enlisted recruiting for Fiscal Years 1997 through 2000 as reflected in the Fiscal Year 2000/2001 Budget Estimate, to include internal reprogramming thus far this year. In FY 1999, the Services found that the combined

Active Enlisted Recruiting Resources				
Current \$ in Millions				
	FY 1997	FY 1998	FY 1999*	FY 2000
Army	777.8	802.7	852.5	767.4
Navy	338.3	352.1	442.4	453.3
Marine Corps	176.3	191.6	197.5	210.2
Air Force	127.8	131.9	216.3	144.1
Joint	114.6	118.2	114.6	118.6
Total	1,534.8	1,596.5	1,823.3	1,693.5

* Includes FY 1999 Readiness Supplemental and assumes total applied to enlisted recruitment.

Table 3

impact of a robust economy and increasing college attendance required them to augment their planned recruiting budgets. The \$113 million added in the FY 1999 Readiness Supplemental was helpful and sorely needed by the Navy and Marine Corps. The Army has added over \$100 million during the year, primarily in the area of enlistment incentives. The Air Force also is adding money to both its enlistment bonus program and to advertising.

Table 4 shows that the investment-per-accession is steadily rising and is up by more than 20 percent in FY 1999 compared to FY 1997. This trend toward higher costs is a concern, and we are working closely with the Services to identify ways of making recruiting more efficient and effective. I would like to outline one such initiative.

Active Enlisted Expenditure per Accession for FY 1997-2000				
(Current Dollars)				
	FY 1997	FY 1998	FY 1999*	FY 2000
Army	\$9,475	\$11,187	\$11,443	\$10,526
Navy	\$6,748	\$7,271	\$8,312	\$7,883
Marine Corps	\$5,098	\$5,590	\$5,747	\$6,167
Air Force	\$4,216	\$4,161	\$6,344	\$4,580
Total	\$7,786	\$8,584	\$9,293	\$8,643

* Includes FY 1999 Readiness Supplemental and internal reprogramming. Assumes total applied to enlisted recruitment.

Table 4

RECRUITING PRIVATIZATION TEST

In the Report associated with the Strom Thurmond National Defense Authorization Act for Fiscal Year 1999, this Committee on Armed Services encouraged the Department to determine, through a test, the viability of outsourcing aspects of military recruiting. Vice Admiral Patricia Tracey, Deputy Assistant Secretary of Defense for Military Personnel Policy is leading this effort and has assembled a team of experts to analyze the current recruiting process, to evaluate functions that one or more of the Services already outsource, and identify potential outsourcing candidates. Our goal is to increase recruiter productivity and reduce the potential for recruiting-mission failure by pursuing improved business practices which may reside in the private sector.

As part of this test, we expect the Services to test the use of civilian contractors to provide outbound-call telemarketing, administrative assistance to recruiters, limited recruiting duties on campuses in support of officer commissioning programs, and entrance medical examinations by local civilian physicians. We anticipate a two-year test period so that we may closely monitor progress and capture the cause-and-effect relationships of any variables we introduce into the already-stressed recruiting environment. We will not wait for test completion to implement promising initiatives.

WELL-FOCUSED ENLISTMENT INCENTIVES

Enlistment incentives not only help by expanding the recruiting market but are used by the Services to channel high-quality recruits into critical and hard-to-fill military specialties. I want to thank this Committee for the continuing support you have provided to this vital resource. Specifically, in the Strom Thurmond National Defense Authorization Act for Fiscal Year 1999, you raised the ceiling on Service College Funds from \$40,000 to \$50,000, increased the maximum for the Army's three-year enlistment bonus from \$4,000 to \$6,000, and authorized the Services to offer both a College Fund and enlistment bonus to the same individual. The Army and Navy are now offering increased College Funds, and the Army is using the new ceiling for three-year enlistments.

As a related matter, the Department is reviewing an initiative that would permit the Services to immediately pay a "signing bonus" to recruits as soon as they agree to enter the military (frequently through the Delayed Entry Program). This would be an immediate incentive, whereas the enlistment bonus is not paid until one completes initial training.

RECRUITMENT ADVERTISING

One of our greatest recruiting challenges today is that of sustaining sufficient interest among American youth in joining the military. Many young men and women may perceive that the military is not a sound career option, and each year, fewer of those who influence potential recruits – parents, relatives, teachers, coaches, and guidance counselors -- have military experience of their own. Not surprisingly, this can translate to lower enlistment propensity. At the start of this decade, recruit advertising budgets were cut by more than half from their mid-1980 levels. However, reprogramming and appropriations over the past several years (Figure 5) is helping to turn that around.

The current recruiting market is both competitive and dynamic. As America's young men and women grow up, they acquire a perception of the military and of each of the Services. Recruiters hope to influence young people's perceptions so that they consider enlistment from among the many post-high school options available to them. We use advertising to boost awareness about military opportunities while conveying positive perceptions of the Services, which in turn helps recruiters accomplish their difficult job.

The Joint Recruitment Advertising Program complements Service-specific advertising by raising and sustaining awareness of military opportunities and options both for prospective enlistees and for those people who influence their decision to enlist. Service-specific advertising, on the other hand, focuses on creating enlistment-related behavior in the prospect market. Because of the growing complexity of military systems and operations we must interest and persuade a population of young men and women who have many alternatives – bright, task focused, self-starters who can handle the military's increasingly high-technology equipment and perform capably in a fluid operational environment. This limited pool of high-quality prospects is also aggressively sought by colleges, universities, and private sector employers.

Advertising Coming Back in Balance...

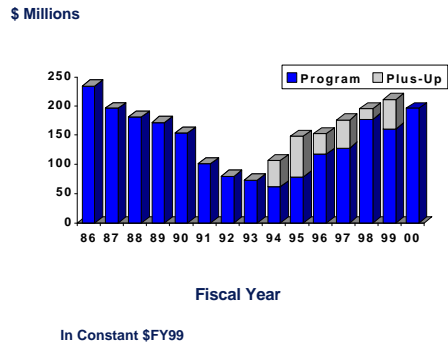


Figure 5

EARLY ATTRITION

The Department remains concerned about the rate of attrition prior to completion of initial service obligations. Historically, the Services have lost about 30 percent of recruits over the first three years of service, with most leaving during initial entry training. Recent work by the General Accounting Office (GAO) and the Department have identified better methods to help reduce attrition while enhancing recruiting practices. Those reviews are generating improvements in medical screening, pre-enlistment testing for substance abuse, better coding of medical discharges as a means of improving feedback to medical screening officials, and improvements in the management of recruiter selection and incentives. Moreover, consistent with guidance reflected in the National Defense Authorization Act for FY 1998, the Services are exploring ways to improve the physical fitness of recruits while in the Delayed Entry Program – before they ship to basic training – as a means of improving training performance and lowering attrition.

Over the past few years, the GAO has conducted several reviews concerning attrition and recruiter incentives. In a January 1997 report, *“MILITARY ATTRITION: Services Could Save Millions by Better Screening Enlisted Personnel,”* the GAO offered several recommendations that the Department has adopted. Specifically, we have reinforced policies requiring use of the separation code that best identifies the reason for leaving service, and the use of recognized

codes from the International Classification of Diseases (ICD) on all medical waivers and separations. In addition, we are standardizing moral character waiver definitions, policies, and procedures across all Services. Our goal is to develop policies consistent with performance data. We want to improve our ability to distinguish among individuals who are likely to serve successfully in the military from those who should not be granted waivers for enlistment. These standardization efforts promise to improve the quality and consistency of management information relating to military recruiting.

The second GAO report, *“MILITARY ATTRITION: Better Data, Coupled With Policy Changes, Could Help the Services Reduce Early Separations,”* was completed in September 1998. In response to the recommendations, DoD has directed the Services to: review their 90-day release policies and the exceptions granted to those policies; collect information on factors contributing to first-term enlistee separations and use that information to identify quality-of-life issues that could be addressed to reduce attrition; emphasize the cost of first-term attrition, its impact on recruiting, and the importance of positive leadership in retarding premature separations; collect data on specific types of attrition that could be targeted for remedial attention; and reassess the appropriateness of providing favorable types of discharges to enlistees whose behavior or performance led to their early separation, insuring that proper incentives exist to encourage enlistees to complete their first terms.

In addition, to address the complex problem of attrition, we established the Attrition Roundtable, chaired by the Deputy Assistant Secretary of Defense for Military Personnel Policy, with Service personnel chiefs and recruiting commanders as members; we also formed the Joint-Service Recruit Quality and Attrition Working Group with OSD and Service staff representation. The Roundtable provides a forum for the exchange of information on how each Service views attrition, what corrective actions have been taken with what result, and what initiatives are planned. The Working Group is charged with development and implementation of the guidance provided in the National Defense Authorization Act for Fiscal Year 1998. Further, we have recognized the need to monitor first-term attrition more closely, much as we track recruit quantity and quality, in order to identify early changes in attrition patterns. Therefore, we are revising the DoD instruction for recruiting statistics to include attrition information and have

asked each Service to begin providing monthly initial entry training attrition data, along with the recruiting statistics normally provided.

Consistent with recent guidance¹ from Congress, the Department is reviewing its recruiter selection and incentive programs. We undertake this review with full recognition that the selection and training of the recruiter force, and the system by which its success is rewarded, are of vital importance to sustainment of the world-class recruiting program that so many have come to associate with the Armed Forces. Steps are underway to better screen, select, and train new recruiters, and we will be working with the Services to evaluate the use of a formal assessment to aid in recruiter selection. Recognizing that communications between recruiters and drill instructors can positively influence the overall recruiting process, each Service is establishing a program that permits recruiters to visit basic training sites either during recruiter school or in the early portion of their recruiting tour. Additionally, the Services now are integrating a recruit's success in basic training as a part of their recruiter incentive program.

Finally, we urge your support of legislation the Department is proposing that will permit greater access to pre-accession offender records. We have sponsored research that suggests that many records of youth crime aside from serious, violent offenses, do not reach national (FBI) databases. For example, we reviewed California juvenile and adult arrest records and determined that over 14 percent of new recruits from that state had an arrest record not previously identified through self-disclosure or FBI checks. This raises concerns because we estimate that attrition rates for unsatisfactory behavior during initial enlistments were about 65 percent higher for recruits with an arrest record than for other recruits. Without access to local and state records, the Department loses critical information important to evaluating the whole person for suitability.

Current statutes block our ability to achieve that goal -- the military is treated like any other employer when it comes to gaining access to criminal offense histories. An exemption is available when such information is required for national security purposes, but that exemption cannot presently be applied to all -- or even the majority -- of recruits because of the language in law. We simply must achieve better access to that information if we are to bring down attrition, avoid wasted training investments, and reduce problems in units.

IMPROVED EDUCATION BENEFITS

Education benefits are vital to our recruiting efforts. Programs such as the Montgomery GI Bill support recruiting, while providing assistance to veterans as they return to civilian life. Recently, the Congressional Commission on Servicemembers and Veterans Transition Assistance, chaired by former Deputy Secretary of Veterans' Affairs, Anthony Principi, as well as the Senate Committee on Armed Services recommended reforms to current education benefit programs. Although there are differences between these proposals, there is a central theme – increased benefits to stimulate recruiting and to help veterans in the transition from military service to civilian life.

The Principi Report proposes an enhanced Montgomery GI Bill for new recruits who enlist or reenlist for four years, with benefits harking back to the original GI Bill at the end of World War II, which would pay full tuition, fees, books, and supplies for veterans to attend any school to which they are accepted. The Principi proposals also would increase the benefit level for enlistments of less than four years, eliminate the current \$1,200 pay reduction, and offer the Services discretionary authority to fund the transfer of education benefits to Servicemembers' immediate families.

We find these proposals interesting, but due to the significant funding implications we must take a careful look at each of them. In conjunction with the Department of Veterans' Affairs, the Department of Labor, and the Office of Management and Budget, we are currently reviewing the Principi recommendations, as well as those embodied in a Senate proposal (S. 4), and will forward our position to Congress in April 1999.

RETENTION

In FY 1987, there were 2.2 million members on active duty. By the end of this fiscal year, we will stand at slightly below 1.4 million. The strategic environment at the beginning of the drawdown was different from today. In FY 1987, our military was focused largely on containing a single adversary. During the subsequent four years, the former Soviet Union

¹ National Defense Authorization Act for FY 1998 (PL 105-85, §531)

collapsed and we fought and decisively won a war in Southwest Asia. We have now assumed a position of global leadership and employ our premier military power to engage in a dynamic and uncertain world, replete with challenges. The new strategic environment initiated a new phase in the evolution of our Armed Forces.

Today's environment is characterized by a national will to employ the Services in a variety of roles and missions to ensure regional stability and economic progress in many important areas of the world. This environment requires an agile military capable of tailoring force packages to address varied commitments. It is important that the Department sustain a capable force that can respond quickly to more fluid operational environments, while at the same time employing increasingly-complex weapon systems. Our ability to meet this commitment may be challenged by the strains we are now experiencing in retention.

Today's economy is the strongest we have witnessed since the advent of the All-Volunteer Force; that economic promise has opened a range of opportunities in the private sector for those in uniform who might be sitting on the fence when it comes to pursuing a military career. The self discipline associated with military duty, the level of responsibility placed on today's Servicemembers, and the technical training we provide, all serve to make military experience a valuable commodity in the job market. Attractive salary and benefit packages coupled with geographic stability and a predictable lifestyle are influencing many of our experienced, mid-career noncommissioned and commissioned officers to pursue private-sector opportunities.

OFFICER RETENTION CHALLENGES

The retention of pilots is a major concern for the Department, particularly in the Navy and Air Force. *Air Incorporated*, an independent agency that projects hiring for the 14 major commercial airlines, projects the need for 18,000 new airline pilots through FY 2004.

The dilemma for Air Force pilot manning is frequently summed up this way: for every two pilots who enter the Air Force, three are currently leaving. At the current pace, the Air Force expects to be short at least 2,000 pilots by FY 2002.

In the Navy, current shortages are limiting the flow of aviators to the Department Head billets that are so vital to the fleet's operational performance. This will require officers in those billets to extend sea duty tours -- already running 7 to 9 months beyond the 36-month standard -- to even longer periods. Keeping pilots at sea longer will, of course, operate against retention.

The Marine Corps currently is able to meet its aviator requirements, but is closely monitoring a recent decline in the bonus take rate among the fighter/attack and electronic warfare communities, a leading indicator of pilot retention behavior. Fixed wing pilot take rates in those specialties for FY 1998 were about half of the FY 1997 rate.

While pilot retention is critical, other career fields present challenges as well. Since 1993 the Navy's Surface Warfare Officer (SWO) Community has steadily fallen below required retention rates. This has forced an extension of sea duty for an additional 8 to 10 months. These extensions are unavoidable; however, they probably will frustrate the affected officers. The Navy is reviewing a broad range of solutions to address problems in this troubled community.

The Army reports growing concern over an unexpectedly high loss rate for captains, who -- at 35 percent of its officer corps -- are so instrumental to unit performance. A survey by the Army Research Institute (ARI) for Behavioral and Social Sciences suggests that problems grow from frustration over perceived losses in pay and retirement, greater deployment tempo, and excellent private-sector opportunities.

The Department continues its efforts with the Services to identify and address factors that influence retention and recognizes that not all solutions are monetary. In fact, senior leadership continues to focus on segments of the force that may be over-stressed by deployment patterns. The Army has initiated the rotation of stateside units to Bosnia to help reduce operational strain on units in Germany. Additionally, a Texas Army National Guard Division has been designated to assume the Bosnia mission in FY 2001. The ongoing implementation of the Air Force's Expeditionary Aerospace Force (EAF) will help to stabilize deployments, and the Navy's reduced training tempo during the inter-deployment training cycle will ease burdens for Servicemembers and families between periods of extended deployment.

Enhancing predictability and inter-deployment quality of life is difficult, both fiscally and operationally, but we are committed to success on both fronts. We also recognize the need to establish metrics that will allow the Department to more closely track and respond to individual personnel tempo.

ENLISTED RETENTION CONCERNS

The Army met overall retention goals for FY 1998 and remains generally on course for FY 1999. Looking at retention in the aggregate however, masks some significant shortfalls in specific skills. Addressing retention has proven difficult and expensive in all areas. The Army increased its overall retention mission by nearly 3,000 between FYs 1998 and 1999, which relieved pressure on recruiting efforts; but to achieve that goal, Army was compelled to boost its Selective Reenlistment Bonus (SRB) budget by \$24 million.

The Marine Corps met FY 1998 retention goals and has accomplished 65 percent of its FY 1999 annual mission to date. The Marine Corps does not foresee significant difficulties in meeting FY 1999 targets, but is closely watching career fields with troublesome loss patterns -- signal intelligence, data processing, and avionics.

The Navy missed its enlisted retention goal for FY 1998 and remains below goal this year. The number of sailors opting for short-term extensions, rather than longer-term reenlistments, has risen steadily since FY 1996.

First-term retention in the Air Force dropped 10 percent during the first quarter of FY 1999. The Air Force has more than doubled SRB funding since FY 1995 and now is offering SRBs totaling \$53 million to more than 100 career fields. Increased use of targeted pays in the face of declining retention indicates that the time certainly is right for a general pay raise.

COMPENSATION

The initiatives proposed by the Secretary of Defense and supported by the Chairman and the Joint Chiefs respond to the serious challenges we now face to retain the high quality men and women the nation's defense demands. I now would like to turn to a discussion not only of that, but also of needed reforms in the pay table, and an improved retirement system -- in short, the "compensation triad" that we believe is essential to future personnel readiness.

The Department is proposing pay and retirement improvements that will compensate men and women in uniform in proportion to their outstanding performance and dedicated service to the nation. The Department's pay and retirement program for FY 2000 includes three integrated proposals:

- ***ACROSS-THE-BOARD PAY INCREASES FOR ALL SERVICEMEMBERS.*** Effective January 1, 2000, all Servicemembers would receive a raise of 4.4 percent -- the largest increase in basic military pay in nearly a generation. In addition, annual raises matching the currently forecasted rate of civilian wage growth have been programmed in Fiscal Years 2001 through 2005. These pay raises help to ensure that our Servicemembers will be fairly compensated.
- ***TARGETED RAISES AND GREATER REWARD FOR PERFORMANCE.*** In addition to across-the-board pay increases, noncommissioned and petty officers, as well as mid-grade commissioned officers, would receive additional raises. Proposed adjustments will better reward performance by compensating people for skills, education, and experience they have acquired. The adjustments also will provide greater incentives to continue military service. This proposal will result in the first systematic reform of the military pay table in nearly 50 years.
- ***AN IMPROVED MILITARY RETIREMENT SYSTEM TO MEET CHANGING TIMES.*** The retirement system that applies to Servicemembers who entered after FY 1986 has become a source of dissatisfaction. The proposal would base 20-year retirement on 50 percent of basic pay and provide for modest changes through annual Cost-of-Living Adjustments. The Department's

retirement proposals recognize the importance military people attach to retirement -- something we had not fully anticipated when the reforms were accomplished in the 1980s.

We must act now -- today's military is operating under a combination of influences never before encountered. The end of the Cold War fundamentally changed demands on the military. A single adversary has given way to multiple global demands on forces that are no longer forward-deployed. At home, America is experiencing economic prosperity and a growing demand for high-technology skills and knowledge. These economic developments, welcome as they are, mean sharper competition for the high-quality men and women needed for the Services. Today, there are early warning signs in the areas of recruiting and retention. Military forces build their own expertise and leadership from within. Once lost, those attributes require many years to regain.

In addition to the triad of pay and retirement initiatives, the Department is finalizing proposals to improve the important areas of Special and Incentive Pays. In addition to three new special pays, we are pursuing greater flexibility in the application of recruiting and retention incentives that already have proven their value. These proposals would work with the pay and retirement plan to sustain continued military capability.

These initiatives are part of a larger effort that includes quality-of-life improvements, and better housing and subsistence allowances. The aim is to provide pay and benefits that are both fair to Servicemembers and effective in the recruitment and retention of the type of high-performing men and women that our national defense demands. These proposals are under review at the Office of Management and Budget; but taken together, we believe they will meet the needs of changing times, maintain the fairness and effectiveness of the military retirement system, and strike the proper balance in the use of limited resources.

VIABILITY OF THE ALL-VOLUNTEER FORCE

Recently, there have been suggestions among academics, lawmakers, and even a few military commanders that it may be time to revive the draft as a means to "solve" our current recruitment difficulties. Such an answer would ignore our Nation's history and deny evidence

we witness every day of the merits of committing to an all volunteer force. Viewed in a historical context, the United States has resorted to conscription during only 33 of its 220 years. In fact, for the past 25 years, we have recruited and retained the best and brightest young people which allowed us to maintain and operate our complex, high technology equipment that is such an important combat multiplier in today's operations.

With regard to the quality of the force, we believe that conscription would lower our standards. Recall that the quality mix for today's recruits far exceeds national averages with regard to education (nearly 95 percent of recruits over the past 10 years held a high school diploma, compared with 75 percent of 18-21 year-olds nationwide). Also over the past decade, roughly 70 percent of recruits scored in the top half of American youth in math and verbal skills. Both of those achievements are vital and cost-effective -- as I discussed at the outset of my testimony. Therefore, a draft -- which would draw from a nationally-representative pool -- would lower recruit quality, not raise it.

Any suggestion that a return to conscription would do more than provide a steady stream of non-volunteers fails to perceive the economic and political reality existing in America today. Ninety percent of Americans favored a draft in 1965, but that percentage declined rapidly with the United States involvement in Vietnam. By 1984, 11 years after the draft ended, only 24 percent of the population favored a draft. Today's youth and their parents are unlikely to support mandatory military service in the absence of a real threat to our national security. Moreover, the Services only require about 200,000 recruits annually out of a youth population of approximately 25 million young adults ages 18-24. This revives the irresolvable political problem of who should serve when not all serve.

With adequate resources and support to attract and retain our high-quality force, conscription is not needed to meet future military personnel requirements. The All-Volunteer Force is more expensive than a conscription force in terms of military compensation and funds for advertising and enlistment incentives. However, volunteers are more cost-effective. A force composed of volunteers is more stable and career-oriented, thereby leading to improved experience and performance, with lower training and turnover costs than we would find with a draft. During the periods of conscription that preceded the All-Volunteer Force, roughly 10

percent of new inductees reenlisted at the end of their obligation; today's first-term force reenlists at a 50-percent rate. In short, the All-Volunteer Force has delivered better retention, higher quality, and stronger performance than would be achievable under a draft. We got it right 25 years ago, and we should stay the course.

SUMMARY

Mr. Chairman, allow me to summarize. Recruiting has been successful in recent years, but special challenges now face the Department as a consequence of growth in accession missions, a robust economy, and a greater enrollment in post-secondary education among today's youth. We are carefully monitoring indicators – recruit quality mix, size of the Delayed Entry Program, and so forth -- and stand ready to take whatever actions are necessary to ensure recruiting success and to protect the quality of the force. We also face retention challenges that are more acute than in recent years, owing to the cumulative effect of past compensation programs, high deployment tempo, and much-improved job opportunities in the private sector -- including professions that entail less family stress.

Few things, if any, are more important to the Secretary of Defense and to the Services represented with me today than recruiting and retention. We recognize our duty to effectively screen applicants, and we hope that the Subcommittee will support our efforts to expand the military's access to pre-accession offender records. Meanwhile, we shall closely monitor retention, particularly in the career fields that would have the earliest and most-pronounced impact on unit performance, including pilots.

Our success in sustaining readiness will be tied to the Subcommittee's support of our FY 2000 budget and its associated legislative program. We remain grateful for your unflagging interest in those who serve, and for your enormous concern for the readiness of today's -- and tomorrow's -- military units around the world.