

Statement of

HONORABLE ALPHONSO MALDON, JR.

Assistant Secretary of Defense
(Force Management Policy)

Before The

Personnel Subcommittee
Senate Committee on Armed Services

On

Military Recruiting and Retention

February 24, 2000



HONORABLE ALPHONSO MALDON, JR. ASSISTANT SECRETARY OF DEFENSE FOR FORCE MANAGEMENT POLICY

Alphonso Maldon, Jr. was sworn in as the Assistant Secretary of Defense for Force Management Policy on November 12, 1999. A Presidential appointee confirmed by the Senate, he is responsible for policies, plans and programs for military and civilian personnel management, including recruitment, education, career development, equal opportunity, compensation, recognition, discipline, and separation of all Department of Defense personnel, both military and civilian.



Prior to this position, Mr. Maldon served as the Deputy Assistant to the President for Legislative Affairs and White House Congressional Liaison to the United States Senate and House of Representatives. As a Deputy Assistant for Legislative Affairs, he provided policy making and strategic advice to the President. Although Mr. Maldon was indirectly involved with a myriad of legislative issues, he was directly responsible for legislative issues in both the House and Senate involving Trade, Defense, International Affairs, Intelligence and Veterans Affairs.

In March 1993, Mr. Maldon was appointed as Special Assistant to the President for Legislative Affairs. He subsequently served as the first African American to be appointed as Deputy Assistant to the President and Director of the White House Military Office. In this capacity he managed and directed a large staff of over 1,900 personnel – providing operational, logistical and state-of-the art communication support to the President.

Mr. Maldon entered active duty service as a commissioned officer in the United States Army in August of 1972. His assignments included tours in Europe, Korea, and various posts throughout the United States. Some of his highly visible positions included assignments as the Executive Officer, Armed Forces Staff College; and as Admissions and Public Liaison Officer at the United States Military Academy, West Point, New York. His career progressed through increasingly responsible positions as a Field Artillery and Adjutant General Corps Officer. He completed his military career with an assignment to the United States House of Representatives as the Deputy Director for Army Legislative Affairs in February 1993.

Mr. Maldon holds a Master of Arts Degree from the University of Oklahoma in Human Relations and a Bachelor of Arts Degree in Business Administration from Florida A&M University. He also graduated from various military schools and colleges, including the Command and General Staff College, the Armed Forces Staff College, and the Army's Organizational Effectiveness Management Consultant School in Monterey, California. He is the recipient of numerous military decorations including the Legion of Merit, the Defense Meritorious Service Medal (with two Oak Leaf Clusters), the Army Commendation Medal and the U.S. Army Staff Badge. Mr. Maldon is a recipient of the United States Congressional Award for Leadership and Patriotism. He also is listed in Who's Who in America.

Mr. Maldon and his wife, Carolyn, have one daughter, Kiamesha Racha'el.

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.

Today, we are in a war for talent that the Military Services must win. Compensation initiatives, including recent improvements in pay and retirement, will help a great deal; however, those alone do not assure success. We must seize innovations in recruiting if we are to outperform the competition. We also must closely manage deployment tempo and sustain an ability to quickly channel potent retention incentives to problem areas that emerge. Our Fiscal Year 2001 budget and legislative program are shaped to respond to those challenges.

Let me now turn to a review of our strategies for achieving strength goals, and the interplay of retention, attrition, and recruiting in achieving those ends.

STRENGTH

Unit performance depends first and foremost on its strength -- having enough people to do the job. The strength is derived from three components that we must continually balance -- recruiting capable people, controlling initial-term attrition, and retaining the skill and grade mixes required to fill our force structure. To the extent we are successful in meeting retention goals and managing attrition, recruiting missions may be lowered. Should any of the three components fall below programmed goals, and should the other components be incapable of compensating for the shortfall, we would soon witness personnel shortages across operational units. Naturally, those shortages drive up workloads and deployment tempo, frustrating both members and families.

Fiscal Year (FY) 1999 strength objectives were achieved by all components of the "Total Force" except the active Air Force, which fell short by slightly more than one percent, and the Air Force Reserve which missed strength by approximately 1,000 personnel. The Army employed a modest surplus in retention to offset a recruiting deficit, while the Navy offset a retention problem with a stronger than planned recruiting performance. Thus, success was achieved by offsetting a weakness in one area with the strength of another -- stronger retention compensating for weaker recruiting, or vice versa. There is no single solution to achieving needed strength levels, and recruiting and retention programs must be constantly adjusted. Let me now discuss how each of the programs that generate strength is being carried out, beginning with recruiting.

RECRUITING

THE ENVIRONMENT

The number of young people in the national population is growing by about 250,000 annually. Today, there are about 11.5 million young men, ages 18 to 23, compared to roughly 10.6 million in 1996. However, recruiting efforts now are challenged by a variety of factors, including America's booming economy, with unemployment at its lowest level in nearly 30 years. Compounding this is the fact that high school graduates increasingly are opting to attend college, while those in the non-college market have found ample opportunities for civilian training and job placement. All this is good news for Americans; however, it translates into new challenges for military recruiting. Finally, we witness that those who influence career decisions of young people, such as parents, teachers, or coaches, increasingly have not served in the military; thus, they are not able to offer encouraging or accurate advice to the same extent that may have been possible when we had more veterans with positive military experience. We do not anticipate that any of these patterns will soon change in a way that favors recruiting.

RECRUIT QUALITY IS IMPORTANT

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

All military applicants 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 III B-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 1, 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

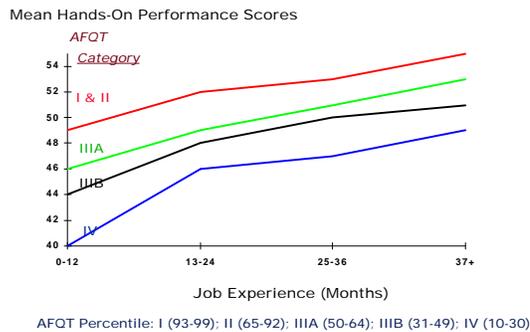


Figure 1

We also 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.

As I will discuss later in my statement, the fact that GED holders retain better than non-graduates has generated new initiatives to expand recruiting without driving up attrition. We would do that by looking at other personal attributes that suggest the individual is resolute about completing a service obligation, despite an academic credential which, by itself, might indicate otherwise. I will discuss that shortly.

More Education Means Better Retention...



How Many Complete Their First Enlistment:

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

Figure 2

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 has been a reliable indicator of "stick-to-itiveness."

To put all of this in perspective:

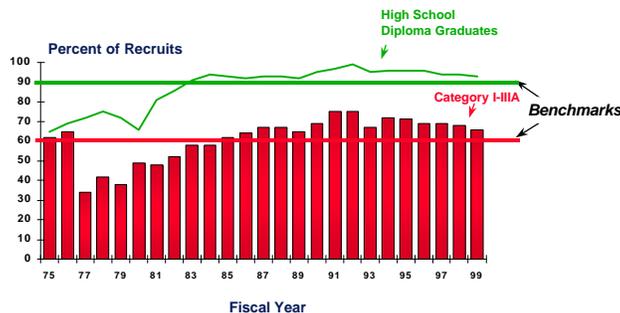
- In FY 1999, 66 percent of new recruits scored in AFQT Categories I-III A compared to 50 percent of the youth population. Higher levels of aptitude serve to increase hands-on job performance -- and that means productivity, which is essential to unit performance and readiness.
- About 78 percent of American youth, ages 18 to 23, hold a high school diploma. In FY 1999, 93 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 1999, the Services enlisted 12,468 non-high school graduates. Of these, 10,615 held alternative credentials such as a GED, and of those, 99 percent scored above average on the ASVAB. While their attrition rates may be higher, on average, than those of traditional high school diploma graduates, their aptitude scores indicate that they are more trainable and will 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 aptitude and education 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.

DoD Recruit Education and Aptitude...



ASVAB Misnorming, 1977-81. Data Displays Include "Service Official" for 1981-98; Previous-Year Data is DMDC Historical.

Figure 3

Since the mid 1980s, all Services have recruited at levels above the DoD benchmarks. While there has been some slight decline over the past several years, when comparing aptitude and education 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 individuals with above average aptitude scores and high school diploma graduates – these efforts help maintain needed performance levels while balancing recruiting costs, attrition risks, and training requirements. At the behest of Congress, we are revalidating the recruit quality benchmarks in light of the current recruiting market and the cost of recruiting high-quality youth. We will submit that report by the end of March 2000, as requested.

FY 1999 RESULTS

During FY 1999, the Services recruited 235,268 first-term enlistees and an additional 91,982 individuals with previous military service for a total of 327,250 recruits, attaining 92 percent of the Department's goal of 353,814 accessions. As I mentioned at the outset, Mr. Chairman, these recruiting goals derive from our strength objectives, in comparison with loss patterns. Making good on the recruiting numbers provides greater assurance that units will have the right number of people to successfully perform their missions.

The active component Services achieved 96 percent of their numeric recruiting objectives, falling short by 7,912 enlistees. The Navy and Marine Corps achieved 100 percent of their goals. The Army achieved 92 percent of its mission, realizing a shortfall of 6,291 recruits, while the Air Force reached 95 percent of its numeric goal, missing its target by 1,727 individuals. DoD-wide, 66 percent of new recruits scored above average on the enlistment test, while 93 percent of those recruits were high school diploma graduates.

Overall, the Army National Guard and Marine Corps Reserve achieved their numeric goals, with the Reserve Components accomplishing 88 percent of their objectives (Table 1). Collectively, 68 percent of Reserve Component enlistees had above average aptitude and 90 percent were high school diploma graduates. Virtually all prior service recruits were high school diploma graduates with above average aptitude.

FY 1999 Numeric Results			
	Goal	Achieved	Percent
Army	74,500	68,209	92
Navy	52,524	52,595	100
Marine Corps	33,668	33,703	100
Air Force	34,400	32,673	95
Active Total	195,092	187,180	96
Army Reserve	52,084	41,784	80
Naval Reserve	20,455	15,715	77
Marine Corps Reserve	9,464	9,565	101
Air Force Reserve	11,791	7,518	64
Army National Guard	56,958	57,090	100
Air National Guard	8,520	8,398	99
Reserve Total	159,272	140,070	88
DoD Total	354,364	327,250	92

Table 1

The Delayed Entry Program (DEP) allows the Services to control the flow of new recruits into the training pipeline, permits high school seniors to enlist even though they won't ship until after graduation, and affords recruits the opportunity to select job skill training that may not be immediately available. A healthy DEP relieves the pressure on recruiters and facilitates recruiting and training management. Each Service determines its own goal as a percentage of the upcoming year's mission. As shown in Table 2, the Army, Navy and Air Force were well below their desired begin-year DEP levels. Although the Marine Corps achieved its desired begin-year DEP level, its posture was significantly lower than it had been in previous years, indicating that the Marine Corps also is experiencing a recruiting challenge.

When a Service begins the fiscal year below its desired DEP posture, two problems emerge. First, the shortfall must be made up during the recruiting year; second, those intense catch-up efforts leave little time to build the DEP, creating another deficit at the start of the next recruiting year. This suggests that FY 2000 will be a challenging year to contract applicants for the shipping mission and to begin the slow process of rebuilding the beginning-of-year DEP.

FY 2000 Starting DEP Percentages				
	Army	Navy	Marine Corps	Air Force
FY 2000 Mission	80,000	57,370	33,367	34,000
FY 2000 Starting DEP	22%	28%	50%	32%
Service DEP Goal	35%	43%	50%	43%

Source: Service Recruiting Commands

Table 2

With regard to officer accession programs, we see emerging shortages in the number of needed graduates for both Army and Air Force ROTC. The production of Army lieutenants from ROTC is projected to be about 10 percent below goals for the next few years. The Air Force is presently meeting objectives but estimates commissioning shortages of perhaps 10 percent by FYs 2002-2003. These shortages are brought about by a combination of under-recruiting and attrition, which in part are attributable to the low value of the monthly stipend provided to ROTC program members. We now are evaluating the potential effects of adjusting the value of the monthly stipend for ROTC students.

FY 2000 YEAR-TO-DATE RESULTS

Through the first four months of this fiscal year (October 1999 - January 2000), the Department achieved 95 percent of its shipping mission, enlisting 90,738 young men and women. This is commensurate with previous years (at this point in FYs 1998 and 1999, 95 and 96 percent of year-to-date missions had been achieved, respectively). Of the active Services, the Army, Navy and Marine Corps met or exceed their objectives for the first four months. In the Reserve Component, the Army National Guard and Marine Corps Reserve met or exceeded their fiscal year-to-date goal. Recruit quality remains high. Table 3 shows the quality achievements; the data describe those who either shipped in the first four months of FY 2000, or who (in the case of the active component) enrolled in the Delayed Entry Program (DEP) for subsequent enlistment during this fiscal year.

FY 2000 Recruit Quality Percentages through January 2000			
	HSDGs	Cat I-IIIAs	Cat IVs
Army	87	66	3
Navy	89	65	0
Marine Corps	96	63	1
Air Force	99	73	0.1
Active Total	92	66	1
Army Reserve	93	64	2
Naval Reserve	88	85	0
Marine Corps Reserve	97	74	0.2
Air Force Reserve	92	69	0
Army National Guard	87	59	1
Air National Guard	97	77	1
Reserve Total	90	64	1
DoD Total	91	65	1

Table 3

ACTIONS TO ADDRESS RECRUITING CHALLENGES

MARKET EXPANSION -- ALTERNATIVE EDUCATION CREDENTIALS

One of the best ways to help recruiting is to expand the market of eligible youth. We are attacking this in a variety of ways. While recruits holding a high school diploma normally have the highest probability of completing their enlistment, we recognize that individuals holding other education credentials have indeed performed well in the military. We continue to seek ways to identify non-HSDGs whose likelihood of success is closer to that of conventional high school diploma graduates.

The Strom Thurmond National Defense Authorization Act for Fiscal Year 1999 mandates a five-year pilot project to attract more home schooled graduates and ChalleNGe-GED holders to the military by treating them as high school diploma graduates for enlistment purposes. During the first year of the test, 1,228 home schoolers and 461 ChalleNGe participants entered active duty. Once we have sufficient numbers to permit valid analyses, we will assess the military performance and attrition behavior of the recruits to determine their appropriate enlistment priority.

In addition, the Army recently launched a four-year test program called GED Plus. This program will give some individuals who left high school before obtaining their diploma an opportunity to earn a GED and enlist in the military. GED holders in this special test will have to meet stringent criteria: they must have left school voluntarily, but now can not return because of age; they may not require moral character waivers for enlistment; they must score in the top half on the enlistment test (AFQT Categories I-III A); and they must receive a passing score on the Army's motivational screen (Assessment of Individual Motivation or AIM). The AIM is being used to protect the Army from the increased risk of attrition posed by GED holders. Further, since GED Plus graduates will be required to have scores in AFQT Categories I-III A, job performance should not be adversely affected.

MARKET EXPANSION -- PURSUING THE COLLEGE MARKET

Education statistics show that college enrollment rates and tuition costs have increased dramatically; therefore, the Army, Navy and Marine Corps offer college funds of up to \$50,000

for certain skills. To further appeal to this new market, the Army, Navy, and Air National Guard offer a Loan Repayment Program for qualifying recruits. Because increasing numbers of high school students consider themselves to be college bound, the Army, for example, has implemented a test program called College First. Recruits will be allowed to go to college either during their time in the Delayed Entry Program, or while serving in the Selected Reserve. Upon completion of a two-year college program, the recruit will begin active duty.

The Navy also has a program, called Tech Prep, which helps prepare prospective recruits academically for technical training, while providing them with the opportunity to receive an associate degree from participating community colleges. This increases the appeal of a military career to the college-bound high school market and to educators. We believe Tech Prep has cross-Service applications and now are developing a plan to publicize the program and facilitate the necessary interaction between the Services and educational institutions.

Finally, we are sponsoring a project by RAND Corporation to examine policy options for recruiting the college market. The objective of the project is to identify policies that will be successful in reaching and attracting college-oriented youth into the military. The project will design and administer a survey to youth with some college as well as college-bound youth. The results will be used to identify effective policies to attract them to the military, examine alternative methods of reaching youth who have left a college program, and evaluate current and emerging programs, such as College First and Tech Prep, targeted at this segment of the youth population.

MARKET EXPANSION – WORKING WITH EXTERNAL AGENCIES

Continued improvement in our marketing requires the involvement of a wide variety of agencies. In that regard, we have entered into dialogue with the Departments of Education and Labor, and with AmeriCorps, to explore ways that youth oriented programs can assist military recruiting. We also are working with the Selective Service System (SSS) to more fully exploit its state-level assets in encouraging cooperation between educators, community leaders, and military recruiters. Of particular interest in our work with SSS is the potential that its state-

level resources might help in gaining access to more high schools that presently provide less than a full measure of cooperation to military recruiters.

STIMULATING INTEREST – JUNIOR RESERVE OFFICERS TRAINING CORPS (JROTC)

The Junior ROTC program is not a recruiting function; nonetheless, the presence of JROTC units in high schools is helpful in bolstering military awareness. This is important since a smaller military has generated fewer veterans in communities around the country. Recent surveys reveal that youth who had been exposed to people with military experience enjoyed a far greater understanding of the nature of military life than those who had no such exposure. These misconceptions about daily life in the military operate against recruiting, and the Junior ROTC program represents an excellent means to address that problem. Moreover, the program builds better citizens, which strengthens the nation while enriching the values of prospective recruits.

With regard to recruiting, surveys of Junior ROTC cadets indicate that about 35 percent of the graduating high school seniors in School Year 1997-98 with more than two years participation in the JROTC program are interested in some type of military affiliation (active duty enlistment, officer program participation, or service in the Reserve or Guard). Translating this to hard recruiting numbers, in FYs 1996-1999, about 8,000 new recruits per year entered active duty after completing two years of Junior ROTC. The proportion of JROTC graduates who enter the military following completion of high school is roughly five times greater than the proportion of non-JROTC students. Therefore, the program pays off in recruiting as well as citizenship.

While the purpose of Junior ROTC is not tied directly to recruiting, its expansion will nevertheless help to sustain military awareness among youth, even as the population of veterans declines. Presently, about 2,600 JROTC units are operating – fewer than the 3,500 units authorized by law. However, in August 1999, DoD leadership earmarked sufficient resources within the Defense Budget to ensure that the 3,500-unit goal will be achieved by FY 2005. To that end, 148 additional units are being established in FY 2000, with another 157 coming on line in FY 2001.

STIMULATING INTEREST -- ENLISTMENT INCENTIVES

The National Defense Authorization Act for FY 2000 increased the maximum enlistment bonus to \$20,000 for a four-year or longer tour of duty, and allowed the Army to offer up to a \$6,000 bonus for a two or three-year enlistment. The Act also permits the Services to award an enlistment bonus and a college fund to the same recruit. Currently, the Army offers the new ceiling of \$20,000 for selected specialties, the Navy and Air Force offer up to \$12,000 enlistment bonuses and the Marine Corps maximum is \$6,000. Virtually all of the Reserve Components offer a non-prior service enlistment bonus.

In an effort to recruit effectively during the traditionally low-flow spring months, the Army, Navy and Air Force have implemented special bonuses. The Army's plan is a rolling bonus that offers \$6,000 to ship to basic training within 30 days, \$4,000 to ship within 60 days and \$2,000 to ship within 90 days. The Navy and Air Force programs offer bonuses (\$5,000 for the Navy and \$1,000 for the Air Force) to applicants who enlist between February and May, typically the hardest recruiting months.

STIMULATING INTEREST -- STRONGER RECRUITER REPRESENTATION

The Air Force now has filled most of its recruiter vacancies, and within a year plans to increase recruiter manning by close to 20 percent (up to 1,450). Recruiter strength for the Army Reserve, Naval Reserve and Air Force Reserve also is increasing. Additionally, the Services are bringing recent training graduates, and members returning from deployments back to their hometowns to give prospective recruits and their families first-hand accounts of what military service means for them. These efforts are bringing in large numbers of quality referrals.

STIMULATING INTEREST -- EDUCATION BENEFITS

Education benefits constitute an important incentive to enlist, and the Department firmly believes the Montgomery GI Bill (MGIB) program plays an integral role in helping attract high-quality recruits. In fact, most new enlistees give "money-for-college" as their main reason for joining the military. Under current provisions, all recruits are automatically entered into the MGIB program upon active-duty enlistment, unless they specifically decline enrollment.

For those who remain enrolled in the MGIB, a reduction of \$100 per month is applied to basic pay for the first 12 months of service for a total of \$1,200. Benefit rates for full-time study are currently \$536 per month for a maximum of \$19,296 for an enlistment of three years or more, and \$436 per month for a maximum of \$15,696 for a two-year enlistment. These rates are proportionately reduced for less than full-time study.

Additionally, the Army, Navy, and Marine Corps supplement the basic MGIB with Service College Funds (kickers) to attract and channel high-quality recruits into critical specialties. These kickers, when combined with the basic MGIB, can go up to \$50,000 equating to a monthly benefit of \$1,389.

While many will agree that MGIB enhancements would help the Department with recruiting, we are concerned that large across-the-board benefit increases are costly, will raise the risk of reduced retention beyond the first term, and may make it more difficult to target Service occupations that have the greatest need. In fact, kickers are a more cost-effective way to channel high-quality recruits into hard-to-fill specialties.

STIMULATING INTEREST -- ADVERTISING

One of our greatest recruiting challenges today is sustaining 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.

At the start of this decade, recruitment advertising budgets were cut by more than half from their mid-1980 levels. Recognizing the difficulty in recruiting over the past several years, the Department, with help from this Subcommittee, has been increasing advertising resources (Figure 4) from the low in FY 1993.

Advertising Coming Back in Balance...

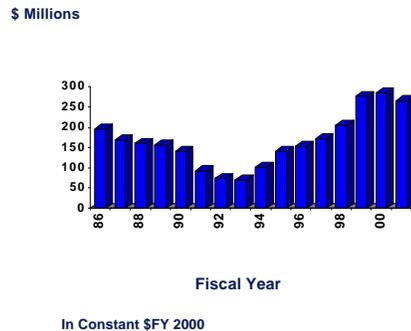


Figure 4

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 Recruiting 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 attract young men and women who have many career alternatives – bright, task focused, self-starters who can handle high-technology equipment in a fluid operational environment. This limited pool of high-quality prospects also is aggressively sought by colleges, universities, and the private sector.

Recently, the Department completed a comprehensive review of recruitment advertising by a team of advertising consultants. In August 1999, the firms of Bozell/Eskew and Murphy, Pintak, Gautier, and Hudome reported their findings and recommendations to the Secretary. The

contractors looked at several components of the advertising program: market research; creative approaches; media placement; and contract management and program oversight. The resulting report – the so-called “Eskew-Murphy” review -- concluded that we must become the resource on American youth; and that we increasingly should conduct short-term, quick-response surveys, focus groups and so forth on youth values, opinions, and attitudes toward the military.

The review also concluded that we should create a DoD Marketing Director position to integrate the Department’s communication activities. Finally, the review underscored the fact that stronger use of the Internet is important to advertising efforts. We have begun implementing these recommendations and will provide you with more details about that implementation in a report to Congress due on March 31, 2000.

UPDATING PROCESSES – REENGINEERING AND PRIVATIZATION

As part of its action on the National Defense Authorization Act for FY 2000, Congress noted that, *“the severity of recruiting challenges facing the Services and the amount of funds already dedicated to all aspects of the recruiting mission argue in favor of aggressive, innovative experiments and pilot programs that go beyond merely addressing the margins of traditional practices.”* The Department agrees and is piloting a number of initiatives.

The approach to our reengineering and privatization test includes evaluating the contribution each initiative makes toward improved recruiting productivity. In particular, we have selected promising initiatives, developed test scenarios, and determined appropriate measurement approaches. We have begun to collect data and will evaluate the initiatives. An illustration of the approach is shown in Figure 5.

We are focusing this initial package of initiatives on cutting edge technologies and distributed approaches. In partnership with the Naval Postgraduate School’s Center for Recruiting Innovation, we are developing a prototype, online virtual recruiting station, and exploring new and creative ways to increase traffic and exposure of military Internet sites (multi-level interactive games, improved web sites, etc.). Additionally, we are testing the use of mobile recruiting kiosks offering Internet and Internet-like access at high traffic locations (community

colleges, high schools, shopping malls, special events, etc). These efforts are complemented with a test of using civilian telemarketing to make initial contact with prospective applicants to generate more effective leads for recruiters, thus allowing the recruiters to focus on their core competency – face-to-face contact to sell military service.

- Recruiting Test Methodology -

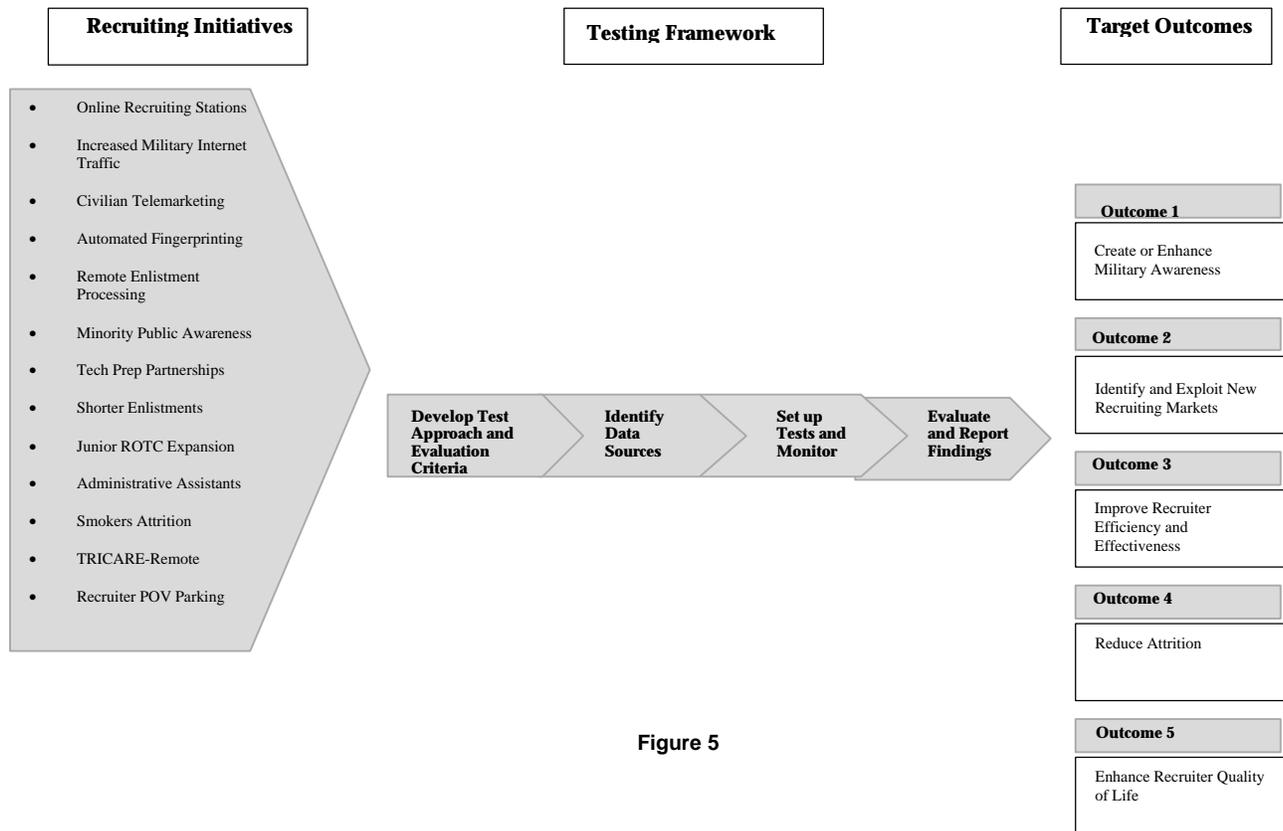


Figure 5

In addition, we are testing the feasibility of conducting enlistment processing closer to our applicants through the use of civilian contract medical examinations and aptitude testing, and individual job classification. The convenience of such remote enlistment processing promises to expand participation in eligibility screening. We also are testing the benefits of outsourcing administrative functions, to relieve recruiters of clerical and administrative duties and allow them to focus on their core functions. Finally, the Department is capitalizing on recent advances in technology through the purchase of automated scanners to support “electronic fingerprinting” – an initiative which allows the Services to expand searches to state and local law enforcement databases, reducing the potential that pre-service criminal behavior would be overlooked.

Through an investment of about \$6 million in FY 2000, we plan to have this capability in place by the end of the current fiscal year.

While these initiatives are far-ranging and diverse, we anticipate the following results:

- A factual determination of which initiatives contribute to increased recruiting productivity.
- An understanding of initiatives that could be expanded within Services and/or across Services.
- A deeper understanding of how to solve problems and exploit opportunities throughout the military recruiting process.
- Identification of new and promising initiatives that could be tested and evaluated in future studies.

Given today's recruiting challenges, it is essential that the Department develops innovative strategies to attract high-quality enlistees. The Recruiting Reengineering and Privatization Test will span the next several years with a report due to Congress in FY 2002.

PROPENSITY

Since 1975, the Department of Defense annually has conducted the Youth Attitude Tracking Study (YATS), a computer-assisted telephone interview of a nationally representative sample of 10,000 young men and women. This survey provides information on the propensity, attitudes, and motivations of young people toward military service. Enlistment propensity is defined as the percentage of youth who state they plan to "definitely" or "probably" enter military service in the next few years. Research has shown that the expressed intentions of young men and women are strong predictors of enlistment behavior.

Results from the 1999 YATS survey show increased propensity for military service. In 1999, 29 percent of 16 to 21 year-old men indicated a propensity for active duty in at least one of the Services. Although propensity remains below the 34-percent level of 1991, it has increased significantly over the 26-percent level that has prevailed the past few years. Results also suggest young women's propensity has increased. In 1999, 15 percent of 16 to 21 year-old women

indicated a propensity for military service. This is significantly greater than the 12-percent level in 1997, and is up from the 13-percent level in 1998.

Changes in propensity for Reserve Components also are encouraging. Twenty-one percent of 16 to 21 year-old men indicated positive propensity for service in a Reserve or National Guard component, a significant increase over the 19-percent level in 1998. Increased Reserve propensity also was evident among young women. In 1999, 11 percent of 16 to 21 year-old women indicated interest in the Reserves and/or National Guard, compared to 9 percent in previous years.

Recent years have provided the greatest challenge to recruiting since the advent of the All-Volunteer Force. Although a robust economy continues to provide rich post-high school opportunities, these 1999 YATS results suggest that Service recruiting messages are getting through to America's youth. Nevertheless, aggressive recruiting efforts are required to transform interest in the military to actual enlistment commitments.

RECRUITING RESOURCES

High quality recruits come at a cost. As you can see in Figure 6, there has traditionally been 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 -- meaning that greater investments no longer translate to higher quality -- it is clear that additional factors are at work. Those factors are a strong economy which features excellent employment opportunities, a substantial increase in college attendance by American youth, and the lack of any direct military threats to American peace and prosperity.

Recruiting Resources and Quality Recruits

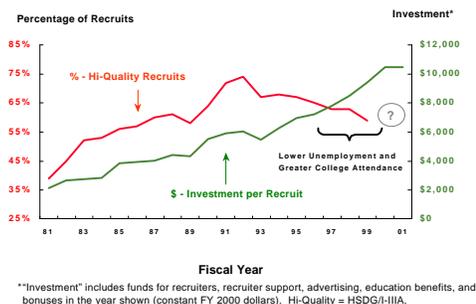


Figure 6

The Department has budgeted over \$2.2 billion for enlisted recruiting and advertising for FY 2001. This is 44 percent (32 percent after inflation) more than was spent in FY 1997, the last year in which all four Services achieved their recruiting goals. Today, we employ a macro-level measurement -- investment-per-recruit -- to provide a quick look at resource allocation trends. This measure takes the total resources dedicated to enlisted recruiting (enlistment incentives, military and civilian manpower, advertising, and recruiting support) and divides it by the total number of accessions.

Figure 7 shows the investment per recruit from FY 1997 to FY 2001. While total DoD expenditures are scheduled to grow in both FY 2000 and FY 2001, Navy and Marine Corps investments-per-recruit both decrease from FY 2000 to FY 2001. The Navy's decline reflects the costs associated with a planned reduction of 500 recruiters in FY 2001 from the FY 2000 level (5,000 to 4,500).

Investment Per Recruit

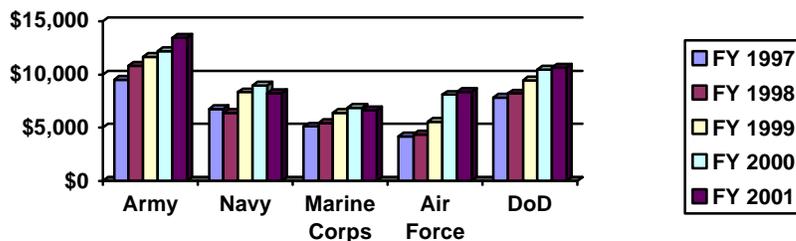


Figure 7

The Navy hopes that its increased investment in technology and innovative recruiting and advertising practices will allow this reduction. However, we understand the Navy is reviewing recruiter manning in light of an increased accession mission and the continuing challenge of the recruiting market. The Marine Corps' slight decline is a result of a five-percent increase in its recruiting goal; however, the investment-per-recruit remains above the FY 1999 level. We will closely monitor Service recruiting results both this year and next with an eye toward quickly identifying any need to reprogram resources.

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.

However, as we pursue these adjustments, I would suggest that extremely low, or even zero attrition is not a sound goal. In fact, its pursuit would simply force the Services to hike their standards so high that they would exclude many young people who could do the job with a reasonable amount of coaching and mentoring. In fact, one of the strongest military virtues lies in our willingness to work with people who are motivated, but require some nurturing and support to achieve their potential.

Consistent with that premise, we continue to seek ways to reduce overall attrition. Recall that 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 have standardized moral character waiver definitions, and reviewed policies and procedures across all Services. This effort will improve the quality and consistency of management information relating to military recruiting.

A second GAO report, *“MILITARY ATTRITION: Better Data, Coupled With Policy Changes, Could Help the Service Reduce Early Separations,”* was completed in September 1998. In response to the recommendations, DoD directed the Services to complete a number of actions. In a move designed to focus attention on early discharges, each Service reviewed its 90-day release policies and the exceptions granted to those policies. To more effectively address why some personnel separate early, the Services began collecting information on quality-of-life issues that may contribute to first-term separations. The Services also took action to increase the awareness of attrition costs and emphasized its adverse impact on the recruiting mission. In doing so, the Services acknowledged the importance of positive leadership in preventing premature separations. The Department also directed the Services to collect data on specific types of attrition that could be targeted for remedial attention, and to reassess the appropriateness of providing favorable types of discharges to enlistees whose questionable behavior or performance led to their early separation. This helps ensure that proper incentives remain in place to encourage enlistees to complete their obligations.

In addition to initiatives prompted by the GAO studies, the Services have taken a number of steps to limit attrition. For example, the Army, Navy, and Air Force have special training units for individuals having trouble meeting initial physical fitness requirements. The Army also has announced attrition rate reduction targets to keep their training and unit leaders mindful of the need to limit first-term personnel losses to those individuals who cannot become good soldiers. Navy leaders have issued wide-distribution guidance to subordinate commands, also reminding them of the importance of investing in the mentoring of those with a capacity to succeed. 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. We are working with the Services to develop a common loss metric that will allow us to track first-term attrition in a more timely manner.

RETENTION

We have no "bottom line" other than readiness, which we ensure through the retention of quality people. The military's personnel system relies on recruiting from the bottom; it is not conducive to lateral entry. Therefore, the loss of mid-career leaders cannot be replaced through "hiring actions." The experience such individuals bring to the position is lost until a replacement can advance with the comparable level of experience.

There are no easy solutions, people are working hard, forces are stretched thin, and the military is a demanding profession. Through the Administration's initiatives and your legislative actions, the FY 2000 Defense Authorization conveyed a sense of concern and commitment to our military members and we thank you for that. However, we also realize that that the well-being of those in uniform is not determined by pay and benefits alone. We will lose people if they are paid too little, but the conditions of work are also very important. We must continue to pursue initiatives that enhance both job satisfaction and quality of life.

OFFICER CHALLENGES

Pilot continuation remains a major concern across all Services as they struggle to retain sufficient number of pilots in an environment where civilian airlines continue to hire with the promise of better pay, benefits and quality of life. Air Incorporated, an independent agency that forecasts airline-hiring requirements for the 14 major commercial airlines, predicted the airlines would hire almost 3,700 in 1999--actual was 5,000. Currently, hiring is ahead of last year's record pace and Air Inc. now admits they expect a new annual record this year.

The Air Force realizes the growing "cumulative effect" of sustained strong airline hiring and high OPTEMPO will continue to challenge their ability to fill requirements and eventually affect their overall readiness. Pilot continuation has steadily declined since 1996 with FY 1999 ending 1,200 pilots short.

The Air Force's multi-faceted plan to address pilot shortages, focuses on reducing operations tempo, improving quality of life programs, increasing pilot production, continually reviewing non-flying pilot authorizations, and increased bonuses. The initial response to

increased bonuses has been encouraging; however, we must temper any optimism until we analyze the take rates of those pilots completing their initial service commitment and receiving their initial bonus offering. Their "take rate" will be the true test of the bonuses' success.

The Navy completed FY 1999 500 aviators short of requirements. Shortages are most pronounced at the junior officer level (O-3 and below) due to a combination of low accessions, increased time-to-train and steadily decreasing retention over the last four years.

The Navy's aviator bonus program is aimed at maintaining not only adequate numbers of quality career force aviators but also targeted to fill critical aviator billets. Early projections are encouraging. Additionally, aviator resignations are beginning to show a decline after steady increases.

The Navy also faced continued manning challenges in two other critical career fields. Fiscal Year 1999 Surface Warfare Officer (SWO) continuation was the lowest of all officer career fields, forcing the Navy to increase its department head tour length from 36 to 44 months. There has also been a 15 percent decline in Special Warfare Officer Continuation over the past three years. Operations tempo and pay were cited as key reasons for leaving. The current NDAA authorized initial bonus programs for both communities. Initial response is positive, however it is still premature to fully assess the success of the programs.

The Marine Corps is able to meet aviator requirements within operational units, however, it is experiencing shortages in staff billets. They are currently manned at 89% of total requirements. Consistent with other Services, high OPTEMPO is influencing an individual's decision to leave, as well as, dissatisfying compensation.

The Marine Corps began to offer ACP to critical aviation specialties in FY 1997. Its FY 2000 program continues this focus with additional emphasis placed on fixed wing aviators. With this renewed focus on fixed wing aviators, the Marines feel confident that shortages resulting from previous under accessions and losses, will be overcome.

Army pilot concerns focus on Apache Warrant Officer (WO) pilots and special operations trained Chinook WO pilots. Last year's initial bonus offering was extremely successful, and the Service anticipates the same response this year. The Army also remains concerned with their loss of captains (does not include medical, legal or chaplains) who – at 35 percent of its officer corps – are critical to unit performance. Recent survey data sights time separated from family, job satisfaction, and civilian job opportunities; as primary reasons for leaving military service.

ENLISTED RETENTION

Today's economy is the strongest we have witnessed in the history of the All-Volunteer Force, and that economic promise has opened a range of opportunities in the private sector for those in uniform who may be "sitting on the fence" when it comes to pursuing a military career. The private sector's attraction to our enlisted personnel can be directly attributed to the discipline associated with military training, the level of responsibility we place on our personnel, and the technical training we provide.

While aggregate retention continues to show improvement, there are concerns in a number of enlisted technical specialties. Following is each Service's enlisted retention status through end of month January 2000.

- Army has achieved approximately 33 percent of its annual objective, and remains on course to achieve their aggregate goal of 68,000. Specific challenges exist within the following career fields: intelligence analyst, aviation maintenance, linguists, and satellite communications specialists. The Service is responding with SRBs. The Army's FY 2000 initial payment SRB budget is \$73M, an increase of \$20M over FY 1999. They are currently offering SRB payments to 53% (141/267) of their skill sets.
- Navy has achieved approximately 35 percent of its annual objective, and remains on course to achieve their aggregate goal of 40,012. Specific challenges exist within the following career fields: fire control and electronic technicians, aviation maintenance, communications/signals and missile technicians. The Service is responding with SRBs.

The Navy's FY 2000 initial payment SRB budget is \$120M, an increase of \$18M over FY 1999. They are currently offering SRB payments to 61% (53/87) of their skill sets.

- Air Force has achieved approximately 32 percent of its annual objective, of 40,900. If the current retention trends do not improve the Air force will miss annual goal in first- and second-term retention. Specific challenges exist within the following career fields: aviation avionics and maintenance, linguists, communications-computer operators/maintainers and air traffic controllers. The Service is responding with SRBs. The Air Force's FY 2000 initial payment SRB budget is \$95M, an increase of over \$33M from FY 1999 levels. They are currently offering SRB payments to 70% (146/207) of their skill sets.
- Marine Corps has achieved approximately 48 percent of its annual objective, and remains on course to achieve their aggregate goal of 12,700. Specific challenges exist within the following career fields: communications-signal, aviation avionics and maintenance, intelligence analysts. The Service is responding with SRBs. The Marines' FY 2000 initial payment SRB budget is \$24M, an increase of \$9.2M over FY 1999. They are currently offering SRB payments to 52% (158/303) of their skill sets.

We continue to identify and address factors that influence retention and recognize that not all solutions are monetary. Through on-going legislative and policy reviews we work to ensure the full impact of the sweeping FY 2000 NDAA compensation reforms are benefiting our members. Senior leadership continues to work the difficult and challenging issue of managing personnel tempo. Ongoing initiatives focus on enhancing predictability, distributing missions to the "Total Force," protecting quality-of-life during the inter-deployment period, and the development of metrics that tracks deployment time to the individual level.

HELPING RETENTION -- TEMPO MANAGEMENT

Personnel tempo (PERSTEMPO), defined as the time an individual spends away from his or her home station, forms an important component of force stability. Statistical data would indicate that units deployed on initial contingency operations exhibit higher retention rates. Survey and anecdotal feedback indicates continued involvement in contingency operations

adversely affect retention. As we study the effects of tempo we must be cautious and underscore the difference between "point in time" reenlistment rates and longitudinal retention rates. Our efforts seek to ensure that service members are not driven from the military by excessive time away from home. Deployments are a part of military life. The number and frequency of deployments, however, are increasing at a time when the size and permanent forward presence of the armed forces is declining.

While this increased tempo has affected all of the Services, it is especially troublesome in certain specialized units that are constantly in demand but possessed in only limited numbers, such as airborne reconnaissance platforms. Increasing deployments can also place a greater strain on those personnel who remain at home station because their workload increases to cover ongoing duties normally performed by the deployed personnel. These commitments stress unit training and morale, as unit commanders must carefully balance military training requirements with the stability necessary for the long-term health of military families. As mentioned up-front in this testimony required end strength, translating to fully manned operational units, is the most effective tempo management tool. The increase workload and tempo associated with end strength shortages exacerbates an already challenging deployment cycle.

The Department is addressing this challenge through a commitment to quality of life initiatives, which focus on enhancing predictability, distributing missions to the "Total Force," and protecting quality of life during the inter-deployment period. The Department remains committed to the establishment of metrics to support close review of emerging trends in the pace of operations, including analyses of individual tempo levels.

HELPING RETENTION -- QUALITY OF LIFE AND COMPENSATION

The Department is determined to deliver a quality of life comparable to that we find in America today, because it is so critical to career choices. America's expectations for a suitable quality of life have risen in the last decade, and I suspect those in uniform expect a standard of living with opportunities for individual and family growth comparable to their civilian counterparts. Of the force, 58 percent is now married, making it more important to take care of

families. Health care, housing, dependent education, and spouse employment are important factors for retention and satisfaction with the military lifestyle.

In recognition of the extraordinary efforts of the men and women serving in the Armed forces today, the Department, the President and the Congress worked together this past year to pass the most sweeping changes in military compensation in a generation. The major components of the fiscal year 2000 “compensation triad” included across-the-board pay increases, targeted raises through a pay table reform, and reform of the military retirement system.

ACROSS-THE-BOARD PAY INCREASES

The January 1, 2000 pay raise of 4.8 percent for all military members was the largest since 1981. It was one-half percentage point higher than the Employment Cost Index (ECI) as will be the raises through 2005. This will ensure that Service members’ pay remains ahead of private sector wage growth and will help to ensure that pay can compete against a wide array of civilian workforce and education alternatives in order to attract and retain high quality personnel.

PAY TABLE REFORM WITH GREATER REWARD FOR PERFORMANCE

In addition to the across-the-board pay raise, beginning July 1, 2000, we will implement targeted pay increases with a pay table reform. These raises are targeted at the grades where experience, skills, and knowledge are most valuable to the Services and to the larger civilian economy. The maximum targeted pay increases range up to 5.5 percent and come on top of the 4.8 percent that all military personnel received on January 1, 2000. This is a one-time restructuring of the pay table that will relieve compression between grades and shift the emphasis back to rewarding promotion rather than longevity. Placing greater emphasis on promotion will better recognize non-commissioned officers and commissioned officers for their performance.

RETIREMENT REFORM

Military retirement has been dramatically improved for our younger service members. The reduced system that was to apply to those entering service on or after August 1, 1986 no longer automatically applies. However, members may voluntarily elect to remain under the reduced system and receive a \$30,000 career-retention bonus at the 15th year of service

anniversary. The improved system should be attractive enough that many members will prefer it over the existing system that pays 50 percent of an average of the highest three years of basic pay.

The first members to face the choice will receive information about January, 2001 and will have to make their choice by August 1, 2001. Meanwhile, we will be educating members about the choice so they will have enough information to make an informed decision. We have already fielded a web site, including an interactive retirement calculator, to explain the implications of making this choice. The site can be found at: <http://pay2000.dtic.mil>

RETENTION INITIATIVES

While it is too early to measure the impact of compensation and retirement changes since the first tangible results of the pay raise showed up in the paychecks in January of this year, and the targeted increases will take place in July, the promise of long-term, fair and equitable compensation could potentially stabilize aggregate retention patterns, allowing the Department to focus on retaining critical skills.

Shortages in selected highly technical specialties continue to present retention challenges. Congresses very generous "plus up" to our FY 2000 Selective Reenlistment Bonus (SRB) accounts has helped considerable in our war to retain many of our highly technically trained personnel. Under current law the Secretaries of the Military Departments are permitted to pay full-lump-sum reenlistment bonuses; however, a Defense Appropriations Provision (section 8021) limits payments to half-lump-sums, with the remainder paid in anniversary installments. RAND Corporation research entitled, "Reenlistment Bonuses and Retention Behavior" concludes that for first-term retention (our key target), lump sum bonuses are more cost effective. It would be a powerful incentive for some of our "fence sitters" if we could present them with a hard check for the total bonus on the day they reenlist.

While our downsizing may have resulted in some unintended consequences, I am not aware of another organization that could have executed a one-third reduction in personnel strength, while increasing tempo and commitments on a global level, as well as the Armed Forces did. I mention this because we need your support in extending the authorities Congress provided with respect to force shaping tools (VSI, SSB, TERA). Current authority will expire

December 2000. We would like to see that extended for 3 additional years. While there is no need for extensive use, maintaining these authorities allows use to shape selected career fields and grades.

OTHER IMPROVEMENTS

Additionally, we are implementing several other significant improvements. For example, we have increased the amounts of enlistment and reenlistment bonuses for our enlisted members, and aviator and nuclear bonuses for our officers. And, we have implemented three new pays: Career Enlisted Flyer Incentive Pay, Surface Warfare Officer and Special Warfare Officer Pays.

Also, last year we were provided the authority to offer the Thrift Savings Plan to our Service members, and we believe this would be a valuable benefit for our people. But to do so, we must find offsets, and the offsets must come from mandatory spending. Unfortunately, we are not able to find the requisite offsets, because our only substantial mandatory spending is military retirement. With last years much needed improvements in military retirement, we would not even consider retirement as a source of these offsets.

ENHANCEMENTS IN FY 2001

The Department's Fiscal Year 2001 budget builds upon last year's major improvements. The major components of the fiscal year 2001 compensation package include a 3.7% military pay raise, improved housing allowances, and enhanced special and incentive pays. We are closely reviewing potential adjustments to the ceiling for Special Duty Assignment Pay, and to the potential for an enlistment bonus for two and three year enlistments in the Navy as a means of enhancing its ability to attract qualified recruits.

MILITARY PAY RAISE

Pay raises send a clear signal that our nation recognizes the demands and sacrifices of military service. The proposed military pay raise for 2001 of 3.7 percent is equal to the average growth in private sector wages and salaries plus one-half percent. This pay raise ensures that service member pay growth is once again ahead of private sector wage growth. Taken together with the January and July 2000 raises, this raise will result in average pay being more than 10

percent greater than 1999 pay levels. These pay increases help to attract and retain the high quality recruits our Services need. The proposed 3.7 percent across-the-board pay raise costs \$1.6 billion in fiscal year 2001 and has a total cost of \$10 billion over fiscal years 2001 through 2005.

IMPROVED HOUSING ALLOWANCES

Secretary Cohen recently announced a plan to increase housing allowances enough to lower average out-of-pocket expenses from the current 18.8 percent in 2001, and to eliminate them altogether by 2005. This will result in increased housing allowances everywhere in the country for an E-6, for example, of \$35 next year and \$175 by 2005, in addition to any increases resulting from increasing housing costs over that same period. When completed, this initiative will allow us to set housing allowances high enough to pay the median rent for each type of housing measured in every stateside location. This initiative is fully funded in the Department's FY 2001 Budget. It will cost \$160 million in 2001, growing to \$1.4 billion by 2005.

The major initiative will benefit Service members and improve their quality of life in three significant ways: First, higher allowances will help members living off base better afford the cost of off-base housing. Members will have higher disposable incomes, and because the housing allowance is not taxable, will be able to spend all of the new money on housing. Second, Service members on and off base will benefit from improved quality of housing because of the positive effect that higher allowances will have on privatization initiatives. In these programs, private developers provide and maintain housing for members, in exchange for housing allowances. Such initiatives can provide new housing in areas where available housing is limited. Privatization efforts also can significantly improve the quality of existing military housing by turning units over to a private developer to renovate and maintain. Finally, the benefits of both better allowances and increased use of privatization efforts will allow for more efficient use of current Military Construction funding. Private developers will take over some housing, build new housing, and allow for demolition of high-maintenance, substandard housing. The Services then will be able to better maintain and renovate the remaining government quarters.

HEALTH CARE INITIATIVES

We must continue to press forward with improvements in health care, recognizing that this is an extremely important influencer of retention. The areas we must stress include: fully funding the Defense Health Program; eliminating copayments for active duty family members enrolled in TRICARE Prime; and extending TRICARE Prime Remote coverage to active duty families accompanying service members assigned to locations without access to TRICARE Prime (recruiters, etc.). Improvements in these areas will serve to improve quality of life for all service members and their dependents.

SUSTAINMENT OF THE ALL VOLUNTEER FORCE

The prosperity enjoyed by America today has lowered unemployment and elevated opportunities for young people to attend college. However, those patterns challenge recruiting and retention efforts, which in turn generates a demand for programs to rekindle interest in military service. Consequently, the cost of military manpower continues to rise. This chain of events has led to occasional suggestions among academics, lawmakers, and others that it may be time to revive the draft as a means to "solve" our current recruitment difficulties.

In recent years, the Department consistently has supported draft registration as a hedge against unforeseen threats and as relatively low-cost insurance against our underestimating the maximum level of threat we might face. Registration also sends a strong signal to our allies and potential adversaries regarding U.S. resolve. Finally, registration reinforces the link between young men and their citizenship responsibilities. Nevertheless, while we support draft registration, we do not believe that a draft is necessary to resolve our recruiting challenges. A return to conscription would ignore our nation's history and deny evidence we witness every day of the merits of today's 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 27 years, we have recruited and retained the best and brightest young people, which has enabled us to maintain and operate the type of complex, high technology equipment that is such an important combat multiplier in today's operations.

With regard to the quality of the force, conscription would lower recent achievement levels. 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 78 percent of 18-23 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. Therefore, a draft -- which would draw from a nationally-representative pool -- would lower recruit quality, not raise it.

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 palpable threat to our national security. Moreover, the active Services require only about 200,000 recruits annually out of a population of approximately 12 million young men ages 18-23. This revives the insoluble political problem of who should serve when not all serve.

We also must recall that volunteers are a cost-effective means of military manning. 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 roughly 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. This nation got it right 27 years ago, and we should stay the course.

SUMMARY

Mr. Chairman, allow me to summarize. We face many challenges in sustaining our quality force owing to high deployment tempo, much-improved employment, and schooling opportunities outside of the military. We proactively are working to ensure recruiting success and to protect the quality of the force, and will continue to closely scrutinize the recruiting indicators – recruit quality mix, size of the Delayed Entry Program, and so forth.

We face retention challenges that are more acute than in recent years, and improvements to Special and Incentive Pays will work with the pay and retirement improvements to ensure the continued capability of the Armed Forces. We are compelled to rely increasingly upon special and incentive pays that are targeted directly to achieve precise recruiting and retention results. We continue to work initiatives to improve the quality of life of our Service men and women. While there is no single solution, or silver bullet, the execution of retention, attrition, and recruiting programs must generate enough people to meet strength targets. In turn, this provides better assurance that fully manned units will deploy and that their readiness and performance will be sustained. With today's strong economy, the private sector and the Services must win the war for talent hand-in-hand. Quality people are our nation's most valued asset.

A quarter century ago, this nation made an important and wise choice in returning to a volunteer military. Since then, it has consistently stood by those volunteers, and they have responded by delivering to this nation the strongest military capability in its history. 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.