

**DOCUMENT RESUME**

05156 - [ B0735657 ]

**An Evaluation of Department of Defense Comments on a Critical Report; Enlisted Career Force Management Systems. PPCD-78-20; 8-146890. March 13, 1978. 2 pp. + 2 appendices (16 pp.).**

**Report to Rep. Melvin Price, Chairman, House Committee on Armed Services; by Elmer B. Staats, Comptroller General.**

**Issue Area: Federal Personnel Management and Compensation: Work Force Planning (313).**

**Contact: Federal Personnel and Compensation Div.**

**Budget Function: National Defense: Department of Defense - Military (except procurement & contracts) (05?).**

**Organization Concerned: Department of the Air Force; Department of the Army; Department of the Navy; Department of Defense.**

**Congressional Relevance: House Committee on Armed Services; Senate Committee on Armed Services. Rep. Melvin Price.**

A September 1977 report on enlisted career force management pointed out many management improvements that have been made in the military services and the Department of Defense (DOD) to correct enlisted career force imbalances and prevent them from recurring. However, action needs to be taken to bring the career force into balance with enlisted force objectives earlier than the 7 to 10 year time frame planned by the DOD. The report recommended developing ways to measure the effectiveness of enlisted career force objectives on a cost-benefit basis and discussed the use of such measurements. Findings/Conclusions: DOD did not concur with the recommendation that management policies be established to expedite bringing the enlisted career inventory into agreement with the objective force profile. The agency pointed out that each individual has a valid job commensurate with his or her grade and skill level, and none is surplus to the total requirements of the service. DOD also did not agree that the Navy utility model should be used on an interim basis. The utility measures developed by the Navy are not transferable to other services, are only approximate measures of benefits, and possess other shortcomings. The recommendation separately promotes the utility concept and its application and the costing methodology developed by the Navy. DOD deferred comment on the recommendation that Congress enact legislation authorizing readjustment pay for enlisted personnel who are involuntarily separated until the President's Commission on Military Compensation makes its final report. (RRS)

5051  
REPORT BY THE

# Comptroller General

OF THE UNITED STATES

---

## Enlisted Career Force Management Systems: An Evaluation Of Department Of Defense Comments On A Critical Report

In an earlier report, GAO raised questions concerning enlisted career force management of the Department of Defense. GAO recommended that Defense take action to

- quickly bring its career personnel inventory into agreement with planned enlisted force objectives,
- improve Defense's evaluative capability, and
- establish a system for setting objectives on a cost-benefit basis.

That report was issued without Department of Defense comments. Defense later rejected some of GAO's recommendations. Defense's comments have not caused GAO to change its position.

This report summarizes the findings of GAO's earlier report and evaluates Defense's comments.





COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

B-146890

The Honorable Melvin Price  
Chairman, Committee on Armed Services  
House of Representatives

Dear Mr. Chairman:

Our September 29, 1977, report, "Urgent Need For Continued Improvements In Enlisted Career Force Management" (FPCD-77-42), discussed the progress being made in each service and the Office of the Secretary of Defense to improve enlisted personnel management. We concluded that much still needs to be done. Improvements in enlisted career force management offer opportunities to greatly reduce personnel costs without affecting program substance. We pointed out many management improvements that have been made in the services and the Office of the Secretary of Defense to correct enlisted career force imbalances and prevent them from recurring. However, action needs to be taken to bring the career force into balance with enlisted force objectives earlier than the 7 to 10 year time frame planned by the Department of Defense, to greatly reduce personnel costs. Also, the benefits of personnel objectives, such as grades, experience profiles, and promotion opportunity, which shape the enlisted force need to be justified based on tradeoffs identified through cost benefit studies rather than on assumptions concerning their effect. We recommended developing ways to measure the effectiveness of enlisted career force objectives on a cost-benefit basis and discussed the use of such measurements.

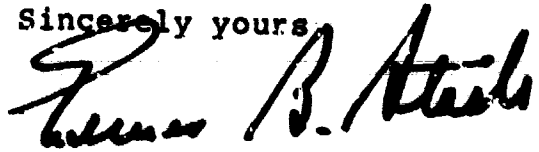
This review was made pursuant to your request of June 1, 1977. As requested by your office, we did not obtain formal comments from Defense. However, officials in each of the services and the Office of the Secretary of Defense were given an opportunity to study the report, verify the accuracy of the data presented, and discuss it with us. Their comments were considered in preparing the report. As arranged with your office, we made general distribution of the report.

On December 12, 1977, Defense responded to our report. Although we are pleased with its general acceptance, the Department's comments do not, in our opinion, justify changes in our recommendations. Some of Defense's comments are out of context and may obscure the issues. The purpose of this

report is to provide our views on several of Defense's comments; our evaluation is in appendix I, and Defense's comments are in appendix II.

Copies of this report are being sent to the Chairmen, Senate Committee on Armed Services, House Committee on Appropriations, House Committee on Government Operations, and Senate Committee on Governmental Affairs; the Chairman, Subcommittee on Defense, Senate Committee on Appropriations; the Acting Director, Office of Management and Budget; and the Secretary of Defense.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Thomas B. Atch". The signature is written in a cursive style with a large initial "T" and "A".

Comptroller General  
of the United States

EVALUATION OF THE DEPARTMENT OF DEFENSE'S  
COMMENTS ON OUR SEPTEMBER 29, 1977, REPORT

In the late 1960s, military personnel managers recognized that their systems did not necessarily supply people in the right grades and occupations when needed. This realization and congressional interest led to the development of enlisted personnel management systems, force management plans, and career force objectives. The services specify enlisted objectives in their force management plans. In designing these plans and objectives, each service makes important decisions concerning the cost and effectiveness of its enlisted force. The basic purpose is to show how the career force will be made up by grades and years of service for each occupational specialty (such as jet engine mechanic) and for the enlisted force, which is the sum of all occupations. This configuration permits enlisted personnel managers to identify and establish management policies and actions for regulating the distribution of personnel in each occupational specialty. For example, the years-of-service configuration establishes, among other things, the size of the first-term force and career force. It includes (1) the number of career and first-term accessions needed each year to sustain the career force and achieve authorized strength and (2) the desired experience profile of the career force. In conjunction with the desired grade configuration, promotion zones, flow points, and opportunities are established. The plans also serve as a basis for the Office of the Secretary of Defense (OSD) to evaluate the services' budget requests (such as annual grade and reenlistment bonus requests) related to enlisted personnel.

Small improvements in the way the enlisted career force is configured can save a great deal of money. When the years-of-service objective force profile and personnel inventory in all occupational fields match, requirements and personnel flow considerations (such as accessions, retention, and promotions) can be optimized. This match reduces expenditures required for excess personnel and for correcting personnel shortages. The services' force management plans show that the services have made meaningful progress in projecting the long-term effects of management decisions on force configuration. However, the cost-benefit tradeoffs of differing combinations of grades and experience resulting from alternative personnel policies--for example, how rapidly promotions should occur and high year of grade tenure (maximum years-of-service in each grade)--have not been identified.

One of the most important elements missing in the services' enlisted management systems is an objective measure of benefit apart from cost, which can be used to analyze the expected return for changes in policy and resulting force configuration. Generally the criteria used have been (1) some externally imposed statement of need, usually expressed as personnel requirements, (2) cost in the form of budget dollars, and/or (3) assumed benefits concerning the effect of certain management policies. Our review showed a need for research on the relative value and cost benefit analysis of enlisted force configurations. This need may be the most glaring deficiency in the services' analysis of questions concerning force configuration. It is largely due to the absence of any measure of acceptable military output (force effectiveness) and the great difficulties in creating one.

Without such a capability and a standardized costing methodology, OSD's capability to evaluate the services' enlisted force objectives, their bases or benefits, and related budget requests is limited. Insufficient staffing in the OSD office primarily responsible for formulating Defense enlisted personnel management system policy and guidance contributes to this limitation.

### RECOMMENDATIONS

In our report we recommended that the Secretary of Defense:

- Establish firm management policies which will bring the number of enlisted career personnel quickly into agreement with the objective force and prevent careerists in excess of requirements from serving beyond 20 years.
- Develop a system of automated programs which will permit evaluation of the services' programs by individual occupational specialty.
- Strengthen the Enlisted Management Systems Directorate so it can evaluate the services' enlisted grade requirements and long-range plans.
- Establish a standardized methodology for determining costs of objective forces, including costs of changing from the present to the objective force. The methodology developed and demonstrated by the Navy for this purpose should be adopted by the other services.

--Establish, in conjunction with the services, a system comparable to the Navy's for uniform defense cost-benefit studies. The system should be capable of estimating how different pay grades and years of service will contribute to force effectiveness.

### RECOMMENDATION TO THE CONGRESS

As a matter of equity between officer and enlisted personnel and to provide greater management flexibility, sustain promotional opportunities, and avoid unnecessary active duty and retirement costs, we recommended that the Congress enact legislation that authorizes readjustment pay for career enlisted personnel who are involuntarily discharged before becoming eligible for retirement.

### DEFENSE COMMENTS AND OUR EVALUATION

In responding to our report, Defense does not concur with our recommendation that management policies be established which will expedite bringing the enlisted career inventory into agreement with the objective force profile. Defense's letter points out that each individual has a valid job commensurate with his or her grade and skill level and none are surplus to the total requirements of the service. We recognize that these careerists are not excess in terms of total authorized strength. However, they are in excess of stated career force needs and would be, in a balanced force of the same size, in the noncareer or first-term (less than 4 years service) component.

We also recognize that absolute achievement of the objective career force for each planned year of service may not be feasible from a practical management perspective and that minor overstaffing and understaffing can always be expected. However, substitution for years of service and related management policy and actions should be in adjacent or closely related years of service. The career force imbalances--years of service 15 to 31--illustrated in our report do not permit reasonable adjacent year staffing substitution with the noncareer component. The Navy management practice (see p. 67 of our report) which was endorsed by us as an effective system for achieving and maintaining the desired years of service configuration of the career force contains this adjacent year principle.

As pointed out in our report, these imbalances generally increase the cost of the enlisted personnel force in two ways: (1) higher pay and allowances because of greater

longevity and higher average pay grade and (2) retirement costs for those careerists who reach retirement. Base pay alone for these excess careerists at June 30, 1976, accounts for \$116.4 million in higher enlisted personnel costs. This sum, which excludes other compensation and benefits generally paid in greater amounts to career personnel and retirement costs of at least \$136.8 million can hardly be considered minor, as claimed by Defense.

Our recommendation stresses accelerated reductions of excess careerists with over 20 years of service who are in overstuffed specialties. We are not, as indicated by Defense, advocating "harsh" policies but a general tightening of the current criteria to hasten the elimination of costly imbalances. Contrary to Defense's assertion that there is ample evidence that these policies are working, on page 75 of our study we found that the Air Force was falling far short of its career transition objectives by almost 17,000 at the end of fiscal year 1976. Most of these excess careerists have reached or will shortly reach (in 5 years or less) retirement eligibility. We believe it fair to assume that many of them are in jobs that either have been created just for them or are doing work that does not require their grade and experience. Defense states that retirement costs associated with these excess careerists are sunk costs, that is, the individuals in question will be paid whether they retire this year or next. We believe, however, that each additional year these personnel serve, sunk costs increase and potential budgetary savings are lost.

With regard to the possibility of the Air Force's having to increase the size of the career force to cope with the reduced supply of qualified males in the 1980s, it would be in the best interests of the Air Force to enlist the first-term replacements for the excess careerists now while the supply of recruits is still plentiful. Enlisting people now would also increase the first-term base from which to enlarge the career force if necessary in the next 4 or 5 years. Moreover, a more efficient expansion of the career force would probably be achieved by increasing the number of personnel serving in years-of-service 5 to 10, rather than retaining excess retirement eligible personnel. The Air Force has recently increased the number and cost effectiveness of personnel in the 5 to 10 years of service category by increasing the number of initial 6-year enlistments in certain occupational specialties requiring long and costly training.



Defense also does not agree with our recommendation that the Navy utility model be used on an interim basis because of (1) conceptual shortcomings with the Navy's utility measure, (2) nontransferability of utility measures to other services, and (3) Navy management's reluctance to use it. Defense's position misinterprets our recommendation. We are aware that the utility measures developed by the Navy are not transferable to other services, are only approximate measures of benefit, and possess certain shortcomings. Our recommendation separately promotes the utility concept and its application and the costing methodology developed by the Navy at the request of the Secretary of Defense. The absence of a standardized costing methodology and an objective measure of value (such as Navy's measure of utility) apart from cost make it extremely difficult, if not impossible, to establish the most cost-effective configuration for each enlisted occupation and the total force. We endorse using the utility methodology until a better measure of relative effectiveness is developed. We also endorse using a standardized costing system to facilitate justification, review, and approval.

Each service should develop and continue to refine its own utility measures. Notwithstanding the utility concept's limitations--and certainly the sensitivity of the measure can be quantified to assist management in its proper use--the methodology offers the capability to examine individual personnel policies and service long-range objective forces on a cost-benefit basis. Alternative force structures can be viewed from the cost changes or benefit changes which such alternatives can bring about. A frame of reference is also established for communicating costs and benefits to review and approval authorities. The absence of absolute measures of effectiveness is no excuse to continue to rely on assumptions concerning benefits.

Although the Navy is fostering university research to further develop data collection and improve understanding of the analytical issues of its cost-benefit system, its intended use of the system is unclear. Considering the system's potential and the continued investment in its development, the Navy should specify expected benefits of the system and intended use of the research.

The costing methodology developed by the Navy meets the criteria set forth by the Secretary of Defense and has been operationally demonstrated. The system is generally compatible with the models used in OSD and the services to evaluate and develop long-range objective forces. Although

each service needs to develop its own cost data, system development is complete and well documented and offers rapid adaptation for a standardized system.

With respect to Defense's not accepting our recommendation on the staffing, purpose, and capability of OSD's Enlisted Personnel Management Section, we offer the following observations. Our recommendation is aimed at improving the Section's capability to evaluate the application of its enlisted personnel policy and guidance, not involvement in operational management of service systems. Moreover, we were told that due to workload and staffing limitations, the staff of three professional members is unable to develop many desirable data bases and evaluative and monitoring techniques and studies. As pointed out in our report on page 29, this office is responsible for monitoring and evaluating the management of 1.8 million enlisted personnel in over 200 occupational specialties. The Officer Personnel Management Section counterpart, which is responsible for the management of about 275,000 officers, was staffed with 7 professional members.

Defense deferred comment on our recommendation that the Congress enact legislation authorizing readjustment pay for enlisted personnel who are involuntarily separated until the President's Commission on Military Compensation makes its final report. We are in contact with the Commission and look forward to its recommendations. Also, we are beginning a general study of all Government severance pay programs.

We concur with OSD's measure of career expectation and its effect in each of the services. A more appropriate term for the point made in our report would be "grade expectation" instead of "career expectation." As Defense acknowledges, the data concerning average grade at retirement presented in our report shows that Marine Corps enlisted personnel have a greater probability of retiring in grade E-7 than their counterparts in the other services. We therefore correctly conclude that even though Marine Corps' grade structure has been consistently lower than the other services, promotion opportunity has not been slowed or grade expectation diminished by the comparatively leaner grade structure.

In our analysis of promotion opportunity and retention we did not eliminate promotion opportunity entirely as a retention factor. OSD acknowledges that "adequate promotion policy is being provided and survey data indicates that the enlisted force is generally satisfied with the present promotion selection systems."

This quotation supports our point. Higher and more costly grade structures than those used in fiscal year 1976 cannot be justified by the need to improve retention. The services are having difficulty maintaining satisfactory staffing levels in certain occupational specialties even with attractive reenlistment bonuses. As a result of existing shortages, particularly in critically understaffed specialties, excellent promotion opportunity already exists in these occupational specialties. An increase in top-six grades could only be used to promote personnel in adequately or overstaffed specialties not experiencing retention or understaffing problems. This increase would not improve retention of personnel in understaffed specialties but, instead, create overstaffing and grade stagnation--the opposite of what is desired.

Defense's response states that our report implies enlisted promotions occur at a specified point in time. The use of promotion zones is recognized on pages 30 and 32 of our report which emphasizes that the OSD minimum time-in-service at promotion criteria permit the services to establish enlisted promotion phase points and zones which are notably early. The data on average time in service completed at promotion in our report discloses fiscal year 1977 promotion projections for each service (except the Air Force), and the promotion goals contained in the long-range plans are very close to OSD's minimum criteria. Notwithstanding Defense comments that a large proportion of the promotions to E-8 and E-9 will occur after the 20th year of service, examination of the data comprising the average discloses that a great number of enlisted personnel are promoted earlier. Except for the Navy, each of the services' objective average time in service at promotion for grade E-9 is about 21.5 years, just shortly after reaching retirement eligibility. The objective averages for grade E-8 range from about 17 to 19 years. These service objectives will permit promotion to the two highest enlisted grades in about 20 years on the average. We can only conclude that these averages do not appear to be consistent with a full 30-year career pattern. We believe the existing criteria do little to encourage the services to develop promotion zones and phase points which provide an incentive for longer careers; only Air Force promotions are compatible with a 30-year career. We believe the other services could benefit by similar promotion timing practices.

Defense's response states that our report implies OSD has reverted to a management style which originally caused the Special House Subcommittee on Enlisted Promotion Policy

Review. The comments are not relevant to our conclusion that OSD has failed to improve its capability to judge requirements. Although some improvements have been made, we believe that career progression parameters--such as grade structure, years of service profile, and promotion opportunity, which drive the qualitative aspects of enlisted personnel objectives--should be justified on the basis of tradeoffs identified through cost benefit studies rather than on assumptions concerning their effect. We agree that the OSD approved grade ceilings do not hinder promotion flow. The issue is that the services and OSD do not know how much is enough. Simple judgments such as that better promotion opportunity is required or that a less costly force will result are inadequate. If better promotion opportunity is the measure of good, why not make it even better? At what point does it become unnecessarily good or too costly? If less cost is the criterion of better, why not greater cost reductions? Until OSD and the services can satisfactorily resolve these questions, their capability to judge enlisted grade structures and long-range objective forces is questionable.



MANPOWER,  
RESERVE AFFAIRS  
AND LOGISTICS

ASSISTANT SECRETARY OF DEFENSE  
WASHINGTON, D. C. 20301

12 DEC 1977

Honorable Elmer B. Staats  
Comptroller General of the United States  
Washington, D.C. 20548

Dear Mr. Staats:

This is in response to your letter of October 4, 1977, which transmitted to the Secretary of Defense the report "Urgent Need for Continued Improvements in Enlisted Career Force Management" (B-146890) (OSD Case #4734).

We were pleased to note that the report generally endorses the present enlisted force management practices of the Department. Our comments concerning the specific recommendations made to the Secretary of Defense are provided at enclosure 1. Since we were not given the opportunity to comment on a final draft of the report, we have included our reaction to certain conclusions and comments contained in the body of the report, enclosure 2.

Comments received from the Secretaries of the Army, Navy and Air Force relative to the specific recommendations made to them are included as enclosure 3. (See GAO note below.)

Sincerely,

ROBERT B. PIRIE, JR.  
Principal Deputy Assistant Secretary  
of Defense (MRA&L)

Enclosures

GAO note: Our report evaluates Defense comments which, among other things, include pertinent individual service comments. Therefore, enclosure 3 to this letter, containing comments from the Secretaries of the Army, Navy, and Air Force, has been omitted.

## OSD COMMENTS ON GAO RECOMMENDATIONS

RECOMMENDATION TO THE  
SECRETARY OF DEFENSE

We recommend that the Secretary of Defense establish firm management policies which will expedite bringing the enlisted career inventory into agreement with the objective force profile. These should include measures to eliminate excess careerists with over 20 years of service who are in overstuffed specialties and to prevent personnel in excess of career requirements to serve beyond 20 years.

DoD Position:

The Department does not concur with this recommendation. The "excess careerists" identified by GAO are only surplus in terms of their years of service. Each individual has a valid job commensurate with his grade and skill level. None are surplus to the total requirements of the service for a particular skill.

The "excesses" result from a comparison of the present force to an ideal or objective static force. The "excess careerists" resulting from this comparison are the product of twenty to thirty years of force management actions and policies which responded to national security objectives. On the other hand, the objective force eliminates historical influences and structures an ideal force which is capable of meeting our current national security objectives. The objective profile is the desired force which would be achieved over an extended period provided there were no changes in our national objectives and provided retention patterns could be maintained exactly as contained in the objective. Consequently, the absolute achievement of the objective force in each year of service cell is not a reasonable management goal.

The implementation of harsh policies which would quickly conform the current force to the objective would not operate in the best interest of the Department. While there are potential long-term savings, these relatively small monetary gains must be balanced against the potential damage. Strong new policies which would identify many of the "excess" personnel for earlier than planned retirement could seriously undermine the trust and confidence the enlisted force has placed in the military as an institution. Consequently, we believe it is more prudent to utilize normal attrition, current reenlistment controls and the present high year of tenure policies to transition toward the objectives. There is ample evidence that these policies are working. For example, the 18,000 careerists "excess" to the Air Force objective profile beyond 20 years of service in FY 1976 have been reduced to 11,000 at the end of FY 1977. The "excess" is projected to be reduced to 6000 by the end of FY 1979.

The cost savings cited which would accrue if the "excess" careerists were eliminated do not accurately reflect budgetary savings. The retirement costs associated with the "excess" careerists are sunk costs.

The individuals in question have already acquired eligibility for retirement and annuities will be paid whether they retire this year or next. The relatively minor savings which would accrue in pay and allowances will be realized as we move toward the objective configuration, but over a longer transition period.

The supply of qualified males available for entry into the Services is projected to get significantly smaller in the 1980s. One of the options under consideration to cope with the reduced supply of qualified males is to increase the number of careerists. It would be inappropriate to take additional steps to further reduce the number of careerists since there is a possibility that it may be necessary to increase the size of the career force to reduce accession requirements.

RECOMMENDATIONS TO THE  
SECRETARY OF DEFENSE

We recommend that the Secretary of Defense take the lead to establish, in conjunction with the services, a system comparable to the Navy's for uniform DOD cost-benefit studies. This system should be capable of estimating the contribution to effectiveness of different pay grade and years of service configurations. We realize that research in this area is difficult and that progress will probably be slow and any single major effort is unlikely to produce definitive results. However, the current Navy utility model is the only useful approximation of benefit currently available. Until better effectiveness measures are developed, it can serve as an interim basis for an OSL model.

The Secretary of Defense should immediately establish a standardized DOD methodology for costing long-range objective forces. Full system cost, including transition costs, should be included. The costing methodology developed and demonstrated by the Navy for this purpose should be adopted by the other services.

DOD Position:

The Department concurs with the majority of this recommendation and continues to sponsor research to improve our capability for cost effectiveness analysis.

Recent improvements have been made in OSD costing methodologies; however, the measure of benefit is, as noted by GAO, a far more difficult task. The RAND Corporation is under contract to investigate appropriate effectiveness measurements. However, the shape of the force is extremely sensitive to the productivity measure used. Consequently, we must be assured that an accurate basis is developed before using it as a management device.

We do not concur with the recommendation that the Navy utility model be used on an interim basis. Recent research has identified several serious conceptual shortcomings with the Navy utility measure. In addition, the utility model does not produce a Navy enlisted force which is acceptable to Navy management. Finally, the utility measures of one Service are not transferable to another Service.

RECOMMENDATION TO THE  
SECRETARY OF DEFENSE

We recommend that the Secretary of Defense strengthen EMS Directorate's capability to judge service grade requirements and evaluate their long-range programs. This should include the EMS Directorate's ability to reconcile (1) stated personnel requirements, (2) long-range plan grade configurations, and (3) authorized grade structures. This could be done by increasing the staff assigned to the EMS Directorate and/or giving it certain enlisted management activities now conducted in other offices along with related staff. This group should act as the focal point for all enlisted personnel management system matters within DOD.

Data currently provided by the services to the EMS Directorate should be in machine-readable format. A system of automated and integrated programs should be developed to analyze the data on an individual occupational specialty basis. To facilitate evaluation, these programs could be made to identify situations which are exceptional; that is, values which exceed the defined limits of acceptable range. The required force structure parameters and their acceptable range should be developed in conjunction with the services and be a part of their long-range plans.

DOD Position:

The Department does not concur with the portion of this recommendation pertaining to the manning, purpose and capability of the Enlisted Personnel Management section. The current organization and manning of the Office of the Assistant Secretary of Defense (MRA&L) are sufficient to manage the enlisted force at an appropriate level of detail. The primary function of OASD(MRA&L) in this area is to develop overall policy guidance for the management of the enlisted force. Operational management within the OSD policy guidance must be left to the individual Services. OSD involvement in operational management at the level of detail suggested by GAO would result in a duplication of effort as well as an increase in OSD staffing. The staff reductions recently taken by OSD were designed to avoid unnecessary centralization and duplication of management authority at OSD level.

The Enlisted Force Management System was designed to reconcile stated personnel requirements, authorized grade structures and the variables of personnel flow. The long-range enlisted personnel plans developed and refined through the system are accomplishing this purpose to the satisfaction of OSD and Service managers. While there are differences between requirements, long-range grade objectives and the annual grade structure, the reasons for the differences are understood and are not a source of significant management conflict.

The Department agrees that automation of the reports required by Department of Defense Instruction 1300.14 would improve our capability to monitor transition of the Services to their objective forces. Action will be taken to accomplish this conversion.



RECOMMENDATION TO  
THE CONGRESS

As a matter of equity between officer and enlisted personnel and to provide greater loss management flexibility, sustain promotional opportunities, and reduce active duty and retirement costs, the Congress should enact legislation that authorizes readjustment pay for enlisted personnel who are involuntarily separated before retirement eligibility.

DOD Position:

The President's Commission on Military Compensation is presently conducting a review of the entire military compensation system. The need for severance pay for enlisted personnel or a form of retirement vesting will be addressed by the Commission. We, therefore, defer comment on this recommendation until the Commission makes its final report to the President.

## Additional Comments

GAO Comments on Career Expectation and the Enlisted Grade Structure

The GAO states that since the Marine Corps average grade at retirement is higher than the other Services, the Marine Corps has the highest career expectation. GAO then states that even though the Marine Corps has consistently had the lowest grade structure, promotion opportunity has not been slowed nor career expectation diminished by the comparatively leaner grade structure. (pages 36-37)

OSD Comment

The conclusions drawn by GAO from the data presented are inappropriate. The average grade at retirement is not an appropriate measure of career expectation. The only valid measure of career expectation is the proportion of those entering each Service who can expect to acquire retirement eligibility. Historical loss patterns reveal that 11.4% of Army accessions will reach retirement, 11.9% of Navy accessions, and 12.1% of the Air Force accessions. Only 6.1% of Marine Corps accessions will acquire retirement eligibility. Consequently, career expectation in the Marine Corps is not only the lowest in DoD but it is only about one-half that of the other Services. Therefore, the lower top six grade structure of the Marine Corps appropriately corresponds to the lower career expectation of that Service.

The average grade at retirement measurement used by GAO only indicates that once a Marine has reached retirement eligibility, he has a greater probability of retiring in grade E-7 than his counterparts in the other Services.

GAO Comment on Promotion Opportunity

GAO states that survey data indicates that promotion opportunity was either not a factor influencing an enlisted member's decision to reenlist or ranked very low. From this, GAO concludes that promotion opportunity does not greatly influence retention. (page 38)

OSD Comment

The Department is unable to examine all of the survey data used by GAO in reaching its conclusions. However, according to the report, pay, fringe benefits and bonuses ranked in the top five factors influencing reenlistment. Since there is an extremely high correlation between these factors and grade, it is not appropriate to entirely eliminate promotion opportunity as a factor based upon the survey data alone. The rate at which individuals are promoted directly influences the value of their pay and related fringe benefits.

The survey results used by GAO in report B-160096, July 5, 1974, delineated the most important factors influencing reenlistment decisions into two categories: Critical (Variable Reenlistment Bonus) skills and non-critical (non-bonus) skills. It is true that promotion opportunity was not one of the top five factors influencing reenlistment for the critical skill respondents. However, it was the fourth most frequently chosen response for non-critical skill personnel. Thirty-one percent of the non-critical personnel were influenced by the pay and promotion factor. It is also interesting to note that four of the top five responses in each group were identical: Fringe Benefits, Educational Opportunities, Job Security and Job Satisfaction. In the bonus or critical skill group, the bonus was the most influencing factor. However, in non-critical skills where a bonus was not available, pay and promotion replaced the bonus as one of the five most influencing factors. The majority of DoD skills fall in the non-critical skill category.

An analysis of the results of the 1976 OSD Personnel Survey also reveals that promotion strongly influences reenlistment decisions. This survey indicates that the expectation of a one or two grade promotion by an individual is one of the most influencing factors affecting the reenlistment intentions of personnel within one year of reenlistment.

#### GAO Comment on Promotion Timing

Although some increases have been made in OSD's promotion criteria, the criteria do not appear to be designed for or consistent with a thirty year career pattern. Promotion to all enlisted grades, especially the higher grades, appears to occur much too early. (pages 30-33)

#### OSD Comment

GAO apparently utilized only average time-in-service at promotion data to reach its conclusions about promotion patterns. While this data is an appropriate measure of certain aspects of the enlisted promotion system, it does not provide a complete picture of how the system is structured.

Promotions to the top six enlisted grades do not occur at a specific point in time as implied in the report. Rather, promotion occurs over a promotion zone several years in length. In FY 76, the zones for promotion to each grade, E-4 through E-9, ranged from 19 to 24 years long. The Services' long-range personnel management plans will reduce these zones of consideration to from 4 years for E-4 to 19 years for E-9. While the objective average time-in-service at promotion will be somewhat lower than in the current force, a large proportion of the promotions to E-8 and E-9 will occur after the 20th year of service.

For example, 76% of the Army E-9 promotions will occur beyond the 20th year with 12% after the 25th year. Thirty-three percent of the Army E-8 promotions will occur after the 20th year. In the Air Force, 87% of the E-9 promotions will occur after 20 years and 52% of the E-8 promotions. The Air Force plans to make 25% of E-9 promotions beyond the 25th year. Similar patterns are found in the Navy.

The objective promotion systems were designed to fulfill Service needs for personnel in each grade consistent with the availability of qualified individuals. The current and objective systems encourage the retention of those members desired and needed by the Service for a full career.

#### GAO Comment on Requirement V - OSD Approved Grades

Similar disparities in pay (differences between service requirements by grade and OSD top-six grade authorizations) were a key issue of the Special House Subcommittee on Enlisted Promotion Policy Review and the basis for the Subcommittee's recommendation that "DoD improve its capability to judge requirements." (Pages 24-27)

#### OSD Comment

The Department does not concur with the implication of this statement nor in the GAO comments and conclusions regarding OSD grade management. GAO implies that OSD has not complied with the guidance of the Subcommittee and that we have reverted to a management style which originally caused the Subcommittee's investigation.

The Special Subcommittee was convened primarily to deal with complaints from enlisted members about promotion inequities and inadequate promotion opportunity. During the course of its investigation, the Subcommittee found that the arbitrary grade ceilings imposed by OSD, which did not consider promotion flow nor the stated requirements of the Services, and inadequate promotion selection procedures were primarily responsible for the poor promotion opportunity and the inequities.

The conditions which lead to the Special Subcommittee are not present today. The OSD approved grade ceilings do not hinder promotion flow. Adequate promotion opportunity is being provided and survey data indicates that the enlisted force is generally satisfied with the present promotion selection systems.

The annual grade structures approved for each Service are designed to complement their Long-Range Enlisted Management Plan. While the OSD ceilings do not match Service requirements precisely, they are the result of actions designed to produce a grade structure based upon requirements tempered by personnel management considerations.

The "inconsistency" in OSD grade evaluations cited by GAO results from OSD approving an objective E-9 strength for the Army which recognized an effort to convert certain officer requirements into senior enlisted positions. This effort was successful and the Army's E-9 requirements are now aligned with their long-range plan. Thus, in both the Army and Navy evaluations, requirements tempered by personnel management considerations served as the basic decision criterion.

(990594)