

GAO

# Testimony

Before the Subcommittee on Personnel, Armed  
Services Committee, U.S. Senate

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## MILITARY PERSONNEL

# Active Duty Benefits Reflect Changing Demographics, but Continued Focus Is Needed

Statement of Derek B. Stewart, Director, Defense  
Capabilities and Management



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Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss the employee benefits that the Department of Defense (DOD) provides for active duty servicemembers. By “employee benefits” we are generally referring to indirect compensation above and beyond a servicemember’s basic pay.<sup>1</sup> The overall military compensation system is a complex structure of basic military pay, special pays, and allowances, as well as employee benefits. (See app. I for a list of specific elements of the overall military compensation system.) This Subcommittee has expressed concerns about whether the current benefit package available to active duty servicemembers has kept pace with changes in the demographic composition of the force and whether the benefit package positions DOD to compete with private-sector companies for high-quality personnel. Because of these concerns, you asked us to determine (1) the impact of demographic changes on active duty benefits and (2) how the military’s overall benefit package compares with the array of benefits offered by private-sector firms.<sup>2</sup> In addition, we have made several observations on the military component of DOD’s new human capital strategy, which addresses benefits and other personnel issues. Our testimony today represents the preliminary results of our work. We plan to issue a report to you this summer that will address these issues in more detail.

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## Summary

Mr. Chairman, one of the most significant demographic changes in the active duty military since the advent of the all-volunteer force in 1973 has been an increase in servicemembers with family obligations. Between 1980 and 2000, at least half of the active duty force consisted of married servicemembers. Furthermore, active duty servicemembers had about 1.23 million children in 2000. Although DOD has responded positively to these demographic changes by incorporating a number of family friendly benefits, opportunities exist to improve some current benefits in this area. For instance, while DOD has worked successfully to improve the quality of

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<sup>1</sup>The Bureau of Labor Statistics defines a benefit as “non-wage compensation provided to employees.” For this testimony, we have included such benefits as retirement, health care, and educational assistance, as well as certain programs and services that support military members and their families, including child care, spousal employment assistance, and relocation assistance.

<sup>2</sup> For purposes of this review, we obtained data on medium and large employers. The Bureau of Labor Statistics defines “medium and large employers” as those having 100 or more employees.

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its child care centers, the department has identified a need to further expand child care capacity. In addition, the department has several initiatives planned to assist military servicemembers' spouses who are seeking employment. Furthermore, DOD faces challenges in reaching out to servicemembers to increase their awareness and use of benefits.

When we compared the types of benefits offered as part of the military's overall benefit package with private-sector benefits, we did not identify significant gaps in the benefit package offered to active duty servicemembers. Although we did not make direct comparisons between individual benefits offered by the military and the private sector, we did determine that all the core benefits offered by most private-sector firms—that is, retirement pay, health care, life insurance, and paid time off—are offered by the military. Furthermore, military benefits in some cases exceed those offered by the private sector. For example, benefits such as free health care for members, free housing or housing allowances, and discount shopping at commissaries and exchanges are not offered as benefits to the typical private-sector employee. During the 1990s, some servicemembers expressed concerns that their benefits were eroding, particularly their health care and retirement benefits. In response to such concerns, the military benefit package was enhanced. In recent years, for example, Congress restored retirement benefits that had previously been cut for certain servicemembers. Congress also significantly expanded health benefits.

Although DOD offers a wide array of benefits to active duty servicemembers, the benefit package has taken shape piecemeal over the years in the absence of a strategic approach to human capital management. A well-developed human capital strategy would provide a means for aligning all elements of DOD's human capital management, including pay and benefits, with its broader organizational objectives. Pay and benefits are tools that an organization can use to shape its workforce and to meet current and future requirements. DOD officials told us they plan to issue a human capital strategic plan in April 2002. The plan includes a component on military personnel. The military personnel strategy, however, lacks elements of a fully realized human capital strategic plan. For example, the military personnel strategy does not

- link human capital goals with DOD's mission and programmatic goals;
- include adequate performance measures for assessing the effectiveness of human capital approaches;
- address military workforce requirements or gaps, especially for mission-critical skills;

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- demonstrate a clear linkage between benefits and DOD's ability to recruit and retain a high-quality workforce; or
  - address the dissatisfaction that servicemembers have expressed about their work conditions.

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## Background

In fiscal year 2002, the Congress appropriated over \$100 billion for pays and benefits. The basic goals of the military's compensation system are to attract, retain, and motivate the number and quality of people needed to maintain our national security. Although a unique institution, the military nevertheless competes with other organizations for qualified people. It is the single largest employer and trainer of youth, recruiting about 196,000 individuals into active duty in 2001. The military may face increased competition for qualified people over the next few years in response to projected labor shortages through at least 2010. The U.S. Bureau of Labor Statistics projects that the civilian labor force will increase by 12 percent by 2010 while total employment will increase by 15 percent.

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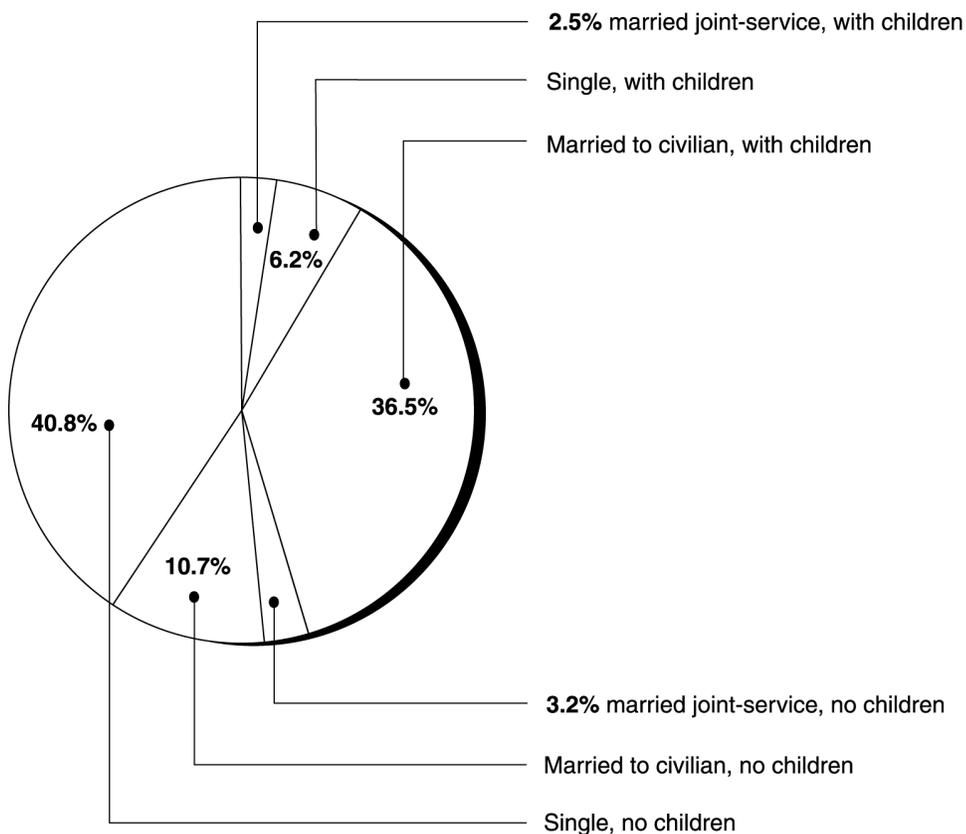
## Demographic Changes in Active Duty Force Have Influenced Military Benefits

The active duty force has undergone several demographic changes since the draft ended and the military became an all-volunteer force in 1973. The force has become older and better educated, and the force has experienced increases in the representation of minority and female servicemembers. The percentage of personnel over age 25 increased from about 40 percent of the active duty force in 1974 to nearly 55 percent in 2000. The proportion of enlisted personnel with at least a high school diploma increased from about 80 percent of the enlisted force in 1974 to about 95 percent in 2000. During that time period, the percentage of officers attaining a degree beyond a bachelor's degree increased from 25 percent to 43 percent of all officers. The proportion of minority servicemembers increased from 20 percent to 35 percent of the active duty force between 1974 and 2000, and the proportion of female servicemembers increased from 4 percent to 15 percent.

One of the most significant demographic changes has been an increase in servicemembers with family obligations. While reliable marital data is lacking for the years immediately following the advent of the all-volunteer force, various DOD studies cite statistics showing increases in the percentage of married enlisted personnel. According to these studies, the percentage of enlisted personnel who were married increased from approximately 40 percent of the force in 1973 to approximately 50 percent in 1977. After a slight decrease from 1977 to 1980, the marriage rate increased through the mid-1990s. DOD attributed the overall increases in

marriage rates to the gradual aging of the active duty force. Between 1980 and 2000, at least half of the active duty force consisted of married servicemembers. Other DOD data also indicate that servicemembers today have increased family obligations. The percentage of servicemembers with children increased from 43 percent to 45 percent between 1990 and 2000. During that time period, the proportion of single servicemembers with children increased from 4 percent to 6 percent. Figure 1 shows the composition of the active duty force, by family status, in 2000.

**Figure 1: Composition of Active Duty Force by Family Status (as of September 2000)**



Notes: "Joint-service" refers to marriages where the active duty member is married to another active duty member or to a reservist.

Percentages do not add up to 100 due to rounding.

Source: Profile of the Military Community: 2000 Demographics Report, Department of Defense.

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A significant body of research by the military services shows that family satisfaction with military life can significantly influence a servicemember's decision to stay in the military or leave. On the basis of this research, DOD during the last 2 decades established a variety of institutions and services to support military families. For example, family support centers were established at installations to deliver programs such as personal financial management training, spousal employment assistance, relocation assistance, new parent support programs, and deployment assistance. Health care benefits for military families also have been enhanced. For fiscal year 2001, for example, the Congress eliminated most co-payments for active duty families enrolled in TRICARE Prime (the military's managed care health program) and expanded benefits for family members living in remote areas. In the area of education, the Congress authorized DOD in fiscal year 2002 to grant reenlisting servicemembers who possess critical skills the option to transfer a portion of their Montgomery GI Bill benefits to their spouse and dependents. Since the summer of 2001, DOD has been reviewing its quality of life programs in an effort to articulate what it terms a "new social compact" with servicemembers and their families. According to DOD officials, the social compact is needed to ameliorate the demands of the military lifestyle, which includes frequent separations and relocations, and to provide better support to servicemembers and their families. The social compact focuses on education, housing, work-life, family and community support, and health.

Although DOD has responded positively to increases in servicemembers with family obligations by incorporating a number of family friendly benefits, opportunities exist to improve some current benefits in this area. DOD has identified needs to expand child care and spousal employment assistance. Another potential area for improvement is maternity/paternity leave. In addition, DOD faces challenges in reaching out to servicemembers to increase their awareness and use of benefits.

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## Child Care

Active duty servicemembers have a strong demand for child care. In 2000, the services had more than 600,000 active duty members with children, and about 85,000 of these members were single parents. Of the 1.23 million military children in 2000, nearly three-fourths were 11 years old or younger. DOD has placed a significant emphasis on improving and expanding its child care system which includes child development centers, family care centers, and school-age care programs. DOD also operates centers for youths and teens. In 1982, we reported that many military installations had child care centers that were not suitable for the purpose

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and did not meet fire, health, and safety standards.<sup>3</sup> Following the passage of the Military Child Care Act of 1989, DOD worked to improve the quality, availability, and affordability of military child care. In 1997, the president praised the high quality of the military's child development programs, citing improved resources, oversight, and training, as well as a commitment to meeting national accreditation standards. Today, 99 percent of the 450 child development centers the military operates are accredited. DOD is working to expand capacity to meet a range of child care needs, including initiatives to extend care hours and subsidize the cost of obtaining child care at commercial centers. The department is seeking to add 45,000 child care slots to the approximately 176,000 slots that exist today. DOD hopes to meet 80 percent of its members' child care needs by 2005.<sup>4</sup>

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## Spousal Employment Assistance

DOD also has begun to pay increased attention to employment assistance for military spouses. In 1999, 48 percent of officer spouses and 55 percent of enlisted spouses were employed in the civilian labor force, while 7 percent of officer spouses and 8 percent of enlisted spouses were unemployed and seeking work. According to a March 2001 study conducted for DOD, working spouses of military servicemembers contribute up to 40 percent of the family's income and earn an average of 24 to 30 percent less than their civilian counterparts. In part, this wage differential, which increases for those with higher levels of education, is due to local labor market conditions. Some installations are located in remote areas characterized by relatively poor labor market conditions. Military spouses also face several other employment challenges. For example, frequent relocations make it difficult to sustain a career and amass retirement benefits. Junior enlisted families face particular financial difficulties as the result of housing and transportation costs, the high cost

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<sup>3</sup> See U.S. General Accounting Office, *Military Child Care Programs: Progress Made, More Needed*. [GAO/FPCD-82-30](#) (Washington, D.C.: June 1, 1982).

<sup>4</sup> In the early 1990s, DOD established a formula to estimate military families' need for child care services. The formula was based on the number of children up to age 12 in military families whose parents worked outside the home and needed some type of child care. A DOD official said the remaining 20 percent of military families with young children will not request child care either because the parents have alternating work schedules or because relatives care for their children. See U.S. General Accounting Office, *Child Care: How Do Military and Civilian Center Costs Compare?* [GAO/HEHS-00-7](#) (Washington, D.C.: Oct. 14, 1999).

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of credit, and child care expenses. However, income from a spouse's job can help to mitigate some of these problems.

Although DOD has had a formal spousal employment assistance program since 1985, the department has taken a number of recent steps to enhance the program.<sup>5</sup> DOD held a spousal employment summit in 2000 to identify needed actions. The department is focusing on establishing partnerships with private-sector employers who can offer jobs with "portable tenure," which enables spouses to relocate and stay with the same employer. Other efforts include expanding employment preference for spouses working in Europe and establishing partnerships with federal agencies to increase private-sector career opportunities. For example, DOD is developing a partnership with the Department of Labor to resolve issues that occur at the state level. According to DOD officials, each state maintains varying residency and licensing requirements for jobs such as teaching, nursing, and child care. Spouses who work in these fields and relocate may need to be recertified after meeting residency requirements. DOD is seeking Labor's assistance to help spouses overcome these employment barriers. The Navy and Marine Corps also have launched a partnership with a civilian employment services firm at two installations. These initiatives are in the early stages of development. As a result, it is too early to gauge their effectiveness in promoting spousal employment.

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## Maternity/Paternity Leave

Up to 10 percent of active duty female servicemembers become pregnant each year, according to the military services. As of March 2001, there were about 75,000 military children under the age of 1. While new military mothers and fathers may take time off after the birth of a child, the military does not offer extended leaves of absence to new parents. New mothers may take 6 weeks of paid convalescent leave, which is similar to sick leave in the private sector. Both new mothers and new fathers may use annual leave. The services stated that they do not track information concerning the number of women who separate permanently from active duty service because of parental leave policies. We previously reported that of the 28,353 women without prior military service who enlisted in fiscal year 1993, 2,074 separated because of pregnancy from the 7th

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<sup>5</sup> The Congress has urged DOD to provide further employment assistance for military spouses. The National Defense Authorization Act for Fiscal Year 2002 directed the secretary of defense to help spouses access financial, educational, and employment opportunities through existing DOD and other federal government, state, and nongovernmental programs.

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through the 48th month of their enlistment. These separations represented approximately one-fourth of all female attrition.<sup>6</sup> The Family and Medical Leave Act of 1993 does not cover military personnel. The act requires private-sector employers with more than 50 employees to allow their employees to take 12 weeks of unpaid leave to meet family obligations, such as maternity or paternity leave, adoptions, and care for a spouse, child, or parent with serious health conditions. Paid maternity and paternity leave in the private sector appears to be rare. In 1997, only 2 percent of employees had access to paid family leave programs, according to the Bureau of Labor Statistics. Of nine private-sector companies we contacted,<sup>7</sup> one allows employees to take up to 3 years of unpaid leave after the birth of a child and to return to a comparable position. Another company gives mothers 12 weeks paid leave with the option to take additional unpaid time off. If she returns within 6 months, the company guarantees her position; if she returns after 1 year, the company guarantees employment, but not the same position.

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## Outreach and Awareness

DOD faces a continuing challenge in making military personnel aware of their benefits so they can take full advantage of what is available. For example, the military offers a relocation assistance program to provide transferring servicemembers with information on reimbursable moving costs and other services. A 1999 DOD-sponsored study found that the survey respondents who used the program had a higher portion of their expenses reimbursed than those who did not use the program. Specifically, personnel who used the program were reimbursed an average of 62 cents for every reimbursable dollar spent. In comparison, personnel who did not use the program were reimbursed 46 cents for every

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<sup>6</sup> See U.S. General Accounting Office, *Military Attrition: Better Data, Coupled With Policy Changes, Could Help the Services Reduce Early Separations*, [GAO/NSIAD-98-213](#) (Washington, D.C.: Sept. 15, 1998).

<sup>7</sup> We interviewed representatives from nine companies that have been recognized as innovative or effective in strategically managing their human capital. The nine companies are Federal Express Corp.; IBM Corp.; Marriott International, Inc.; Merck and Co., Inc.; Motorola, Inc.; Sears, Roebuck and Company; Southwest Airlines Co.; Weyerhaeuser Co.; and Xerox Corp., Documents Solution Group. We previously reported on the key principles that underlie these companies' human capital strategies and practices. See U.S. General Accounting Office, *Human Capital: Key Principles From Nine Private Sector Organizations*. [GAO/GGD-00-28](#) (Washington, D.C.: Jan. 31, 2000).

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reimbursable dollar spent.<sup>8</sup> According to DOD officials, a particular challenge is reaching out to the two-thirds of military personnel and their families who reside off-base. In order to improve outreach, DOD is increasing its use of the Internet by adding information and transactional features to various web sites. DOD officials also said the department is pursuing opportunities with the private sector to provide certain services, such as fitness facilities, child care, and employee assistance programs, especially for members who reside in remote areas or away from bases.

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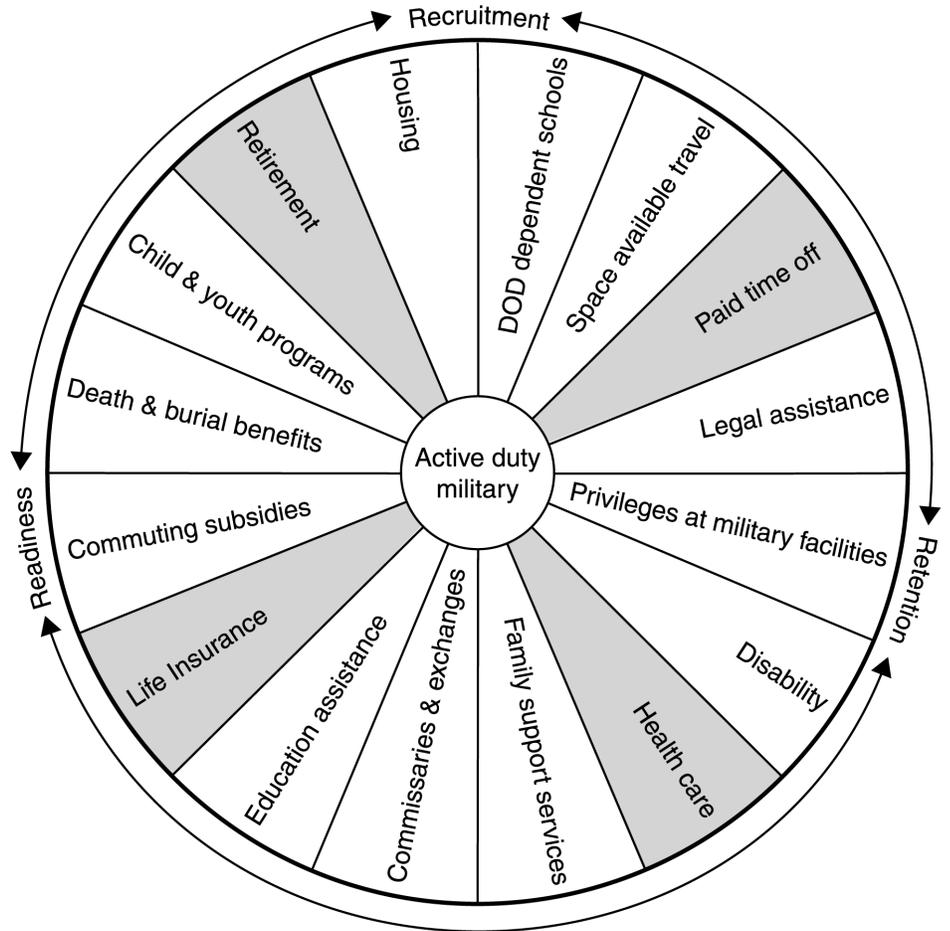
## DOD Offers Wide Array of Benefits for Active Duty Servicemembers

When we compared the types of benefits offered as part of the military's overall benefit package with private-sector benefits, we did not identify significant gaps in the benefit package offered to active duty servicemembers. Most important, DOD offers all of the four core benefits that are offered by most private-sector firms. These benefits are retirement, health care, life insurance, and paid time off. As figure 2 illustrates, DOD also offers a wide array of additional benefits. Many private-sector firms, of course, offer additional employee benefits as well.

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<sup>8</sup> The 1999 study defined users of the relocation assistance program as any survey respondent who used at least 1 of the 11 relocation services offered, one of which was information on permanent change of station entitlements/travel pay.

**Figure 2: Range of Military Benefits Offered to All Active Duty Personnel**



**Notes:**

The shaded areas of the figure indicate those benefits that are typically considered core benefits in the private sector.

This chart is not a comprehensive listing of all benefits offered to active duty military personnel.

On the basis of our prior work on military compensation and DOD's compensation studies, we would like to note several difficulties associated with making direct comparisons between military and private-sector benefits. Such comparisons must account for (1) the demands of military service, such as involuntary relocation, frequent and lengthy separations from family, and liability for combat; (2) certain principles of military compensation that are absent in the private sector, such as the principle that military compensation must work equally well during peace or war;

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(3) the difficulty in identifying appropriate private-sector industries and jobs to use as benchmarks for the military; (4) difficulties associated with measuring the value of employee benefits; and (5) military personnel practices—such as hiring primarily at the entry level and “up or out” rules—that are uncommon in the private sector.

For these reasons, we have not made direct analytical comparisons between individual benefits offered by the military and those offered by the private sector. For instance, we did not attempt to determine whether the military retirement system is, based on certain criteria, more lucrative or less lucrative than private-sector pension plans. However, we sought to identify the types of benefits found in the private sector—both traditional and emerging benefits—and used this information to determine whether there are potential gaps in the benefit package offered to active duty servicemembers. To gather information on private-sector benefits, we conducted a broad literature search of private-sector benefit practices and used survey results of medium and large employers from the Bureau of Labor Statistics and from several human resources consulting firms. We also interviewed representatives from nine companies that have been recognized as innovative or effective in strategically managing their human capital.

Private-sector employers take a great variety of approaches when designing their benefit package. Even so, three thematic trends have become evident over the last decade or two. Specifically, private-sector companies are (1) offering a growing number and array of benefits—such as long-term care insurance, convenience benefits, and elder care assistance—while also making changes to their traditional core benefits; (2) introducing more flexibility in their benefit packages; and (3) adding benefits to help employees balance work and life responsibilities. While private-sector firms use pay and benefits packages to attract and retain employees, they are also concerned about controlling costs. Employers increasingly are sharing a growing portion of benefit costs with employees, particularly health care costs, while requiring them to assume more responsibility for managing their benefits. Some employers have reduced certain benefits or ceased to sponsor coverage. We recently testified that the availability of employer-sponsored retiree health benefits

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eroded during the late 1990s, and that rising cost pressures on employers may lead to further erosion of these benefits.<sup>9</sup>

Like the military, the private sector also has reacted to demographic changes in the workforce. Since the 1970s, the American workforce has become more educated, more heterogeneous, and older. The numbers of dual-earner families, working women, and single parents have increased. Employers have reacted by offering benefits aimed at helping employees balance work and life demands. Since the 1980s, employers have begun offering benefits such as dependent care assistance, parental leave, flexible work schedules, and convenience services. Convenience services such as dry cleaning, banking services, and take-home meals allow employees to save time by running errands during work hours. Flexible schedules that allow employees to adjust the beginning and ending of their work day, work more hours per day but shorter weeks, or share a job with another part-time employee are some of the ways that employers help employees to manage their work and family responsibilities. Flexible benefit plans also help employees by allowing them to select additional benefits that may help balance work-life priorities.

Our work comparing the military's overall benefit package with the array of benefits in the private sector showed that several military benefits have their analogues or counterparts in the private sector. As we noted earlier, the military offers benefits in the four core areas; however, the military may structure its benefits differently. For example, whereas the military retirement system requires 20 years of service to be vested, private-sector firms typically have much shorter vesting periods or no vesting period at all. The military's health care benefit is provided through a network of about 580 military treatment facilities, supplemented by civilian providers. The cost of this care to servicemembers and their dependents is nil or minimal. Private-sector firms, in contrast, typically offer individual and family health care through private insurers and normally require employees to share the cost burden. In 1999, private-sector employers paid the full cost of medical coverage for 33 percent of participants with individual coverage and 19 percent of those with family coverage, according to the Bureau of Labor Statistics. Of those participants required to contribute to their medical coverage, the average monthly cost was approximately \$50 for individual coverage and \$170 for family coverage. In

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<sup>9</sup> See U.S. General Accounting Office, *Retiree Health Insurance: Gaps in Coverage and Availability*, [GAO-02-178T](#) (Washington, D.C.: Nov. 1, 2001).

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the core benefit area of life insurance, DOD offers low-cost rates on group life insurance. Servicemembers pay \$20 a month for the maximum \$250,000 coverage. In November 2001, coverage was extended to members' spouses and eligible children. Finally, in the core benefit area of paid time off, all servicemembers receive 30 days annual leave and may carry over as many as 60 days accrued leave to the next year. The military offers numerous other forms of paid leave for specific reasons.

In some areas, the military offers benefits that would not normally be available to civilians working for private-sector firms. For example, servicemembers may obtain discount prices by shopping at military commissaries (grocery stores) and exchanges (department stores). They also have privileges to use an extensive array of community facilities to include, among others, fitness centers, swimming pools, officer and enlisted clubs, libraries, community centers, hobby shops, and golf courses. Some private-sector firms offer amenities such as fitness centers and company stores, but few, if any, can match the breadth of facilities and programs available on a military installation. It also would be rare to find private-sector firms offering, as the military does, free housing or housing allowances to all of their employees.

Military benefits, overall, have been enhanced in recent years. During the 1990s, some servicemembers expressed concerns that their pay was falling behind that in the private sector and that their benefits were eroding, particularly their health care and retirement benefits. Such perceptions were cited as one cause of the retention problems the military was experiencing at that time. The Congress subsequently enacted legislation to increase military pay and enhance benefits. These efforts were aimed at improving the financial well-being and quality of life of servicemembers and at addressing recruiting and retention problems. For example, the Congress approved across-the-board pay raises of 4.8 percent for fiscal year 2000 and 3.7 percent for fiscal year 2001, along with targeted pay raises to mid-level officers and enlisted personnel. For fiscal year 2002, the Congress approved pay raises ranging between 5 and 10 percent, depending on pay grade and years of service. Major enhancements to benefits included the restoration of retirement benefits that had been cut for military servicemembers who entered military service on or after August 1, 1986; increases in the basic housing allowance to reduce out-of-pocket housing expenses for servicemembers not living in military housing; and expansion of health care availability and reduced costs for families and retirees.

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## Military Personnel Strategy Not Linked to Broader Organizational Objectives

Although DOD offers a wide array of benefits to active duty servicemembers, DOD's benefit package was developed piecemeal in the absence of a strategic approach to human capital management. A well-developed human capital strategy would provide a means for aligning all elements of DOD's human capital management, including pay and benefits, with its broader organizational objectives. Pay and benefits are tools that an organization can use to shape its workforce, fill gaps, and meet future requirements.

In prior reports and testimony, we have identified strategic human capital management planning as a government-wide high-risk area and a key area of challenge.<sup>10</sup> We have stated that agencies, including DOD, need to improve the development of integrated human capital strategies that support the organization's strategic and programmatic goals. In March 2002, we issued an exposure draft of our model for strategic human capital management to help federal agency leaders effectively lead and manage their people.<sup>11</sup> We also testified last month on how strategic human capital management can contribute to transforming the cultures of federal agencies.<sup>12</sup>

Several DOD studies also have identified the need for a more strategic approach to human capital planning within the department. The 8th Quadrennial Review of Military Compensation, completed in 1997, strongly advocated that the department adopt a strategic human capital planning approach. The review found that DOD lacked an institution-wide process for systematically examining human capital needs or translating needs into a coherent strategy. Subsequent DOD and service studies, including the Defense Science Board Task Force on Human Resources Strategy, the Naval Personnel Task Force, and the DOD Study on Morale and Quality of Life, endorsed the concept of human capital strategic planning.

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<sup>10</sup> See U.S. General Accounting Office, *Human Capital: A Self-Assessment Checklist for Agency Leaders*, [GAO/OCG-00-14G](#) (Washington, D.C.: Sept. 2000); U.S. General Accounting Office, *Human Capital: Major Human Capital Challenges at the Departments of Defense and State*, [GAO-01-565T](#) (Washington, D.C.: Mar. 29, 2001); and U.S. General Accounting Office, *Major Management Challenges and Program Risks: Department of Defense*, [GAO-01-244](#) (Washington, D.C.: Jan. 2001).

<sup>11</sup> See U.S. General Accounting Office, *A Model of Strategic Human Capital Management, Exposure Draft*, [GAO-02-373SP](#) (Washington, D.C.: Mar. 2002).

<sup>12</sup> See U.S. General Accounting Office, *Managing for Results: Building on the Momentum for Strategic Human Capital Reform*, [GAO-02-528T](#) (Washington, D.C.: Mar. 18, 2002).

DOD officials have acknowledged the need for a more strategic approach and plan to issue a human capital strategic plan in April 2002. The plan has three components: a military personnel strategy (which includes the reserves), a civilian personnel strategy, and a social compact that, as we mentioned earlier, addresses quality-of-life issues. Since our work focused on military personnel, we reviewed that component of the strategy. We had an opportunity to review a draft of the military personnel strategy and to discuss it with DOD officials. We will briefly describe the strategy, including the elements that address pay and benefits, and then raise issues for consideration that DOD may wish to incorporate in future iterations of the strategy.

DOD officials told us that the military personnel strategy outlines a plan of action for the next 3 to 5 years. The strategy identifies more than 30 initiatives organized into five “lines of operation,” or goals. These five goals are (1) increase the willingness of the American public to recommend military service to our youth; (2) recruit the right number and quality of personnel; (3) develop, sustain, and retain the force; (4) transition members from active status; and (5) sustain the process and maintain its viability. A majority of the initiatives are studies addressing various military personnel issues. Some of the issues that DOD will study—such as the lateral entry of civilians into the military workforce, the ramifications of variable career lengths for officers, and the appropriate grade structure for the manpower needs of future weapons systems—could lead to proposed changes that have far-reaching impacts.

The strategy does not call for any near-term changes to pay and benefits. However, as shown in table 1, the department plans to study several pay and benefit issues.

**Table 1: Compensation-Related Studies and Milestones in DOD’s Military Personnel Strategy**

<b>Study</b>	<b>Milestone</b>
Sabbatical programs that could be implemented in DOD	Final report due September 2002
Nonmonetary incentives that support retention	Final report due December 2002
Programs designed to improve retention by informing military members of career opportunities and military benefits available to them	Action plan due December 2002
Alternatives to the military retirement system	Report due January 2003
Proposals of the 9th Quadrennial Review of Military Compensation	Staff recommendations due March 2003
Programs designed to inform members of their transition benefits when leaving active duty service	Final report due March 2003
Military pay levels compared to pay levels of civilians by age, education, and occupation	Final report due December 2003

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While DOD has recognized the need for a strategic approach to managing its human capital, the military personnel strategy is missing elements that would be found in a fully realized human capital strategic plan. Since the military personnel strategy is intended to be a dynamic document that periodically will be assessed and refined, DOD will have opportunities to incorporate additional elements of human capital strategic planning in future iterations of the strategy. Specifically, DOD may wish to consider the following questions as it refines the military personnel strategy:

*How can human capital approaches be linked to DOD's mission and programmatic goals?* Effective organizations link human capital approaches to their overall mission and programmatic goals. An organization's human capital approaches should be designed, implemented, and assessed by the standard of how well they help the organization pursue its mission and achieve desired results or outcomes. The new military personnel strategy captures the DOD leadership's guidance regarding aspects of managing human capital, but the strategy's linkage to the overall mission and programmatic goals is not stated. For example, DOD continues to rely heavily on technology to carry out its overall mission "to fight and win wars." DOD's human capital approach to recruiting and retention—if it were linked to its overall mission—would emphasize individuals with the skills needed to fight and win "high-tech" wars. To the extent possible, DOD may wish to determine the kinds of benefits, or combination of benefits, that would best position it in the future to attract and retain individuals possessing these skills.

*How can human capital performance measures be improved?* High-performing organizations use data to determine key performance objectives and goals that enable them to evaluate the success of their human capital approaches. Collecting and analyzing data are fundamental building blocks for measuring the effectiveness of human capital approaches in support of the mission and goals of an agency. In our Government Performance and Results Act work, we raised concerns about DOD's human capital performance measures. For example, the performance measures did not fully address the extent to which military forces are highly motivated or DOD's efforts to develop personnel. The new military personnel strategy provides measures of effectiveness for each initiative; however, these measures are not adequate to assess the success of DOD's human capital approaches because they (1) do not describe the significance of outcomes in terms of programmatic goals and results, (2) are not always specific or stated as measurements, and (3) are activity-based rather than outcome-oriented. For example, one initiative calls for a study of sabbatical programs. However, the measure of

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effectiveness for this initiative is to implement guidance for a sabbatical-type program. The relationship between sabbatical programs and the goal of improving retention is not described. Furthermore, the significance of sabbaticals in accomplishing DOD's mission is not stated.

*What skills and abilities will be needed in DOD's future military workforce to accomplish its mission, and what potential gaps exist between current and future workforce needs?* Agencies must identify their current and future human capital needs and then create strategies for filling the gaps. Agencies' strategic human capital planning must be results-oriented and data-driven, including, for example, information on the appropriate number and location of employees and their key competencies and skills. The new military personnel strategy does not address workforce requirements or gaps.

*How can benefits be more closely linked to the basic goals of recruiting and retaining a high-quality workforce?* Our prior work has shown that retention decisions are highly personal in nature and that many factors, including benefits, may affect the decision of a servicemember to stay in the military or leave. The new military personnel strategy does not discuss which combinations of benefits, pay, and other factors have had the greatest influence on retention decisions. In the last DOD-wide survey of active duty personnel in 1999, key benefits such as housing and health care for families were not among the top reasons cited by military personnel for considering leaving. In fact, the family medical care benefit was cited as a top reason for staying.<sup>13</sup> On the basis of the 1999 survey, we also found that increasing housing allowances would do little to increase retention. Less than 1 percent of servicemembers cited housing allowances as a top reason to leave.<sup>14</sup> Our work has shown that first-term and mid-career enlisted personnel and mid-career officers perceived that compensation was better in civilian life than in the military, but they believed the military provided some better benefits, such as vacation time and education and training opportunities. First-term enlisted personnel cited education benefits and training for civilian employment as top reasons for joining.

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<sup>13</sup> See U.S. General Accounting Office, *Military Personnel: Preliminary Results of DOD's 1999 Survey of Active Duty Members*, [GAO/T-NSIAD-00-110](#) (Washington, D.C.: Mar. 8, 2000).

<sup>14</sup> See U.S. General Accounting Office, *Military Personnel: Higher Allowances Should Increase Use of Civilian Housing, but Not Retention*, [GAO-01-684](#) (Washington, D.C.: May 31, 2001).

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But they were less likely to stay on active duty than those who joined for other reasons, like personal growth or travel.<sup>15</sup>

*To what extent should DOD's military personnel strategy address servicemembers' dissatisfaction with their work circumstances?* The new military personnel strategy does not acknowledge or address the dissatisfaction that servicemembers have expressed about their work circumstances. Work circumstances include the availability of equipment and materials, manning levels of units, frequency of deployments, and personal time for family. While pay and benefits are important, factors other than compensation appear to be a source of dissatisfaction with military life that could lead to retention problems. In our prior work we found that many factors were sources of dissatisfaction and reasons to leave the military for personnel in retention-critical specialties. The majority of the factors were associated with work circumstances rather than with benefits.<sup>16</sup> Our work on pilot retention problems also confirmed these findings. Pilots raised concerns about their work circumstances, leadership, career development, and aviation retention bonuses.<sup>17</sup> On the basis of the 1999 active duty survey, we found that military personnel perceived that civilian life was more favorable than military life with respect to personal and family time, quality of life, and hours worked per week. The survey data also showed that the duration of permanent change of station tours was related to satisfaction. Those with shorter time spent between moves were less likely to be satisfied with the frequency of moves and less satisfied with the military way of life.<sup>18</sup>

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<sup>15</sup> See U.S. General Accounting Office, *Military Personnel: First-Term Personnel Less Satisfied With Military Life Than Those in Mid-Career*, [GAO-02-200](#) (Washington, D.C.: Dec. 7, 2001).

<sup>16</sup> See U.S. General Accounting Office, *Military Personnel: Perspectives of Surveyed Service Members in Retention Critical Specialties*, [GAO/NSIAD-99-197BR](#) (Washington, D.C.: Aug. 16, 1999).

<sup>17</sup> See U.S. General Accounting Office, *Military Pilots: Observations on Current Issues*, [GAO/T-NSIAD-99-102](#) (Washington, D.C.: Mar. 4, 1999) and U.S. General Accounting Office, *Military Personnel: Actions Needed to Better Define Pilot Requirements and Promote Retention*, [GAO/NSIAD-99-211](#) (Washington, D.C.: Aug. 20, 1999).

<sup>18</sup> See U.S. General Accounting Office, *Military Personnel: Longer Time Between Moves Related to Higher Satisfaction and Retention*, [GAO-01-841](#) (Washington, D.C.: Aug. 3, 2001).

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Mr. Chairman, this completes our prepared statement. We would be happy to respond to any questions you or other Members of the Subcommittee may have at this time.

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**Contacts and  
Acknowledgments**

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# Appendix I: Active Duty Pay, Allowances, and Benefits

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This appendix lists active duty pays, allowances, and benefits that we identified during our review. We compiled this list from Department of Defense (DOD) financial management regulations, service budget documents, military compensation background papers, DOD and service websites, directives, and other department documents.

**Table 2: Active Duty Pay, Allowances, and Benefits**

<b>Pay/allowance/benefit</b>	<b>Major components</b>	<b>Subcomponents</b>
Basic pay		
Housing	<ul style="list-style-type: none"> <li>• Basic allowance for housing, domestic</li> <li>• Basic allowance for housing, overseas</li> <li>• Government housing</li> </ul>	<ul style="list-style-type: none"> <li>• Partial-domestic</li> <li>• Substandard family housing</li> <li>• With dependents</li> <li>• Without dependents</li> <li>• With dependents</li> <li>• Without dependents</li> </ul>
Subsistence	<ul style="list-style-type: none"> <li>• Basic allowance for subsistence</li> <li>• Subsistence-in-kind</li> <li>• Family subsistence supplemental allowance</li> </ul>	<ul style="list-style-type: none"> <li>• Augmentation for separate meals</li> <li>• Authorized to mess separately</li> <li>• Leave rations</li> <li>• Partial</li> <li>• Rations-in-kind not available</li> <li>• Subsistence in messes</li> <li>• Food service regionalization</li> <li>• Special rations</li> <li>• Operational rations</li> <li>• Augmentation rations</li> <li>• Sale of meals</li> </ul>
Continental United States Cost of Living Allowance (CONUS COLA)		
Incentive pay, hazardous duty, and aviation career pay	<ul style="list-style-type: none"> <li>• Chemical munitions</li> <li>• Dangerous viruses (or bacteria) lab duty pay</li> <li>• Demolition pay</li> <li>• Flight deck duty pay</li> <li>• Experimental stress duty pay</li> <li>• Flying duty pay</li> <li>• High-altitude low-opening pay</li> <li>• Parachute jumping pay</li> <li>• Special warfare officer pay (extended active duty)</li> <li>• Submarine duty pay</li> <li>• Surface warfare officer continuation pay</li> <li>• Toxic fuels (or propellants) duty pay</li> <li>• Toxic pesticides duty pay</li> </ul>	<ul style="list-style-type: none"> <li>• Aviation career, officers</li> <li>• Aviator continuation pay</li> <li>• Career enlisted flyer pay</li> <li>• Crew members, enlisted</li> <li>• Crew non-rated</li> <li>• Noncrew member</li> <li>• Continuous monthly submarine duty pay</li> <li>• Incentive pay for operational submarine duty</li> </ul>

<b>Pay/allowance/benefit</b>	<b>Major components</b>	<b>Subcomponents</b>
Special pay	<ul style="list-style-type: none"> <li>• Biomedical science</li> <li>• Civil engineer corps accession bonus</li> <li>• Dental officers</li> <li>• Diving duty pay</li> <li>• Enlistment bonus</li> <li>• Foreign language proficiency pay</li> <li>• Hardship duty pay</li> <li>• High-deployment per-diem allowance</li> <li>• Hostile fire pay/imminent danger pay</li> <li>• Judge advocate continuation pay</li> <li>• Medical officers</li> <li>• Optometrists</li> <li>• Nuclear accession bonus</li> <li>• Nuclear officer incentive pay</li> <li>• Nurse corps officers</li> <li>• Pharmacy medical</li> <li>• Reenlistment bonus</li> <li>• Responsibility pay</li> <li>• Scientific/engineering bonus</li> <li>• Sea and foreign duty</li> <li>• Special duty assignment pay</li> <li>• Veterinarians</li> </ul>	<ul style="list-style-type: none"> <li>• Accession bonus</li> <li>• Additional special pay</li> <li>• Board certified pay</li> <li>• Multiyear retention bonus</li> <li>• Variable special pay</li> <li>• Additional special pay</li> <li>• Board certified pay for non-physician health care providers</li> <li>• Board-certified pay</li> <li>• Diplomate pay for psychologists</li> <li>• Incentive special pay</li> <li>• Medical officer retention bonus</li> <li>• Multiyear special pay</li> <li>• Variable special pay</li> <li>• Monthly special pay</li> <li>• Incentive special pay for certified registered nurse anesthetists</li> <li>• Registered nurse accession bonus</li> <li>• Regular</li> <li>• Selective</li> <li>• Duty at certain places</li> <li>• Overseas extension pay</li> <li>• Sea duty</li> <li>• Monthly special pay</li> <li>• Diplomate pay</li> </ul>
Relocation	<ul style="list-style-type: none"> <li>• Dependent travel allowance</li> <li>• Dislocation and departure allowances</li> <li>• Personal money allowance</li> <li>• Storage of personally owned vehicle</li> <li>• Reimbursement for pet quarantine fees</li> </ul>	

Pay/allowance/benefit	Major components	Subcomponents
	<ul style="list-style-type: none"> <li>• Family separation allowance</li>   <li>• Permanent change of station travel allowances</li>   <li>• Station allowances, overseas</li> </ul>	<ul style="list-style-type: none"> <li>• Afloat</li> <li>• On permanent change of station, no government quarters</li> <li>• On permanent change of station, dependents not authorized</li> <li>• On temporary duty</li>   <li>• Accession travel</li> <li>• In-place consecutive overseas tours and overseas tour extension incentive program</li> <li>• Non-temporary Storage</li> <li>• Operational travel</li> <li>• Rotational travel</li> <li>• Separation travel</li> <li>• Temporary lodging facilities</li> <li>• Training travel</li> <li>• Travel of organized units</li>   <li>• Cost-of-living, bachelor</li> <li>• Cost-of-living, regular</li> <li>• Interim housing allowance</li> <li>• Moving-in housing</li> <li>• Temporary lodging</li> </ul>
Temporary duty travel allowances	<ul style="list-style-type: none"> <li>• Actual expense allowance</li> <li>• Miscellaneous reimbursable expenses (taxi fares, tolls, etc.)</li> <li>• Monetary allowance in lieu of transportation</li> <li>• Reimbursement for cost of transportation</li> <li>• Subsistence allowance</li> </ul>	
Uniform or clothing allowances	<ul style="list-style-type: none"> <li>• Cash clothing replacement</li>   <li>• Extra clothing</li>   <li>• Initial Clothing</li>   <li>• Miscellaneous clothing provision</li> </ul>	<ul style="list-style-type: none"> <li>• Basic</li> <li>• Special</li> <li>• Standard</li>   <li>• Civilian clothing allowances for officers and enlisted personnel clothing allowances</li> <li>• Supplementary</li> <li>• Temporary duty civilian</li>   <li>• Special initial clothing</li> <li>• Standard initial clothing</li>   <li>• Lost or damaged clothing</li> </ul>
Children and youth programs	<ul style="list-style-type: none"> <li>• Child development system</li>   <li>• Youth programs</li> </ul>	<ul style="list-style-type: none"> <li>• Child development center</li> <li>• Family child care</li> <li>• Resource and referral programs</li> <li>• School-age care programs</li> </ul>
Death and burial benefits	<ul style="list-style-type: none"> <li>• Burial benefits</li> <li>• Burial costs</li> <li>• Continued privileges at commissaries,</li> </ul>	

Pay/allowance/benefit	Major components	Subcomponents
	<ul style="list-style-type: none"> <li>exchanges, and other base facilities for families</li> <li>• Continued government housing or housing allowance for families</li> <li>• Death gratuity payments</li> <li>• Dependency and indemnity compensation</li> <li>• Federal income tax exemption</li> <li>• Funeral honors</li> <li>• Montgomery GI Bill death benefit</li> <li>• Payment for unused leave</li> <li>• Survivor and dependent education</li> </ul>	
Dependent education	<ul style="list-style-type: none"> <li>• DOD dependent schools</li> <li>• DOD domestic dependent elementary and secondary schools</li> </ul>	
Disability benefits	<ul style="list-style-type: none"> <li>• Disability retired pay</li> <li>• Disability severance pay</li> <li>• Veterans Affairs disability compensation</li> <li>• Veterans Affairs disability pension</li> </ul>	
Discount shopping	<ul style="list-style-type: none"> <li>• Military exchanges</li> <li>• Commissaries</li> </ul>	
Education assistance benefits	<ul style="list-style-type: none"> <li>• Adult continuing education</li> <li>• Army &amp; Navy college funds</li> <li>• Basic skills education</li> <li>• Commissioning Programs</li>   <li>• Education savings plan</li> <li>• Montgomery GI Bill</li> <li>• Navy College Assistance/Student Headstart</li> <li>• Student loan repayment</li> <li>• Technical/vocational programs</li> <li>• Tuition assistance</li> </ul>	<ul style="list-style-type: none"> <li>• Direct commissioning</li> <li>• Officer candidate school/officer training school</li> <li>• Reserve officer training corps</li> <li>• Service academies</li> </ul>
Family support services	<ul style="list-style-type: none"> <li>• Chaplains</li> <li>• Counseling</li> <li>• Crisis assistance</li> <li>• Deployment and mobilization assistance</li> <li>• Exceptional family member program</li> <li>• Family advocacy programs</li> <li>• Family life education</li> <li>• Information and referral services</li> <li>• Parenting programs</li> <li>• Personal finance management</li> <li>• Relocation assistance program</li> <li>• Sexual assault victim intervention program</li> <li>• Spouse employment assistance program</li> <li>• Transition assistance program</li> </ul>	

<b>Pay/allowance/benefit</b>	<b>Major components</b>	<b>Subcomponents</b>
Health care benefits	<ul style="list-style-type: none"> <li>• TRICARE</li> <li>• Special needs dependents</li> <li>• Continued health care benefit program for separating service members</li> </ul>	<ul style="list-style-type: none"> <li>• Prime</li> <li>• Extra</li> <li>• Standard</li> <li>• Dental plan</li> <li>• Prescription plan</li> </ul>
Life insurance	<ul style="list-style-type: none"> <li>• Servicemembers' group life insurance</li> <li>• Supplemental survivor benefit plan</li> <li>• Survivor benefit plan</li> <li>• Veterans' group life insurance</li> </ul>	
Miscellaneous benefits	<ul style="list-style-type: none"> <li>• Adoption expenses/ reimbursement</li> <li>• Commuting subsidies</li> <li>• Legal assistance</li> <li>• Long-term care insurance</li> <li>• Space available travel</li> <li>• Transition assistance</li> <li>• Veterans Affairs guaranteed home loan program</li> <li>• Veterans Affairs, other</li> </ul>	
Paid time off	<ul style="list-style-type: none"> <li>• Absence over leave or liberty</li> <li>• Administrative absence</li> <li>• Advance leave</li> <li>• Annual leave</li> <li>• Convalescent leave</li> <li>• Educational leave of absence</li> <li>• Emergency leave</li> <li>• Environmental and moral leave programs</li> <li>• Excess leave</li> <li>• Graduation leave</li> <li>• Leave awaiting orders as a result of disability proceedings</li> <li>• Leave in conjunction with permanent change of station</li> <li>• Leave in conjunction with temporary duty</li> <li>• Leave travel in connection with consecutive overseas assignments</li> <li>• Liberty pass</li> <li>• Proceed time</li> <li>• Public holidays</li> <li>• Reenlistment leave</li> <li>• Rest and recuperation absence for qualified enlisted servicemembers extending duty at designated locations overseas</li> <li>• Rest and recuperation program</li> <li>• Sick-in-quarters</li> <li>• Special leave accrual for servicemembers assigned to hostile fire or imminent danger areas, certain deployable ships, mobile units, or other</li> </ul>	

<b>Pay/allowance/benefit</b>	<b>Major components</b>	<b>Subcomponents</b>
Privileges at military facilities	<ul style="list-style-type: none"> <li>duty</li> <li>• Special liberty pass</li> <li>• Auto, crafts, and hobby shops</li> <li>• Consolidated package stores</li> <li>• Family, youth, and community centers</li> <li>• Laundry and dry-cleaning services</li> <li>• Libraries</li> <li>• Movie theaters</li> <li>• Morale, welfare, and recreation</li> <li>deployment support</li> <li>• Officer, non-commissioned officer, and enlisted clubs</li> <li>• Open messes</li> <li>• Recreation and fitness facilities and services</li> <li>• Transient quarters</li> </ul>	
Retirement/savings benefits	<ul style="list-style-type: none"> <li>• Armed forces retirement home</li> <li>• Continued privileges at military bases after retirement</li> <li>• Retirement</li> <li>• Uniformed services savings deposit program</li> <li>• Thrift savings plan</li> <li>• Travel of family members to place of retirement</li> <li>• Travel shipment and storage of household goods for retirees</li> <li>• TRICARE for retirees and their family members</li> <li>• Unemployment compensation for retirees</li> <li>• Veterans benefits for retirees</li> </ul>	<ul style="list-style-type: none"> <li>• High-3 choice</li> <li>• Redux/career status bonus choice</li> <li>• Final basic pay</li> </ul>

Source: GAO analysis.

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# Related GAO Products

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## Child Care

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