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Report to the Congress; by Elmer B. Staats, Comptroller General.

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Current enlisted career personnel imbalances, caused by past management practices, are very costly. On June 30, 1976, the armed services had about 28,000 more career enlisted personnel than called for in their enlisted force management plans. Findings/Conclusions: Enlisted force management plans specify the objectives of the services' enlisted management services. Years of service is the key to planning "objective career forces," a projection of what the service decides it needs in the way of career personnel. The services plan to achieve their objective career forces in 7 to 10 years. The 7 to 10 year lag is unnecessary and costly. Recommendations: The Secretary of Defense should: 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' program 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; and establish, in conjunction with the services, a system comparable to the Navy's for uniform defense cost-benefit studies. The Congress should enact legislation that authorizes readjustment pay for career enlisted personnel who are involuntarily discharged before they are eligible for retirement. (Author/SC)

REPORT TO THE CONGRESS

BY THE COMPTROLLER GENERAL OF THE UNITED STATES

Urgent Need For Continued Improvements In Enlisted Career Force Management

Department of Defense

Past management practices have caused imbalances in the present enlisted career force costing more than a quarter of a billion dollars. Enlisted force management has improved, but much still needs to be done. Further improvements could bring the career force into balance with objectives earlier than the 7- to 10-year time frame planned by Defense.

Current objectives--for example, how many people are needed, where, and when--are largely judgmental and their benefits are assumed rather than calculated. Ways should be developed to measure the effectiveness of career force objectives on a cost-benefit basis. This report discusses the use of such measurements and urges their accelerated development and application.

FPCD-77-42

SEPTEMBER 29,1977

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

B-146890

To the President of the Senate and the
Speaker of the House of Representatives

This report discusses the progress being made in each service to improve enlisted personnel management.

We made this review because we believe personnel costs can be significantly reduced, without affecting program substance, through improvements in enlisted force management. Our recommendations are aimed toward this end.

Our authority for making this review is the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

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 have been considered in preparing this report, but as requested by the Chairman, House Committee on Armed Services, we did not obtain their formal comments.

We are sending copies of this report to the Chairman, House Committee on Armed Services; the Director, Office of Management and Budget; the Secretary of Defense; and the Secretaries of the Army, Navy, and Air Force.

Comptroller General
of the United States

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

URGENT NEED FOR CONTINUED IMPROVEMENTS IN ENLISTED CAREER FORCE MANAGEMENT Department of Defense

D I G E S T

Current enlisted career personnel imbalances, caused by past management practices, are very costly. On June 30, 1976, the armed services had about 28,000 more career enlisted personnel--those with more than 4 years of service--than called for in their enlisted force management plans. These people caused higher active enlisted personnel costs of about $253.2 million. (See p. 4.)

Management improvements that bring the enlisted career force into balance with career force objectives developed on a cost-benefit basis, rather than assumptions, offer opportunities to significantly reduce personnel costs without affecting program substance.

WHY THE IMBALANCE?

The personnel buildups in World War II, the Berlin Crisis, and the Korean War; the lack of long-term career management objectives and increased grade authorizations through the years caused "humps" (excesses) and "valleys" (shortages) in the distribution of career enlisted personnel. These humps and valleys will continue until they phase out after 20 years when career personnel are able to retire. (See graphs on pp. 10 to 14.)

WHAT IS BEING DONE?

In the late 1960s, military personnel managers recognized that their system did not necessarily keep people in the right grades and specializations when needed. This realization and congressional

interest led to the development of enlisted personnel management systems, force management plans, and career force objectives. (See p. 58.)

Enlisted force management plans specify the objectives of the services' enlisted management systems. The basic objective 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. The plans also serve as the basis for the Office of the Secretary of Defense to evaluate the services' budget requests (such as annual grade requests) related to enlisted personnel. (See p. 50.)

Years of service is the key to planning "objective career forces," a projection of what a service decides it needs in the way of career personnel. When the actual career personnel inventory and the planned objective come into balance, then the number of enlisted personnel required and how they progress through their careers are reconciled and personnel costs are minimized. (See p. 64.)

Several programs are set up to eliminate existing personnel imbalances and to prevent distortions in the future. By using these programs, the services plan to achieve their objective career forces in 7 to 10 years. (See pp. 16 and 63 to 70.)

PROBLEMS

The 7- to 10-year lag is unnecessary and costly. As long as the services defer completing these programs and strictly enforcing them, the objective career forces will not become a reality, active enlisted personnel costs will be higher than necessary, and millions will be lost.

Within certain constraints, each service independently developed its enlisted management objectives using its own systems, sets of logic, rules, and policies; these were based on arbitrary criteria. The objectives of the services' management plans

--are based primarily on promotional opportunity and its purported benefits, which generate demands for higher grades than may be necessary;

--lack sufficient details on costs;

--do not identify satisfactory ways to measure the value of the objectives or their cost benefits;

--lack definitive criteria for judging how the objectives will improve effectiveness; and

--are not fully integrated in some of the services' enlisted management sytems. (See p. 50.)

The Navy contends that higher grade authorizations will improve personnel readiness. GAO believes that increased grade authorizations do not increase work experience, past training, or skill levels and will not improve "real" readiness. Also, the Navy's readiness reporting system does not accurately account for all qualified personnel. (See p. 40.)

Over the past few years, the percentage of top-six enlisted grades (E-4 to E-9) authorized in each service has lowered. However, little or no reduction has taken place in the top three grades (E-7 to E-9). Moreover, except for the Air Force, repeated shortfalls in strength in the top six grades demonstrate the services are unable to achieve and sustain even these reduced grade authorizations. (See p. 43.)

The costs of objective forces have not been adequately assessed. In their assessments, the services cited savings that would result for the most part either from planned personnel reductions or from lowering the average years of service and related experience levels through earlier promotions, rather than from improved management practices which reduce the cost per person. (See p. 51.)

Small improvements in the way the enlisted career force is configured can save a lot of money. Each service makes important decisions in designing its objective force. For example, it determines which occupations should receive special pay (enlistment and reenlistment bonuses), how much they should receive, how rapidly promotions should occur, and the distribution of years of service in each occupation. Although these factors have a predictable effect on the cost and makeup of forces, the changes they make in force effectiveness are unknown. (See pp. 49 and 50.)

The services must be able to analyze how their management decisions affect cost and effectiveness. Simple judgments that better promotional opportunities are required or that a less costly force will result are inadequate. If better promotional opportunity is the measure of good, why not make it 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? (See p. 51.)

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 trade-offs of differing combinations of grades and experience resulting from alternative personnel policies have not been identified.

Additional criteria are required to assess the value of added or reduced benefits. Costs and numbers of personnel, by themselves, cannot be used to establish an objective force. This may be the most glaring deficiency in the services' ability to design forces. Research is needed on the relative values and the cost-benefit analyses of alternative enlisted force configurations. (See pp. 52 and 56.)

The Office of the Secretary of Defense cannot thoroughly evaluate the services'

management plans and annual grade requests because it does not have

--objective ways to measure their effectiveness; that is, why the objective force is better than the current force;

--a standardized methodology to determine costs related to the services' plans, including the cost of changing from the current forces to the objective forces;

--the ability to analyze the problems of individual occupational specialties and how these problems will affect the makeup of the career force;

--an effective way to measure how the services' annual grade request will help to balance the career force; and

--adequate staffing and evaluation methods in the Enlisted Management Systems Directorate.

GAO is reviewing the need for early retirement of military personnel. The report, which will be issued in the near future, questions the need to retire most members in their comparative youth without criteria for determining eligibility other than years of service.

RECOMMENDATIONS

The Secretary of Defense should:

--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. (See p. 21.)

--Develop a system of automated programs which will permit evaluation of the services' programs by individual occupational specialty. (See p. 30.)

--Strengthen the Enlisted Management Systems Directorate so it can evaluate the services' enlisted grade requirements and long-range plans. (See p. 28.)

--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. (See pp. 26, 52 and 53.)

--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. (See p. 54.)

Officials in each service 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 GAO. Their comments have been considered in preparing the report, but as requested by the Chairman, House Committee on Armed Services, GAO did not obtain their formal comments. Generally, defense officials agreed that GAO's report addresses the problem areas and offers viable solutions.

Specific recommendations to the Secretaries of the military departments are in chapters 2, 4, and 5.

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, the Congress should enact legislation that authorizes readjustment pay for career enlisted personnel who are involuntarily discharged before they are eligible for retirement. (See p. 18.)

Contents

ABBREVIATIONS

AFSC	Air Force Specialty Code
ASD(M&RA)	Assistant Secretary of Defense (Manpower and Reserve Affairs)
CAREERS	Career Airman Reenlistment Reservation System
CMF	career management fields
CREO	Career Reenlistment Objective Program
DOD	Department of Defense
EMS	enlisted management systems
GAO	General Accounting Office
OASD(M&RA)	Office of the Assistant Secretary of Defense (Manpower and Reserve Affairs)
OSD	Office of the Secretary of Defense
SHORSTSAMPS	Shore Requirements, Standards, and Manpower Planning System
SROF	self-renewing occupational field
TDA	table of distribution and allowances
TOE	table of organization and equipment

CHAPTER 1

INTRODUCTION

Many of today's problems in personnel management are attributed to wide fluctuations in military personnel strengths. While these fluctuations are one source of the problems, it has been the lack of comprehensive planning that has perpetuated inefficient personnel management and utilization. We have reviewed the progress made by the Department of Defense (DOD)to improve this situation.

Traditionally, enlisted personnel management has been based on short-range programs that were responsive to annual mission requirements and budget decisions but has often overlooked the long-range implications of various actions. There is evidence that independent management actions within each service sometimes resulted in costly strength imbalances.

Until recently, the management and determination of certain characteristics of the enlisted force, such as career content and its years of service distribution, were not controlled; a free-flow enlisted career force resulted. Problems such as "humps" (excesses) and "valleys" (shortages) of personnel in certain years of service illustrate the effect.

Effective management of personnel resources is of growing importance to the military services as they try to do more with less because of higher costs. Complaints about the rising costs of the Defense budget are being voiced louder and more frequently, dramatizing the need for improved management of the Armed Forces.

RISING PERSONNEL COSTS

Costs for military personnel have increased from $14.7 billion, or 28.7 percent of fiscal year 1964 budget outlays to $33.9 billion, or 30.5 percent of fiscal year 1976 outlays. Military personnel costs include officer and enlisted basic pay, living quarters and subsistence allowances, special pay (e.g., submarine, flight), and retirement. The largest cost is maintaining the 1.8 million enlisted personnel force. Their pay and allowances alone for fiscal years 1975 and 1976 amounted to over $14 billion, which was about 62 percent of the active military personnel costs.

High personnel costs place a premium on the need for more efficient use of available resources. It has become increasingly obvious that substantive personnel savings cannot be achieved in the short run without severely affecting program substance. The increased cost could reduce the number of personnel that can be maintained and/or funds for weapons and equipments and may disproportionately influence the choice of national strategies.

CONGRESSIONAL INTEREST

In contrast to the officer force whose management is largely regulated by law, enlisted-force management is primarily governed by service and DOD policies. These policies often vary considerably between services. As a result of complaints from enlisted servicemen concerning dissatisfaction with promotion procedures and opportunities, the House Committee on Armed Services conducted hearings in 1967 and 1968 on enlisted promotion policy and procedures.

The March 20, 1968, report of the Special House Subcommittee on Enlisted Promotion Policy Review stated that grade distribution procedures and promotion opportunities were inadequate, causing promotion stagnation. The Subcommittee concluded that DOD based grade ceilings on arbitrary budget considerations and, therefore, was not responsive to the services' needs. It recommended that DOD take steps to greatly improve its capabilities for judging requirements, particularly to assure realism in the top six, E-4 to E-9, enlisted grade authorizations. The Subcommittee further recommended that this be done without taking essential grade management away from the services. Also, the services were encouraged to solve enlisted promotion problems administratively rather than legislatively.

The June 28, 1972, report of the Special Subcommittee on the Utilization of Manpower in the Military, House Committee on Armed Services, stated that DOD had a priority obligation to review and improve the force structure. A main criticism of the force structure was the increasing number of high-graded enlisted personnel. The reasons cited for the increase were changes in service missions, increased complexity of equipment, expansion and contraction of forces to emergencies, and the grade controls and policy guidance established by the Office of the Secretary of Defense (OSD).

The OSD witness at the Subcommittee hearings said that the increase in the enlisted grade structure was primarily due to following the recommendations of the Special Subcommittee on Enlisted Promotion Policy Review cited previously. However, the report noted that this Subcommittee did not urge an upward increase in the enlisted grade structure but recommended that "the Department of Defense take steps to greatly improve its capabilities in the area of judging requirements."

The report of the June 8, 1976, House Committee on Appropriations, also expressed concern over the increase in military personnel costs due to grade growth or the increase in average rank. The Committee wanted DOD to make a positive commitment in its fiscal year 1978 budget to reduce grade growth.

SCOPE OF REVIEW

To evaluate the services' progress to improve management of the enlisted personnel force, we examined certain key elements of the manpower and personnel planning systems; we also examined the factors influencing enlisted management, the problems stemming from individual treatment of these factors without complete recognition of the close interrelationships that exist, and their impact on cost-effective force configuration.

To determine the effectiveness of the services' long-range enlisted personnel plans, we also looked at

--the criteria used to develop enlisted management system objectives,

--the validity of the goals specified in the services' long-range plans,

--cost-effectiveness measures, and

--OSD's ability to evaluate enlisted programs.

We worked from March through November 1976 at OSD and the headquarters of each military service. We examined the long-range enlisted management plans, pertinent records, directives, and files supplied by officials at these locations and held discussions with manpower and personnel officials responsible for enlisted management.

CHAPTER 2

THE COST OF CAREER PERSONNEL IMBALANCES

The services state their career force requirements in enlisted force management plans which specify the objectives of service enlisted management systems. They identify the career force configuration in terms of grades and years of service for each occupational specialty (e.g., jet engine mechanic) and the aggregated enlisted force structure. All active duty personnel with more than 4 years' service belong to this force. We did not evaluate whether or not the enlisted force objectives established by the services are the most cost effective. Our observations and viewpoints concerning the current process used to develop career force objectives are contained in chapter 5.

The personnel buildups in World War II, the Berlin Crisis, and the Korean War, coupled with the lack of enlisted career management objectives and increased grade authorizations through the years, caused imbalances in the distribution of career personnel by occupational specialty and years of service. The humps and valleys of these imbalances continue until they phase out after 20 years when career personnel are able to retire. These imbalances are very costly. At June 30, 1976, there were 28,398 careerists in excess of service objective force requirements. Conservatively, we estimate that these excess careerists increase the cost of the enlisted force by $253.2 million.

A number of management system improvements, whose primary objectives are to eliminate existing personnel imbalances and prevent similar career personnel distortions in the future, have been established. (See app. II.) These programs need to be vigorously implemented and broadened to expedite balancing the career force with requirements and eliminating unnecessary enlisted personnel costs.

YEARS OF SERVICE IMBALANCES

The following schedule compares the actual and objective career forces for all services at June 30, 1976.

Actual careerists over
(under) objects careerists over

Years of service	Army	Navy	Air Force	Marine Corps	Total
5 through 9	(2,365)	4,842	8,207	(744)	9,940
10 through 14	(18,924)	(8,701)	4,185	(4,800)	(28,240)
15 through 20	3,676	2,944	18,607	89	25,316
5 through 20	(17,613)	(915)	30,999	(5,455)	7,016
21 through 31	378	1,644	18,777	583	21,382
	(17,235)	729	49,777	(4,872)	28,398

The above schedule shows that at June 30, 1976, there were 28,398 careerists over objective force requirements. There were 7,016 excess careerists with 20 years' or less service and 21,382 with more than 20 years of service. Particularly notable are the years of service imbalances (overages and underages) between actual careerists and the objective force. This is shown in the graphs on pages 10 through 14.

The imbalances are most prominent in the Air Force with each group of years of service having more careerists than called for in the objective force. In contrast, the other services also have meaningful shortages in the years of service groupings 5 through 14. These imbalances generally increase the cost of the enlisted personnel force in two ways--the higher pay and allowances paid to careerists because of greater longevity and higher average pay grade, and retirement costs for those who reach retirement eligibility.

Bringing the career force into balance with the objective force offers an opportunity to lower active enlisted personnel costs. On the basis of base pay alone, careerists in excess of objective force requirements at June 30, 1976,

account for $116.4 million in higher enlisted personnel costs. 1/

The majority of the imbalances, which are over objective force requirements, are in the 15 to 31 years of service. These careerists have reached or will shortly reach (in 5 years or less) retirement eligibility. A more detailed examination of the 21,832 overage in years 21 to over 30 shows the following distribution by pay grade and years of service.

Department of Defense
Actual careerists over (under) objective career force

Years of service	E-9	E-8	E-7	E-6	E-5	E-4	E-4/E-9	E-1/E-3
21	(314)	(102)	2,093	3,693	121	(50)	5,441	(5)
22	(242)	953	3,653	2,971	126	(20)	7,441	(2)
23	(291)	354	1,204	908	45	(3)	2,217	(2)
24	(235)	339	819	147	40	(4)	1,106	-
25	148	667	1,579	72	18	(3)	2,481	(1)
26	465	668	1,002	29	7	(1)	2,170	1
27	(403)	(281)	(166)	19	6	(1)	(826)	-
28	231	198	(44)	26	6	1	418	1
29	303	89	17	30	1	2	442	-
30	(14)	13	(43)	22	2	-	(20)	1
over 30	211	128	126	47	7	-	519	-
Total	(141)	3,026	10,240	7,964	379	(79)	21,389	(7)

1/Our estimated costs were calculated based upon enlisted pay tables in effect on June 30, 1976. Although they are not complete costs, they are indicative of enlisted cost savings potential. Full savings will not be realized until all excess careerists are eliminated and the actual career inventory and objective force years of service profiles are matched. As the career force moves toward the objective force annual savings will increase. Possible offsetting costs may be necessary for higher reenlistment bonuses and training new accessions to achieve reenlistment and staffing goals in each occcupational specialty. Readjustment pay, if used, will also offset savings. Not included, however, are additional savings from other compensation and benefits (e.g., quarters allowances, flying or submarine duty, tax advantage, dependents' travel and health care). We believe these savings and reduced retirement costs, particularly as they accrue over time, will greatly exceed offsetting increased costs.

These careerists, who are all eligible for retirement, account for about 89 percent or $103.8 million of the higher base pay caused by excess careerists. We also estimate that annual retirement costs for these careerists will be at least $136.8 million.

The following four tables display the same data for each of the services.

Army

Actual careerists over (under) objective career force

Years of service	E-9	E-8	E-7	E-6	E-5	E-4	E-4/E-9	E-1/E-3
21	(14)	(377)	(568)	474	45	1	(439)	3
22	(18)	(90)	(350)	217	15	1	(225)	2
23	(66)	(60)	(365)	94	12	2	(383)	1
24	(67)	165	(211)	63	7	-	(43)	-
25	(176)	4	278	22	3	-	131	-
26	113	179	337	28	2	-	659	1
27	(105)	(118)	73	2	-	-	(148)	-
28	127	184	49	14	1	-	375	1
29	101	113	21	6	-	1	242	-
30	27	46	19	5	-	-	97	1
over 30	60	26	12	4	1	-	103	-
Total	(18)	72	(705)	929	86	5	369	9

Navy

Actual careerists over (under) objective career force

Years of service	E-9	E-8	E-7	E-6	E-5	E-4	E-4/E-9	E-1/E-3
21	(106)	203	691	851	8	(55)	1,592	(8)
22	(16)	257	666	451	102	(21)	1,439	(4)
23	(55)	(17)	(36)	3	29	(5)	(81)	(3)
24	(70)	(75)	(124)	[illegible]	33	(4)	(187)	(2)
25	39	(33)	(82)	45	15	(3)	(19)	(1)
26	(77)	(134)	(211)	-	5	(1)	(418)	-
27	(147)	(176)	(254)	17	6	(1)	(555)	-
28	(89)	(106)	(97)	12	5	-	(275)	-
29	(15)	(35)	(10)	24	1	1	(34)	-
30	(92)	(38)	(65)	17	1	-	(177)	1
over 30	118	100	109	42	6	-	375	1
Total	(510)	(54)	587	1,515	211	(89)	1,660	(16)

Marine Corps

Actual careerists over (under) objective career force

Years of service	E-9	E-8	E-7	E-6	E-5	E-4	E-4/E-9	E-1/E-3
21	(21)	150	176	25	2	-	332	-
22	(114)	117	11	6	1	-	21	-
23	(25)	203	13	6	-	-	197	-
24	(38)	26	(25)	2	-	-	(35)	-
25	(10)	16	(29)	1	-	-	(22)	-
26	12	(13)	4	-	-	-	3	-
27	(25)	(27)	1	-	-	-	(51)	-
28	22	15	1	-	-	-	38	-
29	47	4	3	-	-	-	54	-
30	16	5	1	-	-	-	22	-
over 30	19	2	2	1	-	-	24	-
Total	(117)	498	158	41	3	-	583	-

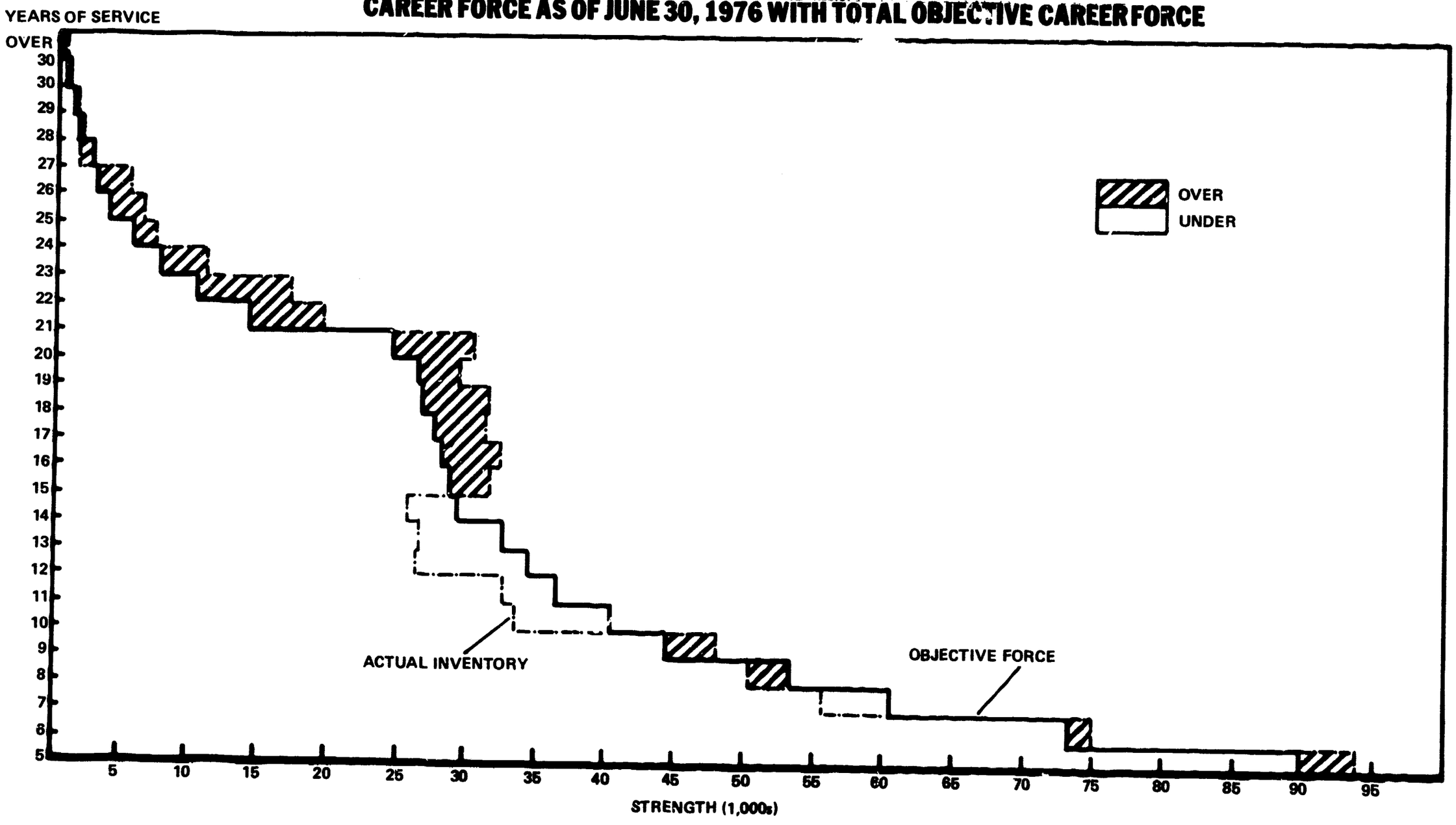
Air Force

Actual careerists over (under) objective career force

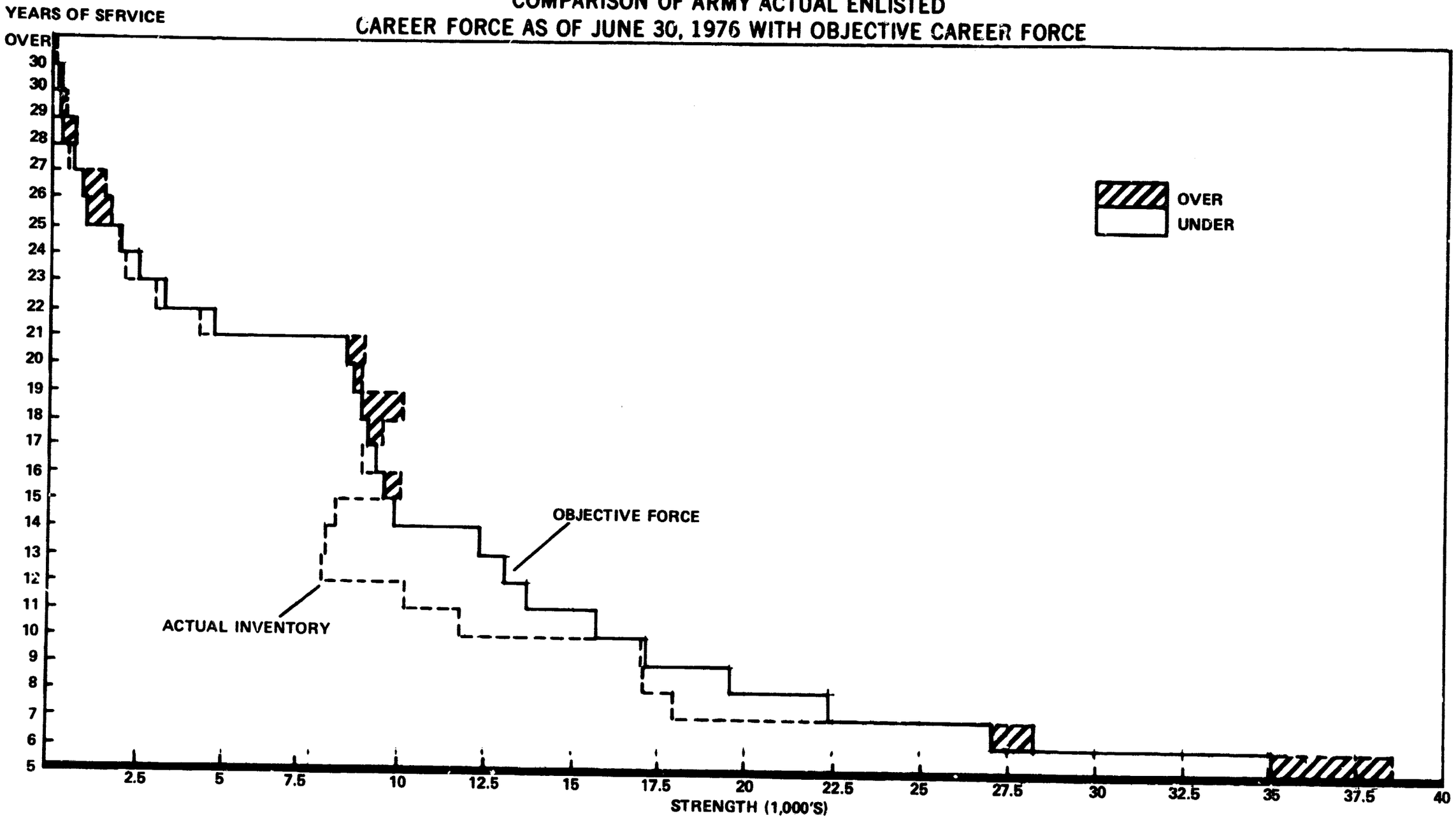
Years of service	E-9	E-8	E-7	E-6	E-5	E-4	E-4/E-9	E-1/E-3
21	(173)	(78)	1,794	2,343	66	4	3,956	-
22	(94)	669	3,326	2,297	8	-	6,206	
23	(145)	228	1,592	805	4	-	2,484	-
24	(60)	223	1,179	29	-	-	1,371	-
25	295	680	1,412	4	-	-	2,391	-
26	417	636	872	1	-	-	1,926	-
27	(126)	40	14	-	-	-	(72)	-
28	171	105	3	-	-	1	280	-
29	170	7	3	-	-	-	180	-
30	35	-	2	-	1	-	38	-
over 30	14	-	3	-	-	-	17	-
Total	504	2,510	10,200	5,479	79	5	18,777	-

In restructuring their career force objective to conform with recent reductions in the size of the active enlisted forces, the services have made some progress in moving their career force closer to their objective force. This has been accomplished primarily by reducing the number of careerists in their objective force. The services generally plan to achieve their career objectives over the next 7 to 10 years.

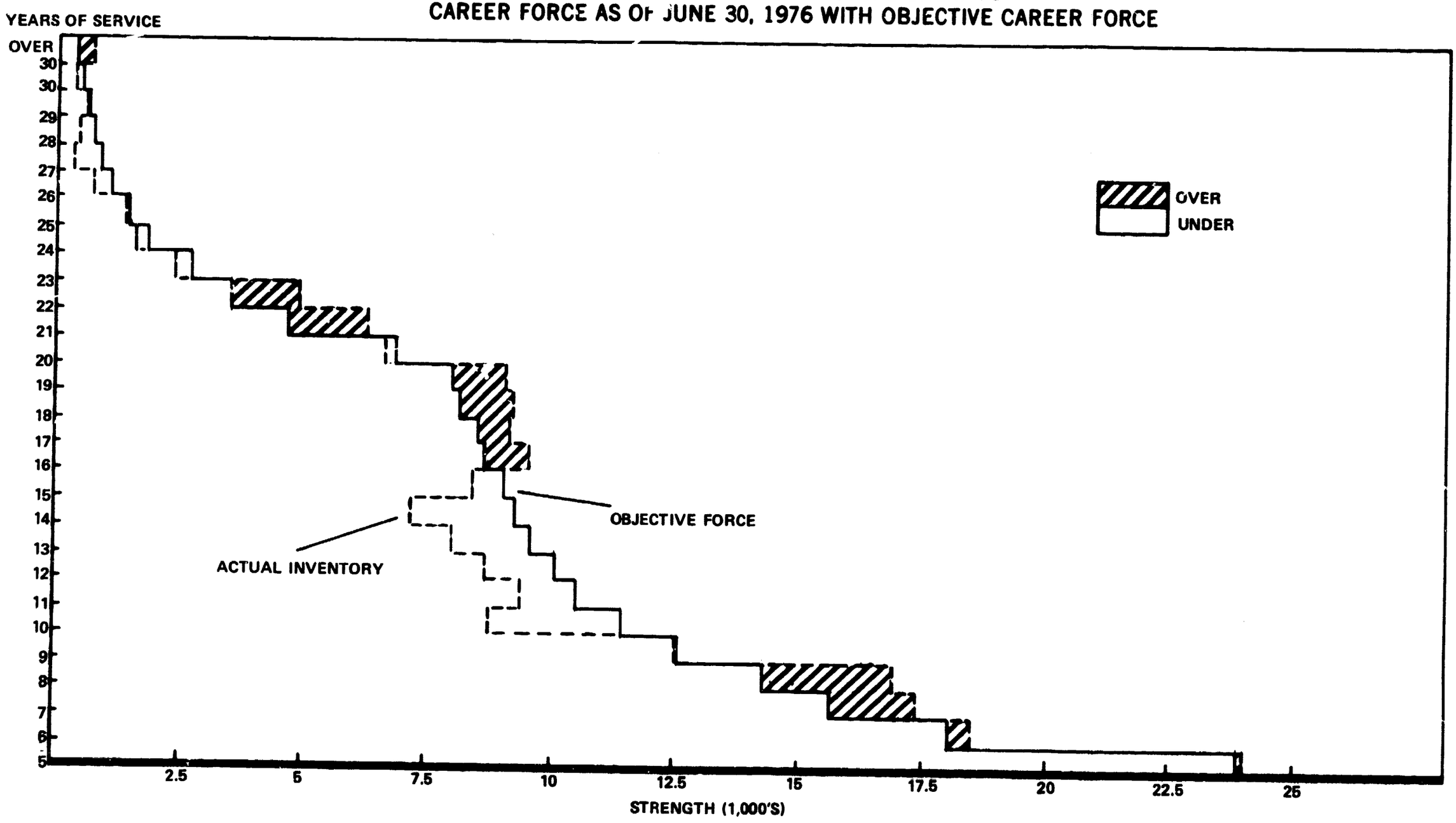
COMPARISON OF DOD ACTUAL ENLISTED CAREER FORCE AS OF JUNE 30, 1976 WITH TOTAL OBJECTIVE CAREER FORCE



COMPARISON OF ARMY ACTUAL ENLISTED CAREER FORCE AS OF JUNE 30, 1976 WITH OBJECTIVE CAREER FORCE



COMPARISON OF NAVY ACTUAL ENLISTED CAREER FORCE AS Of JUNE 30, 1976 WITH OBJECTIVE CAREER FORCE



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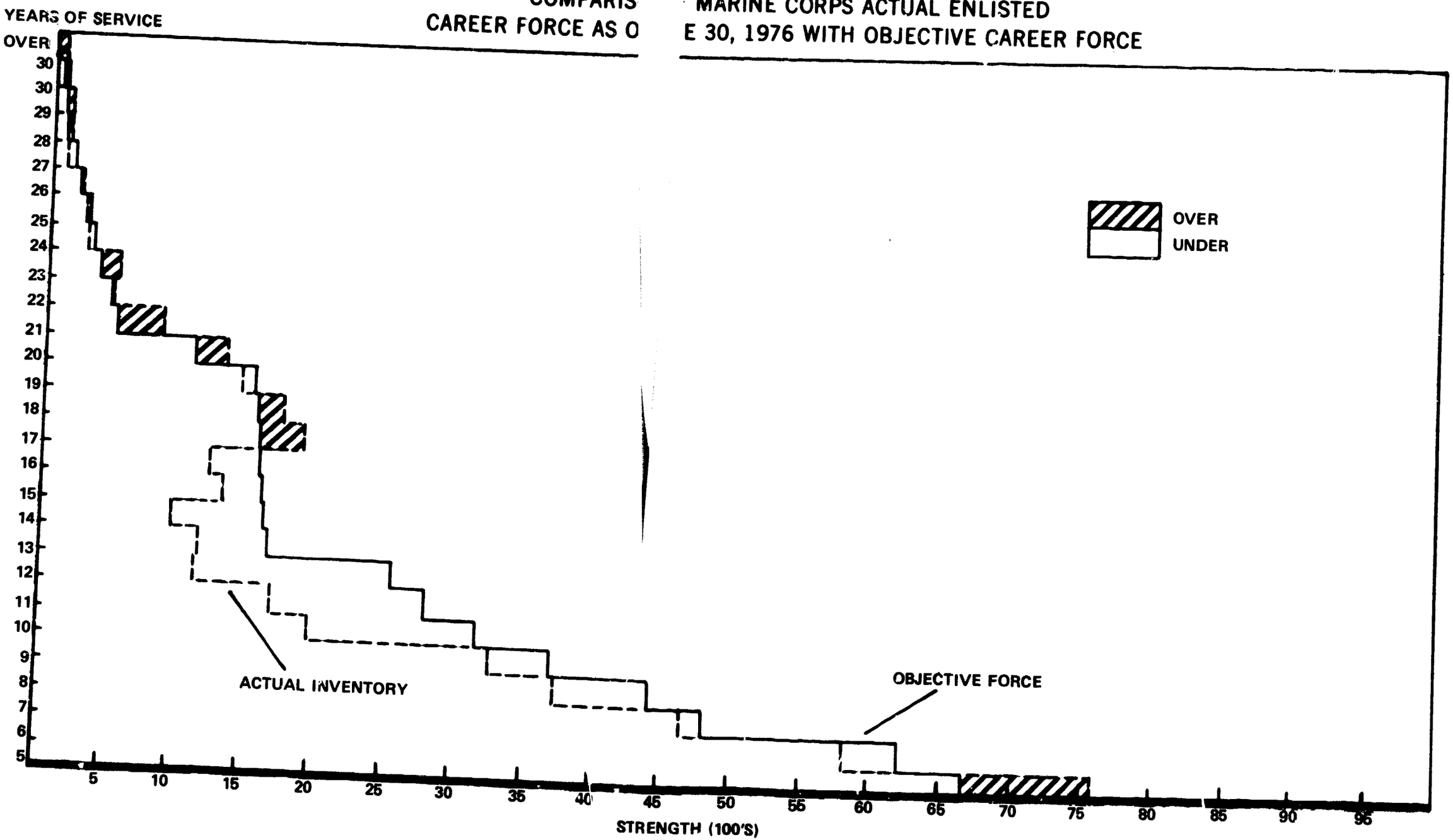
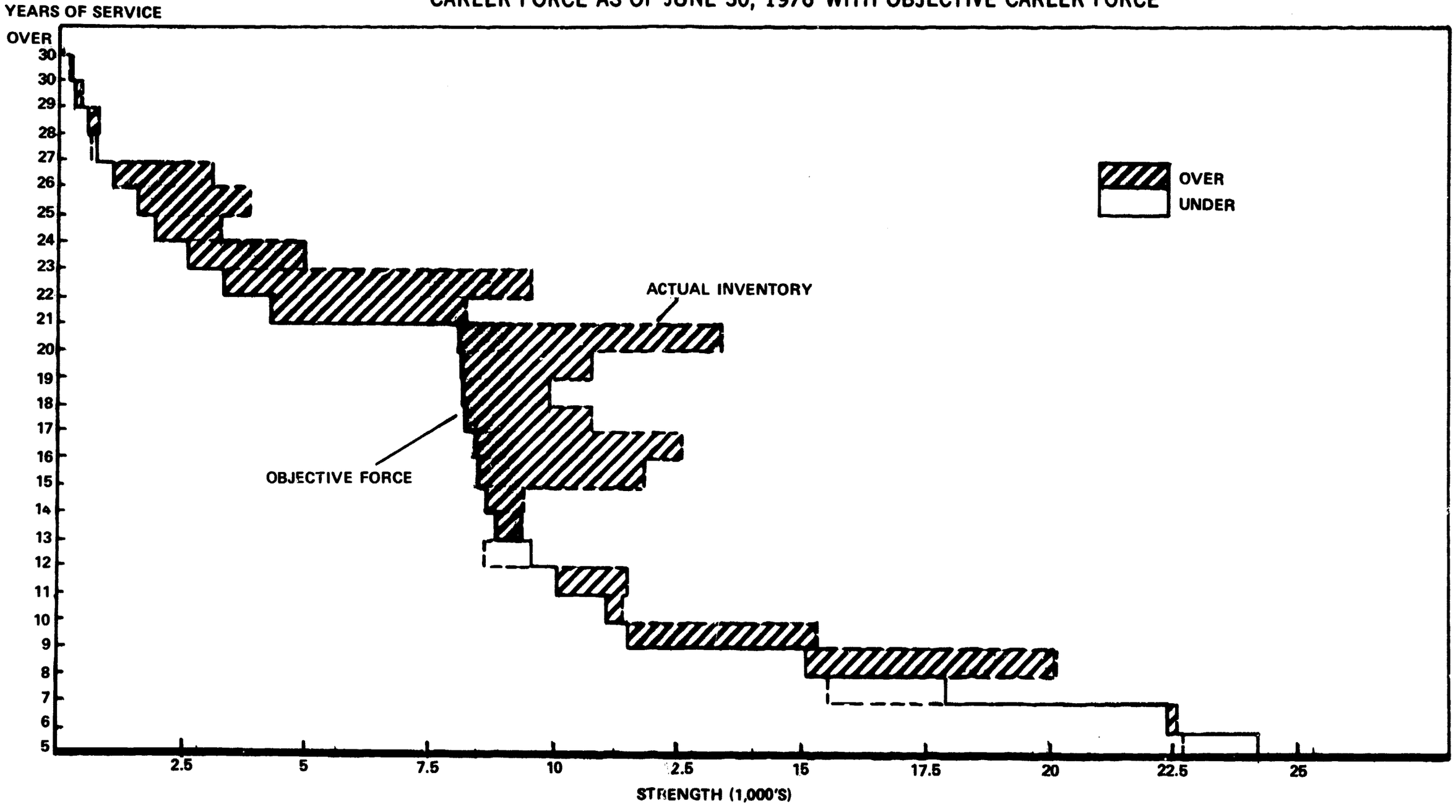
MARINE CORPS ACTUAL ENLISTED
E 30, 1976 WITH OBJECTIVE CAREER FORCE



COMPARISON OF AIR FORCE ACTUAL ENLISTED CAREER FORCE AS OF JUNE 30, 1976 WITH OBJECTIVE CAREER FORCE



CAREER STAFFING IMBALANCES

The services have found it difficult to regulate first-term retention and career staffing. Extreme requirement changes have challenged the ability of personnel systems. At the end of fiscal years 1973 and 1975, the career staffing of particular occupations varied considerably, and many occupations were overstaffed or understaffed by more than 20 percent of requirements. The following charts, based on data submitted to DOD by the services in support of their reenlistment bonus requests, illustrate the staffing imbalances in the enlisted career force at June 30, 1973, and June 30, 1975.

June 30, 1973

	Total career occupations	Less than 80 percent staffed		More than 120 percent staffed		Percent overstaffed and understaffed
		Number	Percent	Number	Percent	
Army	450	191	42	110	24	67
Navy	103	21	20	7	7	27
Marine Corps	350	168	48	40	11	59
Air Force	255	19	7	151	59	67
Total	1,158	399	34	308	27	61

June 30, 1975

	Total career occupations	Less than 80 percent staffed		More than 120 percent staffed		Percent overstaffed and understaffed
		Number	Percent	Number	Percent	
Army	457	168	37	137	30	67
Navy	103	23	22	12	12	34
Marine Corps	350	179	51	36	10	61
Air Force	254	13	5	150	59	64
Total	1,164	383	33	335	29	62

The above charts show little progress over 2 years in bringing career staffing strengths into balance. The Army's overstaffed and understaffed percentages changed a little but remained the same in the aggregate. In the Navy and Marine Corps, the number and percentage of occupations with imbalances have increased.

CAREER FORCE MANAGEMENT

Our 1974 report 1/ noted that the Army, Navy, and Marine Corps could not develop proper first-term reenlistment objectives because they had not established long-range requirements planning in their enlisted-force management systems. At that time, these services were using reenlistment bonuses to correct total career-staffing shortages in each occupational specialty rather than identifying only the number of first-term personnel needed to enter the career force each year. We recommended that the services give priority to developing long-range career planning in their enlisted personnel management systems.

Considerable progress has been made since our 1974 report. Each service now establishes how many persons it needs to retain from each preceding year group. Occupational specialties falling short of these objectives at key retention years, such as at the end of the fourth year of service, which is the initial reenlistment decision point for most enlisted personnel, qualify for various amounts of reenlistment bonus, depending on the extent of the shortage, the cost of specialty training and other factors. Through the use of reenlistment bonuses, year-group management (policies/actions designed for all members with the same years of service) and retention control programs (see app. II), the services manage their career staffing profiles. We were told that in fiscal year 1976 about $104 million was expended in bonuses for personnel in occupational specialties experiencing retention shortfalls.

Efforts to identify, correct, and prevent career force imbalances

Each of the services has developed career force management programs that are designed to identify and correct career personnel imbalances and prevent enlisted personnel distortions in the future. (See app. II.) These programs include

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1/Military Retention Incentives: Effectiveness and Administration, B-160096.

--self-renewing occupational fields,

--year-group/retention control, and

--skill level/grade management.

Self-renewing occupational fields are generally designed to identify the grade and years of service configuration of each occupational specialty and the aggregated career force. (See app. II.) This is accomplished by grouping enlisted specialties requiring persons of similar aptitudes and abilities into career management fields (or career progression groups) which provide the enlisted member with a visible and logical grade progression pattern. Each of these career specialty groups is configured by grade (E-1 to E-9) and years of service (1 to 30).

This configuration permits identification of the enlisted force objectives and management policies required for controlling and regulating the distribution of personnel in each occupational specialty. The services' year-group and retention control programs implement the required controls. (See app. II.) Year-group management and retention control programs improve the distribution of enlisted personnel by redistributing those that are trained and experienced from overstaffed to understaffed specialties. After our review of Army and Marine Corps progress, we conclude that, although much progress has been made, their retention control/year-group management programs will not be completed until their career management field studies are completed.

The use of skill level (that is, level of expertise), rather than grade alone, greatly facilitates career-field development, equitable promotion and career progression, and assignment and use of enlisted personnel. (See app II.) Managing the enlisted force by skill level offers the following advantages:

--Authorization (numbers and grades) management is greatly simplified.

--The definition and classification of required tasks (enlisted requirements) by skill level is more precise than those methods used to determine grade; there is greater credibility and acceptance of requirements stated by skill level.

--Assignment management is enhanced and skill imbalances avoided by the flexibility to assign qualified personnel in more than one grade.

--Distribution of promotions among career fields to insure equal opportunity for career development is made possible without resulting stagnation.

Forced attrition

Each service has forced attrition programs to eliminate career enlisted personnel who do not reach their potential or fail to meet service standards. The programs are generally linked to specialties with excess personnel and are designed to prevent or eliminate overages in certain occupational specialties and to sustain promotion opportunity for remaining careerists. All contain provisions to separate careerists before they reach retirement eligibility. However, in contrast to officers, enlisted personnel who are involuntarily separated prior to reaching retirement eligibility are not authorized separation pay. DOD believes that enlisted careerists with less than 20 years of active duty who are thus not eligible for retirement should not be separated without some form of readjustment pay. Therefore, service-forced attrition programs generally apply only to first-term personnel and those with 20 or more years of service.

For personnel with less than 20 years of service, current Air Force and Navy programs are designed to separate those in grades E-1 to E-3. The Army and Marine Corps programs are designed to separate those in grades E-1 to E-5; however, they allow liberal waivers for enlisted members in shortage specialties who are performing satisfactorily or who are in special circumstances. Navy's program contains similar waiver provisions.

The Navy and Air Force programs will be changed to separate E-4s with 8 years of service if the Congress enacts legislation approving readjustment pay for enlisted personnel with between 5 and 20 years of service who are involuntarily separated. Service and OSD officials believe that readjustment pay authority will greatly improve enlisted personnel management and will result in considerable long-term savings.

Cost comparisons conducted by OSD show that personnel costs are generally reduced when force attrition management practices are used. Our examination confirmed this conclusion--forced attrition reduces the average years of service in each pay grade, causing lower active duty and retired pay levels, and prevents nonproductive lower pay grade members attaining or remaining in career status and later collecting retirement benefits. Also, the progress

of more productive members is improved because promotion stagnation is avoided.

CONCLUSIONS

Expansion and contraction of the force are essential to meet the demands of the changing world situation. However the services have always had problems with the effect of rapidly expanding or contracting goals, and years of service distribution and career staffing has been the product of the annual fluctuation of force requirements. During periods of increased contingency operations, force levels have been raised to provide the enlisted resources necessary to meet DOD national objectives. Under peacetime objectives, the force has been decreased to levels believed necessary to sustain readiness capability. Although great improvements have been made, the methods that were used to increase and decrease personnel requirements have resulted in an undesirable array of years of service and career staffing of the enlisted personnel force which affects its effectiveness and management efficiency.

Current enlisted career personnel imbalances (particularly in the Air Force), caused by past management practices for adjusting to rapidly changing requirements, are very costly. Excess careerists cost the services at least $116.4 million in fiscal year 1976. Careerists who are eligible to retire account for $103.8 million, or 89 percent of this additional cost. Also, retirement costs for these careerists will be about $136.8 million. Thus imbalances in the June 30, 1976, career force account for about $253.2 million in higher enlisted personnel costs. Until the imbalances are eliminated, excess careerists will continue to cost avoidable millions of dollars annually in active duty pay and retirement costs. Management improvements that optimize enlisted career force configuration by occupation and years of service offer opportunities to significantly reduce personnel costs without affecting program substance.

Dividing the enlisted force into self-renewing occupational fields with similar and compatible training and use aspects is one of the primary strengths and innovations of the services' enlisted personnel management systems. It permits identification of the force renewal parameters in each occupational specialty; that is, career and first-term force, promotion flow points and opportunities; and the required retention and accessions for sustaining the career force and achieving total authorized strength. Self-renewing occupational fields furnish the basis for integrating enlisted personnel and manpower management. Without the interface

they provide, matching inventory and requirements would be only coincidental.

The year-group management/retention control programs constitute a sound approach for controlling entrance into the career force by occupational specialty. The programs correct overstaffing and understaffing by lateral movement and retraining of people in overstaffed occupations to understaffed occupations. Further, they improve the balance between career requirements and personnel by encouraging reenlistments and transfers into specialties experiencing career shortages. This reduces the need for payment of reenlistment bonuses, non-prior-service accession needs, and related basic military and specialty training costs. Moreover, by retaining experienced and trained personnel, these programs solve balance problems faster than having to wait until a newly trained recruit reaches the skill level needed to fill a career position. We believe these programs should be vigorously implemented and expanded to include similar management control, at all reenlistment points. The Army and Marine Corps should expedite development of these programs.

Skill/grade management offers distinct improvements to enlisted force management. We believe that all the services should adopt a system similar to the Air Force's and manage by skill level and grade, not merely by grade.

Action can and should be taken to expedite reaching objective career-force profiles before the planned 7- to 10-year time frame. We believe this is feasible if firm-management policies are immediately established to

--eliminate excess careerists with over 20 years of service who are in overmanned specialties, particularly those in the Air Force, and

--prevent careerists who are in excess of requirements from serving beyond 20 years.

Provided that maximum efforts are made to retain and/or retrain productive personnel and to correct occupational-specialty and years-of-service imbalances, we generally concur with service-loss management policies. However, as long as the services defer implementing or vigorously enforcing them, attaining the objective career-force configuration is disrupted and/or delayed. Also, personnel costs will be higher than necessary, and millions will be lost annually. Until legislation authorizing readjustment pay for enlisted personnel

is enacted, current forced attrition programs provide only a limited loss-management capability.

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 overstaffed specialties and to prevent personnel in excess of career requirements to serve beyond 20 years.

RECOMMENDATIONS TO THE SECRETARY OF THE ARMY

We recommend that the Secretary of the Army expedite development and full implementation of the Army's year-group management program. This program and related retention control programs should be expanded to include career management controls at all reenlistment points. We also recommend that a review of Air Force's skill level/grade management program be conducted with a view toward incorporating it into the Army's enlisted management system.

RECOMMENDATIONS TO THE SECRETARY OF THE NAVY

We recommend that the Secretary of the Navy implement the skill level/grade structure proposed by the Navy Enlisted Occupational Classification System study. The authorization management benefits of Air Force's grade management system can easily be added to the proposed structure. We recommend that this program be studied with a view towards incorporating it into the Navy and Marine Corps enlisted personnel management systems. We also recommend that year group management/ retention control programs be expanded to include career management controls at all reeenlistment points. We further recommend that the Secretary initiate action to expedite development of the Marine Corps career occupational field grouping. Such action should permit earlier identification of enlisted force configuration objectives and implementation of management actions required to achieve them.

RECOMMENDATIONS TO THE SECRETARY OF THE AIR FORCE

To reduce enlisted personnel costs and eliminate excess careerists with over 20 years of service who are in overstaffed specialties, we recommend that the Secretary of the

Air Force reexamine separation policies for personnel with over 20 years of service with a view toward accelerating planned reductions. We also recommend that year-group management/retention control programs be expanded to include career management controls at all reenlistment points.

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.

CHAPTER 3

ENLISTED MANAGEMENT CONFLICTS AND CRITERIA

The services are permitted wide latitude in developing enlisted personnel management systems. Within limited OSD constraints initially established in 1968 (see app. I) each service has independently pursued and developed enlisted management objectives using its own systems, sets of logic, rules, and policies. The only similarity is the starting point--the number of enlisted personnel is based on the authorized force structure. The service objectives form the basis for the submission and justification of annual enlisted budget programs. Moreover, OSD's capability to evaluate services' enlisted objectives, their bases or benefits, and related budget requests is limited.

THE NEED TO BALANCE ENLISTED MANAGEMENT FACTORS

In conjunction with the services, OSD sets the size of the active duty enlisted force included in the President's budget. Enlisted personnel requirements are based on the force structure (expressed in terms of divisions, ships, wings, and other organizational units) that planners determine necessary to support national strategy and international objectives. Within legislative, fiscal, and other constraints, the number of enlisted personnel required to operate the units which comprise the force structure is established. Service manpower/unit staffing documents specify the requirements for the number of enlisted personnel by specialty and pay grade (and/or skill level) required for specific work or for certain military capabilities. However, they do not include the desired experience level which is the years of service distribution of the personnel in each specialty.

While these requirements may be fairly precise as to the number of persons needed in each specialty and are partly developed by work measurement techniques, they are not so precise by pay grade. The difference comes about because grade determination is largely subjective and dependent upon fluctuating factors, such as the number and size of the headquarters, bases, and existing promotion system biases. Also, grade determination by itself generally precludes the dynamic aspects of personnel flow--career progression, promotion phase points, and opportunity. These factors and budgetary constraints often produce opposing objectives. Integrating the management of the subsystems dealing with

personnel flow and requirements determination can avoid or minimize the negative effects of these contrasting subsystems.

Actions affecting requirements determinatio and personnel inventory are interrelated and have long-range implications. The considerations involved in short-term decisions on personnel programs and fiscal policies are likely to shift over time. Longer run policy considerations affecting the total cost of military personnel may call for diffferent short-term decisions because the policies may be counterproductive or more costly ove: time. For example, when making force reductions, lowering accessions will help produce the desired result. However, when the lower number of accessions reaches the reenlistment point, a greater proportion of reenlistments may be necessary to sustain the career force. This could result in shortages of qualified personnel and even require payment of reenlistment bonuses if retention goals cannot be met.

A total enlisted force system should result in the most efficient match of personnel inventories and requirements in each occupational specialty. The system should reconcile requirements and personnel goals by tradeoffs identifed through cost-benefit studies rather than through subjective assumptions. An enlisted force management system based on validated job requirements for career (managerial and supervisory) individuals and tempered by objective personnel considerations meets this condition. The services' long-range enlisted force plans provide the potential to accomplish the necessary integration. (See app. III for our evaluation of the services' enlisted long-range plans.)

REQUIREMENTS VERSUS OSD-APPROVED GRADES

Although the number of enlisted personnel in each service is based on service manpower/unit staffing documents, OSD does not generally authorize grade levels shown in these documents. Grade authorizations are subjected to a separate evaluation and review process by OSD.

Annually, each service submits to OSD its enlisted grade requests for the coming year as well as a 5-year forecast. OSD approves or modifies the request. This process sets, for the coming year, the grade authorizations in each pay grade within which the services must plan their personnel programs and promotions. In effect, this requires OSD to be capable of judging the validity of the services' stated requirements

and the services' capability to achieve requested grade strengths.

OSD evaluates service grade requests based on the objective enlisted force submitted in each of the services long-range plans. However, there still are many differences between the documented Army, Navy, and Air Force requirements for the top-six (E-4 to E-9) grades and the top-six grades approved by OSD. The Marine Corps is the only service whose requirements agree with OSD-approved grade strengths. Grade distribution differences for each service projected for fiscal year 1977 are shown in the following chart.

Comparison Between Service Requirements and OSD-Approved Top-Six Grade Percentages (note a)

	Army		Navy		Air Force	
Pay Grade	Requirement	OSD-approved	Requirement	OSD-approved	Requirement	OSD-approved
E-9	.51	.55	.88	.79	1.2	1.00
E-8	2.08	1.85	2.04	1.84	2.4	2.00
E-7	6.79	6.62	6.77	6.76	7.7	7.00
E-6	11.42	10.43	15.33	14.33	13.7	12.00
E-5	19.20	16.91	19.19	17.89	22.6	19.45
E-4	30.13	25.66	20.60	20.05	25.4	25.25
Top six grades (note b)	70.13	62.02	64.81	61.66	72.9	66.70

a/Percentage each grade is of total enlisted strength.

b/May not add up due to rounding.

Similar disparities in 1967 was 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."

OSD has limited capability to evaluate service grade requests and long-range plans

The services are required to maintain a long-range enlisted personnel management plan (see app. I) which specifies the objectives of their enlisted management system. OSD reviews, evaluates, and approves the services' plans. The approved plans justify service enlisted personnel grade requests and serve as the basis for OSD's evaluation and approval of these requests.

Grade requests

OSD Officials advised us that in the past they evaluated service enlisted-grade requests based on the number of promotions, requirements, and costs. Since long-range plans are now submitted, OSD can analyze and evaluate grade mix, time in service, promotion criteria (see p. 30), promotion opportunity index and policies, gains and losses, and other interrelated variables. As part of the budget review process, OSD compares each service's requested pay grade structure with that service's approved objective force. OSD's evaluation assesses whether the requested grade structure conforms with documented long-range plans. The service grade requests are evaluated by examining various total service alternatives on a computerized model. If the top-six (E-4 to E-9) grades can be decreased while still keeping a "reasonable" promotion opportunity, a grade reduction to the service request is considered or recommended. However, OSD depends on the services to assure that the total force grade structure is an aggregate or sum of its occupational specialties. Further, OSD does not have the data base--retention rates, promotion eligibles, costs by specialty--to adequately review the subparts of the service plans. Therefore, the impact of the requested/authorized grade structure on individual occupational specialties is unknown. How the authorized grade structure is distributed, its effect on promotion opportunity, and its contributions to effectiveness in each occupational specialty are not addressed.

As a result the service grade requests are reviewed and evaluated in total numbers, and considerable judgment is used in the evaluation. Moreover, OSD is unable to measure the requested grade structure's contribution to moving the actual force toward the objective force configuration. OSD is unable to objectively explain the disparity between requested grade structure, long-range objectives, and authorized grades.

An additional measure of evaluation OSD uses is the promotion index. This is calculated as follows:

$$\text{Promotion index} = \frac{\text{Promotion to grade}}{\text{Beginning strength} + \text{gain} - \text{losses (of the next lower grade)}}$$

The effect of the promotion index of different numbers of promotions which results from the various grade structure alternatives is calculated and compared with recent past promotion experience. The promotion index depends largely on gains and losses in each grade, and these factors vary

considerably each year, particularly with E-4 and E-5, the grades held by the majority of personnel at the end of their initial enlistment. Examination of promotion index data for each of the services disclosed considerable differences between services. Moreover, even in the same service and grade large differences (up to 100 percent) in the promotion index occur from year to year. Therefore, meaningful comparisons are difficult to make and only rough judgmental evaluations can be made. Moreover, promotion indexes computed on the basis of aggregated data do not realistically portray promotion problems or capability. They also fail to identify promotion capability or impact in individual occupational specialties.

We were informed that OSD considers personnel grade considerations--promotion flow--more important in their evaluation than service requirements. However, we found certain inconsistencies in the application of OSD's criteria. For example, the Navy's enlisted force plan establishes an objective top-six grade structure of 64.2 percent. The grade structure was developed to meet desired personnel flow factors (promotion phase points and opportunity). However, OSD's review concluded that there is not substantial justification for the requested top-three grade levels since they each exceeded stated Chief of Naval Operations requirements. In contrast, when approving the Army's plan and fiscal year 1977 grade structure, OSD failed to comment on the fact that in grade E-9 the objective force also exceeded Army requirements. The issue here is the inconsistency of OSD's evaluation, not whether Navy and Army requirements are valid or their personnel flow parameters more important. It does not clarify which of these two factors--requirements or personnel flow--should predominate, if at all. Also an objective basis for OSD's conclusion was not provided.

Long-range plans

We were told that OSD's evaluation of service long-range plans related the cost of the plan to the benefits expected from implementing it. The long-term benefits of the plan must outweigh the cost of changing to the objective force. However, OSD issued only broad guidelines on the makeup of a complete plan. Moreover, objective criteria or measures of benefit--that is, why the objective force is better than the current force, have not been developed. We could not find in any of the plans an assessment of cost compared to some objective measure of effectiveness. Meeting stated requirements and reducing cost were generally cited as the measures of effectiveness.

In order to satisfactorily evaluate service plans, OSD needs to determine the relative contribution to effectiveness of the accrued experience 1/ of enlisted personnel. Objective effectiveness estimates provide a sounder basis for combining benefits and costs to determine total cost effectiveness of enlisted personnel at different pay grades and years-of-service configurations. This, in turn, provides a better basis for considering different retention and promotion policies.

None of the services' long-range plans address cost in sufficient detail for proper OSD evaluation. Only broad and incomplete statements of cost are provided. Transition costs are either incomplete or not addressed at all. Only generalized statements about potential long-term savings are available from the services. Transition costs, which include retraining, enlistment and reenlistment bonuses, and separation pay could be quite high. The cost of changing the actual enlisted force to the objective force and other indirect costs to the Government should be included to provide a full accounting of meeting and sustaining the career force.

Absence of a standardized DOD costing methodology for use by all the services and OSD (see p. 50) and an inventory projection model which can evaluate each specialty (see p. 30) and the aggregated total contribute to OSD's limited ability.

Enlisted management systems directorate needs more staff

Primary responsibility for military personnel and manpower policy within DOD is assigned to the Assistant Secretary of Defense (Manpower and Reserve Affairs) (ASD(M&RA)). The Enlisted Management Systems (EMS) Directorate, Office of the Deputy Assistant Secretary of Defense, Military Personnel Policy in ASD(M&RA), is primarily responsible for formulating DOD enlisted personnel management system policy and guidance and evaluating its effective application in the services. This office is responsible for (1) development of all aspects of enlisted personnel management systems encompassing

--procurement,

--retention,

1/The contribution a person can make to service missions when first entering an occupational specialty, and the additional contribution (accrued effectiveness) which can be made as a result of later training and job experience.

--promotion,

--separation,

--retirement,

--grade authorizations, and

--costs,

(2) review and evaluation of annual service personnel management programs included in program objectives, budget, and apportionment requests, and (3) making appropriate policy and authorization recommendations to the Secretary of Defense, to include specifying annual grade distributions and reenlistment bonus funding. Annual programs, reports, and requests documenting service plans and the progress being made toward meeting stated objectives are submitted to this office."

The staff of this office consists of four people--two professional members, a programer analyst, and a secretary. The office was originally staffed with four professional members plus other staff before fiscal year 1975. Although many of its evaluative methods have been partially automated, we believe that the current staffing level cannot properly handle all the office's responsibilities. Some of the office's limitations are addressed in the foregoing discussions concerning grade requests and long-range plans.

Specific major reccurring activities include review and analysis of each service's

--enlisted force structure program changes,

--enlisted personnel budget requests and related grade and reenlistment bonus programs,

--mid-year apportionment requests, and

--long-range enlisted force management plans.

In accomplishing these activities, as well as routine preparation, review, and coordination of correspondence, studies and proposed legislation concerning enlisted personnel management, the office uses data submitted by the services. Just in connection with long-range plans, the services submit about 1,600 formats of data concerning the 1.8 million active duty enlisted personnel who serve in over 200 occupational specialties. The purpose of this data, which is in printed format, is to monitor the progress of each service

toward its objectives. Analyzing only this data, in its current form, would keep the EMS staff more than fully occupied. Further, we were told that due to increasing workload and staffing limitations, the staff is unable to develop many desirable data bases, evaluative and monitoring techniques, and studies to enhance the office's capability. Most of its studies are done on an aggregate basis and address the apparent symptoms of enlisted management problems rather than the real cause of individual occupational specialty difficulties. A system of automated and integrated programs which would permit analysis of service data on an individual occupational basis would greatly improve the office's evaluative capability. These programs could be made to identify situations which exceed defined limits of acceptable range, thus permitting the office to examine only those situations which are exceptional. However, even with improved evaluative tools, current staffing levels do not permit more than a superficial analysis. Unless the occupational specialties which constitute a total service are throughly examined, judgments concerning the aggregate may be invalid.

A possible source of additional staff, which could also improve office effectiveness, would be to give the office certain enlisted management activities, such as, enlistment and reenlistment bonuses, now conducted in other offices along with related staff. Responsibility for these activities is currently fragmented between the Enlisted Management Systems and Accessions and Retention Directorates.

OSD TIME-IN-SERVICE-AT-PROMOTION CRITERIA

Since 1972 OSD's enlisted personnel management guidance for preparing the budget has stressed the need to halt grade escalation and reduce personnel cost. This guidance established minimum time-in-service criteria for promotion eligibility to grades E-2 through E-9 for use in developing the budget. These criteria are also used by each of the services in establishing promotion zones to each grade in their long-range plans. The DOD fiscal year 1977 criteria follows.

Completed Active Federal Military Service

Pay grade	Minimum years	Waiverable to years (note a)	Percent of waiver (note b)
E-9	18	10	10
E-8	14	8	10
E-7	10	6	10
E-6	6	4	10
E-5	3	1.5	10
E-4	2	0.5	25
E-3	1	active duty entry	25
E-2	0.5	active duty entry	20

a/No personnel may be promoted under waiver to the grade indicated earlier than the years listed in this column with the exception of DOD-approved lateral entry programs such as principal band members.

b/The percent waiverable will be based on grade end strengths derived from the total end strength authorized for a service by the Congress through the authorization bill and as distributed by the Secretary of Defense. Approval of lateral entry programs will not be authority to exceed waiver percentages.

The criteria for the higher grades have recently been revised in the fiscal year 1978 guidance--setting 19, 16, 11, and 7 years as the minimums for grades E-9 through E-6, respectively. The percent waiverable in grades E-4 and E-3 has also been reduced to 20 percent. The following schedule shows, for each service, the projected fiscal year 1977 average time-in-service at promotion to each of the top-six grades, and the promotion goals contained in its long-range plans.

Average Time-in-Service Completed at Promotion

Pay grade	Army		Navy (note a)		Marine Corps		Air Force	
	1977	plan	1977	plan	1977	plan	1977	plan
E-9	21.4	21.5	18.5	19.4	21.6	21.7	24.1	21.5
E-8	17.8	18.0	17.2	17.0	17.6	17.6	21.9	19.3
E-7	13.7	14.0	13.7	13.9	10.8	11.2	17.5	14.9
E-6	7.1	8.5	8.9	7.7	7.2	7.2	13.6	9.6
E-5	3.0	4.0	4.3	3.4	3.9	4.2	5.3	4.3
E-4	1.9	2.2	2.0	1.9	2.8	2.9	2.5	2.5

a/Years of longevity calculated on pay entry base date (these figures are generally higher than active time-in-service for the same population).

A comparison of the above data with OSD criteria discloses that in all services, enlisted personnel will be promoted in fiscal year 1977 later than under the fiscal year 1977 OSD criteria. The fiscal year 1978 criteria reduces the difference between these figures. However, we noted several peculiarities about these data. Actual experience and OSD criteria reflect a 20-year career rather than a 30-year career. Only Air Force promotion experience seems to conform with a 30-year career pattern.

OSD policy establishes that enlisted personnel with over 4 years of service constitute the career force of the long-range plans. The OSD concept for career grades has been as follows.

Grade	Definition
E-9 through E-6	Career grades
E-5	Partly career and partly noncareer
E-4	Predominately noncareer
E-3 through E-1	Noncareer

The OSD criteria permit the services to establish enlisted promotion phase points and zones which are notably early. Navy data (calculated on the basis of pay entry base date which is higher than active military service) shows that average time-in-service at promotion to grades E-8 and E-9, the two highest enlisted grades, is the lowest of the services. Moreover, the Navy's time-in-service at promotion goals for all grades is generally lower than the other services. Also, enlisted personnel in the Marine Corps who will be promoted to E-7 in fiscal year 1977 will average only 10.8 years in service.

Suggested alternative to OSD criteria for time-in-service at promotion

Although some increases have recently been made in OSD's criteria for minimum time-in-service at promotion, they do not appear, except for the Air Force, to be designed for or consistent with a 30-year career pattern. Promotion to all enlisted grades, especially the higher grades, appears to occur much too early. (See p. 31) Also, we could not find any objective basis for the OSD criteria. It appears to provide only a limited control for avoiding grade imbalances. We believe the existing criteria do little to prevent excessively rapid promotions and associated lowering of experience levels. One of the possible alternatives to DOD's minimum time-in-service at promotion criteria follow.

Enlisted Alternative Minimum
Time-in-Service at Promotion (note a)

Pay grade	Mimimum years	Waiverable to years (note b)	Percent of waiver
E-9	24	20	10
E-8	19	15	10
E-7	14	10	10
E-6	9	6	10
E-5	4	3	10
E-4	2	1	20
E-3	1	active duty	20
E-2	0.5	active duty	20

a/Completed total active Federal military service.

b/No personnel may be promoted under waiver to the grade indicated earlier than the years of total active Federal military service listed in this column with the exception of DOD approved lateral entry programs.

We believe the alternative, presented for illustrative purposes only, offers minimum time-in-service at promotion criterion more suitable to a 30-year career pattern. It could be used in developing long-range enlisted objectives. The intent is to slow down promotions and improve experience levels of senior personnel--not to reduce the number of promotions. Moreover, it may provide an incentive for personnel to complete a full 30-year career. The criteria for grade E-5 conforms with the OSD career entry grade concept, and minimum years for promotion eligibility to subsequent grades would provide an orderly flow up the career ladder. The waiver provisions should be sufficient to meet the need for accelerated promotions for exceptional personnel, lateral entry, and training-incentive programs.

CONCLUSIONS

Requirements and personnel management coupled with budgetary constraints and the needs of individuals often produce opposing objectives. Management should determine the policies necessary to reach a desirable compromise.

We believe that the personnel goals and objectives identified in service long-range plans should be derived by integrating compatible and attainable manpower and personnel management considerations. This should result in the most efficient match of personnel inventories and requirements in

each occupational specialty. Only when grade requirements are specified as an integral part of a sound and credible total enlisted force management system can they serve as the bases for top-six grade management actions at both OSD and service level. An enlisted force management system that is based on validated job requirements for career individuals and tempered by personnel considerations meets this condition.

Career progression parameters which shape the enlisted force should be justified on the basis of trade-offs identified through cost-benefit studies (see p. 52) rather than on assumptions concerning their effect. These studies should include an objective measure of effectiveness other than least cost. The objective of meeting stated grade requirements will, in such a system, attain both requirements and personnel goals.

However, the lack of a standardized costing methodology and absence of objective criteria limit OSD's capability to evaluate service long-range plans or grade requests. Chapter 5 discusses these problems in detail and offers recommendations aimed at correcting them (see p. 49). While much progress has been made in enlisted grade management, force renewal, and loss management, we believe OSD failed to improve its capability to judge requirements. Such judgment involves examining (1) individual occupational specialty problems, (2) management actions to correct the problems, (3) feasible alternatives, and (4) costs and benefits which result.

Current staffing levels in the OSD office primarily responsible for formulating DOD-enlisted personnel management system policy and guidance and evaluating its effective application in the services preclude such detailed evaluation. OSD officials have not been able to sufficiently analyze how the services' objective forces are better than current forces or other more or less costly force configurations.

We believe that the current DOD minimum time-in-service criteria is not consistent with a 30-year career pattern. We suggest that OSD examine the cost effectiveness and feasibility of criteria in line with those illustrated and discussed above. A forthcoming GAO report will address the incentives provided by current military promotion practices to retire early--not complete a full 30 year career--and recommend that Defense examine the full range of questions concerning appropriate career length.

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.

CHAPTER 4

QUESTIONABLE MANAGEMENT PRACTICES

WEAKEN ENLISTED OBJECTIVES

DOD Directive 1304.20 (see app. I, p. 61) establishes grade and years of service configuration of each occupational specialty as the basic expression of enlisted personnel management system objectives. These configurations are detailed in service long-range plans. Justifications for the desired configurations and the logic and related management practices and policies used to develop them appear to be based on arbitrary criteria of questionable value.

OVEREMPHASIS ON GRADE STRUCTURE

In the composition of the enlisted force structure, grade has been the focal point under past, present, and proposed systems. Constraints on grade authorizations have long been a source of disagreement between OSD and the services. The basic theme of OSD's 1968 Enlisted Force Management Systems Guidance was that each management system should

> "* * * provide the individual with an orderly career progression and a relatively stable career expectancy with the most successful achieving grade E-9 and retiring upon completing 30 years of service."

The services have cited the need for a higher percentage of top-six grades as the means to achieve this objective. Justification by each of the services (except the Marine Corps) is based on grade being the most important variable in terms of the effect on personnel flow--promotion opportunity, retention, career expectation, and even operational readiness in the Navy. Moreover, with the exception of the Air Force, the steady state simulation models used by each of the services and OSD to evaluate and develop long-range personnel objectives are essentially grade management models that place special emphasis on promotion policies.

Grade structure, promotion opportunity, and retention

In justifying requests for top-six (enlisted grades E-4 through E-9) grade structures, the services (particularly Army and Navy) cite the relationship between grade structure,

promotion opportunity, and retention. In its Enlisted Force Management Plan, the Army states that good promotion flow must be maintained in a higher quality volunteer Army to

--satisfy soldiers' career aspirations and

--maintain high retention.

The Navy Enlisted Force Management System documentation concludes that " * * * within limits, an increased Top Six can result in increased retention and increased effectiveness * * *."

Career expectation is the average grade at which an enlisted member may reasonably expect to retire. The schedule below shows that of all the services, the Marine Corps has the highest percent of total nondisability retired persons in grades E-7 and above. In addition the average grade at retirement for enlisted marines is 7.2 while the other services' average enlisted grade at retirement is lower.

Service	Percent of total in grades E-7 or higher	Average grade achieved at retirement
Army	57	6.69
Navy	63	6.68
Marine Corps	82	7.20
Air Force	48	6.50

These statistics reveal that the Marine Corps has the highest career expectation of the four military services. This becomes important when we compare the historical top-six percentages of all the services. The following schedule shows that the Marine Corps' top-six has been much lower than that of the other services.

Top-Six Percentages (note a)

	1964	1971	1972	1976
Army	49.73	63.92	68.45	60.27
Navy	54.19	63.00	62.47	61.15
Air Force	59.54	72.77	73.15	66.66
Marine Corps	38.24	46.24	44.05	46.62

a/Percentage grades E-4 through E-9 are of total enlisted strength.

Even though the Marine Corps' grade structure has been consistently lower than the other services', career marines are retiring at higher grades. This means that in the Marine Corps, promotion opportunity has not been slowed or career expectation diminished by the comparatively leaner grade structure.

Using questionnaire data we examined the influence of promotion opportunity on reenlistment decisions. Our sample contained responses from enlisted members of each service and was obtained in three separate questionnaires. One questionnaire was developed and administered by us (see Military Retention Incentives: Effectiveness and Administration (B-160096), July 5, 1974); the other two were Air Force and OSD (which included all services) instruments administered in the last few years. The data from these surveys disclose that, for enlisted personnel who recently reenlisted or intended to reenlist, as well as personnel not intending to reenlist, promotion opportunity was either not a factor influencing their decision or ranked very low. In all three questionnaires, less than 10 percent of the respondents said promotion opportunity was a factor. The factors listed below generally scored higher than promotion opportunity.

Reenlisted or intending to reenlist	Not reenlisting
Job security	Leadership and supervision
Reenlistment bonus	Work details
Educational opportunities	Family separation
Job satisfaction	Living conditions
Pay and fringe benefits	Lack of personal freedom
Training opportunities	Civilian job opportunity

Army choice of objective force grade structure

Army's initial plan submitted in August 1973 included a top-six grade structure of 68.4 percent. The ASD(M&RA) considered the Army's top-six content of 68.4 percent to be inconsistent with the DOD objective of reducing the grade structure of all the services because of congressional concern over "grade growth." The Army was requested to reduce its objective grade structure and provide a less costly force with a top-six grade percentage between 58 percent and 63 percent of the total enlisted force.

The Army's plan provides information concerning the rationale for selecting its objective enlisted force. The

Army used the following set of evaluation criteria (in order of importance):

--Mission requirement.
--Non-prior-service accession needs.
--Improved retention.
--Advancement opportunity.
--Career/noncareer ratio.
--Cost.

Improved retention, advancement opportunity, and career/noncareer ratio criteria are established mostly on the basis of "good promotion flow" and "good retention" assumptions. Grades E-4 and E-5 are considered to be the key grades for first-term retention. The Army claims there is a direct relationship between grade achieved and propensity to reenlist. Therefore, in developing the enlisted grade structure for their objective force, it was important that the promotion opportunity to these grades remain relatively high--93 percent and 91 percent, respectively.

Army documentation lists seven alternatives examined to meet the OSD constraints; all seven met the Army's mission requirement criteria. Three were rejected because they exceeded OSD's top-six constraints and two were rejected because of either high retention or accession requirements. One alternative, although $73 million less costly, was rejected because it had a promotion opportunity of 77 percent to grade E-4 and this was considered too low.

We are unable to draw the same conclusions concerning grade achievement, promotion opportunity, and reenlistment, that the Army does in the supporting data provided. Also, using the same static model and input data used by the Army to evaluate alternatives and establish its objective enlisted force, we examined the promotion opportunity calculation to grade E-4. We found that due to faulty methodology (aggregating grades E-1 through E-3), the Army's computations for promotion opportunity to grade E-4 are wrong. The objective force, chosen because of its 93-percent promotion opportunity to grade E-4, correctly requires a 138-percent promotion opportunity (with 100-percent retention) to achieve grade E-4 strength. (We used a 16-percent or 102,000 grade E-3 strength--approximate E-3 strength fiscal year 1970 to 1975 in our calculations.) Promotion opportunity is similarly understated in the less expensive--$73 million--alternative which was rejected. A reexamination of these calculations appears necessary.

When the Army submitted its objective force to OSD for review and approval, it had not completed the structuring of all its career management fields. Therefore, the top-six grade structure of the objective force was not the sum of each career management field and related occupational specialties. We were informed that the procedure to arrive at the objective enlisted force grade structure was arbitrarily derived and was primarily based on the highest top-six ratio the Army thought would be acceptable to OSD and the Congress.

Our examination of the Army's objective force also disclosed that the trained force and its average experience level could be increased by raising the percentage of 4-year enlistments from 25 to 50 percent. Moreover, there would be considerable reductions in accession requirements and total cost.

Navy readiness and higher grade structure

The Navy claims it needs a higher enlisted grade structure approved by OSD to improve personnel readiness. However, the Navy readiness reporting system does not accurately account for all qualified personnel. Moreover, retention cannot be improved by just increasing the grade structure; any improvement in readiness brought about by faster promotions to the higher enlisted grades would simply be computational, not real.

Navy personnel readiness is determined by comparing the documented E-5 through E-9 requirements; that is, positions indicated in ship and squadron manning documents, to the assigned pay grade strength--personnel actually assigned to individual units. Historically, OSD has not authorized the numbers of higher graded enlisted members (grades E-5 through E-9) called for in Navy's Enlisted Requirements Plan. Therefore, under the Navy's current personnel readiness reporting procedure a personnel shortfall exists in the petty officer grades resulting in reduced personnel readiness reports.

By requesting a higher enlisted grade structure for the enlisted force, Navy has noted that the resulting increase in petty officer authorizations by OSD would reduce the gap between requirements and assigned strength because they would promote to the higher authorizations. We agree that matching requirements and assigned strength would result in a higher Navy personnel readiness computation. However, we fail to see how it improves real readiness. Promotions themselves

do not increase work experience, skill levels, or previous training. The following supports this.

--The fundamental concept of the Air Force's enlisted grade management system is that promotion of an individual does not change his or her abililty to accomplish a given task.

--The Army states that higher skills are achieved primarily through training and experience.

--The Navy Enlisted Occupational Classification System study report stated,

"* * * the assumption of increased skill and experience with promotion to higher rank was probably valid in the 'Old Navy' where there were not nine pay grades, where the petty officer ratio was much lower than today, and where the average time-in-grade to promotion was much longer. To offer higher monetary incentives to the skilled technicians required to operate today's Navy we have, of necessity, promoted them to higher military rate (pay grade) without their necessarily acquiring the experience associated with that rate. Because of this, where once we would have specified a requirement of a seaman (E-3) or third class petty officer (E-4) we now require a second (E-5) or first class (E-6) petty officer."

The Navy further contends that improved promotion opportunity will increase retention and, therefore, readiness, but we do not agree with this position. The Navy is having difficulty maintaining satisfactory staffing levels in the critical rating--ratings with less than 89 percent staffing, even with attractive reenlistment bonuses. As a result of the existing shortage in understaffed ratings, and particularly in the critical ratings, excellent promotion opportunity already exists in these occupational specialties. Since authorized end strength becomes an end fiscal year goal, the increased petty officer authorizations could only be used to promote personnel in adequately or overstaffed ratings not experiencing retention or understaffing problems. This would not improve staffing but, instead, create overstaffing and grade stagnation--the opposite of what is desired.

Under the Navy's readiness reporting system, low reports result from (1) understaffing (particularly in critical enlisted occupational specialties) caused by low retention and/or insufficient trained input and (2) personnel distribution policies. Attitudinal data concerning retention, discussed on page 37 suggests that people are not leaving the service because of insufficient promotion opportunity. Further, in examining the documents provided by the Navy, we are unable to agree with Navy's conclusion that increased top-six authorizations can result in increased retention and effectiveness. Concerning personnel distribution, a recent Senate Armed Services Committee report (no. 94-878) on authorizing appropriations for fiscal year 1977 noted that Navy personnel were not being used for the functions requested and authorized. More importantly, the report highlighted that combat units were being understaffed compared to authorizations, while support units were being overstaffed. The Navy is taking action to correct this imbalance.

When computing personnel readiness, the Navy does not include onboard E-4 personnel who have passed the rating E-5 promotion examination, even though these people have demonstrated their ability to perform the skills in the next higher pay grade. These personnel are either

--awaiting promotion scheduled for later in the fiscal year because of funding limitations or lack of immediate vacancies in their rating and pay grade or

--not going to be promoted due to lack of vacancies.

Promotion examination results are available Navy-wide. Taking these qualified personnel into account will more accurately reflect personnel readiness. Navy personnel distribution offices take promotion selectees into account when computing distributable petty officer assets. A similar approach could be taken when readiness levels are computed.

Navy skill definition (grade structure) is weak

In the Navy personnel requirements system, pay grade and skill level are synonymous. A 6-month study, in the latter part of 1973, of the Navy Enlisted Occupational Classification System recommended eliminating the present Navy practice of relating skill levels to the nine (E-1 through E-9) pay grades. The study proposed a four-tier skill ladder-apprentice, journeyman, supervisor, and manager.

The new system would provide broader responsibility for individuals as their skills increase. Advancement within an occupational group would be more orderly, and career ladders would be more clearly defined. Further, this would allow considerably more flexibility in the future distribution of personnel and permit better promotion planning.

The study group found that skill definition is a major weakness in the Navy's enlisted occupational system. Defining desired skills for many Navy billets has become so minute and indistinct in detail that often it is virtually impossible for the Bureau of Naval Personnel to match a person with a job. They attributed this to overspecification--the Navy management practice of specifying pay grade when stating billet requirements. Since there are nine pay grades, this practice implies that there are nine separate and distinct levels of skill within each occupational specialty. The study group concluded that since skill definition is a major weakness, so are ship, squadron, and shore manning documents. Further, exact matching of grade requirements for a billet within broad limits is usually the last concern of Navy enlisted assignment offices. As a general assignment policy "one up" or "one down" is the accepted norm; this means that a billet calling for an E-5 can be filled with an E-6 or E-4 if an E-5 is not available at the proper time.

ENLISTED GRADE STRUCTURE FLUCTUATIONS

The DOD top-six pay grades (E-4 through E-9) percent of total strength has increased from about 53 at June 30, 1964, to about 61 at June 30, 1976, with a high of about 66 percent at June 30, 1972. The following chart shows for certain fiscal years the actual end-of-fiscal-year enlisted grade distribution for each service and DOD as a whole. The 1977 figures are end-of-fiscal-year projections.

Enlisted Grade Distribution (note a)

Service	Fiscal year	E-9	E-8	E-7	E-6	E-5	E-4	Top six	E-1/ E-3
DOD	1964	.56	1.42	4.88	9.85	16.97	19.34	53.02	46.98
	b/1972	.78	1.96	7.16	12.94	18.73	24.56	66.13	33.87
	1975	.74	1.89	6.67	11.81	17.44	22.65	61.19	39.81
	1976	.73	1.85	6.64	11.66	17.30	22.71	60.89	39.11
	1977	.74	1.89	6.64	11.46	17.87	22.77	61.36	38.64
Army	1964	.42	1.42	4.30	9.70	16.49	17.40	49.73	50.27
	b/1972	.60	2.05	7.57	12.48	17.51	28.24	68.45	31.35
	1975	.55	1.87	6.74	10.65	15.96	24.63	60.40	39.60
	1976	.54	1.84	6.70	10.46	16.23	24.50	60.27	39.73
	1977	.54	1.86	6.63	10.44	16.67	25.28	61.41	38.59
Navy	1964	.50	1.27	6.53	11.70	15.07	19.12	54.19	45.81
	b/1971	.62	1.66	7.17	14.33	17.40	21.82	63.00	37.00
	1975	.80	1.80	6.80	14.20	17.60	20.60	61.80	38.20
	1976	.72	1.70	6.82	14.28	17.53	20.10	61.15	38.85
	1977	.79	1.84	6.76	14.34	17.89	20.04	61.66	38.34
Marine Corps	1964	.42	1.39	3.76	6.00	11.26	15.41	38.24	61.76
	b/1971	.89	1.97	4.67	7.74	13.24	17.73	46.24	53.76
	1975	.71	1.87	4.89	8.09	13.22	15.91	44.70	55.30
	1976	.70	1.90	5.02	8.21	13.78	17.02	46.62	53.38
	1977	.70	1.87	4.90	8.10	13.23	16.93	45.73	54.27
Air Force	1964	.82	1.54	4.50	9.44	20.45	22.79	59.54	40.46
	b/1972	.99	1.98	7.34	13.48	22.93	26.40	73.15	26.85
	1975	.99	2.00	7.04	12.43	20.72	24.31	67.49	32.51
	1976	.99	1.99	6.98	12.11	19.88	24.71	66.66	33.34
	1977	1.00	2.00	7.20	11.32	21.01	23.50	66.03	33.97

a/Each grade's percent of total enlisted strength.

b/Years with highest top-six ratio.

The figures for the June 30, 1976, actual inventory shows a DOD-wide relative decrease of almost 8 percent since the 1972 high. However it should be noted that little or no reduction has taken place in the percent of the enlisted force in the top three grades (E-7 through E-9), particularly in grades E-8 and E-9. In the Navy and Air Force, the percentage of the enlisted force in these top two grades has actually increased over their respective top-six highs. A similar observation can be made for grade E-5 in the Navy and E-6 in the Marine Corps.

Also noteworthy is the relative increase, between fiscal year 1964 and 1977, in the percentage of the enlisted force that is in each of the top-six grades. The schedule below shows these increases.

Relative Increase in the Percentage of the Enlisted Force in the Top-Six Grades

1964 to 1977

	E-9	E-8	E-7	E-6	E-5	E-4	E-4/E-9
DOD	32.14	33.10	36.07	16.35	5.30	17.74	19.50
Army	28.57	30.99	54.19	7.63	1.09	45.29	23.49
Navy	58.00	9.45	3.52	22.56	18.71	4.81	13.78
Marine Corps	66.67	34.53	30.32	35.00	17.50	9.86	19.59
Air Force	21.95	29.87	60.00	19.92	2.74	3.12	10.90

The above figures show that the largest overall top-six increase is in the Army, and that the greatest relative increases are in the top-three grades.

The services generally justify these increases on the basis of increasing technical skill requirements. Examining the relative increases in each of the top six grades in this context would indicate that a substantial amount, if not the majority, of these technological requirement increases have taken place in the highest grades. This is difficult to accept particularly in those services which have large nontechnical components. Also, a large number of these personnel serve in nontechnical managerial and superintendent positions. (See app. III p. 84.) The services also justify these increases by citing promotion opportunity as the contributing factor. (See p. 36.) Promotion opportunity objectives to the top-three grades of each service are depicted in the chart below.

Percent of Promotion Opportunity (note a)

Promotion	Army	Navy	Marine Corps	Air Force
E-9	51	70	68	60
E-8	52	65	70	75
E-7	81	80	68	84

a/Promotion opportunity is the percent probability of achieving the next higher grade by the end of a specified promotion zone.

The services state that good promotion opportunity is necessary; however, rationale supporting these promotion opportunities is generally lacking. When desired promotion opportunity is compared to the average years of service at promotion to these grades (see p. 31) the promotion opportunity appears high.

ENLISTED GRADE STRUCTURE SHORTFALLS

For the past 5 years the services, with the exception of the Air Force, have been experiencing considerable difficulty in making their approved top-six grade strengths. This problem is particularly notable in grades E-4 and E-5, which are the grades held by the majority of enlisted personnel completing their first or extended first enlistment. The following schedule summarizes some of the largest shortages based on current year programed grade strengths submitted with the President's budget backup data.

Service	End of fiscal year	Shortage by paygrade E-4	E-5
Army	1971	33,432	10,982
	1972	25,339	23,966
	1973	56,125	24,892
	1974	2,563	23,606
	1975		1,560
Navy	1972		1,893
	1973		1,620
	1974	1,854	1,902
Marine Corps	1972	3,247	
	1973	8,576	
	1974	2,601	

The Navy projects further shortfalls

The Navy is experiencing considerable difficulty in attaining the grade E-4 numbers contained in its plan. The shortfall stems from several causes which include increased petty officer requirements, high first-term loss rates, and a decreased number of qualified E-3s taking the advancement exam. Accordingly, they have limited the percentage of top-six in their fiscal year 1977 and 1978 requests to 59.7 and 60.5 percent, respectively.

CONCLUSIONS

Each of the services has made substantial reductions to its authorized top-six grade percent over the past few years. However, little or no reduction has taken place in the top three grades (E-7 through E-9), particularly in E-8 and E-9.

Two factors affecting the development of the services' objective force top-six grade structure are (1) technical skill requirements to support today's sophisticated equipments and (2) demands for better career paths and promotion opportunity as a career incentive. These factors and their purported benefits generate demands for higher grades than may be necessary. Moreover, with the exception of the Air Force, the services have repeatedly demonstrated that they do not have the resources to achieve and sustain high top-six grade structures without inordinately rapid promotions.

Data accumulated during our review does not support the purported relationship between higher grade structure (that is higher top-six), better promotion flow, and increased retention. The attitudinal data we examined refutes the services argument that a high top-six ratio provides better promotion opportunity and higher career expectations. Further, our analysis discloses that promotion opportunity does not greatly influence enlisted personnel to either reenlist or leave.

The Army's objective-force grade structure was arbitrarily derived. Erroneous promotion opportunity computations may have influenced its selecting a more costly alternative. Further, it appears that grade E-4 strength in the objective force will be difficult, if not impossible, to achieve. Also, increasing the percentage of 4-year enlistments should improve trained force and experience levels and reduce accession requirements and total cost.

We believe that the Navy's personnel readiness reporting system does not accurately reflect a unit's readiness posture. Moreover, increased grade authorizations will not improve "real" readiness. Improved readiness can only be achieved by increasing the experience and skill levels of personnel in combat units. This requires improving the retention of experienced and trained personnel in understaffed ratings and assigning them to combat units. Further, the Navy's management practice of making pay grade and skill level synonymous makes it virtually impossible to match available personnel with requirements.

RECOMMENDATION TO THE SECRETARY OF THE ARMY

We recommend that the Secretary of the Army reevaluate the services' objective force configuration in the light of (1) repeated shortfalls in grades E-4 and E-5, (2) computational errors which may have adversely influenced evaluation, and (3) apparent benefits of increasing the percentage of 4-year enlistments. When the evaluation is completed, the objective-force grade structure should be the aggregated grades of each career management field and its related occupational specialties. The feasibility of achieving the number of E-4s should be reexamined. The Secretary should also examine the feasibility of increasing the percentage of 4-year enlistments.

RECOMMENDATIONS TO THE SECRETARY OF THE NAVY

We recommend that the Secretary of the Navy initiate action to revise the personnel readiness reporting system. Instead of comparing assigned grade strength to structured requirements, criteria independent of petty officer grade structures should be developed. One alternative could be skill and/or overall staffing level comparisons similar to those used by the other services. In the interim, all personnel who have passed the E-4 petty officer promotion exams should be included in readiness computations.

We also recommend that the Navy's promotion phase point and promotion opportunity objectives be reexamined. Excessively rapid promotions and reduced quality standards could undermine the entire enlisted management system and produce results counter to those desired--increased retention and readiness.

CHAPTER 5

LONG-RANGE ENLISTED PERSONNEL OBJECTIVES--COSTLY OR COST EFFECTIVE?

This chapter addresses career-force criteria, our general observations concerning the current process used to establish enlisted management system objectives, and the high cost of these objectives. Our observations are keyed to specific problems we have identified and discusssed throughout this report. An overview of each of the services' plans, general development status, and system strengths and weaknesses can be found in appendix III. Finally, we discuss an approach to establishing objective measures of benefit.

CAREER-FORCE CRITERIA

In any large organization such as DOD, the cost of personnel takes on great importance because of its magnitude. In fiscal years 1975 and 1976, active duty enlisted pay and allowances alone exceeded $14 billion. Obviously, even very small improvements in the way the enlisted force is configured (grade and years of service) can yield substantial dollar savings. The services' long-range plans specify each occupational grouping of the enlisted force by pay grade and length of service. Therefore, each of the services must define the optimal mix of first-termers and careerists (the latter being those with more than 4 years service.)

Careerists are more expensive than first-termers because personnel costs are directly related to the experience or years of service of individual personnel. Individuals with greater experience draw higher pay and are generally more expensive to maintain since they make more intensive use of fringe benefits, such as medical care, dependents' travel, and commissary privileges and are more likely to draw retirement benefits. While more expensive than first-termers, careerists are presumably more productive as well. First-termers, on the other hand, are both cheaper and less productive than careerists and require initial training before they can be productively employed.

Because of the above, the question each service plan should address is: Given the relative costs and productivity of first-termers and careerists in an occupational specialty, which investment is likely to be more beneficial: (1) more careerists, who receive higher pay, reenlistment bonuses, and other fringe benefits or (2) first-termers who, although paid less, are costly to train?

Current goal development criteria

In general, the services' enlisted-force management systems are a good attempt to establish compatible force renewal objectives and identify organizational and managerial interrelationships to obtain them. Although the services' long-range plans specify force renewal objectives in detail, the services fail to adequately address DOD criteria for a complete plan--that is, to establish the most cost-effective (qualitative and quantitative) configuration for each enlisted occupational grouping and the total force. The absence of a standardized costing methodology and an objective measure of value apart from cost makes this assessment extremely difficult, if not impossible.

The process of determining qualitative requirements (such as grade) from the number of personnel required to do specific jobs in an occupational specialty seems to be the soft area in enlisted management. Because of changing organizational arrangements and other judgmental considerations, the process of establishing qualitative needs is less precise than work measurement techniques used to establish the number of personnel needed to accomplish specific jobs. Pay grade and career force composition exemplify such lack of precision. The past and present career force composition results largely from the various service promotion systems, the procurement policies that generate the number of promotion and reenlistment eligibles, and the retirement system that provides the major exit from the career force.

The qualitative aspects of requirements seem to be the result of "what the commander wants that falls within the constraints," or put another way, the quantification of preestablished biases which result from assumptions about some of the key variables; for example assumptions about the "correctness" of historical retention rates or the "reasonableness" of promotion opportunity rates.

Our analysis of the services' enlisted personnel plans leads us to conclude that their goals and objectives

--are based primarily on promotion opportunity and its purported benefits;

--lack sufficient costing details, especially with regard to transition costs;

--do not identify satisfactory measures of value or worth and hence any cost benefits;

--lack definitive criteria for judging their contribution to effectiveness;

--are not fully integrated in the enlisted management systems of all the services and, as a result, will not resolve the conflicts arising between operational (short-term mission) and force renewal (long-term personnel flow) requirements.

Each of the services must be more cost conscious in making personnel/manpower management decisions. While their long-range plans show that they have made much progress in projecting the long-term effects of management decisions on force configuration, the cost benefits of alternative policies have not been identified. The services must be able to analyze the effects of decisions on both cost and effectiveness. 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?

A report we will issue in the near future questions the need to retire members in their comparative youth without criteria for determining eligibility other than years of service.

High cost objectives

We noted that in some cases, the top-six grade structure and/or the size of the objective career force is higher than the current inventory. The Army's career force and top-six percentages of its objective force are both higher than their end fiscal year 1976 actual. Navy is requesting a larger top-six percentage than its current force and the Marines are requesting a larger career force. These actions will increase enlisted personnel costs. The services generally cite their documented requirements as justification. However, we believe these requirements (except for the Marine Corps' top-six which has remained stable at 45 percent) are (1) unrealistically high, (2) lack substantive validity, and (3) would require prohibitively high personnel cost increases. Moreover, OSD officials tend to ignore the requirements in their decisions concerning grade structure authorizations. Furthermore, such increases are not in line with congressional interest in reducing personnel cost.

We believe that the cost of these enlisted personnel objectives has not been adequately assessed. Cited savings

are generally either from (1) programed personnel reductions or (2) lowering the average years of service and related experience level for personnel through earlier promotions rather than from improved management practices. Management improvements must be made to stop or reverse the rising cost of personnel. In objective force configurations, cost versus benefits should be the first consideration. Currently, cost appears to be the least criterion for developing an objective force.

AN APPROACH TO OBJECTIVE MEASURES OF BENEFIT

Each service makes important decisions for designing its objective force structure. For example, it determines (1) which occupations should receive special pay--enlistment and reenlistment bonuses, (2) how much they should receive, (3) how rapidly promotions should occur, and (4) the experience profile of each occupation. Although the effect these factors have on cost and force configuration can usually be determined; the changes in force effectiveness are unknown and only assumed. Further, the extent to which increasing experience or promotion opportunity increases effectiveness probably differs with job or occupational specialty.

An additional criterion is required to assess the value of added or reduced benefits. Measures of cost and inventory, by themselves, are not sufficient for objective-force specification. Obviously, an optimum distribution of personnel strength is not achieved by simply minimizing cost while maximizing inventory. Such efforts can produce trivial solutions like a larger first-term force that is more economical but insufficiently experienced. Lacking such criteria, the relative costs and value of experienced and inexperienced personnel cannot be adequately determined.

DOD Instruction 1300.14 Enlisted Personnel Management Planning and Reporting, asks each service to derive cost benefits for objective force alternatives. A life-cycle costing methodology coupled with a system for measuring the benefit received from added experience permits the evaluation of alternative force configurations from either steady state or dynamic personnel projection models. Alternative force structures can be viewed from the cost changes or benefit changes which such alternatives can bring about. Even more importantly, an analysis of cost and benefits can be done and the cost for each unit of benefit, including effectiveness or productivity can be used to objectively determine optimum enlisted-force configurations. We were unable to find such a capability, except in the Navy, where unfortunately it is not being applied to enlisted-force objectives.

Navy costing methodology

In support of personnel planning and policy evaluation the Navy has developed, at the request of the Secretary of Defense, a unique method of computing military personnel life-cycle costs. In 1967 the Secretary charged the Navy with the responsibility for developing a DOD cost model to be used in man/machine tradeoffs. Navy has expended a total of $589,000 for this effort, which includes initial model development, incremental refinements, adaptation for specific applications, and data base update. In addition, an average of 2 staff-years of in-house personnel were devoted to supervising the developmental work and application of the model to specific cost-benefit analyses. Despite this effort the costing methodology developed is being used only by the Navy.

Two basic methods which had evolved from this assignment were (1) billet (position) costing for man/machine cost tradeoff analysis and (2) per capita (cost per person) costing for determining the impact of policy on the cost of maintaining a specified force distribution.

The billet cost model computes the cost of staffing Navy positions with people having requisite skills in terms of the investment and operation cost to the Government including retirement cost but not postseparation cost, such as G.I. educational costs, for each year of the established life-cycle of a given occupational specialty. In meeting the requirements for life-cycle costing, Navy views personnel requirements dynamically. People are seen as flowing (differently in each specialty) up through each occupational specialty as well as through each billet. They are procured, trained, utilized, and as time passes, they are lost through non-reenlistment, death, retirement, or other attrition factors.

The per capita costing model is an outgrowth of the billet cost concept. It develops the unit cost of personnel by the occupational specialty, pay grade, and years of service. The per capita costs are the moneys that are being, or will be, expended on an average person in all grades and in all possible years of service for general Navy occupational specialties and apprenticeships. The per capita costing model is designed to compute the actual cost of an enlisted person by specialty, length of service, and pay grade. It uses the outputs of the Navy's personnel projection and objective force determination models for inventory data and the billet cost model data base as the source of basic cost data elements for each of the Navy's occupational specialties.

The per capita costing system is in operational use and, in conjunction with the Navy's static and/or dynamic personnel projection models, computes the annualized per capita cost of a given occupational specialty. Therefore, the per capita costs, as calculated for each specialty, grade, and year of service for each projected year, make it possible to evaluate policy and planning decisions as they affect the long-run costs of the force.

The Navy's personnel costing methodology provides excellent detailed cost comparison capability. It is imbedded within Navy's enlisted management system so that policy and planning decisions affecting the strength, grade, and length of service distribution of an occupational specialty or the total enlisted force can be realistically determined and evaluated before implementing them in either the active or objective force. Annual review and update using the latest cost data available assure currency.

Navy utility measure

Management of the enlisted force requires, among other things, maintaining the appropriate mix of experienced (careerists) and inexperienced (first-term) personnel in each occupation. With too few experienced personnel, military capabilities may be impaired. With too many experienced or highly graded personnel, sufficient military capability may be achieved but at a prohibitive cost. In recognition of the need to construct the optimal experience mix for Navy personnel on the basis of costs versus benefits, the Bureau of Naval Personnel has developed a system using relative effectiveness measures; the criterion measure is called "utility." It is the relative value of a person in a particular pay grade and year of service compared to any other in the same occupation. For example: What is the relative worth of a sonar technician with 15 years of service as compared to a sonar technician with 10 years of service? This criterion allows a manager to evaluate differing inventory configurations (by pay grade and length of service) resulting from different policies by some measure of value other than cost alone. It thus permits cost-benefit analysis through use of effectiveness values for each individual.

The Navy's development of the utility criterion stems from the initial premise that in some manner a military system, like most personnel systems, puts some value on experience and is willing to pay for such experience; but, on the other hand, experience alone is not enough. The average person who cannot or will not advance, and thereby assume added responsibilities does not continue to grow in value simply

as he or she accrues more and more experience doing the same tasks. Therefore, value to the Navy results from the interaction of both experience and promotion flow. It is based on the premise that if the Navy is willing to pay more for supervisors with experience than for apprentices with little experience, there must be some objective measure of this underlying value. The Navy's utility concept provides such a measure.

The Center for Naval Analysis and the Rand Corporation analyzed the Navy's utility concept. The Center's study also constructed a measure of relative value of experienced personnel. In spite of different methodologies, there was considerable agreement with the Navy's utility values. The Rand review found that the Navy's system permits more policy options than almost any other in DOD that they examined. They said that the Navy effort may prove extremely valuable, and that it represents a great improvement in DOD manpower modeling. The Navy recognized the need for continuing effort in this area and conducted a validation study of the utility system. The most important finding of the study is that total utility accrued with experience in the Navy varies markedly among occupational specialties.

CONCLUSIONS

One of the most important elements missing in the services' enlisted management sytems is a viable measure of benefit which can be used to analyze the expected return for changes in policy and resulting force configuration. Generally the criteria used have been some externally imposed statement of need, usually expressed as personnel requirements, and cost in the form of budget dollars. However, within these constraints, there is considerable discretion for the decisionmaker, especially on decisions affecting grade and years of service of the enlisted personnel inventory.

The principal criteria in the current and budget years must be how will personnel requirements and the external constraints of end strength, average strength, and control dollars match. However, some additional criterion is required for developing programs for the planning years, evaluating the impact of the external constraints themselves, and developing goals or ideal targets to use as a benchmark.

Our review shows a need for research on the relative value and cost-benefit analysis of enlisted force configurations. It is difficult to know how much to pay for something without knowing how valuable it is. This problem is

not unique to enlisted management, but is the major unrecognized problem the services have. Considerable effort appears to have gone into developing compatible policies for maintaining a stable number of careerists than into the problem of maintaining a given level of effectiveness or estimating the marginal contribution 1/ of a person in each occupation, pay grade, and experience level. This may be the most glaring deficiency in the services' analysis of questions concerning force configuration. This is due to a large extent to the absence of any measure of acceptable military output and the great difficulties in creating one.

We believe that OSD should establish a uniform cost-benefit analysis methodology which can be used by the services to assist them in developing their objective enlisted force. A compatible costing methodology is also required. The costing methodology developed by the Navy at the request of the Secretary of Defense provides an excellent basis for a uniform cost system. Necessary preliminary research is completed, and adaptability has been demonstrated. Also, the methodology is compatible with the force development and inventory projection models OSD and the services use. It offers the best potential for rapid development of such a cost-benefit system.

The Navy utility methodology appears to hold a great deal of potential for costing out the benefits for higher graded personnel. We believe that DOD should develop the capability to estimate the contribution to effectiveness of pay grade and years of service. The concept of "utility" developed by the Navy as a measure of relative effectiveness can be used until a better criterion of benefit is developed. Such a capability would provide the services with an objective measure of the value of their long-range enlisted-force configurations. It would also establish a frame of reference for OSD to evaluate the cost and benefits of individual personnel policies and service long-range objective plans.

1/Marginal contribution is the addition to or subtraction from total military effectiveness supplied by the occupational specialty under consideration. It results from the addition or subtraction of one individual in a given pay grade and year of service cell of that occupation, all other things remaining the same.

RECOMMENDATION TO THE SECRETARY OF THE NAVY

We recommend that the Secretary of the Navy place the highest priority on completing the Navy's enlisted cost-benefit system. When completed, the full cost-benefit capability of the Navy's enlisted personnel management system should be used to justify objective-force configuration. In view of its potential to greatly improve alternative enlisted-force policy evaluation, it is further recommended that this program be given the widest possible visibility by briefings to all levels of Government concerned with the efficiency and effectiveness of enlisted management systems.

RECOMMENDATION 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 OSD 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.

APPENDIX I

ESTABLISHING CONTROL OVER ENLISTED PERSONNEL MANAGEMENT

In the late 1960s, managers at all levels recognized the need to integrate the diverse and often conflicting subelements of requirements determination and personnel management. Specifically, personnel managers recognized that the results of a free-flow personnel system (that is, uncontrolled reenlistments and lack of career force objectives) that provided the correct number of people did not necessarily provide the right kinds of people in the right grades and occupations at the appropriate time.

During the Vietnam buildup, it was apparent that a situation similar to that experienced in the past was likely to occur unless action was taken. As a result of this and congressional interest about the distortions in the then-current inventories, OSD and the services initiated the process that resulted in a series of personnel management systems, personnel plans, and career-force objectives.

TOP-SIX STUDY

As a result of the recommendations of the Special House Subcommittee on Enlisted Promotion Policy Review, OSD(M&RA) initiated in early 1968 a study for developing a systematic procedure to review and judge annual service budget submissions for the top-six enlisted grades. The effort, called the Top Six Study, included members from each of the services and OSD staff. The study group found there was no sound basis for OSD to systematically review the services' top-six grade requests, and the services grade requests had not considered long-term force renewal considerations.

The Top Six Study cited these four factors as having excessive influence on enlisted career promotion prospects:

--Changes in force size and composition.

--Differences in service occupational grade structures.

--Differences in service promotion policies.

--The lack of any way to separate fairly career enlisted members.

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Further, these influences combine to produce:

--Unjustifiable wide differences among the services in the average years of service for those in the same grades; the Special Subcommittee on Enlisted Promotion Policy referred to this as "rank not meaning the same thing" in the different services.

--Undue grade stagnation, especially after a reduction in total force size.

--Erratic career promotion prospects that depend on forces outside the enlisted member's ability to influence.

--Pronounced humps (over staffing) and valleys (shortages) in the enlisted career inventory.

The Top Six Study of 1968 further stated for the existing processes of determining service grade requirements that they are

--concentrated almost exclusively on operational considerations (meeting current mission requirements);

--promotion policies are aimed at meeting end strength; and

--losses are the least managed of all the personnel variables and, when managed at all, the objective is usually to meet approved end strength.

The study concluded that the long-range solution to enlisted management problems hinges on a specification of compatible personnel management objectives on the basis of immediate operational and future force renewal considerations. What may be the best operational force may not be one that can be sustained or renewed through time. Both considerations must be addressed in any comprehensive analysis specifying enlisted management goals. Therefore, it was determined that the procedure to review and judge annual enlisted grade structure requests should be based on long-range enlisted-force management systems.

DOD GUIDANCE FOR ENLISTED MANAGEMENT SYSTEMS

On the basis of knowledge gained through the Top Six Study, the OASD(M&RA) took the lead in 1968 in establishing the requirement for a total systems approach to enlisted

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personnel management. OSD guidance from 1968 through 1974 stressed the development of compatible and attainable manpower and personnel management goals that reflect full consideration of current and long-range operational requirements.

Enlisted grade management

In November 1968, OASD(M&RA) issued a memorandum, Enlisted Grade Management Program, which prescribes the continuing policies and guidance to be used by OSD and the services in preparing, administering, reviewing, and evaluating enlisted grade programs. The memorandum established, among other things, certain grade management criteria (see p. 30). The criteria provided OSD with a limited grade management control. Its purpose was to produce a visible and orderly promotion progression through the enlisted grade structure. These criteria and subsequent updates have set the services' grade progression standards since 1968.

Enlisted-force management

In December of 1968 OASD(M&RA) issued a memorandum containing enlisted-force management system guidance to the services prescribing continuing policies for use in developing long-range enlisted force management sytems. These systems were to assist the services to attain enlisted management goals, provide a basis upon which each service could justify top-six grade requests, and provide OSD with a systematic procedure to review and judge them. The memorandum directed the services to conduct independent studies to insure that the resulting enlisted force management systems best meet the specific needs of each service and OSD. This memorandum established the basic philosophy and set the stage for all subsequent efforts by the services to integrate enlisted personnel management and develop long-range plans. The stated objectives were to

--identify within each service specialty groupings which would be useful for both management and reporting functions, and which would serve as communication vehicles between the elements of OSD and the individual services;

--establish compatible and attainable manpower and personnel management goals for each grouping that reflect full consideration of current and long-range operational requirements. (See p. 63.)

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Service long-range plans

In October 1974, DOD directive 1304.20, Enlisted Personnel Management Systems, established objectives for enlisted personnel management and a requirement for each service to maintain a long-range enlisted personnel management plan. The personnel management systems are to (1) allow the services to meet requirements for enlisted personnel in the various grades at ages conducive to effective performance, (2) provide career opportunity that will attract and retain the number and caliber of enlisted personnel needed, and (3) develop personnel goals which provide a common reference for policy, procedures, and management of the enlisted resource.

The following minimum essential elements of an enlisted management system are identified in the directive:

--Size and desired composition of the force by years of service.

--Annual accessions and reenlistments.

--Loss management.

--Grade distribution.

--Promotion points and opportunities.

--Cost.

The directive stressed that each of the elements is to be (1) quantified and related to establish the most cost-effective configuration for each enlisted occupational grouping and the aggregated total force and (2) integrated through management by objectives.

The long-range plans specify the objectives of the personnel management systems. The personnel flow (force renewal) required to sustain the active forces will be a major consideration. The directive established the following criteria for a complete long-range plan:

--An objective distribution by years of service and pay grade for each occupational grouping of the force.

--The objective configuration is, by some measure or measures, better than the current force.

--It is feasible to make a transition from the existing to the objective force in a reasonable period of time at a reasonable cost.

--The policies and methods of implementation to effect the desired transition.

--The methodology for use of incentive pay, as the plan forms the basis for submission and justification of service incentive pay requests.

DOD Instruction 1300.14, Enlisted Personnel Management Planning and Reporting, issued in October 1974, provides details for maintaining and periodically updating the long-range enlisted personnel management plans and provides additional guidance on the minimum content of the plans. Among other things, the instruction requires the plans to contain defined goals and benefits of the objective force and derived costs and benefits for alternatives. Annual reporting to OSD in various formats was established to show the progress being made toward meeting plan objectives.

APPENDIX II

ENLISTED PERSONNEL/MANPOWER MANAGEMENT SYSTEM IMPROVEMENTS

In developing their enlisted management system, the services have made many important improvements. However, different programs and systems were initiated in each service to solve its particular problems. These programs are generally designed to control the grade and years of service distribution of personnel in each occupational specialty. The primary objectives of the programs are regulating entry into the career force, redirecting trained and experienced personnel from overmanned to undermanned specialties, and providing equitable career progression.

SELF-RENEWING OCCUPATIONAL FIELDS

One of the major concepts introduced in the December 1968 enlisted force management memorandum (see p. 60) was the self-renewing occupational field (SROF). Its design was in response to DOD's Top Six Study finding that force renewal (personnel flow/career progression) objectives exerted only a very limited influence on the enlisted force management system. Generally, this was because they were defined with much less precision than operational (mission requirements) objectives. As a result, the requirements (manpower) subsystem tended to drive the personnel subsystem and was a major cause of personnel management problems, such as promotion stagnation and strength imbalances.

Each service has incorporated SROFs as the integral management concept of their enlisted personnel management systems. SROFs are groupings of military specialities that can be meaningfully managed in terms of both manpower and personnel considerations. They are staffed by personnel of similar aptitudes and abilities (including basic specialty training) and provide the enlisted member with a more visible and logical grade progression pattern. OSD directed that each SROF contain the following self-renewing characteristics:

--Grade structures which provide a visible and logical progression from entry into the service through the grades allowing the most successful members to retire at grade E-9.

--Lateral movement capability, with career members serving in one specialty of an SROF having potential and abilities for training and assignment into most of the other specialties contained in the SROF.

--Career content supported by a first-term base, which serves as the primary source of replacement to replenish losses from the career force.

Accordingly, each SROF is configured by grade (E-1 to E-9) and years of service (1 to 30). This configuration permits management policies and actions required to achieve them. These policies control and regulate the distribution of personnel in each occupational specialty.

The years of service configuration establishes, among other things, the size of the first-term force and career force for each occupational field. Included in these force subsets are the (1) number of accessions and first-term personnel by occupational specialty needed each year to achieve authorized strength and (2) desired experience profile of the career force. In conjunction with the desired grade configuration, promotion flow points and opportunities are established.

We believe managing the years of service dimension is the key to achieving long-range objective-force goals. When the years-of-service objective force profile and personnel inventory in all occupational fields match, then requirements and personnel flow considerations can be optimized. This will reduce expenditures to correct personnel shortages and overstaffing and minimize personnel costs.

Our review of Army and Marine Corps systems leads us to conclude that while considerable progress has been made to date, their enlisted management systems will not be completed until all their career management fields are studied and included in the total systems management. DOD 1974 guidance established this requirement for each enlisted occupational grouping and the aggregated total force. Full development and implementation of these programs should be expedited.

The following chart shows the number and names of each service's occupational specialty groupings (SROFs and subelements).

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Military department	Number	Nomenclature	Subelements Number	Subelements Nomenclature
Army	34	Career management fields (CMFs)	389	Military occupational specialty
Navy	73	Ratings	1,150	Navy enlisted classification
Marine Corps	40	Occupational fields	488	Military occupational specialty
Air Force	48	Career fields	244	Air Force specialty code

Army's CMFs are currently being restructured to better meet the goals of self-renewing occupational fields OSD set. Their objectives are to (1) more reasonably synchronize skill level and grade achievement, (2) provide visible, logical promotions/career progression, (3) maximize substitutions within career management fields, (4) minimize movements between career management fields, and (5) lower the standard grade authorization (requirement) for various positions. At this time, 25 of the Army's 34 CMFs have been reviewed. Completion at all CMFs is scheduled for fiscal year 1978.

The Navy judged that its rating structure conformed with the SROF concept, and it did not require a restructuring of its occupational specialty system.

The Marine Corps did not change its occupational field groupings under the new enlisted force management system. Currently, however, it is identifying occupational fields and military occupational specialties with similar skill characteristics which can be included in a career pattern. These career patterns are being designed to enhance skill interchangeability and to reduce the number of primary military specialties so that personnel management will be more flexible. Additionally, better visibility of career progression patterns will be available to enlisted marines. This program is scheduled for completion in fiscal year 1980.

The Air Force has recently developed 123 career progression groups which meet the SROF definition. Each group is a cluster of Air Force specialty codes (AFSC) which are configured into a career ladder. The career progression groups account for all input AFSCs and permit skill level progression from entry to the highest level by upgrade procedures.

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YEAR-GROUP RETENTION CONTROL PROGRAMS ENHANCE DISTRIBUTION OF ENLISTED RESOURCES

In each of the service's personnel inventories, there are currently several overages in the career force which were caused by not controlling career force entry. Several retention control programs have been established to control entry into the career force by occupational specialty. They are generally designed to insure that only prior service and first-term personnel in required numbers and occupations are reenlisted. The programs (1) assist the services in achieving and maintaining the desired years of service configuration, (2) prevent promotion stagnation, and (3) avoid personnel imbalances caused by former management practices.

We believe these are effective programs and should be expanded to include similar management control of career personnel at all reenlistment points.

Air Force's Career Airman Reenlistment Reservation System (CAREERS)

Air Force's CAREERS was a response to a longstanding problem with first-term reenlistments which resulted in shortfalls in certain skills and surpluses in many other skills. Air Force recognized that the reenlistment/career force imbalance adversely affected (1) promotion opportunities, (2) military personnel appropriation expenditures, and (3) the number and cost of retirees in future years.

The CAREERS program controls the number of airmen who are allowed to reenlist in each AFSC. A career job file is maintained at the Air Force Military Personnel Center. This file identifies the number of reenlistments by AFSC needed to fill the career force requirements. First-term airmen desiring career status are placed against career job requirements matching his or her training. Airmen who are not in an AFSC which has a requirement may reenlist in another AFSC for which he or she is qualified and a vacancy exists.

Navy's Career Reenlistment Objectives (CREO) Program

CREO is a personnel management system designed to provide current goals and direction for (1) retention, (2) conversion into shortage ratings (occupational specialties), and (3) certain enlistment procurement programs. CREO's retention objectives are geared towards reaching Navy's objective force years of service and grade configuration. The program is currently designed to

--control the flow into the fifth year of service,

--provide for more viable and attractive career patterns for all members of the naval service,

--maintain staffing in balanced ratings,

--increase staffing in understaffed ratings, and

--control overages in overstaffed ratings.

The fundamental concept of the Navy's CREO system is that personnel management is enhanced by dividing the enlisted force into five management groups. This permits isolating persistent problem areas to which specific management actions can be applied. It reduces the size of the groups to levels that allow identifying unique effects, such as the influence of initial 6-year obligation, while maintaining sufficient size to permit flexible policy application. For example, minor overstaffing and understaffing in an individual year of service, which can always be expected, can be compensated by adjustments in adjacent year staffing.

The Navy divides the enlisted force as follows.

Years of service	Definition
1 to 4	First term
5 to 7	Extended first term
8 to 10	Precareer
11 to 20	Career
21 to 31	Extended career

Army's Year Group Management Program

Army's Year Group Management Program, similar to Air Force's CAREERS program, is a new approach to managing Army's enlisted force and was implemented in fiscal year 1976. One of the basic goals of the plan is upgrading the quality of the Army while there is keen competition for reenlistment spaces. It will also assist the Army in achieving a balanced quality enlisted force by grade, skill, and year group and in eliminating unacceptable shortages or overstaffing in many occupational specialties.

Under the Year Group Management System, each CMF will have year-group numerical values to serve as the objective

year-group population for the Army's personnel inventory. The Year Group Management Program will account for all reenlistments, prior service enlistments, advanced grade accessions (Stripes for Skills), extensions in excess of 12 months, and reclassification actions. Thus, when the year-group management system is fully implemented, Army personnel managers, using CMF objective-force configurations as a baseline, will be better equipped to recognize and manage shortages or overages in occupational specialties by years of service. Full implementation of this program depends upon completion of Army's CMF studies.

The Marines' Lateral Movement Program

Under the Marine Corps Enlisted Force Management System, understaffed and overstaffed occupational fields and specialties are identifed; then controls are established to reenlist marines into understaffed occupations. This program is geared toward reaching the objective years of service profile for each field in the Marine plan. Over time, the program should contribute to balancing staffing levels in all occupational fields and specialties.

CAREER FORCE DEVELOPMENT BY SKILL LEVEL FACILITATES ENLISTED MANAGEMENT

Another noteworthy management concept is the Air Force's method of building long-range career fields based on skill level rather than grade. Skill is used because it is believed that an individual can perform a given task satisfactorily only when he or she attains a particular level of skill. The Air Force has five skill categories. The skill level/grade relationship is as shown below.

Air Force skill level/grade relationship

Skill level	Grades for each skill	
Superintendent	E-9	Chief Master Sergeant
	E-8	Senior Master Sergeant
	E-7	Master Sergeant
Supervisor-Technician	E-7	Master Sergeant
	E-6	Technical Sergeant
	E-5	Staff Sergeant
Journeyman	E-5	Staff Sergeant
	E-4	Sergeant
	E-3	Airman 1st Class
Apprentice	E-3	Airman 1st Class
	E-2	Airman
Helper	E-1	Airman Basic

The Air Force believes that the promotion of an individual does not change his or her ability to accomplish a given task, and that grades serve only to meet hierarchical and career progression needs. Skill level denotes achievement or the ability to perform at a given level.

Considering promotion opportunity and existing inventories in each AFSC, the total skill level requirements are the bases for developing the optimum grade structure for each skill level. This grade structure is used as a guideline for distribution of grades allowed by statutory and OSD constraints. When skill level authorizations exceed grade constraints, based on a two grades per skill level relationship, authorizations are allocated using three, rather than two, grades per skill level. Thus, although grade authorizations are constrained to OSD funded levels, the integrity of the manpower (requirements determination) system is not violated since skill level authorizations remain as the statement of actual job requirements.

The Army is also making progress integrating grade and skill level management. To allow for more flexibility for the personnel manager at all levels, it is developing a simpler and more precise relationship between skill level and grade. It will place stronger emphasis on identifying and filling unit positions by the required skill level rather than by grade. The noncommissioned officer education system is being restructured to support the life-cycle system of career development (training, evaluation, classification, and promotion). Consistent with professional development, Army's system will define five skill levels which will show standard levels of training, experience, and grade. Soldiers must first attain the required skill level in their CMF before being eligible for promotion to the next higher grade. The skill and grade structure relationship will permit improved management flexibility by allowing increased substitution between occupational specialties and grades at the same skill level. Although not specifically designed to provide the grade and promotion opportunity management objectives of Air Force's skill/grade system, the essential parts which could permit such capability exist.

Navy's Enlisted Occupational Classification System Study (see p. 41) recommended restructuring Navy's occupational specialties which includes separating pay grade from skill levels. The revised structure provides, for the most part, all of the management benefits and capabilities included in Air Force and Army systems. We believe this aspect of the study has considerable merit and provides similar management improvement opportunities that are being realized by the Air

Force and the Army. However, the Navy has made little progress to date in implementing this aspect of the study's recommendations.

Skill/grade management systems which are used by the Air Force, under development in the Army, and proposed in the Navy Enlisted Occupational Classification System Study offer distinct improvements to enlisted-force management. The operational Air Force system could serve as a model for the other services. We believe that the Air Force's skill/grade system has the following noteworthy advantages.

--Authorization (numbers and grades) management is greatly simplified.

--The definition and classification of required tasks (enlisted requirements) by skill level are more precise than the considerations used to determine grade; there is greater credibility and acceptance of requirements stated in these terms.

--Assignment management is enhanced and personnel imbalances avoided by the flexibility to assign personnel, if skill qualified, in three grades.

--Distribution of promotions among career fields to insure equitable opportunity for career development is made possible without stagnation.

We believe that within the budgetary and personnel constraints facing the services, Air Force's system promotes effective classification, use, and career development of the total enlisted resource. Furthermore, we believe that all the services should adopt a system similar to the Air Force's and manage by skill levels and grade, not merely by grade.

APPENDIX III

AN EVALUATION OF THE LONG-RANGE ENLISTED PLANS OF THE SERVICES

General development status and certain system strengths and weaknesses identified by OSD's evaluation and our review are addressed in this appendix. We also point out some of the major problems with individual service plans.

The service studies, required by the OSD(M&RA) memo of December 1968, were slowed down primarily because of the Vietnam phasedown; however, the lack of good analytical techniques and data bases contributed to slow progress. During 1972, renewed attention was given to these studies in connection with the preparation of the Retirement Modernization Act. Although periodic supplemental guidance was provided in various memorandums to the individual service in the interim, it was not until the October 1974 directive, some 6 years later, that OSD issued additional departmentwide guidance for a complete plan. (See app. I.)

APPROACHES TO ENLISTED-FORCE MANAGEMENT VARY

Each of the services has responded to the DOD directive and has submitted plans which are at various stages of development. The plans differ in concept, methodology, degree of sophistication, and depth of analytical effort. Most importantly they differ in degree of implementation--the amount that is operative and achieving system goals. From our review, we observed that the services appear to be using three different approaches to manage their enlisted force. They can generally be categorized as enlisted-force management based

--primarily on requirements,

--primarily on personnel flow considerations, and

--on job requirements for career individuals and tempered by personnel flow considerations.

PLAN HIGHLIGHTS AND OUR EVALUATION

Air Force plan

The initial Air Force plan was submitted to OSD in 1970 and approved by ASD(M&RA) on May 17, 1971. The plan, known as Total Objective Plan for Career Airmen Personnel, generally agreed with OSD's enlisted force management guidance issued

in December 1968. Later updates in response to OSD's evaluation, changing force structure, and revised Defense criteria, have been submitted annually.

A notable feature of the updates is that they reduced the original career force size of 258,500, which was established in July 1970, to 229,700 in June 1971, 213,084 in May 1973, and 202,800 in September 1975. The latest update of the plan restructures the objective force at strengths anticipated during the Five Year Defense Plan. It incorporates the use of the 6-year enlistment contract and provides year of service and grade profiles for each enlisted career progression group. Interim management goals are identified for each year until the objective is realized in 1984. Air Force costs submitted in support of their objective force established that if the plan were fully implemented in fiscal year 1984, it would result in $95 million or 2.3 percent, saving in pay and allowances costs.

OSD's evaluation of the plan has generally centered on the following suggestions for determining more realistic grade requirements and producing a less costly force structure:

--Explore less costly alternative plans.

--Further validate by task analysis superintendent and supervisor-technician skill level requirements.

--Describe the process for determining requirements so that the validity of grade requirements can be assessed.

--More realistically interface grade requirements with grade distributions arrived at by personnel considerations.

--Specifically address costs through expanded cost analysis.

--Explore the feasibility of reducing E-9 and E-8 grade ceilings from 1 percent and 2 percent, respectively, of the total enlisted force.

Air Force actions in response to OSD comments have not been fully responsive and do not fully meet the OSD criteria for a completed plan, particularly with regard to cost and measures of benefit. The Air Force applies reduced cost ($95 million cited above) to show that their objective force is better than the current force. Cost information provided

to OSD in support of this, however, is incomplete and not in conformance with OSD guidance and directives. The stated savings are based only on pay and allowances and do not include cost of procurement, basic and specialty training, incentive pay, and retirement. Without details on the impact of these costs on the total system, a proper assessment of total system cost is difficult. Moreover, it appears that the savings are primarily a product of a phased reduction in the size of the career force and total enlisted strength rather than economies derived from cost benefit tradeoffs which increase effectiveness and/or reduce the per capita cost of personnel.

The Air Force task analysis study to further validate superintendent and supervisor-technician skill level requirements, requested by OSD, did not provide better confirmation. As a consequence, the Air Force has justified these requirements as a product of its overall personnel requirements determination process. The process examines the quantitative and qualitative (grade, skill level, experience) aspects of personnel requirements. The qualitative specification requires considering demands for specialized experience, level of responsibility, and organizational relationships.

Superintendant and supervisor-technician skill level requirements form the basis of Air Force's objective-force profile. Generally, these requirements, current loss rates, and desired promotion opportunity and phase points (average years of service at promotion) to each grade establish the grade and years of service configuration of the objective force. The Air Force's promotion phase point objective reduces the average years of service at promotion, particularly to the higher grades (see. p. 31). The benefits cited as justifying this planned phase point reduction and the minimum desired promotion opportunity to each grade are to meet mission requirements and provide a high level of motivation.

The Air Force claims that reducing the grade strengths 1 percent and 2 percent, respectively, for grade E-9 and E-8 as suggested by OSD is not feasible. Current requirements in these grades amount to 3.5 percent of the total enlisted force, and Air Force has managed this deficit in skilled airmen by using personnel in lower grades than desired. Further, the 3 percent cumulative strength for E-9 and E-8 grades is necessary to provide the minimum desired promotion opportunity for career progression. OSD evaluation, however, concludes that the proposed E-8 and E-9 strength can be reduced with the difference added to grade E-7 without affecting superintendent skill level staffing

and without causing serious reductions in promotion opportunity or experience levels.

We concur with OSD that the Air Force should explore less costly alternative plans, including the feasibility of reducing E-9 and E-8 grade strengths 1 and 2 percent, respectively. Moreover, we could not find substantive justification for the desired promotion opportunities and reduced phase point objectives other than an assumed effect on motivation. The need for current superintendent and supervisor-technician skill level authorizations should be reexamined. It may be possible to reduce these authorizations, particularly the superintendent skill level, without adversely affecting promotion opportunity.

An expanded cost benefit analysis based on an objective measure of value or effectiveness is required. Full system costs, including transition costs, should be identified and included. Loss rates used to develop the career profile of individual career field subdivisions should be based on desired enlisted personnel behavioral patterns which are attainable rather than on historical rates. Historical rates are the product of past management practices and probably contribute to the disarray in today's enlisted career force. These rates may be creating demands for grade structures, promotion opportunities, and phase points that may be unnecessary or even undesirable.

We believe the Air Force plan provides improved integration of enlisted management. The plan includes most elements required by OSD and is based on management by years of service and career progression which considers grade structure and promotion opportunity. Most of the system is operative and working toward achieving stated goals. A high degree of integration between manpower and personnel subsystems has been accomplished. Most importantly, feedback systems have been developed to measure progress toward achieving goals.

The Air Force system most closely meets the criteria for a requirements approach tempered by personnel considerations. The integrity of the requirements system is maintained by adhering to skill level needs while grade and years of service are used to provide career progression and structure needs. We concur, to the extent that skill level requirements and loss rates used to develop objective force configurations are valid, with this method of manpower/personnel management integration.

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Air Force needs more aggressive action to achieve the objective force years of service configuration

At the end of fiscal year 1976, there were 253,224 careerists in the Air Force. This is almost 17,000 more than the fiscal year 1976 transition goal of 236,322 and about 50,000 more than their objective force career force of 202,800. About 19,000 of these careerists have in excess of 20 years of service and are eligible to retire. The majority of the remaining excess careerists will reach retirement eligibility within the next few years.

The Air Force's high year of grade tenure policy--a loss management program--was implemented during fiscal year 1972. The policy established maximum years of service for each of the top-six enlisted grades. This program and the selective reenlistment program--CAREERS (see app. II) are designed to allow the Air Force the flexibility to achieve and maintain the desired profile (years of service configuration) and prevent promotion stagnation. In conjunction with other policies and programs it should, over time, achieve a more desirable mix of youth and experience than presently exists in the career force.

About 15,660 nondisability retirements since mid-fiscal year 1972 can be attributed to the high year of tenure policy. Air Force actions to reduce the number of excess careerists are commendable. However, they are falling short of their transition objectives. Continued shortfalls in reducing the number of excess careerists delay fully implementing the objective force and offset a great deal of the transition savings.

Vigorous enforcement of high year-or-tenure policy and/or reexamining separation policy for personnel with over 20 years of service are required to expedite elimination of excess enlisted careerists.

Army plan

Following submission of a series of sequential quarterly progress reports and two consolidated reports in March 1969 and August 1972, the Army forwarded the preliminary draft of its Enlisted Force Management Plan. This plan and an updated June 1974 revision were, pending further development, given tentative approval by OSD. The Army's June 1975 plan was approved by OSD on April 13, 1976, and found generally responsive to established guidelines. An important objective

of the Army's latest plan is bringing grade authorizations in unit manpower documents into agreement with DOD personnel ceilings which will result in a substantial downgrading of requirements--from 72 percent to 63 percent.

Some important comments and suggestions in OSD's evaluations of Army's plan development follow.

--The Army's assumption that force structure requirements are given and personnel management factors are subordinate to them was questioned.

--Requirements should be reevaluated to (1) bring them more in line with experience levels resulting from its enlistment mix and (2) reduce higher grade requirements.

--Develop a less costly overall objective force.

--Provide expanded cost analysis and develop transition objectives and their feasibility.

--A study be conducted to determine the feasibility of increasing the number of 4-year enlistees.

--An analysis be made to assure the proper amount is being used for training and procurement costs.

We believe the approved plan fulfills the basic management planning goals OSD requires and offers a reasonably sound programatic approach for reaching the planned objectives. When complete, the system will integrate to a much higher degree than does the present systems of training, evaluation, classification, and promotion.

We agree with OSD that the Army should study the feasibility of increasing the number of 4-year enlistees. Our analysis disclosed that considerable savings and other benefits such as reduced new accession requirements, increased experience level and trained staff-years should accrue.

Data designed to show that the objective force is better than the starting force and the current force does not fully meet OSD criteria. Although certain management improvements appear obvious, the data fails to objectively establish why even better improvements, or greater cost reductions, cannot be made. The procedure to arrive at the final top-six grade structure was arbitrary and based upon inadequate cost analysis and apparently poor cost factors. In addition, we found certain technical flaws in Army's analysis which lead to

faulty conclusions (see p. 38). Moreover, military personnel costs cited show that the objective force will cost $28 million more annually than the fiscal year 1975 force while also increasing the cost per soldier. Relative savings between the starting force grade structure (fiscal year 1972) and the objective force are based in part on the larger size force and its higher grade structure. The objective-force career component and top-six grade structure are both greater than the Army's end of fiscal year 1976 actuals. We believe that such an arbitrary determination for costly higher graded personnel is not in the best interest of reducing personnel costs or representing cost-effective planning.

The plan states that there is a direct relationship between grade and the propensity to reenlist. However, data provided in support of this premise fails to substantiate the claim. This assumption is the basis for many of the purported improvements the objective force will produce. Therefore, the alternative force structure selected was based upon promotion opportunity assumptions that did not adequately support retention assumptions.

Currently Army's enlisted management system contains many of the characteristics of a personnel management approach based on personnel flow. However, the Army appears to be moving toward a requirements system tempered by personnel management considerations. Most of the Army's enlisted management system is under development. When fully implemented total system management of the enlisted force should be greatly improved. System completion and implementation could possibly be accelerated by adopting, as feasible, desirable management concepts and practices developed by the other services.

The Army is restructuring grade authorizations to meet more realistic levels

Army fiscal year 1977 requirements, as authorized in unit manning documents, were over 8 percent higher than budgeted for the top-six grades. This difference amounts to 57,268 top-six spaces. These grade imbalances have generally resulted in lower graded personnel filling unit positions which authorize higher grades. A senior Army official stated that this undergrading

--causes many enlisted personnel to feel underpaid while serving in higher graded positions,

--creates the false impression that promotion potential is greater than it actually is and that some enlisted career fields have a greater potential for progression than they actually do, and

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--causes the personnel assignment system to become a procedure to spread grade shortages when authorizations exceed the number of personnel available.

Army is reducing authorizations to more realistic levels. Grade objectives have been established for each major command by setting maximum percentages for each pay grade, and authority to upgrade positions has been denied to commanders.

Career management fields are being restructured to establish visible career progression and synchronize skill levels with grade achievement. This restructuring has resulted in lowering grades for many positions. For example grades have been lowered for 24,666 positions in the top six grades. The Army's objective is to bring the grades of authorized positions into agreement with their objective grade structure.

The Army's effort to reduce the inflated grade structure in its authorization documents is commendable. The restructuring of Army manpower documents should remain a matter of the highest priority. Further, we urge that continued strong emphasis be placed on developing an improved management interface between skill level and grade. We concur with the Army that some basic changes are necessary in the current enlisted management philosophy. Specifically, we think that stronger emphasis should be placed on identifying and filling unit positions by skill level rather than grade.

The Army's progress in reducing the grade structure in its manpower documents leads us to conclude that there is latitude within which to adjust the pay grade structure to assist the management of personnel flows and/or to achieve a more cost-effective force. We believe that similar efforts to reduce the pay grade structure in manpower documents can be undertaken by the Navy and the Air Force.

Army objective force grade structure will raise personnel costs

When their enlisted management system is completed Army's required grade structure will be decreased to the objective force goal of 62.9 percent top six. However, on the basis of comparative constant dollar costs (using fiscal year 1976 DOD Annual Composite Standard Rates) we calculated that as the Army moves toward its objective force grade structure, its enlisted personnel costs will increase. For example, the Army's programed fiscal year 1977 enlisted force will cost about $3 million more than it would if it had the same grade structure as the actual June 30, 1976, inventory.

Moreover, if the objective-force grade structure was applied to the approved fiscal year 1977 enlisted end strength, an additional increase of about $37 million would result. Put another way, an Army active duty enlisted force of the same size as that in fiscal year 1977 but with the objective force grade structure will cost about $40 million more annually than the fiscal year 1976 force did.

Navy plan

After submission of two interim plans in June 1972, and July 1973, the Navy submitted a completed plan on January 1975. This report and the two previous interim reports cite the Navy's progress in developing a system designed to determine an objective force on the basis of cost benefit analysis. The plan summary states,

> "The Navy has developed for each rating an optimum force structure defined by pay-grades and length of service. The means to project the effects of policies are now available and the mechanisms have been established to relate the optimum force to the requirements determination process and to force management. A complete system has been developed which specifies goals and provides the mechanisms for achieving them in a feasible, cost effective manner, over a reasonable time frame."

The optimum distribution is defined as the one which provides a specified number of personnel at a minimum cost for each unit of value within system constraints.

The memorandum forwarding the report to OSD for review and evaluation stated that it represented a final report and that, "In terms of the * * * tasking of 1968, the system was now complete." The report represents the first attempt at a radically new analytical approach to determining force composition. It presented for the first time a way of describing a cost-effective personnel force as opposed to just describing one in terms of requirements or costs (see pp. 52-55). The basic validity of the work, according to the Navy has been demonstrated.

The report contains the management concepts, methodology, systems development, and implementation status for the objective force. It also includes the cost-benefit goals for the total force and each rating. The optimum force is developed on a base line force of 475,000 enlisted personnel, of which 169,440 are careerists. The top-six ratio of the optimum force is 61.07 percent.

The purpose of enlisted management plans was clearly stated in OSD's December 1968 memorandum. More recently, the 1974 enlisted management systems/plans directive and instruction further stated that the plans would be used to assist in budget review. This purpose was further reinforced by OSD when it required enlisted optimum force goals in fiscal year 1976 budget justification and other forms. Despite this clear statement of intent, on March 18, 1975, the Navy requested that OSD return the plan and that its contents not be used to gauge other budgetary or personnel decisions. Navy officials told OSD that the plan's career force size was not accepted by the Chief of Naval Operations nor did the top-six grade percentage of 61.07 percent reflect actual Navy requirements. Further, they were not aware OSD would use the plan to evaluate grade requirements.

The Navy resubmitted their plan August 19, 1975, with an objective force that is more closely alined with the Chief of Naval Operations' requirements. The objective force has a top-six grade structure of 64.15 percent and is not developed on the basis of cost-benefit analysis as in their previous submission. The main theme of the revised plan is that the objective force, including the need for the top six paygrades, is developed from the Navy's stated requirements. Given this statement of personnel requirements, the benefits to be derived from their objective force are measured by the extent to which the objective force meets requirements. Since the enlisted requirements system produces a higher aggregate top-six ratio than OSD currently permits, Navy contends it needs a higher grade structure authorization to improve retention and personnel readiness (see p. 40).

The Navy's plan was found responsive to established guidance and tentative approval of the management objectives proposed was granted by OSD on August 3, 1976, subject to the following limitations, comments, and suggestions.

--The amount of increase in the enlisted grade structure, if any, will depend on availability of qualified personnel to fill the increased vacancies and the availability of appropriate funding.

--The top three grade levels were not substantially justifed and exceeded requirements in each grade.

--Allowing personnel in grades E-3 and E-4 to attain retirement eligibility has questionable desirability and economic feasibility.

--High years of tenure should be established for each grade.

--The average time in service for promotion to grade E-9 should be approximately 21 years of active service rather than 19.4 years as now planned.

--Additional evidence should be provided establishing the feasibility of continuation and retention goals without substantial reliance on selective reenlistment bonuses.

--Initial 6-year enlistments should be tried in high cost nonnuclear skills to equalize bonus computations (presently 6-year obligors have 4-year initial enlistments with 2-year extensions).

--Concern that the average years of service of personnel serving in each grade was reduced to offset the increased cost of the 64.2 percent top-six grade structure and produce a less costly force.

OSD evaluations of the Navy's plan during its development have generally emphasized the following:

--Develop the interface between optimum career force strength and personnel requirements determination process.

--Develop total systems cost and cost-benefit analysis.

--Investigate alternatives which will reduce personnel costs and develop a less costly force.

--Develop costs using the present retirement system and under the Retirement Modernization Act.

--Demonstrate that continuation rates used are feasible and will not require extensive use of reenlistment bonuses that would be costly.

We concur with OSD that the Navy's proposed plan is generally responsive to enlisted force management guidance and addresses each of the required elements. However, we do not agree with Navy's statement that an increased percentage of top-six grades ca result in increased retention and effectiveness which wil timately result in reduced training costs and accessions y officials were unable to adequately substantiate th rther, we are convinced

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that the costs of the objective force are unrealistic; reduced costs are developed by lowering the average time in service for each grade through accelerated promotion. The full cost-benefit capability of the Navy's enlisted personnel management system should be used to justify the objective force.

The Navy's system appears to be a requirements predominate approach to management whose objective is to fit the actual inventory with documented requirements. However, our review disclosed that the grade requirements on which it is based contain serious flaws. The Navy's high grade structure, particularly in the upper grades, lacks credibility (see p. 83). Substantive justification is not provided for the considerably earlier promotions and greater promotion opportunity to the higher grades than the other services.

Feasibility of the Navy's transition plan is questionable

Navy's plan states that first-term retention goals are being expressed in terms of reenlistment, continuance, and second-term entry rate. However, the only continuation rates contained in its plan consists of a table of aggregate all-Navy rates by years of service. The table shows the continuance rates necessary to effect the changes required to change fiscal year 1974 actual inventory to the objective force. The continuation rate in years-of-service 5 to 7 must increase by 11 percent to attain the plan's years of service strengths. Also, the continuance rates in years 8 to 10 are based on the increase in years 5 to 7. The Navy says it will accomplish this by increasing the number of persons entering under longer terms of enlistment and increasing concentration on bonus programs. The plan further states that based on observing past responses of continuation rates to management action, this is well within the range of possibility.

Evidence supporting this conclusion is not given. Also, bonus costs required to obtain the continuation necessary to achieve the objective force are not identified, and these additional costs could be important. Moreover, the plan fails to identify the individual occupational specialties which require increased continuance. Certainly all Navy ratings are not experiencing shortages in years of service 5 to 7. Examination of actual inventory in year of service 5 versus the objective force discloses that of 75 general Navy ratings, actual staffing relative to the objective force goals was greater in 33 and short in 27. Assuming that these

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staffing levels reasonably represent Navy's retention behavior, it seems that the 11 percent continuance increase planned for years 5 to 7 will be in the 27 rating below objective force goals. Many of these ratings are currently receiving the maximum reenlistment bonus allowed and are still experiencing serious career staffing deficits.

We examined the occupational distribution of fiscal year 1975 personnel in their 5th year of service and compared it with the objective-force occupational distribution in year of service 8. Assuming that the aggregate continuation rates for years of service 5 to 7 are applicable to both overstaffed and understaffed occupations, our analysis indicated that to achieve the objective-force distribution for year of service 8, the continuation rate for the 27 understaffed occupations would have to increase by 46 percent; this may be unrealistic.

While we recognize that the aggregate continuation rate probably does not represent continuation behavior for the understaffed occupations, our example does illustrate the need for examining individual occupational specialties, rather than aggregate numbers of personnel, to determine whether and at what cost the objective force can be achieved.

Navy lacks validated personnel requirements for shore-based facilities

The Navy's personnel requirements for shore facilities, ships, and squadrons are one of the starting points in developing their objective force. We were told that requirements for shore-based facilities have been based on the statistical application of historical data. The personnel requirements for specific facilities would be increased or decreased as their workload increased or decreased.

From 1968, until the summer of 1973, the Navy conducted approximately 200 manpower surveys, covering only 15 percent of its support personnel. At this rate it would have taken Navy 35 years to cover the entire spectrum. The results of these surveys were shore manpower documents which served as a management report on a specific activitiy at a particular point in time. They were only marginallv useful for projecting personnel requirements over varying levels of workload. However, since the summer of 1972 a new program to provide meaningful manpower planning for all echelons of command has been under development. The program, the Shore Requirements, Standards, and Manpower Planning System (SHORSTAMPS) will be concerned with creating shore manpower

documents for each activity that describes the total personnel resources needed to perform the full range of required tasks.

The Navy had planned to have SHORSTAMPS fully implemented by the end of fiscal year 1981. In the June 25, 1976, conference report (H. R. 97-1305), authorizing fiscal year 1977 appropriations, the conferees stated that they considered progress by the Navy in understanding, defining, and explaining its manpower needs for the Navy shore establishment (including individuals) as unsatisfactory. They directed the Navy to accelerate work on SHORSTAMPS with the aim of completion within 2 years, and further that a progress report be provided to the Armed Services Committees every 6 months beginning December 31, 1976.

While SHORSTAMPS is being developed, the manpower survey program has been curtailed and its resources diverted to SHORSTAMPS. The obvious concern, therefore, is the validity of the criteria used in the interim for determining Navy personnel requirements for shore activities.

We recently reviewed certain Navy headquarters in Washington, D.C. (Secretary of the Navy, Chief of Naval Operations) and in the Pacific (Pacific Fleet Headquarters and Air, Surface, Submarine and Logistic Commands). These reviews disclosed that personnel in the grades of E-6 through E-9 comprise 56 and 50 percent of the total enlisted personnel in these Washington, D.C., and Pacific headquarters, respectively. Navy fiscal year 1977 requirements for these grades equals only 23.7 percent of the total authorized enlisted strength. This indicates that a great proportion of Navy's higher graded personnel are in headquarters. Examination of Navy manpower documents further discloses noncombat units (such as shore facilities and staffs) have a greater percentage (58 to 66 percent) of required staff in the higher pay grades, E-6 through E-9, than combat units (ships and squadrons). This difference is highlighted in the following chart which compares the distribution of pay grades between combat and noncombat units.

	Percentage of pay grades							
	E-9	E-8	E-7	E-6	E-5	E-4	E-3/ E-1	Total
Noncombat	65.7	59.5	62.6	58.1	48.7	40.4	45.4	48.7
Combat	34.3	40.5	37.4	41.9	51.3	59.6	54.6	51.3

When the above is considered along with the fact that only 49 percent of the Navy's enlisted personnel are in noncombat units, it is noted that a large portion of the top-six

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grades are in organizations that have not been recently validated. Lacking such validation, we are unable to accept Navy's grade requirements as a firm statement of need. We concur with the conference report of Navy's need to adequately document shore activity requirements. Further, SHORSTAMPS needs to be supplemented with a grade management program to firmly control grade authorizations.

Navy objective force grade structure will raise personnel costs

The top-six percentages generated by their manpower requirements system form the basis of the personnel goals contained in the Navy's long-range plan. An overall top-six ratio of 64.15 percent was derived from published CNO requirements plans. Accordingly, the Navy's goal is to bring the personnel inventory into agreement with manpower requirements and has programed incremental petty officer increases through fiscal year 1980 designed to close the gap between requirements (about 64 percent top-six) and fiscal year 1977 authorizations (about 62 percent). However, on the basis of comparative constant dollar costs (using fiscal year 1976 DOD Annual Composite Standard Rates) we calculated that as the Navy moves toward its objective-force grade structure its enlisted personnel costs will increase. For example, the Navy's programed fiscal year 1977 enlisted force will cost about $22 million more than it would if it had the same grade structure as the actual June 30, 1976, inventory. Moreover, if the objective-force grade structure was applied to the approved fiscal year 1977 enlisted end strength an additional increase of about $24 million would result. Put another way, a Navy active duty enlisted force of the same size as fiscal year 1977, but with the objective-force grade structure, will cost about $46 million more annually than the fiscal year 1976 force did.

Marine Corps plan

After several interim reports starting in fiscal year 1971, the final plan, known as the Enlisted Force Management System, was submitted on March 31, 1975. Tentative approval was made on April 12, 1976, by the ASD(M&RA) subject to the following provisions:

--Consideration should be given to the contraction limits as well as the expansion limits that the career force can support.

--The policy of continuing personnel in grade E-3 past the first enlistment term should be reconsidered.

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--Further analyses should be made to determine if the career force and the top five grade structure should be equal (of the total force these are now 27.3 percent and 28.3 percent, respectively).

--Further study should be made of the continuation rates.

--Management philosophy, including methods for selecting plan objectives and transition of the active force to the objective force, should be described.

OSD commended the system for (1) reducing objective-force costs by about $9.8 million annually compared to the fiscal year 1975 force, (2) basing the promotion system on providing sufficient personnel flow to maintain the desired grade structure, (3) complying with DOD prescribed time-in-service limits and waiver authority of promotions, (4) managing separations and losses by year groups, (5) establishing high years of tenure for each grade, and (6) centrally managing the enlisted force.

We believe the system is generally responsive to DOD guidance. The objective-force quantitative goals appear reasonable and management of the grade structure, promotions, and reenlistments by years of service should help eliminate career-force imbalances and staffing problems. The integrated manpower requirements determination process and personnel management systems should assure shaping the active force to the objective-force goals in a reasonable time. The Marine Corps is to be commended for its management of its enlisted personnel. It demonstrates what can be done to keep enlisted personnel costs down, given the resolve to do so.

We agree with OSD; however, further documentation is needed for the method of (1) management, (2) selecting objectives, and (3) transitioning the current force to the objective force. Cost data is very sparce and cost benefits are not identified. This aspect of the plan requires additional development.

APPENDIX IV

PRINCIPAL OFFICIALS RESPONSIBLE FOR ACTIVITIES DISCUSSED IN THIS REPORT

	Tenure of office	
	From	To
DEPARTMENT OF DEFENSE		
SECRETARY OF DEFENSE:		
Harold Brown	Jan. 1977	Present
Donald H. Rumsfeld	Nov. 1977	Jan 1977
DEPUTY SECRETARY OF DEFENSE:		
Charles W. Duncan, Jr.	Jan. 1977	Present
William P. Clements	Jan. 1973	Jan. 1977
ASSISTANT SECRETARY OF DEFENSE (MANPOWER, RESERVE AFFAIRS AND LOGISTICS):		
John White	May 1977	Present
ASSISTANT SECRETARY OF DEFENSE (MANPOWER AND RESERVE AFFAIRS):		
Carl W. Clewlow (acting)	Feb. 1977	May 1977
David P. Taylor	July 1976	Feb. 1977
John F. Aherne (acting)	Mar. 1976	July 1976
William K. Brehm	Sept. 1973	Mar. 1976
DEPARTMENT OF THE ARMY		
SECRETARY OF THE ARMY:		
Clifford Alexander	Jan. 1977	Present
Martin R. Hoffman	Aug. 1975	Jan. 1977
ASSISTANT SECRETARY OF THE ARMY (MANPOWER, RESERVE AFFAIRS AND LOGISTICS):		
Robert L. Nelson	June 1977	Present
ASSISTANT SECRETARY OF THE ARMY (MANPOWER AND RESERVE AFFAIRS):		
Donald G. Brotzman	Aug. 1975	June 1977
DEPARTMENT OF THE NAVY		
SECRETARY OF THE NAVY:		
W. Graham Claytor, Jr.	Feb. 1977	Present
J. William Middendorf II	Apr. 1974	Feb. 1977

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	Tenure of office	
	From	To
ASSISTANT SECRETARY OF THE NAVY (MANPOWER, RESERVE AFFAIRS AND LOGISTICS):		
Edward Hidalgo	Apr. 1977	Present
ASSISTANT SCRETARY OF THE NAVY (MANPOWER AND RESERVE AFFAIRS):		
Joseph T. McCullen, Jr.	Sept. 1973	Apr. 1977
COMMANDANT OF THE MARINE CORPS:		
Gen. Louis H. Wilson	July 1975	Present
Gen. Robert E. Cushman	Jan. 1972	June 1975
DEPARTMENT OF THE AIR FORCE		
SECRETARY OF THE AIR FORCE:		
Thomas C. Reed	Jan. 1976	Present
James W. Plummer (acting)	Nov. 1975	Jan. 1976
ASSISTANT SECRETARY OF THE AIR FORCE (MANPOWER, RESERVE AFFAIRS AND LOGISTICS):		
Ms. Antonia Handler Chayes	July 1977	Present
ASSISTANT SECRETARY OF THE AIR FORCE (MANPOWER AND RESERVE AFFAIRS):		
James P. Goode (acting)	Jan. 1977	July 1977
Ms. Nita Ashcrasp	Aug. 1976	Jan. 1977
James P. Good (acting)	July 1976	Aug. 1976
David P. Taylor	June 1974	July 1976

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