

---

BY THE COMPTROLLER GENERAL

# Report To The Congress

OF THE UNITED STATES

---

9242

## High Cost Of Military Attrition Can Be Reduced

Over 444,000 persons entering the services during fiscal years 1974 through 1977 have been separated before completing their initial enlistments. The cost to the Government for this attrition was \$5.2 billion, including benefits available to the servicemen after discharge. Almost half of this group is eligible for lifetime veterans' benefits which is estimated at \$2.7 billion.

The Congress can substantially reduce the cost of attrition by limiting veterans' benefits to those who complete their enlistments or who are separated with a service-connected disability.

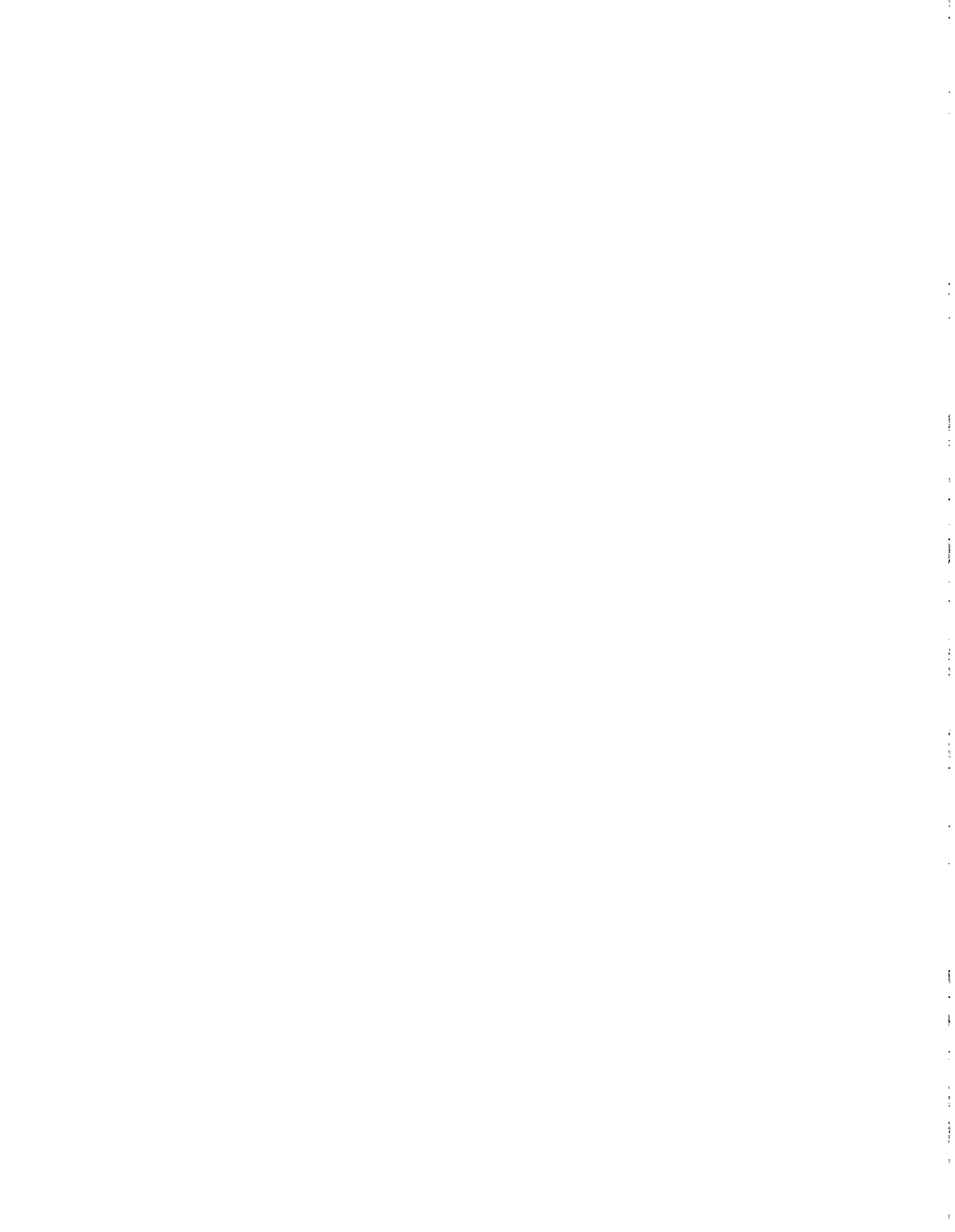


0 03827

*Report*

FPCD-79-28

FEBRUARY 16, 1979





COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

B-175773

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

*CWO dddp1*

At the request of Senator Harry F. Byrd, Jr., we made a study to determine the total costs associated with first-term attrition--those military members separated before completing their initial enlistments. Attrition is not only costly in terms of recruiting and training new personnel but also for benefits available to servicemen after discharge. On many occasions Members of Congress have expressed concerns over the increasing costs associated with the higher attrition rates since the end of the draft era.

Attrition of those who entered military service during fiscal year 1974 through 1977 cost the Government an estimated \$5.2 billion including veterans' benefits available to servicemen after discharge. We estimate that about half of those separated early are eligible for lifetime veterans' benefits at a cost of \$2.7 billion. The Congress can substantially reduce the cost of attrition by limiting veterans' benefits to those who complete their enlistments or who are separated with a service-connected disability.

We obtained data on personnel who entered the armed forces during fiscal years 1974 through 1977 and were separated as of June 30, 1978 before completing their enlistments. We estimate that the cost associated with the 444,500 persons who attrited during this period were \$5.2 billion. This cost is \$806 million greater than what might have been expected if attrition rates were the same as during the draft era (1971-1973). Attrition costs by cohort group (persons) enlisted during a fiscal year) are shown in the following chart and data on each service are shown in enclosures I through IV.

Total Cost of Attrition

<u>Fiscal year cohort</u>	<u>Max. possible months of service completed by early attrites included in analysis (note a)</u>	<u>Total number separated early</u>	<u>Cost (millions)</u>
1974	48	149,406	\$1,748
1975	36	136,653	1,656
1976	24	102,322	1,251
1977	12	56,112	526

a/Since only the fiscal year 1974 cohort group has completed a full four years, the other groups' total costs will increase until all personnel within the cohort complete their first enlistment.

The Government's potential investment in separated personnel was calculated based on data obtained from the

- Department of Defense (DOD) including costs for recruiting, moving, clothing, training, and separating personnel;
- Department of Labor on the unemployment compensation paid to separated military personnel; and
- Veterans Administration on the cost to provide lifetime benefits to eligible veterans.

Higher attrition during recent years has resulted in cost savings in some areas such as a reduction in the operations of correctional facilities. In 1977 there was less than half the number of prisoners and 2,600 fewer staff as compared to 1973 operating levels. This is a savings of \$37 million annually.

Generally, new recruits spend six months in training before being assigned to their respective units. The costs incurred during this period and the potential costs for unemployment compensation and veterans' benefits after discharge represent the Government's investment which must be amortized over the period of each member's initial

enlistment. Therefore, we amortized the investment at the end of training over the productive period attritees served with their units. Costs which were not amortized or were incurred for those who left during the training period, represent the cost of attrition. The total investment in the 444,500 who left early was \$6.7 billion of which \$1.5 billion was amortized.

We believe that our methodology provides reasonable cost estimates based on data currently available. There are other methods for determining these costs which generally result in higher estimates indicating that our estimates are conservative. Veterans Administration officials pointed out that if the Congress continues to provide cost-of-living increases, veterans' compensation costs will be considerably higher than we estimated.

#### DOD COSTS

DOD costs associated with attrition totalled \$3.8 billion and include those necessary to recruit, train and separate military personnel. Recruit training and initial skill training costs represented about 70 percent of the DOD costs. We obtained these costs from the data reported to the Congress annually in the Military Manpower Training Report. We used average costs which assigns an equal portion of total training costs to each student. We assumed that as training loads were reduced, the services would reduce training facilities accordingly.

Past DOD studies on the cost of attrition have used marginal costing which attempts to determine the extra cost associated with recruiting or training one additional person. The marginal cost of recruiting was higher than the average cost we used but marginal training costs were lower because the fixed cost of operating training facilities was excluded. DOD officials said that they generally agreed with our methodology but believed that the use of marginal costing is more appropriate and that the GAO estimate is somewhat overstated. We believe that because of the magnitude of attrition in relation to training loads (40 percent of the load), average costing is appropriate.

See enclosures I through IV for details on the average DOD cost per accession by service.

UNEMPLOYMENT COMPENSATION COSTS

We estimated that the Federal government paid approximately \$167.3 million in unemployment compensation to eligible veterans in our sample. Veterans are entitled to unemployment compensation after serving 90 days or more continuous active duty (unless separated earlier because of a service-connected disability), and were discharged or released under conditions other than dishonorable. The Department of Labor does not maintain separate statistics on veterans who separate early, therefore, we assumed they received unemployment compensation at the same rate as other veterans. We believe this is a conservative assumption because many of those who leave early are non-high school graduates and traditionally have a higher unemployment rate. Further, a large portion of the remaining veterans are retirees who are less likely to apply for unemployment benefits.

State unemployment offices administer the program and are later reimbursed by the Department of Labor. Veterans receiving unemployment compensation increased from 39 percent of those eligible in FY 1974 to 59 percent in FY 1977. The following schedule shows our estimates of the number receiving compensation and the amounts paid:

<u>Fiscal year cohort</u>	<u>Estimated number of early attrites who received unemployment compensation</u>	<u>Average benefit per recipient</u>	<u>Estimated benefits paid (Millions)</u>
1974	46,210	\$ 893	\$41.3
1975	51,755	1,111	57.5
1976	34,470	1,382	47.6
1977	14,690	1,422	20.9

POTENTIAL COST FOR VETERANS' BENEFITS

We estimated a potential cost of \$2.7 billion for providing lifetime veterans' benefits to 211,500 eligible veterans who attrited from the FY 1974-77 cohort groups. Generally, persons who complete over 180 days of active duty and are discharged under honorable conditions are eligible for many veterans benefits. We estimated

potential costs for up to 50 years based on the average age of our sample (20 years) and the current cost and usage experience for each benefit.

Our cost estimates included dental, medical, compensation, rehabilitation training, education, and burial benefits. Excluded were (1) overhead costs of the Veterans Administration not directly associated with the programs, (2) loan and other programs which experience only minimal costs, and (3) other veterans' benefits not applicable to the sample population. See enclosure V for additional details.

Veterans Administration officials told us that our cost estimates were generally acceptable.

LIMITING THE GOVERNMENT'S  
INVESTMENT IN PEOPLE  
WHO LEAVE EARLY

The Congress and executive agencies can take actions to reduce the cost of attrition. One way of reducing costs is by limiting the Government's investment in those who leave early and is discussed below. Another way is to take actions to reduce attrition rates which will be discussed in a subsequent report.

By law, veterans who serve more than 180 days of active duty and are discharged under honorable conditions are eligible for various benefits over their lifetimes. Individuals discharged for service-connected disabilities are eligible immediately for benefits regardless of length of service. We estimate that 211,500 or about 48 percent of those who attrited from the FY 1974 through FY 1977 cohort groups will receive lifetime benefits costing \$2.7 billion. This is about half of the Government's cost for those who leave early.

The Congress could substantially reduce attrition costs by revising the eligibility criteria for these benefits. Those individuals who by their actions or performance choose not to fulfill their enlistment obligations could be denied veterans' benefits. Individuals with service-connected disabilities would still be eligible. We did not determine what portion of these costs could be saved by such a change and recognize that about half of the costs are related to individuals with service-connected disabilities. However, we believe the cost savings would still be substantial.

A precedent for denying benefits to people who leave military service early was set when the Congress enacted Public Law 95-126 in 1977. The law denied entitlement to veterans' benefits in certain cases to individuals who attrited during the Vietnam era and subsequently became eligible as a result of special programs to upgrade discharges. In its report on the bill (95-305), the Senate Committee on Veterans' Affairs cited estimated five-year cost savings of \$288.4 million in terms of benefits not paid.

Military officials, knowledgeable of service attrition, told us that eliminating veterans' benefits for those separating early should not increase attrition and may serve as a positive force in reducing it.

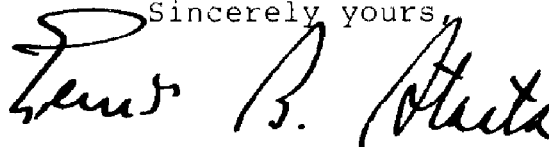
DOD officials told us that our proposal to deny veterans' benefits to those who leave early has merit and warrants serious consideration. They promised to give the proposal further study.

Because of the potential for substantial savings, we recommend that the Congress modify the laws applicable to veterans' benefits to require members to serve the full term of their initial enlistments in order to qualify. Exceptions should be made for individuals discharged for reason of a service-connected disability.

We discussed the report with Department of Defense officials and considered their comments in the report. We did not request written comments.

We are sending copies of this report to the Director, Office of Management and Budget; the Secretary of Defense; the Administrator of Veterans Affairs; and other interested parties.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Louis B. Blunt".

Comptroller General  
of the United States

Enclosures - 5



AVERAGE COST PER ARMY ACCESSION

<u>Cost Category</u>	<u>FY 74</u>	<u>FY 75</u>	<u>FY 76</u>	<u>FY 77</u>
Average DOD cost	\$12,051	\$11,841	\$11,535	\$12,392
Average VA benefit cost per recipient	12,958	12,958	12,958	10,111
Average unemployment compensation cost	<u>348</u>	<u>567</u>	<u>746</u>	<u>839</u>
Maximum average invest- ment per attrite eligible for benefits	<u>\$25,357</u>	<u>\$25,366</u>	<u>\$25,239</u>	<u>\$23,342</u>

COST OF ARMY ATTRITION

Total number of attrites	68,893	62,959	53,375	28,681
Total cost for all attrites (Millions)	\$925.3	\$842.6	\$675.0	\$338.2
Estimated attrition in excess of draft era (note a)	20,101	15,454	18,588	9,484
Excess cost (Millions) (note b)	\$209.6	\$136.6	\$128.2	\$ 53.7

a/The last six months of data for each group was incomplete and was excluded from this analysis.

b/This represents the net increase in the number separating from each cohort by comparing the attrition rate during each month in the given fiscal year with the average rate for enlistees for that month in fiscal years 1971 to 1973, the only prior years for which data was available.

AVERAGE COST PER AIR FORCE ACCESSION

<u>Cost Category</u>	<u>FY 74</u>	<u>FY 75</u>	<u>FY 76</u>	<u>FY 77</u>
Average DOD cost	\$ 9,078	\$ 9,343	\$ 9,361	\$ 9,167
Average VA benefit cost per recipient	12,958	12,958	12,958	10,111
Average unemployment compensation cost	<u>348</u>	<u>567</u>	<u>746</u>	<u>839</u>
Maximum average invest- ment per attrite eligible for benefits	<u>\$22,384</u>	<u>\$22,868</u>	<u>\$23,065</u>	<u>\$20,117</u>

COST OF AIR FORCE ATTRITION

Total number of attrites	25,508	21,044	14,508	8,672
Total cost for all attrites (Millions)	\$260.5	\$236.0	\$166.3	\$82.1
Estimated attrition in excess of draft era	3,299	2,052	508	790
Excess cost (Millions)	\$ 50.4	\$ 24.8	\$ 2.1	\$ 8.7

(See GAO notes on page 7.)

AVERAGE COST PER NAVY ACCESSION

<u>Cost Category</u>	<u>FY 74</u>	<u>FY 75</u>	<u>FY 76</u>	<u>FY 77</u>
Average DOD cost	\$ 9,301	\$ 8,322	\$ 9,764	\$10,605
Average VA benefit cost per recipient	12,958	12,958	12,958	10,111
Average unemployment compensation cost	<u>348</u>	<u>567</u>	<u>746</u>	<u>839</u>
Maximum average invest- ment per attrite eligible for benefits	<u>\$22,607</u>	<u>\$21,847</u>	<u>\$23,468</u>	<u>\$21,555</u>

COST OF NAVY ATTRITION

Total number of attrites	37,252	32,053	20,129	12,834
Total cost of all attrites (Millions)	\$401.0	\$354.7	\$250.2	\$113.4
Estimated attrition in excess of draft era	6,798	2,792	316	1,603
Excess cost (Millions)	\$ 62.7	\$ 19.3	(\$3.5)	\$ 0.4

(See GAO notes on page 7.)

AVERAGE COST PER MARINE CORPS ACCESSION

<u>Cost Category</u>	<u>FY 74</u>	<u>FY 75</u>	<u>FY 76</u>	<u>FY 77</u>
Average DOD cost	\$ 7,325	\$ 6,775	\$ 9,201	\$10,149
Average VA benefit cost per recipient	12,958	12,958	12,958	10,111
Average unemployment compensation cost	<u>348</u>	<u>567</u>	<u>746</u>	<u>839</u>
Maximum average invest- ment per attrite eligible for benefits	<u>\$20,631</u>	<u>\$20,300</u>	<u>\$22,905</u>	<u>\$21,099</u>

COST OF MARINE CORPS ATTRITION

Total number of attrites	17,753	20,597	14,310	5,925
Total cost (Millions)	\$161.1	\$225.5	\$159.1	\$62.3
Estimated attrition in excess of draft era	3,188	5,049	2,792	(482)
Excess cost (Millions)	\$ 36.1	\$ 64.5	\$ 28.1	(\$4.2)

(See GAO notes on page 7.)

POTENTIAL COST OF PROVIDING VETERANS  
BENEFITS TO EARLY ATTRITES

<u>Benefit</u>	<u>Potential cost</u>
Dental (note a)	\$ 133,551,900
Medical	565,814,883
Compensation (note b)	1,398,327,800
Burial:	
Plot	25,226,868
Headstone	5,862,572
Rehabilitation training	9,783,928
GI bill education assistance (note c)	<u>565,062,000</u>
Total	<u><u>\$2,703,629,951</u></u>

Average cost of benefits per  
person eligible for GI Bill - \$ 12,958

Average cost of benefits per person  
not eligible for GI Bill - \$ 10,111

---

a/Available only during first year after discharge.

b/These benefits are payments to individuals with service-  
connected disabilities based on their degree of disability.

c/Based on 5-year projection.



Single copies of GAO reports are available free of charge. Requests (except by Members of Congress) for additional quantities should be accompanied by payment of \$1.00 per copy.

Requests for single copies (without charge) should be sent to:

U.S. General Accounting Office  
Distribution Section, Room 1518  
441 G Street, NW.  
Washington, DC 20548

Requests for multiple copies should be sent with checks or money orders to:

U.S. General Accounting Office  
Distribution Section  
P.O. Box 1020  
Washington, DC 20013

Checks or money orders should be made payable to the U.S. General Accounting Office. NOTE: Stamps or Superintendent of Documents coupons will not be accepted.

**PLEASE DO NOT SEND CASH**

To expedite filling your order, use the report number and date in the lower right corner of the front cover.

GAO reports are now available on microfiche. If such copies will meet your needs, be sure to specify that you want microfiche copies.

**AN EQUAL OPPORTUNITY EMPLOYER**

**UNITED STATES  
GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548**

**OFFICIAL BUSINESS  
PENALTY FOR PRIVATE USE, \$300**

**POSTAGE AND FEES PAID  
U. S. GENERAL ACCOUNTING OFFICE**



**THIRD CLASS**