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STATEMENT OF

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BEFORE THE

SUBCOMMITTEE ON DEFENSE
HOUSE COMMITTEE ON APPROPRIATIONS



115377

ON

THE [PROPOSED 14.3 PERCENT
MILITARY PAY RAISE]

Mr. Chairman and Members of the Subcommittee:

We appreciate the opportunity to be here to present our views on the 14.3 percent military pay raise proposal contained in H.R. 3380--a bill to increase the pay and allowances of members of the Armed Forces.

While the proposed October 1981 military pay raise is your primary concern today, in order to put into proper perspective our position on this or any other proposed across-the-board pay raise, I would like to state that this issue is very much inter-related with other manpower management and compensation issues that we, and others, have addressed over the past several years. These include (1) instituting a military salary system to replace the antiquated and little understood pay and allowances system, (2) adopting manpower management models tailored to the

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needs of individual military occupations and structuring military pay on an occupational basis, (3) problems created by requiring the military to manage against year-end personnel strength figures, (4) questions of whether the objective enlisted force composition, with its years-of-service and rank/grade distribution, properly state the Services' actual needs to provide the personnel for a cost-effective force, and (5) reforming the retirement system so that it would work for, rather than against, military manpower objectives.

I recognize that what I have just recited for you is a broad and far-reaching agenda of issues that have been, and continue to need to be, addressed. While my specific focus today is on the proposed across-the-board pay raise, we are concerned that pay is only part of the problem and, until these management issues are resolved, the military will continue to experience manpower problems regardless of the short-term fixes it tries to apply. We include the proposed 14.3 percent across-the-board pay raise in the category of short-term fixes.

Let me emphasize here, to dispel at the outset any doubts you may have about our basic position, we are not opposed to pay increases for military members. We believe that each Service member, regardless of skill or occupation, should be afforded a standard of living comparable to that of his or her peers in the private economy. However, beyond this minimum, we believe that each skill should be managed individually and pay and benefit packages tailored to attract and keep sufficient people to perform these critical jobs. In other words, we do not see pay as an

issue in and of itself to be looked at in isolation. Rather, we see pay and the rest of the compensation package as a management tool to be used to achieve specific mission-related goals and requirements.

Recognizing that the proposed military pay increase is some 9.5 percent larger than the raise which has been proposed for the rest of the Federal work force, which is based on a survey of private sector earnings, the key question, then, is whether the extra monies for military personnel can be fully justified during these times of budgetary and program reductions either on the grounds of military necessity or gross inequities.

Across-the-board pay raises

On March 10, 1981, the President submitted to the Congress the Administration's revised fiscal year 1982 budget. The Administration proposed a 5.3 percent pay raise for military personnel in July 1981. If the 5.3 percent pay raise were enacted, the military pay raise projected for October 1981--included in the prior Administration's budget--was about 9 percent. These pay increases were to be on top of an 11.7 percent across-the-board pay raise which became effective last October. The 14.3 percent across-the-board pay raise proposed in H.R. 3380 is essentially a combination of the Administration's proposed July and October 1981 pay raises. The Defense Department has estimated that the 14.3 percent pay raise will add about \$4.5 billion to the fiscal year 1982 Defense budget. This is about \$2.9 billion more than would be added by a 4.8 percent across-the-board pay raise--the percentage raise being considered for Federal civil servants.

The President's revised budget stated that the across-the-board pay raises are needed to "reduce the outflow of experienced personnel from the Armed Services."

In reaching conclusions as to the reasonableness of, or need for, the proposed pay increase, I believe we need to examine more carefully the nature of the manpower problems facing the military and try to define them more specifically. This should enable us to see more clearly whether the proposed across-the-board pay raise will solve the problems or whether some other alternative approaches might be more appropriate. In this regard, I would like to examine with you what (1) the current career force profile looks like and what short- and long-term impact the raises would likely have on the career force, (2) military skills are in short supply and what the likelihood is that across-the-board pay raises will correct skill imbalances, and (3) the civilian and military pay differences are for comparable occupations.

Impact of pay raise on
career force profile

In spite of widespread perceptions about recent trends, the fact is that the active duty enlisted force has been quite stable in size since the beginning of the All-Volunteer Force. In fact, during the 8-year period of the All-Volunteer Force, the military Services have never been more than 1.5 percent below funded authorized strength levels. As of the end of fiscal year 1980, the Services has 99.9 percent of their authorized strength.

In addition to overall strength levels, the career force has also remained quite stable. Since 1974, the Army career force has increased by over 45,000 soldiers to a level where a record 40 percent of the force has over 4 years of service. The Navy and Marine Corps career force has remained relatively constant, and the Air Force career force has gone down somewhat in absolute terms, but as a percentage of the total enlisted personnel, its career force has also increased.

Therefore, in addition to maintaining a relatively stable end-strength, in aggregate, the career force has also remained quite stable, increasing somewhat both in absolute terms and as a percentage of total enlisted personnel. The career force is important because that is where the skilled technical people are.

As you begin to break apart the components of the career force and look at those with 5 to 12 years of service and those with 13 to 20 years of service, you begin to get a somewhat different picture. Between 1972 and 1979, the number of people with 13 to 30 years of service declined quite sharply to slightly over 270,000. For the most part, this decline was caused by the retirement of those personnel who had 12 or more years of service during the closing years of the Vietnam War. Thus, much of this reduction was a normal process of people leaving the Service after a full career, rather than for dissatisfaction with pay or other aspects of Service life.

At the same time, however, in the late 1960s and early 1970s, reenlistments among personnel with 5 to 12 years of

service declined quite severely. Consequently, what we are seeing now is not necessarily a mass exodus of senior NCOs as would appear on the surface, but rather normal attrition from what is an abnormally small cohort of senior NCOs, the result of low reenlistment rates in the group which had 5 to 12 years of service in the early 1970s. Recognizing that about 85 percent of the people who reach their 13th year of service stay for 20 years to take advantage of the generous retirement benefits and only a few remain in the Service beyond 20 years, we believe that the proposed pay raises would have only marginal impact on keeping more senior NCOs in the Services.

On the other hand, in recent years, from about 1973 through 1979, the number of people with 5 to 12 years of service has gone up rather sharply to about 470,000 in 1979. Assuming that the continuation rates for this group remains at historical levels, we can expect in the future to see a turnaround in the numbers in the 13 to 30 years of service group with surpluses of senior NCOs. This will likely happen whether or not added pay increases are authorized and to the extent that across-the-board pay raises cause people in the 5- to 12-year group to remain, it could exacerbate the future 13-to 30-year manning problem.

Therefore, as we see it, one question that needs to be answered is what impact will the proposed 14.3 percent pay raise, or and other percentage raise, have on keeping in the Service those people whom the Services need--the senior NCOs.

On an aggregate basis, an across-the-board pay raise likely would have very little impact on the current 13 to 30 years of service group--the group receiving the most public attention--since most of these people will stay until retirement anyway. In contrast, however, the pay raises would probably influence more people in the 5- to 12-year group to remain in the Service longer than they otherwise would have, thus increasing the overall size of the career force but likely causing an even greater surplus of senior NCOs in future years than might otherwise result. Further, we are not at all convinced that the across-the-board pay raises will influence the right people--those needed to meet specific manning requirements--to remain in the Service.

Impact of pay raises
on skill shortages

As we have seen, the active duty career force has remained quite stable since 1973 and, on an aggregate basis, is fully manned. So, what exactly are the manpower problems the Defense Department hopes an across-the-board pay raise will help them solve? Our discussions with Defense officials and analysis of manpower documents indicate that the basic problem is not one of gross numbers of people, but rather one of skill imbalances--shortages in some skills or occupations and surpluses in others.

Even here, the problems vary from Service-to-Service, from grade-to-grade, and from occupation-to-occupation. However, they can generally be categorized as (1) shortages in skills that

are highly marketable in the civilian economy, (2) shortages in skills that are not marketable in the civilian economy, but which are generally thought of as being unpleasant or unattractive, and (3) skills or occupations which are relatively easy to fill and which are generally in a surplus position.

Each Service has certain skills that are quite technical in nature, require a sizable training investment, and are also highly marketable in the civilian economy--often at salaries which substantially exceed those offered by the Services. For example, a recent Air Force study indicates that it is short over 3,000 E-5s through E-7s in 48 critical skills. These shortages are primarily in "sortie producing" skills--skills which support the flying of aircraft--such as avionics skills, aircraft maintenance, electronics specialists, and communications specialists. Many of these skills are highly marketable in the civilian economy, particularly in the airline, general aviation, and electronics industries. The Navy also has shortages in skills that are highly marketable, such as operations specialists, nuclear technicians, computer technicians, and, to a lesser extent, machinist mates, and radar and sonar technicians. The Army is short of air traffic radar controllers, maintenance mechanics, and other skills of a similar nature which are in demand in the civilian economy. To retain individuals with these skills will, in our opinion, require a different set of solutions than is required to retain people without marketable skills. For example, large monetary incentives,

far larger than the proposed across-the-board increases, along with other tailored emoluments, may be needed to keep these people.

Each Service also has shortages in skills which are generally thought of as being unpleasant or unattractive for whatever reason--possibly because of an unpleasant working environment, long family separations, or because it is a skill without any demand in the civilian economy. The Navy, for example, has a shortage of over 500 boiler technicians. While being a boiler technician does not require a heavy training investment, the work environment--in the engine room of a ship--is not generally pleasant, particularly in diesel-powered ships. The Army has had a chronic problem filling its combat arms positions--skills that are both dangerous and without a civilian occupation counterpart. Solutions to these problems will obviously require an innovative set of solutions which may differ substantially from the kinds of incentives needed to keep people with marketable skills.

Finally, there are some skills in all of the Services which are relatively easy to fill and which are in a surplus position. These would include administrative clerks and other similar occupations. The Army, for example, has too many material control and accounting specialists, material storage and handling specialists, and behavioral science specialists. Incidentally, one reason people with these types of skills stay in the Services is because they are generally paid more in the Service than their age and occupation counterparts are paid in the private sector. One problem facing the Services, then, is how to get the people

into the skills where they need them most. The answer is obviously not by giving them more money to stay in the skills where there are already surpluses. Rather, other solutions need to be found to correct the skill imbalance problem.

In summary, on an aggregate basis, each Service is essentially fully manned at their authorized strength levels. However, the mix of skills and grades--which the Services equate to experience--is out of balance with large surpluses in some skills and equally large shortages in others.

The impact of the previous across-the-board pay raise on overall retention and more specifically the skill imbalance problem also is still in doubt. Defense officials have testified that the 11.7 percent increase effective last October has improved retention rates. Yet, they acknowledge that it is too early, if not impossible, to tell how much of this increase can be attributable to other significant benefit increases which were also provided at that time. Furthermore, although overall retention rates may be up, the real question is did the pay raise help the skill imbalance problem? So far, the Defense Department has not produced any evidence to suggest that the October raise contributed to solving this problem in any of the Services. In more specific terms, has the increased retention been among those critically short skills or has it caused response more from those groups already in surplus? We believe that before another substantial across-the-board pay raise such as the proposed 14.3 percent raise is given, Defense should be required to answer these questions.

Civilian/military pay
comparability

Secretary Weinberger has stated that the Administration is committed to restoring military pay to the level of comparability it was at in 1972 when the All-Volunteer Force began. Comparability is an extremely complex matter, and I will not take the time here to get into all of the technical aspects. However, let me describe briefly what the current situation is in this regard and, hopefully, clear up the confusion that seems to exist in the minds of some--including those in the Pentagon--as to what comparability means in the context of existing legislation.

Throughout the current debate on the proposed pay raises being carried out in congressional hearings and the press, we have heard and read a great deal about the fact that military pay has not kept pace with inflation. We have also heard people say that the Consumer Price Index, as a measure of inflation, is the guide by which to measure whether "comparability" has been maintained.

This definition of comparability simply is not consistent with existing legislation. Although keeping up with inflation may have been a consideration when the existing military pay legislation was enacted, it was not as important a factor then as it is today because at that time wages, in general, were increasing at a faster pace than inflation. Therefore, the key element in the legislation was that military salaries were to be kept comparable with private sector salaries, not inflation. This was to be done by tying military pay raises to Federal civil service pay raises,

which in turn were to be based on the results of an annual national survey of professional, administrative, technical, and clerical pay. This survey results in a pay index commonly referred to as the PATC index.

Comparability, then, means keeping up with private sector pay, not keeping up with inflation. Since private sector pay, as measured by the PATC survey, is not keeping pace with inflation, military pay should not keep pace with inflation either.

While we 100-percent agree with and support recent statements by President Reagan and Secretary Weinberger that military people should be treated like first-class citizens, there is the danger of tipping the scales too far. The problem with using inflation, rather than an index of what private citizens are earning, as the guide for determining pay comparability is that this then sets up Service members in an abnormally rewarding situation. They would then be one of the few groups of workers in the country who were actually keeping up with inflation. While this is a desirable and laudable goal, we believe that it is short-sighted and in the long-term will only cause resentment against the military as a privileged class in our society.

At the beginning of the All-Volunteer Force, regular military compensation (RMC)--the military equivalent to a civilian salary--and the PATC index started at approximately the same point, somewhat above the Consumer Price Index. RMC soon began to drop in relation to the PATC index and continued to drop throughout the 1974 through 1980 time period. The reason for this was a series

of pay caps which prevented either Federal civilian or military pay from increasing as much as the PATC index. RMC, however, did not drop as rapidly as Federal civilian pay in relation to the PATC index for two reasons. First, two components of RMC--basic housing and subsistence allowances--are not subject to Federal income tax, and, second, the October 1980 military pay raise was unlinked from Federal civilian pay and exceeded Federal civilian pay by 2.6 percent. The cumulative affect of the 1972 through 1980 pay raises and the proposed 14.3 percent military and 4.8 percent civil service pay raises on selected pay grades is illustrated in appendix I to this statement. This admittedly simplistic comparison indicates that, with a 14.3 percent pay raise in October 1981, regular military compensation will have increased by well over 100 percent since 1972, whereas a 4.8 percent civilian pay raise will have increased civilian salaries by less than 75 percent in some cases for the same period.

While RMC has fallen below the PATC index by a minimal amount--by about 4 percent after last October's pay raise according to Defense's calculation and by less than 1 percent by other calculations--I must point out that comparing RMC to the PATC index is only part of the story. This simple one-to-one comparison for military pay neglects to consider the many other pay and benefit items which increases a military member's take-home pay. These additional monies have grown substantially in number and value in recent years, but particularly with the increases authorized by the 96th Congress. These include:

- Authority to pay a variable housing allowance to Service members living off-base in the continental United States. Service members living off-base at overseas locations receive other housing and cost-of-living allowances.
- A 25-percent increase in aviation career incentive pay and enlisted flight pay.
- A 15-percent increase in sea pay rates.
- Authority to pay reenlistment bonuses to personnel with between 10 and 14 years of service.
- Family separation pay for E-4s and below.
- Authority to increase enlistment bonuses from \$3,000 to \$5,000 and selective reenlistment bonuses from \$15,000 to \$20,000.
- Special pays for physicians.
- Career sea pay for officers and enlisted men.
- Overseas extension pay for members who extend their tour of duty in designated overseas locations.

This is by no means an all inclusive list of the pay and benefit items over and above RMC which are available to qualifying military members and which should be considered when discussing pay comparability. The following table, aggregated for all Services will give you an idea as to the importance of the currently authorized other pays in relation to the cash components of RMC for fiscal year 1982.

	<u>Billions</u>
Basic Pay	\$22.3
Basic Allowance for Quarters	2.7
Subsistence	<u>2.7</u>
Subtotal - Cash Component of RMC	27.7
Other Pays and Allowances	<u>5.0</u>
Total	<u>\$32.7</u>

In addition to the estimated \$5 billion for currently authorized other pay and allowance items, an additional \$265 million in new or increased pays are proposed for fiscal year 1982 in H.R. 3380. So, as you can see, in aggregate, other pay and allowance items represent a substantial amount which should be taken into account when considering the concept of comparability. Even by the Defense Department's own estimates, of the 4 percent difference which existed between RMC and the PATC index after the October 1980 pay raise, perhaps as much as 3 percent was made up, in aggregate, by the other pays. Thus, the real difference between the PATC index and military pay is very small.

Obviously, some individual members receive several of the additional pay items, and some, particularly those at the lower grade levels living in the barracks, may receive none. Unfortunately, the Services do not have data available to give a composite picture of how many members are receiving which pay items, but our guess is that a very small percentage of Service members, particularly in the career force, receive only RMC.

I have attached to this statement several tables which give a more comprehensive picture of the major additional pay items

which Service members receive, the number and percentage of people receiving them, and the range of rates for these additional pays. (See appendix II.)

I have also attached to this statement appendix III which gives some actual examples to illustrate the impact these additional pay and benefit items have on total earnings for both officers and enlisted men. In addition, appendix IV shows the estimated pay change for two critical Navy skills as a result of the October 1980 pay increases. It shows that from fiscal year 1980 to 1981 a Navy E-5 operations specialist received about a 63 percent raise and a submarine nuclear propulsion technician received about a 30-percent pay raise.

One issue that often comes up when discussing the adequacy of military pay is that of enlisted people using food stamps. The large estimates of 100,000 to 275,000 eligible military members, which surfaced last year, have been largely discounted, but some people still use this issue to justify a large pay raise.

To put this issue into a little better perspective, I have included as appendix V two estimates we made based on the Administration's proposed food stamp eligibility requirements. One estimate, which assumes a 14.3 percent pay raise this October, indicates that a maximum of about 4,700 members might be potentially eligible. A second estimate, which assumes a 4.8 percent pay raise--the amount proposed for Federal civilian employees--indicates that a maximum of about 14,550 members might be potentially eligible. As I said, these are maximum estimates. Not taken into account in making the estimates are:

--Variable housing allowance received by over 90 percent of Service members living off-base in the continental United States or other household income such as spouses' income, special and incentive pays, and enlistment or reenlistment bonuses, all of which must be considered in determining individual eligibility.

--The estimated 20 percent of enlisted members living overseas who are not eligible for food stamps by virtue of not living in the United States.

Also, of those military families we estimated might be potentially eligible for food stamps, over 90 percent live in Government-furnished quarters. If the Agriculture Department counted the value of compensation received in-kind in determining food stamp eligibility, most of these people would not qualify for food stamps. However, since income received in-kind is not currently considered by Agriculture, these people may be legally eligible for, although not necessarily in need of, food stamps. While a few low graded military families may be truly in need of food stamps because of their large families, we believe that number is indeed very small and that food stamps should not be an issue used to justify an across-the-board pay raise.

What are the alternatives to
an across-the-board pay raise

We agree that the military Services are facing some serious manpower problems that need to be dealt with, but the question is how to deal with them in the most cost effective and efficient

manner. Some of the problems originated 8 to 10 years ago when reenlistments were at an extremely low level. In our view, it is highly unlikely that across-the-board pay raises will have much impact on the current problems resulting from that period. Further, we do not believe that an across-the-board approach is the best or most efficient way to solve the skill imbalance problems facing the military Services. Not only would such an approach have little positive impact, there is a high risk that it would only serve to make the situation worse in future years.

During the current debate on the military pay raise, various proposals have been made to "target" the raise. We firmly support the concept of focusing the money to solve specific manpower problems; however, most of the targeting proposals are to give a different percentage increase to the various enlisted and officer grade levels. While this idea has one advantage over an across-the-board pay raise in that it would relieve the pay compression which currently exists between a few grade levels, such targeting would have little impact on what we see as a much more serious problem--that of skill imbalance. Our concept of targeting is to manage by skill or occupation group and to use pay as a management tool to solve specific manpower problems.

As I mentioned earlier in my statement, we believe that fundamental changes are needed in the way military members are managed and paid. I did not address these fundamental changes in detail; however, we believe that until some basic military management concepts change--such as management by skill or

occupation--and reforms are instituted with regard to both the pay and retirement systems, the Congress and the Defense Department will continue to face the dilemma facing us today.

We fully recognize that fundamental changes will not come easily. Nevertheless, we believe that there are possible ways the military can improve its present manpower situation which would be more effective and less costly than an across-the-board pay raise. The new Army Enlisted Force Management Plan has suggested some ways to help overcome these manpower management problems. These include, among other things, (1) disassociating pay and grade for certain technical and skill dependent fields, (2) developing a program to selectively retain soldiers with 20-plus years of service in shortage skills, (3) developing a system to facilitate redistribution between Military Occupational Specialties to accommodate changing requirements, (4) using the promotion system as a motivator for reclassification and retention, and (5) using the retirement system to improve retention in critical skills.

In the past and today, promotion is too often viewed as the principal means of compensating an outstanding soldier. This has been to the detriment of the Services and the individual in the senior NCO grade, by promoting the soldier out of his occupational specialty and area of expertise and training investment. For this reason, the Army also plans to investigate decoupling grades from compensation and to rely more on performance and investment-based pay. We support these initiatives.

We believe that the key to solving many of the Services' manpower problems is to manage each skill individually and tailor specific solutions to specific problems. In this way, the Services could address shortage problems caused by competition from the private sector and by being unable to keep people in unattractive or unpleasant occupations. Management by skill would also help the Services deal with manpower surpluses where they exist. For example, for those skills which are highly marketable in the private sector, the Services could consider such things as:

- More vigorously pursuing their recruiting outreach programs aimed at enlisting prior Service members already trained in critical skills. This may require more liberal implementation of the policies concerning bonuses for prior Service members and restoration of rank.
- Increasing the use of tailored pay increases to attract and retain people with critically needed skills.
- Developing specific skill management programs that would include strategically-timed training programs to coincide with reenlistment, a tailored promotion program which would keep people in their skill rather than to promote them out of it, and a benefit package that would be competitive with the industry counterpart.
- Providing sufficient attraction, such as a lucrative bonus or extra-pay contract, to keep senior NCOs in critical skill shortages areas beyond the traditional 20-year retirement point. This may require some job restructuring

to put these people, who are now supervisors, back on the production line.

For those skills which are not highly marketable, but which are short because the jobs are undesirable or unattractive, the Services might consider other incentive packages such as:

--Providing variable career track options to encourage people to enlist or reenlist in specific unpleasant occupations. For example, if a person signed up for 2 years in the infantry, he would be given training for the second 2 years in a career of his choice.

--Returning to a policy of selectively providing "outplacement" training in a civilian occupation for people in military occupations which have no private sector counterpart.

--Making better use of post-service benefits to retain people in unglamorous skills for additional Service.

Those skills which are already in a surplus position should also be vigorously managed because, when the end-strength number is the critical number being managed against for every skill surplus, there must also be a countervailing skill shortage. Some things the Services might consider in this area could include:

--More vigorously pursuing retraining programs for people in surplus skills to get them into jobs where they are needed. This could possibly be made a reenlistment requirement for people who wish to reenlist in noncritical skills.

--Selectively using severance pay and deferred annuities to encourage untrainable people in surplus skills to leave the Service.

--Again, developing specific skill management programs, but for these skills, limit future pay raises until pay in these occupations reflect the pay for these skills in the private economy.

Mr. Chairman, let me say that we are not against pay increases for military members. We believe that each Service member, regardless of skill or occupation, should be afforded a standard of living comparable to that of his or her peers in the private sector. However, we believe that in this period of major cutbacks and belt-tightening, when all of our citizens are being asked to sacrifice and when programs such as Social Security are being proposed for major reductions, the Administration and the Congress should proceed very cautiously in providing a large across-the-board pay raise to the military. If the military is set up as a privileged class in our society, we run the risk of a backlash which ultimately could undo all you and the Administration are trying to accomplish in strengthening our Armed Forces.

In our opinion, any across-the-board pay raise in October should be limited to the amount established by the PATC survey and provided to Federal civil servants, currently projected to be 4.8 percent. Specific problems in recruiting or retaining critically needed skills should then be addressed individually. Not only do we believe that this approach would be far more

cost effective and palatable to taxpayers being asked to sacrifice in other areas to support the extra \$2.9 billion pay raise, we also believe that it is in the long-term interest of the Services and the Nation.

In summary, I would like to paraphrase a recent editorial which appeared in the March 27, 1981, Louisville Courier-Journal, because I believe it very nicely summed up the manpower problems facing the military. The editorial indicated that people are beginning to believe more and more that, rather than across-the-board pay raises, future raises should be tailored to attract and keep people with critical skills. It went on to say that the military has resisted such a move because this would mean that some personnel with critical skills would be paid more than others of the same rank.

As the editorial noted, rank is vitally important to the military and should not be dismissed lightly. It is one tradition that gives military organizations cohesiveness. However, it is time for the Armed Services to face economic reality. The Services must compete in the job market against industries that are looking for the same kinds of people they are trying to recruit and keep. This will mean that, increasingly, pay raises must be targeted to meet shortages of people with specific skills. Across-the-board pay raises may also occasionally be needed, but, more and more, the Services need to manage their personnel structure and pay policies on an occupation-by-occupation basis.

Mr. Chairman, this concludes my formal statement. My colleagues and I would be happy to respond to any questions you may have.

COMPARISON OF CUMULATIVE PAY INCREASES
FOR SELECTED MILITARY AND CIVIL SERVICE GRADES

The following is a simple comparison of cumulative pay increases for selected military and civil service grades. It shows that when comparing regular military compensation (RMC)--generally considered the equivalent of a civilian salary--with a comparable civil service salary, military pay increased at a substantially higher percentage rate than civil service pay.

This comparison does not include numerous other pay items which military members receive, including:

- Variable housing allowance currently paid to 56.5 percent of officers and 31 percent of enlisted members at average rates ranging from \$342 to \$3,015 per year.
- Overseas station allowance currently paid to 23.8 percent of officers and 22 percent of enlisted members at various average rates ranging from about \$100 per year to over \$7,800 per year.
- A wide variety of special pays and bonuses paid to about 25 percent of all service members. These special pays include such things as (1) special physicians pay, (2) physicians board certified pay, (3) additional retention pay for physicians, (4) dentist, optometrist and veterinarian special pay, (5) sea duty pay, (6) overseas extension pay, (7) proficiency pay, (8) enlistment bonuses--up to \$5,000, (9) reenlistment bonuses--up to \$20,000, (10) responsibility pay, (11) diving duty pay, (12) nuclear officer pay, (13) career sea pay, and (14) premium sea pay.

--A wide variety of incentive pays currently paid to about 31 percent of officers and 5 percent of enlisted members. These incentive pays include: (1) flying duty pay, (2) parachute jump pay, (3) demolition duty pay, (4) submarine duty pay, and (5) flight deck duty pay.

The comparison also does not include a wide variety of other benefits received by military members which are not available civil servants, including:

--Free health care for the member and, depending on availability, free health care for dependents.

--No contribution to retirement which is available upon completion of 20 years of service at 50 percent of basic pay. (Civil service employees contribute 7 percent of gross pay, and generally must complete 30 years of service before being eligible for retirement.)

--Commissary and exchange privileges.

The selected grades depicted below are for illustrative purposes only, and do not indicate work difficulty or grade level relationships between military and civil service grades.

	<u>RMC 1/</u>	<u>% Increases In RMC 2/</u>	<u>Salary</u>	<u>% Increases In Salary 2/</u>
	<u>E-3 (Under 2 Years of Service, Family Size 1)</u>		<u>GS-3, Step 1</u>	
1972	\$ 5,731	-	\$ 5,828	-
1974	7,020	22.5	6,764	16.1
1977	8,220	17.1	7,930	17.2
1980	10,593	28.9	9,766	23.2
<u>3/1981</u>	12,164	14.8	10,235	4.8
	Cumulative increase	112.2		75.6

	<u>RMC 1/</u>	<u>% Increases In RMC 2/</u>	<u>Salary</u>	<u>% Increases In Salary</u>
<u>E-7 (18 Years of Service Family Size 4)</u>			<u>GS-7, Step 10</u>	
1972	\$11,245	-	\$11,771	-
1974	13,412	19.3	13,679	16.2
1977	16,007	19.3	16,035	17.2
1980	20,435	27.7	19,747	23.1
<u>3/1981</u>	<u>23,535</u>	<u>15.2</u>	<u>20,695</u>	<u>4.8</u>
	Cumulative increase	109.3		75.8
<u>O-1 (Under 2 Years of Service, Family Size 1)</u>			<u>GS-7, Step 1</u>	
1972	\$ 8,772	-	\$ 9,053	-
1974	10,135	15.5	10,520	16.2
1977	12,009	18.5	12,336	17.3
1980	15,372	28.0	15,193	23.2
<u>3/1981</u>	<u>17,755</u>	<u>15.5</u>	<u>15,922</u>	<u>4.8</u>
	Cumulative increase	102.4		75.9
<u>O-4 (12 Years of Service, Family Size 4)</u>			<u>GS-13, Step 2</u>	
1972	\$18,213	-	\$19,362	-
1974	21,324	17.1	22,543	16.4
1977	25,400	19.1	26,889	19.3
1980	32,515	28.0	33,116	23.2
<u>3/1981</u>	<u>37,679</u>	<u>15.9</u>	<u>34,706</u>	<u>4.8</u>
	Cumulative increase	106.9		79.2
<u>O-6 (26 Years of Service, Family Size 4)</u>			<u>GS-15, Step 10</u>	
1972	\$28,496	-	\$33,260	-
1974	33,743	18.4	36,000	8.2
1977	40,525	20.1	47,025	30.6
1980	52,274	29.0	50,112	6.6
<u>3/1981</u>	<u>60,584</u>	<u>15.9</u>	<u>52,517</u>	<u>4.8</u>
	Cumulative increase	112.6		57.9
<u>O-7 (20 Years of Service, Family Size 4)</u>			<u>GS-16, Step 3</u>	
1972	\$32,542	-	\$31,656	-
1974	38,542	18.4	36,000	13.7
1977	46,639	21.0	45,251	25.7
1980	60,078	28.8	50,112	10.7
<u>3/1981</u>	<u>69,234</u>	<u>15.2</u>	<u>52,517</u>	<u>4.8</u>
	Cumulative increase	112.8		65.9

Footnotes

- 1/ Regular Military Pay (RMC) is the sum of basic pay, quarters and subsistence allowances, and the tax advantage which accrues because allowances are not subject to Federal income taxes. Not included in RMC are the numerous tax benefits provided by the various States.
- 2/ The percentage increase compares each year with the preceding year listed. The cumulative increase compares 1972 with 1980 subsequent to the October 1980 pay raise.
- 3/ The figures are based on the assumption that the October 1981 pay raise will be 4.8 percent for civilian employees and 14.3 percent for military personnel, except that basic pay for military personnel will be limited to the rate of basic pay for level V of the Executive Schedule which is estimated to be \$52,517 with the scheduled 4.8 percent pay raise.

Table 1
List of Major Pay Items in Addition to RMC
Air Force - Officers

	<u>Number</u>	<u>Percent of Officer Force 1/</u>	<u>Range of Rates 2/</u>
<u>Number of Officers</u>	101,209	<u>100.0</u>	
<u>Variable Housing Allowance</u>	<u>60,576</u>	<u>59.9</u>	\$629 to \$1,581
<u>Incentive Pays</u>	<u>38,664</u>	<u>38.2</u>	
Flying Duty Crew Members	37,223		\$1,500 to \$3,675
Flying Duty Noncrew Members	1,100		\$1,320
Parachute Jumping	55		\$1,320
Demolition Duty	100		\$1,320
Other Incentive Pays	186		\$1,320
<u>Special Pays</u>	<u>11,367</u>	<u>11.2</u>	
Variable Special Physicians Pay	3,574		\$6,636
Board Certified Pay (Physicians)	1,425		\$2,572
Retention Additional Special Pay (Physicians)	2,864		\$9,221
Incentive Medical Special Pay	500		\$6,844
Dentist Special Pay	1,520		\$2,420
Dentist Continuation Pay	1,088		\$7,879
Optometrist Special Pay	176		\$1,200
Veterinarians	220		\$1,200
<u>Station Allowance, Overseas</u>	<u>28,715</u>	<u>28.4</u>	
Cost-of-Living Overseas Allowance	7,568		\$1,069 to \$2,091
Overseas Housing Allowance	6,785		\$1,029 to \$7,803
Temporary Lodging Allowance	14,362		\$371

NOTE: Footnotes on page 37.

Table 2
List of Major Pay Items in Addition to RMC
Air Force - Enlisted

	<u>Number</u>	<u>Percent of</u> <u>Enlisted Force 1/</u>	<u>Range of</u> <u>Rates 2/</u>
<u>Number of Enlisted</u>	473,985	<u>100.0</u>	
<u>Variable Housing Allowance</u>	171,873	<u>36.3</u>	\$682 to \$1,442
<u>Incentive Pays</u>	13,560	<u>2.9</u>	
Flying Duty Crew Members	9,900		\$732 to \$1,572
Flying Duty Noncrew Members	1,425		\$660
Parachute Jumping	650		\$660
Demolition Duty	1,100		\$660
Other Incentive Pays	485		\$660
<u>Special Pays</u>	86,781	<u>18.3</u>	
Duty at Certain Places	51,300		\$96 to \$270
Diving Duty	3		\$780
Sea Duty	5		\$192
Overseas Extension Pay	1,167		\$600
Proficiency Pay Shortage Specialty	82		\$600 to \$1,200
Proficiency Pay Special Duty Assignment	4,153		\$600 to \$1,200
Reenlistment Bonus (Regular)	2,280		\$500 to \$1,300
Selective Reenlistment Bonus	24,829		\$1,391 to \$16,000
Enlistment Bonus	2,962		\$1,278 to \$5,000
<u>Station Allowance, Overseas</u>	155,012	<u>32.7</u>	
Cost-of-Living	47,385		\$753 to \$1,335
Singles Cost-of-Living	24,933		\$320
Housing Allowance	35,943		\$1,130 to \$2,923
Temporary Lodging Allowance	46,751		\$350

NOTE: Footnotes on page 37.

Table 3
List of Major Pay Items in Addition to RMC
Army - Officers

	<u>Number</u>	<u>Percent of Officer Force</u> 1/	<u>Range of Rates</u> 2/
<u>Number of Officers</u>	<u>99,857</u>	<u>100.0</u>	
<u>Variable Housing Allowance</u>	<u>44,758</u>	<u>44.8</u>	\$342 to \$3,015
<u>Incentive Pays</u>	<u>16,510</u>	<u>16.5</u>	
Flying Duty (Commissioned Officers)	7,908		\$1,500 to \$3,672
Flying Duty (Warrant Officers)	5,533		\$1,500 to \$3,000
Flying Duty - Noncrew Members	265		\$1,320
Parachute Jumping	2,640		\$1,320
Demolition Duty	162		\$1,320
Other Incentive Pays	2		\$1,320
<u>Special Pays</u>	<u>13,454</u>	<u>13.5</u>	
Variable Special Physicians Pay	4,711		\$6,497
Board Certified Pay (Physicians)	2,001		\$2,909
Retention Additional Special Pay (Physicians)	3,372		\$9,297
Dentist Special Pay	1,820		\$2,521
Dentist Continuation Pay	970		\$9,635
Optometrist Special Pay	210		\$1,200
Veterinarians	365		\$1,200
Diving Duty Pay	5		\$1,320
<u>Station Allowance, Overseas</u>	<u>26,308</u>	<u>26.3</u>	
Cost-of-Living	6,641		\$698 to \$2,024
Housing Allowance	7,098		\$761 to \$7,488
Temporary Lodging Allowance	12,569		\$751

NOTE: Footnotes on page 37.

Table 4
List of Major Pay Items in Addition to RMC
Army - Enlisted

	<u>Number</u>	<u>Percent of Enlisted Force 1/</u>	<u>Range of Rates 2/</u>
<u>Number of Enlisted</u>	670,477	100.0	
<u>Variable Housing Allowance</u>	170,835	25.4	\$565 to \$1,199
<u>Incentive Pays</u>	32,525	4.9	
Flying Duty Crew Members	4,220		\$828 to \$1,572
Flying Duty Noncrew Members	2,600		\$660
Parachute Jumping	24,860		\$660
Demolition Duty	803		\$660
Other Incentive Pays	42		\$660
<u>Special Pays</u>	177,201	26.4	
Duty at Certain Places	58,559		\$96 to \$270
Diving Duty Pay	52		\$1,045
Overseas Extension Pay	2,094		\$600
Proficiency Pay	45,802		
Reenlistment Bonus (Regular)	1,118		\$721 to \$920
Selective Reenlistment Bonus	43,104		\$972 to \$16,000
Enlistment Bonus	26,472		\$3,364 to \$5,000
<u>Station Allowance, Overseas</u>	133,815	20.0	
Cost-of-Living	61,303		\$100 to \$903
Housing Allowance	42,235		\$960 to \$2,316
Temporary Lodging Allowance	30,277		\$940

NOTE: Footnotes on page 37.

Table 5
List of Major Pay Items in Addition to RMC
Navy - Officers

	<u>Number</u>	<u>Percent of Officer Force</u> 1/	<u>Range of Rates</u> 2/
<u>Number of Officers</u>	<u>65,654</u>	<u>100.0</u>	
<u>Variable Housing Allowance</u>	<u>43,774</u>	<u>66.7</u>	\$611 to \$3,000
<u>Incentive Pays</u>	<u>28,097</u>	<u>42.8</u>	
Flying Duty (Commissioned Officers)	16,416		\$1,500 to \$3,672
Flying Duty Continuation Pay	6,831		\$5,803 to \$6,123
Flying Duty - Noncrew Members	65		\$1,320
Submarine Duty	3,847		\$1,805 to \$4,987
Parachute Jumping	288		\$1,320
Demolition Duty	320		\$1,320
Flight Deck Duty	270		\$1,320
Other Incentive Pays	60		\$1,320
<u>Special Pays</u>	<u>22,648</u>	<u>34.4</u>	
Variable Physicians Special Pay	3,622		\$5,796
Additional Physician Special Pay	2,639		\$9,310
Board Certified Pay (Physicians)	1,209		\$2,969
Dentist Special Pay	1,599		\$2,674
Dentist Continuation Pay	1,001		\$8,683
Optometrist Special Pay	149		\$1,200
Responsibility Pay	900		\$1,289
Diving Duty Pay	296		\$1,320
Nuclear Officer Incentive Pay	2,628		\$5,277
Career Sea Pay	8,105		\$1,984 to \$3,536
Premium Sea Pay	500		\$1,200
<u>Station Allowance, Overseas</u>	<u>8,755</u>	<u>13.3</u>	
Cost-of-Living Housing Allowance	6,075		\$893
	2,680		\$2,703

NOTE: Footnotes on page 37.

Table 6
List of Major Pay Items in Addition to RMC
Navy - Enlisted

	<u>Number</u>	<u>Percent of</u> <u>Enlisted Force</u> 1/	<u>Range of</u> <u>Rates</u> 2/
<u>Number of Enlisted</u>	476,086	<u>100.0</u>	
<u>Variable Housing Allowance</u>	172,652	<u>36.3</u>	\$741 to \$1,450
<u>Incentive Pays</u>	41,644	<u>8.7</u>	
Flying Duty Crew Members	7,926		\$782 to \$1,572
Flying Duty Noncrew Members	441		\$660
Submarine Duty	24,662		\$659 to \$3,179
Parachute Jumping	780		\$660
Demolition Duty	850		\$660
Flight Deck Duty	6,820		\$660
Other Incentive Pays	165		\$660
<u>Special Pays</u>	180,164	<u>37.8</u>	
Sea Duty, Career	91,085		\$1,021 to \$3,195
Premium Sea Pay	5,917		\$1,200
Duty at Certain Places	25,133		\$96 to \$270
Diving Duty Pay	1,658		\$1,120
Overseas Extension Pay	320		\$600
Proficiency Pay	14,031		\$360 to \$1,800
Reenlistment Bonus	34,635		\$500 to \$20,000
Enlistment Bonus	7,385		\$1,693 to \$5,000
<u>Station Allowance, Overseas</u>	63,509	<u>13.3</u>	
Cost-of-Living	49,218		\$481
Housing Allowance	14,291		\$1,437

NOTE: Footnotes on page 37.

Table 7
List of Major Pay Items in Addition to RMC
Marine Corps - Officers

	<u>Number</u>	<u>Percent of Officer Force</u> 1/	<u>Range of Rates</u> 2/
<u>Number of Officers</u>	<u>18,358</u>	<u>100.0</u>	
<u>Variable Housing Allowance</u>	<u>11,954</u>	<u>65.1</u>	\$657 to \$2,625
<u>Incentive Pays</u>	<u>7,140</u>	<u>38.9</u>	
Flying Duty - Crew Members (Commissioned Officers)	4,797		\$1,500 to \$3,675
Flying Duty - Crew Members (Warrant Officers)	48		\$1,500 to \$3,000
Flying Duty - Noncrew Members	82		\$1,620
Continuation Bonus	2,097		\$5,722
Parachute Jumping	72		\$1,320
Demolition Duty	44		\$1,320
<u>Special Pays</u>	<u>227</u>	<u>1.2</u>	
Diving Duty Pay	36		\$1,320
Career Sea Pay	191		\$3,000
<u>Station Allowance, Overseas</u>	<u>4,217</u>	<u>23.0</u>	
Cost-of-Living Housing Allowance	3,142		\$413 to \$710
Temporary Lodging Allowance	750		\$2,209
	325		\$1,995

NOTE: Footnotes on page 37.

Table 8
List of Major Pay Items in Addition to RMC
Marine Corps - Enlisted

	<u>Number</u>	<u>Percent of Enlisted Force 1/</u>	<u>Range of Rates 2/</u>
<u>Number of Enlisted</u>	<u>171,656</u>	<u>100.0</u>	
<u>Variable Housing Allowance</u>	<u>40,719</u>	<u>23.7</u>	\$806 to \$1,238
<u>Incentive Pays</u>	<u>2,578</u>	<u>1.5</u>	
Flying Duty Crew Members	1,322		\$750 to \$1,563
Flying Duty Noncrew Members	588		\$827
Parachute Jumping	500		\$660
Demolition Duty	168		\$660
<u>Special Pays</u>	<u>43,898</u>	<u>25.6</u>	
Duty at Certain Places	27,026		\$96 to \$2,403
Diving Duty Pay	215		\$780
Overseas Extension Pay	560		\$600
Proficiency Pay	4,098		\$360 to \$1,800
Reenlistment Bonus	8,612		\$1,456 to \$16,000
Enlistment Bonus	3,387		\$3,000 to \$5,000
<u>Station Allowance, Overseas</u>	<u>41,892</u>	<u>24.4</u>	
Cost-of-Living	39,022		\$267 to \$566
Housing Allowance	2,087		\$1,828
Temporary Lodging Allowance	783		\$1,535

NOTE: Footnotes on page 37.

- 1/ Data is not currently available to indicate how many individual Service members are receiving multiple special and incentive pays.
- 2/ Most dollar amounts represent an average amount or range as computed in the Fiscal Year 1982 Service Justification Estimates. However, the maximum bonus amounts are identified for enlistment and reenlistment bonuses.

MILITARY PAY AND BENEFITS
FOR SELECTED RANKS

LIST OF ABBREVIATIONS

ACIP	Aviation career incentive pay
BAQ	Basic allowance for quarters
BAS	Basic allowance for subsistence
BP	Basic pay
COLA	Cost-of-living allowance
CMA	Clothing maintenance allowance
FICA	Government's contribution to social security
MED PAY	Medical pay
Sep. Rat.	Separate rations
SRB	Selective reenlistment bonus
VHA	Variable housing allowance

Service: Air Force

Pay Grade: E-4

Over 4 Years of Service, married, receiving Variable
Housing Allowance

Compensation

Cash pay elements

BP	\$8,726
BAQ	2,473
BAS	983
CMA	90
VHA	<u>1,142</u>

Subtotal	\$13,415
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<u>Tax Advantage</u>	837
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Benefits

Retirement <u>1/</u> (Actuarial Evaluation)	\$4,299
Health Care <u>2/</u>	564
Commissary and Exchange <u>3/</u>	139
FICA <u>4/</u>	<u>580</u>

Subtotal	<u>5,582</u>
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Total	<u>\$19,834</u>
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Service: Army

Pay Grade: E-5

Over 4 Years of Service, married, receiving Variable
Housing Allowance

Compensation

Cash pay elements

BP	\$8,971
BAQ	2,812
CMA	122
COLA	1,294
VHA	1,613
BAS (Sep. Rat.)	<u>1,324</u>

Subtotal

\$16,136

Tax Advantage

927

Benefits

Retirement <u>1/</u> (Actuarial Valuation)	\$4,420
Health Care <u>2/</u>	869
Commissary and Exchange <u>3/</u>	139
FICA <u>4/</u>	<u>597</u>

Subtotal

6,025

Total

\$23,088

Service: Air Force

Pay Grade: E-6

Years of Service: Over 14, married, receiving Variable
Housing Allowance

Compensation

Cash pay elements

BP	\$12,280
BAQ	3,060
BAS	1,324
VHA	1,411
CMA	<u>90</u>

Subtotal

\$18,165

Tax Advantage

1,058

Benefits

Retirement <u>1/</u>	6,050
Health Care <u>2/</u>	1,477
Commissary and Exchange <u>3/</u>	139
FICA <u>4/</u>	<u>817</u>

Subtotal

8,483

Total Compensation
and Benefits

\$27,706

Service: Air Force

Pay Grade: E-7

Years of Service: Over 18, married, living on post

Compensation

Cash pay elements

BP	\$14,443
BAQ*	3,326
BAS	1,324
CMA	<u>90</u>

Subtotal \$19,183

Tax Advantage 1,173

Benefits

Retirement <u>1/</u>	\$ 7,116
Health Care <u>2/</u>	1,781
Commissary and Exchange <u>3/</u>	139
FICA <u>4/</u>	<u>960</u>

Subtotal 9,996

Total Compensation and Benefits \$30,352

*Estimated value of inkind quarters.

Service: Air Force

Pay Grade: O-3

6 Years of Service

Married, living on post, receiving flight pay

Compensation

Cash pay elements

BP	\$20,304
BAQ*	4,104
BAS	991
ACIP	<u>3,672</u>

Subtotal	\$29,071
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<u>Tax Advantage</u>	1,916
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Benefits

Retirement <u>1/</u> (Actuarial valuation)	\$10,004
Health Care <u>2/</u>	869
Commissary and Exchange <u>3/</u>	139
FICA <u>4/</u>	<u>1,350</u>

Subtotal	<u>12,362</u>
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Total	<u>\$43,349</u>
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*Living on post estimated value of inkind quarters.

Service: Navy

Pay Grade: O-3

Years of Service: Over 6, married, receiving flight pay and
Variable Housing Allowance

Compensation

Cash pay elements

BP	\$20,304	
BAQ	4,104	
BAS	991	
VHA	376	
Flight pay	<u>3,592</u>	
Subtotal		\$29,367

<u>Tax Advantage</u>		1,916
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Benefits

Retirement <u>1/</u>	10,004	
Health Care <u>2/</u>	869	
Commissary and Exchange <u>3/</u>	139	
FICA <u>4/</u>	<u>1,350</u>	
Subtotal		<u>12,362</u>
Total Compensation and Benefits		\$43,645

Service: Navy

Pay Grade: O-4

Years of Service: Over 14, married, receiving Variable
Housing Allowance

Compensation

Cash pay elements

BP	\$25,704	
BAQ	4,565	
BAS	991	
VHA	<u>1,058</u>	
Subtotal		\$32,318

<u>Tax Advantage</u>		2,444
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Benefits

Retirement <u>1/</u>	12,664	
Health Care <u>2/</u>	1,477	
Commissary and Exchange <u>3/</u>	139	
FICA <u>4/</u>	<u>1,709</u>	
Subtotal		<u>15,989</u>

Total Compensation and Benefits		\$50,751
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Service: Air Force

Pay Grade: O-5

22 Years of Service

Married - 2 Exemptions, receiving medical pay and variable housing allowance

Compensation

Cash pay elements

BP	\$32,969
BAQ	5,116
BAS	991
MED PAY	13,248
VHA	<u>1,882</u>

Subtotal \$54,206

Tax Advantage 4,161

Benefits

Retirement	
(Actuarial valuation) <u>1/</u>	\$16,244
Health Care <u>2/</u>	869
Commissary and Exchange <u>3/</u>	139
FICA <u>4/</u>	<u>1,975</u>

Subtotal 19,227

Total \$77,594

Service: Navy

Pay Grade: O-7

Years of Service: Over 27 years of service, married, receiving
Variable Housing Allowance

Compensation

Cash pay elements

BP	\$45,990
BAQ	6,422
BAS	991
VHA	<u>2,957</u>

Subtotal \$56,360

Tax Advantage 6,910

Benefits

Retirement <u>1/</u>	22,659
Hospital Care <u>2/</u>	869
Commissary and Exchange <u>3/</u>	139
FICA <u>4/</u>	<u>1,975</u>

Subtotal 25,642

Total Compensation and Benefits \$88,912

Service: Air Force

Pay Grade: Brigadier General 0-7

20 Years of Service

Married (Claiming 2 Exemptions), living on post, receiving flight pay

Compensation

Cash pay elements

BP	\$45,990
BAQ*	6,422
BAS	991
ACIP	2,400
COLA	<u>244</u>

Subtotal	\$56,047
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<u>Tax Advantage</u>	6,910
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Benefits

Retirement <u>1/</u> (Actuarial valuation)	\$22,659
Health Care <u>2/</u>	869
Commissary and Exchange <u>3/</u>	139
FICA <u>4/</u>	<u>1,975</u>

Subtotal	<u>25,642</u>
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Total	<u>\$88,599</u>
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*Living on post, estimated value of inkind quarters.

- 1/Normal cost for military retirement is 49.27 percent. Normal cost computation based on economic assumptions that long-term average annual rates of inflation will be 5 percent, pay increases will be 5.5 percent, and the interest rate will be 6 percent.
- 2/Estimate is probably underestimated because the data is not current. Based on actual per capita costs (fiscal year 1973) of \$426.99 per service member and \$230.57 per each dependent, escalated at 32 percent--the increase in total DOD spending for medical operations from fiscal year 1973 to fiscal year 1976.
- 3/Estimate is probably underestimated because the data is not current. Based on per capita costs of appropriated funds for commissary and exchange operations. Per capita costs allocated only to active duty personnel.
- 4/Government's contribution to social security.

PAY CHANGE FOR SAMPLE CRITICAL SKILLS IN NAVY*
 PETTY OFFICER 2D CLASS (E-5) OVER 4 YEARS
 OF SERVICE ASSIGNED NORFOLK
 MARRIED WITH ONE CHILD

	<u>OPERATIONS SPECIALIST</u>		<u>SUBMARINE NUCLEAR PROPULSION</u>	
	<u>FY 80</u>	<u>FY 81</u>	<u>FY 80</u>	<u>FY 81</u>
Basic Pay	\$8031	\$8971	\$8031	\$8971
Quarters	2516	2812	2516	2812
Subsistence	1172	1438	1172	1438
VHA	-	854	-	854
Sea Pay	300	2100	300	2100
Sub Pay	-	-	960	1560
Pro Pay	-	-	1800	1800
Bonus <u>1/</u>	669	4486	4016	4486
Tax Advantage	<u>923</u>	<u>1476</u>	<u>1011</u>	<u>1743</u>
Total	<u>\$13612</u>	<u>\$22136</u>	<u>\$19806</u>	<u>\$25764</u>
Nominal Increase		63%		30%

1/Annualized assuming a reelistment of 3 years

*Estimated calculations.

ESTIMATED NUMBER OF MILITARY
PERSONNEL ELIGIBLE FOR FOOD STAMPS

Based on the proposed new food stamp eligibility criteria, we estimate that the following number of military personnel could be potentially eligible to receive food stamps.

Estimate assuming a 14.3 percent
across-the-board pay raise

<u>Military Grade</u>	<u>Number Potentially Eligible</u>
E-1	143
E-2	127
E-3	565
E-4	1,726
E-5	2,153
E-6	9
Total	<u>4,723</u>

Estimate assuming a 4.8 percent
across the board pay raise

<u>Military Grade</u>	<u>Number Potentially Eligible</u>
E-1	293
E-2	309
E-3	1,145
E-4	5,148
E-5	6,889
E-6	770
Total	<u>14,554</u>

These are very conservative estimates, and it is likely that the number of military people eligible for food stamps would be much smaller, for the following reasons:

- Because of the multiplicity of rates used to compute the variable housing allowance (VHA) rates, we did not include this allowance in our computation. However, 98 percent

of Service members living off-base in the continental United States receive VHA. According to our calculations with the 14.3 percent pay raise, about 397 of the potentially eligible members receive VHA. With a 4.8 percent pay raise, about 1,268 of the potentially eligible members receive VHA. As indicated below, most of the remainder live on-base in Government-furnished quarters.

--Most E-1s and E-2s remain in grade only about 6 months and are then promoted to a higher pay grade. Under the new food stamp criteria, annual gross earnings are the first test of eligibility.

--According to our calculation, of the 4,723 members potentially eligible for food stamps after a 14.3 percent pay raise, 4,401 live in Government-furnished quarters. Of the 14,554 members potentially eligible after a 4.8 percent October 1981 pay raise, 13,260 live in Government-furnished quarters. Because the Department of Agriculture does not include compensation received in-kind in its eligibility test, these individuals could potentially be eligible for food stamps. However, if these people lived off-base and received cash in lieu of quarters or if in-kind compensation was counted, most of these members would not be eligible for food stamps.

--Our estimate does not include other household income such as spouses' income, income from second jobs, or amounts

from special pays and bonuses, even though the Agriculture Department considers all cash income for eligibility.

--Military personnel stationed overseas are not eligible for food stamps. On average, about 23 percent of enlisted members are stationed overseas, and this amount could be deducted from the estimated number potentially eligible.

In summary, regardless of the amount of the October 1981 pay raise, the number of military members legitimately eligible for or needing food stamps is very small, either because they are receiving an additional variable housing allowance or because they are living in Government-furnished quarters with all utilities except telephone paid.