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BY THE U.S. GENERAL ACCOUNTING OFFICE

Report To The Secretary Of The Army

Army Incentive Funds Need More Effective Targeting To Reduce Critical Personnel Shortages

In authorizing the Selected Reserve Incentive Program, the Congress intended that it be used to reduce personnel shortages in those skills and units most essential to the Nation's mobilization capability. Although it is Army policy to target incentives to high-priority units and critical skills, GAO estimates that over one-third of the incentives awarded in fiscal year 1981 went to persons with noncritical skills in low-priority units.

Furthermore, although expenditures increased four-fold between fiscal years 1979 and 1982, the Army has not determined the effectiveness of incentives in assisting recruiting and retention efforts. As a result, the Army spent about \$110 million during fiscal years 1979 through 1982 without knowing what effect incentives have had on improving the strength levels of essential units and skills.

GAO recommends that the Secretary of the Army make eligibility criteria for incentive funds more stringent and evaluate the program's effectiveness.



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GAO/FPCD-83-10

MARCH 2, 1983

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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

FEDERAL PERSONNEL AND
COMPENSATION DIVISION

B-208213

The Honorable John O. Marsh, Jr.
The Secretary of the Army

Attention: The Inspector General
DAIG-AI


Dear Mr. Secretary:

This report discusses the Army's Selected Reserve Incentive Program and whether the Army is (1) targeting incentive funds to correct the more critical personnel shortages in units and skills and (2) adequately evaluating the incentives' effects on strength levels.

The report contains recommendations to you on pages 16 and 23. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report. A written statement must also be submitted to the House and Senate Committees on Appropriations with an agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the Secretary of Defense; the Director, Office of Management and Budget; and the Chairmen, House and Senate Committees on Appropriations and Armed Services, House Committee on Government Operations, and Senate Committee on Governmental Affairs.

Sincerely yours,


Clifford I. Gould
Director



D I G E S T

Under the Total Force Policy adopted by the Department of Defense in 1973, a major share of the responsibility for meeting national defense needs was shifted to the Selected Reserve (National Guard and Reserve units). Although the steady decline in Selected Reserve strength over the past several years has been reversed, a serious shortage of personnel still exists in those skills and units most essential to the Nation's mobilization capability. (See p. 1.)

To help reduce these personnel shortages, the Congress authorized the Selected Reserve Incentive Program in 1979. The Congress intended that incentive funds be used selectively and as an extraordinary measure to correct critical personnel shortages in National Guard and Reserve units. (See p. 7.)

GAO made this review to determine whether the Army was (1) targeting incentive funds to correct the more critical personnel shortages in units and skills and (2) adequately evaluating the incentives' effects on strength levels. (See p. 3.)

ARMY NEEDS TO MORE EFFECTIVELY
TARGET INCENTIVE FUNDS

Although it is Army policy to target incentives to high-priority units and critical skills, GAO found that about one of every three incentives awarded in fiscal year 1981 went to persons with noncritical skills in low-priority units. The poor use of incentive funds resulted from changes in criteria the Army used to determine eligibility for incentives. (See pp. 7 and 9.)

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Originally, incentive eligibility was based solely on unit priority, as indicated by deployment schedules. In fiscal year 1981, however, criteria were revised to emphasize the importance of mobilization missions. In addition, critical skills (regardless of unit priority) were added to the eligibility criteria. (See pp. 7 and 9.)

GAO found that units no longer classified as high priority under the revised criteria continued to be eligible to award new incentives. Furthermore, eligibility based on critical skills was applied to career management fields--groupings of related skills--and most of the eligible fields included one or more specific occupations that were not in short supply. Moreover, the Army did not know whether incentives were being effectively targeted because it had not developed an adequate reporting system on the use of incentives. (See pp. 10 and 13.)

Beginning in fiscal year 1983, the Army deleted low-priority units from incentive eligibility and began basing eligibility for critical skills on specific occupations rather than the broader career management fields. The Army also added a sixth priority group (which includes a large number of units) to the five priority groups previously eligible, even though the mission of units in the sixth priority group had not changed. (See p. 12.)

ARMY NEEDS TO DETERMINE
THE EFFECTIVENESS OF THE
INCENTIVE PROGRAM

The Army needs to know how well the incentive program is achieving its objective of improving the strength levels of the most essential National Guard and Reserve units. Although expenditures for the incentive program increased four-fold between fiscal years 1979 and 1982, the Army has not determined the effectiveness of the incentives in assisting Selected Reserve recruiting and retention efforts. (See p. 18.)

During the early years of the incentive program, GAO reported that the Army needed to develop and implement a plan for evaluating the program. Although Army program officials agreed that an evaluation plan was needed, their emphasis was on implementing and administering the program. As a result, data is not available to determine whether the program is reducing personnel shortages in essential units and skills or to assist the Congress in determining whether the program should be modified. (See p. 19.)

RECOMMENDATIONS

GAO recommends that the Secretary of the Army

- examine the strength level and wartime mission of each unit in the sixth priority group and limit eligibility to those units having critical personnel shortages and the most vital missions within the group;
- minimize the use of incentives for persons with noncritical skills in high-priority units and develop a reporting system on the use of incentives;
- discuss eligibility criteria, relative to congressional intent of the program, when testifying in connection with congressional oversight hearings and appropriations requests;
- develop and implement a plan for evaluating the incentive program which would provide significant, valid, and reliable information on the program's effect on essential skills or units;
- use the results of the evaluation as a basis for making any necessary program adjustments; and
- discuss evaluation results when testifying in connection with congressional oversight hearings and appropriations requests. (See pp. 16 and 23.)

AGENCY COMMENTS

The Department of Defense and the Army generally agreed with GAO's findings concerning the fiscal

year 1981 program. In response to GAO's draft report, the Army said that, on October 1, 1982, it implemented GAO's proposals to (1) delete low-priority units from incentive eligibility and (2) base critical skills eligibility on specific occupations rather than the broader career management fields. The Army also informed GAO that it had expanded unit eligibility to include an additional priority group. Because GAO believes that the blanket inclusion of a sixth priority group is not justified, it has added a recommendation in this report to correct the problem. (See p. 16.)

The Army did not agree to minimize use of incentives for noncritical skills in high-priority units because it believes that all skills in such units are equally important. GAO believes that, given alternatives, a more effective use of resources would result from giving priority to critical skills. The Army did agree to evaluate the incentive program to determine its specific contributions. (See pp. 17 and 23.)

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ABBREVIATIONS

CMF	career management field
FORSCOM	U.S. Army Forces Command
GAO	General Accounting Office
MOS	military occupational specialty

CHAPTER 1

INTRODUCTION

Under the Total Force Policy adopted by the Department of Defense in 1973, a major share of the responsibility for meeting national defense needs was shifted to the Selected Reserve (National Guard and Reserve units). In the event of a war or national emergency requiring full mobilization, Army National Guard and U.S. Army Reserve units would provide 52 percent of the infantry and armor battalions, 57 percent of the field artillery battalions, 65 percent of the combat engineer battalions, and 67 percent of the tactical support units. In addition, several Army National Guard and Reserve units are scheduled to deploy before some Active Force units.

Although the steady decline in Selected Reserve strength over the past several years has been reversed, a shortage of personnel still exists in those skills and units most essential to the Nation's mobilization capability. To help reduce these personnel shortages, the Congress authorized the Selected Reserve Incentive Program.

SELECTED RESERVE INCENTIVE PROGRAM

The Congress authorized the Department of Defense to award reenlistment and educational assistance incentives in 1977, and it funded a fiscal year 1978 program to test reenlistment financial incentives directed at improving strength levels in the Army Selected Reserve.

In fiscal year 1979, the Congress provided incentive program funds to the Selected Reserve for all military services and authorized cash bonuses for initial enlistments. Cumulatively, the incentives make up the Army's Selected Reserve Incentive Program. The primary objective of the Army program is to improve the personnel readiness of selected units and military occupational specialties (MOSSs), by increasing the number of enlistments or reenlistments and by stabilizing the number of unit personnel through longer service commitments.

To be eligible for an enlistment cash bonus or educational assistance in the Army program, a person must (1) enlist in a Selected Reserve unit for not less than 6 years, (2) be a graduate of a secondary school, and (3) never have served in the military. Eligibility for the reenlistment cash bonus is limited to members who (1) have less than 9 years' total military service and (2) reenlist or extend a current enlistment in a high-priority unit or a critically short occupation.

The enlistment cash bonus is \$1,500 in a designated unit or \$2,000 in a designated skill. One-half of the bonus is paid upon satisfactory completion of initial active duty training; one-quarter at the satisfactory completion of the second year;

and one-quarter at the satisfactory completion of the fourth year. The educational assistance cash bonus is \$4,000; however, the amount provided cannot exceed \$1,000 in any 12-month period. The reenlistment cash bonus is \$1,800 for a 6-year reenlistment, and \$900 for a 3-year reenlistment. One-half of the bonus amount is paid upon the effective date of reenlistment, with the balance paid in annual installments of \$150 over the remainder of the contract period. In the event of unsatisfactory unit participation, a member must refund a prorated amount of the cash bonus received on the basis of the amount of time served.

From fiscal years 1979 to 1981, over 90 percent of the incentive program participants were in the Army Selected Reserve. As of September 30, 1981, Defense reported that over 55,000 Army National Guard and Reserve members had received incentive payments. About 53 percent of these persons received reenlistment cash bonuses, about 47 percent received enlistment cash bonuses, and less than 1 percent received educational assistance incentive payments. In fiscal year 1981, the cost of the incentive program had more than tripled since fiscal year 1979, as shown in the following table.

	<u>FY 1979</u>	<u>FY 1980</u>	<u>FY 1981</u>
	----- (millions) -----		
Army National Guard	\$6.3	\$14.0	\$22.8
Army Reserve	<u>4.2</u>	<u>6.7</u>	<u>10.8</u>
Total	<u>\$10.5</u>	<u>\$20.7</u>	<u>\$33.6</u>

In fiscal year 1982, the Army spent about \$45 million and received \$56.2 million for incentives in fiscal year 1983.

ORGANIZATIONAL RESPONSIBILITIES

Under the authorizing legislation, the incentive program is to be administered under regulations prescribed by the Secretary of Defense. Within Defense, this responsibility has been delegated to the Office of the Assistant Secretary of Defense (Manpower, Reserve Affairs and Logistics). For fiscal years 1979 and 1980, this Office approved units and skills designated by each service as eligible for the incentive program. In fiscal year 1981, approval authority was delegated to the Secretary of each military service.

Within the Army, the Office of the Deputy Chief of Staff for Personnel manages the incentive program. U.S. Army Forces Command (FORSCOM) is responsible for the mobilization and deployment planning of all Army Selected Reserve units and, in coordination with the Office of Chief, Army Reserve, supervises the operation of the Army Reserve program. For the Army National Guard, direct management is the responsibility of the National Guard Bureau's Personnel Division, Enlisted and Special Activities Branch.

Responsibility for carrying out the incentive program has been delegated to

- the U.S. Army Recruiting Command, which implements the enlistment and education assistance incentives in the Army Reserve;
- the individual Army Reserve commands, which implement the reenlistment incentives in their Reserve units; and
- the individual State Army National Guard offices, which manage and implement the enlistment and reenlistment incentives in their States.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our objectives were to determine whether the Army was (1) targeting incentive funds to correct the more critical personnel shortages in units and skills and (2) adequately evaluating the incentives' effects on strength levels. We focused our work on incentives in the Army Selected Reserve because the Army has the most significant personnel shortages and has made the most use of incentive program funds.

We worked primarily in the Office of the Secretary of Defense and Army Headquarters in Washington, D.C., and at 20 Selected Reserve units participating in the incentive program in the States of California and Indiana. California includes units generally below the national average when assigned strength is compared to authorized; whereas, Indiana includes units above the national average. We also held discussions with FORSCOM, Recruiting Command, Reserve Command, and State National Guard officials responsible for recruitment and retention programs.

To determine how incentives were being targeted among units and skills, we analyzed Defense Manpower Data Center computer

information on all incentive commitments the Army made in fiscal year 1981. This was the latest complete yearly data that was available during our review. Army criteria established in fiscal year 1981 allowed persons to qualify for the incentive program if they were assigned to high-priority units or worked in a critical career management field (CMF). CMF is the grouping of related military occupational specialties. The higher priority units were those identified by FORSCOM based on missions, usually within 30 days of mobilization. The lower priority units have mobilization missions usually later than 30 days. Accordingly, for the purpose of classifying incentive commitments, we labeled units high priority or low priority on the basis of the Army's criteria for designating unit priorities.

We departed from the Army's CMF eligibility criteria (generally below 80 percent of authorized strength) and, for our analysis, considered the assigned strength of specific occupations. We designated occupations critical or noncritical on the basis of whether the occupation's assigned strength was below (critical) or above (noncritical) 80 percent of authorized strength. We did this because, in our opinion, it better identified significant skills shortages. CMFs can include one or more specific occupations that are not in short supply.

We obtained information identifying the priority status of all National Guard and Reserve units. To determine whether incentives went to members in the highest priority units, we ascertained and analyzed the priority status of all units to which recipients were assigned. Also, to determine whether recipients had critical or noncritical skills, we matched the specific occupations of all recipients with the strength levels of those occupations. To evaluate the potential effect restricting incentive eligibility to high-priority units and critical skills might have, we analyzed the total committed costs related to the approximately 27,000 incentives awarded in 1981.

We visited 20 National Guard and Reserve units in California and Indiana to determine how the local unit commanders and retention officials were targeting reenlistment incentives. We also discussed with the various recruiting officials serving those units how enlistment incentives were being targeted.

In assessing whether the Army had adequately evaluated the incentives' effects on strength levels, we reviewed all pertinent information generated on the program and discussed the data with Defense and Army officials. We also discussed with Defense and Army officials their plans for conducting future evaluations of the incentive program. In addition, we reviewed the information Defense is providing to the Congress on the program. Our review, which was conducted between March 1981 and March 1982, was performed in accordance with generally accepted Government audit standards.

CHAPTER 2

ARMY NEEDS TO MORE EFFECTIVELY

TARGET INCENTIVE FUNDS

In authorizing the Selected Reserve Incentive Program, the Congress intended that it be used selectively and as an extraordinary measure to correct shortages in those skills or units most essential to the Nation's mobilization capability. We found, however, that the Army did not effectively target incentive funds to correct the more critical personnel shortages of National Guard and Reserve units. Although it is Army policy to target the program to high-priority units and critical skills, we determined that about one of every three incentives awarded in fiscal year 1981 went to persons with noncritical skills in low-priority units.

The poor use of incentive funds resulted from changes in the criteria the Army used to determine eligibility for incentives. Originally, incentive eligibility was based solely on unit priority, as indicated by deployment schedules. In fiscal year 1981, however, criteria for determining unit priority were revised to emphasize the importance of mobilization missions rather than deployment schedules. In addition, critical skills (regardless of unit priority) were added to the eligibility criteria.

We found that units no longer classified as high priority under the revised criteria, continued to be eligible to award new incentives. Furthermore, eligibility based on critical skills was applied to CMFs, and most of the eligible CMFs included one or more specific occupations that were not in short supply. Moreover, because the Army had not developed an adequate reporting system, it did not know whether the incentives were being effectively targeted.

For fiscal year 1983, the Army revised its criteria for identifying units and skills which were eligible for incentives. It excluded previously eligible units in the five lowest priority groups, but also added a sixth priority group (which includes a large number of units) to the five priority groups previously eligible. In addition, the Army now determines skill eligibility on the basis of specific occupations, rather than the broader CMFs.

THE CONGRESS INTENDED INCENTIVES
TO BE USED SELECTIVELY

In authorizing the incentive program, the Congress intended that incentives be used selectively and as an extraordinary measure to correct shortages when other less costly methods proved inadequate or ineffective. The incentives were not intended to be a substitute for good planning and management. In recommending an educational assistance program and cash bonuses for reenlistment in the Selected Reserve, the House Committee on Armed Services' report on the 1978 Department of Defense Authorization bill stated that:

"Each of these incentives are permissive in nature; it is authority which can be exercised selectively by the Secretary of the service for those skills or units which require this extraordinary measure. Further, it is the committee's intention that these incentives only be used for units essential to the nation's mobilization capability. * * * the Committee intends for the authority * * * to be used only to assist in attaining enlistments when no other means are reasonably successful or the amount of time diverted from training in order to recruit or retain the numbers required outweigh the resources to be used under this authority."

To adhere to the congressional intent of the program, the Army has targeted the incentives to qualifying personnel who enlist or reenlist in designated units or who have critical skills. It is Army policy to select units for incentive eligibility based on the importance of the mobilization mission, and to select skills based on significant shortfalls relative to wartime requirements. In other words, it is the Army's stated policy to limit the program to high-priority units and critical skills.

LOW-PRIORITY UNITS
QUALIFY FOR INCENTIVES

In fiscal year 1981, FORSCOM issued new guidelines for assigning priorities to National Guard and Reserve units that would be needed during mobilization. These guidelines resulted in significant changes to unit priorities. Since FORSCOM mobilization plans are used to determine incentive unit eligibility, many units eligible under the original criteria no longer qualified under the revised criteria. The Army, however, authorized these units to continue awarding new incentives.

FORSCOM has developed criteria for assigning priorities to units on the basis of an analysis of missions and requirements.

FORSCOM periodically reassesses missions and requirements, and as a result, a unit's priority status is subject to change. To insure that incentives are appropriately targeted to essential units, the Army uses FORSCOM priorities for establishing unit eligibility.

When the incentive program was introduced in 1979, FORSCOM had assigned each unit to one of four priority groups. Units assigned to two of the groups were eligible for the incentive program. The eligible groups consisted mainly of units either scheduled to deploy within 60 days or having missions critical to support initial combat and rapid expansion of training base capabilities. The Army units scheduled to deploy within 30 days were eligible to use both enlistment and reenlistment incentives. Units scheduled to deploy within 60 days were eligible only for enlistment incentives. Most other units, with deployment dates exceeding 60 days, were not eligible to pay incentives. Under these criteria, about 50 percent of the units were eligible to pay enlistment incentives, while 25 percent of the units could pay reenlistment incentives.

In fiscal year 1981, FORSCOM revised its criteria for assigning unit priorities to meet mobilization requirements and established new priority categories to emphasize more current mission requirements. Eleven priority groups were established which primarily emphasized mobilization missions and time frames. In December 1980, the Army adopted the revised FORSCOM priorities for determining unit eligibility in the incentive program. Units in the higher priority categories (groups one through five) were eligible for the incentive program. However, the Army also decided that units already in the program, even though no longer considered high priority, should continue to be eligible to award new incentives until the end of fiscal year 1982. After that time, an assessment was to be made and resources allocated on the basis of units' positions on the priority list. (See p. 12 for a discussion on the Army's revised eligibility criteria for fiscal year 1983.)

The National Guard and Reserve implemented the revised eligibility criteria in May 1981. Of the 3,700 major Reserve component units, 1,100 (30 percent) were classified as high priority. In addition, about 900 units continued in the incentive program that did not meet the new criteria. As a result 2,000 (54 percent) units were eligible to pay incentives.

NONCRITICAL SKILLS ELIGIBLE FOR INCENTIVES

In fiscal year 1981, the Army expanded incentive program eligibility to allow incentives to be offered for selected skills without regard to the eligibility of the unit. The Army's selection of skills to participate in the incentive program was based on CMFs which grouped related MOSs. Eligible skills included, regardless of strength condition, all MOSs within any of the Army's CMFs that were identified as critical and had significant shortages. The CMF criteria enabled many individual MOSs that did not have significant shortages to qualify for the incentive program.

According to program officials, CMFs were added to eligibility criteria to help reduce shortages in critical skills. However, these officials did not explain why CMFs rather than MOSs were used to identify skills eligible for incentives. As of September 1980, the Army had 30 CMFs comprising a total of about 340 MOSs. Seven CMFs, comprising a total of about 70 MOSs, were designated eligible for the incentive program in fiscal year 1981. Thus, about 20 percent of all MOSs were eligible. The seven eligible CMFs were infantry, combat engineering, field artillery, air defense, armor, medical, and law enforcement.

CMF eligibility was based on significant shortages--generally less than 80 percent of authorized strength--in the field. Accordingly, individual MOSs within a career field did not need to have a significant shortage to participate in the incentive program. For example, as of October 1980, all Army Reserve units were only 72 percent of authorized strength for the medical CMF. However, the medical specialist MOS within the field was at 96 percent of authorized strength. In total, 38 percent of the eligible Army National Guard and Reserve MOSs were at or above 80 percent strength levels as of October 1980.

MANY INCENTIVES WERE USED FOR NONCRITICAL SKILLS IN LOW-PRIORITY UNITS

About one of every three incentives awarded in fiscal year 1981 went to persons with noncritical skills in low-priority units. In our view, these awards did not meet the primary objectives of the incentive program.

We analyzed the 27,180 incentives awarded by the Army National Guard and Reserve in fiscal year 1981 to determine the

extent to which the incentives were used for other than high-priority units or critical MOSs. Results were similar for each component. In the National Guard, the ratio was about 4 out of every 10; while in the Reserve, it was about 3 out of every 10, as shown below.

	<u>National Guard</u>		<u>Reserve</u>		<u>Total</u>	
	<u>No.</u>	<u>Percent</u>	<u>No.</u>	<u>Percent</u>	<u>No.</u>	<u>Percent</u>
High-priority units	5,695	31	4,803	54	10,498	39
Low-priority units:						
Critical skills	5,750	32	1,412	16	7,162	26
Noncritical skills	<u>6,836</u>	<u>37</u>	<u>2,684</u>	<u>30</u>	<u>9,520</u>	<u>35</u>
Total	<u>18,281</u>	<u>100</u>	<u>8,899</u>	<u>100</u>	<u>27,180</u>	<u>100</u>

Incentives going to individuals with noncritical skills in low-priority units represented either (1) MOSs not within critical CMFs for persons assigned to units previously classified as high priority or (2) MOSs within CMFs the Army had identified as critical but which had component-wide strength levels at 80 percent or higher at the time the CMF was designated as eligible in fiscal year 1981. For example, an Army Reserve combat engineering company eligible to pay incentives under the original criteria received a priority six designation under FORSCOM's revised set of priorities and, therefore, would not qualify for the incentive program under the revised unit eligibility criteria, which was limited to priority groups one through five. However, because the unit met the original eligibility criteria, it remained eligible for the program and awarded 17 enlistment and 1 reenlistment incentives during fiscal year 1981. The incentives included 11 awards to persons with noncritical MOSs (including 9 incentives to persons with MOSs not within critical CMFs).

As another example, a Army National Guard tank battalion had a deployment schedule beyond 60 days and had never been eligible for the incentive program under the high-priority unit

criteria. However, in 1981 the unit awarded nine incentives to persons in the armor CMF, which is one of the seven critical career fields eligible for the incentive program. The incentives included seven awards to persons having an armor occupation that was at 93 percent of authorized strength for all Army National Guard units in October 1980.

USING MORE STRINGENT
CRITERIA COULD REDUCE
INCENTIVE PROGRAM FUNDS

Restricting incentive eligibility only to those units classified in priority groups one through five in fiscal year 1981 and selected critical skills could have substantially reduced the amount of funds needed for the incentive program. We estimate that \$17.7 million of the \$50 million committed for the incentives awarded in 1981 has been, and is being, paid to persons not in the highest priority units nor having critical MOSs. Our estimate is based on initial contract and anniversary commitments the Army made to pay incentives over the enlistment or reenlistment period, generally ranging from 3 to 6 years. ^{1/}

Using the incentive payment amounts applicable for enlistment and reenlistment incentives in 1981 and the number of commitments made for each type of incentive, we estimated that total payments would be about \$50 million. We then distributed the \$50 million by type of unit (high- or low-priority) and by type of MOS (critical or noncritical) for the Army National Guard and the Reserve, as shown in the following table.

	<u>National Guard</u>	<u>Reserve</u>	<u>Total</u>
	----- (millions) -----		
High-priority units	\$ 9.9	\$ 9.8	\$19.7
Low-priority units:			
Critical skills	9.7	2.8	12.5
Noncritical skills	<u>12.2</u>	<u>5.5</u>	<u>17.7</u>
Total	<u>\$31.8</u>	<u>\$18.1</u>	<u>\$49.9</u>

^{1/}Because the program was too new to develop attrition rates for recipients, this estimate assumes that all incentive recipients would complete their enlistment or reenlistment agreements.

If incentives had been limited to units in priority groups one through five and to skills below 80 percent of authorized strength, total commitments of the incentives awarded in fiscal year 1981 would have been \$17.7 million less (\$12.2 million for the National Guard and \$5.5 million for the Reserve). Also, there is little likelihood that additional incentives would have gone to high-priority units and critical skills. Each year since the program's inception, the Army had spent only about 80 percent of the incentive funds available. In 1979, about \$3.9 million was not spent, and for 1980 and 1981, unspent funds amounted to about \$5.4 and \$8.3 million, respectively. Accordingly, funding has not limited the number of incentives that could be awarded. Had the more stringent criteria been in effect in 1981, a larger amount of unspent funds would have resulted.

REVISED ELIGIBILITY CRITERIA
FOR FISCAL YEAR 1983

Effective October 1, 1982, the Army revised its criteria for identifying high-priority units and critical skills eligible for incentives. Largely in response to discussion of our findings with Army officials upon completion of our fieldwork, the Army deleted all previously eligible units in priority groups 7 through 11. In addition, the Army is now basing MOS eligibility on the specific occupation rather than the broader CMF.

At the same time, however, the Army expanded the eligibility of units to include all units in the sixth priority group (units committed to deploy within 60 days after mobilization). As a result of the changes, the total number of eligible units increased by about 10 percent and over one-half of the eligible units are now in the sixth priority group. Army officials stated that units in the sixth priority group were made eligible because they are essential in time of war and there might not be sufficient time to fully staff and train the units in the first 60 days after mobilization. In discussing this matter further with Army officials, however, we clearly saw that these units are not any more important to a war effort today than they were in fiscal years 1981 and 1982.

The Army believes that the revised eligibility criteria is still within the congressional intent of the incentive program. Army officials told us that the House Armed Services Committee recommended, in 1980, that additional funds be appropriated for fiscal year 1981 to extend the incentives to all units of the

Army National Guard and Reserve to eliminate major strength shortages as quickly as possible. However, we noted that the Congress did not increase the funding for the 1981 program nor was unit eligibility criteria extended to all units. Also, both Guard and Reserve strength levels have significantly improved since 1980.

The criteria for MOS eligibility now state that the MOS must be below 80 percent of required strength for 6 months. Once an MOS becomes eligible for incentives, its eligibility will continue until the MOS meets or exceeds 100 percent of war-time requirements for 12 months. Thus, many of the MOSs that were between 80 and 100 percent strength levels and within eligible CMFs in fiscal year 1981 continue to be eligible. Also, the Army may add or retain incentive eligibility for any skills designated as critical by the Army National Guard and Reserve and approved by the Department of the Army, regardless of their strength levels. As a result of the criteria change, MOSs eligible for the 1983 program, as compared with 1981, declined by 8 percent. In addition, the percentage of eligible MOSs that are above 80 percent strength levels were reduced to 24 percent, as compared to 38 percent in fiscal year 1981.

The Army told us that, overall, the revised eligibility criteria may increase funding requirements. However, the Army has not analyzed the changes in the number of potential persons eligible to participate in the incentive program from fiscal years 1981 to 1983.

NEED FOR AN IMPROVED REPORTING SYSTEM

Reports on how incentives are being used to correct the more critical personnel shortages in National Guard and Reserve units are a necessary ingredient for good planning and management. We found, however, that the Army's reporting system was not adequate to provide program managers with information which could be used to take actions to minimize the use of incentives for persons with noncritical occupations.

In analyzing the incentives awarded in fiscal year 1981, we identified MOSs that were not within CMFs classified as critical by the Army. These MOSs were noncritical, but persons in these skills were eligible to receive incentives because the unit was eligible. Information for our analysis was obtained from readily available computer data maintained at the Defense Manpower Data Center. About half (36 percent for the National

Guard and 62 percent for the Reserve) of all incentives awarded on the basis of unit eligibility criteria went to MOSSs that were not within critical CMFs. Although this is permissible, better planning and management could direct a larger portion of the incentives to critical skills within the eligible high-priority units. Local recruiting and retention officials, however, were not required to monitor and report on the use of incentives for persons holding noncritical skills, nor had the Army established goals for the proportion of incentives in high-priority units that should be for persons having critical skills.

The following example illustrates what can happen at the unit level. A low-priority National Guard infantry company located near Los Angeles, California, was eligible to use incentives for critically short infantry skills. The administrative technician for the unit cited serious problems in filling such positions. During fiscal year 1981, a total of eight incentives were awarded--all for reenlistments. In the same geographical area, two low-priority Reserve units were eligible to award incentives for any vacant position because the units were previously classified as high priority. In 1981, these units awarded four enlistment incentives to fill noncritical MOS positions--one for a mechanic and three for supply and administrative specialists. So long as incentives are available for noncritical MOSSs in low-priority units, individuals will not be motivated to enlist or reenlist in critically short MOSSs or higher priority units.

At the recruiting level, also, more effective targeting to priority units and skills could better direct the Army's Selected Reserve recruiting efforts. Reserve recruiters, for example, were not required to emphasize or report on the recruiting of individuals for high-priority units or critical skills. Goals were stated in terms of overall numbers of recruits needed and recruiters were evaluated on whether such quotas were met. According to Army Recruiting Command headquarters and regional officials, their recruiting emphasis was aimed at increasing total Army Reserve personnel strength rather than the strength of specific units or MOSSs.

As a result of this recruiting philosophy, the objectives of the incentive program were not identifiable in the recruiting mission or in its goals, and the incentive program did not receive management attention from recruiting officials. Army Recruiting Command and National Guard State recruiters mainly disseminated information on the availability of incentives and

the eligibility requirements and tracked the number of incentives awarded. There was no reporting or analysis of incentives based on unit priority or skill criticality. Overall, among recruiters we talked to, incentives were viewed primarily as entitlements for individuals who met the eligibility requirements.

Our discussions with National Guard and Reserve unit commanders and with recruiting and retention officials at various levels within the Army chain of command disclosed similar weaknesses in the reporting and management of the enlistment and reenlistment incentives.

CONCLUSIONS

Contrary to the congressional intent, the Army, in fiscal years 1981 and 1982, did not use incentives solely for National Guard and Reserve skills and units most essential to the Nation's mobilization capability. Expanding the criteria used by the Army to determine eligibility for incentives, as well as the inadequate reporting system, resulted in many incentives being awarded to persons in low-priority units and noncritical MOSs where extraordinary recruiting and retention measures were not warranted.

Incentives should be made available only to persons in units classified as high priority or to persons in critical MOSs. Otherwise, the competitive advantage that incentives should have to attract and retain persons to the more important units and skills is lost. Recent actions by the Army have resolved, to some extent, the targeting problems identified in our review. The revised criteria for MOS eligibility, if properly managed, should correct the problems we identified when CMFs were used to determine eligibility.

The elimination of incentive eligibility for the units in the five lowest priority groups also should help to improve targeting. However, the blanket inclusion of program eligibility for all units in the sixth priority group is, in our view, not justified. As now structured, incentives are still available to over three-fifths of all major Army National Guard and Reserve units. Under these conditions, it is not possible to regard the use of incentives as an "extraordinary measure" as the Congress intended.

Furthermore, if Army recruiting and retention officials had targeting objectives and if the Army monitored the use of incentives by analyzing readily available information, it could take

prompt management actions to minimize the use of incentives for persons with noncritical skills in high-priority units.

More stringent eligibility criteria, as well as better planning and management of the incentive program within high-priority units, should better address the congressional intent of the incentive program. Also, these actions would eliminate Federal expenditures for incentives to persons in units that are not most essential to the Nation's mobilization capability.

RECOMMENDATIONS

We recommend that the Secretary of the Army

- examine the strength level and wartime mission of each unit in the sixth priority group and limit eligibility to those units having critical personnel shortages and the most vital missions within the group;
- minimize the use of incentives for persons with noncritical skills in high-priority units and develop a reporting system on the use of incentives; and
- discuss eligibility criteria, relative to congressional intent of the program, when testifying in connection with congressional oversight hearings and appropriations requests.

AGENCY COMMENTS AND OUR EVALUATION

The Department of Defense and the Army generally agreed with our findings concerning the fiscal year 1981 program. In response to our draft report, the Army informed us that, effective October 1, 1982, it implemented our proposals to (1) eliminate low-priority units from future incentive participation, and (2) base eligibility for critical skills on the individual MOS rather than the broader CMF. Accordingly, we have deleted the proposals from this report. We have also added a section to this report (see pp. 12 and 13) discussing the revised eligibility criteria.

The Army also informed us that it had added a sixth priority group (which includes a large number of units) to the five priority groups previously eligible. In our view, the Army's expansion of unit eligibility to include units in a sixth priority group is not justified. Accordingly, we added a recommendation to this report to correct the problem regarding the blanket inclusion of a sixth priority group.

The Army disagreed with our recommendation to minimize the use of incentives for persons with noncritical skills in high-priority units. The Army stated that its policy is to provide incentives to persons in high-priority units regardless of the criticality of the person's skill. We believe an effective use of available resources dictates that, given alternatives between filling critical skills versus noncritical, critical skills should be given priority. Critical skills, by definition, are more short of personnel than noncritical skills. The Army's extensive use of incentives for persons with noncritical skills, as well as low-priority units, raises questions about whether its eligibility criteria are consistent with the congressional intent of the program. Accordingly, we added a recommendation to this report that the Army discuss the eligibility criteria when testifying in connection with congressional oversight hearings and appropriations requests.

Finally, the Army said that all references in our report to program costs should be limited to actual initial contract payments because not all persons will complete their contract obligations necessary to receive all anniversary payments. We believe cost amounts should also include anniversary payments because they are a actual cost and represent one-half of the total program commitments. We added a footnote on page 11 showing that our estimates were based on the assumption that all contract obligations would be completed.

CHAPTER 3
ARMY NEEDS TO
DETERMINE THE EFFECTIVENESS
OF THE INCENTIVE PROGRAM

Prudent management practice dictates that managers monitor and assess progress in meeting program objectives. Managers need information which enables them to assess the adequacy of program operations and which highlights opportunities to improve performance. Although funds for the incentive program increased four-fold between fiscal years 1979 and 1982, the Army has not determined the effectiveness of the incentives in assisting Selected Reserve recruiting and retention efforts. As a result, the Army has spent about \$110 million during fiscal years 1979 through 1982 without knowing whether the incentive program has improved the strength levels of the most essential National Guard and Reserve units.

During the early years of the incentive program, we reported that the Army needed to develop and implement a plan for evaluating the program. Although Army program officials agreed that an evaluation plan is needed, their emphasis has been on implementing and administering the program. They cited a lack of resources as the reason for not developing an evaluation plan. As a result, data is not available to determine whether the program is achieving its objectives or to assist the Congress in determining whether the program should be modified.

INCENTIVE PROGRAM'S EFFECTIVENESS
NEEDS TO BE FULLY EVALUATED

The Army needs to evaluate the incentive program to insure that program intent and objectives are being met. Both our audit and Army audits of the program have pointed out this need, but recommended corrective actions have been ignored. Other efforts during the first 3 years of the program's operation have not provided the information needed for effective management.

The Army's stated objectives are for incentives to be used in attracting and retaining more individuals into selected high-priority units and critical skills where shortages exist, thereby improving the personnel strength and readiness of these units. Because the Army has not evaluated incentive program results, it cannot insure that these conditions are being met, or even know whether the incentives are having a positive effect on the personnel problems of critical units and skills.

An effective evaluation should include measurement methods that provide significant, valid, and reliable information about the targeting of incentives and whether stated program objectives are being met. Effective management of the incentive program resources requires information of this type; however, the evaluation data needed has not been compiled.

In an August 1979 report to Defense 2/, we stated that program officials had accumulated data to monitor incentives but had not developed a plan for evaluating effectiveness or criteria to measure their effects on recruiting and retaining personnel. We considered program evaluations to be a key element in program oversight and concluded that a plan needed to be developed. Program representatives agreed that effectiveness had not been addressed and that more specific analysis was in order.

The Army Audit Agency, in a 1980 report 3/ referring to our August 1979 report, stated that no evaluation plan had been developed as of June 1980. The Army auditors recommended that the Army's Deputy Chief of Staff for Personnel develop and implement plans and procedures for evaluating the incentive program, and use the results to modify the program, if necessary. The Deputy Chief of Staff for Personnel agreed and stated that a plan would be developed soon.

We inquired as to the status of the evaluation plan in March 1982 but were told that no action had been taken. Program managers said they were aware of the need but that their responsibilities to implement and administer the program had priority.

EFFORTS TO EVALUATE THE INCENTIVE PROGRAM
HAVE BEEN SPORADIC AND PIECEMEAL

After 3 full years of program operation, the most intensive study of any incentives has been an evaluation of reenlistment incentives under the test program in 1978. Since then, the Department of Defense and the Army have sporadically prepared internal management papers stating that the incentive program

2/Letter report to the Assistant Secretary of Defense (Manpower, Reserve Affairs and Logistics) on a survey of the use of the bonus as an incentive in recruiting members in the Selected Reserve (FPCD-79-84, Aug. 13, 1979).

3/Report of audit, "The Army Bonus Program," HQ-80-210, dated Sept. 12, 1980.

and many other factors, such as economic conditions, have improved Selected Reserve strength trend data, but the program's specific contributions are not identified. Department of Defense quarterly reporting to the Congress on the program has been limited to the number of participants, and has not demonstrated that incentives are a significant factor in attracting or retaining individuals in high-priority units and critical skills.

As part of the incentive test program, Defense, in 1978, contracted for an evaluation of reenlistment incentives. The contracted study examined reenlistment incentives, later incorporated into the incentive program, and provided insight into the types of evaluation methodologies that might be considered. The study was limited to Army National Guard and Reserve units which offered reenlistment incentives in 1978. The researchers evaluated reenlistment incentives by designing an experiment, with test and control groups to collect survey data, and investigated several other hypotheses concerning recruits' motivation for staying with and leaving their units. The study has not been replicated for the broader incentive program.

We reported on this test data in our 1979 report to Defense observing that the retention rate in Army Reserve test units was better than in control units, but the reverse occurred in the Army National Guard. We also pointed out that the longer enlistment periods observed in test units could be expected since there was no incentive for the reservists in the control groups to make a 6-year commitment when a 3-year contract could be followed by another reenlistment. We also recognized that further evaluation of this data was necessary to help explain the test results. The contractor performed additional longitudinal studies in 1980 and 1981 and concluded that the 1978 reenlistment incentives had

- a small, but statistically significant effect on reenlistment rates (40.6 percent for incentive and 38.4 percent for nonincentive groups);
- a significant effect on an individual's choice of a 6-year reenlistment over shorter periods (4.4 years for incentive groups and 1.3 years for nonincentive groups); and
- a dramatic difference, 1.5 years later, on the number of individuals still assigned to their unit (92 percent

of the incentive and 79 percent of the nonincentive groups were still on board).

This type of analysis illustrates that a methodology for evaluating the program does exist. Test and control groups, for example, limit the effect various other factors have on data results. Program objectives, such as targeting or the recruiting and retention capabilities of each or all of the incentives, can be studied. Moreover, changes that have occurred within the program, such as the addition of critical skills, and externally in the form of additional incentives and economic conditions make evaluation more complex and requires more sophisticated analyses. No evaluations of this type have been done, however, on any of the incentives used since fiscal year 1978.

The Department of Defense and the Army have sporadically, since 1978, stated in internal management papers that the incentive program is having an impact, but this conclusion is based primarily on observations that overall National Guard and Reserve strength is increasing. Army observations acknowledge that improvement is based on a combination of Army actions as well as changing conditions. Representative of these observations are comments by the Director, Army National Guard, made to the House Subcommittee on Readiness, House Committee on Armed Services, in March 1982:

"Aggressive recruiting and retention programs, incentive programs, and flexible enlistment and training options, aided by the state of the economy and the world situation; [have] all contributed to improvements in manning levels. * * * The effects of the incentive programs are evidenced by the greater strength gains in those units and in those skills authorized the incentives. Efforts to increase and expand * * * (the Selected Reserve Incentive Program) * * * will continue in order to maximize this valuable recruiting and retention tool."

The program's specific contribution to Army National Guard and Reserve strength increases has not been identified. As support for the greater strength gain in authorized units, the Army intermittently prepared internal data comparing changes in total strength between units not authorized incentives, units authorized only enlistment incentives, and others authorized all incentives. Although the data shows improvement in strength, it does not identify to what extent the program has affected these

changes. For example, in one analysis, the Army prepared information on program results from November 1978 to March 1979 showing that percent changes in strength levels ranged from almost no change among units not authorized incentives to less than 2 percent improvement among units authorized all incentives.

Another analysis of changes in strength levels of Army Reserve units showed only that, between October 1979 and August 1981, the average assigned strength of high-priority units' authorized incentives increased from 77 percent to about 83 percent. Information was also prepared which compared strength changes in critical and noncritical skills between September 30, 1980, and June 30, 1981. The analysis showed strength increases but did not quantify contributions made by the incentive program. The analysis recognized that no direct correlation could be made between growth and the program because other variables are involved, such as changing economic conditions, recent military pay increases, and improved training and retention efforts. Nevertheless, the analysis concluded that the program has played a vital role in the strength gains in the Selected Reserve.

Information on incentive usage is reported by Defense to the Congress quarterly. These reports are legislatively required, cumulative since the program started, and show the number of persons receiving each type of incentive. Reports, submitted after December 1980, also identify the number of incentives by career fields. No evaluative comments are included in any of these reports.

Defense is required by the authorizing legislation to insure that program resources are used effectively, but it cannot meet this responsibility by only analyzing data on strength level and program participation. Strength level data can provide overall information on whether the Army is overcoming its Selected Reserve strength problems but does little to identify specific contributions or the effectiveness of the program.

CONCLUSIONS

The Army needs to know how well the incentive program is achieving its congressional intent as well as program objectives. Effective management of the program, therefore, requires meaningful evaluation data which can be used to determine whether, at a minimum, the program is being used selectively, and to what extent the program is successfully attracting and retaining needed individuals.

The Army, while agreeing on the need to evaluate the program's effectiveness, has not done so. Accordingly, there is little relevant data to support informed decisions about whether the program should be modified. The tremendous growth already experienced in program funds is, in our view, sufficient reason to obtain evaluation data.

RECOMMENDATIONS

We recommend that the Secretary of the Army

- develop and implement a plan for evaluating the incentive program which would provide significant, valid, and reliable information on the effect of the program on essential skills or units;
- use the results of the evaluation as a basis for making any necessary program adjustments; and
- discuss evaluation results when testifying in connection with congressional oversight hearings and appropriations requests.

AGENCY COMMENTS

The Department of Defense and the Army generally agreed with our findings, conclusions, and recommendations.

The Army said that while it has not been able to identify specific impacts of the program on units, incentives have contributed to exceeding Army National Guard and Reserve programmed strength levels in fiscal years 1981 and 1982. In addition, the Army said that the impact of incentives is apparent in improved quality, improved retention, and reduced attrition and personnel turbulence. But, the Army recognizes the need for a more comprehensive evaluation of the program and said it will evaluate the program's specific contributions.

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