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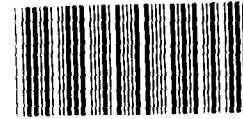
GAO

Report to Congressional Requesters

April 1988

# MILITARY OFFICERS

## Assessment of the 1988 Defense Officer Requirements Study



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**National Security and  
International Affairs Division**

B-226453

April 1, 1988

The Honorable Sam Nunn  
Chairman, Committee on Armed Services  
United States Senate

The Honorable Les Aspin  
Chairman, Committee on Armed Services  
House of Representatives

Because of its concerns about the growth in the number of officers (11.3 percent) compared to enlisted personnel (3.9 percent) between fiscal years 1980 and 1985, the Congress mandated a 6-percent reduction in the number of commissioned officers on active duty as of September 30, 1986. The reduction was to be accomplished in annual 1-, 2-, and 3-percent increments beginning in fiscal year 1987 and completed by the end of fiscal year 1989.

The National Defense Authorization Act for Fiscal Years 1988 and 1989 authorized the Secretary of Defense to defer up to half of the scheduled 2-percent fiscal year 1988 reduction, the deferred portion then being added to the final 3 percent and taken in two equal installments in 1989 and 1990. The overall result would be to reduce fiscal year 1990 end strengths to the levels shown in table 1.

After implementing the 1-percent reduction in 1987, the Department of Defense (DOD) conducted a study aimed at justifying the officer growth. The resulting study did not satisfy congressional concerns about the disproportionate growth in officers and DOD's inability to provide convincing justification for that growth. As a result, the Conference Report on the National Defense Authorization Act for Fiscal Years 1988 and 1989 directed the Secretary of Defense to submit a comprehensive officer requirements study to the Senate and House Committees on Armed Services no later than March 1, 1988. We were directed to evaluate that report and submit our findings to the Committees by April 1, 1988.

On March 1, 1988, the Secretary of Defense transmitted the 1988 Defense Officer Requirements Study to the Committees. We monitored the DOD effort throughout the process of producing the study and were provided full access to meetings, interim products, and product critiques.

**Table 1: Summary of Officer End Strengths and Reductions<sup>a</sup>**

|   | <b>Army</b> | <b>Navy</b> | <b>Air Force</b> | <b>Marine Corps</b> | <b>DOD</b> |
|---|-------------|-------------|------------------|---------------------|------------|
| FY 1986 end strength                        | 107,962     | 72,051      | 109,048          | 19,735              | 308,796    |
| FY 1987 reduction                           | -1,635      | 0           | -1,255           | -198                | -3,088     |
| FY 1988 reduction                           | -1,514      | + 559       | -2,255           | + 122               | -3,088     |
| FY 1989 projected reduction <sup>b</sup>    | -2,223      | -1,254      | -2,254           | -445                | -6,176     |
| FY 1990 projected reduction <sup>b</sup>    | -2,223      | -1,254      | -2,254           | -445                | -6,176     |
| FY 1990 projected end strength <sup>c</sup> | 100,367     | 70,102      | 101,030          | 18,769              | 290,268    |

<sup>a</sup>While the total reduction in DOD was 6 percent, the Secretary of Defense was authorized to allocate different shares to the services. Therefore, in a given year some services have increases while others have large decreases.

<sup>b</sup>Fiscal year 1989-1990 reduction allocations were provided to the services for planning purposes only; actual reductions for those years have not yet been distributed.

<sup>c</sup>In addition to the reductions from fiscal year 1986 end strength shown in the table, the projected fiscal year 1990 end strength also incorporates the loss of officer growth that some of the services had programmed to occur between fiscal years 1986 and 1990.

## Objectives and Results of DOD's Study

DOD established three objectives for its study.

1. Describe the nature and importance of the growth in the number of officers.
2. Show the force and personnel impact of the officer reductions scheduled for fiscal years 1988 and 1989-1990.
3. Describe the service manpower requirements determination processes and demonstrate their rigor and validity.

Overall, DOD was able to explain about 77 percent of the 33,591 growth in the officer corps during the fiscal year 1980-1986 period. DOD concluded that the growth occurred primarily as a result of force expansion and modernization and directly enhanced force capability. DOD's study met its other objectives by (1) describing the impacts which further reductions would impose and (2) explaining its manpower requirements determination processes.

## GAO Assessment

Based on monitoring the study while it was in process and selectively testing the documentation for key areas, we believe that, overall, DOD did a credible job in explaining officer growth between 1980 and 1986, identifying the impacts of further cuts, and describing the services'

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manpower requirements processes. However, in the following areas we still have some concerns:

- DOD's study used the term "validated" in referring to the 77 percent of officer growth it was able to track and defend. The term validated has a connotation of more detailed analysis than DOD was able to do in its study time frame. The term "explained" is more reflective of what DOD was asked to do and did.
- Unlike the other services, the Army does not use the required DOD format to maintain its manpower data. Therefore, while still doing a credible job in explaining growth, the Army data were much more problematic to document than the other services. The Secretary of Defense has directed the Army to bring its systems into line with those of the other services.
- Each service followed a reasonable process for determining where to take the proposed officer reductions, and we found no indication that the effects of further reductions were being exaggerated. We also believe that the services identified areas to cut that would generally minimize the impact on their missions. The Navy's decision to take all of its reductions in its shore-based units could have significant long-term effects since it will result in those units having to absorb a cumulative reduction of almost 20 percent.
- The services are improving their manpower requirements determination processes. Over the past few years, we have issued reports on most of the processes and the services concurred in most of our recommendations and are in the process of implementing improvements. However, we still have serious reservations about the Navy's revised proposal for determining shore manpower needs, which relies on the users of shore manpower to produce credible statements of their own manpower needs.

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## The Potential for Additional Officer Reductions

One of the difficulties the services had in deciding where to take the reductions was a lack of specific reduction targets. In addition, the services were faced with a short time frame. Thus, the services were forced to rely more on corporate judgment than on more rigorous analyses in deciding where to cut. Implicit in the services' efforts to identify which positions to cut was the assumption that the number of officers performing various functions was correct. Therefore, cuts were presumed to require either giving up some function or capability, or imposing heavier work loads on the remaining officers.

We believe that the potential for achieving manpower reductions without necessarily reducing capabilities lies in reexamining how many people are needed to perform a given function and whether that function really needs to be performed. For example, our previous reports on the service manpower requirements systems demonstrated the potential for identifying reduced manpower needs through improvements in the rigor, controls, and oversight of the services' manpower determination processes.

Another example of the potential to achieve reductions comes from the joint activities area.<sup>1</sup> We were told that a special study team, headed by the DOD Deputy Inspector General, recently recommended a reduction of about 7,300 positions in various joint activities headquarters and related commands. Since officers comprise about 29 percent of the total authorizations in those headquarters, this would indicate a potential reduction of over 2,100 officers. The study team reported, while acknowledging that they did not use a rigorous methodology, that such manpower savings can be achieved by zero-basing the manpower requirements process. This would entail determining whether the work being done by assigned personnel really needs to be done.

The detailed results of our work are contained in the appendixes to this report. Appendix I describes our specific findings regarding DOD's explanation of officer growth, the services' statements concerning the impact of the planned and implemented officer reductions, and the descriptions of the services' manpower requirements programs. Appendix II describes our objectives, scope, and methodology.

We conducted our work between December 1987 and March 1988 in accordance with generally accepted government auditing standards. We discussed our findings with DOD officials and their comments have been considered in finalizing our report.

We are sending copies of this report to the Chairmen, House and Senate Committees on Appropriations; the Director, Office of Management and

<sup>1</sup>The joint activities area was one of the larger areas of officer growth, increasing by 1,595 positions (17.8 percent) between fiscal years 1980 and 1986.

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Budget; the Secretaries of Defense, the Army, the Navy, and the Air Force; and other interested parties.

*Frank C. Conahan*

Frank C. Conahan  
Assistant Comptroller General

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## Abbreviations

|            |   |
|------------|---|
| CBO        | Congressional Budget Office                                 |
| DMRR       | Defense Manpower Requirements Report                        |
| DOD        | Department of Defense                                       |
| DOPMA      | Defense Officer Personnel Management Act                    |
| DPPC       | Defense Planning and Programming Category                   |
| JCS        | Joint Chiefs of Staff                                       |
| OSD        | Office of the Secretary of Defense                          |
| PEC        | Program Element Code  |
| RIF        | Reduction in force  |
| SERB       | Selective Early Retirement Board                            |
| SHMD       | Shore Manpower Document                                     |
| SHORSTAMPS | Shore Requirements, Standards, and Manpower Planning System |





# Assessment of the 1988 Defense Officer Requirements Study

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## Introduction and Background

Between fiscal years 1980 and 1985, the number of military officers on active duty increased 11.3 percent, while the number of enlisted personnel increased only 3.9 percent. Concerned about this increase in officers, the Congress mandated a 6-percent reduction in the number of commissioned officers on active duty as of September 30, 1986, as part of the National Defense Authorization Act for Fiscal Year 1987. The reduction was to be accomplished in annual 1-, 2-, and 3-percent increments to begin in fiscal year 1987 and to be completed by the end of fiscal year 1989. The Secretary of Defense was assigned the authority to allocate the reductions among the services.

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## The 1987 Officer Reductions

The act required a 1-percent reduction to be accomplished by the end of fiscal year 1987. This reduction entailed the loss of 3,088 existing officer positions as well as over 2,000 positions that the services had planned to add in fiscal year 1987. The Secretary of Defense, in his required report to the Congress in February 1987, stated that he intended to delay addressing the 2-percent reduction due in 1988 until he had an opportunity to review the results of the then-ongoing study of officer requirements.

In December 1986, the Office of the Secretary of Defense (OSD) established a working group to conduct a study to justify and explain the increase in the size of the officer corps and provide the Secretary of Defense with recommendations for allocating the remaining 2- and 3-percent reductions.

On April 16, 1987, the Secretary of Defense submitted the results of the study to the House and Senate Committees on Armed Services. The study showed that 76 percent of the 1980-1986 officer growth was identified by OSD as being combat-related. The Secretary concluded that implementing the remaining reductions would adversely affect combat capability and recommended that the Congress rescind the remaining cuts.

Our analysis of the 1987 officer requirements study concluded that it did not provide sufficient information to fully explain and justify the reasons for the growth in the officer corps.<sup>1</sup> In our view, a full explanation would show the relationship between specific changes in military

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<sup>1</sup>Military Officers: DOD's Implementation of Congressionally Mandated Reductions (GAO/NSIAD-88-1, Oct. 9, 1987).

activities or missions and officer growth, and also identify the direct impacts of reductions.

## DOD Directed to Conduct Another Study to Explain Growth

The Conference Report on the National Defense Authorization Act for Fiscal Years 1988 and 1989 noted that the conferees were still concerned about the disproportionate growth in the officer corps and DOD's inability to provide an analytically compelling justification for the growth. The conferees agreed on a provision authorizing the Secretary of Defense to defer up to half of the required 2-percent reduction for fiscal year 1988 by certifying that taking the full reduction would cause severe personnel management problems. The deferred portion would then be added to the final 3 percent and taken in two equal installments in 1989 and 1990.

The conferees also directed the Secretary of Defense to submit a comprehensive officer requirements study to the House and Senate Committees on Armed Services by March 1, 1988. GAO was directed to evaluate the DOD study and submit a report to the Committees by April 1, 1988.

On January 8, 1988, the Secretary of Defense sent the required certification to the Congress and stated that he intended to defer half of the fiscal year 1988 cut. On March 1, 1988, DOD delivered the 1988 Defense Officer Requirements Study to the Committees.

## DOD Approach and Methodology

DOD adopted a collaborative approach to conduct the officer requirements study with participants from OSD, the Joint Chiefs of Staff (JCS), and the services. This approach resulted in establishing both a working and steering group to develop and refine information regarding the reasons for the disproportionate growth in the officer corps. The steering group consisted of flag officer representatives from the services' Deputy Chiefs for Operations and Deputy Chiefs for Personnel (or Manpower) and was cochaired by the Deputy Assistant Secretary of Defense (Resource Management and Support) and the Director (Manpower and Personnel) of the JCS staff.

A working group was formed to support the steering committee and to perform associated research, analysis, and other staff work. It was cochaired by senior officers from the Office of the Assistant Secretary of Defense (Force Management and Personnel) and the JCS staff and included senior officers from each service, representing operations and manpower/personnel perspectives.

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The Objectives of the 1988  
Defense Officer  
Requirements Study

The steering and working groups established three objectives for the study.

1. Describe the nature and importance of the growth in the number of officers during fiscal years 1980-1985 and 1985-1986.
2. Show the force and personnel impact of the officer reductions scheduled for fiscal years 1988 and 1989-1990.
3. Describe the service manpower requirements determination processes and demonstrate their rigor and validity.

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OSD Directions to the  
Services

OSD directed the services to develop data showing the growth in the number of officers during fiscal years 1980-1985 and 1985-1986. The data were to be presented by Defense Planning and Programming Category (DPPC) at the Program Element Code (PEC) level.<sup>2</sup> Each service was directed to develop both a master and detail file reflecting information regarding the growth in the number of officers. In the master file, the services were to show

- the authorized officer strength levels as of September 30, 1980, and September 30, 1985;
- the difference between the fiscal years 1985 and 1980 levels and the respective percent change;
- the difference between the September 30, 1985, and September 30, 1986, authorized officer strength levels; and
- a brief summary of the major causes for change during fiscal years 1980-1985 and 1985-1986.

OSD also directed the services to provide a brief summary of the major causes for the fiscal years 1980-1985 growth for all PECs that changed by 50 or more officers (10 for the Marine Corps); and for the fiscal year 1985-1986 time frame, an explanation for programs that changed by 25 or more (5 for the Marine Corps). The goal was to provide an explanation for a minimum of 90 percent of all changes which occurred within a major DPPC.

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<sup>2</sup>Defense Planning and Programming Categories are used to report the functions in which personnel are being used. They are defined in appendix C of the Department of Defense Manpower Requirements Report, Fiscal Year 1988. Program Element Codes are used to provide a more detailed accounting and breakdown and translate directly into the Five Year Defense Plan's major force programs.

While the detail file also contained numbers regarding officer growth, it focused on the fiscal year 1980-1985 period, which was of primary congressional interest, and it contained a more detailed description of the major causes for change during this period. The categories used included those that were originally proposed by OSD as part of its 1987 effort to explain the officer growth. The categories and their definitions are:

- Force Structure - increases/decreases to force structure and all directly attributable support tail, e.g. changes in number of units, aircraft, ships, logistic elements, and expanded operational staffs.
- Structure/Doctrinal Changes - modifications/changes to existing structure or doctrine causing unit adjustments, e.g., aircraft/ship weapon system changes, unit reconfiguration and program element transfers.
- Wartime Shortages - increases to address validated manpower shortages, e.g., medical, authorized level of organization shortfalls.
- Emerging Technologies - changes derived from evolving scientific and technical advances, e.g., research and development advances, and data processing improvements.
- Changed Functional Requirements - modifications/changes in functional areas due to adjusted work load or methods of operation, e.g., manpower standards, staffing guides, and crew ratios.
- Joint/Defense Activities - changes to joint activities or service units that directly support joint activities, e.g., establishment of the Central Command and Space Command.
- Training/Transients - changes related to revisions in service training needs; as well as changes to various individual accounts, e.g., student and instructor changes with service training directly related to force structure expansion.
- Other - as appropriate, e.g., classified programs.

## The Process of Formulating the Defense Officer Requirements Study

Each of the working group's tasks was tracked in regularly scheduled meetings of the working group from December 1987 through February 1988. A consistent item on the meeting agenda called for each service to provide a status report for each task. The approach of the working group was a "building block" and iterative approach. Therefore, as a service completed a draft of a particular segment, it was reviewed by the working group and the working group prepared comments on it. Draft report segments and respective comments were shared with all of the services and us.

## OSD Review and Analysis of Service Input

OSD developed criteria and applied this criteria to the service input. OSD categorized service growth in the number of officers as "validated" or "not validated." Among other criteria, OSD considered growth "not validated" if the reconstruction of the data supporting historical decisions was insufficient or if officer growth occurred in skill areas which, in retrospect, could have been filled by civilians. Growth was also considered "not validated" if growth programmed in the budget was not executed as intended.

## Evaluation of the Credibility of the Services' Explanations of Their Growth

OSD reviewed, analyzed, and displayed the data provided by the services. Of the 33,591 officer spaces added to the force between fiscal years 1980 and 1986, 7,733 did not meet OSD's criteria for acceptance. OSD made the point that the unexplained growth is substantially less than the amount of reductions (8,819 spaces) already taken during fiscal years 1987 and 1988.<sup>3</sup> OSD concluded that its analysis and array of service input data showed that officer growth occurred primarily as a result of force expansion and modernization. OSD also concluded that the majority of officer growth occurred in the combat and combat essential areas and in combat skill training.

We reviewed service files for 37 PECS. These represented 50 percent of the growth in the number of officers during fiscal years 1980-1986 (16,755 of the 33,591 officers). We selected PECS which (1) reflected significant growth and (2) represented a range of DPPCS. Regarding the Navy, Air Force, and Marine Corps, we found that service files documented the growth in the number of officers shown in the study. We found only a few minor arithmetic discrepancies. For the Army, the reconciliation process was more complex.

We reviewed 10 PECS in the Navy, representing 3,097 (37 percent) of the 8,342 increase in the number of Navy officers during fiscal years 1980-1986. We found that the Navy data files documented the numbers cited in the study.

We reviewed 10 PECS in the Air Force, representing 5,473 (49 percent) of the 11,235 increase in the number of Air Force officers during fiscal years 1980-1986. We found that Air Force data files documented the numbers cited in the study, with one minor exception. For the research and development area, we were only able to track 949 of the reported

<sup>3</sup>The number cited by OSD exceeds the cumulative 2-percent reduction taken by fiscal year 1988 because OSD also included programmed growth which was lost.

increase of 1,203 back to the Air Force's automated files. The remaining 254 officer positions could only be traced to hard copy records.

We reviewed 8 PECS in the Marine Corps, representing 1,690 (72 percent) of the 2,349 increase in the number of Marine officers during fiscal years 1980-1986. We found that Marine Corps data files documented the numbers cited in the study.

Verifying the Army's figures was more problematic. Unlike the other services, the Army has not used PECS in managing its manpower. We found that the Army experienced significant difficulty in crosswalking from its available manpower accounting systems to the prescribed DPPC format. In addition, the Army's 1980 Force Accounting System historical magnetic tape had been destroyed, and therefore the baseline for the officer growth analysis did not exist. The Army attempted to reconstruct this information from information contained in pre-fiscal year 1980 tapes with fiscal year 1980 projections and post-fiscal year 1980 tapes to verify older projections.

We reviewed 9 PECS in the Army, representing 6,495 (62 percent) of the 10,554 increase in Army officers during fiscal years 1980-1985.

We reviewed the detail in the Army files which document the growth in the number of officers presented in the study. We found that summary tables in these files generally documented the growth in the number of officers shown in the study. However, we found it difficult to track the growth from these summary tables to the respective support data, some of which contained handwritten changes. We also found certain minor arithmetic discrepancies. We were able to reconcile 5 of the 9 PECS to the numbers reported in the study and we could reconcile most of the growth reported in the other 4 PECS.

Considering the extensive problems the Army had in reconciling its manpower accounting systems with the OSD format, we believe the Army did a credible job in attempting to recreate the growth in the number of officers. The discrepancies we found were relatively minor and we saw no indication that the Army had done anything to try to portray its growth in a more favorable light.

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## Evaluation of the Credibility of Stated Impacts

DOD's 1987 Officer Requirements Study portrayed the potential impact of mandated officer reductions in terms of what the study called a "notional force structure." The notional force structure referred to the hypothetical number of ships, squadrons, or land combat units that would be deleted if the officer reductions were implemented only in combat-related units. For example, the Navy identified hypothetical reductions of 3 aircraft carriers, 2 carrier air wings, and 51 attack submarines. Those notional force impacts were criticized for being unrealistic, worst-case scenarios and did not really identify how the services would actually implement a further reduction.

For the 1988 Officer Requirements Study, the services were instructed to make a realistic assessment of where they would take additional cuts and to give priority consideration to preserving combat readiness. They were directed to assess the effects of reductions from both force impact and personnel impact perspectives.

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## Assessment of Force Impacts

The study states that the impacts it shows are the actual planned reductions that DOD will make if the full 6-percent reduction is required. The study also notes that the cuts identified are not "gold watches," meaning they are not critically important functions selected as a means of amplifying the effects of cuts and intended only to marshal support for granting relief from further cuts.

We assessed the stated impacts through a limited review of the detailed descriptions and rationales provided by each of the services and observations of the process through which they determined the positions to be cut. To meet the congressional reporting date, we could not assess the validity of the specific degradations identified by the services, but we found no indication that the effects of the cuts were being exaggerated.

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## Army Impacts

The Army's portion of the cuts from its fiscal year 1986 end strength of 107,962 were 1,635 in 1987; 1,514 in 1988; and projected to be 2,223 per year for 1989 and 1990. That would give the Army a projected fiscal year 1990 end strength of 100,367.

Top Army officials agreed on a set of guidelines for determining where to take the officer reductions. Those guidelines included (1) minimizing the impact on war fighting capability, (2) retaining mobilization capability, (3) exempting no one from review, and (4) not imposing pro rata cuts.



In October 1987, the Army began the process of identifying potential reductions by sending the set of guidelines to field commanders and directing them to generate possible reduction target areas. This process continued iteratively throughout the study period and involved a series of high level headquarters reviews, starting at the major general level and culminating with the Army Chief of Staff. At the request of the Chief of Staff, a panel of retired general officers reviewed the entire process.

The Army developed impact statements for each of the alternatives. These statements cited the specific cuts being proposed and identified direct and indirect impacts as well as other considerations that should be taken into account.

The Army's process identified a number of options that were eventually rejected. We examined some of those options and found that their rejection appeared to be in compliance with the general guidelines. For example, among the rejected options were proposals to (1) eliminate one light infantry division, (2) eliminate readiness groups, (3) close the Army burn unit, (4) eliminate all warrant officer positions, and (5) move to enlisted aviators. The first three were rejected because they were considered to be key capabilities; the warrant officer elimination option was rejected because of the lack of nonofficer personnel to take their place; and the enlisted aviator option was rejected because of legal requirements and likely resistance from other services.

## Navy Impacts

The Navy's portion of the fiscal year 1987 reduction consisted of a cut of 1,576 in programmed officer growth but no loss of actual end strength. Top Navy officials decided to implement the cut by exempting various types of officer positions. They decided to exempt (1) ships, squadrons, and other combat elements in order to continue to man ships and squadrons at the 91-92-percent level and protect fleet readiness, (2) students and transients because that area was already believed to be too low, (3) joint and international positions because the Goldwater-Nichols DOD Reorganization Act of 1986 placed new emphasis on this area, and (4) medical positions to comply with congressional directions and Navy belief that this is a critical area. The result was to exempt approximately 24,000 positions, leaving about 23,000 nonexempt shore positions to absorb the 1,576 position cut. This resulted in about a 7-percent reduction in these nonexempt shore-based positions.

Required reductions were allocated to various officer groupings (referred to as communities) based on their share of the positions in the nonexempt population. One effect of this methodology is that occupations which are more shore-intensive absorbed higher percentage reductions.

The Navy's fiscal year 1988 share of the DOD reduction (which was an actual increase of 559 positions over its previous end strength but a net cut of 514 against programmed growth) was similarly restricted to other shore positions. However, (1) students and transients will be reduced somewhat corresponding to the reduction in the force structure, (2) afloat staff positions, which had previously been exempt, were now included, (3) national foreign intelligence positions were exempt, (4) the reduction was not allocated by occupation community in order to protect one-of-a-kind positions, and (5) junior officers in the unrestricted line (the primary operational officer community) were exempt.

For its share of the projected fiscal year 1989-1990 cuts, amounting to 1,254 per year, the Navy used the same criteria as it had in fiscal year 1988. The Navy's projected fiscal year 1990 end strength would be 70,102. If the Navy proceeds with this approach, the net effect by the end of fiscal year 1990 will be to impose large reductions on about half of the Navy's shore establishment. The total cut absorbed within the nonexempt portion of the shore establishment would be close to 20 percent and could have significant long-term effects.

## Marine Corps Impacts

The Marine Corps' share of the reductions against its 1986 end strength of 19,735 was a cut of 198 in 1987; an increase of 122 in 1988; and projected cuts of 445 per year for 1989 and 1990. This would give the Marine Corps a projected fiscal year 1990 end strength of 18,769.

Marine Corps officials decided that the accumulated effect resulting from years of constrained requirements in the support areas had reduced the support establishment to a point where no further reductions could responsibly be made. Consequently, the Marine Corps decided to spread the additional cuts on a pro rata basis across the ground combat, aviation combat, and combat service support areas.

Marine Corps officials stated that the cuts identified for fiscal years 1989 and 1990 will degrade capabilities but not totally eliminate any capabilities. For example, the fiscal year 1989 reduction would reduce tank companies from 13 to 11 and reduce amphibious assault vehicle

companies from 10 to 8. Unlike the reductions in the ground combat area, Marine Corps officials stated that an across-the-board reduction methodology was used in the aviation area so that whole units would not have to be eliminated.

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## Air Force Impacts

The Air Force share of reductions from its 1986 end strength of 109,048 were 1,255 in 1987; 2,255 in 1988; and projections of 2,254 per year in 1989 and 1990. This would bring its projected fiscal year 1990 end strength to 101,030.

Air Force officials reported that several options were considered for determining the impact of further reductions. One option, reducing force structure, was rejected based on analysis of the threat and reluctance to take such critical actions without extensive analysis. A second option, allocating a proportional share reduction to all career fields, was rejected because it did not reflect differences in mission requirements.

The Air Force settled on a third option, after soliciting input from its major commands. Major commands were directed to evaluate the impact of further reductions on their command while minimizing the impact on readiness and combat capability. This approach was seen as preferable since it allowed the commanders concerned to decide where they could best take cuts while minimizing mission degradation. Since the Air Force had received a larger allocation of the fiscal year 1987 cuts, commands were asked to evaluate further cuts of 4 and 8 percent to accommodate possible variations in OSD's allocation methodology.

The inputs from the commands were reviewed by Air Force managers and combined with known and proposed actions having officer impacts to arrive at the total required reductions.

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## Assessment of Personnel Impacts

In addition to identifying force impacts (i.e., the positions that would be cut), the study also addressed the issue of personnel impacts (i.e., the actual officers to be reduced). Reconciling position reductions with actual personnel reductions is likely to result in skill or grade imbalances over the next few years as the services seek to realign the remaining officers with the remaining positions.

The two basic processes for managing the number of actual officers on active duty are accessions and attrition. Attrition can be further categorized as natural attrition (normal voluntary retirements, resignations,

and separations at the end of active-duty obligations) and forced attrition (involuntary separations, forced retirements, and early release from obligated service). Normally, the services try to match their accession plans to projected losses through natural attrition. In a period of reduced end strength, reducing only accessions can create imbalances that are likely to have the long-term effect of having too few officers entering the service to sustain even a scaled down officer corps. Therefore, when relatively large cuts are required over a short period, the services need to balance the personnel cuts by forcing some higher attrition in addition to reducing accessions.

The recruitment of new officers into the military and their retention and eventual separation are controlled, to a large degree, by provisions of the Defense Officer Personnel Management Act (DOPMA) of 1980 (Public Law 96-513). This law controls grade levels and provides protections for officers with substantial years of service.<sup>4</sup>

Only the Army provided specific information in the study on how an actual reduction in end strength would be handled. The bulk of the Army's fiscal year 1987 and 1988 reductions came from reducing accessions, early release of officers not selected for promotion, some voluntary early releases, and some selective early retirement boards (SERB).<sup>5</sup> For the 1989 and 1990 reductions, the Army projects that additional accession reductions would create long-term problems and that involuntary separations of officers not selected for promotion will be insufficient to meet the required reductions. This will require that the bulk of the 1989-1990 losses will need to occur through increased use of SERBs, other policy changes to force earlier retirements, and reductions in force (RIF). Such actions would require new legislation since they are likely to exceed the Army's authority under DOPMA.

The Navy's discussion of personnel impacts revolves around the effects projected for various officer communities. While the Navy noted that accessions for some officer communities will have to be reduced or eliminated, no mention was made of specific forced attrition programs. Although much of the Navy's share of reductions was imposed on programmed growth rather than actual on-board positions, considerable

<sup>4</sup>DOPMA allows officers with 18 years of service to continue until retirement eligibility at 20 years. It also protects virtually all officers with more than 11 years of service from reductions in force.

<sup>5</sup>The selective early retirement policy provides for involuntary retirement of up to 30 percent of lieutenant colonels twice nonselected for promotion to colonel and colonels with 4 years in grade who are not on the brigadier general promotion list.

personnel turmoil is still anticipated. The main reason for this is that the bulk of the programmed growth was in the combat elements while the Navy is allocating the reductions to shore elements.

We requested more specific information from the Navy concerning possible personnel actions that would be required in the fiscal year 1989-1990 period. Navy officials provided us with information showing that significant personnel actions would be needed to cope with its plan of implementing the 1989-1990 cuts within the nonexempt portion of the shore establishment. Plans call for cutting accessions by 100 percent in several officer communities, including civil engineering, oceanography, public affairs, and aviation engineering duty/aviation maintenance duty officers. Significant reductions in promotions and/or RIFs of officers at the lieutenant commander level would also be required to stay within DOPMA ceilings. Actions as severe as those planned by the Navy could have a significant long-range impact.

The Air Force was also not very specific about how reductions in actual officers would be handled. The Air Force noted that reductions of the size projected for fiscal years 1989 and 1990 will exceed those which can be addressed through lower accessions and voluntary separations. The Air Force stated that they may have to resort to SERBs and RIFs to meet reduced end strengths, but did not identify specific numbers of officers.

Finally, the Marine Corps portion of the study was also not very specific but noted that to achieve the 1989 and 1990 cuts, accessions would have to be reduced by as much as 20 percent and that attrition among junior officers would need to increase by 15 percent.

In February 1988, the Congressional Budget Office (CBO) released a study of the effects of the congressionally mandated officer reductions on promotions and accessions.<sup>6</sup> The CBO study used a model to project the number of officers by pay grade. CBO concluded that legal restrictions imposed by DOPMA do not appear likely to constrain seriously any of the services' abilities to comply with the mandated reductions in the officer corps. The CBO study projected the need for 22 to 32 percent reductions in accessions by fiscal year 1990.

<sup>6</sup>Congressional Budget Office, "Reducing the Size of the Military Officer Corps: Effects on Promotions and Accessions," Staff Working Paper, Feb. 1988.

On the surface, there appears to be some disagreement between CBO and DOD regarding the need for additional legislation to grant relief from DOPMA. However, the CBO study examined the impact in the aggregate. Since none of the services opted for across-the-board cuts and are instead targeting the cuts only in selected areas, they may have some problems achieving a balanced force reduction and staying within DOPMA controls.

## Evaluation of Officer Requirements Determination Processes

A key question underlying the Congress' concern about the officer growth is whether there is a valid need for more officers. Ultimately, the validity of the post-1980 growth, as well as the 1980 base, are tied to the quality of the various manpower requirements determination processes.

OSD's use of the terms "validated" and "not validated" in the study conveys an unclear message. These terms could lead a reader to infer that the growth in the number of officers either was or was not based on sound requirements. In the manpower community, the term "validation" generally refers to ensuring that a manpower need is real by applying a manpower standard to a reliable measure of work load or mission. Validation, in this sense, was beyond the scope of the OSD study. We believe it is more accurate to characterize the growth described in the study as either "explained" or "not explained."

Over the past few years, we have examined most of the various service manpower requirements systems in detail.<sup>7</sup> While none of our efforts focused specifically on officer requirements, the systems we reviewed are used to identify officer needs in addition to other manpower requirements. In each of the programs, we found a number of specific procedural and operational problems.

<sup>7</sup>Observations on the Army's Manpower Requirements Criteria Program (GAO/NSIAD-84-78, Mar. 27, 1984); Navy Manpower Management: Continuing Problems Impair the Credibility of Shore Establishment Requirements (GAO/NSIAD-85-43, Mar. 7, 1985); Navy Manpower: Improved Ship Manpower Document Program Could Reduce Requirements (GAO/NSIAD-86-49, Mar. 27, 1986); Navy Manpower: Squadron Manpower Program Needs Improvement (GAO/NSIAD-87-101, May 19, 1987); Navy Shore Manpower Program: Decision to Decentralize Needs to Be Rethought (GAO/NSIAD-87-99BR, May 11, 1987); Marine Corps Manpower: Improvements Needed in Processes for Determining Manpower Requirements (GAO/NSIAD-87-102, May 26, 1987); and Air Force Manpower Program: Improvements Needed in Procedures and Controls (GAO/NSIAD-87-137, June 25, 1987).

Review of our reported findings on the various service manpower requirements determination programs reveals a couple of consistent themes. In general, we found guidance, documentation, controls, and oversight to be inadequate in many of the programs.

In several places, the 1988 study characterized our reported findings as being fairly minor. We cannot agree with this characterization. For example, our work showed that changes in the Navy's ship and squadron processes could produce 6 to 12 percent lower enlisted requirements on two sample ships and 8 to 11 percent lower requirements in three Navy aircraft squadrons. Also, we found that inaccurate application of standards and recording of requirements caused Air Force requirements to be overstated by nearly 6,000 positions. While DOD did not agree with the assumptions which formed the basis for our estimates of Navy requirements reductions and also disagreed, at least in part, with a number of other findings in our series of reports, it agreed with most of our recommendations and the services are in the process of implementing improvements.

While our reports dealt primarily with the general processes used to determine all types of manpower requirements (including officers), we specifically reviewed the process for determining ground officer positions in the case of the Navy's squadron manpower document program. Ground officer positions include a variety of support and administrative positions, such as flight surgeons, and legal, maintenance, intelligence, and training officers. We found that none of the ground officer positions (numbering 1,765 as of May 1985) were based on measured work load. Instead these positions were established based largely on corporate management judgment. The Navy had no written guidelines for establishing ground officer requirements and had inadequate records to support the existing requirements.

Since our report, the Navy has developed a Ground Officer Staffing Guide and is currently using it to develop baseline requirements. By the end of fiscal year 1987, the total requirements identified in the baseline application of the guide resulted in a net savings of 122 positions (6.8 percent) compared to the previous methodology.

### Continued Concerns About the Navy Shore Manpower Program

One area where we continue to have some concerns about credibility involves the Navy's program for determining manpower needs for the shore establishment. Since about two-thirds of the Navy's civilian and military work force (including over 60 percent of the officers) are

assigned to shore-based jobs, the Navy's shore manpower program plays an especially strong role in determining how much reliance should be placed on Navy statements of manpower requirements.

In a 1980 report on the Navy's Shore Requirements, Standards, and Manpower Planning System (SHORSTAMPS), which was the Navy's manpower determination program for the shore establishment from 1972-1984, we questioned the Navy's commitment to a credible manpower requirements program and cited a lack of commitment as the underlying cause of the program's slow progress.<sup>8</sup> Five years later, we found that many of the same problems continued to exist.<sup>9</sup> In late 1983, the Navy redesignated SHORSTAMPS as the Shore Manpower Document (SHMD) program and incorporated it into a new Navy Manpower Engineering Program (NAVMEP) with a goal of providing total coverage of the shore establishment within 2 years. In 1986, the Navy decided to abandon the NAVMEP approach and decentralize its shore manpower responsibilities to claimants (major commanders and bureaus that use shore manpower). In reviewing that decision, we found that the decision had not been thoroughly analyzed and that the capability of the major commanders and bureaus was not considered, nor were necessary management controls provided. We recommended that the Secretary of the Navy suspend further decentralization until a thorough analysis could be performed.<sup>10</sup>

In July 1987, the Secretary of the Navy suspended further actions to decentralize the shore manpower requirements program and established a special committee to conduct an in-depth analysis of alternatives. On December 11, 1987, the special committee submitted its report to the Secretary of the Navy and recommended a hybrid approach keyed to the relative civilian/military mix of the claimant. Determination of manpower needs would be more decentralized for claimants with a preponderance of civilians and more centralized for those with a preponderance of military personnel.

The special committee's recommendation received a great deal of criticism during the Navy's internal review. The main criticisms were that a

<sup>8</sup>The Navy's Shore Requirements, Standards, and Manpower Planning System (SHORSTAMPS)—Does the Navy Really Want It? (GAO/FPD-80-29, Feb. 7, 1980).

<sup>9</sup>Navy Manpower Management: Continuing Problems Impair the Credibility of Shore Establishment Requirements (GAO/NSIAD-85-43, Mar. 7, 1985).

<sup>10</sup>Navy Shore Manpower Program: Decision to Decentralize Needs to Be Rethought (GAO/NSIAD-87-99BR, May 11, 1987).



centralized shore manpower function in a period of fiscal austerity would entail too great an investment in what is viewed as an overhead function and that Navy manpower requests have fared well compared to the other services without such a large program.

On January 26, 1988, the Secretary of the Navy chose an alternate proposed during the review process by one of the critics of the special committee's recommendation. This alternative proposal involves a decentralized manpower program for both military and civilian personnel. This alternate proposal is very similar to the one we raised questions about last year regarding lack of essential controls and independence. A Chief of Naval Operations briefing document for this option listed the least number of personnel at a central manpower unit and the least up-front cost as its advantages. The identified disadvantages of the option were (1) maximum start-up time, (2) difficult control of military manpower, (3) highest actual total costs, and (4) the fact that it rejects the special committee's recommendations.

We spoke with Navy officials about the alternative proposal. While it calls for some additional personnel to monitor and approve the manpower determination efforts of the claimants, the proposal was approved without information on what kinds of controls and sanctions would be provided. At the time we completed our audit work, OSD had not yet been briefed on the Navy's proposed new program.

A manpower requirements determination system is essentially a control system. It helps ensure that the service has the number and kinds of positions it needs to carry out its mission while being mindful of the cost of additional manpower. We believe that the alternate proposal does not adequately address this control issue. Delegating the authority for manpower determination down to the user of that manpower while maintaining only a small central review function creates a lack of independence that impairs the credibility of statements of manpower requirements.

Navy officials stated that a strong central control authority would establish and enforce policies and procedures which the major claimants would have to satisfy in order to obtain desired manpower levels. The Navy also stated that it plans to review the program a year after implementation. In view of the questions that have been raised in the past regarding the Navy's commitment to a strong manpower program, we believe that an independent review is essential to ensure that the Navy's

new shore manpower program is capable of producing credible manpower requirements.

## Evaluation of OSD's Proposed Officer Requirements Oversight Process

DOD Directive 5124.2 establishes the Assistant Secretary of Defense for Force Management and Personnel as the principal staff assistant and advisor to the Secretary of Defense for manpower issues. In that capacity, the Assistant Secretary is specifically responsible for reviewing and evaluating service manpower plans and programs, analyzing quantitative and qualitative manpower requirements, and implementing controls on military and civilian manpower strengths.

Since 1980, the Secretary of Defense has been required to include information on the number of officer positions and the estimated active officer end strength for the current fiscal year and the next 5 fiscal years in his annual Defense Manpower Requirements Report (DMRR). The information for the annex to the DMRR is provided by the services. The Officer Flow Annex contains information by grade and years of service as well as flows into and out of the various grades but does not include information on what functions the officers serve.

We were told by OSD officials that very little, if any, analysis was performed on the service inputs on officer strengths. OSD acted mainly as a clearinghouse to compile the data for the DMRR. The only scrutiny that increases in officer requirements received came from the OSD Comptroller as part of the normal budget proposal review process.

OSD acknowledges that its past oversight was deficient. In addition, the study notes that the DMRR does not provide insight into programmed officer structure or growth that has occurred over time and is of limited utility as a vehicle for use in analyzing officer manpower requirements.

The study identified a number of steps planned to improve OSD's oversight of officer requirements. Four criteria have been established by OSD for the oversight process. The process must have (1) a valid reporting scheme that all service data files will support, (2) the capability to track manpower associated with programs over time, (3) the capability to compare budget requests with manpower requirements and inventories, and (4) flexible analysis tools to facilitate these comparisons.

OSD has already begun to implement an improved oversight process. The guidance for the fiscal year 1989 DMRR requires that data on authorizations, inventory, and percent of manning be provided for fiscal year

1980 (as a baseline) and fiscal year 1987. For fiscal years 1988 and 1989, the services must provide their programmed requirements, authorizations, and inventory. All of this information is to be provided by DPPC.

Over the longer term, additional changes are planned to improve OSD's oversight capability, including revision of OSD manpower policy guidance and development of service baseline data files which are comparable across services and compatible with standard reporting categories and formats. OSD envisions that it will take up to 3 years before the improved oversight mechanisms are fully in place.

In addition to increased monitoring and more standardization of data files, the service manpower requirements programs will be subject to frequent reviews by the DOD Inspector General and service audit agencies.

We believe that OSD's plans to improve its oversight efforts are headed in the right direction. If these plans are fully carried out, OSD should not find itself again in the position of being unable to explain where manpower levels have grown and why.

# Objectives, Scope, and Methodology

The Conference Report on the National Defense Authorization Act of Fiscal Years 1988 and 1989 directed the Secretary of Defense to submit a comprehensive officer requirements study to the House and Senate Committees on Armed Services by March 1, 1988. The conferees also directed GAO to evaluate the DOD study and submit our findings to the Committees by April 1, 1988.

Our objectives were to evaluate the credibility of (1) DOD's explanations for the fiscal year 1980-1986 growth in the officer corps, (2) statements regarding force and personnel impacts of the officer reductions, and (3) statements regarding the integrity of the service manpower requirements systems. Given the limited time available, we determined that these objectives could best be met by examining the methods, assumptions, data sources, and reporting formats used by the services to identify and track the officer growth and determine the impact of officer cuts.

DOD officials gave us complete access to their study effort, including opening their meetings to us and providing us with copies of tasking requirements, interim products, and internal critiques. We conducted our review at the Office of the Assistant Secretary of Defense (Force Management and Personnel) and the Office of the Joint Chiefs of Staff in Washington, D.C.; and the headquarters of the Army, Air Force, Navy, and Marine Corps. We interviewed service, JCS, and OSD officials responsible for conducting the study and examined related documentation.

To evaluate the credibility of the explanations for the post-1980 officer growth, we judgementally selected a sample of PECS and traced the numbers back to their sources. Our sample was selected to include some of the PECS showing the largest growth and yet cover the range of DPPCS. We did not conduct a computer reliability assessment of the systems used to extract the data.

To evaluate the credibility of the impacts identified by the services, we performed a general review of the impact statements, examined the message traffic generated during the process of deciding where the cuts would be made within the services, and reviewed proposed options for reductions that had been rejected. We did not verify the number of officers associated with a particular stated impact.

To evaluate the service statements on the requirements systems, we examined the descriptions contained in the study in light of our previous

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**Appendix II**  
**Objectives, Scope, and Methodology**

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reports on the various manpower requirements determination systems. Where we had questions, we interviewed responsible officials, reviewed documentation, and updated some of our previous findings.

Our review was conducted between December 1987 and March 1988, in accordance with generally accepted government auditing standards.

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