

Why GAO Did This Study

The Senate report to accompany the 2011 Defense authorization bill directed GAO to assess the Department of Defense's (DOD) use of cash incentives to recruit and retain highly qualified individuals for service in the armed forces. This report (1) identifies recent trends in DOD's use of enlistment and reenlistment bonuses, (2) assesses the extent to which the services have processes to determine which occupational specialties require bonuses and whether bonus amounts are optimally set, and (3) determines how much flexibility DOD has in managing selected special and incentive pays for officer and enlisted personnel. GAO analyzed service data on bonuses and special and incentive pays, reviewed relevant guidance and other documentation from DOD and the services, interviewed DOD and service officials, and observed two working groups that were determining bonus amounts.

What GAO Recommends

GAO recommends that DOD (1) coordinate with the services to facilitate discussions on conducting research, as appropriate, to determine optimal bonus amounts and (2) monitor the implementation of its consolidation of special and incentive pays to determine whether it is resulting in greater flexibility and what impact the consolidation is having on DOD's budget. In commenting on a draft of this report, DOD concurred with both recommendations.

MILITARY CASH INCENTIVES

DOD Should Coordinate and Monitor Its Efforts to Achieve Cost-Effective Bonuses and Special Pays

What GAO Found

DOD engaged in enlistment and reenlistment contracts for bonuses to servicemembers that totaled \$1.2 billion in fiscal year 2010, down 58 percent from fiscal year 2008. Contracted amounts peaked in the Army and the Navy in fiscal year 2008 and declined thereafter; amounts peaked for the Marine Corps and the Air Force in fiscal year 2009 and then declined. From fiscal years 2006 through 2010, the services contracted a total of \$11 billion for bonuses, with the Army accounting for 52 percent, the Navy, 24 percent, the Marine Corps, 16 percent, and the Air Force, 9 percent. About \$4.5 billion of the \$11 billion was contracted for enlistment bonuses and \$6.6 billion for reenlistment bonuses. With the exception of the Army, the amounts the services contracted were higher for reenlistment than enlistment bonuses during this time period. For example, the Army's average enlistment bonus was higher than that of the other services in fiscal years 2006 through 2008, while the Navy's was highest in fiscal years 2009 and 2010. On the other hand, the Army's average reenlistment bonus was smaller than those of the other services during this period.

The services have processes that include the analysis of data on how difficult it is to recruit and retain particular occupations and use these processes to adjust bonuses, but they do not know whether they are paying more than they need to for these purposes. DOD guidance allows the departments to offer a bonus to any occupation that they have difficulty recruiting or retaining, thereby allowing them to adjust their policies to changing market conditions. However, though much research has been conducted on bonuses' effects on enlistment and retention, DOD does not know whether the bonus amounts the services offer are optimal. Efforts to develop ways to assess the cost-effectiveness of bonuses have been made by some research organizations and have generated interest at the individual service level, but there has been no coordinated DOD-wide work to facilitate information-sharing among the services on this issue. Without such information-sharing, the services may not be able to fully take advantage of existing and emerging methodologies for assessing whether they are getting the best return on their bonus investments.

DOD has begun to increase its flexibility in managing special and incentive pays while consolidating them into eight categories. GAO reviewed 15 of DOD's more than 60 special and incentive pays and found that during fiscal years 2006 through 2010, it spent \$13.6 billion on those pays and that for about 30 percent of that amount, DOD was unable to adjust numbers of recipients or amounts based on market conditions because they had not yet been consolidated and were established in legislation. DOD's consolidation of special and incentive pays will allow the services more flexibility in managing them. However, at present, DOD has not established metrics that will enable it to determine whether this consolidation is resulting in greater flexibility as it transitions to the new categories by fiscal year 2014. As a result, DOD may not be positioned to measure future progress in meeting the intended goal of the consolidation, which is to give the services more flexibility.