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RESERVE COMPENSATION SYSTEM STUDY



TO SELECT AND RECOMMEND THE COMPENSATION SYSTEM THAT WILL BEST ENABLE THE COUNTRY TO DEVELOP AND MAINTAIN THE RESERVE FORCE STRUCTURE FOR EFFECTIVE FUTURE MISSION PERFORMANCE.

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Final Report

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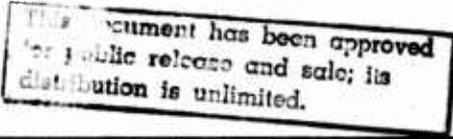
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**Reserve Compensation
System Study**

**OFFICE OF THE
DEPUTY ASSISTANT SECRETARY OF DEFENSE
(RESERVE AFFAIRS)**

R. G. Altmann, Director

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want the force to look like in the future. It shifts compensation to the earlier years of service, with less emphasis on deferred compensation (retirement). Included in the proposed system are highly flexible differential pay elements heretofore unavailable to the Reserve Forces to assist in attracting and retaining personnel in specific skills, units, geographic areas and components where manning problems exist. They include a selective enlistment option, consisting of a cash bonus or educational assistance; a selective affiliation bonus to attract prior service personnel with needed skills into the Guard and Reserve; and a selective reenlistment bonus that will be used to keep people who have needed skills but where there is a high turnover rate and chronic shortages. Authority for employing the bonus would rest with the Secretary of Defense based on individual component manning experiences and actual needs.

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APPENDIX B - TABLES OF CONTENTS OF SUPPORTING VOLUMES
(Volumes published separately)

VOLUME 1 - BASIC AND SPECIAL PAYS

VOLUME 2 - DEFERRED COMPENSATION
AND BENEFITS

VOLUME 3 - MISCELLANEOUS
COMPENSATION-RELATED TOPICS

EXECUTIVE SUMMARY

PURPOSE

The Reserve Compensation System Study (RCSS) was established in 1976 by direction of the President to conduct a comprehensive review of reserve compensation, to evaluate its effectiveness in meeting manpower requirements, and to identify and recommend cost-effective alternatives. This Final Report of the 22-month Study describes an integrated compensation system for the future designed specifically for the Reserve Components. Although there have been many studies of Active Force compensation, this is the first time reserve compensation has ever been studied. The need was to meet quantitative and qualitative manning goals at minimum cost in achieving reserve readiness. Of course, compensation is understood to be only one of the factors available to help achieve that goal. The many non-compensation elements involved were beyond the mandate of this Study.

BACKGROUND

Two policies adopted in 1973 were of major significance for reserve manning. These were the All Volunteer Force (AVF) and Total Force policies. The AVF ended conscription and adopted a return to volunteer means of raising and maintaining our military

forces. The Total Force Policy placed increased reliance on Reserve Forces as the Primary method of augmenting the Active Forces in the event of mobilization. The economic rationale underlying the Total Force Policy is that national security objectives can be achieved more efficiently through a smaller Active Force and greater reliance on the reserve.

While experts indicate these policies have been successful in achieving Active Force recruiting and retention goals, they have had the opposite effect on the ability of the Reserve Forces to achieve manning goals, both quantitatively and qualitatively. Unlike the Active Force, the Reserve Forces were not provided with compensation tools designed specifically to enable them to adapt to the new environment. Reserve compensation is less a system than a collection of compensation elements that grew through time because of rigid links with the Active Force system. It was never designed to respond to the unique features and problems involved in reserve manning. It is recognized, however, that during the draft, compensation did not play as great a role in the manning function because participation in reserve programs as an option to years on extended active duty provided ample incentive to maintain aggregate strengths. The AVF and Total Force

policies cannot truly be considered failures, rather, they have not provided the Reserve Forces with relevant compensation tools. This summary deals solely with the system devised by RCSS.¹

LOGIC OF THE ORGANIZATION OF THE STUDY

The logic underlying the organization and conduct of the study is:

- The criterion of cost-effectiveness was established in the RCSS mandate;
- Principles of cost-effective (or efficient) compensation were formulated and adopted, consistent with the mandate;
- Existing reserve personnel inventories and profiles were examined and compared with the objective (or desired) personnel inventories and profiles, enabling the RCSS to identify aggregate and specific manning shortages;
- Existing reserve compensation elements were analyzed to determine whether they contributed to the problems or aided in their solution.

¹ Significant discussions of the Individual Ready Reserve, and Full Time Training Administration and Support of the Selected Reserve appear in Chapters VI and VII.

PRINCIPLES OF COMPENSATION

The RCSS adopted four principles consistent with the cost-effectiveness criterion to guide it in evaluating present reserve compensation and in designing the recommended systems.

- Compensation must be related to the supply and demand of reserve personnel, not only in the aggregate, but by types of personnel.
- The compensation system must support the type of force desired. To be cost-effective, it must be designed with reasonable specification of the force size and profile it is to support.
- The compensation system must be flexible enough to adjust reasonably quickly to changing supply and demand conditions and to differing supply and demand conditions for each of the Reserve Components.
- Manpower costs must be reflected accurately in individual component budgets for efficient manpower management.

MAJOR FINDINGS

The major findings of the RCSS with respect to both manning problems and the inability of existing reserve compensation to solve these problems are:

- Total Selected Reserve strength has been below authorized strength since the inception of the AVF. Inability to meet authorized strengths has resulted in reductions in the authorizations for some components. This, in turn, has created strong pressures to maintain strength levels in any way possible.
- Shortages are not general, but are concentrated primarily in the enlisted force, in the ground components, in the combat arms within these components, and in the first term of enlisted service. Much (but not all) of the first-term shortage is an attrition problem, rather than an accession problem.
- All components, even those meeting aggregate strength authorizations, are short of first-term enlisted personnel (relative to their objective force profile), and over in the 7 to 12 years-of-service (YOS) category. Most components are over in the 20+ YOS and accept more prior service (PS) enlisted personnel than desired. It appears the Reserve Components are taking what they can get rather than what is desired in terms of ex-

perience distribution to maintain authorized strengths.

- There are two major differences in the labor markets in which the reserve and Active Forces compete that have important implications for the reserve compensation system:
 - The Reserve Forces compete in part-time labor markets. Their primary competition is other part-time employers, not the Active Forces. Some of the Reserve Components have disputed this finding, yet an examination of their own recruiting and retention literature shows a very heavy emphasis on the advantages of reserve membership in comparison with other part-time employment;
 - Local labor market conditions are more important to the Reserve Forces than the Active Forces. These local labor market conditions exhibit great diversity throughout the nation, yet reserve compensation is uniform nationwide.
- Rigid linkage (or "comparability") between Reserve Forces and active duty compensation is inappropriate. The relationship of reserve pay to full and part-time civilian earnings opportunities is a more important

factor than the relationship to active duty pay.

- o Analysis of market research data indicates additional cash is a major reason for reserve participation. Since many reservists have established their basic "benefit base" through primary employment, reserve compensation should place greater emphasis on cash rather than in-kind compensation.

- o The reserve compensation system should place greater emphasis on current rather than deferred compensation. The need for a retirement system is much less apparent than for the Active Forces, particularly because many reservists will be members of retirement systems through their primary employment.

- o Uniform nationwide reserve compensation is inefficient, given the attachment of reservists to their home communities and the great diversity of wages and incomes throughout the nation.

- The general level of reserve compensation is too high for senior enlisted personnel and officers, and too low for junior enlisted.

- Both current and deferred compensation have had far greater attraction for officers than for enlisted personnel;
- The present mechanism for annual adjustments in the general level of reserve compensation, viz., rigid linkages with active duty basic pay increases, exacerbates this problem. Annual increases are always equal percentage increases across the board, resulting in increasing absolute dollar raises for the senior grades.
- In the active forces, the availability of an immediate annuity at 20 years-of-service creates a powerful incentive to retire as soon as eligible. Reserve retirement creates an incentive to remain as long as possible after retirement eligibility because the annuity is deferred until age 60, and continued participation increases the retirement points and hence the size of the eventual annuity.
- The present reserve retirement system results in annuities which are too generous;
- Access to the reserve retired rolls is largely at the option of the individual, rather than according to the needs of the services;
- Retirement costs are not charged to the budgets of the Reserve Components. Therefore, there

is no financial incentive for the components to control access to the retired rolls; Reserve membership is a means by which active duty separatees with fewer than 20 years-of-service can "vest" their years of active service. Active duty years are weighted heavily for computing reserve retirement annuities.

- The reserves are an aging force at present, and projections indicate that under current policies, the reserves will be even more of an aging force in the future. Two consequences of this are grade stagnation and the presence in the reserves of many personnel who are questionable mobilization assets.
- The use of technicians in the Army and Air Force components contributes to an aging reserve force.
- Existing reserve compensation is not only unrelated to supply and demand, and therefore not cost-effective, but operates perversely, distributing the largest annual increases to senior personnel.

RCSS CONCLUSIONS

The RCSS concluded that a cost-effective compensation system is one which:

- increases the emphasis on current compensation;
- increases current compensation for enlisted relative to officers;
- increases the compensation of lower pay grades relative to higher pay grades;
- decreases the emphasis on deferred compensation;
- controls access to deferred compensation;
- employs selective differential pays to attract and retain personnel in skills, units, areas, and components where manning problems exist, rather than attempting to deal with selective shortages by using general compensation increases;
- provides a more flexible method of adjusting the general level of current compensation in accordance with manning experience.

THE RCSS ALTERNATIVES

The RCSS developed two preferred alternative reserve compensation systems. Both represent major departures from present reserve compensation methods. One alternative includes a reserve retirement system (although different from present reserve retirement). The other does not. Both alternatives are constructed using the three major

elements of reserve compensation: the general level of current compensation (reserve pay), differential pays, and deferred compensation. They are systems in the sense that each major element has been designed with reference to the other elements to maximize reserve manning efficiencies. Flexibility to deal with changing supply and demand conditions in the future is a main feature.

The General Level of Current Compensation (Reserve Pay)

Present Practices. One-thirtieth of monthly active duty basic pay is paid for each four-hour period of inactive duty for training, two-thirtieths for eight hours, and not more than two-thirtieths in one calendar day. Reservists receive the same pay and allowances as the active forces during annual active duty for training, special tours, school tours, and mandays. However, the full range of active duty benefits is not received unless the reservist is ordered to active duty for 30 days or more.

Drill pay accounts for most of the annual income for the typical reservist in Training/Pay Category A, consisting of 48 drills (usually four drills performed on one weekend per month) and two weeks' annual training. Drill pay is adjusted whenever active duty basic pay is adjusted and by the same amount. Under the present adjustment

mechanism, these increases are always identical percentage increases across-the-board, resulting in increasingly larger absolute dollar increases for the higher grades.

Reserve Pay - RCSS Alternatives #1 and #2. The general level of current compensation is the same under either of the two RCSS alternatives. The RCSS proposes "reserve pay," consisting of two parts, "training pay" and "retainer pay."

Training pay consists of one-thirtieth of monthly cash RMC (the cash elements of regular military compensation, viz., basic pay and the cash allowances for quarters and subsistence) for each eight hours of inactive duty for training of less than 30 days. The quarters allowance at the married rate, and the subsistence allowances at the current enlisted and officer rates were used in establishing the reserve pay. Once used in the calculation of Training Pay these allowances lose their significance, and reservists should be fed and quartered at government expense if their duties require.

Under the RCSS proposal, training pay would be significantly lower than the current levels. Consequently, an additional element to reserve pay has been added as a permanent feature to raise overall pay to acceptable levels. In addition to training pay, reservists

would receive quarterly retainer pay, provided they satisfactorily meet the participation standards established by the component. For Training Pay Category A, this pay would initially be established at \$200 quarterly for officers, \$125 for warrant officers, and \$100 for enlisted, with no variations by pay grade within these categories. Everyone would be eligible, but only reservists who meet satisfactory drill performance standards established by the Secretary of Defense would receive it. In the Army, for example, 90% attendance at inactive Duty, or weekend training, and completion of the two-week annual active duty tour would be required.

Both training and retainer pay would be entirely subject to income and Social Security taxes, in accordance with the principle that total manpower costs should be reflected in the budgets of the Reserve Components.

Adjustments in training pay would be linked to the total annual increase in the three cash elements of RMC (basic pay, quarters allowance, and subsistence) for the Active Forces and not just basic pay as under the current practice. During the past two years, the increase in basic pay has been less than the increase in the three cash elements of RMC because the President has reallocated a portion of the Active Force increase from basic pay to

the basic allowance for quarters, which reservists do not receive during inactive duty.

As proposed by RCSS, retainer pay would be reviewed periodically by the Secretary of Defense and adjusted according to reserve manning experience. Adjustments could differ by pay grade and length of service. For example, there could be a \$100 annual increase for E-1 through E-4 and a \$50 increase for E-5 through E-9.

Purpose and Effects of RCSS Recommendations. The RCSS findings and conclusions indicated the desirability of increasing the pay of junior personnel and decreasing the pay of senior personnel, that is, of flattening the slope of the paylines (relating annual reserve income to years of service) for both officers and enlisted. The findings and conclusions also indicated the desirability of increasing enlisted pay generally relative to officer pay, that is, of reducing the ever-increasing divergence between officer and enlisted pay. The application of training pay alone does flatten the slopes of the two paylines and decrease the divergence, however, training pay alone would result in a decrease in annual income for all grades, including those where shortages exist. In many cases, the decreases would be substantial.

One major purpose of retainer pay would be to retain the desired slope properties of the payline while raising annual pay levels so that increases result for junior personnel and the decreases for senior personnel are mitigated. The resulting general increase for junior personnel is recommended because all components are experiencing shortages of these personnel, even those which are meeting their aggregate manning goals.

In general, under the RCSS proposal, the gross income of enlisted personnel with fewer than 11 years-of-service and of officers with fewer than seven years-of-service is increased, and income for senior officers and enlisted is decreased. The increases for enlisted personnel in the first six years-of-service average about 26%, with the increase decreasing by years-of-service. For the most senior enlisted personnel (E-9, over 26 years), the decrease is 15%. The only substantial increase for officers is 12.8% for O-1, a pay grade which is (understandably) less populous in the reserves than the Active Forces. There would be decreases of about 13% for a typical O-5, 17% for an O-6, and 21% for an O-8.

Because retainer pay is based upon satisfactory participation and is paid quarterly, it provides some additional

incentive for participation. This is relevant primarily for junior enlisted personnel.

Another major purpose of retainer pay would be to provide flexibility in the adjustment process, so that the general level of compensation may be adjusted in accordance with manning experience. Training pay would be automatically increased (every year) as active duty basic pay was increased. Retainer pay would be reviewed and adjusted periodically, and the adjustment could differ by length-of-service, or pay grade, or by officer and enlisted status. In fact, differential adjustments would have to be made at times, otherwise the slopes of the paylines would eventually approximate the original slopes.

The RCSS recommends that the proposed levels of retainer pay be enacted in law as minimum levels which may be raised but not lowered. It must be emphasized that retainer pay is an integral part of reserve pay and not a bonus.

There are several other beneficial effects of the reserve pay proposal. Pay distinctions based upon marital status (which are a source of discontent for single reservists) are eliminated, as is the basis for the long-standing contention that reservists receive "two days' pay for one

day's work." Finally, all days are paid at the same rate except for active duty over 30 days, in which case the active duty pay system applies. Annual active duty for training and other short periods of duty would be paid at the same rate as inactive duty training. This would eliminate the situation that now occurs when two reservists performing the same task are paid at different rates (i.e., when one is on inactive duty training status and the other is on short-term active duty for training status). Under the RCSS proposal, a "day would be a day" for pay purposes.

Differential Pays

Present Practices. There are a number of special and incentive pays linked to similar active duty pays, generally on the basis of one-thirtieth of the active duty rate for each four-hour drill period. Many of these pays have not changed in nominal terms in over 20 years, therefore, they have declined substantially in real terms. They are paid whether or not there are manning shortages or surpluses in the particular skill or type of duty. Therefore, it is clear that there are no differential pays that are truly functional under the present approach i.e., none is related to manning.

RCSS Alternatives #1 and #2. The RCSS proposes three types of selective differential pays, which are the same under each alternative. The first is a selective enlistment option, consisting of either a cash enlistment bonus or educational assistance, at the option of the non-prior service enlistee. The second is a selective affiliation bonus paid to prior service enlistees from the time of enlistment until the end of the military service obligation (a total of six years' active and reserve service). The third is a selective reenlistment bonus payable to either non-prior service or prior service reenlistees at the six-year point for a four-year reenlistment.

Responsibility for administering these bonuses would be placed with the Secretary of Defense. The RCSS has suggested a series of "screens" which the Secretary could use as criteria for approval of bonuses. These are based upon the relationship between manning levels and strength authorizations or requirements, and are designed to ensure that bonuses will be used only in components, skills, and units where they are needed to overcome manning difficulties.

The RCSS was not able to analyze manning experience in every occupation or type of duty for which special and incentive pays are now authorized. However, RCSS has recom-

mended that Administrative Duty Pay be eliminated and that all pays be based upon one-thirtieth of the monthly active duty entitlement for four hours of inactive duty training be reduced to one-thirtieth of the active duty rate for each eight hours of inactive duty training. This is consistent with the RCSS recommendations concerning reserve pay. RCSS has also recommended that many of these pays be replaced with the bonuses proposed. This would generally enable larger payments to be made if there are manning problems in these specialties.

Purpose and Effects of RCSS Recommendations. The differential pays recommended by the RCSS provide a second major element of flexibility (in addition to reserve pay) in adapting to changes in the manpower supply and demand -- a flexibility lacking under existing reserve compensation. Differential pays are more flexible than general pay adjustments, and they can be focused on specific problems to accomplish manning goals at much lower cost. The key to each differential pay is the word selective; these pays have been devised to deal with shortages wherever they occur and only where and when they occur.

The RCSS has found that there are wide geographic differences in wage rates and other economic variables which affect reserve manning, and that a uniform

nationwide pay scale is not cost-effective. The relationships among regional economic variables and reserve manning are not systematic enough to recommend blanket regional differentials, but the differentials proposed here can be used to deal with regional manning problems.

The study has shown that the Reserve Components are accepting more prior service enlistments and have more personnel with 6 to 12 years-of-service than they would like. Therefore, at this time, there is no need for general prior service enlistment or reenlistment bonuses, but these could be used in skills, units, and areas where shortages exist despite the overall surpluses. The flexibility of the bonuses would allow the focus of compensation to change as the personnel profiles change.

Deferred Compensation

Present Retirement Practices. Reservists are currently entitled to a deferred annuity and ancillary benefits at age 60 upon completion of 20 satisfactory years-of-service. The monthly annuity is calculated according to the following formula:

$$\text{Constructive years}^1 \times .025 \times \text{monthly basic pay} = \text{monthly annuity}$$

1 Constructive years are calculated by dividing the total number of points creditable for retirement by 360.

Points are earned in a variety of ways. One point is awarded for each four-hour drill (two per day of inactive duty training), and for each day of active duty whether for training or extended active duty. A reservist may voluntarily participate as an unpaid member of a drilling unit to receive retirement point credit. Points are also awarded for various activities such as attendance at meetings of associations of reservists, and for correspondence courses. Fifteen gratuitous points are awarded each year for membership.

A satisfactory year for retirement purposes is any anniversary year in which a reservist earns a minimum of 50 points. If he earns fewer than 50 points in a year, these will be included in calculating his retirement annuity provided he has 20 satisfactory years. Only 60 inactive duty points may be credited in one year.

The basic pay table used in the annuity calculation is the one in effect at the time the deferred annuity commences (currently age 60), not the pay table in effect when the reservist retires or otherwise ceases participation. Moreover, if the reservist retires with 20 satisfactory years, he would nevertheless receive credit for additional longevity increments in calculating his annuity while he is on the retired rolls. Thus, if an E-7 retires at age 42 with 20 years of satisfactory ser-

vice, at age 60 his annuity will be based on the maximum longevity increment for an E-7, which occurs at 26 years-of-service (and is the largest longevity increments in the pay table).

RCSS Alternative #1. This alternative includes a retirement system which modifies the current system in several important respects and results in lower annuities. First, it would make several changes in the point system. One point instead of two is awarded for each eight hours of inactive duty training, the same as for active duty. (This is consistent with the RCSS reserve pay proposal.) Points for correspondence courses and various other activities are eliminated, as are the 15 gratuitous points. Second, a satisfactory year would be redefined as one in which the reservist meets requirements of his status, whether this entails more or fewer drills than 48, or even if it entails no drills at all. This would eliminate the necessity for engaging in activities primarily to accumulate 50 points for a satisfactory year. Third, it would eliminate crediting of longevity increments after participation has ceased. Fourth, the annuity would be calculated on the basis of the pay table in effect at the time participation ceases, CPI adjusted over the intervening years to maintain constant purchasing power, rather than the table in effect at age 60.

The formula proposed for the annuity calculation is a two-part one that would give greater weight to reserve participation relative to extended active duty (30 days or more). The modifications described above result in annuity reductions generally in the range of 20% to 35%. If the existing formula had been retained, the modifications would have reduced annuities to the point where they would provide virtually no incentive for continued participation for reservists without extensive active duty.

This alternative also includes a lump-sum option, whereby the reservist who attains vesting (with 20 or more years of satisfactory service) can elect to receive a lump sum payment instead of the deferred annuity and ancillary benefits at age 60. A lump-sum option is also proposed under the present retirement system; the amounts of the lump sums would be larger under the present system because the annuity is larger. In both cases, the amounts of the lump sum payment have been devised so that election of the option is financially advantageous to the government. Nevertheless, it is believed that many reservists will elect the lump sum. It is important to note that receipt of the lump sum would be at the option of the reservist, and he need not elect it if he would prefer to receive the deferred annuity.

The RCSS also endorses the Department of Defense proposal to charge the annual budgets of the individual Reserve Components with the currently-accruing cost of future reserve retirement outlays.

RCSS Alternative #2. This alternative includes the three selective differential pays described earlier plus Reserve Career Bonuses for both enlisted and officers during the seventh through thirtieth years-of-service. It does not include a retirement system, therefore, the Reserve Career Bonus is structured to provide an incentive for continued service through 30 years. The initial amounts of the Reserve Career Bonus have been based upon amounts which, if invested in a fund, would accumulate to enable a reservist to buy a retirement annuity approximately equal in value to that proposed under RCSS Alternative #1. This initial linkage to the retirement annuity should eventually be replaced by bonuses structured in accordance with personnel shortages and overages as experience is gained.

The Reserve Career Bonus itself is not selective because all individuals with 7 to 30 years-of-service would receive the same bonus. However, it is flexible because the amount can be reduced or increased according to manning experience for various officer and enlisted length-of-service categories.

It can also be used to select the individuals who would be permitted to continue in the Selected Reserve at various lengths of service.

Purposes and Effects of RCSS Recommendations. The basic purpose of both alternatives is to shift compensation resources forward, where manning experience indicates they are needed. As Secretary of Defense Harold Brown has noted:

The current system emphasizes deferred compensation, or retirement benefits, rather than immediate cash payments. This leads to too many senior personnel and too few first-term people¹ in the first six years of service.

The RCSS has presented two alternatives which are far more efficient than existing reserve compensation.

The RCSS believes that Alternative #1 will assist the reserves in achieving their objective force profiles, even though retirement annuities are substantially reduced from the present system. Analysis of the profiles show larger numbers of reservists with 20 or more

¹ Annual Report, Department of Defense, Fiscal Year 1979, 2 February 1975, p 334.

years-of-service than the components desire, and projections indicate that this surplus will grow. Moreover, those reservists who now have 20 or more years of service made their career commitments many years ago when they could not reasonably have anticipated that annuities would be as large as they are today.¹

There are several arguments for Alternative #2. One is that a retirement system, once established, is the most inflexible element in a compensation system. If it proves incompatible with changing manpower needs, it is extremely difficult to change, and the effects of changes cannot be fully realized until long after they are instituted, by which time manning needs may have changed again. Another is that this alternative shifts compensation resources forward toward the years of active participation, where they are needed, to a far greater extent than Alternative #1. Another is that Alternative #2 is more consistent with the secondary labor market nature of reserve participation than Alternative #1. Finally, because the reserve career bonus replaces retired pay these manpower costs are automatically and accurately reflected in the Reserve Components' budgets.

1 The main reason for the large increase in individual annuities has been the increase in active duty pay brought about by the Rivers Amendment in 1967, linking changes in active duty pay, and therefore, in retired pay, to annual increases in Civil Service pay.

The major disadvantage of this alternative is that the uncertainties associated with it are greater than those associated with the Alternative #1.

No foreign nation has a retirement system for its reserve forces. If we were establishing the Reserve Forces today the compensation system would not include retirement.

CONCLUSION

The RCSS is confident that either of the alternatives recommended would be more efficient than current reserve compensation and would enable the Reserve Forces to move much closer to achieving their desired force sizes and profiles.¹ Each alternative has been designed as a complete system to achieve these manning goals efficiently, in accordance with our mandate.

Adoption of either RCSS alternative would cost less than continuation of current practices and, more importantly, would provide the tools to achieve objective force profiles. We urge, therefore, that these alternatives be considered as systems, and that the temptations (already

1 However, as discussed in Chapter VI, the U.S. Army Reserve will not be able to achieve either its total enlisted requirement or its objective profile, even with the RCSS recommendations. Improved management and/or a redefined objective profile is mandatory.

evident) to seize upon pieces of the recommendations for immediate implementation to deal with current shortages be resisted. (Indeed, such patchwork, quick-fixes have contributed to the severity of the present problem that now demands a total systems solution.) This does not mean that some of the changes proposed by RCSS cannot be time-phased in their introduction. In particular, the RCSS recommends that the proposed paylines, which provide substantial increases for first-term enlisted personnel, be put into effect and the results analyzed before the selective enlistment incentives are introduced.

The RCSS recommends a transition team to implement the new compensation system. This is needed particularly in light of the recommendations regarding active duty compensation developed by the President's Commission on Military Compensation. Although not limited to the area of deferred compensation, significant impact on prior service accessions to the reserves can be anticipated if the changes to Title II Retirement are adopted as recommended by that Commission. The RCSS believes that to manage the reserve compensation system effectively a management information system must be developed. Basic manpower data on the reserves were inadequate to the needs of modern manpower management.

Indeed, a well designed information system, encompassing all the Reserve Components (including the Coast Guard), and compatible with that of the Regular Components, could assist manpower managers significantly in restructuring the Forces towards their objective profiles.

Finally, although its mandate was to recommend a cost-effective compensation system, the staff of the Reserve Compensation System Study is completely convinced that compensation, in itself, cannot achieve a mission-effective force. Such non-compensation factors as meaningful training and strong unit leadership can bring out the sense of purpose, personal dedication, and pride in belonging that are the welding characteristics in any vital organization.

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CHAPTER I
INTRODUCTION

A - WHY A RESERVE COMPENSATION SYSTEM STUDY?

While many considerations were involved in the Presidential mandate for an in-depth look at Guard and Reserve compensation, the effects of two related policies (introduced in 1973) on the procurement and management of defense manpower were of major significance. These were the All Volunteer Force (AVF) and the Total Force policies. The All Volunteer Force Policy adopted a return to the concept of individual choice as a basis for raising and maintaining our military forces and ended conscription, the primary method of military procurement for over 30 years. The Total Force Policy placed reliance on combat-ready Reserve Forces as the initial and primary method of augmenting the Active Forces in the event of mobilization.

The economic rationale for the Total Force Policy is that a force capable of protecting the national security can more efficiently be achieved by maintaining a smaller Active Force and placing greater reliance on part-time reservists than by maintaining a larger Active Force.

This is because of higher personnel costs for the active force. The efficient mix of Active and Reserve Forces is not fixed, but depends upon both the relative costs and the relative effectiveness of these forces. Factors which increase the costs or decrease the effectiveness of the reserves relative to the Active Forces indicate that a shift toward greater reliance on the Active Forces would be more efficient; the converse is also true. Increases in the relative costs or decreases in the relative effectiveness of the Reserve Forces undermine the rationale of the Total Force Policy.

The AVF Policy has drastically altered the environment in which the Active and Reserve Forces compete for manpower. This has necessitated major changes in recruiting, personnel management, and compensation for the Active Forces. That there have been some problems accompanying these changes should not be surprising, because virtually the entire experience of our defense leadership had been under the conscription environment. Indeed, many of the changes necessary to effect a successful transition to voluntarism have not yet been made. Foremost among these are changes in reserve compensation. Several major changes in compensation were provided for the Active Forces to enable

them to compete in the new environment; two significant examples are the "all-volunteer increase" in the compensation of junior personnel in 1971 and the combat arms bonus. The Reserve Forces were not provided with any similar measures specifically designed to enable them to adapt to the new environment.¹ They have been expected to adjust from a conscription-based supply of manpower to a competitive labor market with no new compensation measures provided and no significant changes to personnel policies. Therefore, it is not surprising that reserve manning has emerged as one of the major problems in the transition to the AVF.

As manning problems in the Reserve Forces came to the fore, the Defense Department was already trying to cope with the increasing costs of manpower as a percent of

1 The reserves did benefit from the 1971 increase, although to a lesser extent than the Active Forces, but this increase was not specifically designed to aid reserve manning and was a by-product of the linkage of reserve pay to active duty basic pay. Some minor measures have been enacted for the reserves, such as the extension of Servicemen's Group Life Insurance, but these, despite expectations, have had no discernible effect on reserve manning. The only significant changes specifically designed to aid reserve manning have been enacted by several States and pertain only to the National Guard in those States. Although some of these state-sponsored measures have merit, they have been generally inadequate for reasons discussed elsewhere in this Report.

the total funds available to the Department. For example, in 1968, when the Viet Nam war was at its height, there were almost 4½ million active and reserve military personnel. In 1978, there were fewer than 3 million personnel. Despite the one-third decrease in manpower (in that 11 year period), the payroll and associated manpower costs have increased more than one-third. Furthermore, such costs are claiming an increased share of the total DoD budget at the very time when strong pressures have reduced the Defense share of the Federal budget.

The Reserve Compensation System Study (RCSS) was established¹ (without budgetary assumptions or limitations on areas to be examined) to recommend changes in reserve compensation that would enable the Reserve Forces to make a successful, though belated, transition. The RCSS represents the first design of a compensation system responsive to specific problems of the Reserve Forces.

B - LOGICAL FRAMEWORK OF THIS STUDY

The logic underlying the organization of the Reserve Compensation System Study and of this Report has six main parts.

1 Office of Management and Budget Letter, April 14, 1976.

First, the RCSS needed a criterion for evaluating present reserve compensation and alternatives. The criterion of cost-effectiveness was set forth in the mandate establishing the RCSS. (Chapter II.)

Second, the RCSS developed several principles of compensation which were consistent with this criterion, and considered and rejected several others which were inconsistent. (Chapter II.)

Third, the RCSS examined present manning problems. An efficient compensation system can be designed only with reference to the type of force it is to support, not only in terms of total numbers, but in the distribution of skills, length of service, and experience. Therefore, it was necessary to go beyond simple comparisons between total numbers currently in the Reserve Component inventories, the manpower requirements as expressed by the services, and the strength authorizations approved by the Congress. Using data provided by the Reserve Components themselves, the force structures of each were broken down into a specific range of characteristics or profiles. Existing profiles were matched against what each of the services considered the ideal force makeup to meet current and future wartime mobilization needs. This exam-

ination represents the first such detailed and comprehensive approach ever undertaken to identify specific manpower problems in the Reserve Forces. (Chapter III.)

Fourth, the existing elements of reserve compensation, tangible and intangible, were identified and examined to determine whether or not certain elements, or the lack thereof, contributed to specific shortages for each of the Reserve Components, and/or impeded resolution of the problems. (Chapter V.)

Fifth, the RCSS presented two alternative compensation systems designed to enable the Reserve Components to build and maintain the kind of force needed to meet wartime mobilization requirements at minimum cost. The recommended systems involve adjustments to or elimination of certain features in existing practices and incorporates new compensation features and concepts. The description includes the integration of specific compensation features in the broader areas of General Pays, Differential Pays, Deferred Pays, Benefits, and their related costs. (Chapter VI.) Included is a plan to implement and administer the new systems. (Chapter VII.)

Sixth, the RCSS also investigated other vital topics related to Guard/Reserve compensation and mission effectiveness. For example: compensation of Federal Civilian employees during annual military training duty, full-time training and administrative support, and the motivation of reservists. Our recommendations on these and other subjects are included. (Chapter VIII.)

The mandate of the Study and the organization of this Report reflect the emphasis of RCSS on the compensation needed to maintain the viability of the "citizen soldier" idea. There are certainly many non-compensation issues that relate to Guard/Reserve effectiveness but these were not examined in the same detail. These are treated within the text of this Report only to the extent necessary because of their interrelationship with compensation.

The intensive research on the legislative history of each compensation element, background papers, issue papers prepared by the Staff, and other supporting documents are contained in three separate volumes whose tables of contents are shown at the end of this Report.

C - CONSTRAINTS ON SCOPE OF STUDY

A number of limitations or constraints on the scope of the study, whether self-imposed or considered beyond the RCSS mandate by others, should be recognized. Taken as given were:

- The nature of the threat to national security as defined by higher authority.
- The missions of the respective Reserve Components.
- The organization of the Reserve Forces into seven components.
- The All Volunteer Force and Total Force Policies.
- The manpower requirements¹ for each of the components as verified by the Office of the Secretary of Defense.
- Unrefined personnel profile data.

1 Some may question the acceptance of this constraint, but this was done only after the most careful consideration. The RCSS is well aware of the difficulties inherent in the determination of requirements and of the lack of any firm objective basis for such a determination. It was obvious that if the RCSS were to become involved in the determination of requirements or authorizations, it would not have time to attend to its primary responsibility, namely compensation.

CHAPTER II
PRINCIPLES OF COMPENSATION

A - THE CRITERION OF COST-EFFECTIVENESS

Cost-effectiveness, established as a criterion through various guidelines furnished the RCSS,¹ has been a major consideration in arriving at our recommendations. A part of the larger concept of economic efficiency, cost-effectiveness, as applied to reserve manning, means:

- for a given cost maximize the effectiveness of the Reserve Forces or, equivalently,
- for a force of given effectiveness, minimize the cost.

Because we have accepted total requirements and authorizations as given, we have employed the latter formulation. Effectiveness in this context refers not only to the quantity of manpower, but also to its "quality", that is, the proper mix of experience, skills, and other personal

1 Letter from the Director, Office of Management and Budget, to the Secretary of Defense, April 14, 1976. The "Reserve Compensation System Study Plan," approved by the Secretary of Defense on 26 July 1976. A memorandum from the Assistant Secretary of Defense (MRA&L) to the Assistant Secretaries of the Army, Navy, and Air Force, 17 June 1977.

attributes important to mission performance. A cost-effective compensation system, therefore, is an economically efficient system, i.e., one that pays neither more nor less than is necessary to attract and retain the quantity and quality of manpower to achieve reserve manning goals.

There is some misunderstanding of the distinction between what is involved in designing a cost-effective compensation system and designing compensation remedies to alleviate existing problems. Had the RCSS mandate called for the design of compensation remedies in the absence of the cost-effectiveness criterion, the task would have been greatly simplified but would have necessitated an increase in costs far beyond those existing at present or estimated by the RCSS to implement its recommendations.

Another point not always understood is that cost-effectiveness can be compatible with either increases or decreases in total costs; the term is frequently misunderstood to refer only to cost reductions. As was noted in Chapter I, our recommended system will in fact result in an increase in total compensation costs because we have taken total manpower requirements and authorizations as given and because we are starting from a position of substantial manpower shortages in some

components.¹ In this context, designing a cost-effective system means minimizing these increases in total compensation by: limiting recommended increases as specifically as possible to manning problem areas; and recommending specific decreases wherever possible. A compensation system which achieves reserve manning goals at higher cost than is necessary weakens the economic rationale for the Total Force Policy and thereby jeopardizes its chances of success.

B - PRINCIPLES OF COMPENSATION

The criterion provided definite guidance for the RCSS, however, next it was necessary to adopt several principles consistent with the criterion for specific application to reserve compensation.² The manner in which these were applied to specific compensation issues will be evident throughout the Report. We now present a brief general discussion of these principles.

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- 1 In addition, the components, including those which are currently meeting total strength authorizations, have been able to obtain the mix of personnel which they consider best. This is discussed in Chapter IV.
 - 2 The principles were presented to, and accepted by, the RCSS Steering Committee on 30 March 1977.

- Compensation must be related to the supply and demand of reserve personnel, not only in the aggregate, but also by relevant characteristics of the personnel and their duties, such as skill, experience, component, and working conditions.¹

Inability to meet manning goals is often recognized as an indicator of undercompensation (i.e., of compensation that does not equate quantity supplied and quantity demanded), and hence of a system that is not cost-effective. It is less widely recognized that compensation which enables all manning goals to be met, but which does so at a higher cost than necessary, is also indicative of a system that is not cost-effective.

A few examples of the application of this principle will be useful at this point. Differing supply conditions (manning experience) and demand conditions (desired force profiles²) among components or for different skills within a component, or among different geographic areas, are likely to require differences in compensation, not only to avoid shortages, but also to avoid excessive payments.

1 It could be maintained that all the other principles are implied by this major principle, however, they are discussed separately to elucidate our meaning.
2 See Chapter IV.

For example, it would be obviously inefficient to raise the general pay level to alleviate a shortage in a specific skill which accounts for, say, 10% of the strength authorization.

Nonfunctional special or incentive pays are inconsistent with efficient compensation practice. These pays are awarded for certain assignments or responsibilities, and they may be nonfunctional for two reasons. First, they may not be necessary to induce a sufficient number of qualified individuals to assume the assignments and responsibilities for which the pay is granted. Second, they may be awarded to all individuals in a shortage occupation, but may be so small that they have no appreciable effect upon the shortage.

Compensation elements which are rigidly linked to other compensation elements, and which change as the element to which they are linked changes, are generally inefficient because the changes occur without reference to manning. There are many such linkages between reserve compensation and active compensation at present, two of the major ones being drill pay and reserve retired pay. A given percentage increase in active force basic pay may be sufficient for adequate manning of the Active

Forces, but be totally inadequate for Reserve Forces manning.¹

- The compensation system has the primary purpose of supporting the force, and a cost-effective system cannot be designed without a reasonable specification of the force size and profile that the system is to support.

The starting point must be a specification of the kinds of personnel (experience distribution, skill mix, etc.) wanted for effective mission performance. A level and structure of compensation which will efficiently maintain a predominantly young and unskilled force, with high turnover and low retention desired by one Reserve Component is not simultaneously likely to be efficient for maintaining a more mature, highly skilled force, with low turnover and high retention desired by another Reserve Component to perform its mission. In fact, as we show in Chapter IV, there are significant differences in the desired profiles among components and for different skills within a

1 Linkage is discussed in greater detail in Chapters V and VI. Linkage of reserve to active duty compensation is particularly inappropriate because the reserves compete in different labor markets than the Active Forces, as discussed in Chapter V. Nevertheless, for reasons explained in Chapter VI, the RCSS has recommended continued linkage of reserve pay with active duty pay, but in a modified form which permits greater flexibility to adjust to manning problems peculiar to the reserves.

component. A uniform level and structure of compensation cannot efficiently achieve these diverse goals, but the compensation system must be capable of this.

- The compensation system must be flexible enough to adjust reasonably quickly to changing conditions of supply and demand.

Even if an optimal level and structure of compensation could be designed for today's Reserve Forces, it is certain that this would not be optimal in the future for several reasons. As the nature of the threat changes and as technology changes, there will be changes in both the desired quantity and quality of reserve personnel, i.e., changes in demand. There will also be changes in external economic, demographic, and attitudinal variables, that is changes in supply. While it is certain that changes will occur, the extent of most of these changes cannot accurately be foreseen. A compensation system can be designed which will accommodate most of these changes, but it must contain flexible elements which can be altered in response to these changes. A clear implication of this is that no system in which all or most changes are rigidly linked to changes in other variables, as is now the case, will be efficient. An efficient system must include a much wider scope for managerial judgment based upon manning experience.

- Manpower costs must be reflected accurately in the budgets of the individual components so that compensation costs can guide efficient manpower management.

More generally, efficient use of Defense resources requires that all costs be accurately reflected in the budgets of Active and Reserve Components. This is necessary to guide DoD and the services toward making choices between active and reserve manpower, careerists and non-careerists, military and civilian manpower, and manpower and equipment, that contribute most toward national security. Artificially underpricing or overpricing manpower (or other resources) is inconsistent with its efficient utilization.

At the present time there are two major causes of underpricing both active and reserve manpower. The first is that certain costs properly chargeable to the individual components are charged to the budget of DoD or some other agency. Retirement costs are an example of this; both active and reserve nondisability retirement costs are charged to the DoD budget.

The other major cause of underpricing manpower, more prevalent for the Active Forces than for the reserves, is non-taxable elements of compensation, both in cash and in-kind. These elements are commonly called "tax expenditures" because they reduce Treasury revenues and increase the burden on non-military taxpayers.¹

C - EQUITY

Since the beginning of the RCSS a number of compensation related equity issues have been brought to its attention. Some are addressed as appropriate throughout this Report.

Equity, or perceptions as to the lack of it, involves subjective value judgments and provides no analytical foundation upon which compensation recommendations can be supported. Cost-effectiveness, on the other hand,

1 Some argue that tax expenditures are not truly costs. An implication of this argument is that military compensation costs, and indeed all government compensation costs, could be greatly reduced by making the compensation of government employees non-taxable and reducing gross pay. It is also argued that significant elements of compensation are non-taxable in the private sector. This is true; the inefficiencies caused by the tax structure in the economy generally are widely recognized. An obvious solution is to limit non-taxable elements of military compensation to those available under the Internal Revenue Code to the private sector. However, a reasonable argument can be made that even this solution is inappropriate when the Federal Government is the employer.

while difficult to address, is a specific criterion that can be used to bring about decisions in compensation system design. While a compensation system cannot be designed on the basis of equity, the RCSS recognizes that certain equity considerations cannot be ignored because of their impact on morale and, in turn, on recruiting and retention.

It is important that compensation generally be perceived as equitable by those it affects. A compensation system that is widely recognized as inequitable or containing major inequitable elements is likely to be inefficient in that it affects recruiting and retention negatively. It is sometimes assumed that a compensation system that is inefficient is inherently more equitable than one that is efficient; the RCSS rejects this unfounded assumption.

Equity issues are subject to widely divergent views. One person's evaluation of an issue reflects his or her own subjective value judgments based on a particular frame of reference and personal experiences. An answer by one individual to a specific equity question may be directly opposite to that of another respondent concerned with the same issue. Occasionally, but rarely, there is consensus or unanimity on a single equity issue.

In conclusion, the RCSS views equity as neither a principle of compensation nor a major criterion since no compensation system can be based solely on subjective value judgments. It should also be noted, however, that equity as a motivational factor has been considered as one element among many in arriving at RCSS conclusions and recommendations.

Based on RCSS experience and judgment of the relative importance of equity items on recruiting and retention and overall impact of proposed compensation system recommendations, those items forwarded for comment by the DoD, the various Reserve Force Policy councils and boards, and by individual Guardsmen and Reservists, have been considered where relevant and practical.

Furthermore, some of the major problems and unanticipated costs devolving from existing compensation practices have come about from well-intended responses to pressures in the cause of equity. Equity demands typically require a reactive, piecemeal response. In contrast, the RCSS mission and product is an integrated, cost-effective system.

CHAPTER III

RESERVE MANPOWER REQUIREMENTS AUTHORIZATIONS, AND INVENTORIES

A - FINDINGS

The following are broad findings based on RCSS analyses of reserve manpower trends between FY 1970 and FY 1977:

- The Reserve Components are experiencing severe manpower shortages, particularly since the introduction of the All Volunteer Force Policy. Estimates of shortages of personnel to meet full wartime mobilization requirements during the first 90-180 days range from 450,000 pretrained to 850,000 people in the aggregate.
- Selected Reserve strength dropped almost 180 thousand.
- IRR strengths dropped over one million.
- Standby Reserve strength dropped over two million.
- Retired Reserve (Title III eligibles receiving retirement pay) increased to over 150 thousand end FY 76. Projections are for annual increases.

- Though wartime mobilization requirements and scenarios have not changed significantly, most Reserve Components have been forced by continued inability to meet Congressionally authorized strengths to request and accept lowered authorizations from the Congress. Authorizations have been reduced by more than 94,000. The number of personnel in Reserve Component inventories has dropped by more than 171,000.
- Reserve Components are unable to identify full wartime mobilization requirements by grade, skill, and other significant factors.
- DOD estimates on the availability of Reserve Forces personnel in the event of mobilization (Selected 95%, IRR 70%; Standby Reserve 50%; Retired Reserve 10%) are suspect.
- Overall shortages are predominantly in the enlisted, ground component, combat arms areas.

- Mental category quality of NPS male enlistees has declined. This does not appear to be a problem.
- Serious critical skill shortages exist in all components, even those whose shortfalls appear to be within acceptable ranges. Shortages are in areas directly related to performance of primary missions.
- The Reserve Force is aging and in some components, already aged. Officers are considerably older in most ranks than their active duty counterparts, with the exception of the USMCR.
- Middle grade stagnation is caused by officers and enlisted personnel kept too long at senior levels.
- All components have disproportionate (and increasing) numbers of officers and enlisted personnel at the senior levels who are questionable mobilization resources and whose real function upon mobilization is suspect. It would be more efficient to shift compensation resources to those who would be more vital mobilization assets.

- There is inconsistency between overall declines in manpower authorizations, and the number of senior officer authorizations, particularly of flag and general officer rank, that have remained relatively constant. Some components have more senior officers assigned to pay positions than called for in military manpower mobilization requirements. This cannot be efficient or cost-effective.
- Personnel management policies/procedures are inconsistent among components. The Reserve Components are not using management tools currently available to select-out officers/enlisted personnel at senior levels to create positions/career progression opportunities for younger officers/enlisted personnel.
- The Reserve Component structures reflect a preoccupation with maintaining aggregate numbers, however possible, to meet/get closer to annual strength authorizations, rather than to resolve specific manpower problems:

- Assigning officers of higher grade to positions calling for more junior officers (applies particularly to the air components);
 - Retaining senior enlisted and officer personnel onboard to keep overall strength figures up;
 - Maintaining non-performers on the rolls (RCSS has anecdotal evidence that the practice of "ghosting" exists -- the practice of retaining on the rolls of the Selected Reserve the names of members who do not have adequate attendance. Although the RCSS did not have the resources to determine the extent of this practice, it should be further investigated).
 - Mismatching, whereby individuals possessing one skill are assigned to positions calling for another.
- The technician program contributes significantly to the aging force, lack of career progression opportunities, and middle grade stagnation. In addition, a significant percentage of USAR technicians are status quo and are, therefore,

not mobilization assets. This is not cost-effective.

- Reserve Forces Personnel Management appears to be geared more to a philosophy of "oldest best qualified" rather than "youngest best qualified."

B - INTRODUCTION

This chapter concentrates on requirements, authorizations, and inventories of the Reserve Forces. The Congress annually authorizes and funds for a strength in the Reserve less than the requirement, primarily on past, present, and projected manning levels for each component. The RCSS analysis focuses on certain characteristic inventories such as age, grade, critical skill shortage, and manning trends, particularly since implementation of the Volunteer Force policy in 1973.

C - MILITARY MANPOWER REQUIREMENTS FOR MOBILIZATION

THE FULL MILITARY MANPOWER REQUIREMENT

The military manpower requirements for the first 180 days of full mobilization approximates 4 million individuals. If the level of Active Force personnel remains constant at the approximately 2.1 million currently authorized, the balance of this requirement,

1.9 million, must be met by the Selected Reserve, the Individual Ready Reserve (IRR), the Standby Reserve, the Retired rolls, and through new accessions.

PRETRAINED MILITARY MANPOWER
REQUIREMENT - THE RCSS FOCUS

The portion of the Full Mobilization Military Manpower Requirements, which requires particular attention, is the portion that must be pretrained at the time mobilization occurs. Providing the personnel to meet the major portions of this requirement, that which cannot be met by the active duty personnel inventory at the time of mobilization, is the responsibility of the Reserve Forces, utilizing, first, the Selected Reserve, then the Individual Ready Reserve, followed by other sources of pretrained personnel. The calculation of the requirement for pretrained manpower must be made with caution.

Direct Manpower Requirements - Structure Spaces

The current requirements for the Selected Reserve can be displayed in numerous ways appropriate for reserve compensation system evaluation. This section will portray the requirements for each component in the aggregate and by grade.

The following aggregates are to be recognized as the direct manpower requirements or "structure spaces" for the Selected Reserve Components. These requirements for the Selected Reserve, as projected for FY 1983, are for all practical purposes, the same as those for FY 1977. There are exceptions where known equipment changes will occur or organizational structure changes have been programmed. These changes are of minimal impact to the aggregate levels and, consequently, have not been delineated.

FY83 SELECTED RESERVE MANPOWER REQUIREMENTS ¹

<u>Component</u>	<u>Officer</u>	<u>Enlisted</u>	<u>Total</u>
ARNG	36,591	382,241	418,832
USAR	43,282	217,003	260,285
USNR	19,863	81,266	101,129
USMCR	2,628	34,045	36,673
ANG	12,649	88,527	101,176
USAFR	16,108	46,382	62,490
Total DoD	131,121	849,464	980,585
USCGR	2,404	13,074	15,478
Total	133,525	862,538	996,063

These total direct manpower requirements are a composite of the grade structure demands displayed in the following tables.

¹ Data provided by the Reserve Components in accordance with RCSS requests of February 4 and 8, 1977.

**SELECTED RESERVE
REQUIRED OFFICER GRADE STRUCTURE¹**

<u>Component</u>	<u>WO</u>	<u>O1/O2</u>	<u>O3</u>	<u>O4</u>	<u>O5</u>	<u>O6</u>	<u>O7/O8</u>	<u>Total</u>
ARNG	6,532	11,314	10,932	4,734	2,109	763	197	36,591
USAR	3,683	9,543	14,190	9,656	4,770	1,322	118	43,282
USNR	625	3,231	7,850	5,273	2,307	561	16	19,863
USMCR	282	694	1,152	324	138	34	4	2,629
ANG	0	1,528	5,058	3,516	1,891	501	155	12,649
USAFR	0	1,675	5,820	4,904	2,734	852	123	16,108
Total DOD	11,122	27,995	45,002	28,407	13,949	4,033	613	131,121
USCGR	318	960	693	283	89	59	2	2,404
Total	11,440	28,955	45,695	28,690	14,038	4,092	615	133,525

**SELECTED RESERVE
REQUIRED ENLISTED GRADE STRUCTURE¹**

<u>Component</u>	<u>E1</u>	<u>E2</u>	<u>E3</u>	<u>E4</u>	<u>E5</u>	<u>E6</u>	<u>E7</u>	<u>E8</u>	<u>E9</u>	<u>Total</u>	
ARNG	←	239,625	→	79,439	36,606	18,918	6,366	1,287	382,241		
USAR			33,923	78,998	45,952	30,213	21,291	5,323	1,303	217,003	
USNR		3,277	12,268	24,043	21,267	13,893	5,182	916	420	81,266	
USMCR	←	12,474	→	8,283	6,101	3,591	1,762	1,098	555	181	34,045
ANG	←	11,598	→	25,887	25,534	14,902	7,125	2,542	939	88,527	
USAFR	←	5,595	→	12,414	13,384	8,329	4,744	←	1,916	→	46,382
Total DOD	←	474,486	→	189,167	105,705	58,358	←	21,748	→	849,464	
USCGR				4,131	5,103	2,812	←	1,028	→	13,074	
Total	←	478,617	→	194,270	108,517	←	81,134	→	862,538		

There is little consistency in the specialty structure of the Reserve Components. The arrays for each component are voluminous and complex. Discussion of skill requirements and personnel shortages will be found in a later section of this chapter. These specialty requirements serve as a principal base for differential pays which are addressed in Chapter VI of this Report.

¹ Data provided by the Reserve Components in accordance with RCSS request, February 4, 1977.

"Other Pretrained" Military Personnel Requirements

The process of determining requirements for other pretrained military personnel is complex and detailed, much more so than that for the Selected Reserve. These requirements for pretrained personnel are necessary in support of authorized Reserve Forces upon mobilization. The satisfaction of these demands will provide those resources necessary to fill out the active and Selected Reserve structures by grade and specialty upon mobilization as these structure forces are deployed on a time-phased basis. Personnel in the IRR, Standby, and Retired Reserve, as well as regular retirees, will not be immediately deployable (as a result of retraining, medical evaluation, etc.). Therefore, they must be viewed as assets not available to structure units deploying immediately.

Three recent studies have been concerned with the requirements for and inventories of the Army and Air Force Individual Ready Reserves.¹ A review and analysis of the pretrained manpower requirements is basically the charter of the Minuteman Training Study.

1 Mobilization Manpower Requirements (Army IRR Issue), ASD (M&RA), October 1976; The USAFR Individual Mobilization Resource (Vol. 1, The Individual Ready Reserve); Air Reserve Personnel Center, July 1977; Minuteman Training Study (Individual Ready Reserve (IRR Issue), ASD (MRA&L), January 1978.

D - AUTHORIZATIONS

MAXIMUM RESERVE STRENGTH - STANDING LEGISLATION

Frequently, there is confusion regarding the terms "authorization" and "requirement," particularly in the case of reserve officers, resulting from a lack of familiarity with the basic laws.¹

Grade limitations for each service are found in 10 USC 3219, 5457, 5458, 8219 and 14 USC 772. Grade limitations are stated as percentages. These grade authorizations by percentage and number are as follows:

1 Titles 10 (sections 3217, 5414, 8217) and 14 (section 772) of the United States Code specify the maximum authorized strength for reserve officers of the services - Army, Navy, Marine Corps, Air Force, and Coast Guard. The number of 150,000 authorized the Navy was reduced to 129,000 line officers apportioned by the Secretary of the Navy at the direction of the Congress. Except as provided by law, a service Secretary cannot prescribe a higher authorized strength. However, the stated strength is for the maximum number of reserve commissioned officers in an active status and this includes all reserve officers on active duty, in the Ready Reserve (including the National Guard in the Army and Air Force), and those in the active status section of the Standby Reserves. Other sections of these titles also provide the grade authorizations within the total strength authorized including reserve general and flag officers. These authorizations are regarded as service ceilings for reserve officers and should not be confused with mobilization requirements.

RESERVE OFFICER GRADE AUTHORIZATIONS¹

<u>Grade</u>	<u>Army</u>		<u>Navy</u>		<u>Marine Corps</u>	
	<u>Percentage</u>	<u>Number</u>	<u>Percentage</u>	<u>Number</u>	<u>Percentage</u>	<u>Number</u>
0-6	2.0	5,500	1.5	1,935	2.0	490
0-5	6.0	16,500	7.0	9,030	6.0	1,470
0-4	13.0	35,750	22.0	28,380	12.0	2,940
0-3	35.0	96,250	37.0	47,730	35.0	8,575
<u>0-2 & 0-1</u>	<u>44.0</u>	<u>121,000</u>	<u>32.5</u>	<u>41,925</u>	<u>45.0</u>	<u>11,025</u>
TOTAL	100.0	275,000	100.0	129,000	100.0	24,500

<u>Grade</u>	<u>Air Force</u>		<u>Coast Guard</u>	
	<u>Percentage</u>	<u>Number</u>	<u>Percentage</u>	<u>Number</u>
0-6	1.8	3,600	1.5	75
0-5	4.6	9,200	7.0	350
0-4	14.0	28,000	22.0	1,100
0-3	32.0	64,000	37.0	1,850
<u>0-2 & 0-1</u>	<u>47.6</u>	<u>95,200</u>	<u>32.5</u>	<u>1,625</u>
TOTAL	100.0	200,000	100.0	3,000

There is no similar legislation for enlisted personnel.

1 Maximum authorized strengths for general and flag officers, exclusive of those serving as adjutants general or assistant adjutants general and those serving in the National Guard Bureau, are found in 10 USC 3218, 5457, 5458, 8218 and 14 USC 772. The total for the Reserve Forces is 424.

ANNUAL CONGRESSIONAL
AUTHORIZATION

The Congress of the United States established the Selected Reserve of the Ready Reserve with the enactment of legislation cited as the "Reserve Forces Bill of Rights and Vitalization Act" which was signed into law on December 1, 1967. The same law established the annual Congressional authorization of personnel strength of the Selected Reserve.¹

The reserve budgets include more than authorizations and appropriations for the Selected Reserve.

1 Sec.6. Section 412 of Public Law 86-149, as amended, is amended by adding at the end thereof a new sub-section as follows:
"(c) Beginning with the fiscal year which begins July 1, 1968, and for each fiscal year thereafter, the Congress shall authorize the personnel strength of the Selected Reserve of each Reserve Component of the Armed Forces; and no funds may be appropriated for any fiscal year beginning on or after such date for the pay and allowances of members of any Reserve component of the Armed Forces unless the personnel strength of the Selected Reserve of such Reserve component for such fiscal year has been authorized by law."

The Department of Defense has established the paid drill strength of the Reserve Components separate from active strengths and has appropriated funds to pay members of the Reserve Components for periods of active duty as well as inactive duty (paid drill periods).

The budgeted strengths reflected in the military personnel appropriations have traditionally been viewed as the fundamental expression of the military manpower program. These strengths are reflected in the President's Budget document. Every authorization bill introduced in the Congress since the passage of PL 91-441 (1970) has addressed the budgeted end strengths and average strengths for Active and Reserve Forces, respectively, as being reflected in the respective DOD requests for authorization. Adjustments have been made by the Congress from those levels.

The active duty authorized end strength and inventories for end FY 77 are presented in the following table, along with the percent of authorization attained.

ACTIVE DUTY END STRENGTH BY SERVICE

30 September 1977

	<u>Congressional Authorization¹</u>	<u>Congressional Authorization Less Cadets/ Midshipmen²</u>	<u>Inventory³</u>	<u>Attained as Percent of Authorized</u>
Army	789,000	784,554	777,317	99.1
Navy	540,600	536,193	525,290	98.0
Marine Corps	192,000	192,000	191,641	99.8
Air Force	<u>571,000</u>	<u>566,439</u>	<u>565,918</u>	<u>99.9</u>
Subtotal DoD	2,092,600	2,079,186	2,060,166	99.1
Coast Guard	38,918	37,743	37,195	98.5
Total	2,131,518	2,116,929	2,097,361	99.1

The active duty end strengths requested in the FY 79

Presidential Budget Submission are:

REQUESTED END STRENGTHS

	<u>FY 78</u>	<u>FY 79</u>
Army	774,200	771,700
Navy	532,324	521,700
Marine Corps	191,500	190,000
Air Force	570,800	565,600
Coast Guard	37,391	37,368

1 PL 94-361 and PL 94-406 (Coast Guard).

2 FY 1979 President's Budget Submission (Army - 4,446, Navy - 4,407, Air Force - 4,561 Cadets/Midshipmen).

3 FY 77 Column of FY 79 President's Budget Submission (less Cadets and Midshipmen).

The following table depicts the Selected Reserve strength authorizations for FY 1977 and FY 1978 and the requested strength for FY 1979 by component.

STRENGTH AUTHORIZATIONS - SELECTED RESERVE

<u>Component</u>	<u>FY 77¹</u>	<u>FY 78²</u>	<u>FY 79³</u>
ARNG	390,000	382,000	368,500
USAR	212,400	211,300	200,600
USNR	96,500	87,000	51,400
USMCR	33,498	32,400	33,500
ANG	93,347	92,500	92,900
USAFR	51,954	52,000	54,000
USCGR	<u>11,700</u>	<u>11,700</u>	<u>11,700</u>
	889,399	868,900	812,600

The Selected Reserve portion of the reserve personnel budgets of the Reserve Components includes strength and funds requested for all personnel assigned to the Training/ Pay Categories A,B,C,F, and P as designated in DOD Directive 1215.6. Training/Pay Category M is also included in the Selected Reserve but has no personnel currently assigned.⁴

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- 1 PL 94-361, FY 77 DOD Appropriation Authorization Act.
 - 2 PL 95-79, FY 78 DOD Appropriation Authorization Act.
 - 3 FY 79 Presidential Budget Submission (Paid Drill Training).
 - 4 "Uniform Training/Pay Categories Within the Reserve Components," DOD Directive 1215.6, V B1, p 4, January 31, 1974, as amended February 19, 1975.

**AUTHORIZATION AS
DISTINGUISHED FROM
REQUIREMENTS**

The term "authorized strength," for purposes of this Report, refers to the personnel strength of the Selected Reserve which is authorized and funded annually by the Congress. The term "requirement" refers to that number of personnel determined by the services and OSD as necessary to perform their missions.

E - PERSONNEL INVENTORIES

ASSIGNED STRENGTHS

The inventories of those forces that are most critical upon mobilization as of September 30, 1977, are in the following table.

INVENTORY OF MILITARY PERSONNEL

30 SEPTEMBER 1977

<u>Service/ Component</u>	<u>Active</u> ¹	<u>Selected Reserve</u> ²	<u>IRR</u> ²	<u>Total</u>
Army	777,317			777,317
ARNG		354,706		354,706
USAR		189,420	160,127	349,547
Navy	525,290			525,290
USNR		90,243	106,087	196,330
Marine Corps	191,641			191,641
USMCR		30,951	45,277	76,228
Air Force	565,918			565,918
ANG		91,840		91,840
USAFR		50,389	63,674	114,063
Total DOD	2,060,166	807,549	375,165	3,242,880
Coast Guard	37,186			37,186
USCGR		11,605	8,079	19,684
Total Armed Forces	2,097,352	819,154	383,244	3,299,750

-
- 1 Cadets and Midshipmen excluded. FY 77 Actual Column of the FY 79 Presidential Budget Submission.
- 2 Official Guard and Reserve Manpower Statistics, RCCPDS, DASD(RA), September 30, 1977. Coast Guard figures provided by the Department of Transportation.

AVAILABLE STRENGTHS

Department of Defense policy specifies a mobilization availability factor for each type of personnel required. The availability factors, or show rates, are Active Forces 100%, Selected Reserve 95%, IRR 70%, Standby Reserve 50%, and Retired Reserve 10%. In applying these availability factors it must be recognized that:

...the planned show rates are estimates and that further validation could result in adjustments to the planned show rates either as increases or decreases. To date, most of the effort by the Department of Defense has been to assure that the planned show rates are achievable under full mobilization.¹

Application of the availability factors to the assigned strengths on the previous table yields a show rate of currently available military personnel on the following table. When the total expected personnel of 3.1 million is compared to the full mobilization requirement of about 4.0 million, a shortage of some 850,000 becomes apparent.

1 OASD (M&RA), Manpower Mobilization Requirements (Army IRR Issue), October 1976, p 4-1.

TOTAL MILITARY PERSONNEL AVAILABLE¹
30 September 1977

<u>Service/ Component</u>	<u>Active</u>	<u>Selected Reserve</u>	<u>IRR</u>	<u>Total</u>
Army	777,317			1,406,326
ARNG		336,971		
USAR		179,949	112,089	
Navy	525,290			685,282
USNR		85,731	74,261	
Marine Corps	191,641			252,738
USMCR		29,403	31,694	
Air Force	565,918			745,608
ANG		87,248		
USAFR		47,870	44,572	
Total DOD	2,060,166	767,172	262,616	3,089,954
Coast Guard	37,186			53,866
USCGR		11,025	5,655	
Total Armed Forces	2,097,352	778,197	268,271	3,143,820

The Air Force IRR Study concludes, however, that:

Unlike the volunteer members of the Selected Reserve, the majority of individuals in the IRR are not required by law or DOD directives to maintain a state of readiness for mobilization. This results in their practical availability being sometime after M+30.

As presently structured by law and DOD directives, the IRR is primarily a sustainment filler resource and is not a reliable

¹ As adjusted by assumed availability factors:
Active 100%, Selected Reserve 95%, IRR 70%.

and responsive filler resource for units programmed to deploy immediately following mobilization. The study indicates that potentially 50% could be available by M+60 and 69% by M+90.

The IRR has the potential for filling 69-78% of the current Selected Reserve vacancies by M+90. However, the decline in Active Force manpower requirements is reflected in the decreased size and changing composition of the IRR, making total reliance on this resource problematic.¹

Applying the USAFR study availability factor to the total IRR would increase the shortages of available personnel.

On the other hand, the Minuteman Training Study, using the Army "Total Army Projected Mobilization Availability Rates" (PROMAR), which displays officer and enlisted personnel show rates separately, estimates that officers in the Selected Reserve would be 95% available on M-Day while only 41% in the IRR would be available on M+30 with 82% available by M+60. For the enlisted personnel 85% of the Selected Reserve would be available on M-Day while those in the IRR would show only 37% by M+30 and 75% by M+60.²

1 The USAFR Individual Mobilization Resource, p iii.

2 Minuteman Training Study, p 11-8.

The Minuteman Training Study concluded that, under the most optimistic conditions, and that, under present programs projected through FY 1983, each of the services (including the Coast Guard) will be adversely affected by a shortfall in pretrained personnel at some point during the first six months of a full mobilization even if a reactivated Selective Service System succeeds in delivering 100,000 draftees by M+60. The maximum gross shortfall for all services, officer and enlisted, is estimated to be between 450,000 and 500,000.

For example, this shortfall is most acute in the case of the Army with an estimated maximum shortage of between 25,000 and 35,000 officers; between 190,000 and 240,000 enlisted personnel. These Army shortages are primarily in the combat arms. In the case of the Army, these projected shortfalls will continue to exist. This shortfall is due primarily to the anticipated continued decline in the strengths of both officer and enlisted personnel in the IRR and in the Standby Reserve.¹

1 Ibid., pp 2-3.

**COMPARISON OF REQUIRED,
AUTHORIZED, AND ASSIGNED
STRENGTH OF THE SELECTED
RESERVE**

Most of the components met or exceeded 90% of their authorized strength in terms of numbers of personnel. When compared to the FY 78 structure requirement, however, the percent fill is much lower. This, of course, is without regard to grade/skill requirements and qualifications and is the critical factor because it is the structure requirement that represents the number of personnel needed on M-Day.

**COMPARISON ~~AUTHORIZED~~ AUTHORIZED AND ASSIGNED
STRENGTH ~~SELECTED~~ RESERVE, FY 1977
(000's)**

	<u>FY 77 CONGRESSIONAL AUTHORIZATION</u>	<u>END STRENGTH FY 77</u>	<u>PERCENT OF FILL</u>
ARNG	390.0	354.7	90.9
USAR	212.4	189.4	89.2
USNR	96.5	90.2	93.5
USMCR	33.5	31.0	92.5
ANG	93.3	91.8	98.4
USAFR	52.0	50.4	96.9
USCGR	11.7	11.6	99.1

COMPARISON OF STRUCTURE REQUIREMENT
AND FY 77 END STRENGTH SELECTED RESERVE
(000's)

	<u>FY 78 STRUCTURE REQUIREMENT¹</u>	<u>END FY 77 STRENGTH²</u>	<u>PERCENT OF FILL OF FY 78 STRUCTURE REQUIREMENT</u>
ARNG	431.3	354.7	82.2
USAR	267.1	189.4	70.9
USNR	101.1	90.2	89.2
USMCR	37.2	31.0	83.3
ANG	100.5	91.8	91.3
USAFR	56.6	50.4	89.0
USCGR	15.5	11.6	74.8

Assuming the current DOD availability factors are valid (and there are reasons to believe they may be overstated), it is clear that the numbers of Selected Reservists who would actually be available for mobilization would be 5% fewer than assigned. The picture becomes more disturbing when one realizes that gross figures mask critical shortages in certain key skills and specialties. These are discussed later in this Report.

-
- 1 All requirements from "Manpower Requirements Report for FY 1978" except Navy and Coast Guard.
 - 2 Official Guard and Reserve Manpower Statistics, RCCPDS, DASD(RA), September 30, 1977. Coast Guard figures provided by the Department of Transportation.

It is recognized that factors beyond the control of the Reserve Components have had a dramatic impact on the size of the Ready Reserve.

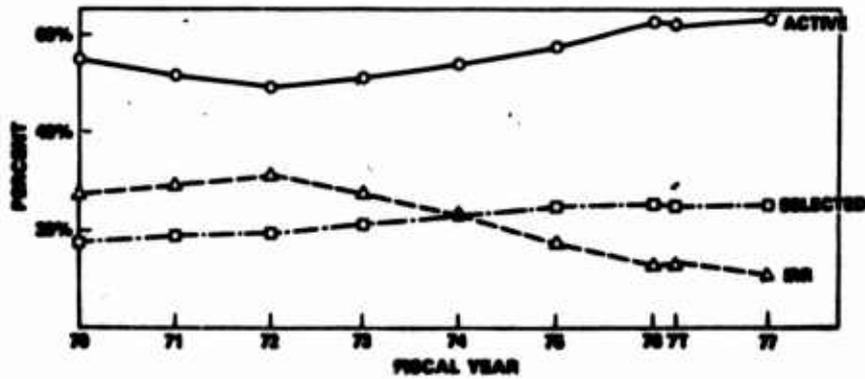
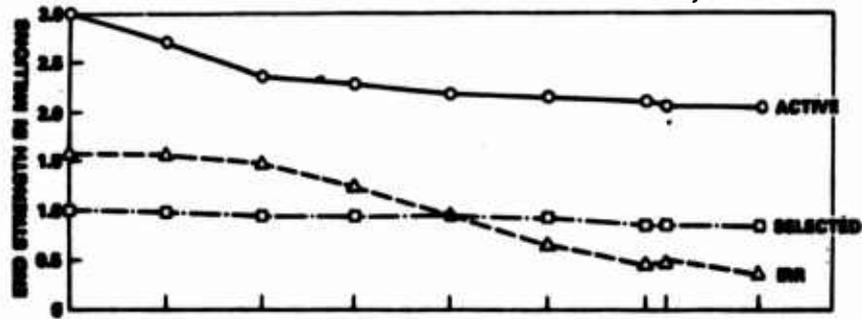
During the period since adoption of the Total Force, both as concept and policy, the Department of Defense has placed greater reliance on the Reserve Components. However, of the forces considered available for early utilization (active duty and Ready Reserve), the active percentage of the total has increased as shown in the following tables.

STRENGTH TRENDS

From the previous data in this Chapter it is evident that insufficient pretrained military personnel are currently available to meet the full mobilization manpower requirements. The degree to which the services are able to satisfy wartime requirements is not only contingent upon the requirement determination factors previously discussed but, additionally, there are inventory influencing factors such as accession policies, Selective Service implementation, availability rates, and usability of skills, which bear on the ability of each service to respond to a full mobilization.

Since FY 1970, the basic trend in Selected, Individual Ready Reserve and Standby Reserve strengths has been a decrease in manning.

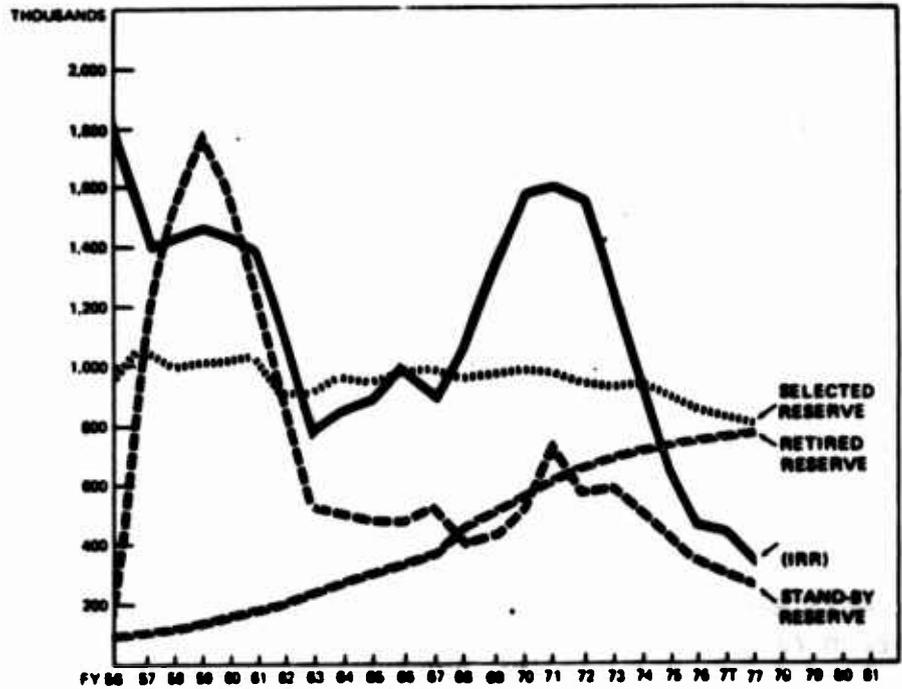
DOD MILITARY PERSONNEL STRENGTH



When the Reserve Component strengths are viewed since 1956, after the close of the Korean War, covering the era of peacetime draft, considerable variations in the strengths of the Reserve Forces both by reserve category as well as Reserve Component will be noted.

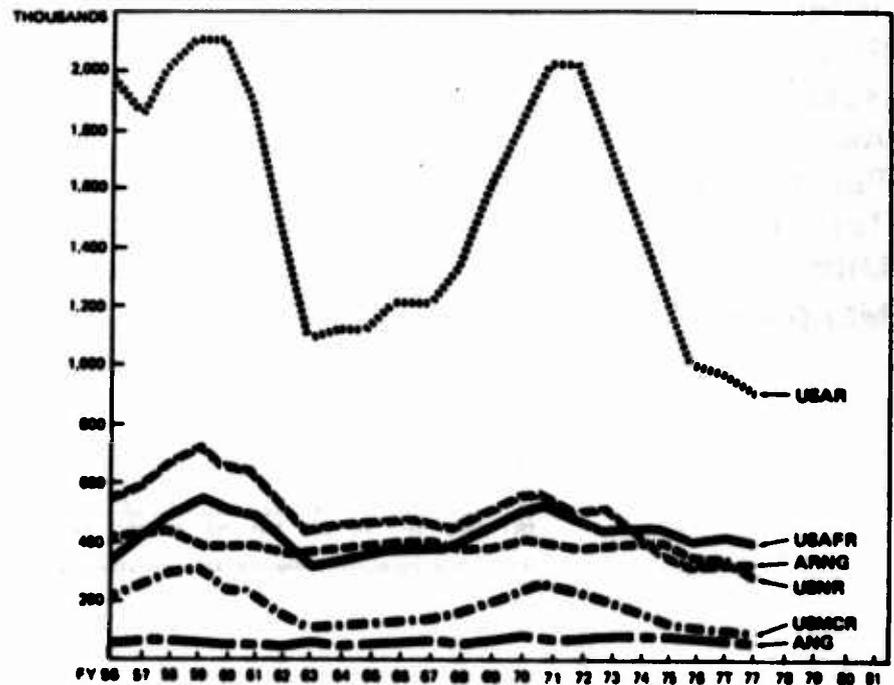
**Summary
Strength
Of The
Reserve
Components
(Not On
Active Duty)**

**Total DOD
By
Reserve
Category**



**Strength Trends
Of The
Reserve
Components
(Not On
Active Duty)¹**

**Total
All
Reserve
Categories**



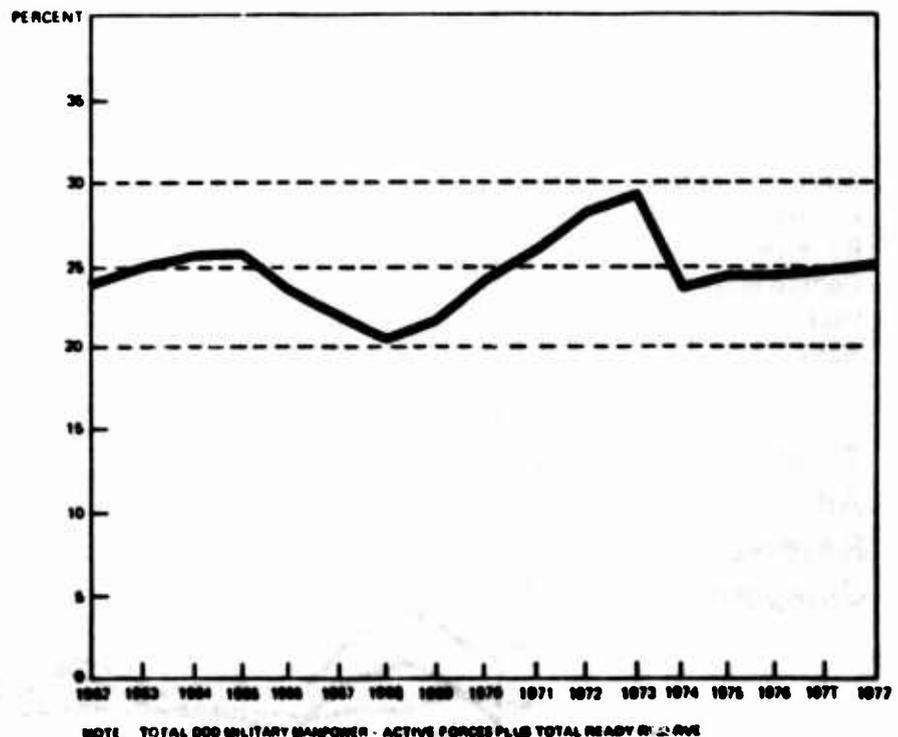
¹ Reserve Forces Manpower Charts, September 30, 1977.

SELECTED RESERVE

Though the strength of the Selected Reserve has decreased over the past twenty years it has varied only about 10 percentage points as a percent of the total DOD military manpower.

(As Of Sept 30
Each Year)

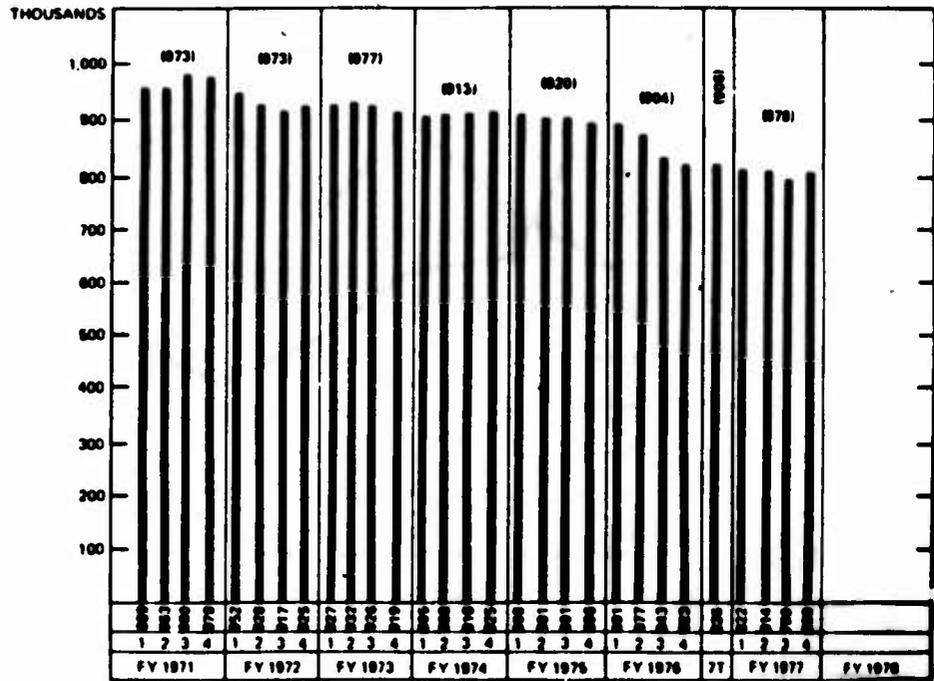
**Total
Selected
Reserve
As A
Percent Of
Total DOD
Military
Manpower¹**



¹ Reserve Forces Manpower Charts, September 30, 1977.

Selected Reserve Strength ¹

Total DOD



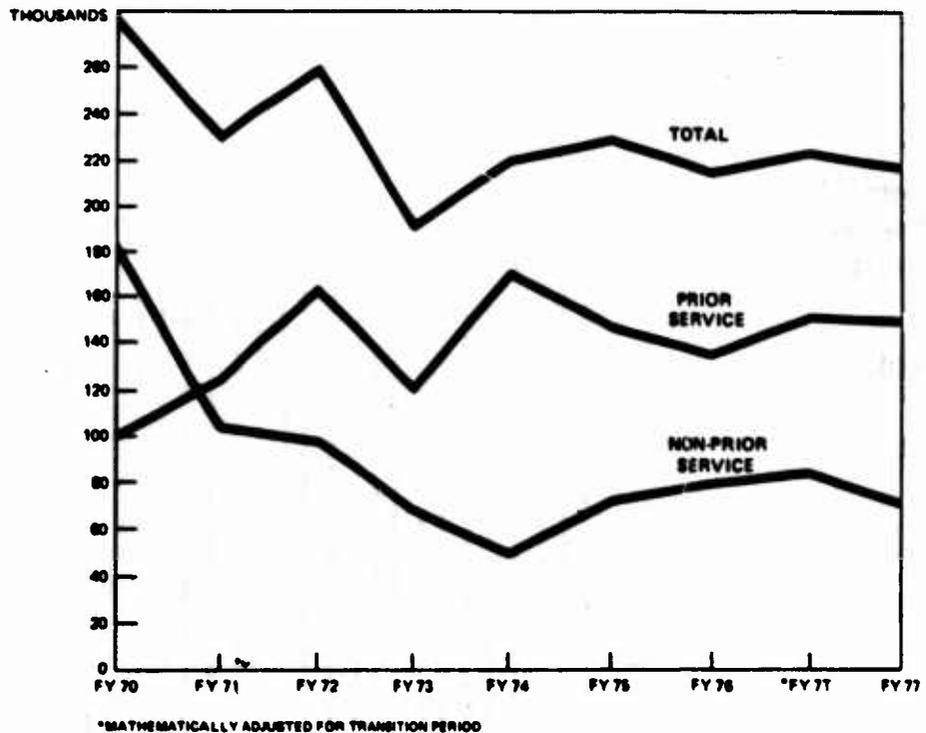
CONGRESSIONAL FLOOR

Since 1970, however, accessions, particularly of non-prior service personnel, have declined. Actual Selected Reserve annual accessions dropped from approximately 263,000 in FY 70 to 189,000 in FY 73 and recovered thereafter. The non-prior service/prior service (NPS/PS) mix has changed considerably during the period. The proportion of NPS accessions declined steadily through FY 74, increasing during FY 75 to FY 7T and declining during FY 77.

1. Reserve Forces Manpower Charts, September 30, 1977.

**Selected
Reserve
Accessions ¹**

Total DOD



III-2

AS OF SEPTEMBER 30, 1977

Congressionally-authorized Selected Reserve annual average strengths dropped from approximately 982,500 in FY 70 to 887,200 in FY 77. Actual reductions began with FY 74 authorized strengths (the first complete fiscal year in an All Volunteer Force environment).

¹ Reserve Forces Manpower Charts, September 30, 1977.

The following table indicates a decrease in total authorizations and strengths since FY 70. The percent of fill of authorized strengths for each FY is also included. However, there are differences between the components. While the inventory of the ARNG has decreased the authorizations have remained virtually constant. The USAR has dropped in both. The ANG and USAFR have increased in both strengths and authorizations and are virtually meeting their strength authorizations. Generally, the authorized strengths have been reduced because of inability to reach approved manning levels.

The import of these decreases is significant when it is realized that very little has changed in the Reserve Mobilization Requirement.

**END STRENGTHS AND AUTHORIZED STRENGTHS
SELECTED RESERVE BY COMPONENT
FY 1970 - FY 1977
(000's)**

TIME PERIOD	ARNG			USAR			USNR		
	INV	AUTH	% AUTH	INV	AUTH	% AUTH	INV	AUTH	% AUTH
FY 70	409	393	104%	261	256	102%	128	129	99%
71	402	400	101	263	260	101	130	129	101
72	388	400	97	235	260	90	124	129	96
73	386	402	96	235	261	90	126	129	98
74	403	379	106	235	233	101	115	119	97
75	395	400	99	225	225	100	98	112	88
76	362	400	91	195	219	89	97	106	92
77	364	390	93	192	219	88	98	106	92
				190	212	90	90	96.5	93

TIME PERIOD	USMCR			ANG			USAFR		
	INV	AUTH	% AUTH	INV	AUTH	% AUTH	INV	AUTH	% AUTH
FY 70	49	49	100%	90	87	103%	50	51	98%
71	47	48	98	86	88	98	50	48	104
72	41	46	89	89	88	101	48	50	96
73	38	45	84	90	88	102	44	51	86
74	31	40	78	94	92	102	46	50	92
75	32	37	86	95	95	100	51	51	100
76	30	32	94	92	95	97	48	48	92
77	29	33	88	91	95	96	49	49	91
	28	33	87	92	93	99	51	51	98

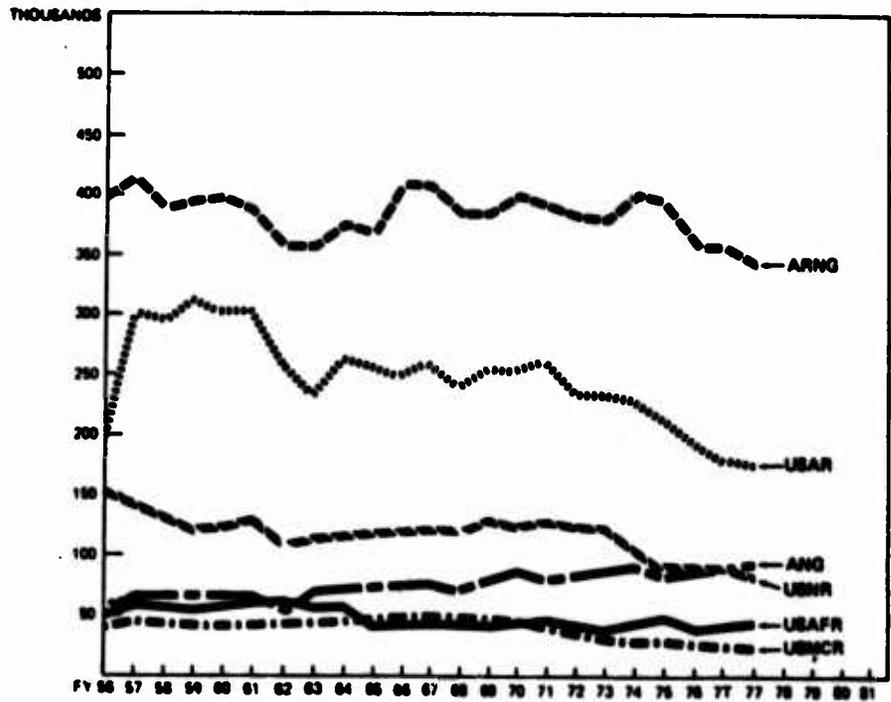
TIME PERIOD	USCGR		
	INV	AUTH	% AUTH
FY 70	15	17.5	86%
71	12.8	15	85
72	11.8	15	79
73	11.2	11.8	95
74	11.7	11.3	104
75	11.8	11.7	101
76	12.2	11.7	104
77	12.1	11.7	103
	11.7	11.7	100

% AUTH. BASED ON CONGRESSIONAL FLOOR INVENTORIES ARE END STRENGTH

The decline in total Selected Reserve strength since FY 71 has been composed exclusively of enlisted personnel. Although enlisted strength has declined, officer strength actually increased during the same period.

**Strength Trends
Of The
Reserve
Components
(Not On
Active Duty) ¹**

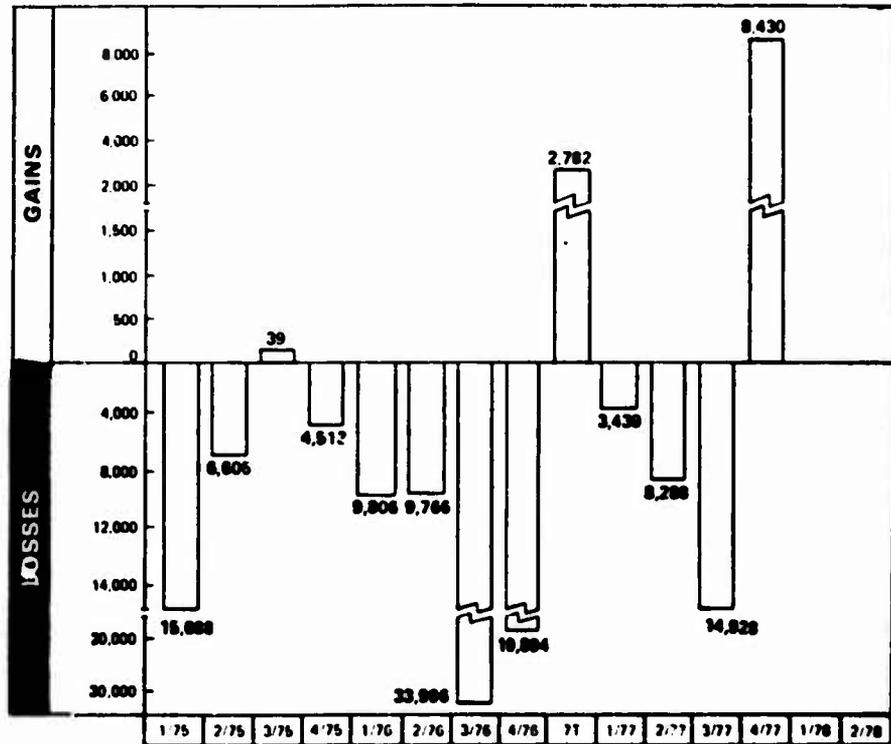
**Selected
Reserve
(Total
Paid Drill)**



¹ Reserve Forces Manpower Charts, September 30, 1977.

Losses of personnel have significantly exceeded gains during Fiscal Years 1975 through 1977 as shown by a quarterly breakout.

**Net Gains
And Losses To
The Selected
Reserve By
Fiscal Quarter ¹
Total DOD**



In summary, though there has been some variation but no overall decrease in full mobilization manpower requirements, both Congressionally authorized and total Selected Reserve strengths have declined since FY 1970, but with strengths decreasing more and at a faster rate. Authorizations have decreased 94.3 thousand while inventories have declined 171.3 thousand. The entire

¹ Reserve Forces Manpower Charts, September 30, 1977.

decrease is accounted for by declining enlisted personnel inventories.

A summary of the Reserve Component senior officers strength (O-5 through O-8) follows. The summary includes the current strength of each component, the Selected Reserve requirement, the number of officers assigned to the T/P categories of the Ready Reserve, average age of the active and Ready Reserve officers in that grade and the minimum costs for those assigned a pay status (\$86,443,233). This cost is without consideration of such items as mandays, school tours, special boards, etc., that drive these costs upward. Trends in manning of the senior officers have remained relatively stable but increased in some components as will be seen in the next section of this Chapter. An examination of this summary presents the reader with some interesting questions as to cost, ability to mobilize, and number of senior officers in reference to force size, particularly the numbers of general/flag officers.

**RESERVE COMPONENT SENIOR OFFICERS
(SALIENT STATISTICS)**

Component	Str. (000)	Grade	Requirement	Assigned					Total	Average			Total Cost
				A	B	C	D	E		Age	RC	Cost	
ARNG	390	MG	69	45					45	52.0	56.2	341145	15,457,417
		BG	131	109					109	49.0	52.3	722016	
		COL	851	838					838	47.2	50.9	4879674	
		LTC	2449	1993					1993	42.8	46.3	9514582	
USAR ¹	212.4	MG	37	30			2	32	52.0	55.9	231143	31,717,758	
		BG	67	53			12	65	49.0	51.4	370800		
		COL	1355	1389		2026	13	3415	47.2	50.2	10898209		
		LTC	4723	3470		3038	74	6508	42.8	45.3	20217456		
USNR	96.5	RADM(U)	48	2	4			14	20	53.5	56.5	33774	14,628,418
		RADM(L)		8	2			15	25	50.0	52.5	61142	
		CAPT	561	443	221			1564	2228	46.8	47.7	3394416	
		CMDR	2309	1786	862			3244	5892	41.6	42.2	11139086	
USMCR	33.5	MG	5					5					1,241,364
		BG	5			3		1	4	51.1	50.5	8980	
		COL	473	42				325	367	47.5	46.8	244566	
		LTC	885	207				527	724	42.2	42.6	988218	
AUG ²	93.3	MAJ GEN	153	23				23	51.5	55.6	174363	11,113,983	
		BRIG GEN		61				61	49.0	53.1	404064		
		COL	499	368				368	46.9	50.8	2142864		
		LT COL	1857	1758				1758	43.0	46.5	8392692		
USAFR ³	51.9	MAJ GEN	25	2	19			21	51.5	55.9	103969	11,480,848	
		BRIG GEN	50	10	39			49	49.0	52.6	225165		
		COL	855	155	433		53	142	783	46.9	49.9		2499036
		LT COL	2736	1024	1242		347	935	4331	43.0	46.6		8653078
USCGR	11.7	RADM	2					2	52.0	52.5		803,445	
		CAPT	57	15				48	63	48.1	49.8		87345
		CMDR	96	150				231	381	42.5	44.3		716100

* Based on authorized ADT and IDT for each T/P Category: A - 15 and 48; B - 14 and 24; C - 14 and 12; D - 14 ADT. Includes last longevity increase for each pay grade.

1 USAR Personnel in T/P Category A are assigned against required positions.

2 AUG requirements in Maj Gen line also include the Brig Gen requirements.

3 USAFR Personnel in T/P Categories A, B and D are assigned against the required positions.

A table presenting the ratio of general and flag officers of the Reserve Components to the Selected Reserve strengths of each component for FY 70 and FY 77 follows.

Component	30 Jun 70			30 Sep 77		
	Selected Reserve Strength (000)	GO's	Ratio GO to S/R STR	Selected Reserve Strength (000)	GO's	Ratio GO to S/R STR
ARNG	409	154	.37:1000	364	154	.42:1000
USAR	256	99	.39:1000	189	102	.54:1000
USNR	128	45	.35:1000	90	45	.50:1000
USMCR	41 *	7	.17:1000	31	9	.29:1000
ANG	90	78	.87:1000	92	84	.91:1000
USAFR	50	DATA NOT AVAILABLE		50	70	1.40:1000
USCGR	15	2	.13:1000	12	2	.16:1000

* Data as of FY 72

INDIVIDUAL READY RESERVE (IRR)

The strength of the IRR has declined drastically since FY 72-3. The strength of the IRR fluctuates according to the personnel policies of the Active Forces as well as those of the Reserve Forces.

STANDBY RESERVE

Strength of this portion of the reserves has also declined as the components have screened more rigorously in order to eliminate those who for many reasons would not be mobilization resources. The Standby Reserve population also reflects the policies of Active Forces and Ready Reserve. What occurs in these two categories impacts dramatically on the Standby Reserve.

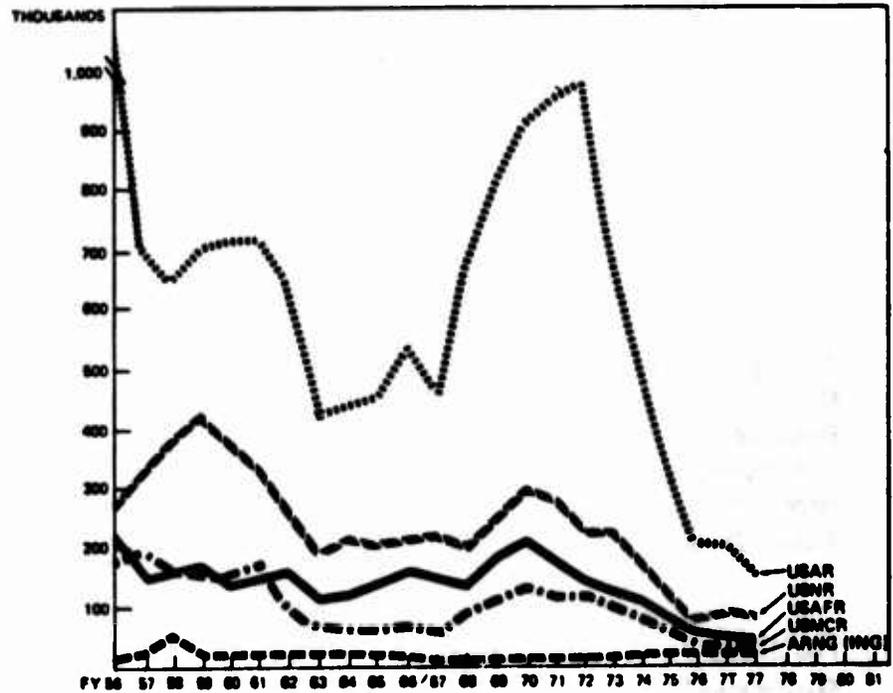
RETIRED RESERVE

The personnel policies of both the Active Forces and Reserve Components have caused a dramatic increase in the strength of the Retired Reserve, except for the USMCR.

The following tables indicate the trends in strength of the IRR, the Standby, and the Retired Reserves of all services.

Strength Trends Of The Reserve Components (Not On Active Duty) ¹

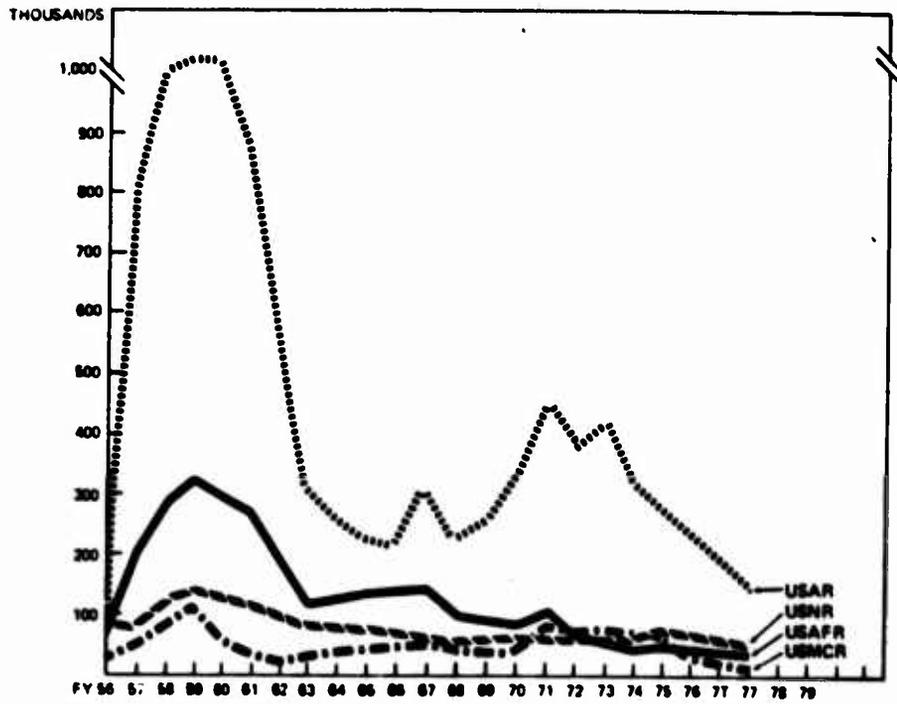
Individual Ready Reserve (IRR)



¹ Reserve Forces Manpower Charts, September 30, 1977.

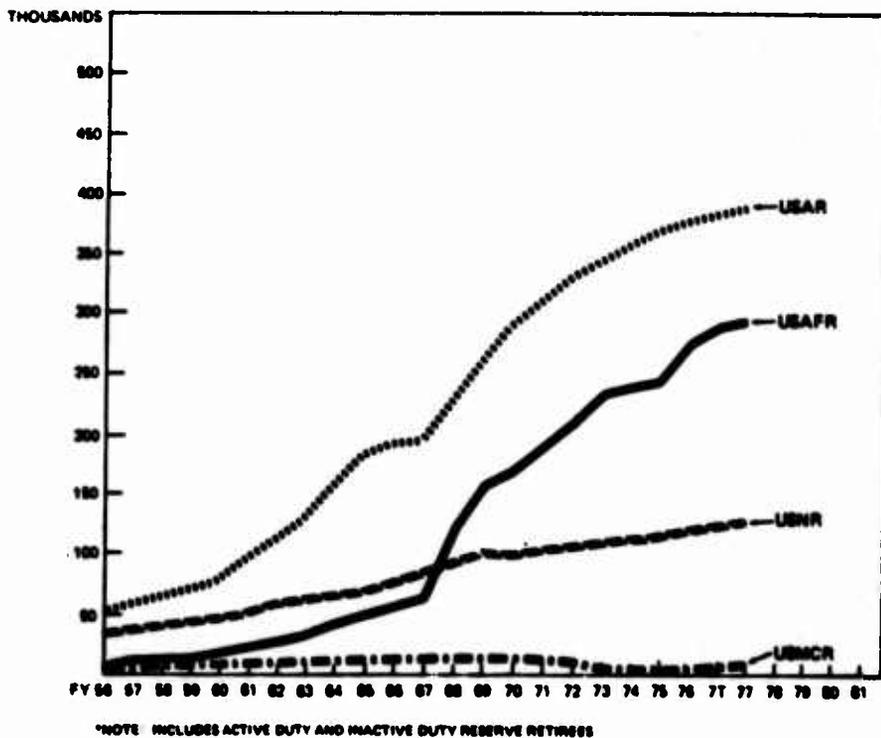
Strength Trends Of The Reserve Components (Not On Active Duty) ¹

Stand-By Reserve



Strength Trends Of The Reserve Components (Not On Active Duty) ¹

Retired Reserve*



¹ Reserve Forces Manpower Charts, September 30, 1977.

F - CHARACTERISTICS OF SELECTED RESERVE PERSONNEL

GENERAL

This section is focused on certain characteristics of the present inventories that have significance in the personnel management and compensation areas. Several tables and graphs are presented which describe certain general characteristics of the Selected Reserve. A more specific discussion of these personnel factors within the various components follows.

Age and Grade Profiles of the Present Inventory

In the presentation of data regarding the age and grades of both officer and enlisted personnel, tables were prepared which were reflective of single component, service and DoD inventories. In the USA and USAF pay grade charts the technician forces in that grade are also included. The median ages for each group charted as well as the population of the group are included. The charts indicate:

- Grade stagnation and career progression problems as shown by the extreme spread of some grades over 20-30 years in both officer and enlisted personnel, particularly where the percentages in each age group are about the same throughout 20-25 years;

- The detrimental impact from low turnover of the technician force on promotion flow, particularly in the later years, and upon immediate mobilization capability;
- The older median age for the Reserve Components than the active, except for the Marine Corps (this causes one to question the capability of this age group as a mobilization asset);
- In the case of the Naval Reserve, the same problem exists even though no technician force is there to influence the age profile, indicating a lack of effectiveness in either management or screening boards;
- Management of Reserve personnel age profiles varies from one component and service to another although the Marine Corps appears to desire to maintain the age profile of its Reserve Force exactly like the Active Force.

Age

The age distribution of the Selected Reserve is one measure of its experience and vitality.

Total DOD

**Age
Distribution
Of The
Selected
Reserve ¹**

AGE	OFFICERS *		ENLISTED*	
	NUMBER	PERCENT	NUMBER	PERCENT
20 & UNDER	44	.9	78,988	11.4
21-25	2,775	2.8	187,874	28.7
26-30	28,838	28.8	178,888	28.8
31-35	22,816	22.9	88,343	13.8
36-40	18,388	17.2	84,717	7.9
41-45	14,187	12.8	41,742	6.8
46-50	8,487	8.4	22,384	3.7
51-55	3,873	3.4	12,888	1.8
56-60	1,523	1.3	5,388	.9
61 & OVER	12	.9	81	.9

* UNKNOWN EXCLUDED

AS OF SEPTEMBER 30, 1977

It is significant to note that as of 30 September 1977, almost 25% of the officers were older than 41, as were 12.8% of enlisted reservists. If these are not mobilization assets, then it is not cost effective to keep them in the Reserve Force.

As will be illustrated later, median age and grade differ considerably among the Reserve Components and between the Selected Reserve, IRR, and the Active Forces of the same service.

¹ Reserve Forces Manpower Charts, September 30, 1977

Years of Service

Length of service is another measurable characteristic that relates to experience and effectiveness.

Total DOD

Years Of Service Distribution Of The Selected Reserve 1

YEARS OF SERVICE	OFFICERS		ENLISTED	
	NUMBER	PERCENT	NUMBER	PERCENT
UNDER 6	9,529	8.4	313,481	46.3
6-10	28,386	25.0	237,171	34.3
11-15	26,886	22.7	62,167	9.0
16-20	13,472	11.9	27,938	4.0
21-25	13,821	11.9	28,870	4.1
26-30	6,383	7.3	18,478	2.2
31-35	3,881	3.4	6,879	.9
36 & OVER	443	.4	882	.9
TOTAL	112,211		681,284	

*UNKNOWN ARE NOT INCLUDED

AS OF SEPTEMBER 30 1977

1 Reserve Forces Manpower Charts, September 30, 1977.

Grade Distribution

The grade distribution of the Selected Reserve, officer, warrant officer and enlisted, as of 30 September 1977, does not include the Coast Guard Reserve.

Total DOD

**Grade
Distribution
Of The
Selected
Reserve ¹**

OFFICERS (12.6% OF TOTAL)			WARRANT OFFICERS (1.4% OF TOTAL)			ENLISTED (85.9% OF TOTAL)		
GRADE	NUMBER	PERCENT	GRADE	NUMBER	PERCENT	GRADE	NUMBER	PERCENT
O1	6,630	6.6	W1	1,100	10.0	E1	40,964	5.9
O2	14,883	14.6	W2	4,950	46.0	E2	43,886	6.3
O3	38,061	36.2	W3	3,042	26.2	E3	72,216	10.4
O4	24,736	24.3	W4	2,700	23.9	E4	177,193	25.5
O5	12,382	12.1				E5	187,216	27.0
O6	3,063	3.0				E6	99,700	14.4
O7	287	.3				E7	92,884	7.6
O8	123	.1				E8	16,686	2.2
						E9	4,612	.7

NOTE: UNKNOWN'S NOT COUNTED

AS OF SEPTEMBER 30, 1977

¹ Reserve Forces Manpower Charts, September 30, 1977

Female Participation

Women comprised only 0.4 percent of the total Selected Reserve strengths in FY 71. As of the end of FY 77 women assigned equaled 6.1 percent of the Selected Reserve strength. A substantial proportion of NPS accessions are now female. In FY 77, 17.2 percent were female (12,259).

**Participation
In The
Selected
Reserve By
Component**

Female

		FY 1971	FY 1972	FY 1973	FY 1974	FY 1975	FY 1976	FY 77	FY 1977
ARNG	NUMBER	26	52	818	2,779	6,304	8,344	10,326	12,334
	PERCENT	.8	.8	1.1	1.7	1.6	2.6	2.9	3.8
USAR	NUMBER	866	1,197	2,487	4,088	16,082	16,426	19,326	21,000
	PERCENT	.4	.8	1.1	2.0	7.8	6.6	18.1	11.4
USMR	NUMBER	1,217	1,406	1,616	1,814	2,068	2,088	2,323	2,886
	PERCENT	.9	1.1	1.3	1.6	2.1	2.1	2.4	4.3
SMR	NUMBER	88	88	162	171	388	483	638	713
	PERCENT	.2	.2	.3	.5	1.2	1.6	1.8	2.3
ANG	NUMBER	488	688	888	1,679	2,887	4,338	4,883	5,631
	PERCENT	.6	.7	1.1	1.8	2.2	4.8	6.8	6.1
USAFR	NUMBER	872	1,088	1,388	1,688	2,381	2,812	4,181	5,148
	PERCENT	1.8	2.2	3.8	3.8	6.8	7.8	8.4	18.2
DJC	NUMBER	2,738	4,471	7,847	12,814	38,882	38,277	42,387	48,381
	PERCENT	.4	.8	.9	1.4	2.4	4.8	6.1	6.1

AS OF SEPTEMBER 30, 1977

1 Reserve Forces Manpower Charts, September 30, 1977.

Blacks

Blacks made up 1.7 percent of total Selected Reserve strength in FY 71, climbing to 13.8 percent of Selected Reserve strength by end FY 77. The number and percentage of black NPS accessions have risen since FY 71, from 1.8 percent of total NPS accessions to 27.8 percent of total accessions in FY 77. The percentage of black NPS accessions doubled each year between FY 71 and FY 74 and has averaged over 27 percent since then.

Participation In The Selected Reserve By Component

Black

		FY 1971	FY 1972	FY 1973	FY 1974	FY 1975	FY 1976	FY 77	FY 1977
ARNG	NUMBER	4,001	7,000	12,400	22,377	20,515	30,407	43,485	51,001
	PERCENT	1.2	2.0	3.2	5.6	7.2	10.6	11.8	14.5
USAR	NUMBER	5,050	6,000	13,000	16,000	24,900	20,970	31,003	37,300
	PERCENT	2.2	2.0	5.6	7.2	11.1	14.8	16.1	19.7
USNR	NUMBER	2,504	3,710	4,300	3,000	4,300	5,301	5,404	5,305
	PERCENT	2.0	3.0	3.5	3.4	4.4	5.4	5.8	5.9
USMR	NUMBER	1,002	3,000	4,700	2,010	4,000	4,004	4,002	5,000
	PERCENT	3.2	7.4	12.0	11.6	14.1	16.4	16.0	18.0
ANG	NUMBER	800	1,225	1,841	2,704	3,715	4,300	4,573	5,300
	PERCENT	1.0	1.4	2.0	2.9	3.0	4.0	5.0	5.0
USAR	NUMBER	1,302	1,482	1,830	2,015	4,111	4,000	5,075	5,004
	PERCENT	2.0	3.3	4.2	5.6	8.1	9.7	10.3	11.0
DOD	NUMBER	17,105	23,973	28,300	52,000	70,204	86,337	84,372	111,002
	PERCENT	1.7	2.0	4.2	5.6	7.0	10.5	11.4	13.0

SEPTEMBER 30, 1977

1 Reserve Forces Manpower Charts, September 30, 1977.

Mental Category

The mix of male personnel by mental category is considered extremely important by the services. Since 1970 there has been a significant decrease in the number of NPS male accessions who are in the higher mental categories I and II. Category III accessions have increased from one-third of the total accessions in FY 70 to almost two-thirds in FY 77. Categories IV and V have fluctuated from 4.4 percent to 13.7 percent of the total accessions from FY 70 to FY 77. Mental Category data for NPS females and PS males and females are not available for the entire Selected Reserve.

TOTAL SELECTED RESERVE NPS MALE ACCESSIONS BY MENTAL CATEGORY¹

	MENTAL CATEGORY I		MENTAL CATEGORY II		MENTAL CATEGORY III		MENTAL CATEGORY IV-V	
	NUMBER	PERCENT	NUMBER	PERCENT	NUMBER	PERCENT	NUMBER	PERCENT
FY 70	31,896	17.4	69,739	46.3	62,984	39.9	6,095	4.4
FY 71	17,388	17.3	49,999	41.9	34,889	34.9	6,892	6.9
FY 72	16,273	12.6	31,312	28.1	34,854	41.4	6,546	6.9
FY 73	6,189	16.6	16,983	31.6	22,729	44.1	7,992	14.9
FY 74	1,789	4.6	7,891	29.6	16,189	47.6	16,739	27.8
FY 75	1,489	3.6	16,979	22.2	28,949	34.2	16,161	26.6
FY 76	1,697	2.9	12,846	21.6	28,189	69.3	6,994	16.3
**FY 77	276	2.9	2,992	16.1	6,947	69.9	2,726	26.9
**FY 77	1,716	2.1	16,996	19.2	28,999	69.1	7,891	12.7

*UNKNOWN NOT COUNTED

**SOURCE - ACCPOS

AS OF SEPTEMBER 30, 1977

1 Reserve Forces Manpower Charts, September 30, 1977.

Educational Attainment

There has been a significant change in the educational achievement level of new male NPS accessions into the Selected Reserve since FY 70. The percentages of non-high school and college populations have reversed themselves since FY 70 with the high school graduates group remaining relatively constant throughout the period.

TOTAL SELECTED RESERVE NPS MALE ACCESSIONS BY EDUCATIONAL ATTAINMENT¹

	NON H. S. GRADS		H. S. GRADS		SOME COLLEGE & COLLEGE GRADS	
	NUMBER	PERCENT	NUMBER	PERCENT	NUMBER	PERCENT
FY 70	16,116	6.7	71,688	48.0	97,488	64.3
FY 71	7,988	7.8	48,888	38.9	82,881	82.3
FY 72	12,731	16.4	38,788	48.8	31,388	37.8
FY 73	16,878	31.9	32,841	43.3	12,888	24.8
FY 74	21,488	34.8	16,814	28.6	2,387	5.9
FY 75	24,827	48.8	22,188	48.3	2,888	6.1
FY 76	28,287	48.2	21,888	48.8	4,487	8.8
**FY 77	7,788	83.8	8,978	41.1	884	8.8
**FY 77	28,348	84.8	21,488	38.8	2,881	8.3

* UNKNOWN NOT COUNTED
** SOURCE - RCCPDS

AS OF SEPTEMBER 30, 1977

¹ Reserve Forces Manpower Charts, September 30, 1977.

Personnel Assigned to Career Management Fields

In seeking knowledge to verify the need for differential pays, particularly specialty bonuses, the RCSS requested information from the Reserve Components concerning requirements, inventory, percent of fill, and skills down to unit levels. The results, captured for the first time in one report, identify precisely specific shortages by grade, specialty, and location.

The Reserve Components were asked to provide information on their requirements for personnel by grade and specialty, personnel assigned to meet these specific requirements, and the drill location. By identifying the individual whose primary specialty was not required in his particular unit, the magnitude of the mismatch of personnel with the unit requirements could be measured.

The Air National Guard and the Air Force Reserve reported no such mismatches of personnel from their selection process. Because of time constraints RCSS accepted that determination.

The Naval Reserve claimed its assignment policy resulted in few members in the mismatch category. The RCSS was unable to determine whether this was the result of either poor

quality data or stringent assignment criteria. It appears that the data may be incomplete since the Navy was in the process of implementing the Reserve Unit Manpower Authorization System (RUMAS) portion of Project Readiness coincidental with the development of the RCSS data reports.

The Army Guard, the Army Reserve, and the Marine Corps Reserve provided satisfactory data with which to work. Selected analyses for each Reserve Component follow in the discussion of the respective forces.

Summary

In summary, both Congressionally-authorized and actual total Selected Reserve strengths have dropped since FY 70, but the actual strength has decreased more and at a faster rate. The entire decrease is accounted for by declining enlisted personnel inventories. The proportions of blacks and women in the Selected Reserve have increased almost seven and thirteen-fold respectively. Black NPS and female accessions as a percentage of total accessions have grown at even faster rates. Taken together, blacks and women accounted for over 50 percent of NPS accessions in FY 75, almost 50 percent in FY 76,

over 50 percent in the transition quarter and 45 percent in FY 77. The mental category and educational levels of NPS male recruits have declined considerably since FY 70. The quality of PS males as well as both NPS and PS females is far superior to that of NPS males. Not only is there a general shortage of personnel to meet either the authorized or required manning levels, there are significant deficiencies in many critical skill areas as well as serious mismatches that are not yet fully identified.

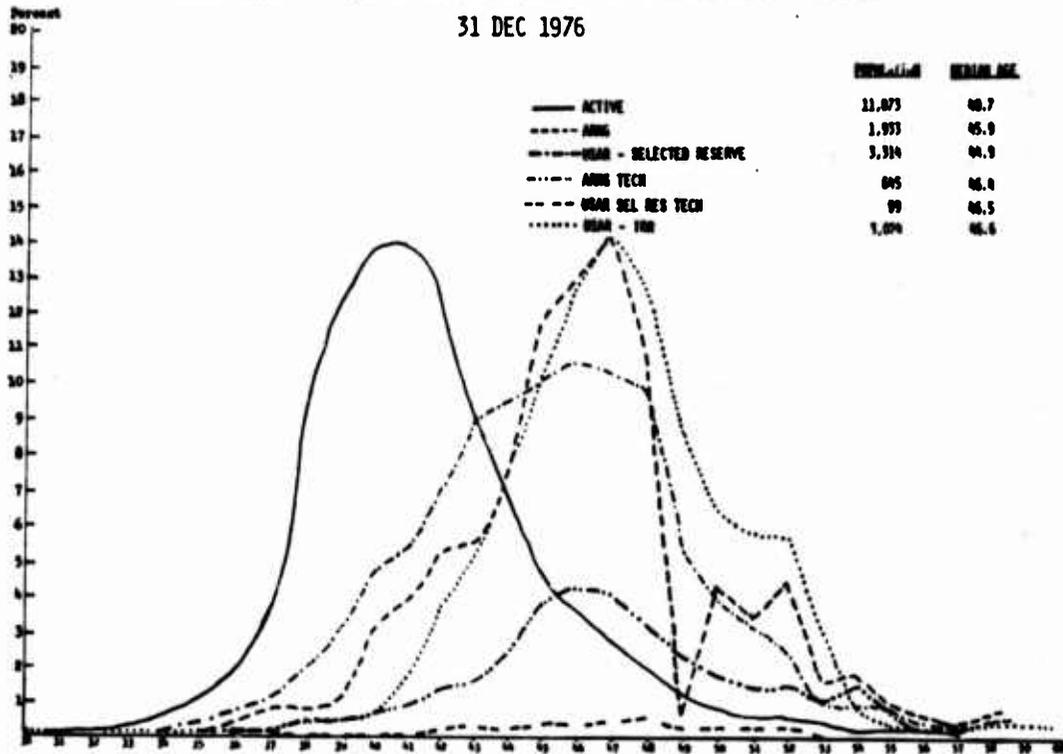
ARMY NATIONAL GUARD

The Congressionally authorized strengths for the ARNG have remained relatively stable during the past eight fiscal years ranging from 390 to 403 thousand except for FY 74 when it was 379,000. The inventory has declined from over 400,000 to 354,706 in the Selected Reserve (10,700 in the IRR) on September 30, 1977. Officer strength has increased over 13% while the enlisted strength has decreased. Actual annual accessions dropped from 122,000 in FY 70 to 65,588 in FY 71. Accessions have fluctuated but increased to 108,481 in FY 76 and 103,987 in FY 77. The most drastic change has been in the NPS/PS mix of new accessions during the period from 85/15 in FY 70 to 27/73 in FY 74, with change to 42/58 in FY 77.

Age, Grade and YOS. In analyzing the age and grade profiles of the ARNG on December 31, 1976, it was found that for the officer grades O-4 to O-6 the median age was some 5 years beyond that of the active duty force. The age spread in some grades in the ARNG is over 30 years. In several grades the percentage of the total in a given year group is approximately the same for a period of 20 years. The technician program makes up a significant portion of personnel, both officer and enlisted, over 50 years of age. This situation may be attributed to the waiver authority provided certain technicians in 10 USC 3848. Two of the age by grade profiles of the Army follow. They indicate the differences existing between all three components of the Army (with a further profile of the USAR, including the Selected Reserve and IRR, and including the technician forces of both Reserve Forces).

U.S. ARMY - AGE BY GRADE PROFILE - O-5 (LIEUTENANT COLONEL)

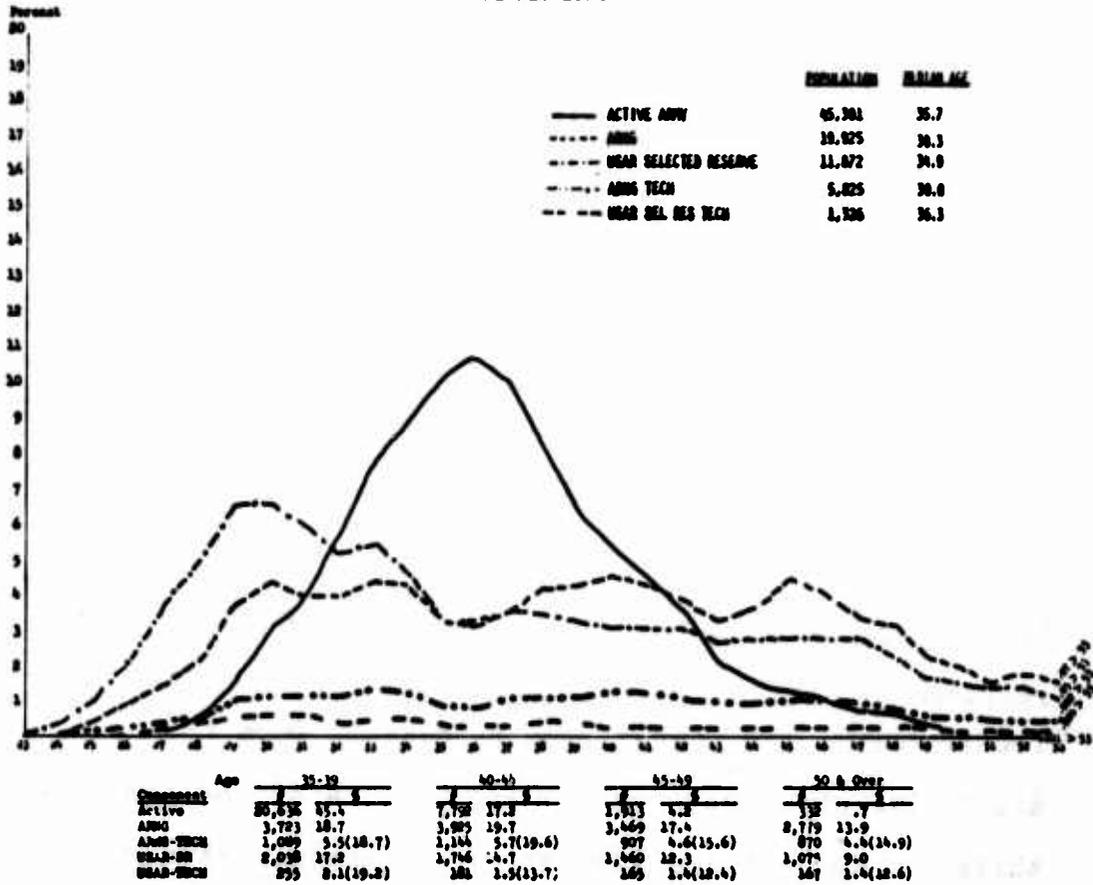
31 DEC 1976



Component	PERSONNEL	MEAN AGE
ACTIVE	11,873	40.7
ARMO	1,933	45.9
USAR - SELECTED RESERVE	3,314	44.9
ARMO TECH	845	46.4
USAR DEL RES TECH	99	46.5
USAR - IIR	1,024	46.6

Component	Age 25-29		30-34		35-39		40 & Over	
	#	%	#	%	#	%	#	%
Active	1,558	14.0	822	7.3	43	.4	1	0
ARMO	1,056	34.6	809	15.0	60	3.1	0	0
ARMO TECH	336	17.6(31.0)	140	7.2(48.4)	34	1.0(56.7)	0	0
USAR-IR	1,513	45.6	364	11.0	93	2.0	2	.1
USAR TECH	52	1.6(3.4)	20	.6(5.5)	0	0	0	0
USAR-IIR	1,746	57.7	640	21.2	41	1.4	6	.2

**U.S. ARMY - AGE BY GRADE PROFILE - E-7
31 DEC 1976**



For each of the components, the displays of the distribution of officers by total years federal commissioned service (TY FCS) and the distribution of enlisted personnel by years of service (PEBD) for each component are as of March 31, 1975, and September 30, 1977. Some changes in the distribution of officers have occurred in this 2½ year period. In ARNG there has been a decrease in personnel in the 30 year and over category though 102 O-5 and 161 O-6 officers are still assigned. A hump still exists in the 20 to 25 year group. The distribution of enlisted personnel, when analyzed alone with the age and grade charts, indicate problems of career progression and grade stagnation for ARNG and all components in grades E-6 through E-9.

Career Management Fields. Army National Guard enlisted shortages in personnel approximate 23% of the total requirement. The Combat Arms represent, from the standpoint of numbers, the major portion of the shortages. While the numbers are largest in the Infantry-Armor career fields, the shortage of 28,394 represents a deficiency of 30%, whereas the shortfall in Field

Artillery skills, while less than half that of the Infantry-Armor (13,665) represents 38% of the total requirement of that career management field. The Combat Engineer shortage falls in between at slightly in excess of 31% of the total, or 7,843 personnel.

In the telecommunications field the shortage of 5,393 represents approximately 48% of the total required while the medical specialties deficiency of 5,462 represents some 32% of the number of Guardsmen needed. Those critical fields with the largest number of shortages are included in the following table.

ARMY NATIONAL GUARD
ENLISTED STRENGTH SHORTAGES*
SELECTED CAREER MANAGEMENT FIELDS

<u>CAREER MANAGEMENT FIELD</u>	<u>REQ</u>	<u>INV</u>	<u>SHORTAGES</u>	<u>% OF REQ/ SHORTAGES</u>
TOTAL ARMY NATIONAL GUARD	382,241	294,670	87,571	23%
11 - MANEUVER COMBAT ARMS	94,254	65,860	28,394 ¹	30%
13 - FIELD ARTILLERY	35,655	21,990	13,665 ¹	38%
12 - COMBAT ENGINEER	24,987	17,144	7,843	31%
91 - MEDICAL	16,841	11,379	5,462	32%
72 - TELECOM	11,277	5,884	5,393	48%
95 - LAW ENFORCEMENT	15,559	11,428	4,131	27%
36 - WIRE/CONTROL OFFICE MAINTENANCE	13,777	9,868	3,909	28%
51 - GENERAL ENGINEER	14,171	10,882	3,289	23%
52 - POWER PRODUCTION	6,361	3,245	3,116	49%
16 - ADA	5,245	3,088	2,157	41%

* As Of 28 FEBRUARY 1977

¹ Of the total shortage of 87,571 personnel in the ARNG enlisted force, 45,216 (52% of the total) are in the combat arms, i.e., Infantry, Armor, Field Artillery and Air Defense Artillery.

While the discussion to this point has been devoted to shortages, there are career management fields in the Army National Guard in which there are excess personnel. Food Service has a surplus of 2,518 with a total requirement of 15,335. Administration, with 16,523 assigned, is 107 over and, with an additional 1,440 being converted from a mismatch of skills, the excess becomes 1,547. Mechanical Maintenance has a combined surplus, including the mismatch, of 484 Guardsmen.

Summary. Army National Guard authorizations have remained relatively stable since FY 70. Strength has decreased, particularly since FY 75. The decrease has been entirely in enlisted personnel. The proportions of women and blacks have grown immensely. The proportion of blacks continues to increase while female accessions have declined since FY 75. Together, blacks and females accounted for 40.1 percent of all ARNG accessions in FY 77. Educational levels, particularly for NPS male accessions, have drastically declined. Grade stagnation is present in the higher enlisted grades. There are significant skill shortages, especially in the combat arms. The technician program influences the grade, age, and years-of-service profile of the ARNG significantly. Senior officer manning has remained about the same over the past eight years despite overall strength decline. Some serious personnel management decisions lie ahead.

ARMY RESERVE

Congressionally authorized annual average strengths for the Army Reserve (USAR) dropped from 256,000 in FY 70 to 212,000 in FY 77. Authorized strengths remained relatively constant during the FY 70-73 period, averaging 259,000; in FY 74 the authorized strength dropped to 233,000, in FY 76 to 219,000, and in FY 77 to 212,000.

Actual USAR annual strengths decreased from 257,000 in FY 70 to 189,420 at the end of FY 77. As was the case with the Army National Guard, the entire decrease has been in enlisted strength. Army Reserve officer strength increased by over 9 percent while enlisted strength decreased by almost 30 percent. Accessions have varied from 38,204 in FY 70 to 60,017 in FY 75 and were 52,766 in FY 77. The NPS/PS mix changed from 79/21 in FY 70 to 23/77 in FY 77. There are a large number of E-6 personnel in every year group from 5 to 26.

Age, Grade, and YOS. Analyses of charts, using the selected sample which is included in the ARNG section, reveals a median age differential of over four years between the active duty and Selected Reserve officers and an

additional 1 to 2 years in the IRK. Officer technicians are not given waivers as in the ARNG. 0-5's and 0-6's are generally out of the Selected Reserve by the end of 28th and 30th years of TFCS respectively. Promotion stagnation and general career progression are problems in the USAR Selected Reserve.

Career Management Fields. The United States Army Reserve shortages represent approximately 30% of the total enlisted requirements. The larger, critical career management fields are represented on the following table. However, some of the specialties, though not requiring large numbers of individuals are critical in successful mission performance. For example, the Power Production and Chemical career management fields are short 1,658 and 1,680, respectively, and these are approximately 56% of those personnel necessary. There are others similarly short, where the total required is not too significant, such as Topographic Engineering which needs 858 and has 429. Air Defense Artillery, which has a requirement for 181 with a shortfall of 120, has one-third of the positions vacant and Aviation, a career management field which has a requirement of 2,405, has 998 assigned, or a shortage of 59% of the skilled manpower needed upon mobilization. Other fields have similar shortages.

ARMY RESERVE
ENLISTED STRENGTH SHORTAGES*
SELECTED CAREER MANAGEMENT FIELDS

<u>CAREER MANAGEMENT FIELD</u>	<u>REQ</u>	<u>INV</u>	<u>SHORTAGES</u>	<u>% OF REQ/ SHORTAGES</u>
TOTAL ARMY RESERVE	217,003	152,353	64,650	30%
91 - MEDICAL	21,347	14,004	7,343	34%
76 - SUPPLY AND SERVICE	25,546	18,204	7,342	29%
51 - GENERAL ENGINEER	15,264	8,842	6,422	42%
11 - MANEUVER COMBAT ARMS	20,833	15,188	5,645 ¹	27%
64 - TRANSPORTATION	14,609	9,908	4,701	32%
12 - COMBAT ENGINEER	9,199	4,830	4,369	47%
13 - FIELD ARTILLERY	5,871	2,865	3,006 ¹	51%
72 - TELECOM	5,249	2,807	2,442	47%
67 - AVIATION	2,465	998	1,467	60%
98 - EN/CRYPTO	1,242	400	842	68%

* As Of 28 FEBRUARY 1977

There is no career management field in the Army Reserve with excess personnel assigned, though the Food Service career field has only a 9 percent (1,131) shortage, and the Exceptional Management Specialties career field has less than a 2% shortage needed to meet the requirement. This field includes Command Sergeants Major, Club Managers, and Race Relations/Equal Opportunity Specialists.

Summary. In summary, authorized Army Reserve strengths were stable during FY 70-73 and thereafter began a continuous decline. Strength has declined steadily since FY 71 and at a greater rate than authorized average strength. The decrease has been entirely in the

1 Of the total shortage of 64,650 enlisted personnel in the USAR, 8,687 (13%) are in the combat arms (including 36 in ADA).

enlisted ranks. Women and blacks form a higher proportion of USAR strength than any other Selected Reserve component; the proportion of both among NPS accessions is extremely high and that of blacks is still climbing. Mental categories and educational trends follow the pattern of the Army National Guard. NPS male accession quality is down greatly from FY 70. While the quality of PS males and NPS and PS females is much greater than that of NPS males, women are more qualified than men in both categories. The senior officer inventory has increased though overall strength has declined. Promotion stagnation and problems of career progression exist in the upper enlisted ranks. Serious shortages in critical skill areas exist in the Army Reserve.

Army Reserve.

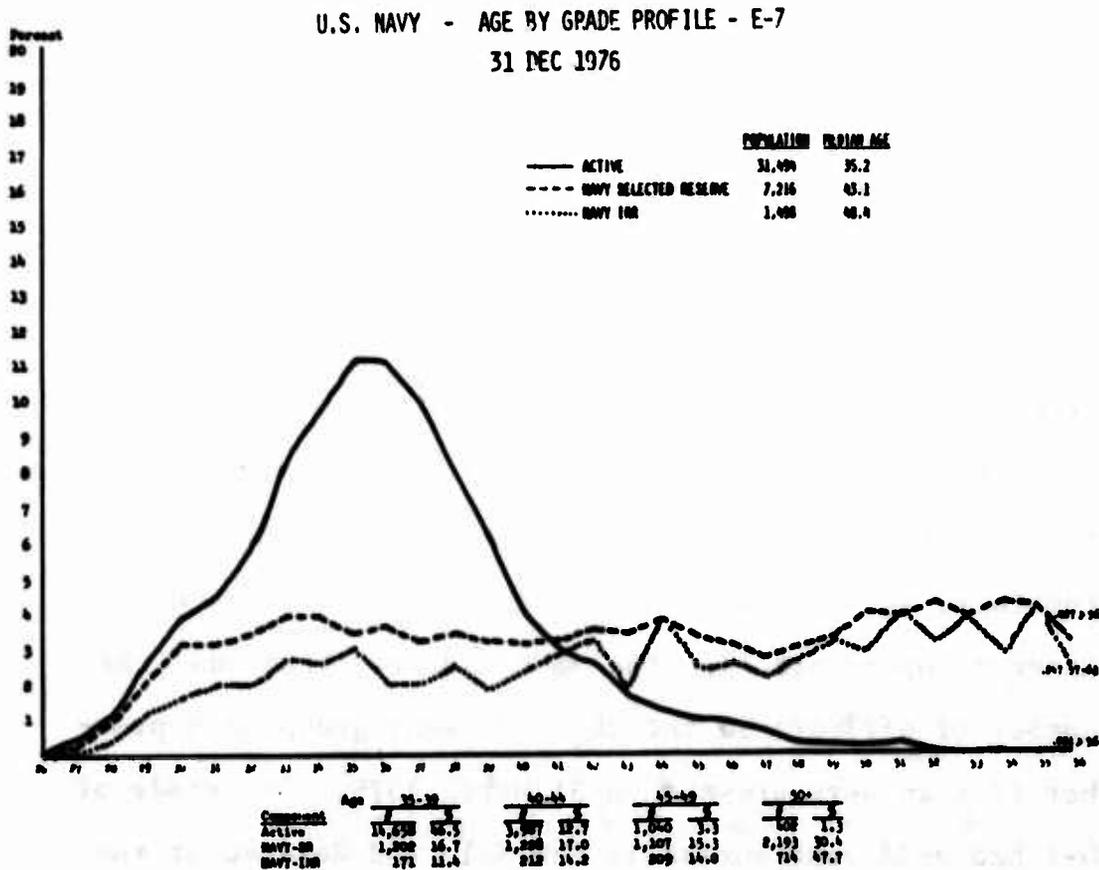
NAVAL RESERVE

Authorized strength of the Naval Reserve (USNR) remained constant at 129,000 during FY 70-73, and dropped steadily thereafter to 96,500 in FY 77. Actual USNR strength declined from 127,000 in FY 70 to 90,243 at the end of FY 77. USNR strength fluctuated between 123,000 and 128,000 during FY 70-73, and thereafter began a steady decline. Most of this decline has been in enlisted strength, although Naval Reserve officer strength has also dropped during the period. Actual

USNR annual accessions between FY 70 and 77 show a pattern considerably different from that of the Army Reserve Components. Total accessions increased from 44,000 in FY 70 and 69,243 in FY 71 to 82,236 in FY 72, dropped back to 45,000 in FY 73, and thereafter declined at a more moderate rate to 25,534 in FY 77. As most Naval Reserve accessions have always been prior service personnel, most of which had been returns from the USNR "2 x 6" program (providing for two years of active duty followed by three or four years in the Naval Selected Reserve), the NPS/PS mix during this period was overwhelmingly composed of PS personnel. Only in FY 73, when the NPS/PS mix was 43/57, did the proportion of NPS personnel rise above 18 percent. In FY 77 the mix was 9/91.

Age, Grade, and YOS Distribution. The median age of the USNR 0-6 personnel is one year older than the Active Force, and the IRR is two years older. A much larger proportion of those in the IRR is over 50 years of age and a number remain to age 61, while none remain in the Selected Reserve beyond age 58. The USNR had less than half the number of officers in the 28 to 30 year group on September 77 than were present on 31 March 1975. The grade of O-4 had a 23 year spread in the Selected Reserve at the end of FY 77. No significant management problems appear in the officer force. There is present in the enlisted

force a problem of career progressions and promotion stagnation at both the E-6 and E-7 grades, even though the USNR has no technician force. Grade E-7 has about the same proportion of personnel in each age group from 30 to 56. More personnel are in the 30 and over year groups than in FY 75 with E-5's present over a 30 year span.



Career Management Fields. The Navy developed and implemented a new and dramatically different system to express the requirements for and manning of the Naval Reserve during 1977. In addition, the Navy has mobilization requirements which can be met by any one of several ratings and/or any one of several pay grades and others in which the mobilization requirement can only be met by someone who possesses a specific specialty identifier at a precise skill level which has resulted from specific training or experience.

As previously indicated, the analysis of the Naval Reserve data has been complicated by complexity of the new system and the timing of the RCSS data request. There are several manning situations which demonstrate this situation. The Operations Specialist (OS) rating indicated a requirement for 2,288 with 1,458 on board, a 64% of fill. However, only 54% of the OS billets were actually filled. The reverse circumstance occurs in the Electronic Warfare (EW) rating where there is a requirement for 279 and only 39 on board, a 14% of fill. In this case 32% of the billets were filled. In the case of Quartermasters (QM) the requirement is for 942, there were 1,057 on board (112% of fill) but only 69% of the QM billets were filled. These examples demonstrate that a different type of analysis is necessary

for the Naval Reserve since the circumstances above could be the result of either the partial implementation of their "cross assignment" policy, or the filling of a requirement stated for one rating with an acceptable horizontal (rating) substitution.

Summary. In summary, Naval Reserve authorized strengths were stable during FY 70-73 and declined substantially thereafter. Actual strength followed the same pattern. Most, but not all, of the USNR strength decrease is attributable to smaller numbers of enlisted personnel. As in all other Selected Reserve Components, the number of women and black personnel in the Naval Reserve and their share of annual accessions have increased since FY 70. Mental category levels of NPS male Naval Reserve recruits have dropped moderately since FY 70. Educational levels dropped somewhat during FY 73-74 but have since recovered to almost FY 70 levels. A wide gap between NPS male accessions and all other categories in terms of educational level does not exist in the USNR. NPS females are only slightly more educated than NPS males, and both are of substantially higher quality than PS males and females. All four categories, however, are of a high educational caliber, with low percentages of non-high school graduates. No significant changes have occurred in senior officer manning

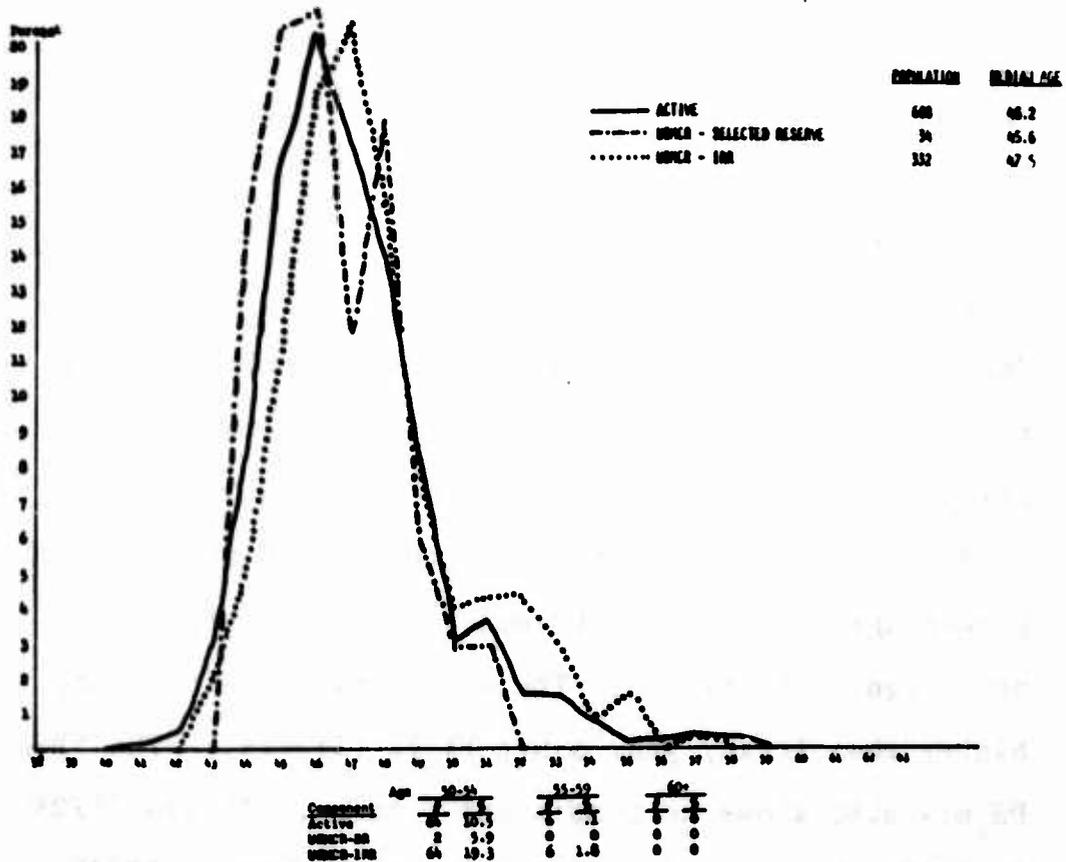
despite decline in strengths and the flag officer line/staff ratio should be questioned.

MARINE CORPS RESERVE

Annual strengths of the Marine Corps Reserve (USMCR) have dropped from approximately 49,500 in FY 70 to 33,500 in FY 77. Actual strength declined from 49,000 in FY 70 to 30,951 on September 30, 1977. Unlike those other components in which actual strength declined after FY 70, the bulk of the drop in USMCR strength came between FY 71 and 73, when actual strength declined from 47,000 to 35,000. After FY 73, the decline was more gradual. However, the USMCR strength increased to 30,951 by 30 September 1977. Although Marine Corps Reserve officer strength declined during the period (the only substantial decrease in officer strength undergone by any Selected Reserve Component studied), enlisted strength declined by an even greater percentage. Actual USMCR annual accessions followed no recognizable trends. The accessions in FY 77 were higher than in any year since FY 72 (14,849). The NPS/PS mix also shows no consistent pattern. It was 75/25 in FY 70, however, in FY 77 the mix changed to 55/45.

Age, Grade, and YOS. The age by grade as well as YOS for both officers and enlisted personnel of the USMCR follow closely that of the Active Force in the Selected Reserve and the IRR.

U.S. MARINE CORPS - AGE BY GRADE PROFILE - O-6 (COLONEL)
31 DEC 1976



Career Management Fields. The current mobilization manpower requirements of the Marine Corps Reserve are for 33,183 enlisted personnel. As of 31 December 1976 the USMCR was 9,549 short of this requirement.

The principal shortfall is in Infantry specialties, with a requirement of 8,728 and 5,509 assigned, or a 37% shortage. Artillery, requiring 1,692, has a shortfall of 777 persons (46% shortage). Tank and Amphibious specialties are manned 54% below the requirement of 1,273. There is a shortage of only 268 Engineers (12%) to meet the wartime requirement. The combat arms of the USMCR, with a mobilization requirement of 13,966 (42% of the total enlisted requirement), have 52% of the shortages.

Other specialties, which support the combat elements are also short of personnel, such as: Operational Communications which lacks 1,604 (40%) of 4,034 required; Aircraft Maintenance (F/W) falls short of the 1,608 required by 460 (29%); Aviation Ordnance, with 130 assigned, is 62% short; Avionics is short 54% of 823 required; and Electronic Maintenance (Msl/Avn Systems) is 209 personnel short of 297 required.

There are specialties in which there are overages, Motor Transport with a requirement of 3,134 has 3,497 assigned. Supply specialties exceed the requirement, and others such as Training and Training Aids, Photography, and Military Police, all of which have relatively small requirements, exceed the number of required personnel.

MARINE CORPS RESERVE
ENLISTED STRENGTH SHORTAGES*
SELECTED CAREER MANAGEMENT FIELDS

<u>CAREER MANAGE- MENT FIELD</u>	<u>REQ</u>	<u>INV</u>	<u>SHORTAGES</u>	<u>% OF REQ/ SHORTAGES</u>
Total USMCR	33,183	23,634	9,549	29%
03 Infantry	8,728	5,509	3,219	37%
04 Logistics	295	132	163	55%
08 Artillery	1,692	915	777	46%
13 Engineer	2,277	2,015	268	12%
18 Tank & Amphibious	1,273	591	682	54%
21 Ordnance	723	461	262	36%
25 Operational Communications	4,034	2,430	1,604	40%
28 Telecommu- nications Main- tenance	735	258	477	65%
60 Aircraft Main- tenance (F/W)	1,608	1,148	460	29%
66 Avionics	823	381	442	54%

* As of 31 December 1976

Summary. Authorized Marine Corps Reserve strengths dropped steadily from FY 70 to FY 76; since then a slight increase in authorized strength has taken place. Proportionally, USMCR strength has dropped more than that of any other Selected Reserve Component. Although the USMCR decreased its officer strength by 21 percent, enlisted strength has decreased by almost double that percentage. Actual USMCR annual accessions seem to be devoid of plottable trends. The USMCR has moved relatively slowly to increase the proportion of women in its ranks. The number and percentage of black Marine reservists is substantial and growing rapidly. The mental category level of USMCR male NPS recruits has fluctuated widely since 1970. Educational levels have also fluctuated from year to year.

Officers and senior non-commissioned officers are generally limited to three consecutive years in the Selected Reserve and are transferred to the IRR pending a new opportunity in the Selected Reserve. The purpose is to give a broader number of persons experience in the Selected Reserve.

In the 30 December 1976 inventory there were more colonels in the Ready Reserve than would be required under Full Mobilization of Military Manpower Requirements. (This was corrected in March 1978.)

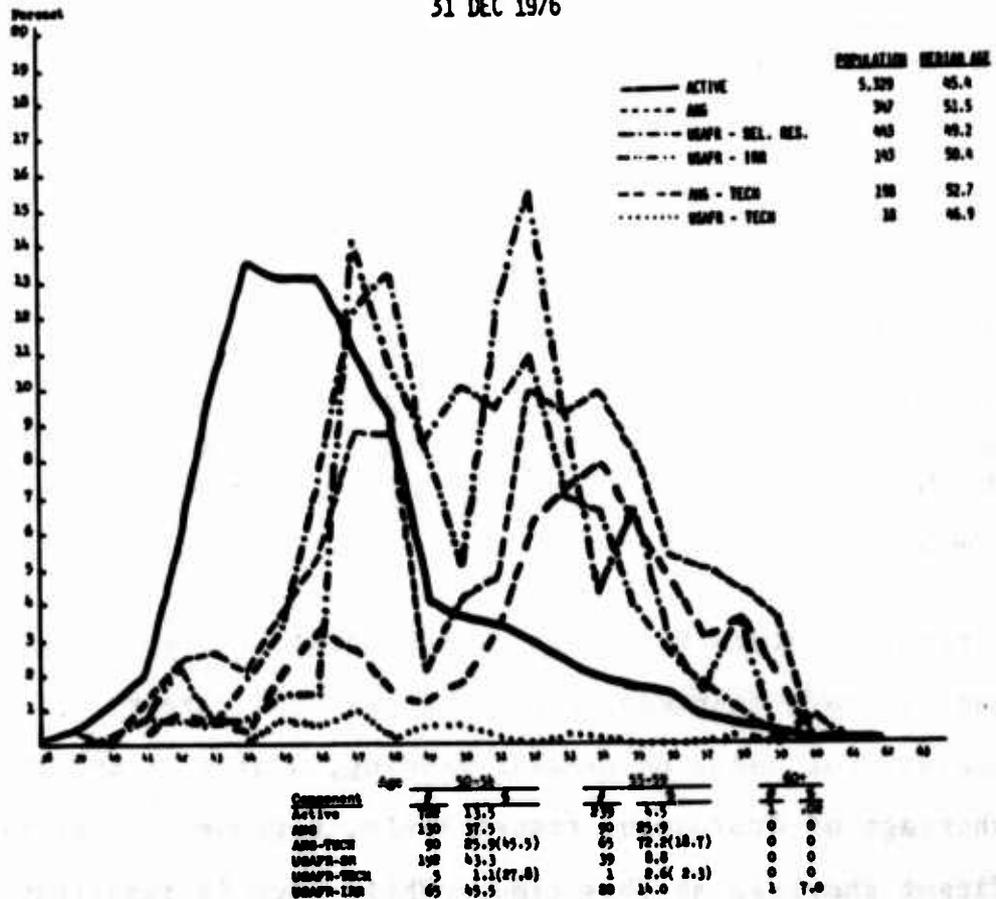
AIR NATIONAL GUARD

The authorized strength of the ANG increased from 86,600 in FY 70 to 93,300 in FY 77. The actual strength increased from 90,000 to 91,840 during the period. Accessions, both non-prior and prior service enlisted personnel, have varied from 8,887 in FY 70 to 15,641 in FY 77. The NPS/PS mix changed from 55/45 to 25/75 during the period.

Age, Grade, and YOS. The age of ANG officers in grades O-4 through O-6 average 4 to 5 years older than their active duty counterparts. Over the past three years there has been a significant reduction of officers in the 30 years of service and over. There are still many O-5 and O-6 personnel in this YOS bracket. As with the ARNG, the ANG does have the waiver provisions of 10 USC 8848 which permit certain technicians to remain to 55 or 60 years of age, regardless of TYFCS, for the purpose of Civil Service retirement eligibility. The technicians dominate the O-6 force, particularly in the ages of 52-60 years. A significant hump of officers are found in the 19 to 24 year groups. Many of the officers in the grade of O-5 are filling lower grade positions. Age span for these officers is from 35 to 59.

There has been an increase in the number of enlisted personnel in the 30 YOS and over category since March 31, 1975. There is a large hump in the 20 to 26 year groups and, with the retention of E-6 and E-7 personnel from the 6th and 9th YOS to beyond 30 years. Career progression grade stagnation problems are present, particularly for the non-technician Guardsmen.

U.S. AIR FORCE - AGE BY GRADE PROFILE - O-6 (COLONEL)
31 DEC 1976



Career Management Fields. The ANG, as a component, is short approximately 12%, or a total of 10,560 personnel, to fill force structure spaces. Selected Career Management Field shortages are displayed in the following table.

AIR NATIONAL GUARD
ENLISTED STRENGTH SHORTAGES*
SELECTED CAREER MANAGEMENT FIELDS

<u>CAREER MANAGEMENT FIELD</u>	<u>REQ</u>	<u>INV</u>	<u>SHORTAGES</u>	<u>% OF REQ/ SHORTAGES</u>
TOTAL AIR NATIONAL GUARD	86,984	76,424	10,560	12%
11 - AIRCREW OPERATIONS	1,286	1,067	219	17%
27 - COMMAND CONTROL SYSTEMS OPERATIONS	2,643	2,255	388	15%
29 - COMMUNICATION OPERATIONS	3,854	2,848	1,006	26%
30 - COMMAND ELECTRONIC SYSTEMS	6,457	5,136	1,321	20%
46 - MUNITIONS AND WEAPONS MAINTENANCE	3,506	2,607	899	26%
81 - SECURITY POLICE	4,060	3,420	640	16%
63 - FUELS	1,991	1,518	473	24%
36 - WIRE COMMAND SYSTEM	2,659	2,233	426	16%
60 - TRANSPORTATION	2,659	2,160	499	19%
62 - FOOD SERVICE	2,667	1,808	859	32%

* As Of 31 DECEMBER 1976

Aircraft Systems Maintenance, including metalworking, and Aircraft Maintenance are two critical career fields, but based on present manning, with a 5% and 2% shortage of Guardsmen, respectively, represent no significant shortage at this time. While each is important, the mission of the Air Guard can be fulfilled despite shortages of 28% and 19%, respectively, in the Sanitation and Transportation career fields.

There are career fields, within the Air National Guard, which are fully or overmanned, including the Medical CMF, (a situation unique to this Reserve Component), Procurement, Computer Systems, Accounting and Finance, Audit, Management Analysis, and Dental.

ary. Both authorized and actual strengths of the Air National Guard have risen since FY 70. Actual ANG accession trends were fairly stable. Officer and enlisted personnel are older than the Active Force. The age and years of service are significantly influenced by the technician force, which also produces grade stagnation and provides the non-technician with little career opportunity. Women and blacks showed virtually an identically moderate rate of growth in the ANG. Women accessions into the Air National Guard are not of appreciably higher mental category or educational level than men. The mental category levels of ANG male NPS recruits has changed only slightly. Average educational attainment has declined far less than in almost all other Reserve Components. Mental category and educational levels for NPS males, NPS females, PS males, and PS females were substantially the same over the period, unlike most other components. There are some critical skill shortages even though the component is

manned close to its authorization. Analysis of the force indicates that these shortages will continue and are likely to increase if present trends continue.

AIR FORCE RESERVE

Authorized strengths of the USAFR increased slightly FY 70 to FY 77. During this period the authorizations fluctuated from a low of 48,000 to a high of 53,600. Actual strength has fluctuated since FY 70 and was 50,389 at end FY 77. The NPS/PS mix in FY 70 was 52/47, with the NPS percentage reaching a low of 9/91 in FY 74, and was 19/81 in FY 77.

Age, Grade, and YOS. Median age by grade profiles of the officers of the USAFR average in the Selected Reserve about 4 years over that of the Active Force. In the higher grades the technicians do not influence the profile as they do in the ANG. Since the reserve technicians cannot maintain their military status after they have reached maximum TFCS, but become what is known as status quo, the USAFR technicians do not remain in the military structure as long as their Guard counterparts. A very significant reduction in the number of officers in the 30 YOS and over group has been made since March 31, 1975. There is an extremely large

group of O-4 to O-6 officers in the 21 to 27 year group. Many of the O-5's are filling positions that call for O-3 graded officers. A very serious problem of replacement will occur within the present FYDP period if action is not taken soon. Some of the problems of career progression and grade stagnation have been corrected, though a larger number of enlisted personnel are now in the 30 YOS and over category. A larger number of NPS personnel was being retained through the 4th YOS in FY 77 than in FY 75.

Career Management Fields. The United States Air Force Reserve Selected Reserve has an overall 15% shortage, having 34,019 enlisted personnel assigned against a total requirement of 40,000. The Aircrew Operations career field, with a requirement of 2,922 and 2,361 assigned, lacks 561 or approximately 19% of the reservists needed. The Munitions and Weapons Maintenance career field has a shortage of over 21%, lacking 176 of the 823 required. The combination of these two vital specialties can well render the force incapable of meeting its mission.

The Aircraft Maintenance career field is another sensitive specialty which is 21% short of meeting its total requirement of 6,939 personnel.

The manning shortage existing in these and other selected Career Management Fields are in the next table. Career fields which meet or exceed requirements are numerous and include Audio-Visual, Weather, Wire Communications, Systems Maintenance and Supply Services. Computer Systems, Supply, Management Analysis, Education and Training, Administration, Information, and Dental.

AIR FORCE RESERVE
ENLISTED STRENGTH SHORTAGES*
SELECTED CAREER MANAGEMENT FIELDS

<u>CAREER MANAGEMENT FIELD</u>	<u>REQ</u>	<u>INV</u>	<u>SHORTAGES</u>	<u>% OF REQ/ SHORTAGES</u>
TOTAL AIR FORCE RESERVE	40,000	34,019	5,981	15%
11 - AIRCREW OPERATIONS	2,922	2,361	561	19%
32 - AVIONICS SYSTEMS	2,157	1,877	280	13%
42 - AIRCRAFT SYSTEMS MAINTENANCE	4,176	3,477	699	17%
43 - AIRCRAFT MAINTENANCE	5,706	4,493	1,213	21%
46 - MUNITIONS AND WEAPONS MAINTENANCE	823	647	176	21%
57 - FIRE PROTECTION	979	779	200	20%
56 - SANITATION	259	174	85	33%
60 - TRANSPORTATION	6,581	5,285	1,296	20%
39 - MAINTENANCE MANAGEMENT SYSTEM	240	183	57	24%
90 & 91 - MEDICAL	3,284	2,835	449	14%

* AS OF 31 DECEMBER 1976

Summary. Both authorizations and strengths of the USAFR have fluctuated relatively little during FY 70-77. Women and blacks have substantially increased membership in the Selected Reserve. As in the case of the ANG,

women in the USAFR do not have higher mental category or educational levels than men. There are critical skill shortages in the USAFR, which coupled with the older O-5 crewmen, will likely increase during the coming five years if corrective action is not initiated immediately. Also the number of general officers in relation to force size is subject to question.

COAST GUARD RESERVE

The Congressionally authorized strengths of the USCGR have decreased from 17,500 in FY 70 to 11,700 in FY 77. The component is authorized to man only to 75 percent of its structure requirements of 15,500. Manning levels have been over the authorizations since FY 73. Data are not available for the USCGR for FY 70 or FY 71 for many of the characteristics discussed. The NPS/PS mix for enlisted personnel accessions for FY 77 was 45/55 (845 NPS, 1,033 PS).¹ There is no available information regarding age by grade, YOS distribution, mental category, intelligence level, or educational attainment of the Selected Reserve of the USCGR.

Career Management Fields. The Coast Guard has developed the Full Mobilization Military Manpower Requirements for the USCGR by grade and specialty. It is the only

¹ Data not available for FY 70.

Reserve Component for which these requirements have been developed. The requirement for enlisted men in this case is 19,611 with 10,549 assigned on December 31, 1976. The table below indicates the total number of personnel shortages and the required, inventory and shortage in certain specialties.

**US COAST GUARD RESERVE
ENLISTED STRENGTH SHORTAGES¹
SELECTED CAREER MANAGEMENT FIELDS**

<u>CAREER FIELD</u>	<u>REQ</u>	<u>INV</u>	<u>SHORTAGES</u>	<u>% OF TOTAL</u>
TOTAL US COAST GUARD RESERVE	19,611	10,549	9,062	46.2
BOATSWAIN MATE	2,082	1,397	685	32.9
RADAR MAN	211	97	114	54.0
GUNNER'S MATE	312	103	209	66.9
MACHINERY TECH	2,465	1,486	979	39.7
SUBSISTENCE SPEC	471	230	241	51.2
RADIOMAN	643	220	423	65.8
PORT SECURITYMAN	3,057	2,086	971	31.8
INVESTIGATOR	428	4	424	99.1
SEAMAN/FIREMAN	6,919	1,366	5,553	80.3

¹ As of 31 December 1976

The Coast Guard Reserve exceeds the requirements for personnel in several fields including Electrician's Mate, Damage Control Man, and Storekeeper.

Summary. Overall manning in the USCGR has exceeded the Congressional authorized "floor" since FY 73. So little data are available even for the last Fiscal Year that few comparisons can be made. Women and blacks are becoming a significant portion of the USCGR strength (10.4% in FY 77). There are a number of critical skill shortages in both the structure requirement as well as the full mobilization requirement. There are also overages in the total number of officers required for either purpose.

G - ADDITIONAL COMMENTS

The Wartime Manpower Requirements system should, where possible, rigorously define the requirements to be filled by the Reserve Forces. The Department should:

- Use identical assumptions in all DOD memoranda so that consistent guidance will be provided the Services;
- Include the Coast Guard and Coast Guard Reserve in the process;
- Specify a breakdown of officer and enlisted personnel requirements by grade and specialties;
- Identify the role of the Selected Service System in filling any early personnel requirements;

- Maintain appropriate relationship between the number of senior officers and number of enlisted personnel (especially in view of the steep decline in the number of enlisted reservists);
- Give greater attention to reducing the opportunities for senior reservists to accumulate retirement points after attaining Title III eligibility--thereby helping to control future pension liabilities.

CHAPTER IV
PERSONNEL PROFILE ANALYSES

A - FINDINGS

The following findings are based on an evaluation of variances between actual personnel inventories as provided by the Reserve Components and the objective personnel profiles of the Selected Reserve. The RCSS acknowledges that variances between the current inventories and objective personnel profiles are at a single point in time and result from personnel policy and force management during an extended period when clearly defined Reserve Forces objectives were absent and specific goals difficult to define. Furthermore, the RCSS recognizes that assumptions underlying the development of projected profiles are based on FY 77 experiences with respect to continuation rates and accessions.

In general, analyses by the RCSS of the personnel management systems of the Reserve Components, partially presented in the previous Chapter, have concentrated on those elements interrelated with the compensation system. As changes occur in the compensation system or the personnel management system corresponding changes

must be made in the other. The RCSS has found that for attainment of the objective personnel profile goals, developed by the components as part of their personnel management plans, legal and DOD policy changes are required. For attainment of the officer goals, enactment of certain portions of ROPMA are needed, and for the enlisted personnel profile goals, changes in procurement, retention, and promotion policies are necessary.

Before dealing with the situation in each component, in detail, we will discuss the overall situation for officers and then for enlisted. Throughout this Chapter it is important to keep in mind that, for purposes of this Study -- and this particular analysis, RCSS accepted the objective profiles as submitted by the Reserve Components.

OFFICERS

While comparisons of current inventories with the Selected Reserve mobilization requirements¹ reveal no significant shortages in officer strengths in the aggregate, each of the components is experiencing problems within officer forces that are related to structure

1 Officer requirements are generally 100% authorized by the components.

instability, high turnover rates, too few non-prior service personnel and/or imbalances in accessions and losses, and years-of-service (YOS)/grade distributions, as shown in the multi-dimensional views by component presented in this Chapter.

Shortages/Overages

- Officer shortages ranged from a high of 2,600 in the Naval Reserve to a low of 761 in the Coast Guard Reserve.¹
- Shortages were concentrated in the 1-6 year group, particularly in the Naval Reserve, Army Guard, and Army Reserve.
- Excesses occurred generally in the 6-12, 21-30 and 31+ year groups and are highly significant in the Army Guard in the 8-12, 21-30, and 31+ year groups;² in the Air Force Reserve in the 21-30 year group³ and in the Air National Guard in the 31+ year group.⁴ Army Reserve, Naval Reserve and Air National Guard overages in the

1 Not all officer data are available for USMCR.

2 69% of the total number of Army Guard officers in the 31+ year group are technicians.

3 6% technicians.

4 81% technicians.

21-30 year groups were less dramatic. The Coast Guard showed a slight shortage. The Naval Reserve, Army Reserve, and Air Force Reserve showed relatively slight officer overages in the 31+ year groups.

- Most components experience large shortages in O-1s. The problem was greatest in the Army Reserve (1,954 in Troop Program units) and the Army Guard (1,200). All components were short in grades O-1 through O-3. The Naval Reserve shortfall was the greatest (4,000), followed by the Air National Guard (1,800). The Naval Reserve had overages in O-4s (1,500) and, to lesser degrees, overages in O-5 and O-6 grades. Moderate overages existed in ARNG O-4s, while Marine Corps Reserve overages were high (190). O-4 shortages were most dramatic in the Army Reserve (924), the Air National Guard (491), and the Coast Guard Reserve (242). Air Force Reserve O-4 shortages were insignificant (92).

- The Air National Guard had the most significant O-5 overages (760), followed by the Air Force Reserve (479), the Naval Reserve (350), and the Marine Corps Reserve (44). The Army Reserve was short 463. Shortages were minor in the Army Guard and the Coast Guard. The Air National Guard, the Army Reserve, and the Naval Reserve also had the greatest O-6 overages. Overages in other components were slight, except for the Marine Corps where the O-6 requirement and the inventory are roughly equal in the Selected Reserve.
- The Air Force Reserve and the Coast Guard are the only components achieving desired officer non-career/career mixes (those completing initial military service obligation vs. officers with over six years). The force in the aggregate is older than desired, particularly in the Naval Reserve and to lesser extents, the Army Reserve and the Air National Guard.

Accessions

- Overall NPS officer accessions are less than desired, particularly in the Army Guard and Army Reserve. All components

are having to place too much dependence on PS personnel to maintain aggregate strengths and to offset NPS shortages.

- PS accessions are particularly high in the Army Reserve (almost equal to the number of NPS shortages), the Naval Reserve, and Air Force Reserve.
- None of the components is achieving the desired NPS/PS officer accession ratios. The problem is most serious in the Army Reserve (desired: 30/70; actual 6/94).
- All components are short in PS officer accessions in the 1-6 year group.
- All components are generally over in PS accessions (lateral entries) beyond six years, though some small PS service shortages exist in certain year groups.

- PS officer accessions are not achieved in desired year groups, and are particularly excessive in high middle and senior year groups (numbers, grade, and length of service). This practice contributes to an older force, interferes with promotion opportunities for younger personnel (particularly NPS accessions), and unnecessarily increases current and deferred compensation liabilities. The problem is particularly acute in the Naval Reserve (34% of the PS overages occurred in grades O-5 and O-6) and the Army Guard (70% of PS overages were brought into higher than desired year groups).

Losses

- Overall objective officer losses significantly exceeded accessions in all components except the Coast Guard Reserve.
- While more losses than desired by objectives occurred at senior officer levels the declines were still insufficient to

bring the numbers in line with the Selected Reserve force structure requirements.

- Junior officer losses are excessive, particularly in the O-1 to O-3 ranks where the largest percentage of overall losses exists. The problem is greatest in the Army Guard and Army Reserve.
- The components are maintaining an older force because of their inability to attract the younger, more vigorous desired force.
- While not concentrated in any particular year group in the Air National Guard and Air Force Reserve, officer losses are predominant in the 2 to 10 year group in the Army Reserve.
- Turnover rates were higher than desired for all components excepting the Coast Guard and were most significant in the Naval Reserve, the Army Reserve, and the Air Force Reserve.

ENLISTED

Comparisons between current inventories (CY 76) and the Selected Reserve requirements reveal that enlisted structure problems are much more critical than those of officers.¹ Force instability, high turnover rates, initial military service obligation attrition rates, accessions and losses by types of personnel, imbalances in NPS/PS mixes, YOS and grade distributions are the basis of the enlisted problem.

Shortages/Overages

- Enlisted force shortages total 106,000, ranging from a high of 47,000 in the Army Reserve to 2,400 for the Coast Guard Reserve.
- Critical and chronic shortages occurred in the 1 to 6 year group in every component. Exceedingly high loss rates of NPS accessions prior to the conclusion of the initial six-year obligation identified attrition as a greater problem than recruiting.

¹ Enlisted requirements are generally funded at approximately 89%, which accounts for some portion of the shortage.

- Significant overages occurred in the 6 to 12 year group and were particularly severe in the Army Guard, the Army Reserve, and the Air National Guard. This stagnates promotion potential for NPS accessions in the 1 to 6 year group.
- Shortages exist in the 13 to 20 year group in the Army Reserve, Army National Guard, and Naval Reserve, and to a lesser degree in the other components.
- All components experienced overages in the 21 to 30 year group with the exception of the Army Guard, short 6,000, and the Army Reserve, short 1,500. The population is generally older, has higher rank and more YOS than desired. While contributed to by the technician program, overages reflect a continuing reluctance on the part of the components to enforce personnel management tools available to eliminate excesses.

- Generally, Air National Guard, Air Force Reserve, and Army Reserve inventories in the 20+ year group closely parallel the objective.
- The Naval Reserve, the Army Guard, and the Army Reserve had some overages in the 31+ year group.
- Dramatic shortages in excess of 100,000 exist in the E-1 through E-4 ranks, primarily in the Army Guard, the Army Reserve, and the Marine Corps Reserve. Of course, their primary combat mission is largely dependent upon this group.
- In all components, E-5 overages (most prevalent in the Army Guard, the Naval Reserve, and Marine Corps Reserve) reveal a dependence on older, higher ranking personnel to satisfy shortages in E-1 through E-4 ranks.
- All components were short in the E-6 through E-8 ranks except for the Marine Corps Reserve and the Army Guard which have slightly more than required.

- E-9 inventories and objectives are closely aligned in all components.

Accessions

- Non-career/career mix imbalances were most severe in the Army Guard and Army Reserve, which had considerably more PS accessions in the higher year groups and not enough NPS or PS accessions in the 1-6 year group. The Naval Reserve, Marine Corps Reserve, Air National Guard, and Army Reserve had modest shortages in non-careerists and moderate overages in careerists. The Coast Guard Reserve is managing toward the desired mix.
- NPS accessions were generally below the desired amount in all components except the Army Guard, ranging from a shortfall of 13,000 in the Army Reserve to approximately 500 in the Coast Guard Reserve. The Army Guard exceeded CY 76 first year NPS accessions goals by more than 7,000 but lost 292½ more people than desired in the first year.

- The Army Guard and Naval Reserve were close to the desired NPS/PS mix overall.
 - The Army Reserve had twice as many PS personnel as desired.
 - The Air National Guard and Air Force Reserve attained the desired NPS/PS ratios but had insufficient numbers in both categories.
- The Army Guard, Army Reserve, Naval Reserve, and Marine Corps Reserve had greater PS accessions than required ranging in overages from 26,000+ in the Army Guard to 3,000+ in the Marine Corps Reserve.
- The Air National Guard, Air Force Reserve, and Coast Guard Reserve had PS shortages ranging from 3,400 to 1,000 and were short also in total accessions. In the aggregate, the other four components took more NPS and PS accessions than needed to offset high attrition rates.
- While a limited demand existed for PS personnel who had completed the six year military service obligation, 60% of Army

Guard, 56% of Army Reserve, 40% of Naval Reserve, 67% of Air National Guard, and 65% of Air Force Reserve PS accessions had more than six years (all were wanted in the 1-6 year group). All components had excessive PS accessions throughout the enlisted ranks when PS personnel were not desired beyond the five, six, and, in the case of the Navy, the eight year group.

Losses

- Enlisted losses greatly exceeded the desired in the Army Guard (53%), the Army Reserve (61%) and the Marine Corps Reserve (42%) and were relatively insignificant in the Air National Guard and the Air Force Reserve. Coast Guard Reserve losses were more than desired (36%).
- Losses occurred in all year groups, but predominantly in the 1-6 year group.
- Not enough losses occurred in the 20+ year groups, particularly in the Army Guard, the Army Reserve, the Air National Guard, and the Air Force Reserve, indicating reluc-

tance to enforce high year tenure policies (maximum YOS for each grade).

- Generally losses are not as high as desired in the senior grades but much higher than desired in the lower grades (overall numbers are not of the same magnitude in higher grades).

PROJECTIONS

In general, the condition with respect to YOS distribution presented in the preceding paragraphs are not expected to improve with time. In effect, even under the optimistic assumption that the 1977 accession levels and continuation experience will be maintained for twenty years, the YOS distribution worsens with respect to component personnel objectives. For example, the Army National Guard enlisted non-career/career mix for 1976 was 55/45 and is projected to be 40/60 in 1996, when the desire is for a 73% non-career and 27% career mix. This condition is even more dramatic for the Air National Guard enlisted force, where the 1976 non-career/career mix is 42/58 and is projected to be 22/78 in 1996, relative to an objective non-career/career mix of 57/43.

- Shortages continue throughout the 20-year projections in the 1-6 year groups.¹

¹ The magnitude of the shortfall varies with respect to how pessimistic the assumption regarding accessions.

- Overages in the 6-12 year group will help correct current shortages in the 12-20 year group and will create some excesses in the 12 to 30 year group overall. The 6-12 year group will generally be maintained at satisfactory levels.
- Greater excesses than currently exist will appear in the 20-30 year group.
- Under the fixed accession, continuation and requirement assumption, aggregate manning levels would be achieved in all enlisted forces by the 11th projection year except the USNR where required levels are never achieved within the 20-year projection.
- In the case of officers, the inventories decline through the 20-year projection. The early YOS being the major contributor to the decline. Excesses will prevail in the middle to high YOS groups depending upon component.

Without compensation changes the objectives will never be achieved and the forces will become older, even when aggregate levels reach the required numbers.

B - BACKGROUND

The development of a cost-effective system of reserve compensation required identifying accurately the populations to be attracted and retained. RCSS analyzed the aggregated demand of the Department of Defense for Guardsmen/Reservists. We then had to disaggregate this quantitative demand of each Reserve Component by specialty, pay grade (as an indicator of skill level), etc. Next we had to identify which element of the demand of each Reserve Component was intended to be met by the Selected Reserve. (The Selected Reserve is defined as those Guardsmen/Reservists who receive inactive duty training pay.)

The qualitative aspects of each of the quantitative demands then had to be described, depending on the varied needs of each armed service and mission of its Reserve Component. These qualitative aspects were set forth numerically in personnel profiles for each component. The profiles are shaped by, and assist in formulating, personnel management policies that can have as much effect as compensation on the supply of Reservists as well as influence their continued participation in the reserves.

HISTORY

Qualitative analytic techniques have been used for some time by personnel managers in the Active Forces. In 1968 the Department of Defense requested the Armed Services to develop enlisted personnel management systems (EPMS) and standardize enlisted personnel profile characteristics. Currently, active duty personnel profiles for both officers and enlisted personnel have been developed or are in various stages of development in all the services.

The Department of Defense does not specifically require the same personnel management philosophy be used by the Reserve Components as by the Active Forces. However, the objective personnel profiles and personnel management systems for Reserve Components are increasingly being developed by the Reserves.

The application of objective personnel profiles analyses for Reserve Components is a departure from the traditional approach of personnel management. Previously, the current inventory, described only by a few characteristics, i.e., strengths, losses, accessions, was merely projected a few years into the future. With objective personnel profiles, there is no

assumed beginning inventory. Profile development takes the component force structure quantity requirements and expresses them in the personnel manager's qualitative terms. That is, personnel managers knowledgeable of the force's mission, required strength, etc , design an optimum, steady-state, multi-dimensional personnel model and manage toward achieving it. Profile analysis, initially a personnel management tool, is increasingly being used by labor economists in designing and evaluating compensation.

RCSS PROFILE APPLICATION

For the RCSS, profile analysis has been an essential data base in the evaluation of existing compensation practices as well as providing a base for design of the recommended and alternative systems. Other appropriate data bases regarding specialties/military occupations, geographic distributions, and motivation studies were also considered and will be discussed elsewhere in this Report. One important benefit from profile analysis is that it allows portrayal of current and potential management problems in the Reserve Components. These problems may indicate the need for changes in reserve pays, differential pays, and separation and retirement pays, or point to the

need for modification of certain personnel policies. Administrative personnel management actions may be more cost-effective than compensation changes. A compensation system is only one management tool and, ideally, should correlate with other management actions.

With this acknowledgement, the RCSS does not consider personnel profile analysis a panacea for compensation systems design--merely an aid. As the Reserve Component personnel profile developments generally are in their infancy, strict adherence and acceptance has not been possible. Specifically, accession and loss policies, promotion policies, and fiscal conditions have caused personnel changes that reflect in the inventory profiles and have also tempered personnel objectives. Use of profile analysis in systems design dictates that these historical influences be recognized, defined, and evaluated for possible recurrences and potential sequences.

CATEGORIES OF PROFILES

Two general categories of personnel profiles are necessary for evaluation of current practices and development of the recommended system. These two general categories are demand related profiles and supply related profiles.

Demand Profiles

Demand related profiles describe the personnel characteristics desired for the force structure of the Selected Reserve and Reserve Component desires for the personnel strengths that Congress authorizes. These demand related profiles are called objective personnel profiles and, as outlined in Section C, served as a critical base for RCSS proposals. An objective personnel profile is a Reserve Component's description of the characteristics it specifies as desirable for a specific time in the future. These characteristics must be attainable and serve as a numerical expression of the personnel manager's goals. The statement of objective personnel profiles under two conditions or premises was necessary:

- Objectives were stated for the programmed Selected Reserve strength. Programmed strengths must be accepted by personnel managers as the short range goal that is to be achieved. However, it is recognized that programmed strengths may not equate to the validated manpower requirements necessary to support the approved force structure. National priorities and fiscal constraints

have caused the programmed strengths to be less than the required force levels which are needed for the most effective mobilization capability.

- Objectives were also stated for the required forces. It is the second condition that is exhaustively detailed for reasons outlined in earlier chapters. The objective profile provides personnel managers the goal or direction for orientation of personnel management policies and procedures and a yardstick against which to measure effectiveness of their actions.

Supply Profiles

The supply related profiles describe the current inventories by the same characteristics expressed in the objectives and project what those inventories will look like in the future. It is the comparison of the supply related, both current and projected inventory profiles to the objectives, that has described the current and expected conditions of the inventories and allowed evaluation of the existing compensation and personnel management environment. The projections are developed by aging the existing personnel inventories with consideration for known future influences.

The results of projections can be used to indicate what can be expected from either the current compensation and management environment or from proposed compensation systems. The projections outlined in Section D are the expectations of the current environment. Other projections incorporating the elasticity of the supply estimates associated with the proposed compensation system must be accomplished prior to enactment of legislation.

PROFILE CHARACTERISTICS

Ideally, the personnel profiles of all Reserve Components should address common, consistent, qualitative personnel characteristics. While numerical expressions are not common to all services, the characteristics for the various personnel profiles should be the same and include:

- o The maximum YOS/Pay Entry Base Date (PEBD).
- o The high and low year of tenure by grade.
- o The continuation rates of
 - Non-prior service (NPS personnel through initial training (basic and specialty).
 - (First term) NPS personnel at first reenlistment point.
 - NPS personnel by grade for each year group (from minimum) through high year of tenure.

- Prior service (PS) personnel entering in each year group (from minimum to maximum years of tenure) by grade.
- o The number of PS personnel entering each year group by grade.
- o The NPS and PS enlistment ratio.
- o The percentage of promotion in the zone that takes place in each year group by grade.
- o The average age per grade.
- o The average YOS (PEBD) at promotion.
- o Number of retirements by grade and YOS (for retirement and pay/PEBD) and average number of retirement points.

SUMMARY

Analysis of the personnel profiles enabled the Study Group to identify the significant differences among the profiles of the respective Reserve Components and to design a compensation system that would accommodate all variations. Further, the system designed must be flexible enough to respond to varied and dynamic conditions within the components relative to their desire and achievements. It is the premise of the RCSS that the existing characteristics of the reserve inventories have been created by compensation to an undefined extent and can be influenced positively by compensation changes.

C - OBJECTIVE PERSONNEL PROFILES AND RATIONALE

Each of the Reserve Components has developed its objective personnel profiles and provided them to this Study Group. These profiles describe quantitatively and qualitatively what the reserve components' personnel managers deem to be an optimum condition for their component. Evaluation of these profiles reveals much about the components needs as well as their desires and shows the characteristics to which they are most sensitive.

GENERAL

Key to the component profiles is the delineation of the desired grade and years-of-service distributions for both officer and enlisted. In the case of officers, the objective characteristics are expressed in years of commissioned service, whereas the enlisted force is described by years of military service for pay, commonly denoted by Pay Entry Base Date (PEBD). The objectives are expressed in capsulized form for each component in subsequent paragraphs of this Section. It is these objectives that have served as the focus of the RCSS compensation system proposal.

ARNG OBJECTIVE
PROFILE

Officer and enlisted personnel profiles show many interesting and revealing facts about the grade management philosophy and how the ARNG views its mission. This philosophy seems to be consistent with other land combat type forces. In general, the ARNG would like to have a relatively young and vigorous force, laced with experienced prior service personnel. Since the ARNG is oriented heavily toward operational/combat units as opposed to support units, it demands more physical stamina of its personnel. The officer objective personnel profile shows that 57% of all accessions are desired to be non-prior service while only 43% should have active duty and that 82% of all PS officer accessions should be under six years of service.

The enlisted objective personnel profile requires an accession ratio of 50% NPS and 50% PS and that 100% of all PS accessions should have less than six years of service. (Years of service here being a proxy for age). These accession objectives are consistent with a desire for a youthful force for both officer and enlisted, since most of the prior service accessions are still within their six-year military obligation and should be in their mid twenties.

The officer objective profile also shows that 41% of the officer corps should have less than six years of service, while the objective enlisted profile shows that 73% should have less than six years of service. Also another indication of a desire for a youthful force is the average grade. For officers the desired average grade is O-2.8 and the average years of service is 8.9 years. The grade distribution shows that 75% of the officers should be company grade. The desired average enlisted grade is E-4.4 and the average years of service is 5.6 years. Eighty-three percent of enlisted personnel should be grade E-5 or below.

One way in which the ARNG intends to accomplish a youthful force is to manage losses by establishing a maximum number of years-of-service personnel may have and remain in a given grade, i.e., high years of tenure. (See Table 4-1.) The maximum years of service limitation by grade not only tends to ensure a youthful force by eliminating continued occupancy of positions by older personnel but it also ensures upward mobility and competition so that the best qualified personnel will have the opportunity to move upward to more challenging positions.

The objective officer loss rate reveals that of the desired annual losses, not more than 30% should have

less than six years of service and not more than 38% should have six or less. Of all officer losses 81% should be 0-3's or less and the overall officer turnover rates; i.e., losses divided by end strength is 14%. The objective enlisted profile losses show that 31% of the losses are to occur before completion of six years of service and that 79% of the losses are to have six or less years of service. Of all the desired enlisted losses 90% are E-5's or below and the overall enlisted force turnover rate is to be 23%. The high loss rates in the lower grades are a result of the pyramidal grade structure, high years of tenure, and a desire to select carefully those who enter the career force, i.e., those over six years of service. The objective loss rate during the first year for officers is 2% and for enlisted personnel 9%. The objective loss rate at the end of the six year military obligation is 12% for officers and 65% for enlisted. For officers, of 100 who start as NPS accessions 59% are to become careerists; and of 100 enlisted who join as NPS accessions 20 are to become careerists. Table 4-2 gives the cohort¹ figures for officer and enlisted for each creditable year of service at entry into the component.

¹ Cohort continuation analysis as used here means to trace the same identical group of entering NPS from the first year of service through the seventh and observe their continuation behavior.

ARNG Objective Personnel Profile Summary

The following is a statistical composite of the ARNG officer/enlisted objective personnel profiles:

	<u>Officer</u>	<u>Enlisted</u>
Accessions	57% NPS/43% PS mix 59% of total NPS accessions become careerists 82% of all PS under six years of service	50% NPS/50% PS mix 20% of total NPS become careerists All PS under six years of service
Losses	30% of all losses are to have fewer than six YOS 38% of all losses are to have six or fewer YOS 81% O-3 or below Turnover rate 14% 2% of total in first year 8% of losses are to occur in sixth year	31% under six YOS 79% six or less YOS 90% E-5 or below Turnover rate 23% 4% of total in first year 48% of losses are to occur in sixth year
Grade/YOS	41% of total under six years of service Average grade O-2.8 Average YOS 8.9 75% of total company grade	73% of total under six years of service Average grade E-4.4 Average YOS 5.6 83% of total E-5 or below

USAR OBJECTIVE
PROFILE

The officer and enlisted personnel profiles reveal many similarities with the ARNG. Although, like the ARNG, a land combat force, it is less combat operations oriented and more oriented toward support functions. However, its objective officer and enlisted personnel profiles also show a desire for a young, vigorous force which has a large dependence on prior service experience. The officer profile shows that approximately 30% of the new accessions are to be non-prior service and 70% prior service; and that 68% of all PS officer accessions will have less than six years of service. The enlisted objective shows a 46% NPS and 54% PS accession ratios with 100% of all PS entering with less than six years of service.

Twenty-eight percent of the officer corps and 68% of the enlisted force will have under six years of service.

The average objective grade for officers is 0-3.2 with an average of 10.2 years of service. Sixty-one percent of the officer corps are to be in company grades. The average objective enlisted grade is an

E-4.7 with an average of 6.3 years of service. Seventy four percent of the force are to be in grade E-5 and below.

The USAR has also set high and low years of tenure for each grade for officers and enlisted to ensure loss management. (See Table 4-1.)

The objective officer loss rates reveal that of the objective annual losses, no more than 31% would have less than six years of service and that no more than 37% would have six or less years of service. Of all officer losses, 73% will be 0-3 or below with an overall officer annual turnover rate of 17%. The objective enlisted profile losses show that no more than 33% should be under six years of service. Of all objective enlisted losses, 84% will be in grades E-5 and below. The objective annual turnover rate for the USAR is 22%. The high loss rates occurring in the lower grades are a result of the grade structure pyramid, high years of tenure and a desire to select carefully those who continue in the force past six years of service. The objective loss rate during the first year for officers is 6% and 5% for enlisted personnel. The objective loss rate at the end of the six year military obligation is 6% for

officers and 45% for enlisted who entered as NPS accessions.

For officers, of 100 who started as NPS accessions 24 will become careerists and of 100 enlisted personnel who join as NPS accessions 19 will become careerists. Table 4-2 gives this type of information for the various cohort groups.

USAR Objective Personnel Profile Summary

The following is a statistical composite of the USAR officer/enlisted objective personnel profiles:

	<u>Officer</u> ¹	<u>Enlisted</u>
Accessions	30% NPS/70% PS mix 24% of total NPS accessions become careerists 55% of all PS under six years of service	46% NPS/54% PS mix 19% of total NPS become careerists All PS under six years of service
Losses	31% of all losses are to have fewer than six YOS 37% of all losses are to have six or fewer YOS 73% O-3 or below Turnover rate 17% 6% of total in first year 6% of losses are to occur in sixth year	33% under six YOS 78% six or fewer YOS 84% E-5 or below Turnover rate 22% 5% of total in first year 45% of losses are to occur in sixth year
Grade/YOS	28% of total under six years of service Average grade O-3.2 Average YOS 10.7 61% of total company grade	68% of total under six years of service Average grade E-4.7 Average YOS 6.3 74% of total E-5 or below

1 Troop Program Unit (line only) objective

USNR OBJECTIVE
PROFILE

Officer and enlisted objective personnel profiles show a somewhat different management philosophy from the land combat forces. In general, the USNR places very little emphasis on non-prior service personnel.

It would like most all of its accessions to be prior service personnel, i.e., personnel with years of practical experience. The officer objective personnel profile shows that only 5% of all officer accessions should be non-prior service while 95% are to be prior service; however, 89% of the officer accessions should have less than six years of service. The enlisted objective profile shows an 18% NPS and 82% PS accession and that 75% of all PS accessions are to have under six years of service. This is consistent with a desire to have a somewhat youthful force but one that relies heavily on experienced PS as opposed to the inexperience of non-prior service personnel. The profile of the officer force shows that only 35% should have less than

six years of service whereas the enlisted objective profile depicts only 47% of the force with under six years of service. This reveals the desire for a somewhat older force than the Army components. The average grade for the USNR officer corps is O-3.4 with an average of 9.7 years of service. Fifty-eight percent of the officers should be in junior grades (O-1 to O-3). The average grade for the enlisted force should be E-4.7 with an average of 8.6 years of service. The grade distribution requires 71% of the enlisted personnel in grade E-5 or below.

The USNR has also developed a high year of tenure by grade to ensure promotion opportunity and to allow better management of the force--particularly the tendency of a force to age if limits are not imposed.

These high years of tenure depict that age is not nearly as important a consideration to the USNR, as is the experience associated with age.

The objective officer loss rate reveal that of the annual losses, 20% will have less than six years of service and 46% will have six years or less. Of all

officer losses 68% will be O-3 and below, with the overall officer annual turnover rate of 14%. The objective enlisted profile losses show that 59% should have less than six years of service and 69% should have six or less years of service. Of all enlisted losses 77% are to be a grade E-5 or below. The annual turnover rate for the USNR enlisted should be 26%. The objective loss rate for officers during their first year is .07% and 2% for enlisted. The objective loss rate at the end of the six-year military obligation is 27% for officers and 10% for enlisted personnel.

Of 100 officers who begin with zero years of service, 52 will become careerists. And of 100 enlisted personnel who begin with zero years of service, 21 will become careerists. (See Table 4-2.)

USNR Objective Personnel Profile Summary

The following is a statistical composite of the USNR officer/enlisted objective personnel profiles:

	<u>Officer</u>	<u>Enlisted</u>
Accessions	5% NPS/95% PS mix 52% of total NPS accessions become careerists 89% of all PS under six years of service	18% NPS/82% PS mix 21% of total NPS become careerists 75% of all PS are to have under six years of service
Losses	20% of all losses are to have fewer than six YOS 46% of all losses are to have six or fewer YOS 68% O-3 or below Turnover rate 14% .1% of total in first year 27% of losses are to occur in sixth year	59% under six YOS 69% six or fewer YOS 77% E-5 or below Turnover rate 26% 2% of total in first year 10% of losses are to occur in sixth year
Grade/YOS	35% of total under six years of service Average grade O-3.4 Average YOS 9.7 58% of total company grade	47% of total under six years of service Average grade E-4.7 Average YOS 8.6 71% of total E-5 or below

USMCR OBJECTIVE
PROFILE

The objective personnel profile development for the USMCR has been confined to the enlisted force because of management practices applied to the Officer Corps. In general, a practice of selectively rotating officers into Selected Reserve positions from Voluntary Training Units (VTUs)/IRR and back into VTUs every three years, allows management to obtain a myriad of desired personnel profiles.

In essence then, the current inventory is the exact force they now desire with the exception being the overall size. Size is dictated by Congress. This fact, complicated by a cost benefit analysis, has precluded the RCSS from pursuing a USMCR officer objective. It may in future study efforts be beneficial to have some specific point in time expression of desires for USMCR officers.

This condition does not exist with the enlisted force and an objective enlisted personnel profile was developed and provided to the Study Group. Analysis of the USMCR enlisted objective shows it to be very similar to the ARNG and USAR, in that it places very high importance on a young, vigorous force. Hence, the enlisted personnel profile reveals that 89% of all

accessions are desired to be non-prior service and only 11% are to have prior service. This heavy reliance on NPS accessions is consistent with the philosophy of a young force and shows that experience and maturity are not overriding considerations for this component. Seventy percent of all PS accessions are to have less than six years of service and 100% to have eight or less. This type of accession policy ensures good promotion opportunity for NPS individuals since only a small percentage of the accessions come into the force with rank which could hinder promotions. Eighty-three percent of the enlisted force are expected to have less than six years of service. Other indicators of youth are average grade objective of E-3.2. This average grade is commensurate with the required grade distribution, where 89% should be in grades E-5 and below.

Support of these desires for a youthful force is also expressed through a component average years of service of 4.1 years. To aid in loss management and sustainment of a youthful force the USMCR has set high years of tenure by grade.

Analysis of the objective enlisted loss profiles indicates that 65% of all losses should have less than six years of service and 91% should have six or less years

of service. The most critical years for losses occur during the first year and after completion of the sixth. Increasing continuation rates, i.e., decreasing losses during these crucial periods have a dramatic affect on accession requirements, readiness and costs. In light of this, the USMCR enlisted loss objective shows that 13% of all losses should occur during the first year of service. This rather high percentage loss is in part deliberate and a result of several factors. First, the initial screening process which takes place at the Armed Forces Entrance and Examining Station is not adequate enough to eliminate all those who are not suitable as Marines; therefore, the Corps uses basic training as an additional screening process. Second, during initial training there is a deliberate effort to try to enlist the best reservists to active duty. The USMCR loses approximately 15% of reservists to active duty annually. The objective continuation rate during the first year is approximately 85%. The next critical point is at the end of the initial six year obligation at which point the objective continuation rate is approximately 24%. The objective profile shows that 95% of all losses are desired in grades E-5 and below with a desired turnover rate of 28%.

Of 100 enlisted personnel who begin with zero years of service, 11 will become careerists. See Table 4-2 for other entry years.

USMCR Objective Personnel Profile Summary

The following is a statistical composite of the USMCR enlisted objective personnel profile:

Enlisted

Accessions 89% NPS/11% PS mix

11% of total NPS
become careerists

70% of all PS are to
have under six years
of service

Losses 65% of all losses
are to have fewer
than six YOS

91% of all losses
are to have six or
fewer YOS

95% E-5 or below

Turnover rate 28%

13% of total in
first year

27% of losses are to
occur in sixth year

Grade/YOS 83% of total under
six years of service

Average grade E-3.2

Average YOS 4.1

89% of total E-5 or
below

ANG OBJECTIVE
PROFILE

The officer and enlisted objective personnel profiles show marked similarities with the Navy and other non-land combat forces. In general, the ANG does not place as much importance on NPS accessions as do the ground forces. As with the USNR, the ANG is more interested in acquiring experienced PS personnel than inexperienced NPS.

The desired officer accession mix is 23% NPS and 78% PS and that 58% of all PS accessions should have under six years of service. The enlisted objective personnel profile shows an accession ratio of 30% NPS and 70% PS and that 100% of all the PS accessions should have less than six years of service. As before, a heavy reliance on PS should not have adverse effects on the age of the force since these accessions are expected to be still relatively young, with no more than five years of service desired. The application of a high year of tenure for the various grades is critical for PS intensive forces such as the ANG. Unlimited time in grade encourages continued occupancy of positions and discourages young personnel from participating. Ordinarily, having large numbers of PS personnel tends to stagnate promotions of NPS individuals. See Table 4-1 for high years of tenure by grade.

The officer objective profile also shows that 18% should have less than six years of service and the objective enlisted profile shows that 49% will have under six years of service. Another indicator of the type of force desired is the average grade. The desired average grade is O-3.3 for officer and E-4.9 for enlisted personnel. The grade distribution for the officer corps shows that 64% are required in grades O-3 or below, while 71% of the airmen force are required in grades E-5 or below.

The objective average years of service for officers is 12.3 and 9.9 years for enlisted. Examination of the officer objective personnel profile shows that of the desired annual losses, 4% should have less than six YOS and 9% will have six or fewer YOS.

The ANG did not further disaggregate this annual loss objective by officer grades, as was the case with other components, since grade probably is not an overriding consideration in their force management. The overall annual officer turnover rate is 9%. The objective airmen profile losses show that 32% should have fewer than six YOS and 66% should have six or fewer YOS. Of all objective losses, 81% are to be in grades E-5s or below.

The objective loss rate during the first year of service for the officers is quite low, 2.5% and zero for airmen. The objective loss rates for the sixth to seventh year for officers is 7% and 73% for airmen who entered as NPS, and 38% for PS entrants. For officers, of 100 who start as NPS accessions, 79 will become careerist and of 100 NPS enlisted who join, 17 will become careerist. Table 4-2 provides the number who became careerists at varying entry years.

ANG Objective Personnel Profile Summary

The following is a statistical composite of the ANG officer/enlisted objective personnel profiles:

	<u>Officer</u>	<u>Enlisted</u>
Accessions	23% NPS/77% PS mix 79% of total NPS accessions become careerists 58% of all PS under six years of service	30% NPS/70% PS mix 17% of total NPS become careerists All PS under six years of service
Losses	4% of all losses are to have fewer than six YOS 9% of all losses are to have six or fewer YOS 56% O-3 or below Turnover rate 9% .6% of total in first year 5% of losses are to occur in sixth year	32% under six YOS 66% six or fewer YOS 81% E-5 or below Turnover rate 19% No losses in first year 34% of losses are to occur in sixth year
Grade/YOS	18% of total under six years of service Average grade O-3.3 Average YOS 12.3 64% of total company grade	57% of total under six years of service Average grade E-4.8 Average YOS 9.9 71% of total E-5 or below

USAFR OBJECTIVE
PROFILE

The officer and enlisted objective personnel profiles show a very close similarity to the Air National Guard and U.S. Naval Reserve. In general, the USAFR places more importance on PS accessions than NPS accessions and again for the same reasons as the ANG & USNR, namely, that they need technically trained and experienced personnel. Personnel with prior service have exactly those credentials and do not generally require additional training expense.

The officer desired accession mix is 7% NPS and 93% PS and 42% of all PS officer accessions should have less than six years of service. The enlisted objective personnel profile shows a desired accession ratio of 30% NPS to 70% PS, and that 100% of the PS enlisted personnel have less than six years of service. As stated earlier, a heavy reliance on PS personnel does not age a component unless the majority of PS have many years of service. As can be seen, the USNR, ANG, and USAFR prefer a heavy reliance on PS to take advantage of years of active duty experience, but do not sacrifice age since the vast

majority of PS have under six years of service. The major cause for force aging is lack of high year tenures for year grades. The USAFR has recognized this and has set high years of tenure which are shown in Table 4-1.

The officer objective profile also shows that 10% should have less than six years of service and the objective enlisted profile shows that 57% are to be under six years of service. A reservist with six years of service or more generally responds as a careerist and therefore is desired.

The desired average grade for USAFR officers is an O-3.3, whereas the desired average grade for airmen is E-4.9. The desired average years of service for officers is 12.5 and 8.5 for airmen. The grade distribution for the officer corps shows that 65% are to be O-3 or below and 71% of the airmen should be E-5 or below.

Examination of the officer objective profile shows that of the annual losses, 3% will have less than six years of service and 7% will have six years of service or less. Data were not available to determine the desired officer losses by grades, however, the desired overall officer objective turn-over rate is 10%. The objective airmen profile losses show that 44% are to have less than six YOS and 75% six or less YOS. Of all losses 79% are to

be E-5s or below with a desired airmen turn-over rate of 25%.

The objective loss rates during the first year for officers are 5% and zero for airmen. The objective loss rate at the decision point to become a careerist, i.e., reenlist after the initial six year obligation, is 10% for officers and 80% for airmen who entered the USAFR as NPS and 45% for PS entrants.

For officers, of 100 who start as NPS accessions, 66 are expected to become careerists and of 100 airmen who join as NPS accessions, only 11 will become careerists. Table 4-2 gives cohort figures for all components, officer and enlisted for each creditable year of service at entry into component.

USAFR Objective Personnel Profile Summary

The following is a statistical composite of the USAFR officer/enlisted objective personnel profiles:¹

	<u>Officer</u>	<u>Enlisted</u>
Accessions	7% NPS/93% PS mix	30% NPS/70% PS mix
	66% of total NPS accessions become careerists	11% of total NPS become careerists
	38% of all PS under six years of service	All PS under six years of service
Losses	3% of all losses are to have fewer than six YOS	44% under six YOS
	7% of all losses are to have six or fewer YOS	75% six or fewer YOS
	62% O-3 or below	79% E-5 or below
	Turnover rate 11%	Turnover rate 25%
	.3% of total in first year	No losses in first year
	4% of losses are to occur in sixth year	31% of losses are to occur in sixth year
Grade/YOS	10% of total under six years of service	57% of total under six years of service
	Average grade O-3.3	Average grade E-4.9
	Average YOS 12.5	Average YOS 8.5
	65% of total company grade	71% of total E-5 or below

1 Unit only objective

USCGR OBJECTIVE
PROFILE

The USCGR officer and enlisted objective personnel profiles show a close similarity to those profiles of the USNR. In general, the USCGR desires an experienced force for both officers and enlisted, supported by a large percentage of prior active duty service accessions.

The USCGR has quantified its desires for each of the previously discussed characteristics. (Prior to the RCSS requests for objective profiles, the years of service characteristic was not considered a significant personnel management tool.) These characteristics are generally consistent with those from the DoD components with the possible exception of the high-year of tenure objective. USCGR profiles were given the same consideration by RCSS as DoD profiles in the evaluation and design of the compensation system.

USCGR Objective Personnel Profile Summary

The following is a statistical composite of the USCGR officer/enlisted objective personnel profiles:

	<u>Officer</u>	<u>Enlisted</u>
Accessions	0% NPS/100% PS mix 77% of all PS under six years of service	49% NPS/51% PS mix 27% of all PS are to have six years of service
Losses	None of the losses are to have fewer than six YOS None of the losses are to have six or fewer YOS 6% O-3 or below Turnover rate 7% No losses in first year No losses are to occur in sixth year	39% under six YOS 48% six or fewer YOS 75% E-5 or below Turnover rate 20% 7% of total in first year 9% of losses are to occur in sixth year
Grade/YOS	7% of total under six years of service Average grade O-3.3 Average YOS 14.3 79% of total company grade	43% of total under six years of service Average grade E-4.5 Average YOS 6.4 71% of total E-5 or below

TABLES OF OBJECTIVE PERSONNEL PROFILES

Selected objective personnel profiles statistics for each reserve component are presented in Tables 4-1 through 4-6.

Table 4-1

**HIGH YEAR OF TENURE
OBJECTIVE PERSONNEL PROFILES**

Grade ¹	ARNG	USAR ²	USNR	USMCR	ANG	USAFR ³	USCGR
O-1	3	3	3				16
O-2		7	6				22
O-3	14	14	12	13	15	15	32+
O-4	21	21	18	20	22	22	32+
O-5	28	28	24	26	28	28	32+
O-6	30	30	31	30	30	30	32+
E-1/E-3	6	6	8	6	6	6	14
E-4	12	12	20	8	20	20	20
E-5	15	15	24	15	20	20	28
E-6	22	22	26	20	26	26	32+
E-7	26	26	28	25	36	36	32+
E-8	29	29	29	27	36	36	32+
E-9	32	32	30	30	36	36	32+

-
- 1 Officers - Based on Years of Commissioned Service
 2 TPU Line Only
 3 Units Only

PERCENT OF ACCESSIONS WHO BECOME CAREERISTS

OBJECTIVE PERSONNEL PROFILES

OFFICER YEARS OF SERVICE AT ENTRY¹ ENLISTED YEARS OF SERVICE AT ENTRY

	OFFICER YEARS OF SERVICE AT ENTRY ¹						ENLISTED YEARS OF SERVICE AT ENTRY								
	UNDEF	1	2	3	4	5	6	UNDER	1	1	2	3	4	5	6
ARNG	59	60	70	71	76	81	88	20	22	24	26	26	30	32	35
USAR	24	31	38	46	57	71	86	19	21	24	26	29	32	35	
USNR	52	53	62	63	67	74	88	21	24	26	29	32	36	40	
USMCR	← NA →						11	13	14	16	18	20	23		
ANG	79	82	84	86	88	90	93	17	27	31	35	39	43	62	
USAFR	66	70	73	77	81	86	90	11	20	22	25	28	33	55	
USCGR	← NA →						← NA →								

¹ 1 Years of Commissioned Service.

AVERAGE GRADE AND GRADE DISTRIBUTION

OBJECTIVE PERSONNEL PROFILES

	OFFICER	ENLISTED	01-03	04-06	E1-E5	E6-E9
ARNG	O-2 .77	E-4 .37	75	25	84	16
USAR ¹	O-3 .23	E-4 .74	61	39	74	26
USNR	O-3 .43	E-4 .73	58	42	71	29
USMCR	N/A	E-3 .24	N/A	N/A	89	11
ANG	O-3 .3	E-4 .89	64	36	71	29
USAFR ²	O-3 .3	E-4 .91	65	35	71	29
USCGR	O-3 .3	E-4 .5	79	21	71	29

1 TPU Line Only.

2 Units Only.

AVERAGE YEARS OF SERVICE

OBJECTIVE PERSONNEL PROFILES

	OFFICER ¹	ENLISTED
ARNG	8.9	5.6
USAR ²	10.7	6.3
USNR	9.7	8.6
USMCR	N/A	4.1
ANG	12.3	9.9
USAFR ³	12.5	8.5
USCGR	14.3	6.4

1 Years of Commissioned Service.

2 Officers - TPU Line Only.

3 Units Only.

Table 4-4

NON-CAREER/CAREER MIX

OBJECTIVE PERSONNEL PROFILE

	<u>OFFICER</u>	<u>ENLISTED</u>
ARNG	41/59	73/27
USAR	28/72	68/32
USNR	35/65	47/53
USMCR	N/A	83/17
ANG	18/82	49/51
USAFR	10/90	57/43
USCGR	7/93	43/57

Non-career refers to enlisted with fewer than six YOS and officers with fewer than six years of commissioned service.

ACCESSIONS AND NPS/PS RATIOS

OBJECTIVE PERSONNEL PROFILE

% OF PS ACCESSION
WITH UNDER SIX YOS

NUMBER OF ACCESSIONS NPS/PS RATIO

	NUMBER OF ACCESSIONS		NPS/PS RATIO		% OF PS ACCESSION WITH UNDER SIX YOS	
	OFF NPS	ENL NPS	OFF	ENL	OFF	ENL
ARNG	2273	44054	57/43	50/50	82	100
USAR ¹	1321	23623	30/70	46/54	55	100
USNR	127	3740	5/95	18/82	89	75
USMCR	NA	8516	N/A	89/11	N/A	70
ANG	248	5181	23/77	30/70	58	100
USAFR ²	45	3089	7/93	30/70	38	100
USCGR	0	1292	0/100	49/51	77	27

1 Officer - TPU Line Only.

2 Units Only.

LOSS RATES

OBJECTIVE PERSONNEL PROFILE

	% WITH < 6 YOS		% WITH ≤ 6 YOS		% LOSSES OF LOSSES		% TURNOVER		% OF LOSSES 1ST YR		% OF LOSSES 6TH YR	
	OFF	ENL	OFF	ENL	≤ 03	≤ 05	OFF	ENL	OFF	ENL	OFF	ENL
ARNG	30	31	38	79	81	90	14	23	1	4	8	48
USAR ¹	31	33	37	78	73	84	17	22	6	5	6	45
USNR	20	59	46	69	68	77	14	26	.07	2	27	10
USMCR	N/A	65	N/A	91	N/A	95	N/A	26	N/A	13	N/A	27
ANG	4	32	9	66	56	81	9	19	.6	0	5	34
USAFR ²	3	44	7	75	62	79	11	25	.3	0	4	31
USCGR	0	39	0	48	6	75	7	20	0	7	0	9

¹ Officer Data TPU-Line Only.

² Units Only.

D - OBJECTIVE PERSONNEL PROFILES COMPARED TO INVENTORIES

GENERAL

In this section, the objective personnel profile of each Reserve Component is compared to the inventory of that component. This comparison reveals problem areas and shows where management action is appropriate. It must be remembered that the objective profile is an expression of desires for any period of time and if it were possible it would be desirable to have the objective profile now. Therefore, a comparison with the current inventory is valid. However, pragmatically, the objective profile will take years to achieve. It should also be remembered that the objective profiles in this Chapter are based on force structure requirements and not end strengths authorized by Congress and since the current inventories are a reflection of efforts to achieve the authorized strength, the variances developed will be larger than if they were developed using an objective personnel profile based on budgeted end strengths. The variances discussed in the subsequent paragraphs are dynamic and represent a point in time analysis of the 1976 inventories relative to the recently stated objectives. These variances and conditions are a reflection of the prevailing environment, influenced by both compensation and personnel

management. Further in implementation and application of any compensation system, it is variance analysis coupled with projection capability that will allow effective decision making.

ARNG PROFILE COMPARISONS

ARNG Officers

Comparison of the ARNG officer objective profile with the current inventory reveals some critical areas of consideration with respect to accessions, losses, and resulting years of service distribution.

Accessions. In general, the ARNG desires a young, vigorous officer corps which has a relatively high percentage of prior service accessions to take advantage of their active duty training and experience; however, the PS accessions are desired while they are still in the initial six year military obligation. As mentioned earlier, generally PS personnel do not adversely effect the age of a force as long as they have a remaining military obligation. The officer objective NPS/PS accession ratio of 57/43 compares favorably with the actual 1976 accession ratio of 48/52. The objective percentage of officer accessions with under 6 years of service is 82%, however, the actual was only 33%.

Examination of Table 4-7 shows the objective accessions and actual accession by years of service and from it can be determined that the ARNG is accepting PS officer personnel with more years of service than is desired. This action has an adverse effect of aging the officer corp and reducing promotion opportunity for NPS officers. This situation is dramatically shown in aggregate years of service distribution, Table 4-8. The first few years show shortages resulting from low NPS officer accessions and the failure to bring in enough PS personnel in the earlier year groups. The hump in the 7 through 12 year groups can be traced in part to bringing too many PS personnel with high YOS. This hump will move up the profile and out of the system in the next twenty-five years much like the hump in year groups 20 through 25 will in the next 10 to 15 years if no action is taken to reduce it. The ARNG (as expressed in its objective) desires to move the number of personnel excess in those high year groups into the shortages in the first five year groups thereby reshaping the profile to that which is desired.

Losses. The predominant cause for the overage in the above noted year groups is that currently there is no high year of tenure by grade for ARNG officers, that ensures high year of service loss management. The

OFFICER ACCESSIONS BY YOCS

YOCS	OBJECTIVE	ACTUAL	VARIANCE	% VARIANCE
0+<1	2273	1627	-646	-28.4
1+<2	0	3	3	*****
2+<3	90	8	-82	-91.1
3+<4	260	107	-153	-58.8
4+<5	290	207	-83	-28.6
5+<6	395	254	-141	-35.7
6+<7	150	252	102	68.0
7+<8	160	202	42	26.2
8+<9	140	159	19	13.6
9+<10	100	215	115	115.0
10+<11	50	94	44	88.0
11+<12	25	40	15	60.0
12+<13	20	35	15	75.0
13+<14	5	25	20	400.0
14+<15	6	36	30	500.0
15+<16	6	17	11	183.3
16+<17	7	15	8	114.3
17+<18	7	12	5	71.4
18+<19	3	10	7	233.3
19+<20	3	6	3	100.0
20+<21	3	7	4	133.3
21+<22	3	4	1	33.3
22+<23	5	6	1	20.0
23+<24	5	5	0	0.0
24+<25	5	4	-1	-20.0
25+<26	5	8	3	60.0
26+<27	2	4	2	100.0
27+<28	1	2	1	100.0
28+<29	1	4	3	300.0
29+<30	0	1	1	*****
30+<31	0	0	0	0.0
31+<32	0	0	0	0.0
32+<33	0	0	0	0.0
33+<34	0	0	0	0.0
34+<35	0	2	2	*****
35+<36	0	0	0	0.0
36+<37	0	0	0	0.0
37+<38	0	0	0	0.0
38+<39	0	0	0	0.0
39+<40	0	0	0	0.0
40+<41	0	1	1	*****
41+<42				
42+<43				
TOTALS	4020	3372	-648	-16.1

Actual Annual Accessions as of 31 December 1976

1976 inventory shows that there are O-1's with more than 9 years of commissioned service, O-2's with more than 14 years of commissioned service, O-3's with more than 22 years commissioned service, O-4's with more than 30 years of commissioned service, O-5's with more than 34 years of commissioned service and O-6's with more than 38 years of commissioned service. The officer objective has placed high years of tenure for each grade which are considerably less than is currently being experienced.

Actions taken to enforce high years of tenure would not only reduce the age of the force but will also increase promotion opportunity. Further, such action would increase continuation rates especially in the lower year group and ensure that only the "best" qualified are retained and promoted. Of all losses for officers it is desired that no more than 38% have six years of service or less; however, the actual 1976 inventory showed 40%. The objective losses for O-3 and below are no more than 82% and the actual for 1976 was 83%. The objective turnover rate is 14% and the actual for 1976 was 17%. These statistics show that in general the officer losses are occurring approximately as desired with the possible exception of the high year groups.

Grade and Years of Commissioned Service Distribution.

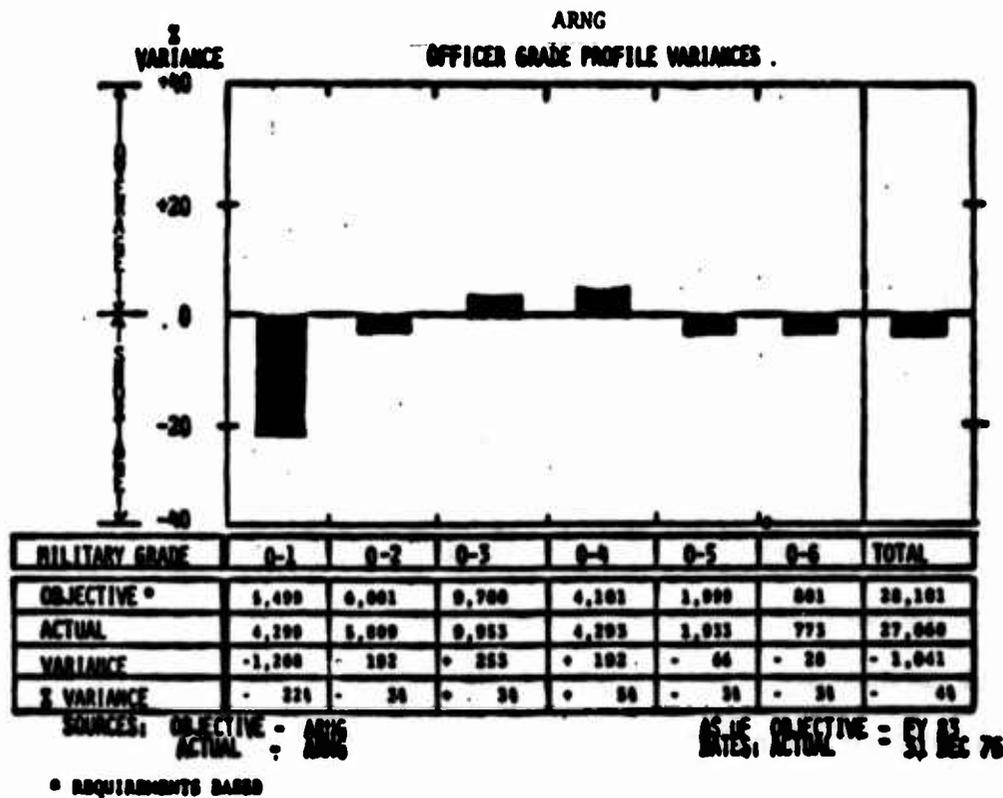
The objective officer non-career/career mix is 41/59 while the actual CY 76 was 31/69. This is another indication that this force was older than desired. The grade distribution shows that the shortage was predominantly in the grades of 0-1 and 0-2 which, if filled, would increase the non-career percentage and bring it closer to the desired ratio. The desired average grade for officers is 0-2.77, however, the actual CY 76 was 0-2.85. The variance also indicates an officer force that was somewhat overgraded. Examination of the average years of service shows that the objective is 8.9 years whereas the CY 76 was approximately 12.8 years. Again a clear indication that the force was older than desired. As noted in Section C of the Chapter, the ARNG desires 75% in grades 0-3 and below when actually 74% were in these grades. In general, analysis of Table 4-8 and 4-9 shows only some inconsistency with the YOS and grade, objective and CY 76 numbers. Especially, however, the lack of adherence to a high year of tenure policy is probably not inconsistent in view of the strength shortfall of approximately 1,000 officers.

ARNG
OFFICER YOCS DISTRIBUTION

YOCS	OBJECTIVE	ACTUAL	VARIANCE	% VARIANCE
0+ < 1	2225	- 634	-1591	-71.5
1+ < 2	1914	881	-1033	-54.0
2+ < 3	1614	1254	- 360	-22.3
3+ < 4	1801	1546	- 255	-14.2
4+ < 5	1893	2019	126	6.7
5+ < 6	2113	2121	8	0.4
6+ < 7	1938	1892	- 46	- 2.4
7+ < 8	1497	1723	226	15.1
8+ < 9	1449	1687	238	16.4
9+ < 10	1380	2108	728	52.8
10+ < 11	1292	1502	210	16.3
11+ < 12	1205	1047	- 158	-13.1
12+ < 13	1135	875	- 260	-22.9
13+ < 14	1018	809	- 209	-20.5
14+ < 15	637	778	141	22.1
15+ < 16	614	708	94	15.3
16+ < 17	568	630	62	10.9
17+ < 18	520	512	- 8	- 1.5
18+ < 19	480	427	- 53	-11.0
19+ < 20	431	424	- 7	- 1.6
20+ < 21	391	485	94	24.0
21+ < 22	306	399	93	30.4
22+ < 23	296	461	165	55.7
23+ < 24	274	508	234	85.4
24+ < 25	249	465	216	86.7
25+ < 26	235	276	41	17.4
26+ < 27	219	170	- 49	-22.4
27+ < 28	166	176	10	6.0
28+ < 29	138	111	- 27	-19.6
29+ < 30	103	88	- 15	-14.6
30+ < 31	0	63	63	*****
31+ < 32	0	54	54	*****
32+ < 33	0	62	62	*****
33+ < 34	0	61	61	*****
34+ < 35	0	6	6	*****
35+ < 36	0	1	1	*****
36+ < 37	0	3	3	*****
37+ < 38	0	3	3	*****
38+ < 39	0	3	3	*****
39+ < 40				
40+ < 41				
41+ < 42				
42+ < 43				
TOTALS	28101	26972	-1129	-4.0

Actual inventory as of December IV-64

Table 4-9



ARNG Enlisted

Comparison of the ARNG enlisted objective profile with the CY 1976 inventory reveals similar areas of consideration with respect to accessions, losses, grades and years of service distributions as the officer.

The magnitude of the variances is considerably greater and suggests that the underlying strength problems in the enlisted force are not necessarily those that are the most obvious.

Accessions. In general, the ARNG desires a young, vigorous enlisted force which like the officer has a high percentage of PS personnel again to take advantage their active duty experience. And like the officer corps, they are clearly most wanted as soon as they are released from active duty and still are young and well trained. The objective NPS/PS accession ratio is 50/50 which is not too far from the 1976 ratio of 41/59, however, the number of accessions in 1976 was approximately 117 thousand when the objective demands only 87 thousand. (See Table 4-5.)

The PS personnel who enter the ARNG are primarily entering after their six year military obligation has expired (approximately 60%). The objective profile shows that 100% of the PS accessions would have less than six years of service.

This practice has a tendency to age the force and does not take advantage of the recent experience of those PS personnel with remaining military service. It should be remembered that years of service stops at six when an enlisted reservist is discharged. Should a reservist desire to enter the Selected Reserve after that, he enters with six years of service no matter how long he has been out. The objective PS accession takes advantage of the youth and experience of recently discharged PS personnel and is in keeping with a youthful enlisted force. Table 4-10 shows the objective and CY 76 accessions by years of service and it is obvious that the ARNG wants to recruit PS personnel as soon as possible after release from active duty.

Losses. The personnel shortages problem is clearly not one of recruiting the requisite number, but rather one of keeping them. Further, the problem of keeping personnel is not in the career force but in the non-career, i.e., within their initial six years of service. Analysis of the most currently available continuation data shows that of 100 NPS enlisted in 1977 only 64 made it through the first year. This loss rate is extremely high relative to their objective in which 91 out of 100 should complete the first year. The actual loss rate is also high during the next five years.

ENLISTED ACCESSIONS BY YOS

YOS	OBJECTIVE	ACTUAL	VARIANCE	↓ VARIANCE
0+ <1	44054	51246	7192	16.3
1+ <2	1127	2604	1477	131.1
2+ <3	3649	4125	476	13.0
3+ <4	7948	5698	-2250	-28.3
4+ <5	20574	4980	-15594	-75.8
5+ <6	9942	5175	4767	-47.9
6+ <7	0	28541	28541	*****
7+ <8	0	3785	3785	*****
8+ <9	0	4141	4141	*****
9+ <10	0	1780	1780	*****
10+ <11	0	1286	1286	*****
11+ <12	0	842	842	*****
12+ <13	0	717	717	*****
13+ <14	0	522	522	*****
14+ <15	0	437	457	*****
15+ <16	0	310	310	*****
16+ <17	0	282	282	*****
17+ <18	0	226	226	*****
18+ <19	0	164	164	*****
19+ <20	0	146	146	*****
20+ <21	0	176	176	*****
21+ <22	0	133	133	*****
22+ <23	0	106	106	*****
23+ <24	0	98	98	*****
24+ <25	0	56	56	*****
25+ <26	0	51	51	*****
26+ <27	0	42	42	*****
27+ <28	0	51	51	*****
28+ <29	0	25	25	*****
29+ <30	0	34	34	*****
30+ <31	0	18	18	*****
31+ <32	0	11	11	*****
32+ <33	0	14	14	*****
33+ <34	0	11	11	*****
34+ <35	0	7	7	*****
35+ <36	0	5	5	*****
36+ <37	0	4	4	*****
37+ <38	0	0	0	0.0
38+ <39	0	2	2	*****
39+ <40	0	0	0	0.0
OTHER	0	25	25	*****
TOTALS	87294	117896	+30602	35.1

Actual annual accessions as of December 1976

The percentage of losses that should occur during the first six years of the objective profile is 79%, larger than the 1976 loss rate of 69%. These two percentages can be misleading. The objective profile calls for far more personnel to be in the first six year groups than there were in those year groups in 1976.

Even with increased rates of continuation in the objective, more losses occur in the objective force since it includes more personnel. The objective shows total losses of only 87,294 while the actual losses were 133,696 in 1976. This translates to objective losses through the first six years of only 68,699 compared to an actual loss figure of 92,469 or approximately 35% more than desired. These excessive losses are expensive to the ARNG because services are not fully rendered so that the costs of training these personnel are not fully amortized.

It is obvious from data collected that to meet end strengths the ARNG has not been too selective of those they enlisted. Many persons currently being enlisted have a very high failure rate and are, by and large, non-achievers. This results in very high losses which, in turn require even higher accessions. A solution to this problem of "the dog chasing his tail" is to recruit more personnel in higher mental categories who are

demonstrably higher achievers and more goal oriented. This would not only reduce the loss rate, and the need for more accessions, but more importantly it would increase readiness. The objective profile clearly shows a desire to do this on the part of the personnel managers.

The next crucial area in the enlisted profile occurs at the end of the initial six year enlistment contract. The current extension rate is approximately 28%, however, the objective is 35%. Data are not available that would allow a cohort continuation analysis; however, if the current continuation rates are taken to be constant over the last six years only 22 of 100 NPS will complete their six year obligation and only 6 of those will become careerist. The objective profile continuation rate shows approximately 57 of 100 finishing their six year obligation and 20 of that group becoming careerists. Right now, this still implies a rather high loss rate. This is necessary since the pyramidal grade structure does not require personnel who would be promoted to higher grades than

required after six years of service. Consequently, there is just no need for large numbers of personnel to continue into career category because of the limited number of senior grades required. This also allows for selecting only the best qualified people for the key supervisory grades.

Grade and Years of Service Distribution. The objective profile shows 73% of the force are to have less than six years of service, i.e. non-careerist and 27% are to have six or more, i.e., careerist. The current inventory shows that 48% are non-careerists. Table 4-11, which compares the YOS objective profile to the 1976 inventory, shows that the shortages in personnel are in the second through the sixth year groups. Grade data are reflected in Table 4-12. Therefore, if these shortages were filled, the career/non-career mix would more closely approximate the objective. Further analysis shows that the first year group is being met; however, if the accession data, Table 4-10 are studied it shows that approximately 51 thousand personnel with under one year of service had to be enlisted in order to retain approximately 40 thousand at the end of the year. The objective accession data show only 44 thousand accessions should be required to retain approximately 40 thousand.

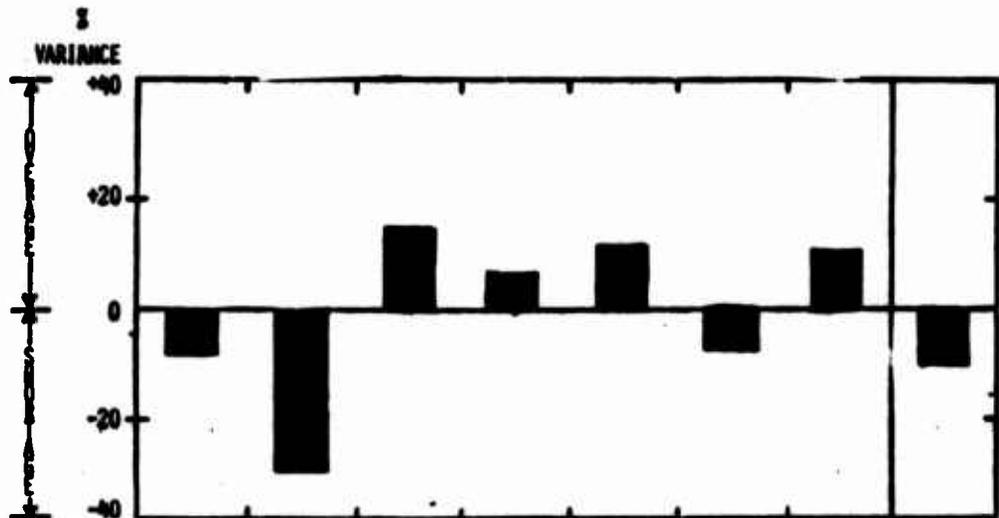
ARNG
ENLISTED YOS DISTRIBUTION

YOS	OBJECTIVE	ACTUAL	VARIANCE	% VARIANCE
0+ < 1	40155	39333	- 822	- 2.0
1+ < 2	37630	25630	-12000	- 31.9
2+ < 3	37624	17773	-19851	- 52.8
3+ < 4	41540	14008	-27532	- 66.3
4+ < 5	56616	31026	-25590	- 45.2
5+ < 6	60668	56887	- 3781	- 6.2
6+ < 7	18594	42291	23697	127.4
7+ < 8	12570	24193	11623	92.5
8+ < 9	10370	16547	6177	59.6
9+ < 10	8590	12821	4231	49.3
10+ < 11	7499	9560	2061	27.5
11+ < 12	6567	7689	1122	17.1
12+ < 13	3590	4673	1083	30.2
13+ < 14	3446	3504	58	1.7
14+ < 15	3277	2583	- 694	- 21.2
15+ < 16	3101	2285	- 816	- 26.3
16+ < 17	2996	2317	- 679	- 22.7
17+ < 18	2914	1939	- 975	- 33.5
18+ < 19	2842	1750	- 1092	- 38.4
19+ < 20	2771	2101	- 670	- 24.2
20+ < 21	2655	2472	- 183	- 6.9
21+ < 22	2522	2279	- 243	- 9.6
22+ < 23	1616	2091	475	29.4
23+ < 24	1430	2295	865	60.5
24+ < 25	1249	1920	671	53.7
25+ < 26	1048	1617	569	54.3
26+ < 27	400	1401	1001	250.2
27+ < 28	336	1310	974	289.9
28+ < 29	276	1274	998	361.6
29+ < 30	50	947	897	1794.0
30+ < 31	21	541	520	2476.2
31+ < 32	7	495	488	6971.3
32+ < 33	0	425	425	*****
33+ < 34	0	303	303	*****
34+ < 35	0	200	200	*****
35+ < 36	0	127	127	*****
36+ < 37	0	73	73	*****
37+ < 38	0	34	34	*****
38+ < 39	0	23	23	*****
39+ < 40	0	36	36	*****
TOTALS	374,970	338,773	- 36,197	- 9.7

Actual inventory as of December 1976.

Table 4-12

ARNG
ENLISTED GRADE PROFILE VARIANCES



MILITARY GRADE	E1 TO E3	E-4	E-5	E-6	E-7	E-8	E-9	TOTALS
OBJECTIVE *	93,601	142,739	78,266	35,392	17,845	5,985	1,162	374,970
ACTUAL	86,308	98,186	89,666	37,940	19,932	5,564	1,267	338,863
VARIANCE	-7,273	-44,553	+11,400	+2,548	+2,087	-421	+105	-36,107
Σ VARIANCE	-8%	-31%	+15%	+7%	+12%	-7%	+9%	-10%

SOURCES: OBJECTIVE - ARNG/RCS
 ACTUAL - ARNG
 * REQUIREMENTS BASED

AS OF: OBJECTIVE - FY 83
 DATES ACTUAL - CY ENDING 31 DEC 76

The desired average enlisted grade is E-4.1 and the actual is E-4.3. The variance is not too significant; however, it does indicate a tendency toward overgrading. A more significant indication of an older than desired force comes from the average years of service.

The objective is 5.6 years whereas the CY 76 was 6.8 years. Lack of consistent application of a high years of tenure by grade policy is the principal factor for the higher average YOS than is desired. This lack of adherence is not unexpected in view of the total strength shortfall of approximately 36,000 people.

USAR PROFILE COMPARISONS

USAR Officer

Comparison of the USAR Officer objective profile with the 1976 inventory revealed some interesting conditions with respect to general status, accessions, losses, and years of service distribution.

Accessions. In general, the USAR desires a young vigorous officer corps which has a relatively high percentage of PS accessions. The accession of large quantities of PS officers takes advantage of their active duty training and experience, however, the USAR required that the vast majority of these accessions still have time remaining on their initial six year military obligation. The NPS/PS accession ratio of 6/94 compares unfavorably with the objective of 30/70. The percentage of accessions of officers who have under six years of service is only 35% which also compares unfavorably with the objective of 55%. Examination of Table 4-13 shows the objective accessions and CY 76 accessions by years of service and it is obvious that the USAR has been taking PS officer personnel with more years of service than desired. Higher years of service equate to higher grades. This is probably necessary since there is not a sufficient base of NPS (junior grades) to fill the upper grades without external acquisition.

Table 4-13

USAR
OFFICER ACCESSIONS BY YOCS

YOCS	OBJECTIVE	ACTUAL	VARIANCE	% VARIANCE
0+ < 1	1321	258	-1063	-80.5
1+ < 2	59	177	118	200.0
2+ < 3	380	166	-214	-56.3
3+ < 4	365	256	-109	-29.9
4+ < 5	436	466	30	6.9
5+ < 6	478	624	146	30.5
6+ < 7	156	507	351	225.0
7+ < 8	243	371	128	52.7
8+ < 9	329	283	-46	-14.0
9+ < 10	176	305	129	73.3
10+ < 11	81	261	180	222.2
11+ < 12	83	119	36	43.4
12+ < 13	49	106	57	116.3
13+ < 14	22	62	40	181.8
14+ < 15	30	48	18	60.0
15+ < 16	22	62	40	181.8
16+ < 17	22	46	24	109.1
17+ < 18	34	49	15	44.1
18+ < 19	9	53	44	488.9
19+ < 20	14	33	19	135.7
20+ < 21	18	41	23	127.8
21+ < 22	18	31	13	72.2
22+ < 23	23	16	-7	-30.4
23+ < 24	28	31	3	10.7
24+ < 25	17	34	17	100.0
25+ < 26	13	20	7	53.8
26+ < 27	4	17	13	325.0
27+ < 28	4	11	7	175.0
28+ < 29	4	6	2	50.0
29+ < 30	0	2	2	*****
30+ < 31	0	2	2	*****
31+ < 32	0	1	1	*****
32+ < 33	0	0	0	0.0
33+ < 34	0	2	2	*****
34+ < 35				
35+ < 36				
36+ < 37				
37+ < 38				
38+ < 39				
39+ < 40				
TOTALS	4438	4466	28	0.6

Actual Annual Accessions as of April 1977
Troop Program Units - Line Only

However, this action does have the adverse effect of aging the officer corps and reducing the promotion opportunity for NPS officers, because if the USAR is short, an 0-3 for example, it's apparent that they will seek to fill the vacancy (because strength is down) with a PS individual, as opposed to filling it from within. The effect on the YOS profile of taking large numbers of PS in high years of service groups and very few NPS is dramatically shown in Table 4-14. The first few years are short as a result of low NPS accessions and the failure to bring in PS personnel into those year groups. The hump in the 7 through 12 year groups is due in part to too many PS personnel entering there. This hump will gradually reduce in magnitude and move out of the system -- but it will take the next 20 to 25 years if no action is taken sooner to reduce it. (See Section E.) The USAR has demonstrated, through the objective officer profiles, that it desires to have the number of excesses in the out year moved into the shortages in the early years, thereby conforming to their optimum years of service profile.

Losses. The predominant reason for the overage in the YOS profile mentioned above is that there

Table 4-14

USAR
OFFICER YOCS DISTRIBUTION

YOCS	OBJECTIVE	ACTUAL	VARIANCE	% VARIANCE
0+<1	1037	44	-993	-95.8
1+<2	889	243	-646	-72.7
2+<3	1108	423	-685	-61.8
3+<4	1375	819	-556	-40.4
4+<5	1469	1400	-69	-4.7
5+<6	1659	2324	665	40.1
6+<7	1543	2792	1249	80.9
7+<8	1429	2223	794	55.6
8+<9	1582	1899	317	20.0
9+<10	1629	2156	527	32.4
10+<11	1554	1621	67	4.3
11+<12	1486	1045	-441	-29.7
12+<13	1389	899	-490	-35.3
13+<14	1258	649	-609	-48.4
14+<15	765	583	-182	-23.8
15+<16	745	537	-208	-27.9
16+<17	712	489	-223	-31.3
17+<18	696	581	-115	-16.5
18+<19	648	579	-69	-10.6
19+<20	602	587	-15	-2.5
20+<21	565	580	15	2.7
21+<22	492	509	17	3.5
22+<23	417	384	-33	-7.9
23+<24	394	479	85	21.6
24+<25	333	569	236	70.9
25+<26	289	399	110	38.1
26+<27	244	293	49	20.1
27+<28	200	181	-19	-9.5
28+<29	109	123	14	-12.8
29+<30	74	52	-22	-29.7
30+<31	0	41	41	*****
31+<32	0	61	61	*****
32+<33	0	54	54	*****
33+<34	0	42	42	*****
34+<35	0	18	18	*****
35+<36	0	5	5	*****
36+<37	0	7	7	*****
37+<38	0	2	2	*****
38+<39	0	4	4	*****
39+<40				
40+<41				
41+<42				
42+<43				
TOTALS	26692	25696	-996	- 3.7

Actual inventory as of April 1977
Troop Program Units-Line only

is currently no application of high year of tenure by grade for USAR officers. This would help ensure the desired mix of youth and experience.

USAR personnel planners recognized the officer objective problem and have structured the profile to place high years of tenure for each grade which are considerably lower than those tolerated currently. Actions taken to enforce high years of tenure will not only reduce the age of the force but also will increase promotion opportunity, continuation rates in the lower year groups and ensure that only the best qualified are retained and promoted.

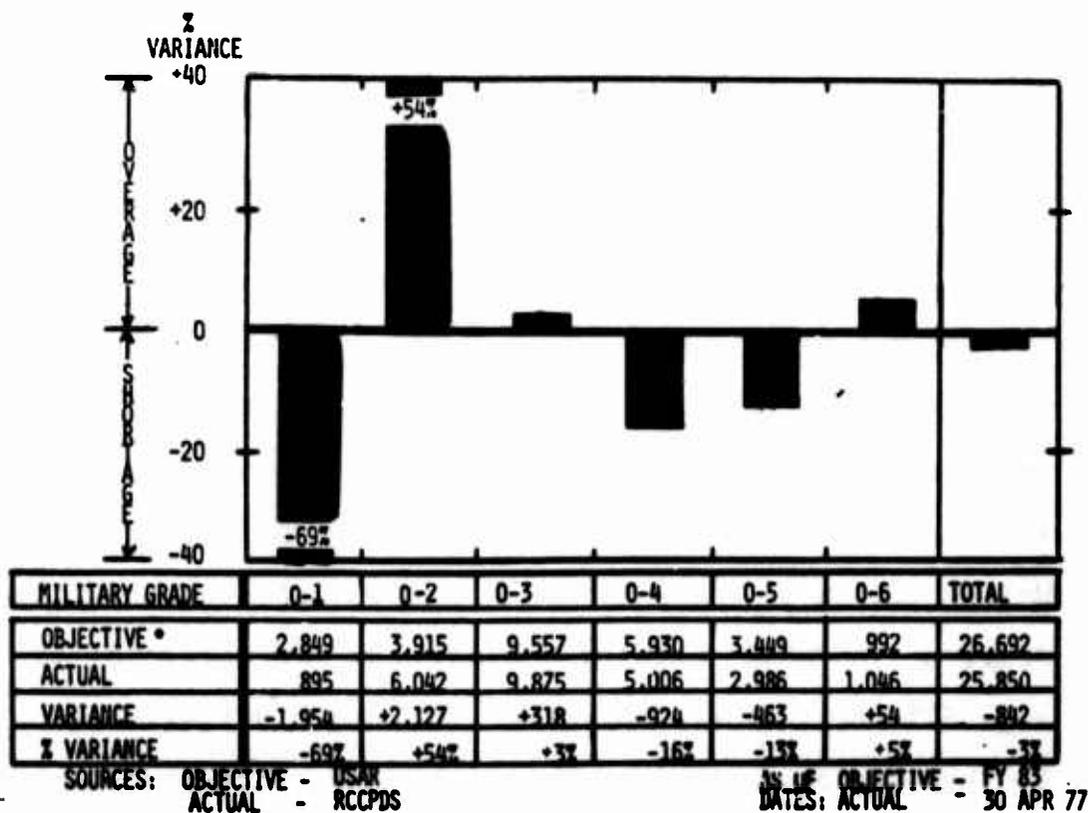
Of all officer losses the objective shows a desire of no more than 37% have six or less YOS; however, the actual 1976 inventory showed less than 10%. This is because there are very few officers in these year groups. The objective losses for 0-3's and below is not more than 73% whereas the actual 1976 figure was 75%. The objective turnover rate is 17% whereas the actual was 22%. These statistics show that the overall loss rate is too high and that the losses should occur in the earlier years of commissioned service year groups; however, for that to be accomplished more officers must be recruited for those year groups.

Grade and Years of Commissioned Service Distribution.

The objective officer non-career/career mix is 28/72 while the 1976 mix was 20/80. The grade distribution shows that the shortages are predominantly in the grades of O-1. The non-career shortages, i.e., shortages in the less than six YOS groups, and the O-1 shortages show clearly that the USAR is relying on PS rather than NPS and the PS it is recruiting are not in the desired YOS groups. The objective average grade for officers is O-3.23 precisely the actual, O-3.23. Examination of the average YOS show that the objective is 10.7 years whereas the actual for 1976 was 11.5. The USAR objective shows that 61% are in grades O-3 and below and the 1976 inventory showed 65% were O-3's and below. (See Table 4-15.)

Table 4-15

USAR
OFFICER GRADE PROFILE VARIANCES



(Troop Program Units-Line only.)

USAR Enlisted

Comparison of the USAR enlisted objective profile with the 1976 inventory shows some major discrepancies. In general, the USAR desires a relatively young, vigorous enlisted force which depends on a large percentage of PS personnel. As previously noted, the USAR mission and structure are different from other US Army Components in that the force is primarily support oriented. This difference reflects in both the objectives as discussed and in the inventories that are to be presented.

Accessions. PS accessions are desired immediately after they have been released from active duty. They are still young and well trained personnel with military service obligations. The objective NPS/PS ratio is 54/46 which is significantly different from the 1976 ratio of 21/79. Unlike the ARNG, which is recruiting more NPS and PS than desired, the USAR enlisted accession of NPS personnel is some 57% short of the objective; it is recruiting more PS than the objective states so in total, accessions exceed the objective by over five thousand. Analysis of Table 4-16 shows that the PS accessions are not occurring in the desired year groups, and that most of them have six or more YOS.

USAR
ENLISTED ACCESSIONS BY YOS

YOS	OBJECTIVE	ACTUAL	VARIANCE	↓ VARIANCE
0+ <1	23623	10177	-13446	-56.9
1+ <2	809	3027	2218	274.2
2+ <3	1618	2816	1198	74.0
3+ <4	3236	2795	-441	-13.6
4+ <5	9708	3789	-5919	60.97
5+ <6	4854	4476	-378	-7.8
6+ <7	0	10076	10076	*****
7+ <8	0	3201	3201	*****
8+ <9	0	2436	2436	*****
9+ <10	0	1453	1453	*****
10+ <11	0	926	926	*****
11+ <12	0	593	593	*****
12+ <13	0	435	435	*****
13+ <14	0	310	310	*****
14+ <15	0	238	238	*****
15+ <16	0	263	263	*****
16+ <17	0	217	217	*****
17+ <18	0	177	177	*****
18+ <19	0	133	133	*****
19+ <20	0	125	125	*****
20+ <21	0	161	161	*****
21+ <22	0	132	132	*****
22+ <23	0	110	110	*****
23+ <24	0	123	123	*****
24+ <25	0	116	116	*****
25+ <26	0	105	105	*****
26+ <27	0	72	72	*****
27+ <28	0	72	72	*****
28+ <29	0	72	72	*****
29+ <30	0	39	39	*****
30+ <31	0	40	40	*****
31+ <32	0	23	23	*****
32+ <33	0	19	19	*****
33+ <34	0	25	25	*****
34+ <35	0	12	12	*****
35+ <36	0	4	4	*****
36+ <37	0	4	4	*****
37+ <38	0	2	2	*****
38+ <39	0	2	2	*****
39+ <40	0	0	0	0.0
OTHER	0	264	264	*****
TOTALS	43848	49060	5212	11.9

Actual Annual Accessions as of December 1976

The objective shows 100% of the PS accessions should have less than six YOS. This practice tends to age a force and brings in PS personnel whose skills have decayed appreciably more than the recently discharged personnel with remaining military service obligations.

Losses. The loss problem of the USAR enlisted force is similar to the ARNG experience in that the desired number of accessions are being met but they are not retaining them. And, like the ARNG, keeping personnel in the career force is not the problem, but it is keeping them in the non career force (under six years of service). Currently available continuation data show that of 100 NPS enlisted in 1977 only 67 made it through the first year. This continuation rate is much lower than desired, as are the continuation rates during the next five years. The desired percentage of personnel lost with six or less YOS is 78%, which is very close to the actual of 73%. These two percentages may be misleading if the situation is not further analyzed. The objective shows more of the force, approximately 73%, to be in these early year groups, however, in the 1976 inventory only 64% were in these early year groups. Even with the somewhat improved

continuation rates of the objective a large percentage of losses occur during the non-career years because more personnel are in that group. The objective profile shows total losses of only 43,845 while the actual losses were 70,572. This means that approximately 34,200 losses are to occur in the objective first through six YOS (non-career group), while 51,500 losses occurred in that same group in 1976. This 1976 actual loss of 51,500 is 34% more losses than desired for this non-career force. These excess losses are extremely expensive since the component can never fully recover the cost of training the NPS personnel let alone achieve full benefit from the PS training. The USAR, like the ARNG, is accepting many Mental Category IV personnel. Mental Category IV's have a very high failure rate which means more category IV accessions will mean more losses. This becomes a vicious circle with the only way out being to attract higher mental category people. This would reduce costs, etc. and would increase readiness.

The next crucial area in the enlisted profile occurs at the end of the initial six year enlistment contract. The current reenlistment rate is approximately 29%; however, the objective is 35%. Data are not available that would allow a cohort analysis; however, if the

current continuation rates are taken to be constant over the last six years only 19 of 100 NPS will finish their six year obligation and only 6 of those will become careerists. The objective profile continuation rate shows approximately 56 of 100 should finish their six year obligation and 10 of that group will become careerist. This implies a rather high loss rate at the career decision point. This high loss rate is necessary because of the pyramid grade structure. There are limited requirements for supervisors (i.e., senior grades) in the career force. The philosophy is to use personnel until they achieve six years of service and then to select only those who are better qualified to enter the career force and function as supervisors. This philosophy insures that the force does not age and remains youthful and vigorous.

Grade and Years of Service Distribution. The objective profile shows 68% of the total enlisted force are to have less than six YOS, i.e., non-careerists, and 32% are to have six or more years of service, i.e., careerists. The 1976 inventory shows that 51% are non-careerists and 49% are careerists. Table 4-17 depicts YOS objective profile versus the 1976 inventory, and shows that the shortages in personnel are in the first through sixth year groups. The

Table 4-17

USAR
ENLISTED YOS DISTRIBUTION

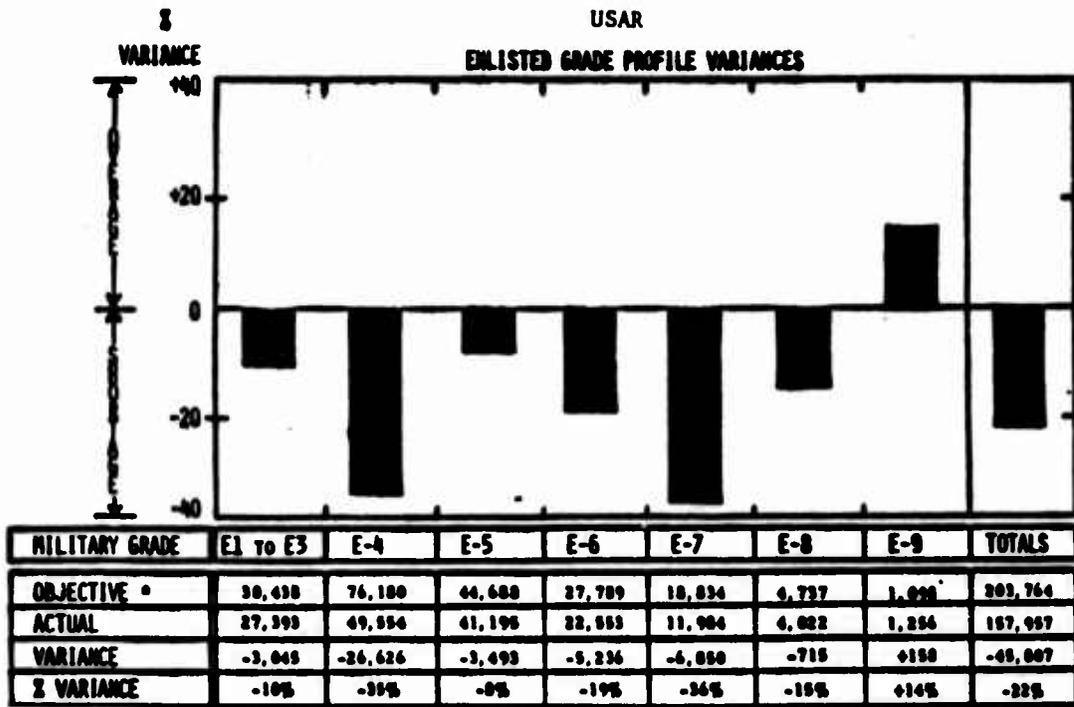
YOS	OBJECTIVE	ACTUAL	VARIANCE	% VARIANCE
0+ < 1	21421	9644	-11777	-55.0
1+ < 2	20159	11989	8170	-40.5
2+ < 3	19746	11435	8311	-42.1
3+ < 4	20841	5406	-15435	-74.1
4+ < 5	27702	14747	-12955	-46.8
5+ < 6	29522	27088	2434	-8.2
6+ < 7	9752	20077	10325	105.9
7+ < 8	6593	14218	7625	115.7
8+ < 9	5439	10822	5383	99.0
9+ < 10	4505	5957	1452	32.2
10+ < 11	3935	4704	769	19.5
11+ < 12	3444	2817	-627	-18.2
12+ < 13	3146	1901	-1245	-39.6
13+ < 14	3020	1371	-1649	-54.6
14+ < 15	2872	998	-1874	-65.3
15+ < 16	2638	1048	-1640	-61.0
16+ < 17	2597	948	-1649	-63.5
17+ < 18	2525	762	-1763	-69.8
18+ < 19	2462	818	-1644	-66.8
19+ < 20	2401	885	-1516	-63.1
20+ < 21	2301	1105	-1196	-52.0
21+ < 22	2184	840	-1344	-61.5
22+ < 23	1160	782	-378	-32.6
23+ < 24	1027	971	-56	-5.5
24+ < 25	909	951	42	4.6
25+ < 26	805	1007	202	25.1
26+ < 27	217	641	424	195.4
27+ < 28	183	402	219	119.7
28+ < 29	150	445	295	196.7
29+ < 30	37	320	283	764.9
30+ < 31	16	309	293	1831.2
31+ < 32	5	237	232	4640.0
32+ < 33	0	223	223	*****
33+ < 34	0	229	229	*****
34+ < 35	0	146	146	*****
35+ < 36	0	40	40	*****
36+ < 37	0	28	28	*****
37+ < 38	0	13	13	*****
38+ < 39	0	6	6	*****
39+ < 40	0	7	7	*****
TOTALS	203764	156337	-47427	-23.3

Actual inventory as of December 1976

shortages are predominantly in grades E-1 through E-4; therefore, if the shortages were filled, the non-career/career mix would more closely approximate the objective. (See Table 4-18.)

The objective average enlisted grade is E-4.7 while the actual was E-4.6. The objective average YOS is 6.3 years whereas the 1976 average was 7.1.

Table 4-18



SOURCES: OBJECTIVE - USAR
 ACTUAL - USAR
 * REQUIREMENTS BASED

AS OF: OBJECTIVE - FY 83
 DATES ACTUAL - CY ENDING 31 DEC 76

USNR PROFILE COMPARISONS

The USNR is unique among the reserve components in that its mission, force size and structure are currently being reevaluated and are in very fluid states. It appears at this time that the USNR will be cut to approximately one-half of its current authorized size. As such, the following comparison may not be as valid as it would be if the reductions do not take place. However, in order to evaluate the USNR, the 1976 inventory will be compared to the USNR objective profile, which was based on a requirement of approximately 100,000 developed by OP-605 and reflected in the out-year Program Objective Memorandums.

USNR Officers

Comparison of the USNR Officer objective profile with the 1976 inventory reveals several critical areas of concern with respect to the accession, losses, grade and years of commissioned service and the YOS distribution.

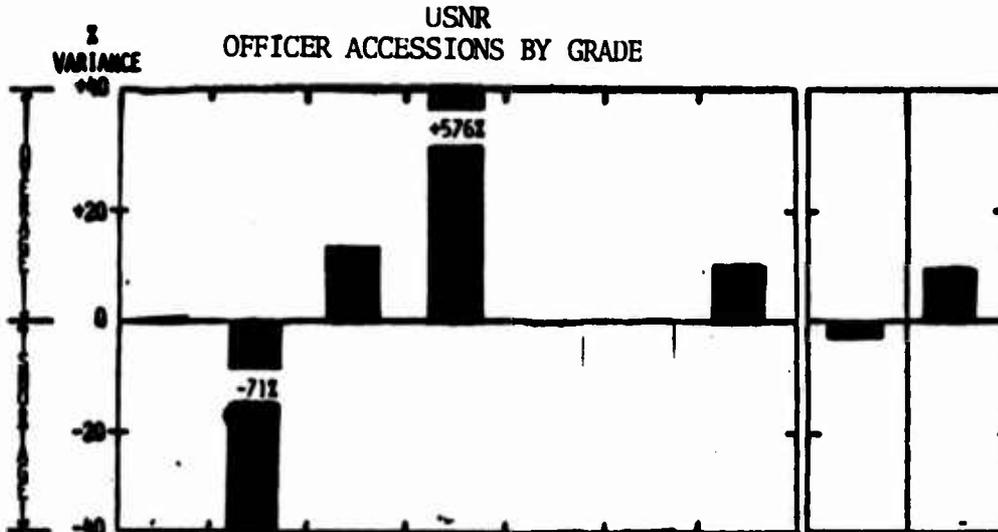
Accessions. In general, the USNR is interested in developing a force strong in technical skills at the middle grades and years of service. To achieve this it relies almost totally on PS officer accessions.

This policy takes advantage of the experience and training obtained on active duty, and is consistent with their objective profile. The NPS/PS officer accession ratio is 5% to 95% and compares favorably to the 1976 actual of 4% to 96%. The objective percentage of PS officer accessions with under six years of service was 89%; accessions by YOCS were not available for the 1976 inventory.

The objective profile shows a desired PS accession of 2430 in grades O-3 and below whereas only 1,670 were obtained which was 30% short of the desired (see Table 4-19). The profile also shows that 1,069 in O-4 to O-6 were brought into the USNR whereas the objective called for only 95 O-4's. This is a clear indication that the PS officer accessions, even though close to the desired percentage, are not in the desired grades which also implies not in the desired YOCS groups.

Close examination of the YOCS profile, Table 4-20, also shows additional "circumstantial" evidence that the PS accessions are not in the desired YOCS group. Notice that the first through six years groups are very small when compared to the objective. The objective shows the influence of accessing 82% of the PS during those year groups. The 1976 inventory also shows this influence which shifted toward later year groups. It is obvious

Table 4-19



PRIOR SERVICE	0-1	0-2	0-3	0-4	0-5	0-6	TOTAL	ACTUAL	TOTAL
OBJECTIVE *	0	1,352	1,070	95	0	0	2,525	127	2,662
ACTUAL	84	396	1,220	642	337	90	2,730	124	2,863
VARIANCE	+84	-956	+142	+547	+337	+90	+214	-5	+211
% VARIANCE		-71%	+13%	+57%			+8%	-2%	+8%

SOURCES: OBJECTIVE - USNR/PCSS
 ACTUAL - USNR/SUPERS
 * REQUIREMENTS BASED

AS OF OBJECTIVE - FY83
 DATES: ACTUAL - 31 DEC 76

Table 4-20

USNR
OFFICER YOCS DISTRIBUTION

YOCS	OBJECTIVE	ACTUAL	VARIANCE	% VARIANCE
0+ < 1	124	87	- 37	-29.8
1+ < 2	189	132	- 57	-30.2
2+ < 3	961	242	- 719	-74.8
3+ < 4	1818	430	-1388	-76.4
4+ < 5	1877	648	-1229	-65.5
5+ < 6	1856	813	-1043	-56.2
6+ < 7	1321	1012	- 309	-23.4
7+ < 8	1202	1481	+ 279	23.2
8+ < 9	1064	1469	+ 405	38.1
9+ < 10	981	1338	+ 357	36.4
10+ < 11	948	1048	+ 100	10.6
11+ < 12	926	1175	+ 249	26.9
12+ < 13	762	1028	+ 266	34.9
13+ < 14	726	987	+ 261	36.0
14+ < 15	692	899	+ 207	29.9
15+ < 16	661	665	+ 4	.6
16+ < 17	625	579	- 46	7.4
17+ < 18	580	492	- 88	-15.2
18+ < 19	316	378	+ 62	-19.6
19+ < 20	290	468	+ 178	61.4
20+ < 21	265	326	+ 61	23.0
21+ < 22	247	247	0	0
22+ < 23	236	214	- 22	9.3
23+ < 24	217	202	- 15	- 6.9
24+ < 25	67	121	+ 54	80.6
25+ < 26	64	99	+ 35	54.7
26+ < 27	59	65	+ 6	10.2
27+ < 28	58	26	- 32	-55.2
28+ < 29	53	25	- 28	-52.8
29+ < 30	40	33	- 7	-17.5
30+ < 31	20	43	+ 17	85.0
31+ < 32		34	+ 34	*****
32+ < 33		17	+ 17	*****
33+ < 34		7	+ 7	*****
34+ < 35		1	+ 1	*****
35+ < 36		6	+ 6	*****
36+ < 37				
37+ < 38				
38+ < 39				
39+ < 40				
40+ < 41				
41+ < 42				
42+ < 43				
TOTALS	19,245	16,803	-2442	- 12.69

Actual inventory as of December 1976

from the years of service profile that it is desirable to move the "excess number" of personnel from the 8th through 15th year groups into the first through sixth year groups.

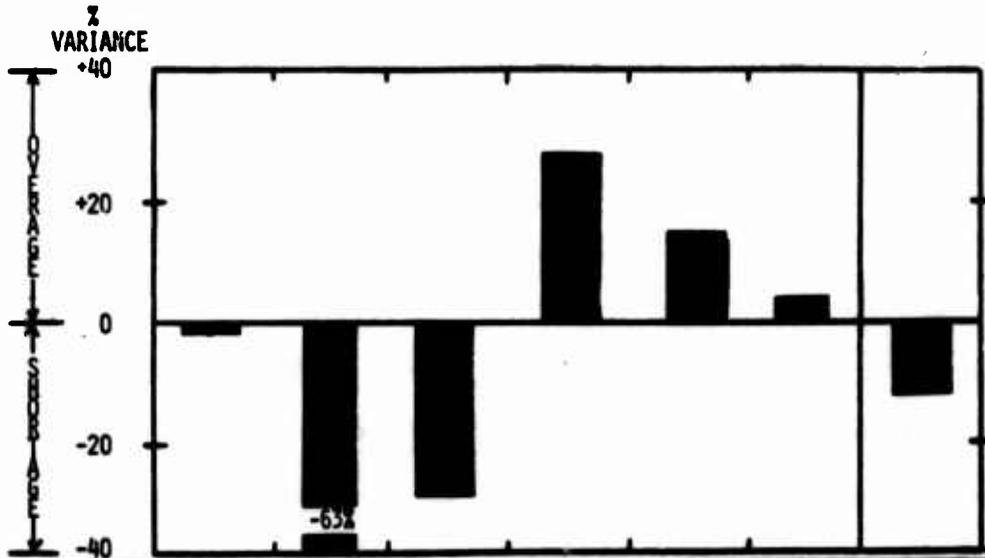
Losses. The office objective shows that not more than 46% of the losses have six or less YOS whereas the 1976 figure was approximately 10%. The difference here is because the 1976 inventory was far short of the desired number of personnel in those year groups and, therefore, most of the losses occurred in other year groups. By putting considerably more personnel in this first through six YOS year groups, it follows more losses would occur. The objective losses for O-3's and below were not more than 68% and the actual was 37%. The actual is far short of the objective for the same reason that the first six YOS losses were short. The objective annual turnover rate for USNR officers is 14% and the 1976 turnover rate was 23%. This rate is relatively high and is probably due in part to the USNR's emphasis on the acquiring mid grades and higher years of service as well as structure instability. Lower grades are potentially blocked and the mid grade opportunity to be advanced is lessened.

Grade and Years of Commissioned Service Distribution.

The objective officer non-career/career mix is 35/65 while the 1976 mix was 14/86. This is another indication of the PS accessions being in the wrong year groups. Grades 0-1 through 0-3 for 1976 were short 38% of the required number and accounted for 100% of the shortages in the USNR officer corps. These grade data are reflected in Table 4-21. The objective average grade is 0-3.43 whereas the 1976 average was 0-3.74. This variance also indicates a structure somewhat overgraded. The average YOS for the objective is 9.7 years whereas the actual inventory in 1976 was 11.6 years. This, too, is a further indication that the USNR is overaged when compared to their objective. The USNR objective shows that 58% are 0-3 or less whereas the actual was 41%, further evidence that the USNR is overgraded.

Table 4-21

USNR
OFFICER GRADE PROFILE VARIANCES



MILITARY GRADE	0-1	0-2	0-3	0-4	0-5	0-6	TOTAL
OBJECTIVE *	129	3,107	7,859	5,278	2,311	561	19,245
ACTUAL	127	1,139	5,596	6,782	2,661	584	16,889
VARIANCE	-2	-1,968	-2,263	+1,504	+350	+23	-2,356
% VARIANCE	-2%	-63%	-29%	+28%	+15%	+4%	-12%

SOURCES: OBJECTIVE - USNR
ACTUAL - RCCPDS

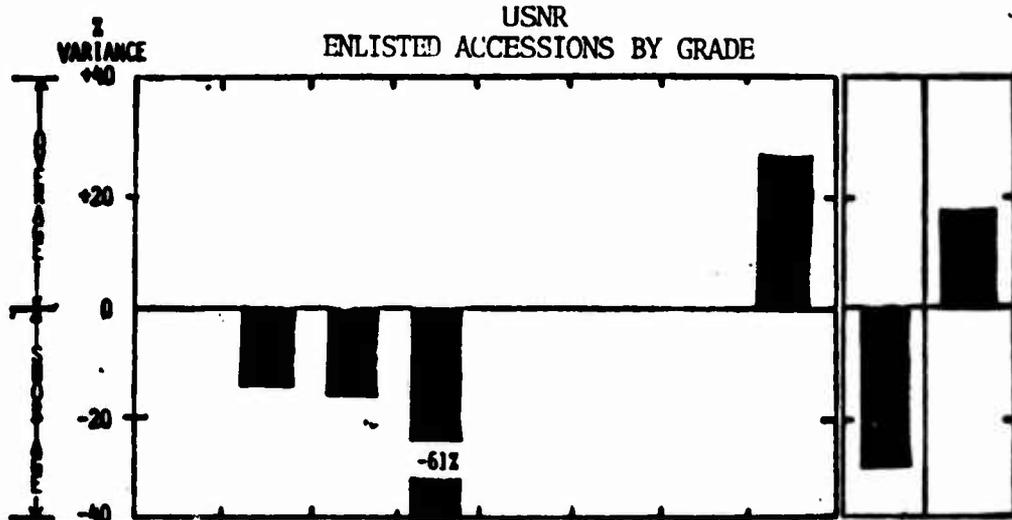
AS OF OBJECTIVE = FY 83
DATES: ACTUAL = 31 DEC 76

USNR Enlisted

Comparison of the USNR enlisted objective profile with the CY 1976 inventory reveals areas of concern with respect to accessions, losses, grades, and YOS distributions similar to the USNR officer.

Accessions. As was the case with the officer objective, the USNR wants to develop an enlisted objective force strong in technical skills at the middle grades and heavy in personnel with from 3 to 12 YOS. To accomplish this, the USNR is relying very heavily on PS accessions. This permits the USNR to take advantage of the training and experience only obtainable after several years of active service. The objective NPS/PS accession ratio of 18/82 which compares favorably to the CY 1976 accessions ratio of 11/89. The objective percentage of PS accessions with under six YOS is 75% and the CY 76 was approximately 60%. The objective shows that all PS accessions are desired in grades E-4, E-5, and E-6. This is in keeping with the USNR's desire to bring in middle grades. The actual accessions, however, showed that 41% were in grades other than E-4, E-5, and E-6. The objective profile shows that 3,740 NPS accessions are desired annually; however, in CY 76 the USNR was 28% short (Refer to Table 4-22). The YOS profile is very close to the CY 76 profile except in the first

Table 4-22



PRIOR SERVICE	E1-E3	E-4	E-5	E-6	E-7	E-8	E-9	P.S. TOTAL	P.F.S. TOTAL	GRAND TOTAL
OBJECTIVE *	0	7,300	5,800	4,000				27,200	3,740	80,040
ACTUAL	8,425	6,373	4,953	3,553	478	65	87	23,064	9,708	84,578
VARIANCE	+8,425	-927	-847	-647	+478	-65	-87	-4,136	-3,032	3,738
% VARIANCE		-14%	-15%	-61%				-20%	-81%	+3%

SOURCES: OBJECTIVE - USNR/ACSS
 ACTUAL - USNR/BUFRS
 *REQUIREMENTS BASED

AS OF OBJECTIVE - FY 83
 DATES: ACTUAL - 31 DEC 76

two year groups. Also the CY 76 accessions were 18% higher than the objective, which indicates that the objective desires improved continuation rates.

Losses. The objective expresses the desire of not more than 69% of the losses to have six or less YOS. The CY 76 inventory showed 49% of the losses had six or less YOS. The difference here, as with the officer, is because the CY 76 inventory had fewer people in those year groups, and therefore, fewer losses occur. With more personnel in those year groups and applying the same loss rate, it follows that more losses would occur. The objective losses of E-5 and below are to be not more than 77% and the actual CY 76 was 88%. The USNR is losing more of these grades than desired and not losing the desired numbers of E-7 through E-9. The objective turnover rate is 26%; however, the CY 76 inventory was 27%. This means that the excess losses in the lower grades are being compensated for by losing fewer senior grades.

Grade and Years of Service Distribution. The objective enlisted non-career/career mix is 47/60. YOS comparison is shown in Table 4-23. Grades E-4, E-6, and E-8 were short of the requirement approximately 24%, 28%, and 11% respectively. Grades E-1 through E-3, E-5,

Table 4-23

USNR
ENLISTED YOS DISTRIBUTION

YOS	OBJECTIVE	ACTUAL	VARIANCE	% VARIANCE
0+ < 1	3366	1569	-1797	-53.4
1+ < 2	3029	1342	-1687	-55.7
2+ < 3	3383	4396	1013	29.9
3+ < 4	7014	4763	-2251	-32.1
4+ < 5	9210	10780	1570	17.0
5+ < 6	12259	8264	-3995	-32.6
6+ < 7	4249	6793	2544	59.9
7+ < 8	4678	4703	25	.5
8+ < 9	4066	4183	117	2.9
9+ < 10	3830	3800	-230	-6.0
10+ < 11	3532	3392	-140	-4.0
11+ < 12	3186	2799	-387	-12.1
12+ < 13	2602	2084	-518	-19.9
13+ < 14	2101	1832	-269	-12.8
14+ < 15	1958	1565	-393	-20.1
15+ < 16	1844	1409	-435	-23.6
16+ < 17	1657	1237	-420	-25.3
17+ < 18	1494	1074	-420	-28.1
18+ < 19	1344	1090	-254	-18.9
19+ < 20	1229	986	-243	19.8
20+ < 21	972	1113	141	14.5
21+ < 22	911	1175	264	29.0
22+ < 23	855	894	39	4.6
23+ < 24	806	866	60	7.4
24+ < 25	582	943	361	62.0
25+ < 26	549	740	191	34.8
26+ < 27	284	543	259	91.2
27+ < 28	267	454	187	70.0
28+ < 29	94	511	417	443.6
29+ < 30	41	428	387	943.9
30+ < 31	0	380	380	*****
31+ < 32	0	451	451	*****
32+ < 33	0	548	548	*****
33+ < 34	0	424	424	*****
34+ < 35	0	196	196	*****
35+ < 36	0	155	155	*****
36+ < 37	0	81	81	*****
37+ < 38	0	28	28	*****
38+ < 39	0	15	15	*****
39+ < 40	0	7	4	*****
TOTALS	81392	77813	-3579	-4.4

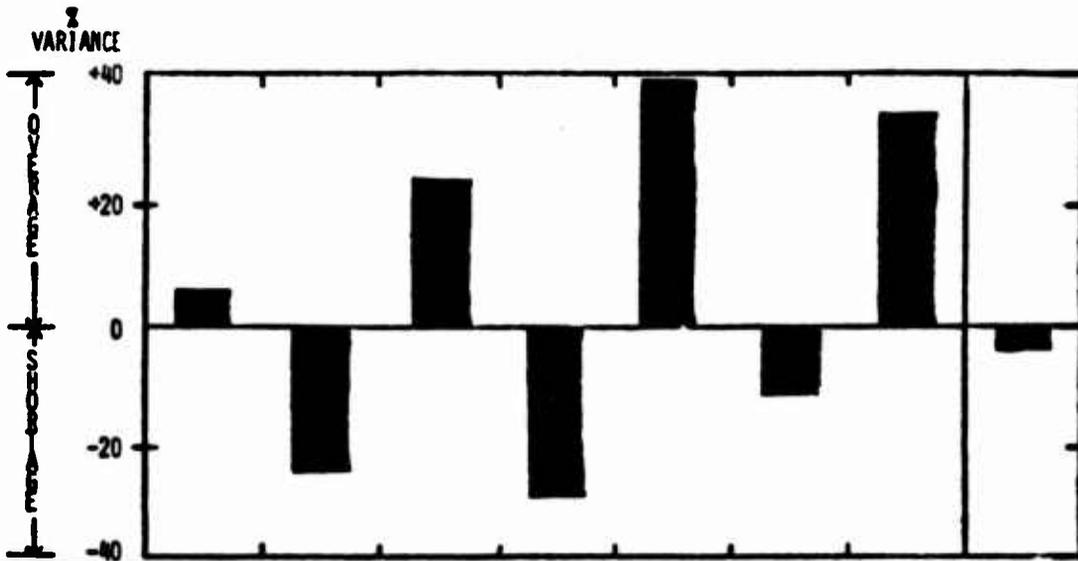
Actual inventory as of December 1976

IV-100

E-7, and E-9 were over the requirement by 6%, 24%, 39%, and 35% respectively (See Table 4-24). The objective average grade is E-4.73, whereas the CY 76 was E-4.71. The average YOS for the objective was 8.6 years whereas the CY 76 average was 9.48 years. The objective also shows that 71% are E-5 and below and the CY 76 actual was 73%.

Table 4-24

USNR
ENLISTED GRADE PROFILE VARIANCES



MILITARY GRADE	E1 TO E3	E-4	E-5	E-6	E-7	E-8	E-9	TOTALS
OBJECTIVE	15,588	24,066	17,780	16,912	5,200	1,421	425	81,392
ACTUAL	16,880	18,193	22,054	12,184	7,221	1,268	575	77,975
VARIANCE	+892	-5,873	+4,274	-4,728	+2,021	-153	+150	+3,817
% VARIANCE	+6%	-24%	+24%	-28%	+39%	-11%	+35%	-4%

SOURCES: OBJECTIVE - USNR
ACTUAL - ACCPDS

AS OF: OBJECTIVE - FY 83
DATES: ACTUAL - 31 DECEMBER 76

USMCR PROFILE COMPARISONS

USMCR Officers

As stated in Section C of this Chapter, the USMCR officer personnel profile was not developed because the management policies allow selection rotation of officers every three years between the Selected Reserve and Voluntary Training Units, VTU's/IRR. This policy allows management to have at any given time its desired officer personnel profile with the exception of the overall size which is mandated by Congress. Therefore, a comparison with the current inventory is meaningless.

USMCR Enlisted

The comparison of the USMCR enlisted objective profile with the CY 76 inventory is rather sketchy because detail data on the inventory could not be readily assembled. However, some significant information does emerge.

Accessions. In general the USMCR wants a very young enlisted force and relies significantly on NPS accessions. The objective NPS/PS accession mix is 89/11. The FY 1976 showed an NPS/PS accession ratio of 62/38. The objective shows less dependence on PS, i.e., 1,000 objective as compared to 4,368, which were acquired in FY 76, and a slight increase in number of NPS, from

7,005 in FY 76 to 8,516. The total number of USMCR accessions required would be reduced by 16%. This is possible because of the increased objective continuation rates in the early YOS. Section C provides some discussion of the USMCR accession philosophy and their expected continuation of NPS personnel.

Losses. The objective profile shows only 9,517 annual losses as compared to the FY 76 figure of 13,546. This is an excess of 42%. The first year loss is quite high and accounts for 13% of all losses. Also, of 100 NPS that entered the first year group in FY 1977, only 76 completed the year. Historical cohort continuation rates are not available for six years back; however, if the FY 77 rates are taken as being representative, only 3 of the starting 100 would enter the career group. The objective profile calls for at least 85 of 100 to finish the first year and 11 to become careerist.

Grade and Years of Service Distribution. The objective profile shows 83% of the force to have less than six YOS, i.e., non-careerist. The CY 76 inventory showed 75% were non-careerist. Table 4-25 displays the YOS objective profile versus the CY 76 inventory. Major shortages exist in the first through fifth YOS with some excesses in the sixth through 11th YOS, and

Table 4-25

USMCR
ENLISTED YOS DISTRIBUTION

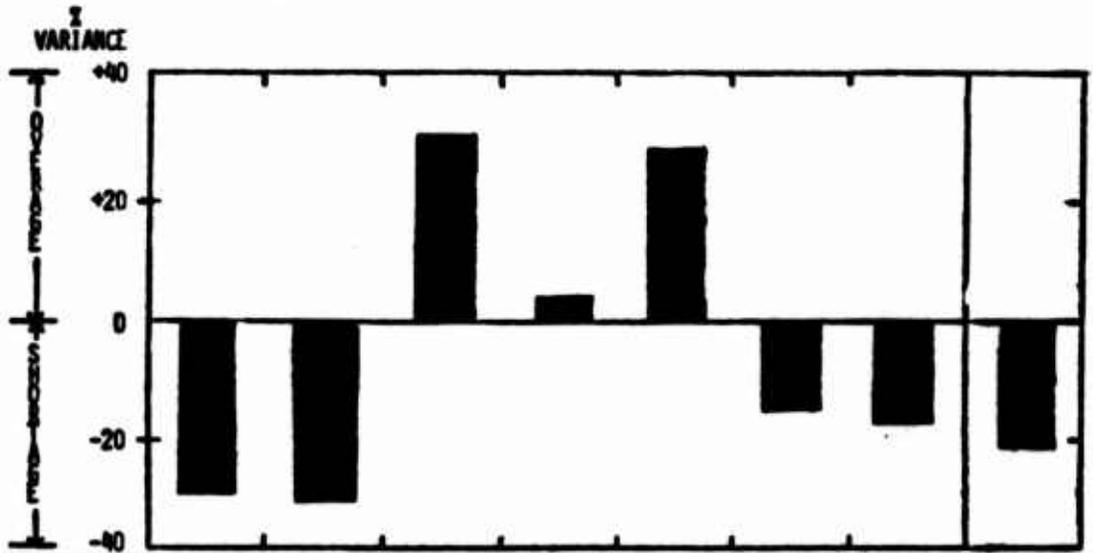
YOS	OBJECTIVE	ACTUAL	VARIANCE	↓ VARIANCE
0+ < 1	7239	4564	-2675	-37.0
1+ < 2	6443	5529	-914	-14.2
2+ < 3	4738	2872	-1866	-39.4
3+ < 4	3494	1393	-2101	-60.1
4+ < 5	3351	2397	-954	-28.5
5+ < 6	3065	3452	387	12.6
6+ < 7	771	1742	971	125.9
7+ < 8	675	1178	503	74.5
8+ < 9	554	712	158	28.5
9+ < 10	459	557	98	21.4
10+ < 11	400	422	22	5.5
11+ < 12	351	303	-48	-13.7
12+ < 13	314	158	-156	-49.7
13+ < 14	287	146	-141	-49.1
14+ < 15	260	102	-158	-60.8
15+ < 16	200	108	-92	-46.0
16+ < 17	195	119	-76	-39.0
17+ < 18	192	89	-103	-53.6
18+ < 19	187	79	-108	-57.8
19+ < 20	183	106	-77	-42.1
20+ < 21	118	83	-35	-29.7
21+ < 22	113	85	-28	-24.8
22+ < 23	108	93	-15	-13.9
23+ < 24	100	12	-8	-8.0
24+ < 25	90	94	4	4.4
25+ < 26	55	66	11	20.0
26+ < 27	51	53	2	3.9
27+ < 28	19	41	22	115.8
28+ < 29	18	51	33	183.3
29+ < 30	16	47	31	193.8
30+ < 31	0	37	37	*****
31+ < 32	0	23	23	*****
32+ < 33	0	19	19	*****
33+ < 34	0	4	4	*****
34+ < 35	0	2	2	*****
35+ < 36	0	1	1	*****
36+ < 37				
37+ < 38				
38+ < 39				
39+ < 40				
OTHER				
TOTALS	34046	26819	-7227	-21.2

Actual inventory as of December 1976

shortages in the 12th on out. The desired average grade is E-3.24 whereas the actual was E-3.41. The average YOS for the objective is 4.1 whereas the CY 76 actual was 4.6 years. The objective versus the actual FY 76 inventory grade is reflected in Table 4-26.

Table 4-26

USMCR
ENLISTED GRADE PROFILE VARIANCES



MILITARY GRADE	E1 TO E3	E-4	E-5	E-6	E-7	E-8	E-9	TOTALS
OBJECTIVE	20,757	6,101	3,591	1,763	1,099	554	181	38,086
ACTUAL	14,667	4,240	4,721	1,826	776	471	150	26,851
VARIANCE	-6,090	-1,861	+1,130	+63	-323	-83	-31	-7,105
% VARIANCE	-29%	-30%	+31%	+4%	-29%	-15%	-17%	-21%

SOURCES: OBJECTIVE - USMCR
ACTUAL - RCPDS

AS OF: OBJECTIVE - FY 83
DATES: ACTUAL - 31 DECEMBER 76

ANG PROFILE COMPARISONS

ANG Officers

The profile comparison for the ANG shows the force to be more like the USNR than the ARNG or USAR. This is not unexpected because all have a need for many highly trained and experienced technical personnel. The desired training and experience are obtained by acquiring a high percentage of PS personnel.

Accessions. As mentioned, the ANG relies very heavily on PS accessions. The CY 76 total PS accessions, however, were slightly higher than desired and the NPS accessions were considerably lower than desired. The desired NPS/PS accession ratio is 23/77 which was significantly different from the 4/96 that was actually achieved. All of the PS accessions are desired in the 5 through 8 YOS groups; however, only 38% of the CY 76 accessions occurred in this group while an equal percentage were joined with more than 8 years of commissioned service. Accession data are displayed in Table 4-27. The practice of taking in more PS than desired to meet the end strength has adverse affects on promotion opportunity and age of the force. The NPS accessions

Table 4-27

ANG
OFFICER ACCESSIONS BY YOCS

YOCS	OBJECTIVE	ACTUAL	VARIANCE	% VARIANCE
0+ < 1	248	42	-206	-83.1
1+ < 2	0	37	37	*****
2+ < 3	0	17	17	*****
3+ < 4	0	18	18	*****
4+ < 5	384	44	-340	-88.5
5+ < 6	96	86	-10	-10.4
6+ < 7	277	139	-138	-49.8
7+ < 8	70	116	46	65.7
8+ < 9	0	124	124	*****
9+ < 10	0	90	90	*****
10+ < 11	0	67	67	*****
11+ < 12	0	48	48	*****
12+ < 13	0	36	36	*****
13+ < 14	0	32	32	*****
14+ < 15	0	17	17	*****
15+ < 16	0	7	7	*****
16+ < 17	0	9	9	*****
17+ < 18	0	9	9	*****
18+ < 19	0	13	13	*****
19+ < 20	0	5	5	*****
20+ < 21	0	10	10	*****
21+ < 22	0	14	14	*****
22+ < 23	0	12	12	*****
23+ < 24	0	4	4	*****
24+ < 25	0	1	1	*****
25+ < 26	0	3	3	*****
26+ < 27	0	1	1	*****
27+ < 28	0	1	1	*****
28+ < 29	0	2	2	*****
29+ < 30				
30+ < 31				
31+ < 32				
32+ < 33				
33+ < 34				
34+ < 35				
35+ < 36				
36+ < 37				
37+ < 38				
38+ < 39				
39+ < 40				
TOTALS	1075	1004	-71	-6.6

Actual Annual Accessions as of 31 September 1976

were 83% short of the objective. The overall accessions were only 7% off the desired number.

Losses. The ANG is losing approximately the desired numbers of officers; however, it is losing slightly more of O-1 through O-3 and, consequently, more losses in the first six YOS than desired. The objective is that of all officer losses, no more than 9% have six years or less and no more than 56% be in grades O-3 or lower. However, in CY 76, 14% had six years or less and 57% were O-3's or lower. This implies that the ANG officers are completing their military obligations in concert with the ANG loss objectives profile. The desired overall annual turnover rate for the ANG is 9% which compares favorably to the actual of 10%.

Grade and Years of Commissioned Service. The objective officer non-career/career mix is 18/82 and the actual is 14/86. Table 4-28 provides a YOS comparison. This indicates a desire for a more mature experienced officer corps which they are obtaining. The grade distribution shortages are occurring in the O-1 through O-4 in significant numbers, approximately 2300 or 20% of the force. These shortages are partially offset by too many O-5 and O-6's (see Table 4-29.)

Table 4-28

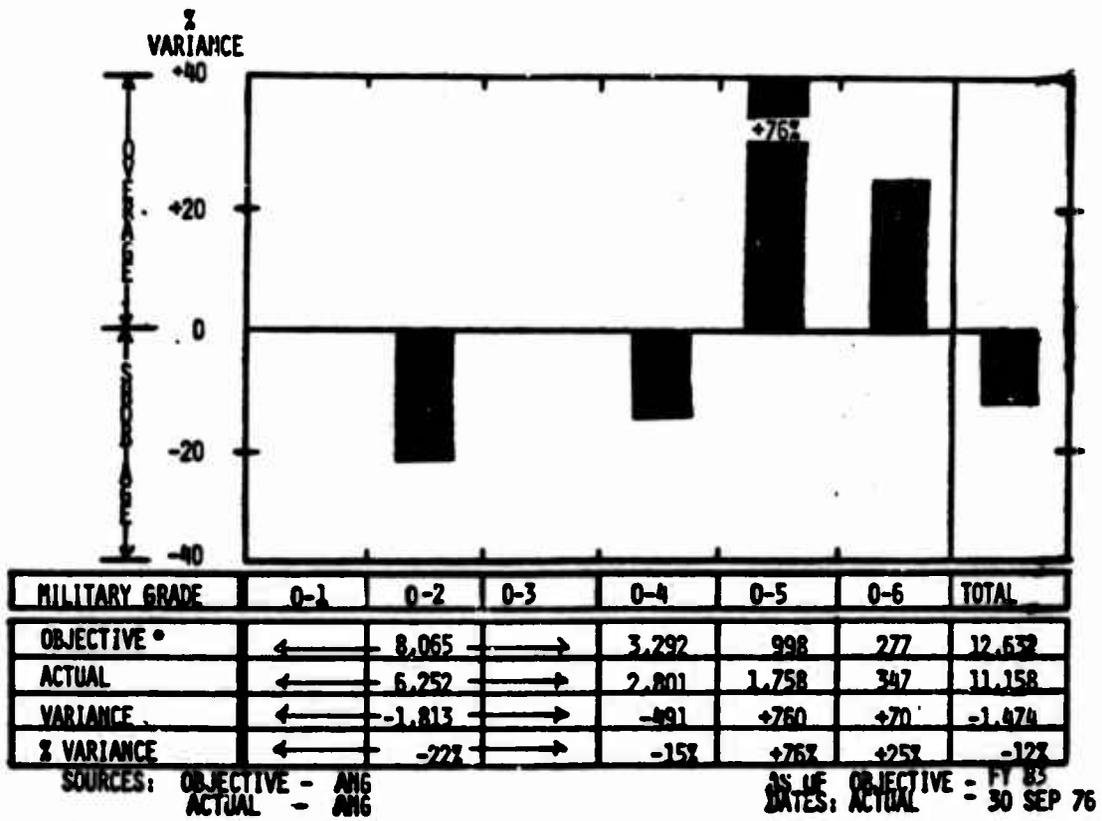
ANG
OFFICER YOCS DISTRIBUTION

YOCS	OBJECTIVE	ACTUAL	VARIANCE	% VARIANCE
0+ < 1	242	139	-103	-42.6
1+ < 2	236	161	- 75	-31.8
2+ < 3	230	207	- 23	-10.0
3+ < 4	224	252	28	12.5
4+ < 5	602	336	-266	-44.2
5+ < 6	683	491	-192	-28.1
6+ < 7	909	387	-322	-35.4
7+ < 8	910	609	-301	-33.1
8+ < 9	842	691	-151	-17.9
9+ < 10	779	803	24	3.1
10+ < 11	740	654	- 86	-11.6
11+ < 12	703	577	-126	-17.9
12+ < 13	668	489	-179	-26.8
13+ < 14	634	640	6	.9
14+ < 15	603	476	-127	-21.1
15+ < 16	452	373	- 79	-17.5
16+ < 17	429	322	-107	-24.9
17+ < 18	408	294	-114	-27.9
18+ < 19	388	323	- 65	-16.8
19+ < 20	368	340	- 28	- 7.6
20+ < 21	350	403	53	15.1
21+ < 22	332	482	150	45.2
22+ < 23	183	347	164	89.6
23+ < 24	164	247	83	50.6
24+ < 25	148	205	57	38.5
25+ < 26	133	140	7	5.3
26+ < 27	113	118	5	4.4
27+ < 28	90	65	- 31	-32.3
28+ < 29	34	30	- 4	-11.8
29+ < 30	29	317	268	993.1
30+ < 31	0	0	0	0.0
31+ < 32				
32+ < 33				
33+ < 34				
34+ < 35				
35+ < 36				
36+ < 37				
37+ < 38				
38+ < 39				
39+ < 40				
40+ < 41				
41+ < 42				
42+ < 43				
TOTALS	12632	11118	-1514	-12.0

Actual inventory as of 30 September 1976

Table 4-29

ANG
AIR NATIONAL GUARD
OFFICER GRADE PROFILE VARIANCES



The ANG desires 64% to be O-3's or below and actually experienced 56% in FY 76. If these shortages were filled, the non-career/career mix would be achieved. The desired average grade is O-3.3; and, the actual was O-3.5. Examination of the average YOS shows that the objective to be 12.3 while the FY 76 was actually 14.0. These are further indications of an aged and overgraded force. Analysis of Table 4-28 shows some major inconsistencies between the objective and actual YOS profiles, especially in the 1 through 19 YOS groups, which are short and the 20 through 25 and 30+ which have significant overages. Of the excesses in the 30+ year groups 82% are technicians.

ANG Enlisted

Comparison of the ANG enlisted objective profile relative to the FY 76 actual inventories shows many similarities to the officer profile comparisons; however, the magnitude of the variances is considerably greater.

Accessions. The ANG desires a high percentage of PS accessions. This permits the service to take continued advantage of the high technical training and experience received on active duty. The desired NPS/PS accession ratio of 30/70 was achieved in FY 76. However, the NPS and PS accessions were each 28%

lower than desired. The PS, who enter the ANG, are entering after the expiration of their military obligation (approximately 67%) when, in fact, demand for them occurred during the 4th to the 5th YOS. This practice tends to age the force and does not take full advantage of active duty training and experience. Table 4-30 presents the YOS accession comparison.

Losses. The FY 76 aggregate losses for the enlisted ANG was approximately 1% higher than the objective; however, 52% of those losses are in grades E1 to E4 while the objective calls for not more than 37%. The objective also shows only 32% of the losses are desired in year groups 0 to 6 and in FY 76 68% occurred here. The desired losses in the first year group are zero while in FY 76, 633 losses were experienced. Clearly, the concentration of losses is in the non-career category. The higher graded careerists, E-5 through E-9 are remaining in the force longer than desired. The objective turnover rate is 19%, while the actual FY 76 was 22%, again indicating slightly more losses than desired.

Grade and Years of Service Distribution. The objective profile shows 49% of the force are desired to be

Table 4-30

ANG
ENLISTED ACCESSIONS BY YOS

YOS	OBJECTIVE	ACTUAL	VARIANCE	% VARIANCE
0+ <1	5181	3736	-1445	-27.9
1+ <2	0	57	57	*****
2+ <3	0	684	684	*****
3+ <4	0	720	720	*****
4+ <5	12090	722	-11368	-94.0
5+ <6	0	667	667	*****
6+ <7	0	3123	3123	*****
7+ <8	0	709	709	*****
8+ <9	0	691	691	*****
9+ <10	0	364	364	*****
10+ <11	0	241	241	*****
11+ <12	0	140	140	*****
12+ <13	0	124	124	*****
13+ <14	0	103	103	*****
14+ <15	0	85	85	*****
15+ <16	0	56	56	*****
16+ <17	0	39	39	*****
17+ <18	0	24	24	*****
18+ <19	0	19	19	*****
19+ <20	0	17	17	*****
20+ <21	0	24	24	*****
21+ <22	0	18	18	*****
22+ <23	0	12	12	*****
23+ <24	0	15	15	*****
24+ <25	0	7	7	*****
25+ <26	0	4	4	*****
26+ <27	0	3	3	*****
27+ <28	0	2	2	*****
28+ <29	0	1	1	*****
29+ <30	0	1	1	*****
30+ <31	0	1	1	*****
31+ <32	0	1	1	*****
32+ <33	0	1	1	*****
33+ <34	0	0	0	0.0
34+ <35	0	3	3	*****
35+ <36	0	1	1	*****
36+ <37				
37+ <38				
38+ <39				
39+ <40				
TOTALS	17271	12415	-4856	-28.1

Actual Annual Accessions as of 30 September 1976

non-careerists (6 or less YOS) while 42% actually were, indicating only a slight overage in the career force. Table 4-31 provides the force YOS comparison. The grade distribution (Table 4-32) shows shortages occurred in all grades except E-1 through E-3. This may have been the result of slow promotions to E-4, or to a recent increased number of NPS and PS accessions in those grades. Analysis of the YOS objective profile versus the FY 76 inventory shows shortages in the first six year groups. This implies that there are too many E-1's to E-3's in the career force, past six YOS (six YOS is supposed to be the high year of tenure for those grades). Actually, 12% of the E-1's to E-3's are in the career force whereas the objective shows none are desired. Table 4-31 shows overages of personnel with 7 through 12 YOS approximately 50% short in the 13 to 21 year grouping, minor excesses in the 22 to 28 year grouping, and minor shortages 29 to 35 year grouping. The desired average grade is an E-4.9 whereas the actual was an E-4.7, which was influenced by the E-1 to E-3 overages. The desired average YOS is 9.9 years while the actual was 9.9 years on 30 September 76.

Table 4-31

ANG
ENLISTED YOS DISTRIBUTION

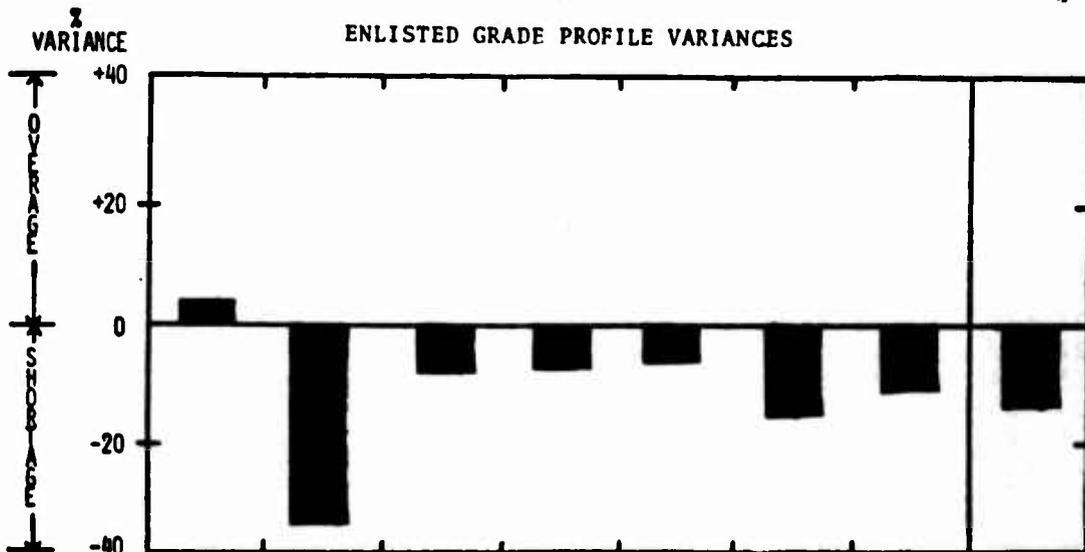
YOS	OBJECTIVE	ACTUAL	VARIANCE	% VARIANCE
0+<1	5181	3739	-1442	-27.8
1+<2	4559	3863	- 696	-15.3
2+<3	4011	3259	- 752	-18.7
3+<4	3690	3987	297	8.0
4+<5	15559	10476	-5083	-32.7
5+<6	11723	8250	-3473	-29.6
6+<7	5820	7032	1212	20.8
7+<8	4156	5567	1411	34.0
8+<9	2336	4345	1009	30.2
9+<10	2849	3774	925	32.5
10+<11	2613	3410	797	30.5
11+<12	2415	2337	- 78	- 3.2
12+<13	2231	1648	- 583	-26.1
13+<14	2119	1428	- 691	-32.6
14+<15	2013	1077	- 936	-46.5
15+<16	1918	985	- 933	-48.6
16+<17	1828	938	- 890	-48.7
17+<18	1774	895	- 879	-49.5
18+<19	1720	834	- 886	-51.5
19+<20	1669	1111	- 558	-33.4
20+<21	1294	1093	- 201	-15.5
21+<22	1255	1370	115	9.2
22+<23	1217	1455	233	19.6
23+<24	1180	1281	101	8.6
24+<25	1145	1158	13	1.1
25+<26	1107	1125	18	1.6
26+<27	479	628	149	31.1
27+<28	455	645	190	41.8
28+<29	433	615	182	42.0
29+<30	411	388	- 23	- 5.6
30+<31	391	342	- 49	-12.5
31+<32	364	317	- 47	-12.9
32+<33	339	304	- 35	-10.3
33+<34	317	259	- 58	-18.3
34+<35	295	144	- 151	-51.2
35+<36	276	58	- 218	-79.0
36+<37	0	58	- 56	*****
37+<38				
38+<39				
39+<40				
TOTALS	92,142	80,193	-11,949	-13.0

Actual inventory as of September 1976

Table 4-32

ANG

ENLISTED GRADE PROFILE VARIANCES



MILITARY GRADE	E1 to E3	E-4	E-5	E-6	E-7	E-8	E-9	TOTALS
OBJECTIVE	12,555	26,870	26,335	15,488	7,395	2,587	912	92,142
ACTUAL	13,077	17,739	24,144	14,442	6,974	2,204	813	79,393
VARIANCE	+522	-9,131	-2,191	-1,046	-421	-383	-99	-12,749
% VARIANCE	+4%	-34%	-8%	-7%	-6%	-15%	-11%	-14%

SOURCES: OBJECTIVE - ANG
 ACTUAL - ANG

AS OF: OBJECTIVE - FY 83
 DATES: ACTUAL - 30 SEP 76

USAFR PROFILE COMPARISION

USAFR Officers

The profiles of the USAFR resemble very closely the ANG. There is a great propensity for an older more experienced force than is the case for the land combat forces.

Accessions. The USAFR relies very heavily on PS accessions as was the case with the ANG. The NPS/PS accession ratio was 11/89 while the objective is 7/93. The total accessions were over the desired by 303 or 48%; both NPS and PS accessions were over the desired numbers. All PS accessions are desired in year groups 4 through 8 and in grade O-3; however 41% were in the 9 plus year groups and 10% were O-4 or higher. A comparison of accessions by YOS is presented in Table 4-33. This practice has the adverse effect of aging the force and degrading promotion opportunity.

Losses. The USAFR is losing 67% more officers than desired. The principal losses are occurring in the grades of O-1 through O-3, approximately 85% more than desired. Of all officer losses, the objective shows only 7% are to have six or less YOS while the FY 76 percentage was 28%, four times higher. This

Table 4-33

USAFR
OFFICER ACCESSIONS BY YOCS

YOCS	OBJECTIVE	ACTUAL	VARIANCE	% VARIANCE
0+ < 1	45	102	57	120.7
1+ < 2	0	85	85	*****
2+ < 3	0	49	49	*****
3+ < 4	0	39	39	*****
4+ < 5	178	57	-121	-68.0
5+ < 6	44	57	13	29.5
6+ < 7	296	106	-190	-64.2
7+ < 8	74	98	24	32.4
8+ < 9	0	80	80	*****
9+ < 10	0	51	51	*****
10+ < 11	0	39	39	*****
11+ < 12	0	31	31	*****
12+ < 13	0	29	29	*****
13+ < 14	0	24	24	*****
14+ < 15	0	14	14	*****
15+ < 16	0	16	16	*****
16+ < 17	0	9	9	*****
17+ < 18	0	3	3	*****
18+ < 19	0	4	4	*****
19+ < 20	0	3	3	*****
20+ < 21	0	4	4	*****
21+ < 22	0	10	10	*****
22+ < 23	0	5	5	*****
23+ < 24	0	5	5	*****
24+ < 25	0	5	5	*****
25+ < 26	0	4	4	*****
26+ < 27	0	1	1	*****
27+ < 28	0	4	4	*****
28+ < 29	0	2	2	*****
29+ < 30	0	1	1	*****
30+ < 31	0	0	0	0.0
31+ < 32	0	1	1	*****
32+ < 33	0	1	1	*****
33+ < 34	0	0	0	0.0
34+ < 35	0	1	1	*****
35+ < 36				
36+ < 37				
37+ < 38				
38+ < 39				
39+ < 40				
40+ < 41				
41+ < 42				
42+ < 43				
TOTALS	637	940	303	47.6

Actual Annual Accessions as of 30 September 1976
Unit only

situation of losing the younger officers and keeping the older, is clearly not desired by USAFR personnel managers and requires more accessions than desired to keep strength up. The overall annual turnover rate for the officer corps was 18% while the objective is 11%. The USAFR officer corps is considerably less stable than the ANG.

Grades and Years of Commissioned Service. The objective officer non-career/career mix is 10/90 which compares to the actual of 11/89. The USAFR has been able to acquire their desired mature, experienced officer force. Table 4-31 provides a YOCS comparison. The grade distribution profile shows the only shortages are in grades O-4 and O-6, which were offset by overages in the other grades (See Table 4-32). The desired average grade for officers is O-3.3 which is also what it was in FY 76. The desired average years of commissioned service is 12.5 years which in FY 76 was 12.54 years. Table 4-34 reveals major inconsistencies between the objective and actual profiles. There are overages in the 2nd through 4th year and the 12+ year groups and shortages in 5th through 10th year groups. There are large overages in the 20th through 28th year groups.

Table 4-34

USAFR
OFFICER YOCS DISTRIBUTION

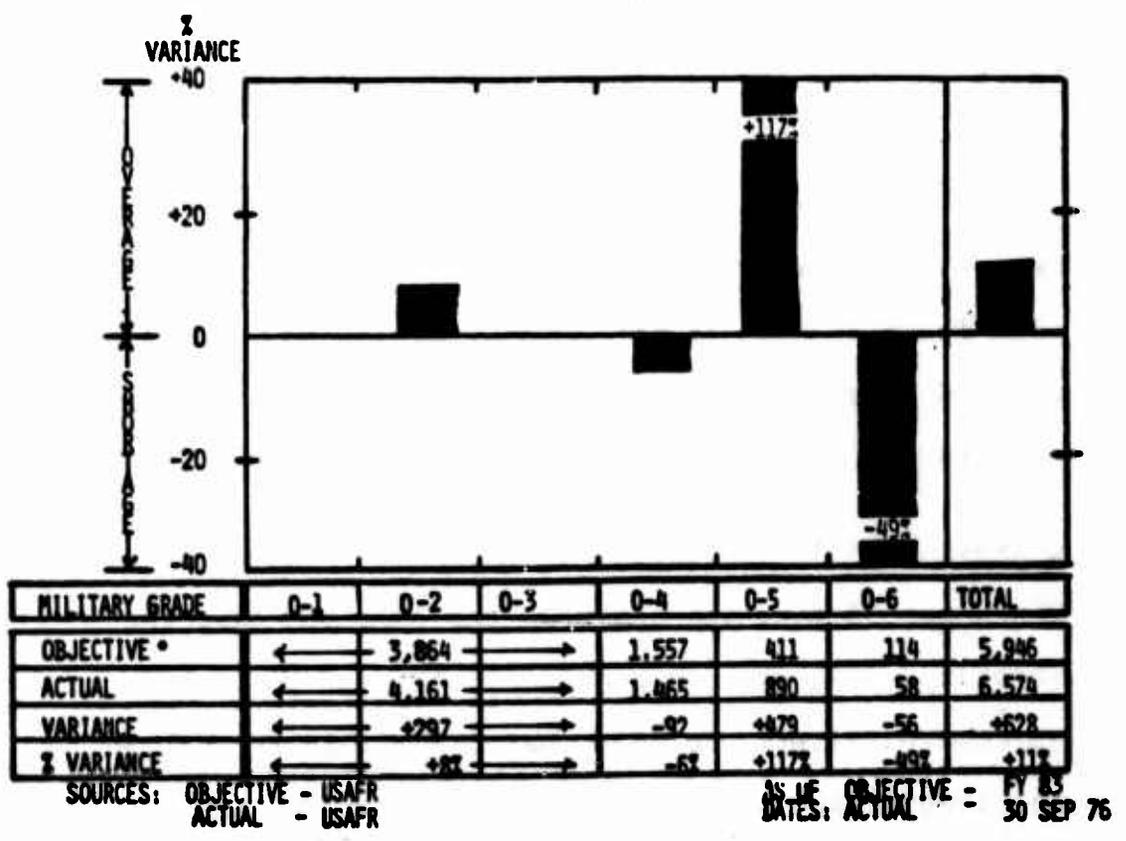
YOCS	OBJECTIVE	ACTUAL	VARIANCE	% VARIANCE
0+ <1	43	29	- 14	-32.6
1+ <2	41	52	11	26.8
2+ <3	39	109	70	179.5
3+ <4	37	92	55	148.6
4+ <5	212	111	-101	-47.6
5+ <6	246	248	2	.8
6+ <7	517	343	-174	-33.7
7+ <8	540	471	- 69	-12.8
8+ <9	486	439	- 47	- 9.7
9+ <10	437	489	52	11.9
10+ <11	404	410	6	1.5
11+ <12	374	333	- 41	-11.0
12+ <13	346	318	- 28	- 8.1
13+ <14	320	361	41	12.8
14+ <15	296	290	- 6	- 2.0
15+ <16	222	226	4	1.8
16+ <17	205	204	- 1	-.5
17+ <18	190	136	- 54	-28.4
18+ <19	176	132	- 44	-25.0
19+ <20	162	161	- 1	-.6
20+ <21	150	191	41	27.3
21+ <22	139	260	121	87.1
22+ <23	76	224	148	194.7
23+ <24	67	175	108	161.2
24+ <25	59	67	8	13.6
25+ <26	52	68	16	30.8
26+ <27	44	39	- 5	-11.4
27+ <28	39	15	- 24	-61.5
28+ <29	14	8	- 6	-42.9
29+ <30	13	1	- 12	-92.3
30+ <31	0	3	3	*****
31+ <32	0	2	2	*****
32+ <33	0	0	0	0.0
33+ <34	0	1	1	*****
34+ <35	0	1	1	*****
35+ <36				
36+ <37				
37+ <38				
38+ <39				
39+ <40				
40+ <41				
41+ <42				
42+ <43				
TOTALS	5946	6009	63	1.1

Actual inventory as of 30 September 1976

Unit only

Table 4-35

USAFR
OFFICER GRADE PROFILE VARIANCES



Unit only

USAFR Enlisted

The USAFR enlisted force is similar to the ANG enlisted in that it requires very technical and experienced personnel. The enlisted force is 14% under strength.

Accessions. The USAFR, like the ANG, desires a high percentage of PS to take full advantage of their active duty training and experience. The desired NPS/PS accession ratio is 30/70 which was actually achieved in FY 76; however the total number of accessions was short by 30%. The PS are entering in later year groups than are desired. Analysis shows that 50% of the PS accessions enter year groups where there is no demand (See Table 4-36). Thirty percent of the PS accessions entered in grade E-5 or higher. This practice greatly reduces the opportunities for promotion for NPS personnel.

Losses. The FY 76 aggregate losses for the enlisted USAFR was 9% over the desired, and like the ANG, the majority, 57%, were in grades E-1 through E-4. The objective reflects no more than 27% should be lost in the lower grades. The actual percent of losses occurring with six years or less was 70% while the desired is that not more than 44% are to have six or fewer years. The less than one YOS year group is a critical area for most components. The USAFR desires no losses in this year group; however, it

Table 4-36

USAFR
ENLISTED ACCESSIONS BY YOS

YOS	OBJECTIVE	ACTUAL	VARIANCE	% VARIANCE
0+ <1	3089	2189	-900	-29.1
1+ <2	0	18	18	*****
2+ <3	0	285	285	*****
3+ <4	0	324	324	*****
4+ <5	7208	817	-6391	-88.7
5+ <6	0	590	590	*****
6+ <7	0	1589	1589	*****
7+ <8	0	339	339	*****
8+ <9	0	366	366	*****
9+ <10	0	147	147	*****
10+ <11	0	112	112	*****
11+ <12	0	76	76	*****
12+ <13	0	76	76	*****
13+ <14	0	47	47	*****
14+ <15	0	38	38	*****
15+ <16	0	43	43	*****
16+ <17	0	30	30	*****
17+ <18	0	12	12	*****
18+ <19	0	13	13	*****
19+ <20	0	18	18	*****
20+ <21	0	21	21	*****
21+ <22	0	17	17	*****
22+ <23	0	13	13	*****
23+ <24	0	11	11	*****
24+ <25	0	8	8	*****
25+ <26	0	4	4	*****
26+ <27	0	3	3	*****
27+ <28	0	4	4	*****
28+ <29	0	3	3	*****
29+ <30	0	3	3	*****
30+ <31	0	5	5	*****
31+ <32	0	1	1	*****
32+ <33	0	0	0	0.0
33+ <34	0	1	1	*****
34+ <35	0	0	0	0.0
35+ <36	0	1	1	*****
36+ <37	0	4	4	*****
37+ <38				
38+ <39				
39+ <40				
TOTALS	10297	7228	-3069	-29.6

Actual Annual Accessions as of September 1976
Unit only

experienced 67%. This implies a continuation rate of 70%. The overall loss rate was 31% while the objective is 25%.

Grade and YOS. The objective non-career/career mix is 57/43 while the actual was 42/58. Table 4-37 displays a comparison of all YOS groups. This objective shows a desire for an experienced force, but in actuality the USAFR has had to be slightly over dependent on careerists at the expense of the younger, lower graded non-career personnel. The grade shortages are in E-4 through E-9 and overages in the E-1 to E-3 (See Table 4-38). This was the same condition as in the ANG. Analysis of the YOS objective profile versus the FY 76 inventory shows shortages in the first six YOS; especially in the fifth and sixth (Table 4-37.) This results from insufficient NPS accessions and not accessing PS personnel in these year groups. There is an excess in the 7th through the 12th year groups which is typical throughout the reserves. Shortages also exist in the 13th through 20th years and excesses in 21st through 25th.

Table 4-37

USAFR
ENLISTED YOS DISTRIBUTION

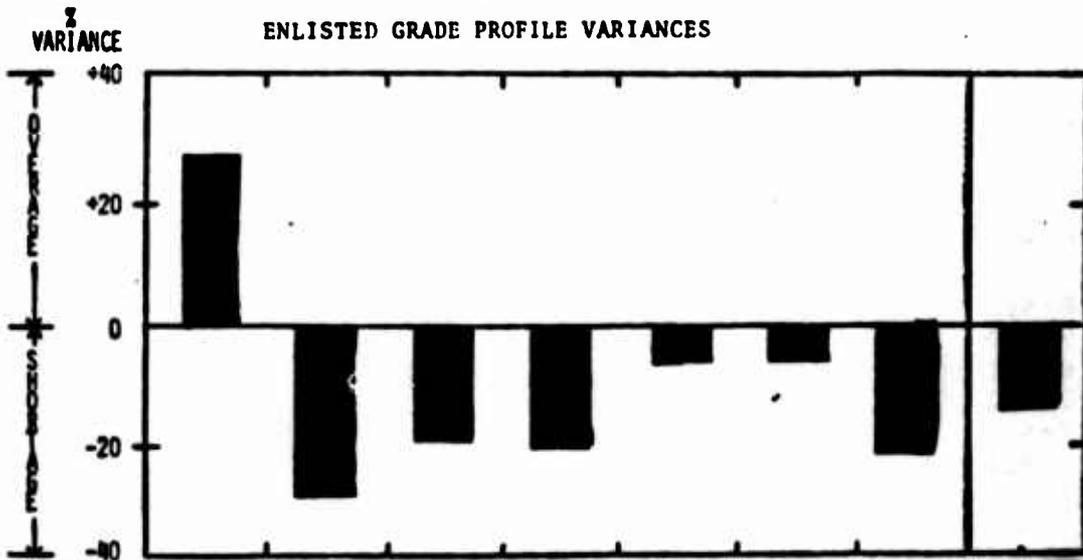
YOS	OBJECTIVE	ACTUAL	VARIANCE	% VARIANCE
0+ < 1	3089	2194	-895	-29.0
1+ < 2	2470	2190	-280	-11.3
2+ < 3	1976	1747	-229	-11.6
3+ < 4	1778	1484	-294	-16.5
4+ < 5	8809	3461	-5348	-60.7
5+ < 6	5765	4063	-1682	-29.2
6+ < 7	2527	3306	779	30.8
7+ < 8	1871	2801	930	49.7
8+ < 9	1411	1992	581	41.2
9+ < 10	1139	1681	542	47.6
10+ < 11	1045	1581	536	51.3
11+ < 12	957	856	-101	-10.6
12+ < 13	879	695	-184	-20.9
13+ < 14	807	537	-270	-33.5
14+ < 15	742	601	-141	-19.0
15+ < 16	682	527	-155	-22.7
16+ < 17	628	441	-187	-29.8
17+ < 18	577	407	-170	-29.5
18+ < 19	548	461	-87	-15.9
19+ < 20	520	431	-89	-17.1
20+ < 21	457	479	22	4.8
21+ < 22	419	576	157	37.5
22+ < 23	387	546	159	41.1
23+ < 24	355	579	224	63.1
24+ < 25	327	599	272	83.2
25+ < 26	300	374	74	24.7
26+ < 27	165	160	-5	-3.0
27+ < 28	152	181	29	19.1
28+ < 29	139	172	33	23.7
29+ < 30	128	128	0	0.0
30+ < 31	119	103	-16	-13.4
31+ < 32	108	56	-52	-48.1
32+ < 33	100	75	-25	-25.0
33+ < 34	92	92	0	0.0
34+ < 35	84	41	-43	-51.2
35+ < 36	77	18	-59	-76.6
36+ < 37	0	12	12	*****
37+ < 38				
38+ < 39				
39+ < 40				
OTHER				
TOTALS	41,629	35,607	-5,962	-14.3

Actual inventory as of September 1976
Unit only

Table 4-38

USAFR

ENLISTED GRADE PROFILE VARIANCES



MILITARY GRADE	E1 to E3	E-4	E-5	E-6	E-7	E-8	E-9	TOTALS
OBJECTIVE	5,563	11,706	12,378	6,854	3,774	954	850	41,629
ACTUAL	7,135	8,824	10,024	5,459	3,485	893	357	35,777
VARIANCE	+1,572	-3,282	-2,354	-1,395	-289	-61	-93	-5,852
% VARIANCE	+28%	-28%	-19%	-20%	-6%	-6%	-21%	-10%

SOURCES: OBJECTIVE - USAFR
 ACTUAL - USAFR

AS OF: OBJECTIVE - FY 85
 DATES: ACTUAL - 30 SEP 76

Unit only

USCGR PROFILE COMPARISONS

USCGR Officers

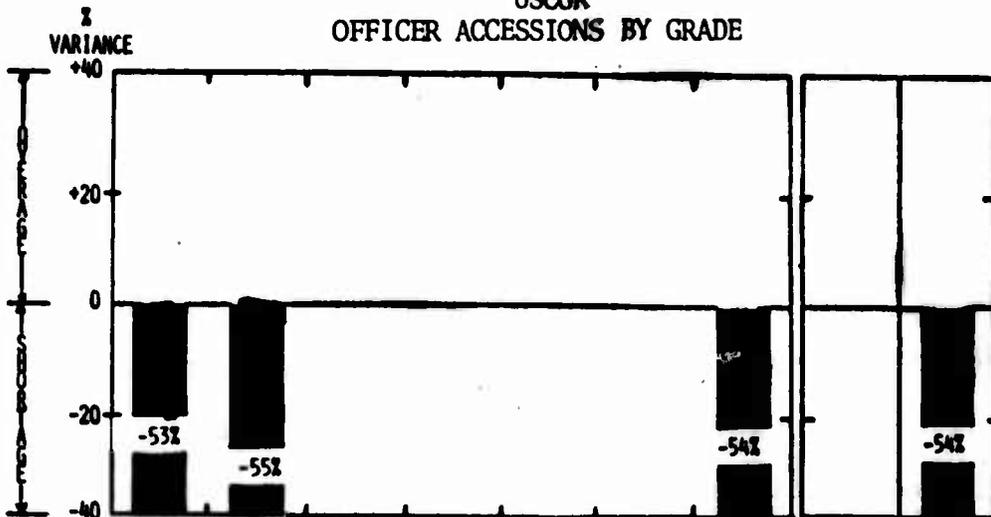
The USCGR overall officer strength is short 789. This shortage is, however, because of fiscal constraints rather than recruiting or retention problems.

Accessions. The USCGR is unique in that all of its accessions are PS; there are no NPS nor does the objective show a desire for any. The objective and actual CY 76 accessions were all 0-1 and 0-2; however, the accessions were short of the objective by 77 (54%). Table 4-39 presents the accession posture by grade. The PS accessions are desired in the 3rd through the 9th YOS and these were the year groups where the CY 76 accessions actually entered.

Losses. The USCGR objective profile shows a clear desire to lose 180% more 0-4 through 0-6 than actually occurred in CY 76. The desired and actual 0-1 and 0-2 losses are insignificant. The overall officer annual turnover rate was 5% whereas the desired is 7%. This turnover rate is indicative of a highly stable officer corps.

Table 4-39

USCGR
OFFICER ACCESSIONS BY GRADE



PRIOR SERVICE	0-1	0-2	0-3	0-4	0-5	0-6	TOTAL	GRAND TOTAL	GRAND TOTAL
OBJECTIVE *	53	89					142		142
ACTUAL	25	40					65		65
VARIANCE	-28	-49					-77		-77
% VARIANCE	-53%	-55%					-54%		-54%

SOURCES: OBJECTIVE - USCGR/RCSS
 ACTUAL - USCGR
 * REQUIREMENTS BASED

AS OF DATES: OBJECTIVE - FY 83
 ACTUAL - CY ENDING 31 Dec 76

Grade and Years of Commissioned Service. The desired non-career/career mix is 7/93 while the actual is 9/91. This indicates slightly more people in the 1st through 6th years than desired. A look at the USCGR high years of tenure (Table 4-1) shows they are so high as to be completely out of step with the DoD components, and suggests that there are "NO" limits to how long an officer can stay in the Reserve (except for ROPA). Analysis of the YOCS profile (Table 4-40) shows no major discrepancies in the first five year groups; however, major variances occur in the 6th through 32nd years. A major valley (shortfall) occurs in the 12th through 18th year groups which have less than half the desired strength. The average grade for the USCGR was O-3.3 whereas the desired is O-2.6. The average years of commissioned service was 14.7 years whereas the desired is 14.3 years. Grade variances are presented in Table 4-41 and reveal significant excesses in O-4's and O-5's. This condition exists even in view of the fiscal considerations which have created an overall smaller corps than that presented in the objective.

USCGR Enlisted

The USCGR aggregate enlisted strength is short approximately 2,352. As in the case with the officers, this shortage is created primarily because of fiscal

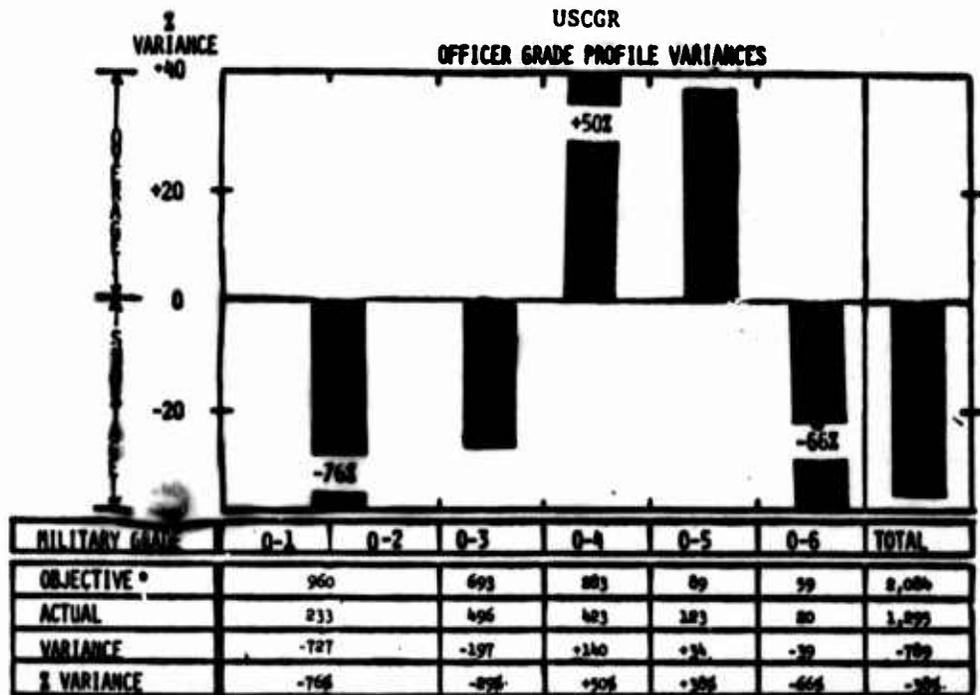
Table 4-40

USCGR
OFFICER YOCS DISTRIBUTION

YOCS	OBJECTIVE	ACTUAL	VARIANCE	% VARIANCE
0+ < 1	6	7	1	16.7
1+ < 2	6	4	-2	-33.3
2+ < 3	4	5	1	25.0
3+ < 4	5	10	5	100.0
4+ < 5	39	17	-22	-56.4
5+ < 6	85	71	-14	-16.5
6+ < 7	94	69	-5	-5.3
7+ < 8	99	79	-20	-20.2
8+ < 9	102	67	-35	-34.3
9+ < 10	97	83	-14	-14.4
10+ < 11	98	90	-8	-8.2
11+ < 12	115	49	-66	-57.4
12+ < 13	134	44	-90	-67.2
13+ < 14	132	41	-91	-68.9
14+ < 15	113	48	-65	-57.5
15+ < 16	108	57	-51	-47.2
16+ < 17	104	73	-31	-29.8
17+ < 18	91	55	-36	-39.6
18+ < 19	78	72	-6	-7.7
19+ < 20	53	61	8	15.1
20+ < 21	59	51	-8	-13.6
21+ < 22	65	41	-24	-36.9
22+ < 23	56	30	-26	-46.4
23+ < 24	46	44	-2	-4.3
24+ < 25	47	41	-6	-12.8
25+ < 26	40	31	-9	-22.5
26+ < 27	36	14	-22	-61.1
27+ < 28	29	8	-21	-72.4
28+ < 29	21	8	-13	-61.9
29+ < 30	18	0	-18	-100.0
30+ < 31	17	1	-18	-94.1
31+ < 32	19	4	-15	-78.9
32+ < 33				
33+ < 34				
34+ < 35				
35+ < 36				
36+ < 37				
37+ < 38				
38+ < 39				
39+ < 40				
40+ < 41				
41+ < 42				
42+ < 43				
TOTALS 2016		1295	-721	-35.8

Actual inventory as of 31 December 1976

Table 4-41



SOURCES: OBJECTIVE - USCGR/RESS
ACTUAL - USCGR

AS OF OBJECTIVE: FY 83
DATES: ACTUAL: 31 DEC 78

*REQUIREMENTS BASED ON RESERVE MANPOWER MOBILIZATION REQUIREMENTS

constraints. In general, the USCGR has been able to acquire a force commensurate with money available; however, the necessary distribution of YOS and grade have not always been possible.

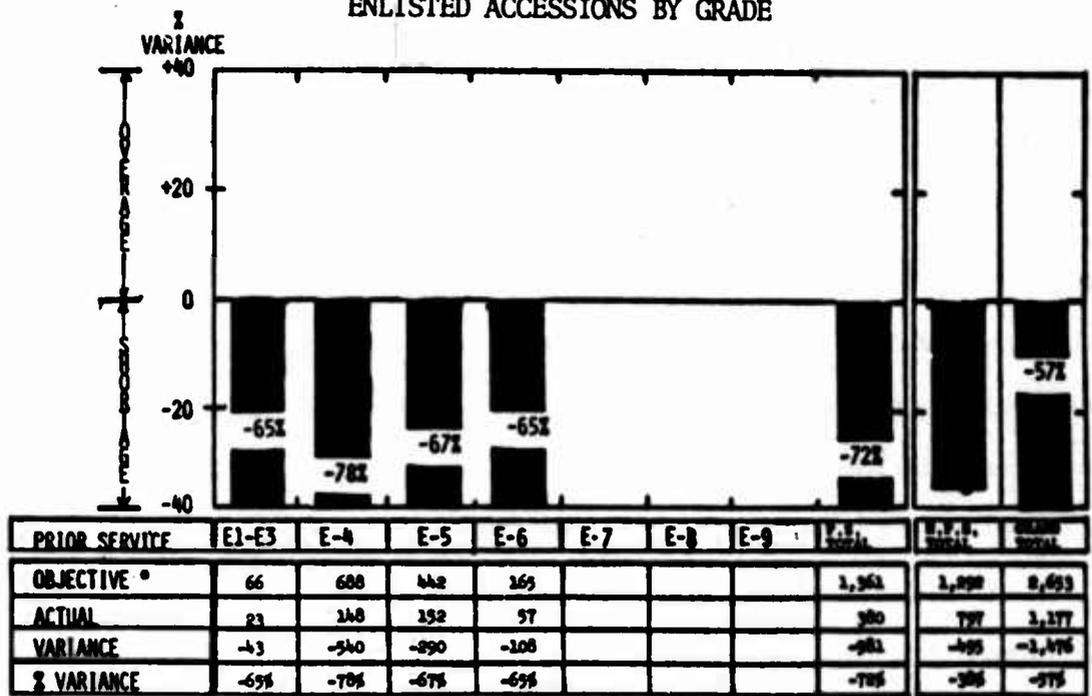
Accessions. The USCGR would like an NPS/PS accessions ratio of 49/51 whereas the actual was 68/32. This indicates a desire for more experienced personnel and less dependence on NPS. The NPS and PS objective accession were short by 72% and 38% respectively. The total accession shortage was 57% solely a reflection of available dollars. The PS enlistments entered the force during the desired years and with the desired grades (See Table 4-42).

Losses. The actual CY 76 losses were more than the accessions by 522, indicating a declining strength. Not enough losses occur in every grade; but, disproportionately more E-4's are dropping out than any other grade. The overall annual turnover rate for the enlisted was 16% whereas the desired is 20%. The enlisted force, like the officer corps is exceptionally stable when compared to DOD components.

Grade and YOS Distribution. The objective profile shows a non-career/career mix of 43/57 while the actual CY 76 was also 43/57. All grades are

Table 4-42

USCGR
ENLISTED ACCESSIONS BY GRADE



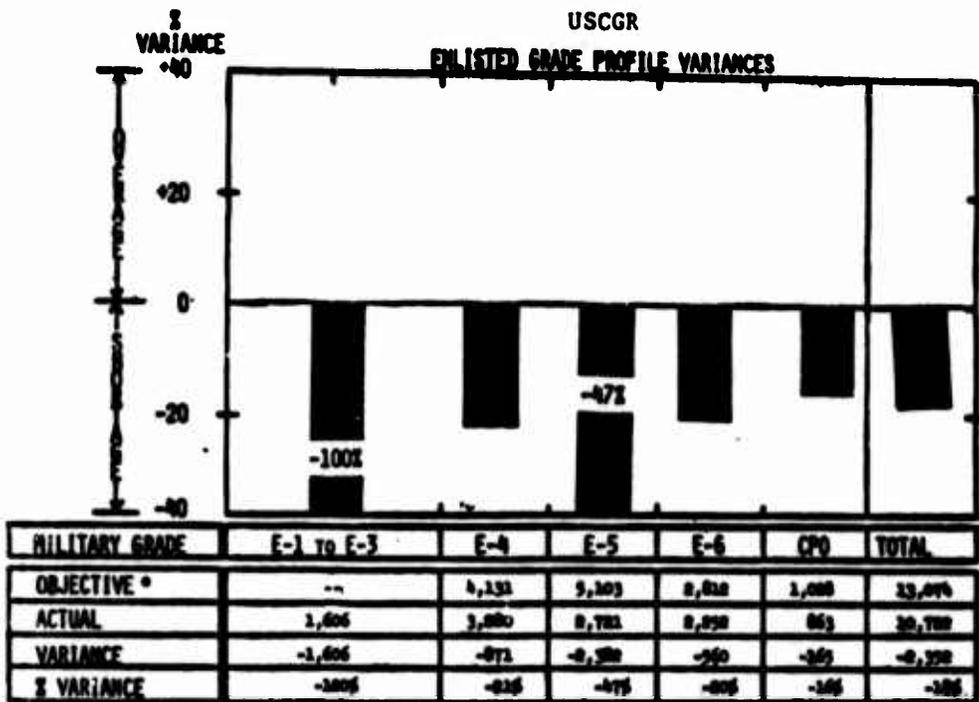
SOURCES: OBJECTIVE - USCGR/RCOB
ACTUAL - USCGR
*REQUIREMENTS BASED

AS OF DATES: OBJECTIVE - BY 83
ACTUAL - BY 83/84
31 MAR 76

short owing to fiscal constraints and are reflected in Table 4-43. The average grade for CY 76 was E-4.6 while the desired is E-4.5. The grade distribution shows a desire to have 71% of the enlisted personnel in grades E-5 and below which was exactly what they achieved in CY 1976.

Analysis of the YOS profile depicts shortages in the 1st through 4th YOS group, overages in the 5th through 12th, and shortages out to 32 years. Specific year group data are provided in Table 4-44. This variance profile is consistent with those exhibited in the DoD components with the exception of the shortfall beyond the 27th YOS. From this it can be concluded that the USCGR has had the same or similar historical influences that have effected the DoD forces and should be responsive to adjustments just as other Reserve Components.

Table 4-43



SOURCES: OBJECTIVE - USCGR/NESS
ACTUAL - USCGR

AS OF OBJECTIVE: FY 83
DATES, ACTUAL: 31 Dec 76

*EXCLUSIONS BASED ON RESERVE MANPOWER MOBILIZATION REQUIREMENTS

Table 4-44

USCGR
ENLISTED YOS DISTRIBUTION

YOS	OBJECTIVE	ACTUAL	VARIANCE	% VARIANCE
0+ <1	1221	783	-438	-35.9
1+ <2	1443	651	-792	-54.9
2+ <3	1075	451	-624	-58.0
3+ <4	847	331	-516	-60.9
4+ <5	479	1118	639	133.4
5+ <6	546	1290	744	136.3
6+ <7	654	1081	427	65.3
7+ <8	753	1004	251	33.3
8+ <9	703	773	70	10.0
9+ <10	676	769	93	13.8
10+ <11	796	521	-275	-34.5
11+ <12	814	420	-394	-48.4
12+ <13	636	212	-424	-66.7
13+ <14	578	148	-430	-74.4
14+ <15	473	120	-353	-74.6
15+ <16	420	88	-332	-79.0
16+ <17	247	111	-136	-55.1
17+ <18	198	98	-100	-50.5
18+ <19	91	117	26	28.6
19+ <20	66	94	28	42.4
20+ <21	57	92	35	61.4
21+ <22	42	69	27	64.3
22+ <23	59	75	16	27.1
23+ <24	45	80	35	77.8
24+ <25	56	56	0	0.0
25+ <26	38	42	4	10.5
26+ <27	34	24	-10	-29.4
27+ <28	25	22	-3	-12.0
28+ <29	26	20	-6	-23.1
29+ <30	26	19	-7	-26.9
30+ <31	19	12	-7	-36.8
31+ <32	32	31	-1	-3.1
32+ <33				
33+ <34				
34+ <35				
35+ <36				
36+ <37				
37+ <38				
38+ <39				
39+ <40				
OTHER				
TOTALS	13175	10722	-2453	18.6
Actual inventory as of December 1976				

E - OBJECTIVE PERSONNEL PROFILES COMPARED TO PROJECTED INVENTORIES

GENERAL

The RCSS effort to evaluate the current compensation practices and to develop a new system of compensation has demanded an examination of Reserve personnel inventories and what they might look like in the future. To this end, RCSS had to construct a computer model to be able to project the inventory 20 years into the future. Then the Study Group compared those projected inventories with the static objective profiles (as set forth for each of the components earlier in this Chapter).

Ideally, each of the characteristics outlined in Section B of this Chapter to describe the objective profile should be projected by managers. Pragmatically, however, predicting the future for so many characteristics was beyond realistic consideration in the time available. Therefore, the RCSS selected the YOS characteristics as the single most useful dimension for the projection.

To make these projections of inventories and the resultant comparisons, the RCSS made certain assumptions relative to accessions, losses, and other personnel management policies.

The assumptions carrying through the 20-year projection were:

- FY 77 accession levels would be repeated each year;
- FY 77 continuation rates (percentage of one year group who continued to the next) would be repeated each year;
- Manpower, personnel, and compensation legislation and component operating policies would continue;
- The manpower requirement remains the same;
- The objective personnel profiles were held static.

These assumptions, knowingly, will cause projected inventory levels to be in error to the extent that accessions cannot be maintained at the FY 77 levels:

- Because demographic predictions depict a decline in the size of the 18-21 year-old population in the 1990's and;
- Because, although the reserves may acquire the same percentage of this group, the result would be a reduced number of NPS accessions;

- Because the influence of the AVF on the Active Force will reduce the size of the pool of veterans, correspondingly reducing the number of available PS candidates.

Empirical expression of these relationships would allow a more precise definition of future inventories and should be accomplished prior to making legislative proposals.

PROJECTION FINDINGS

Analysis of inventory projections compared with component objectives reveals that:

- Overall personnel strengths commensurate with objective will be achieved by only two components by FY 81;
 - During the next 20 years all but one component (USNR), will achieve its aggregate objective assuming force structures don't change during that time;
 - In general, YOS variances will exist through the 20 years projection
- The shortages in the early years of service

remain under the fixed accession assumption and would probably get appreciably larger should an empirical relationship be established to reduce the expected accession levels;

- Shortages in the middle years of service (12 to 20) do become overages as the current inventory ages and fills the lower number of high year requirements;
- The variances do shift slightly throughout the 40-year life cycle and the magnitudes change to the extent the aggregate inventory levels increase or decrease.

ARNG Projections

Officers. In the aggregate, the ARNG officer shortfall increases from 900 to 1,000 during the next 20 years, which, considering a 28,101 man force, would still mean adequate manning. Some shortfalls will exist, however, in year groups 1-7 for the next 20 years. The variance does shift on out through the years and creates shortages by the 10th projection year in year groups 5 through 14. Slight excesses remain relatively stable in size through the 20 years

in most year groups after 20. The ARNG officer corps needs considerably more NPS and PS accessions and/or increased combination rates to meet stated objective profile.

Enlisted. In total numbers the ARNG enlisted force will reach the desired structure strengths by approximately the 11th projection year assuming, of course, accessions and continuations are stable at FY 77 experience. Shortages in year groups 1 through 6 persist throughout the 20 year projection. This causes sizable excesses in all year groups after the 6th. In essence, even at full strength, continuation of personnel in the 1-6 years must be improved to reach objectives. Further accession levels cannot conceivably remain at the FY 77 experience; they can only decline with the consequence being that the shortages in 1-6 will be accomplished without improved continuation. Finally, excess in the force after 6 YOS must be forced out if objectives are to be met, assuming no changes to the mobilization structure and subsequent personnel objectives.

USAR Projections

Officers. It appears that, if accessions could be maintained at FY 77 levels and that continuation of personnel were stable at the FY 77 experience level the USAR

officer corps would be at structure requirement levels by the 7th or 8th projection year (1983, 1984). The desired YOS distribution will not be achieved during the next 20 years. Chronic shortages exist in the first six YOS. This causes the force to be older than desired, since the aggregate structure manning is achieved after 1984. Though shortages exist in the 1 to 6 YOS, excesses will exist in most other year groups. This points to the continued need for loss management policy if continuation and accession level improvements can be made in the 1 to 6 years of service. It must be remembered that the objective has been stated for Troop Program Units (line officer personnel, only), and consequently, the projections made are for the same category of personnel. Appropriate consideration of other USAR officer requirements and personnel must be addressed at some later date.

USAR Enlisted. An almost identical condition to that expressed for USAR officers is expected to occur with the enlisted. However, the timing will be slightly delayed. Specifically, the aggregate required manning levels will not be achieved until approximately the 13th projection year or 1989. The YOS distribution is projected to be short in year groups, 1 to 6 during all projection years with excesses naturally occurring in out years after aggregate manning levels are achieved. Excesses in high YOS (beyond 25 YOS) occur throughout all projection years.

USNR Projections

As briefly discussed under assumptions, the structure force manpower requirements have been assumed to be stable. It is exceedingly difficult to project inventories realistically as the turmoil associated with major requirement shifts would cause many unquantifiable changes in the inventories. This stability assumption is a particularly relevant consideration in evaluating the USNR projections where, historically, turmoil has been a way of life.

USNR Officers. Not surprisingly, aggregate manning levels for the USNR officer corps continue to decline for 20 years based on the FY 77 continuation, to the point where, by 1996, the 19,000 man force would be 6,000 short. This shortage is concentrated in the younger YOS groups where the dependency has been on accessions. This condition would be particularly alarming since our assumption was that accessions were stable at FY 77 levels when in reality, as previously discussed, we expect the influence of the AVF to reduce a portion of these PS accessions.

USNR Enlisted. The aggregate projection of the USNR enlisted force shows the effects of recent instability in much the same manner as the officers. The inventories decline from 72.2 thousand in 1977 to 67.7 thousand

by 1996. This condition would, of course, be magnified should the FY 77 accession levels not be achieved throughout the next 20 years. The objective accession demands would not be necessary should the manpower structure be reduced. The internal YOS distribution shows chronic shortfalls in most year groups through 20 YOS with excesses through all projection years after approximately 23 years of service. This condition is critical in light of the Naval Reserve's desired dependence on PS accessions.

USMCR Projections

USMCR Officers. The USMCR officer inventory projections have been made using the stability assumptions outlined. This causes the inventory of officers in the Selected Reserve to grow from approximately 2,200 in FY 77 to 3,000 by 1996. This inventory projection would adequately accommodate the officer structure requirement of approximately 2,600 personnel. This is not to say, however, that the YOS distribution would be appropriate as the USMCR has not explicitly stated a YOS objective except to say that the current inventory is a close indication of its desires (see Section B of this Chapter).

No major variances are disclosed in comparing the current inventory to the 20 projection years. This is understandable in light of their current ability to choose officers for the Selected Reserve from the population serving on an unpaid basis in the VTU program. Presumably this capability must persist for the projections to be valid.

USMCR Enlisted. The aggregate USMCR enlisted force position improves by the fourth projection year (or 1980). In this projection year the USMCR enlisted have approximately 300 more than needed to support the structure force, absent budget constraints. This is not to imply that all is well or all would be well with respect to the YOS distribution objectives. To the contrary, the force will be short young enlisted personnel (1-6 YOS) through all projection years even if FY 77 accessions were achieved through all years. The variance magnitude does decrease with fixed accession but, in reality, if an empirical relationship were established that properly degraded accession levels the magnitude would probably increase.

ANG Projections

ANG Officers. In the aggregate it can be expected that the shortfall of ANG officers will grow larger through the 20 projection years in the absence of increased accessions or improved continuation. The inventory will decline from 11,094 (end FY 77 position) to 10,180 by 1996. This inventory is to satisfy a mobilization requirement of 12,623. With respect to the YOCS distribution, the shortfall is concentrated through all projection years in the 0 through 20 years of service groups. The shortages do get appreciably smaller in the 10th through 20th YOCS with time as do the excesses over 20 YOCS. Never, however, are the excesses over 20 YOCS negated through the projection period.

ANG Enlisted. By approximately the seventh projection year, 1983, the ANG should be capable of supporting the enlisted mobilization requirement of 92 thousand. This projection is, of course, made without regard to Congressional budget levels which would greatly influence any projection. The largest YOS variances occur at the 5th through 7th year groups and persist throughout the projection period.

Since the ANG is PS oriented, shortages in these year groups may prove harmful to force management as the available PS pools are expected to decline. Some shortages currently in year groups 14th through 22nd can be expected to disappear with time and in fact significant excesses will be created in the 20th to 30th YOS groups that will require effective loss management policies if objectives are to be achieved.

USAFR Projections

USAFR Officers. As with the other components, RCSS projected the entire Selected Reserve officer inventory. This had to be done because the available RCCPDS inventory data base did not differentiate between unit and non-unit officer personnel. Consequently, the projection could not be related to the officer unit program objective which was the only one provided by the USAFR. The total USAFR Selected Reserve officers could be expected to increase gradually through the projection period if accessions can be achieved at FY77 levels. A concentration of officers will occur in the 6th to 16th YOCS groups in the initial projection year with the concentration shifting up one year group each projection year. This shift would cause gradual excesses should the full Selected Reserve objective be established, since the full objective, if similar to the unit only objective, would require a static concentration from the 4th through the 14th YOCS. This is a natural reflection of the PS dependence. Notwithstanding, the number required in each YOCS would decline as the YOCS group increases. The requirement cannot shift as the force ages. Currently, a secondary concentration of personnel in the 23rd through 25 YOCS

groups exists and will age. This concentration must be managed if the unit only objective is an indication of the full objective. It should also be noted that a separate inventory projection accomplished by the USAFR shows no appreciable change in the aggregate inventory levels between the 1977 position and what they expect in 1983. Internal YOCS distribution of the expected 1983 inventory will, of course, have variances. Specifically, excesses in year groups 7 through 14 will exist that will accommodate smaller shortfalls in year groups 17 through 28. This should provide excellent promotion and continuation opportunity for USAFR unit officers.

USAFR Enlisted. If FY 77 accession levels could be maintained, the USAFR would be able to acquire the aggregate inventory required for the mobilization structure of the Selected Reserve by approximately the third projection year, 1979. If accessions change the aggregate levels and timing will change accordingly. In general, the RCSS projections as well as those conducted by the USAFR indicate aggregate inventory difficulties for the immediate future. It must be noted that the USAFR projection was accomplished assuming a declining accession pattern that causes the inventory to satisfy the aggregate objective by 1983. The YOS distribution

of the inventory relative to the objective will continue to show shortages in the 4 to 6 YOS groups through all projection years both under the RCSS and the USAFR assumptions. Excesses occur in other year groups after 6 YOS. In essence, the USAFR is expected to continue acquisition of their PS personnel later than desired by their objective. Excesses relative to the YOS distribution will persist in most year groups after 20 YOS that will require loss management action if objectives are to be satisfied. This condition occurs both in the RCSS projection for 20 years and with the USAFR projection for 1983.

USCGR Projections

As a result of the lack of consistent and accessible USCGR inventory data for FY 1976 and 1977 through the RCCPDS, the RCSS has not attempted a 20-year projection of this force. The USCGR did, upon RCSS request, provide a 1982 projection of both officer and enlisted personnel. These projections depict that the USCGR will have an aggregate force commensurate with the expected congressional funding levels by 1982. As the YOS distribution has not heretofore been a paramount consideration in USCGR force management, no determination has been made as to whether the 1982 YOS distribution is considered appropriate. The USCGR has recognized, however, that YOS management would be beneficial to personnel planners but the exact management emphasis to be applied had not yet been determined.

PRESENT COMPENSATION SYSTEM

FINDINGS

During the process of examining all the elements that constitute the present method of compensating reservists, the following findings became apparent:

- A system of reserve compensation does not currently exist, i.e., a series of elements designed to work in consonance with each of the other major elements to assist in reserve recruiting and retention in the All Volunteer Force environment.
- There are major differences in the labor market in which the reserves and Active Forces compete.
 - The reserves' primary competition for manpower is part-time employers in the civilian sector, and not the Active Forces.
 - Local labor market conditions (wages, income, employment, unemployment, etc.) have greater significance for the reserves than for the Active Forces.

- The relationship of reserve pay to the individual's earnings in primary and secondary (part-time) civilian employment is more relevant to reserve manning than the relationship between his/her reserve pay and that of the Active Force.
- Time spent in reserve activity is in addition to that which the most reservists spend in full-time civilian employment.
- Most reservists have basic benefits provided by their civilian employers.
- Cash income is more attractive to younger personnel than deferred income or benefits.
- Single reservists regard the distinction between the quarters entitlements for married and single personnel as inequitable.
- Reserve careers have been more attractive to officers than enlisted personnel.
- The present linkage upon which adjustments to reserve pay are based has resulted in lower proportionate increases for reservists than their active duty counterparts and is a detriment to reserve manning.

- Officer and enlisted pay at high YOS levels is probably higher than necessary.
- Pay is too low for junior enlisted personnel.
- Some features of reserve compensation during IDT do account for labor market differences.
 - Emphasis on cash pay for actual time worked (similar to salary system).
 - Limited in-kind benefits.
- Reservists performing identical or similar functions receive different pays, allowances, and benefits solely because of training status differences (IDT vs ADT), with no logical basis for the differentiation.
- At the present time, there is no educational assistance available to aid recruiting in the Reserve Components. There are no bonuses available either, except a very limited test of the reenlistment bonus for the Army National Guard and Army Reserve.

• Special and Incentive Pays are linked to active duty pay, are adjusted at very infrequent intervals, and are not related to reserve manning.

- The value of most of these pays has declined substantially in real terms (constant dollars) since instituted. For example, the value of Demolition Duty Pay, in constant dollars, has decreased by 57% since it was last adjusted in 1955.

- Administrative Duty Pay is non-functional because the dollar amount is insignificant, it hasn't been adjusted since instituted in 1920, and the duties for which it was originally intended have diminished

- Diving Pay and Demolition Duty Pay are non-functional items of reserve compensation because these pays are too low to have any appreciable affect on the supply of reservists, although shortages currently exist in these specialties.

- Parachute Duty Pay is non-functional because it appears to be unnecessary for reserve manning and it represents a small part of total annual reserve compensation.
- Flight Pay (crewmember) is neither excessive or inadequate but it does have the same objectionable features as most of the other special and incentive pays, namely, it is unrelated to reserve manning.
- Aviation Career Incentive Pay, in its present form, is a relatively new compensation element and it is difficult to determine its effectiveness, but it is linked to active duty entitlement and not related to reserve manning.
- Medical benefits for reservists differ significantly and vary unnecessarily by Reserve Component.
- There is currently no survivor benefit for reservists who have achieved 20 years of

retirement-creditable service and die before attaining age 60 and receiving the first retirement annuity check.

- FICA deductions are not currently made for IDT earnings, and thus such periods of training are not covered by Old Age and Survivor Disability Insurance (OASDI). This is inconsistent with the treatment of active military personnel and private sector practice.
- Title III (reserve) retirement has provided a retention incentive which has had an effect far beyond the needs or requirements of the components.
 - The current reserve retirement program is excessively costly.
 - Failure to charge the components with the accrued costs of retirement, or indeed even current costs, isolates decisions concerning deferred pay from cost considerations.

- The reserve retirement program has fostered an aging force to the extent that mobilization readiness may be impaired.
- The reserve retirement incentive is reinforced by the Federal Civil Service retirement program for technicians, who get both, and the two programs are incompatible. This has operated to delay career advancement opportunities to non-technician personnel as well as other technicians.
- There are minimal controls, either direct or indirect, on the access to retirement qualification. Participation is largely at the option of the individual.
- No comprehensive management system for the planning and control of reserve retirement is apparent.
- The shortages of personnel in the junior grades and years of service, which cause the overall strength shortfalls, lead the

components to retain senior officers and noncommissioned officers in excess of their objective. It appears this is being done to maintain overall strength as high as possible to prevent reductions in authorized strengths.

- The current combination of compensation elements is not cost-effective in that it achieves neither the total number nor the types of reservists needed to meet Selected Reserve manning objectives.

B - INTRODUCTION

Chapter II of this Report outlined the principles of a cost-effective compensation system for the Reserve Components. Chapters III and IV identified reserve manpower problems. These Chapters showed that although there are aggregate shortages, there are also some manpower surpluses; moreover, the shortages are not general, but differ by years of service, skill, component, and officer and enlisted. These findings provide strong evidence that present reserve compensation is not cost-effective for obtaining either the total number or the types of reservists needed. This does not imply that compensation is either the sole cause of these problems or the sole remedy, however, in this Chapter we show why existing reserve compensation is not structured to alleviate these problems and, in fact, in many respects aggravates them. This is necessary for an understanding of why the RCSS recommends the compensation system presented in Chapter VI.

The RCSS has recommended a system in the sense that every element has been considered in relation to the other elements and in the context of the primary function of the system, namely, the efficient manning of the reserves.

In the past, reserve compensation did not have to perform this function because conscription assured adequate manpower, at least in total numbers. At present, the word "system" may be applied only in the loosest sense as a description of a collection of compensation elements which have evolved over a long period of time through a series of piecemeal changes. Some elements were sensible responses to problems which existed at one time, but the element has been continued long after the original circumstances of the original need had changed. Many others are simply mechanical extensions of active duty provisions with no attention paid to their applicability to the reserves. These extensions are often inappropriate because of differences in Active and Reserve Force labor markets, as discussed in the next section of this Chapter.

The rest of this Chapter describes and analyzes present reserve compensation, with emphasis on the three major "building blocks": the general level of current compensation, differential pays, and deferred compensation, discussed in that order.¹

1 The term "present compensation" refers to all the existing elements of reserve compensation; "current compensation" refers to compensation received while an individual is participating in the reserves; and "deferred compensation" refers to compensation received after participation has ceased.

The final section of this Chapter addresses miscellaneous benefits and allowances which are not of central importance for manning purposes.

C - DIFFERENCES IN RESERVE AND ACTIVE FORCE LABOR MARKETS

There are two major differences in the labor markets in which the Reserve and Active Forces compete that have important implications for the reserve compensation system. These differences are:

- The reserves are competing in part-time or secondary labor markets, whereas the Active Forces are competing in a full-time or primary labor market; and
- Local labor market conditions (wages, employment, unemployment) have much greater significance for the reserves than for the Active Forces.

One major implication of these differences is that the main source of competition for reserve manpower is other part-time employers and not the Active Forces. Those responsible for reserve recruiting and retention are well aware of this, as an examination of recruiting and retention literature clearly indicates. Nevertheless, many reserve officials maintain that the Total Force Policy implies a compensation policy based upon "equal pay for

equal service" or "comparability" to the Active forces in some sense.

A closely related implication follows from the fact that the performance of drill is in addition to a full-time work week for most reservists. It is often necessary to pay a premium to induce individuals voluntarily to work in excess of the standard work week. Thus, the relationship of drill pay to regular civilian compensation, as well as to other part-time earnings opportunities, is a more important factor governing the labor supply behavior of the individual reservist than the relationship to active duty pay.

A third implication of the differences in labor markets results from the fact that most reservists have primary employment and will have established their basic "benefit base" (group health insurance, life insurance, etc.) through their primary employers. Studies of participants in secondary labor markets indicate that the most important reason for participation is to obtain extra cash to meet regular expenses and for other purposes such as debt repayment, savings, and special purchases.¹ A limited

1 See RCSS Background Paper, "The Secondary Labor Market (Guard/Reserve Membership and Other Part-Time Jobs)", May 1978.

study of reservists indicates that they share the characteristics of participants in civilian secondary labor markets.¹ Additional cash income is likely to be particularly important to the younger people whom the reserves are currently experiencing difficulty in attracting and retaining.

During the course of this study, the RCSS has received proposals to extend virtually every active duty benefit to reservists. These proposals are often based on the assertion that the Total Force Policy somehow requires this. The Total Force Policy does not imply a large-scale extension of active duty benefits, and most of these proposals ignore the important distinction between primary and secondary employment. An efficient reserve compensation system should place much greater emphasis on cash rather than in-kind compensation and on immediate rather than deferred compensation, as compared with the Active Forces.²

1 RCSS Background Paper, "Examination of the Nebraska National Guard Bonus Program," September 1977.

2 This is not to say that the RCSS rejects all in-kind or deferred elements of compensation. Some in-kind elements are clearly appropriate when the reservist is in drill, training, or active duty status. In fact, the RCSS has recommended a major new in-kind benefit for younger reservists in Chapter VI, namely, educational assistance. However, this benefit is carefully tailored to the circumstances of the secondary labor market.

A final implication of differences in labor markets is that uniform, nationwide reserve compensation is not cost-effective given the wide variations in wage rates and other economic variables among local labor markets. Because active duty personnel are frequently transferred within and outside the United States, these variations are of lesser importance for the Active Forces. Reservists remain in their home communities during inactive status, and the Reserve Components must compete in the different labor markets in these communities.

The RCSS did find a significant statistical relationship between success in reserve manning and both wage rates and per capita income. Manning experience was significantly better in low-wage, low-income states, than in high-wage, high-income states. However, the correlations, though significant, were not high enough to recommend blanket regional differentials for the reserves. Moreover, the correlations differed among components; some high-wage states were able to man certain components more successfully than some low-wage states.¹

1 This analysis and data showing wide geographical differences in local labor market variables were distributed to the RCSS Steering Committee at the Briefing on 24 August 1977. This material is available in the RCSS Backup Files.

These differences in Active and Reserve Forces labor markets were taken into account, both in the analysis of present reserve compensation and in our recommendations.

D - GENERAL LEVEL OF CURRENT COMPENSATION

DESCRIPTION

The term "general level of current compensation" refers to the compensation that all reservists get while in a pay status, and excludes any special pays, incentive pays, or bonuses. However, the precise form of general compensation varies depending upon the type of duty performed, i.e., inactive duty for training, active duty for training, active duty training, active duty, etc.¹

The "typical" reservist is in pay Category A, which requires 48 drills and about two weeks of annual training. This section describes the four main types of duty and the method by which the reserve pay is determined.

Inactive Duty for Training

The major element of current compensation for most reservists is "drill pay," which is received for the performance of weekend drills known as Inactive Duty for Train-

1 DoD Pay Entitlements Manual, Part 8, Chapter 2, Section 80201.

ing (IDT). Such pay amounts to about 70% of the reservist's annual reserve earnings.

A member of a Reserve Component earns one-thirtieth of the monthly basic pay prescribed for his grade and years of service for the performance of each four-hour period of IDT.

During IDT, reservists do not receive the basic allowances for quarters or subsistence (BAQ and BAS), although enlisted personnel usually receive subsistence in-kind, and quarters in kind may be furnished in-certain circumstances.

The weekend drills or training periods are usually conducted in multiples of four hours and referred to as Unit Training Assemblies (UTAs). Most Reserve Components combine these UTAs to form multiple unit training assemblies (MUTAs). However, no more than two such four-hour periods may be performed in any one day. The most common combination is two on Saturday and two on Sunday for a MUTA-4. Compensation, then, for a MUTA-4 is based on four IDT periods or four-thirtieth's of a month's basic pay. Depending on the unit and mission, the reservist

that ADT attendance could be paid for 14, 16, or more ADT periods during the year.

Annual Training Pay

In addition to the scheduled IDT periods, generally on weekends, most members of the Selected Reserve (to maintain satisfactory participation) must attend Annual Training. The usual pattern is one period of training, 12 to 15 days,¹ generally with his unit, and usually performed during the summer months. For each day of annual training the reservist is entitled to one-thirtieth of the basic pay and allowances that his active duty counterpart with the same dependency status would receive.

However, there is a distinction between the treatment of married and single reservists² during ADT when quarters are furnished in-kind. The married reservist receives a cash allowance for quarters in addition to quarters in-kind, whereas the single reservist does not. The rationale appears to be that the married reservist is required to maintain his principal residence during training. Needless to

1 The duration of annual training varies by Reserve Component and by Training/Pay Category.

2 For purposes of this Section, the term "married" refers to a member "with dependents" and "single" means a member "without dependents".

say, single reservists widely regard this as inequitable, and point out that they also must maintain their principal residences during training.¹ If neither the married nor the single reservist occupies government quarters during annual training, then both receive cash BAQ, but there is still a difference in compensation because the married reservist is paid at the substantially higher BAQ rates prescribed for married personnel.

School Tour and Special Tour Pay

The duration of School Tours and Special Tours varies widely. Special Tours may be any length from one day (commonly called a "manday"), to several months. The length of the tour is normally based upon the requirements of the component and the availability of funds. School Tours are of varying lengths, based upon the course duration, and may be from a week to several months in duration. They provide the reservist with technical training in his assigned specialty or professional training designed to keep the reservist abreast of recent developments in the Active Forces. Regardless

1 An analogous situation occurs in the Active Force when single and married members who reside in private quarters and receive cash BAQ are assigned to temporary duty where they occupy government quarters. However, in the Active Force both continue to receive the cash allowance for quarters.

of the length of the tour, the pay entitlements of the reservist are normally the same as for his active duty counterpart, except for certain benefits, which depend upon the length of the assignment. Cash BAQ is paid at the same rates as for the Active Force, therefore, married reservists are paid at substantially higher rates than single reservists.

Initial Active Duty For Training Pay

The length of the Initial Active Duty for Training may vary but in any event is not less than 90 days, and is usually the time required to complete Basic Military Training and the Technical Training required for a specialty. During the tour, a non-prior service enlistee in the reserves is entitled to active duty pay and allowances (BAQ and BAS) based upon his pay grade, years of service, and dependency status.

Cash allowances are not paid for subsistence and quarters if these are furnished in-kind, except that the married reservist is paid a cash quarters allowance in either case, as is true during annual training. If quarters are not furnished in-kind, both married and single reservists receive cash BAQ, but the rate is higher for the married reservist. Members are paid in cash for unused accrued leave at the end of the tour.

Drill Pay: "Comparable" or "Two Days' Pay For One Day's Work?"

Several questions have arisen over the years with respect to drill pay. It has been maintained that drill pay should be "comparable" to active duty pay and that the present linkage accomplishes this. It is frequently charged however, that the linkage also results in "two days' pay for one day's work". In our view, these questions are unanswerable in any generally satisfactory way, and are not relevant to reserve manning.

Perhaps the only unambiguous statement that can be made about the relationship between drill pay and basic pay is that reservists receive 1/30th of the amounts shown in the basic pay table for each four-hour drill. There are at least three reasons why it is difficult to obtain general agreement beyond this statement:

- Reservists do not receive cash allowances for quarters and subsistence (and hence the tax advantage on these allowances) during inactive duty training, although some reservists receive quarters and subsistence in-kind.

- The in-kind benefits available to reservists during inactive duty training are far more limited than those available to active duty personnel.

- There are great difficulties in comparing the number of hours worked. Basic pay is based upon a 30-day

month. Reservists contend that most active duty personnel, in fact, work a 40-hour week, and, moreover, that reservists often work additional hours for which they are not paid. Active duty personnel contend that the ~~average~~ average work week is greater than 40 hours, and point out situations where this is obviously true, such as sea duty. Reservists also point out that active duty personnel receive 30 days' annual leave, unlimited sick leave, and nine Federal holidays, while reservists receive drill pay only for time actually worked.

The reason that the answer to the question posed in this section is irrelevant to reserve manning is that the reserves are competing in a different labor market from the Active Forces. What is relevant, as stated earlier in this Chapter, is the relationship of drill pay to primary civilian compensation and to earnings in alternative part-time employment, and not the relationship to active duty pay.

There are some features of reserve compensation during IDT which are consistent with the labor market differences between the reserves and the active force. These include the relatively greater emphasis on cash pay and more limited in-kind benefits for reservists and the fact that reservists are paid only for time worked.

Indeed, reserve compensation during IDT is much closer to a salary system (or even a wage system) than active duty compensation.

Distinction Between IDT and ADT Has Been Changing

Although the historical background indicates a reasonable and logical difference between IDT and ADT, the reserve programs of today have tended to depart from this. In the past, reserve participation consisted mainly of weekly drill periods or weekend MUTAs, and annual training. In recent years it has become more common to utilize additional training assemblies (IDT) and ADT "mandays" in various combinations to accomplish readiness training, recruiting, mission support of the Active Forces, etc. The result of this has been that IDT and ADT are often used interchangeably, but they are paid at different rates. In fact, it is not uncommon to find reservists serving at the same location and at the same time in different statuses, each receiving differing rates of pay and allowances and the attendant benefits, although they may be performing the same or similar functions.

ADJUSTMENTS IN THE GENERAL
LEVEL OF COMPENSATION

Annual changes in the general level of reserve compensation are basically determined by annual salary changes in a handful of private sector white collar jobs, through a series of linkages which are three times removed from the Reserve Forces. The links in this chain are:

- Salaries and salary changes for a small number of private sector jobs are sampled by the Bureau of Labor Statistics in the annual Professional, Administrative, Technical and Clerical Survey (PATC Survey);

- General Schedule (Civil Service) salaries are adjusted by approximately the same percentage changes shown in the survey. The General Schedule increases need not be equal across-the-board percentage increases, but in fact they have been in most years;

- Active duty basic pay, basic allowances for quarters, and basic allowances for subsistence are adjusted according to the percentage increase in the General Schedule. The increases in basic pay must always be across-the-board, whereas the increases in the allowances need not be;

- Reserve drill pay is adjusted by the same percentage increase as active duty basic pay, and therefore, these increases are always across-the-board. BAQ and

BAS are adjusted by the same amounts as for the Active Forces.

The adjustments in active duty and reserve compensation are made at the same time as the General Schedule adjustment, which is normally October 1 of each year. These linkages have been in effect since 1967,¹ but the precise way in which the above pays are linked has changed twice since then, both times to the disadvantage of the major element of compensation as shown in Table 5-1.

From 1967 until 1974, the percentage increases in General Schedule salaries were applied to the four elements of regular military compensation,² but the resulting increase was added entirely to basic pay. The quarters and subsistence allowances were adjusted outside this framework. This resulted in greater percentage increases in basic pay, and therefore in drill pay, than in General Schedule salaries. Table 5-1 shows substantially greater percentage increases in basic pay and drill pay than in General Schedule salaries prior to 1974. Public Law 93-419 provided that the General Schedule percentage increase be applied equally to basic pay, the basic allowance for quarters, and the basic allowance for

1 PL 90-207

2 Regular Military Compensation (RMC) is defined as basic pay, basic allowance for quarters, basic allowance for subsistence and the tax advantage.

subsistence. This linkage method was applied in 1974 and 1975. It resulted in lower increases than the previous method for both the Active Forces and the reserves, as the table shows. The purpose of this legislation, which was supported by DoD, was to reduce Active Force costs.¹

There is no evidence in the hearings that the effect on drill pay was intended, or indeed, even realized. This appears to have been an incidental by-product of the linkage.

1 The legislation reduced active duty costs in three ways. First, it reduced the amount of increases in basic pay and therefore in all compensation elements linked to basic pay; the largest linked elements are the three retirement subsystems, but drill pay is also a linked element. Second, costs are reduced because increases in the two cash allowances no longer occur in addition to basic pay increases. Third, military personnel receiving quarters and subsistence in-kind no longer receive a matching increase in basic pay which is influenced in part by increases in food and housing costs which these individuals do not have to meet.

TABLE 5-1

EFFECT ON DRILL PAY OF THREE DIFFERENT
METHODS OF LINKING ACTIVE DUTY
TO CIVIL SERVICE PAY INCREASES

<u>Effective Date</u>	<u>% Increase In General Schedule</u>	<u>% Increase In Basic Pay & Drill Pay</u>	<u>% Increase In CPI</u>
1 Jan 72	5.5	7.2 ¹	3.4
1 Oct 72	5.1	6.7 ¹	2.8
1 Oct 73	4.8	6.2 ¹	7.8
1 Oct 74	5.5	5.5 ²	12.0
1 Oct 75	5.0	5.0 ²	7.2
1 Oct 76	4.8 ³	3.62 ³	5.3
1 Oct 77	7.05	6.2 ³	6.5

-
- 1 Public Law 90-207
 - 2 Public Law 93-419
 - 3 Public Law 94-361

The linkage mechanism was again changed by Public Law 94-361, which authorized the President to reallocate up to 25% of the basic pay increase into the basic allowances for quarters and/or subsistence. In 1976 and 1977, the President reallocated 25% and 12%, respectively, of the basic pay increase into the basic allowance for quarters. In addition to the basic pay increases shown for 1976 and 1977, the Active Forces received increases in BAS

and BAQ, with the actual increases to BAQ varying by grade. This change in the linkage was relatively more disadvantageous for the reserves than for the Active Forces. For example, Table 5-1 shows that the increases in General Schedule Pay, basic pay, and drill pay for 1973 through 1976 were less than the rate of inflation over the same periods. However, reservists have fared relatively worse under Public Law 94-361. In 1976, the General Schedule increase and the total active duty increase was 4.83%, the increase in the CPI was 5.3%, and the increase in drill pay was only 3.63%. In 1977, the General Schedule and total active duty increases were 7.05%, higher than the 6.5% increase in the CPI, but the increase in drill pay was only 6.2%. This situation is likely to worsen in the future, as Table 5-2 suggests. The change was again motivated by a desire to reduce active duty manpower costs.¹

Table 5-2 shows the projected effects on drill pay of assumed reallocations of 12% and 25% of the active duty increase from basic pay, based upon the projected increases

1 The legislation reduces active duty costs by reducing the amount of the basic pay increase, and as a result, reduces the increases in all compensation elements linked to basic pay. Also, larger increases in subsistence and quarters allowances increase the amounts forfeited by those who receive these items in kind.

TABLE 5-2

PROJECTED EFFECTS OF REALLOCATION
OF ACTIVE DUTY INCREASES ON DRILL PAY

<u>Year</u>	<u>CPI¹ Increase</u>	<u>Total² Active Duty Increase</u>	<u>Increase In Drill Pay (12% Reallo- cation)</u>	<u>Increase In Drill Pay (25% Reallo- cation)</u>
1978	6.1%	6.0%	5.28%	4.50%
1979	6.0	6.0	5.28	4.50
1980	5.5	6.0	5.28	4.50
1981	5.0	6.0	5.28	4.50
1982	4.5	5.7	5.02	4.28
1983	4.0	5.4	4.75	3.56
Cumula- tive	35.4	40.6	35.1	28.8

1 President's FY 79 Budget, Percent Change, December over December.

2 President's FY 79 Budget, Projected Federal Pay Raises, October.

in General Schedule salaries and the Consumer Price Index in the President's Budget. If a 12% reallocation is made over each of the next 6 years, drill pay will decline slightly in real terms (that is, increases will be less than increases in the CPI), and drill pay will decline substantially in real terms if the reallocation is 25% each year. At the same time, active duty regular military compensation, General Schedule salaries, and wages in the civilian labor markets in which the reserves must compete generally will be increasing in real terms.

The Budget warns the reader that the longer range assumptions

are not forecasts of probable economic conditions. Instead, they are projections that assume progress in moving toward the administration's goals of a more fully employed economy and greater price level stability.¹

In fact, the rate of inflation is likely to be higher and the real increase is General Schedule salaries and active duty compensation is likely to be lower than shown in Table 5-2. Therefore, it is very likely that reservists will fare even worse than the table suggests, depending upon the use made of the pay raise reallocation authority.

The two recent changes in the linkage of general compensation increases furnish excellent examples of the disadvantages of rigid linkage of active duty and reserve pay. These changes were made to reduce certain active duty manpower costs, but because of the linkage they have had unintended effects on reserve compensation. The past decreases and likely future decreases in drill pay (in constant dollars) are occurring precisely at a time when the reserves are experiencing substantial manning difficulties. The linkage not only fails to aid reserve manning, but its effect is actually perverse.

¹ "The Budget of the United States Government", Fiscal Year 1979, p 32.

Although the RCSS has demonstrated these effects several times, some reserve leaders still insist strongly on preserving the existing linkage. However, the RCSS has never been presented with a logical reason for retaining a compensation feature which is a demonstrable impediment to reserve manning.

ANALYSIS OF PAYLINES

The relationship of the general level of reserve compensation to the manning problems identified previously can best be analyzed through the use of paylines that show the annual income from reserve participation at various stages of a reserve career. Actual annual incomes from reserve participation are not available, hence the necessity for the use of constructs. Paylines may be constructed in a number of ways, and in this Chapter we show three of them. They all have two things in common. First, they are based on the most frequent type of reserve participation, namely, Training/Pay Category A, consisting of 48 drills and 15 days annual active duty for training. Second, the constructed incomes are based upon the

1 October 1977 pay table.¹

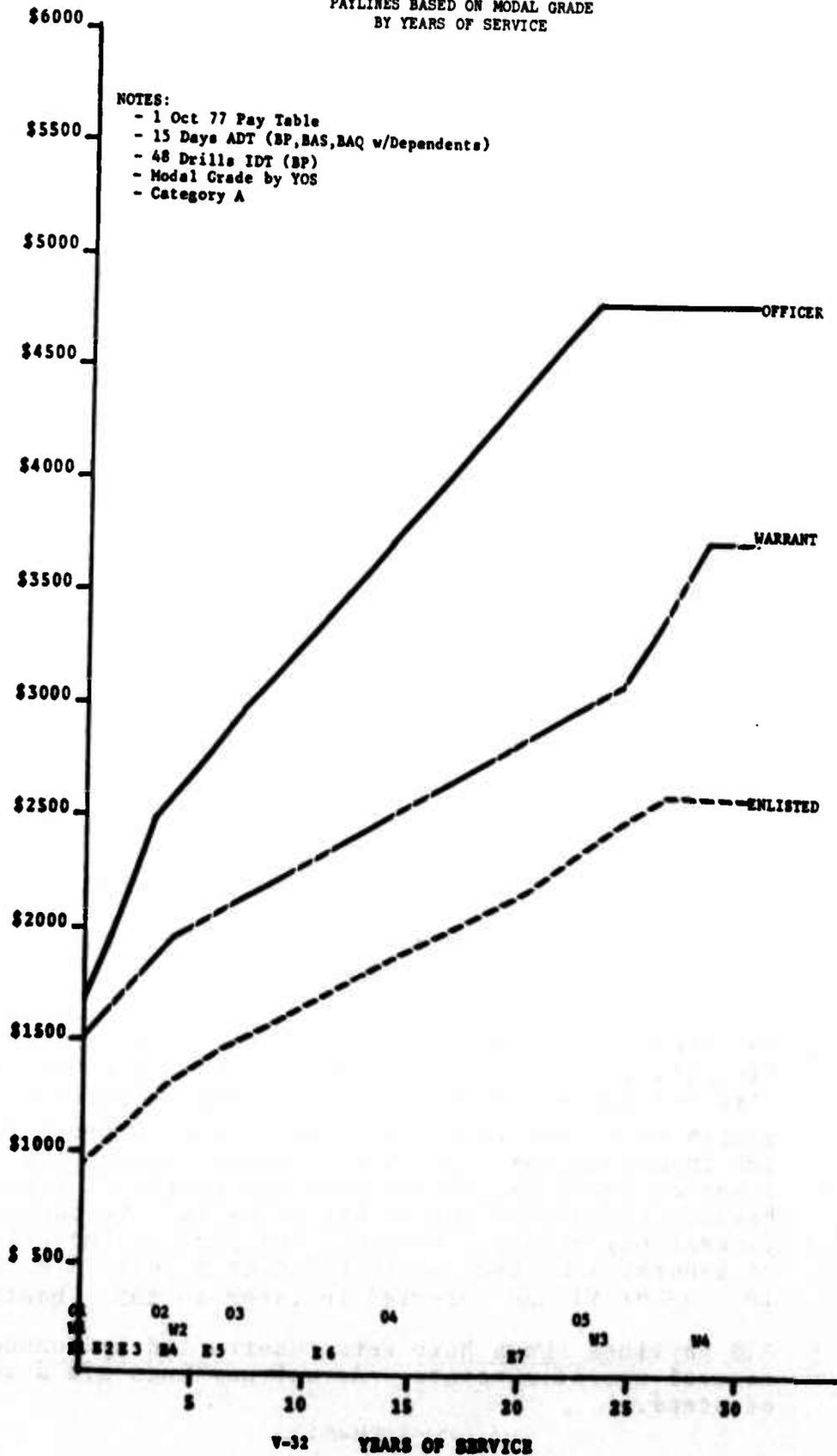
The paylines in Figure 5-1 were based upon the modal grade by years of service. That is, for each year of service we took the most frequently occurring grade and calculated annual pay for that grade.² The emphasis in this report is placed upon these paylines because they best represent the general reserve population. The highest officer grade in this payline is O-5 and the highest enlisted grade is E-7 because even at the greatest length of service, more senior grades are never the most frequently occurring. This is also a conservative approach because use of these paylines minimizes the steepness of the paylines at the higher years of service, which is considered an undesirable feature of the alternative paylines described below.

Figure 5-2 shows paylines based upon modal years of service by grade. For each grade, we took the modal years of service and calculated annual pay. These paylines are

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- 1 Therefore, these are "cross sectional" rather than "longitudinal" paylines, that is, they show the constructed annual income for reservists at various stages of a reserve career today. This differs from the annual income that an individual joining the reserves today can expect over the course of a career, because these paylines do not allow for the annual general pay raises. However, analyses of the effects of general increases projected over 5 years are shown in Chapter VI and referred to later in this Chapter.
 - 2 All paylines shown here were constructed by connecting several specific points. Actual paylines are a series of steps.

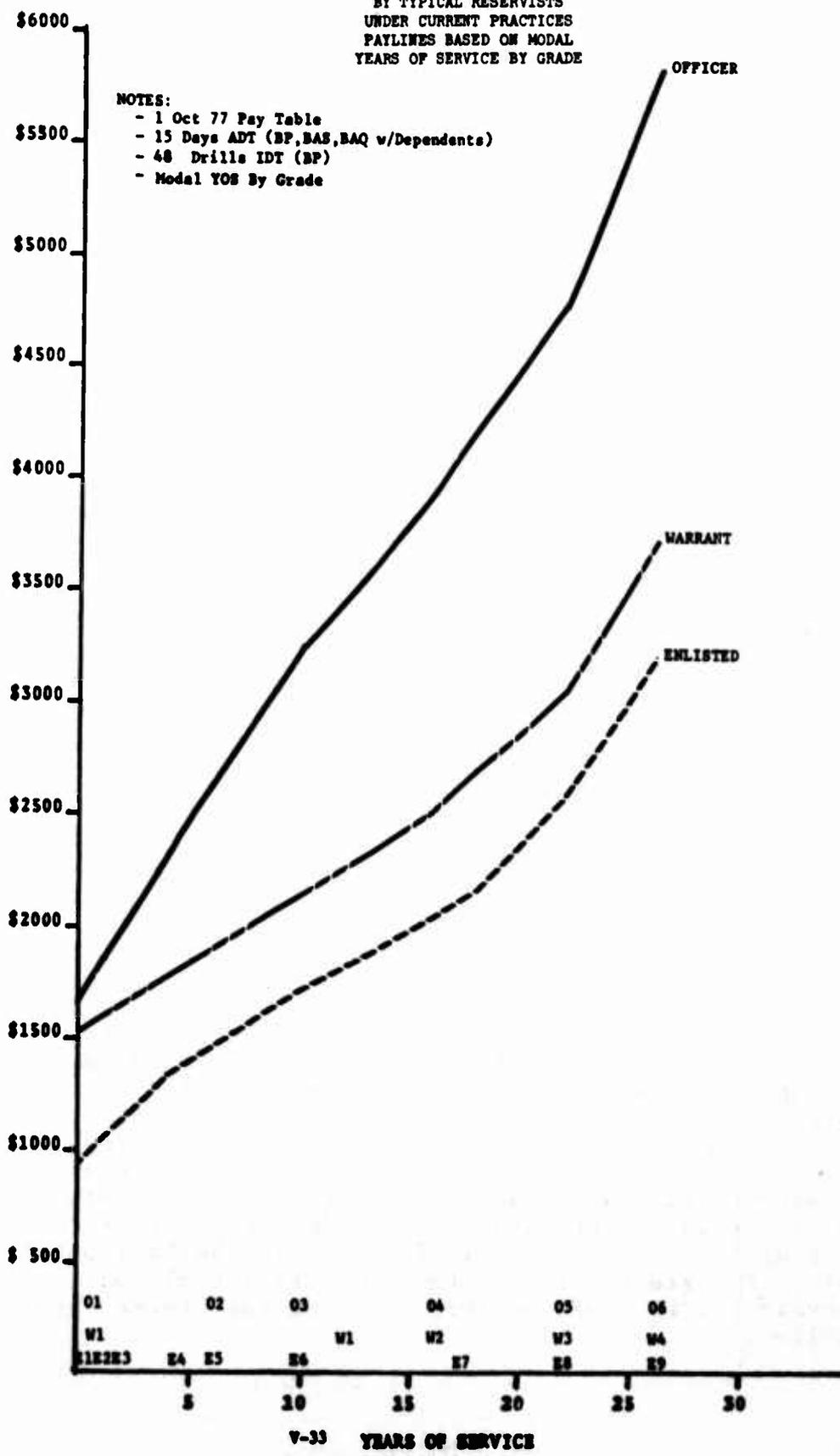
TOTAL ANNUAL COMPENSATION RECEIVED
 BY TYPICAL RESERVISTS
 UNDER CURRENT PRACTICES
 PAYLINES BASED ON MODAL GRADE
 BY YEARS OF SERVICE

FIGURE 5-1



TOTAL ANNUAL COMPENSATION RECEIVED .
 BY TYPICAL RESERVISTS
 UNDER CURRENT PRACTICES
 PAYLINES BASED ON MODAL
 YEARS OF SERVICE BY GRADE

FIGURE 5-2



much steeper at the upper end than the ones in Figure S-1 because they include pay grades O-6, E-8, and E-9.

Figure 5-3 shows paylines based upon average promotion points.¹ For each grade, we took the average length of service upon promotion to that grade in 1976 and calculated annual pay. These paylines are also steeper than the ones in Figure 5-1 because they include promotion to O-6 and to E-8 and E-9.

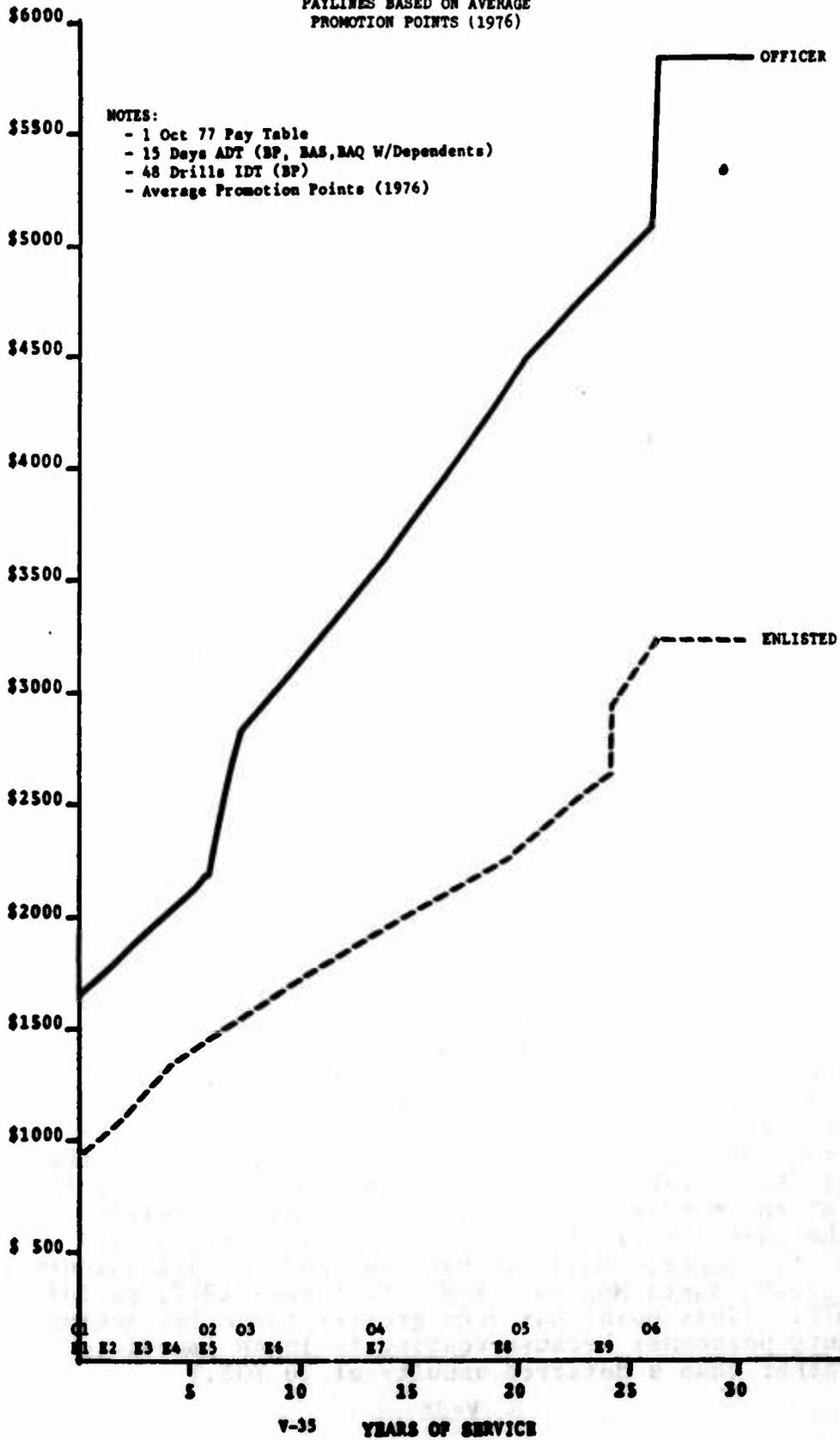
Although these paylines differ in detail, their shapes are sufficiently similar so that the same general conclusions result whichever payline is examined.

Figure 5-1 suggests that both officer and enlisted paylines are inappropriately steep prior to the 20-year point, taken either from 10 to 20 years or 15 to 20 years. Decreasing this slope² would be more appropriate as 20 YOS is approached because vesting in a substan-

-
- 1 The average promotion points used is the weighted average (according to the inventory by grade of each component) of the 1976 actual average length of service at each promotion point provided by the services.
 - 2 Slope is an important characteristic of a payline since it measures how rapidly pay increases as years of service increase. Mathematically, slope is defined as "rise/run" or the amount of change in the vertical axis divided by the amount of change in the horizontal axis. The greater the slope, the more rapidly pay increases with years of service, thus the steeper the payline.

TOTAL ANNUAL COMPENSATION RECEIVED
 BY TYPICAL RESERVISTS
 UNDER CURRENT PRACTICES
 PAYLINES BASED ON AVERAGE
 PROMOTION POINTS (1976)

FIGURE 5-3



tial deferred annuity occurs at this point, which in itself appears to be sufficient incentive for continued participation.¹

The statement that the paylines are inappropriately steep may not at first appear compatible with the personnel profile inventories for 13-19 YOS in Chapter IV which generally show shortages when compared with the objective profiles for both officers and enlisted, although these shortages were greater for enlisted. These shortages that currently exist in the 13-19 YOS group are related to the low accessions for these year groups, who entered the military, generally during the period 1957 to 1963. The projections in Chapter IV also discussed the self-correcting nature of these shortages as the large numbers now in the 7-12 YOS group move into the 13 to 19 YOS group, and, in fact, that surpluses will occur in the 13-19 YOS group.

1 The slope of a reserve payline is, of course, determined by active duty compensation to which it is linked, and this same point has been made with respect to active duty compensation. It is frequently noted that the slope of the active duty paylines (using RMC only) for both officers and enlisted are substantially greater than for civilians of comparable age and education, although the military members are approaching the vesting point for an immediate annuity, whereas this is seldom the case for civilians. For example, see Richard V. L. Cooper, "Military Manpower and the All-Volunteer Force", Santa Monica" RAND, September 1977, pp 364-372. (This point has even greater force for active duty personnel because vesting is in an immediate rather than a deferred annuity at 20 YOS.)

The paylines continue to increase to the 26 years of service point and then flatten because the last longevity step is then reached.¹ This increase could be necessary to retain people in the Selected Reserve after the vesting point; however, Chapter IV also shows general surpluses of officers and enlisted with over 20 years of service. Because there is no immediate annuity, there is not the same incentive to retire at 20 years of service as there is in the active force. On the contrary, there is considerable incentive to continue to participate simply for additional retirement points. This is supported by Table 5-13, presented later in this Chapter, which shows the large number of officers with more than 20 years of service in the IRR.

Figure 5-1 also shows that the slope of the officer payline is generally much greater than the slope of the enlisted payline, and that the distance between the lines becomes increasingly great as years of service increase, although there is no general shortage of officers. In fact, after 20 years of service, the annual income of

1 The paylines become much steeper after 20 years of service if the reservist is promoted beyond pay grade E-7 for enlisted and O-5 for officers, as shown in Figures 5-2 and 5-3.

the typical enlisted man (E-7) is the same as that of a typical officer with only 2-3 years of service (O-1 and O-2); after 26 years, the annual income of the typical enlisted man (E-7) is the same as that of a typical officer with only 4 years of service (O-2). This partially explains the relatively greater attractiveness of reserve participation for officers.

Moreover, the divergence between the officer and enlisted paylines shown in this Chapter is understated. This is because the paylines are based on a construct of annual income (48 drills, 15 days ADT) rather than actual income from reserve participation, which was unavailable. However, it is known that officers have more additional participation than enlisted in the form of aviation duty, school tours, and various other additional duties. It is also the case that the present method of adjusting the general level of reserve compensation (equal percentage increases), while always maintaining the ratio between any two pay grades, continuously widens the gap in absolute dollars between officers and enlisted personnel at any given years of service.¹

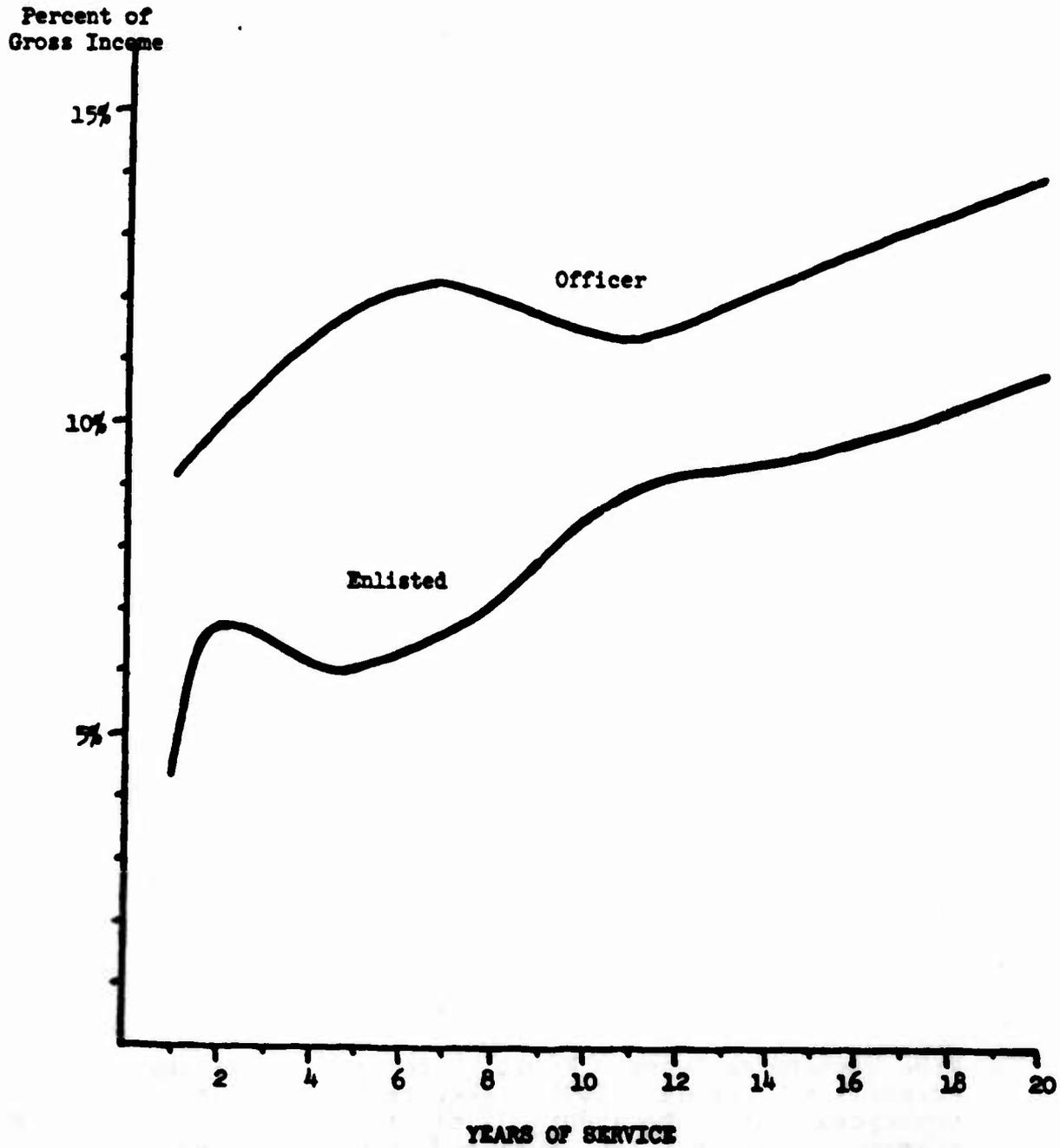
¹ See Chapter VI and especially Figure 6-1

Figure 5-1 also suggests that the absolute level of pay for enlisted personnel in the early years of service is low. The annual income is only slightly more than \$1,000 for an E-2 with less than two years of service. One would expect that the alternative earnings opportunities for junior enlisted are much lower than for senior enlisted and for officers, and therefore, the apparently low annual reserve income may not be low in a relative sense. However, additional evidence indicates that it is actually low relative to gross income. Figure 5-4 is based on a survey of 16,000 reserve officers and 22,000 enlisted reservists conducted by DOD in 1969. It shows that for every length of service, drill pay is a higher percentage of total gross income for officers than enlisted, and that for both officers and enlisted, drill pay was generally a higher percentage of gross income as the length of service increased. Figure 5-5 shows remarkably similar results, based on estimated incomes of Selected Reservists employed by the Federal Government in 1976.¹

1 RCSS Background Paper, "Military Leave Policies for Reservists," February 1978. (Federal Government employees constitute about 13% of all selected reservists, about 12% of enlisted reservists, and about 15% of reserve officers. These percentages are even higher in the senior grades.)

FIGURE 5-4

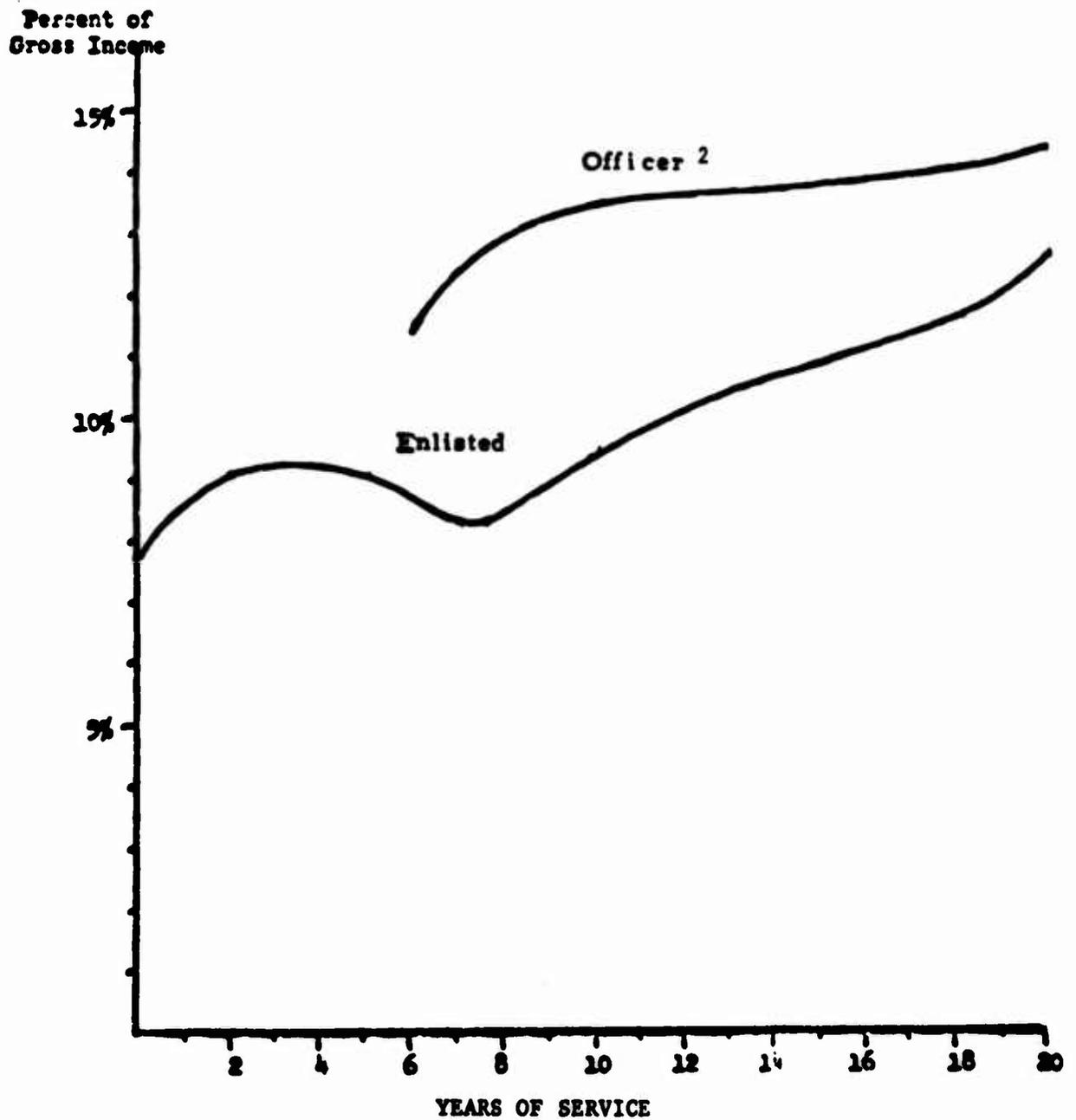
DRILL PAY AS A PERCENTAGE OF GROSS INCOME
AVERAGE READY RESERVIST
(1969)



SOURCE: "Career Motivation in the Ready Reserve",
ODASD(MPP), OASD(M&RA), June 1969, p 30.

FIGURE 5-5

TOTAL ANNUAL RESERVE PAY AS
A PERCENTAGE OF GROSS INCOME¹
FEDERAL EMPLOYEES/SELECTED RESERVISTS
(1976)



- 1 15 Days ADT, 48 Drills IDT.
- 2 Average Years of Service for Pay Grade O-1 is 5.9 Years.

In conclusion, the analysis of paylines in conjunction with the profile analysis of Chapter IV indicates that pay is too low for junior enlisted personnel and too high for the more senior enlisted personnel, and particularly high for officers both prior to and after 20 years of service. The primary influence on reserve paylines, as they have evolved over time, has been their linkage with Active Force paylines. Reserve pay is poorly structured to aid in attaining either aggregate reserve manning goals or objective personnel profiles, and, indeed, they were never structured to achieve these goals. In fact, the analysis of the paylines, the adjustment mechanism, and the projected personnel profiles, indicate that current reserve compensation will result not only in the continuation of existing manning problems, but also in the intensification of these problems.

E - DIFFERENTIAL PAY

BONUSES AND EDUCATIONAL ASSISTANCE

We have shown earlier that reserve manning shortages are not general, but differ by component, officers and enlisted, length of service, and military occupational specialty. We have also noted that the Active Force has been provided with various differential pays to adapt to the all-volunteer environment, but the Reserve Forces have not. The Active Forces have successfully used various bonuses to improve recruitment and retention of members in military occupations or components which are difficult to man because of a variety of reasons, including long training time, attractive earnings opportunities in the civilian sector, or because a particular branch or skill is not attractive to a sufficient number of individuals at the prevailing general level of military pay. For example, the combat arms enlistment bonus has helped to increase the number of recruits volunteering to serve in the combat specialties of the Army and Marine Corps. Also, the selective reenlistment bonus is used to improve retention in skills which require long and costly training. Variable incentive pay is used to improve retention of physicians who have very valuable alternative earnings opportunities.

Congress authorized an educational assistance program for reservists in 1977 but no funds were appropriated. Congress also authorized a reenlistment bonus; \$5 million was appropriated for a limited test during FY 1978 for the Army National Guard and Army Reserve only, and this test is now under way. There have also been a few state educational assistance and bonus programs applicable to the National Guard only. We next review these limited state programs and current provisions of Federal law.

State Bonus and Educational Assistance Programs

The State of Nebraska had a bonus program for Guardsmen in effect during the period April through December of 1974, and a tuition assistance program initiated in July 1974 is still in effect. The National Guard enjoyed spectacular recruiting and retention success that year, but this was not sustained in subsequent years when the bonus was discontinued and only tuition aid was offered. Neither the bonus nor tuition assistance was selective; all Guardsmen were eligible, including technicians and those with more than 20 years of service. The bonus was \$100 per year for up to six years, and was paid for one-year extensions; the average length of contract was 4.75

years. The bonus was paid immediately except in the case of non-prior service enlistees, who received it after completion of IADT. During the nine months the bonus was in effect, ARNG non-prior service accessions increased 41% over the average accessions for 1973, 1975, and 1976; extensions and reenlistments increased by 51%, and prior service accessions unaccountably decreased by 20%. The decrease in non-prior service accessions in 1975 (compared with the nine-month period in 1974) was 43%, the decrease in prior service extensions was 58%, and the decrease in extensions and reenlistments was 46%.¹ ARNG strength increased from 90.6% of authorizations just prior to the bonus to 99% at the end of the period and decreased to 90.2% one year later; ANG strength increased from 94% to 97%, then decreased to 94.6% for the same periods. In April 1977, 71% of all NPS accessions under the bonus program were still participating; this is substantially higher than the continuation rate for the ARNG nationwide.²

1 Comparable data were not available for the Air National Guard.

2 RCSS Background Paper, "Examination of the Nebraska National Guard Program," September 1977. (The RCSS staff found no changes in other variables, such as unemployment in Nebraska, which would influence these results.)

The RCSS also examined tuition assistance programs for Guardsmen in six states.¹ The majority of these plans offered an exemption of 50% to 100% of tuition at state-supported institutions, and did not cover other fees and educational expenses. The tuition at many of these institutions was low. In most states, the programs were available to all Guardsmen. The RCSS analysis showed no discernible impact on accessions as a result of these programs.²

Federal Educational Assistance

Public Law 95-79 of 30 July 1977 (10 U.S.C. 2131-2135) provided educational assistance for reservists, but funds were not appropriated, therefore, there is no Federal program now in effect. The program would provide 50% of the cost of tuition, fees and books, up to an annual maximum of \$500 and a total of \$2,000 at an accredited institution (college, university, trade, technical, or vocational school in the United States.) In order to be eligible to receive this assistance, a person must be an enlisted member of the Selected Reserve, must have initially enlisted as a reserve for service in

1 Arizona, Idaho, Louisiana, Mississippi, Nebraska, and Nevada.

2 RCSS Issue Paper, "Educational Assistance," September 1977.

a unit of the Selected Reserve, not have prior service, be a graduate of a secondary school, have completed IADT, be a satisfactory participant in training with a Selected Reserve unit, have served less than eight years as a reserve, and agree to extend his military obligation to a total of eight years. There is a provision for termination of assistance and refund by the member for non-fulfillment of agreement.

A review of this educational assistance program suggests several flaws. A 50% coverage of costs would decrease the value of the incentive because educational costs in the majority of state-supported post-secondary schools are relatively small¹ and most persons would not be able to take advantage of the maximum amount. Since present members of the Guard and Reserve are allowed to participate, it is not cost-effective as a tool to increase accessions. An extension of the military obligation to eight years instead of six will only serve to exacerbate the problem of recruiting.

1 See RCSS Issue Paper, "Educational Assistance," September 1977.

Reenlistment Bonus

A bonus of \$900 for a three-year reenlistment and \$1,800 for a six-year reenlistment may be paid with 1/2 of the amount paid at the time of executing the reenlistment contract and the balance in incremental payments of \$150 at the completion of each year of the three or six-year contract. A recoupment feature is included for non-fulfillment of contract. To be eligible to receive a bonus a person must have initially enlisted in the Guard or Reserve (no prior regular active service), must have less than 10 years of service as a member of a Reserve Component, and must agree to serve satisfactorily for the entire period of reenlistment in a unit of the Selected Reserve. As noted, \$5 million was appropriated for a test in the Army Guard and Army Reserve.

Analysis of the personnel profiles has shown conclusively that reenlistment is not the major problem confronting the Reserve Forces. Table 5-3 depicts the surplus of enlisted personnel in the Selected Reserve who have over six years and less than twelve years of service as compared to those with less than six years of service. There are shortages in the 0 to 6 YOS group in every component, although to varying degrees.

TABLE 5-3

VARIANCES BETWEEN OBJECTIVE PROFILES
AND INVENTORIES, ENLISTED SELECTED RESERVISTS

<u>Component</u>	<u>Fewer Than 6 YOS</u>		<u>Over 6 and Fewer Than 12 YOS</u>	
	<u>#</u>	<u>(000's)</u>	<u>#</u>	<u>(000's)</u>
ARNG	- 90	-33	+49	+76
USAR	- 59	-42	+25	+74
USNR	- 7	-19	+ 2	+ 8
USMCR	- 8	-29	+ 2	+53
ANG	- 11	-25	+ 5	+25
USAFR	- 9	-36	+ 3	+37
USCGR	<u>- 1</u>	<u>-18</u>	<u>+.2</u>	<u>+ 4</u>
TOTALS	-185	-33	+86	+54

Unquestionably, people with more than six years of service are being used to fill the shortages of those with fewer than six years of service. Therefore, there is no need for a general reenlistment bonus, although there may be a need in specific shortage occupations. A reenlistment bonus should not be restricted to persons who initially enlisted in the Guard or Reserve as in the case in the present test program. Many prior service people with valuable long training time military skills are being neglected. The continuation rates in Table 5-4 indicate that fewer than eight years of service is a more cost

effective restriction than fewer than ten years of service because the rates reflect a career orientation in the ninth year.

TABLE 5-4

ENLISTED PRIOR SERVICE AND NON-PRIOR SERVICE CONTINUATION RATES, SELECTED RESERVE¹

<u>Component</u>	<u>Years of Service</u>				
	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>
ARNG	30	61	72	78	82
USAR	32	58	75	80	83
USNR	22	54	62	71	74
USMCR	17	51	64	71	75
ANG	38	73	84	86	90
USAFR	33	72	76	81	86
USCGR ²	22	75	78	81	83

¹ RCCPDS 30 Sep 76 - 30 Sep 77 (less USCGR)
² USCG Report dtd 4 May 77

Conclusions

Analysis of the Nebraska National Guard experience indicates that a cash bonus is a very effective means of increasing both enlistments and reenlistments. Data on retention of ARNG nonprior service bonus recipients indicate substantially higher continuation rates than

for the ARNG nationwide. The non-selective nature of the bonus resulted in much higher costs for the incremental accessions than would have occurred under a more selective program. On the other hand, analysis of the state tuition assistance programs showed no discernible effects on accessions and retention. This may have been because the amounts of this assistance were too low. It is also likely that educational assistance attracts individuals with personal characteristics associated with high retention. Unfortunately, none of the state programs provided for monitoring the effects of either bonuses or tuition assistance on accession and retention.¹

The profiles in Chapter IV showed that a large part of the first-term manning problem results from high attrition during these years, and a program which markedly improves retention during these years could well be cost-effective, even if it did not have a substantial effect upon accessions.

¹ It would probably be possible to compare retention of Guardsmen who received tuition assistance with those who did not to test this hypothesis. Because the programs were not monitored, this would involve examining each individual file. This was, in fact, done by the RCSS staff in Nebraska, and the RCSS wishes to thank the Nebraska National Guard for its assistance and cooperation.

OTHER SPECIAL AND
INCENTIVE PAYS

Special and Incentive Pays were established to serve functional purpose. Special pays provide a premium to attract and retain personnel with special qualifications. Incentive pays provide a premium to encourage personnel to enter and to remain in hazardous military occupations on a career basis, and thus frequently and continuously expose themselves to the hazards of the duty performed. Special and incentive pays are not awarded for meeting the minimum performance requirements and standards, but rather they are paid for facing as much exposure as the needs of the service may require during the period of duty.

None of the special or incentive pays examined is well designed to meet the objective of attraction and retention of personnel. They are linked to active duty pay and not related to reserve manning experience. They are changed only when the active duty special pay is changed, which is usually at very infrequent intervals. Therefore, the value of most of these pays has declined substantially in real terms (constant dollars) since they were instituted. They remain unchanged in nominal dollars regardless of whether there are manning shortages or surpluses.

The analysis, findings, and conclusions concerning special and incentive pays centered upon reserve manning and whether items of pay are functional in achieving this purpose. It must also be recognized that analysis of these items of pay raises equity issues which have an impact on morale. Equity issues have been considered in evaluation of these items of pay, but primary emphasis was based on the cost-effectiveness of these compensation items as required by the RCSS mandate.

A detailed analysis and discussion of these special and incentive pays is addressed in the RCSS issue papers for each item of special and incentive pay entitlement.

Administrative Duty Pay

An officer of a uniformed service in command of a unit of the National Guard or Reserve is entitled by Section 309 of Title 37, United States Code to not more than \$240 annually for the "faithful performance" of the administrative functions connected with that command. This pay is unique to the Reserve Components.

The monthly amounts are shown next in Table 5-5.

TABLE 5-5
ADMINISTRATIVE DUTY PAY

<u>Authorized Drills</u>	<u>Monthly Administrative Duty Pay Unit Strength</u>		
	<u>100+</u>	<u>50-99</u>	<u>49 or Less</u>
48	\$20	\$15	\$10
24	\$10	\$ 7.50	\$ 5

During fiscal year 1976, \$2.2 million was paid to 11,350 reserve commanding officers for performing administrative duties.

Administrative Duty Pay has been an item of reserve compensation since 1920 and the annual pay (maximum \$240) has remained unchanged since authorization. Administrative Duty Pay was instituted explicitly to reimburse commanding officers of the units of the National Guard or Reserve for the "faithful performance" of their administrative duties. The burden of those administrative duties has been considerably lessened by the establishment of the Administrative Technician program and by the assignment of regular and/or reserve personnel on a full time basis for the administration of the reserve units. The value of this pay has been considerably diminished in that it now (1978) represents only

4 to 11% of annual drill pay of officers commanding National Guard and Reserve units whereas in 1920 it represented 39 to 58%. Current data indicate that there are no problems in attracting and retaining officers to command and that the numerous intangible benefits associated with command far outweigh the insignificant compensation paid for performing administrative duties.

Diving Pay

A member of a uniformed service who is entitled to basic pay and who is assigned by order to diving duty is entitled by Section 304 of Title 37, United States Code to special pay at a rate of not more than \$110 a month for periods during which diving duty is actually performed. A reservist is entitled to Diving Pay only during periods of active duty or active duty for training. Reservists were not entitled to Diving Pay until 1961. Table 5-6 shows the rates for diving pay, which have been unchanged since 1955.

TABLE 5-6
DIVING PAY

	ACTIVE		RESERVE	
	Active Duty Monthly Rate	IDT Rate/Drill	ADT Rate/Day	Annual Diving Pay
Officers	\$110	N/E	\$3.67	\$55
Enlisted				
Master	\$110	N/E	\$3.67	\$55
First Class	100	N/E	3.33	50
Salvage	80	N/E	2.67	40
Second Class	65	N/E	2.17	33
SCUBA	65	N/E	2.17	33

N/E - Not Eligible.

Enlisted Diving Pay rates vary by component. The Army and Navy authorize all the rates shown in the table, while the Marine Corps and Air Force authorize only the \$65 rate.

The major sources of divers for the Reserve Components are the active duty forces. The Reserve Forces generally have an adequate supply of lower skilled divers but a critical shortage of senior, technically qualified divers.

The primary factors affecting the supply of divers are the extensive periods of training and high training costs associated with acquiring these skills. For example, enlisted divers who are classified as Combat Swimmer

SEAL Team/Explosive Ordnance Disposal Technicians require 28 months of training at a cost of approximately \$41,000 while a Navy enlisted SCUEA diver requires less than 6 months' training at a cost of approximately \$6,000. Those skills that require less training time and expertise are generally manned in excess of the authorizations, while those skills that are more technically oriented and require lengthy training tend to be severely undermanned. For example, the Navy Enlisted Classification (NEC) 5233, Explosive Ordnance Disposal Technician, has 292 billets authorized with no divers available. On the other hand the NEC 5326, SEAL, was manned at 466% of authorized strength.

An additional factor affecting the supply of reserve divers is the attractiveness of civilian earnings for qualified divers. Highly skilled, qualified divers in the civilian labor market can command in excess of \$40,000 a year on a full-time basis. The same individuals typically earn less than \$3,000 in Drill Pay and Diving Pay as reservists.

Recognizing the fact that reserve divers are only entitled to special pay for diving during periods of ADT and not during periods of IDT, the special pay for diving received by these reservists is insignificant.

Typically, diving pay ranges from \$33-\$55 for the two weeks of annual ADT. Diving pay equates to 4% of annual reserve pay for an enlisted diver in the grade of E-1 to 1% for an E-9.

Consequently, Special Pay for Diving is a non-functional item of present compensation for reserves. It is non-functional because the compensation received is insignificant and has no appreciable affect on the supply of reservists.

Demolition Duty Pay

Incentive pay is authorized for performing the hazardous duties associated with demolition when performed under competent orders and the minimum performance requirements are met.¹

The exposure standards required for entitlement to demolition duty pay are the same for reservists as for active duty members. A service member must perform demolition duty during the month of entitlement when live explosives are used or an explosive device is neutralized to meet the minimum exposure standard and qualify for the hazardous duty incentive pay for that month. A member does not receive demolition duty pay for any month in which he does not meet the minimum established exposure standard.

¹ 37 USC, 301(a)(b).

Members who qualify for incentive pay by performing hazardous demolition duties are entitled to the rates of pay shown in Table 5-7.

TABLE 5-7
DEMOLITION DUTY PAY

	<u>Active Duty</u>	<u>Reserve</u>	
	<u>Monthly Rate</u>	<u>Drill Rate (1 UTA)</u>	<u>Monthly Rate (4 UTA's)</u>
Officer	\$110	\$3.67	\$14.68
Enlisted	55	1.84	7.36

The supply of demolition duty personnel within the Reserve Components has characteristics similar to those affecting the supply of divers. Specifically, there is a critical shortage of senior, technically qualified demolition experts and there is a lengthy training time associated with acquiring these hazardous skills. In addition, the civilian labor market compensates these personnel at a much higher level than the Reserve Components can now offer. However, despite basic similarities in the characteristics of the demolition and diving, there are differences. Demolition Duty Pay is paid as a hazardous duty incentive, while Diving Pay

is paid as a special pay. Further, the rates of pay for each differ.

The occupational specialty which identifies demolition duty personnel is a "secondary skill identifier" and denotes an additive requirement to a primary occupational specialty. Data for analysis were obtained through a sample survey of the more technical Explosive Ordnance Disposal (EOD) units possessing demolition duty skills. Information identifying those personnel who perform demolition duties in conjunction with their primary occupational specialty could not be obtained. The hazardous duty incentive pay for the performance of demolition duty is insignificant and non-functional for the same reasons as special pay for diving. This is despite the fact that the rates of pay are different.

Demolition Duty Pay was established in 1949 at monthly rates of \$100 for officers and \$50 for enlisted. It has remained unchanged since 1955 when the rates were increased by 10%. The value of this pay, in constant dollars, has decreased by 57% since 1955. This clearly indicates it is not being used as a management tool. Demolition Duty Pay for enlisted personnel as a percentage of annual reserve pay, ranges from 11% for an E-1 to 3% for an E-9; and for officer personnel, it

ranges from 10% for an O-1 to 4% for an O-6.

Based on the above, hazardous duty incentive pay for demolition duty is a non-functional item of present reserve compensation and has no appreciable affect on the supply of reserve demolition duty personnel.

Parachute Duty Pay

A member of a Reserve Component who performs the hazardous duty of parachuting under competent orders and meets minimum performance standards is entitled, by Section 301(a) and (b) of Title 37, United States Code, to receive Parachute Duty Pay. Minimum performance standards are identical for active duty and reserve personnel, requiring one jump in a period of three consecutive months, for entitlement to Parachute Duty Pay. A person who is unable to perform a jump in a three month period because of military operations of the command or the absence of jump equipment or aircraft may qualify for Parachute Duty Pay on a 12 month basis, provided he performs four jumps any time during the remaining nine months. Parachute Duty Pay was established at \$100 for officers and \$50 for enlisted in 1941. It has remained unchanged since 1955, when the rates were increased by 10% Parachute duty rates as shown in Table 5-8.

TABLE 5-8

PARACHUTE DUTY PAY

	<u>Active Duty</u>	<u>Reserve</u>	
	<u>Monthly Rate</u>	<u>Drill Rate (1 UTA)</u>	<u>Monthly Rate (4 UTA's)</u>
Officer	\$110	\$3.67	\$14.68
Enlisted	55	1.84	7.36

The rates of pay for parachute duty are identical to those for demolition duty, even though the supply characteristics are much different. Both are classified as hazardous duty incentive pays and are identified as secondary skill identifiers. The proportionate quantity of parachute duty positions far exceeds that of demolition duty and are manned with a far greater number of lower grade personnel than demolition duty personnel. The training time associated with acquiring the parachute skill is very brief and less costly than demolition duty. In addition, demolition duty skills are highly marketable in the civilian labor market while just the opposite applies to the skill of parachuting, i.e., many people pay to engage in parachuting as a recreational activity.

Positions requiring parachute skills are currently manned at levels that far exceed those of demolition

duty. There is an additional supply of both officers and enlisted personnel who are parachute qualified but not occupying authorized parachute positions. Consequently, a general shortage of qualified parachutists does not exist within the reserve inventory nor in authorized positions. Parachute Duty Pay is an insignificant portion of a reservist's annual compensation. It is clearly a non-functional item of present reserve compensation, as is Demolition Pay, which is paid at the same rates, but for the opposite reason.. Parachute Pay is non-functional because it appears to be unnecessary to meet manning objectives and Demolition Pay is non-functional because it is inadequate to meet manning objectives.

Flight Pay (Crewmember)

An enlisted member of a Reserve Component who performs training in a pay status under competent order to participate in regular and frequent aerial flights as a crewmember is entitled¹ to receive Flight Pay for such duty. The minimum requirement for entitlement to Flight Pay is four hours for active duty and two hours for reserve duty. The reserve flight pay rates shown in Table 5-9 have remained unchanged since 1955.

1 37 USC, 301(a)(b).

TABLE 5-9

MONTHLY FLIGHT PAY FOR CREWMEMBERS CONTRASTS
ACTIVE DUTY RATES WITH RESERVE DRILL RATES

ACTIVE DUTY RATE¹

GRADE	YEARS OF SERVICE										
	2	2	3	4	6	8	10	12	14	ALL OTHER YOS	26
E-9	\$105.00										
E-8	105.00										
E-7	80.00	85.00	85.00	85.00	90.00	95.00	100.00	105.00			
E-6	70.00	75.00	75.00	80.00	85.00	90.00	95.00	95.00	100.00		
E-5	60.00	70.00	70.00	80.00	80.00	85.00	90.00	95.00			
E-4	55.00	65.00	65.00	70.00	75.00	80.00					
E-3	55.00	60.00									
E-2	50.00	60.00									
E-1	50.00	55.00									

RESERVE DRILL RATE²

GRADE	YEARS OF SERVICE										
	2	2	3	4	6	8	10	12	14	ALL OTHER YOS	26
E-9	3.50										
E-8	3.50										
E-7	2.67	2.83	2.83	2.83	3.00	3.17	3.33	3.50			
E-6	2.33	2.50	2.50	2.67	2.83	3.00	3.17	3.17	3.33		
E-5	2.00	2.33	2.33	2.67	2.67	2.83	3.00	3.17			
E-4	1.83	2.17	2.17	2.33	2.50	2.67					
E-3	1.83	2.00									
E-2	1.67	2.00									
E-1	1.67	1.83									

¹ SOURCE: DOD Military Pay and Allowances Entitlement Manual, 1978.

² Reserve Drill Rate = Monthly Drill Rate divided by 30.

When compared to individual component and other specialties there appears to be neither surpluses nor any significant shortages of crewmembers as a percent of authorized crewmember positions who are entitled to Flight Pay.

Although data were not available to show any significant trend, the aviation elements of the reserves report they are not experiencing any particular difficulty in recruiting or retaining crewmembers (except USNR). This is not to say there are not some isolated shortages in certain geographical areas or units.

Unlike parachute duty and demolition duty pay, the rates of pay for crewmember Flight Pay vary by grade and years of service. Attraction and retention of enlisted aviation personnel appears adequate, despite the fact that these Flight Pay rates have remained unchanged for the past 23 years. In 1955, Flight Pay represented 44% of the total annual reserve pay for an enlisted crewmember in the grades of E-4 and E-5 while today (1978) it equates to only 12% to 14% respectively. The total annual compensation received by a reservist entitled to crewmember Flight Pay is substantially greater than a reservist not entitled to crewmember Flight Pay. For example, reservists in the grades of E-4 through E-6 receive between 50% and 70% more than reservists not entitled to crewmember Flight Pay. This substantial increase is primarily the result of

additional flying training periods that are required of crewmembers. For example crewmembers in the USAR and ARNG are authorized a maximum of 24 additional flying training periods while members of the USAFR and ANG are authorized a maximum of 36 additional flying training periods. The performance of each additional flying training period (4 hours) results in a crewmember receiving 1/30 of the monthly rate of Basic Pay and Flight Pay (crewmember).

Unlike several of the other special and incentive pays examined, present manning experience does not indicate that Flight Pay is either excessive or inadequate. However, its form does have the same objectionable features as most of the other special and incentive pays, namely, it is unrelated to reserve manning.

The nominal dollar amounts have remained unchanged over the past 23 years, and the value of Flight Pay (in constant dollars) has declined by 57% over that time. It is unlikely that the same nominal rates were effective during the past 23 years and that they will continue to be ineffective until such time as active duty rates are changed.

Aviation Career Incentive Pay

A member of a Reserve Component who performs training in a pay status and is qualified for aviation service under the prescribed regulations of the Secretary concerned is entitled¹ to receive Aviation Career Incentive Pay (ACIP).

There are two phases for entitlement to ACIP. Phase I is based upon years of aviation service while Phase II is based upon years of service as an officer. ACIP was instituted in 1974 to replace Flight Pay for officers, which was structured much differently. Table 5-10 details the various rates of pay for entitlement to ACIP.

Officers qualified for aviation service are entitled to either continuous or non-continuous ACIP. Officers not qualified for continuous ACIP must meet monthly minimum flight requirements to be paid ACIP (4 hours for active duty and 2 hours for reserve duty). The ARNG and USAR are the only Reserve Components that do not authorize continuous ACIP. The entitlement to continuous ACIP is displayed in Table 5-11.

1 37 USC 301(a)(b).

TABLE 5-10

RATES OF AVIATION INCENTIVE PAY

(Commissioned Officers in Phase I of their careers)

<u>Years of Aviation Service</u>	<u>Active Duty Monthly Rate</u>	<u>Inactive Duty</u>	
		<u>Drill Rate¹</u>	<u>Monthly Drill Rate²</u>
< 2	\$100	\$3.33	\$13.32
> 2	125	4.17	16.68
> 3	150	5.00	20.00
> 4	165	5.50	22.00
> 6	245	8.17	32.68

(Commissioned Officers in Phase II of their careers)

<u>Years of Svc as an Officer</u>	<u>Active Duty Monthly Rate</u>	<u>Inactive Duty</u>	
		<u>Drill Rate</u>	<u>Monthly Drill Rate</u>
> 18	\$225	\$7.50	\$30.00
> 20	205	6.84	27.36
> 22	185	6.17	24.68
> 24	165	5.50	22.00
> 25	None	None	None

(Warrant Officers)

<u>Years of Aviation Service</u>	<u>Active Duty Monthly Rate</u>	<u>Inactive Duty</u>	
		<u>Drill Rate</u>	<u>Monthly Drill Rate</u>
< 2	\$100	\$3.33	\$13.32
> 2	110	3.67	14.68
> 6	200	6.67	26.68

- ¹ Monthly rate divided by 30 = Drill Rate.
² Drill Rate (x) 4 Unit Training Assemblies (UTAs) = Monthly Drill Rate.

TABLE 5-11

ENTITLEMENT FOR CONTINUOUS ACIP

Years of Entitlement to ACIP	Qualification
1st 12 years	- upon commencement of flight training and appointment as aviation officer (whichever is later)
1st 18 years	- performance of 6 years operational flying duty within a 12 year period from initial entitlement
1st 22 years	- performance of 9 or more, but fewer than 11 years operational flying duty within an 18 year period from initial entitlement
1st 25 years	- performance of 11 years operational flying duty within an 18 year period from initial entitlement

As was the situation with crewmember Flight Pay, the supply of aviators and navigators as a percentage of authorized positions reflect that these positions are now manned at levels equal to or greater than the overall total component authorized strength.

However, the projected aviator strengths of all components (FY 83) indicate that the present favorable manning situation is only temporary. The projected strength indicates decreases, and in some components these are significant. The RCSS staff has not had time

to analyze the reasons for these projected shortages, which could be a result of a decrease in active duty pilot training activities, an increase in active duty retention, an increase in reserve authorizations, or a decrease in reserve retention. Any judgment about the future adequacy of ACIP or proposed changes depends upon analysis of the reasons for the projected shortages.

There are generally no critical shortages of aviation personnel at present. The total compensation received by reserve officers entitled to ACIP is substantially greater than reserve officers who are not entitled to ACIP. For example, a reserve aviator in the grade of O-3 earns between 58% and 79% more than a non-aviator in the same grade. The ACIP of an O-3 with over 10 years of service performing either 24 or 36 additional flying training periods amounts to about 14% of his total annual reserve compensation. This significant increase in pay is basically the result of the additional flying training periods that are required of aviators to maintain their combat proficiency and readiness. As was the case with crewmember Flight Pay, ARNG and USAR aviators are authorized a maximum of 24 additional flying training periods while members of the ANG and USAFR are authorized a maximum of 36 additional flying training periods. The performance of each

additional flying training period (4 hours) results in an aviator receiving 1/30th monthly rate of basic pay and ACIP. Consequently the largest part of an aviator's increase in pay over a non-aviator's is directly attributable to the additional basic pay associated with additional flying training periods.

Although aviation manning appears to be generally adequate at present, without additional study it is difficult to judge the effectiveness of ACIP. This is a relatively new compensation element. Reserve ACIP is linked to Active Force ACIP, which has remained unchanged since it was instituted in 1974, and is unrelated to reserve manning.

F - DEFERRED COMPENSATION

BACKGROUND

The Army and Air Force Vitalization and Retirement Equalization Act of 1948¹ established a retirement system for members of the Reserve Components. It received wide support from all components because at the time of passage the desired strength of the Reserve Components was not being attained. The hearings clearly documented that the sole intent of Title III retirement was to provide a monetary incentive for reservists to perform continuous reserve service for longer periods of time. The basic provisions of the law have not been changed to this date.

CURRENT ENTITLEMENT

The Act entitled a reservist who completes 20 years of satisfactory retirement-creditable service to retired pay and ancillary benefits,² commencing at age 60. The creditable service may include active duty, active duty for training, inactive duty or equivalent training. A reservist may or may not be paid for some or any of these forms of participation but he may still earn retirement points. A reservist must earn a minimum of 50 points to have a retirement-creditable year and is limited to

1 Public Law 80-810; 10 USC 1331-37.

2 Ancillary benefits consist of medical care for self and dependents, commissary and exchange privileges.

a maximum of 60 inactive duty points in any anniversary year. Points are awarded for each day of active Federal service, each drill or period of equivalent training, gratuitously for membership, and for certain other activities. A drill is normally 4 hours in duration (although the law requires only 2 hours) and a maximum of 2 drills may be performed in one day. The 15 annual gratuitous points were provided solely to aid a reservist in attaining the minimum 50 points. Upon attainment of the 20 creditable years, a reservist may continue to participate by being a member of a paid or unpaid drill unit, by taking correspondence courses, by serving on periods of active duty and active duty for training, or he may choose to enter the Retired Reserve, or even allow his enlistment to expire or resign his commission and do nothing for the intervening years until he reaches age 60.

RETIRED PAY CALCULATION

The retired pay is calculated according to a standard formula:

$$\text{Constructive Years} \times .025 \times \text{Base Pay}^1 = \text{Monthly Annuity}$$

The constructive years of service are calculated by dividing total retirement-creditable points by 360.

The retired pay formula is related to that used to

¹ Monthly Active Duty Base Pay from Pay Table in Effect at Time of Receipt of Retired Pay (Age 60).

calculate an active duty retirement (2 1/2% of base pay per year of service) and the effect of the constructive year is to relate reserve participation to full-time active duty participation.¹

Investigation by the RCSS has revealed major flaws in the reserve retirement system: the retention incentive provided by the retirement system is excessive to meet the needs of the components; the system fosters an aging force and denies promotion opportunities for younger persons; and the annuities and benefits are much more costly than necessary.

ATTRACTION OF RETIREMENT

The Active Force retirement system, which pays an immediate annuity upon retirement provides an extremely powerful incentive to get out and seek a second career while still young. In contrast, the reserve retirement system, which pays an annuity at age 60, provides excessive pull to remain active in the reserve program, and to earn as many retirement points as possible. The decision to remain in the reserve program until and beyond retirement eligibility is largely at the option of the

1 However one retirement point is not necessarily the equivalent of one day of active duty. For example, two retirement points are awarded for eight hours of IDT in one day, and 15 gratuitous points may be awarded each year for maintaining membership in a Reserve Component. This is discussed in more detail later in this section.

individual rather than being governed by the needs of the component. The size of reserve retirement annuities suggests how powerful an incentive they provide. As of 30 June 1976, the average monthly annuity paid to all reserve officers drawing retired pay was \$458 and for enlisted it was \$235. The average annuities of those just beginning to receive them would be substantially higher. Moreover, these annuities are substantially higher than these retired reservists could reasonably have anticipated at the time they made their career commitments.¹

Table 5-12 shows that in the Selected Reserve Components losses of enlisted reservists with over 20 years of service are far less than the number necessary for attainment of the objective enlisted force.

TABLE 5-12
ENLISTED
SELECTED RESERVE LOSSES
WITH OVER 20 YEARS OF SERVICE¹

CY 1976

	OBJECTIVE ²	ACTUAL	VARIANCE	
			No.	%
ARNG	2,771	2,062	- 709	-25.5
USAR	2,401	1,682	- 719	-29.9
ANG	1,674	617	-1,057	-63.1
USAFR	<u>524</u>	<u>453</u>	<u>- 71</u>	<u>-13.5</u>
TOTAL	7,370	4,814	-2,556	-34.7

1 ARNG, USAR, ANG & USAFR only; USNR, USMCR & USCGR data not available.

2 Requirements based.

1 This point is discussed later.

The same problem does not occur for officers in the Selected Reserve where the opposite situation is occurring. The Reserve Officer Promotion Act forces promotion and attrition results from the Selected Reserve because of billet grade restrictions, but many reserve officers then enter the IRR where they can continue to accumulate more retirement points and increase the length of service creditable toward retirement. Table 5-13 shows specifically that 15,705, or 18%, of the officer IRR force has over 20 years of service. Though there are requirements for senior officers, it is difficult to see a need for such a proportion.

TABLE 5-13
INDIVIDUAL READY RESERVE
YEARS OF SERVICE
(TOTAL DOD INVENTORY)

	<u>YOS</u>	<u>TOTAL</u>	<u>PERCENT</u>
<u>OFFICER</u>	0-6	33,281	38.0
	7-12	26,206	30.0
	13-19	8,443	10.0
	20+	15,705	18.0
	UNKNOWN	<u>3,116</u>	<u>4.0</u>
	TOTAL	86,749	100.0
<u>ENLISTED</u>	0-6	267,014	93.0
	7-12	14,253	5.0
	13-19	2,205	.5
	20+	2,463	.8
	UNKNOWN	<u>2,481</u>	<u>.7</u>
	TOTAL	288,416	100.0

AS OF 30 SEPTEMBER 1977

Table 5-13 also shows that less than 1% of enlisted members of the IRR have over 20 years of service.

Because of general enlisted shortages in manning, there is strong incentive for components to keep persons in the Selected Reserve with high years-of-service to fill the shortages in the low years-of-service category. There is a valid fear that reserve personnel authorizations and appropriations will be cut if the components cannot meet current Selected Reserve enlisted manning authorizations as shown in Chapter III. Use of these reservists with high years-of-service builds the cost of future retirement annuities.

Active duty service provides no vesting prior to 20 years-of-service. However, it is possible for a person with active service to protect that investment by participation with a Reserve Component. The size of the annuity is a powerful attraction. The only limitation is that a former member of a Regular Component must serve the last eight years prior to retirement in a Reserve Component. Table 5-14 shows a comparison of actual Selected Reserve prior service accessions versus objective by component, for officers and enlisted.

Table 5-14

SELECTED RESERVE
OFFICER PRIOR SERVICE ACCESSION VARIANCES

COMPONENT	OBJECTIVE ¹	ACTUAL ²	VARIANCE	
			NUMBER	%
ARNG	1,747	1,772	+ 25	+ 1%
USAR ³	3,117	4,208	+1,091	+35%
USNR	2,525	2,739	+ 214	+ 8%
USMCR		NOT AVAILABLE		
ANG	827	962	+ 135	+16%
USAFR ⁴	592	838	+ 246	+41%
USCGR	<u>142</u>	<u>65</u>	<u>- 77</u>	<u>-54%</u>
TOTALS (w/o USMCR)	8,950	10,584	1,634	+18%

SELECTED RESERVE
ENLISTED PRIOR SERVICE ACCESSION VARIANCES

ARNG	43,240	69,267	+26,027	+60%
USAR	20,225	38,883	+18,658	+92%
USNR	17,100	21,864	+ 4,764	+28%
USMCR	1,000	4,368	+ 3,368	+336%
ANG	12,090	8,690	- 3,400	-28%
USAFR ⁴	7,208	5,058	- 2,150	-30%
USCGR	<u>1,361</u>	<u>380</u>	<u>- 981</u>	<u>-72%</u>
TOTALS	102,224	148,510	+46,286	45%

1 FY 83 Requirements Based

2 ANG - FY Ending 77
USAFR - FY Ending 77
Others - CY 76

3 TPU only

4 Units only

Source: Component Provided

The retention of personnel with more than 20 years of service has been greater than that stipulated in the objective loss rate. Table 5-15 shows this clearly.

The table shows that the USAR is the only component with substantially fewer enlisted persons with over 20 years of service than desired. This is largely because the USAR shows the greatest enlisted manning difficulty in general (see Chapters III and IV).

The surplus in this category is substantial now, but without some action it will become much larger for enlisted personnel in the future. Table 5-16 is a projection¹ of those excesses of people in the Selected Reserve with more than 20 years of service out to a point 20 years from now. These projections undoubtedly understate greatly the numbers of both officers and enlisted who will be in the 20+ years of service category in the future because the present distribution was used as a starting point for the projections. The surpluses of those now in this category consist of

1 Projection assumptions outlined in Chapter IV, Section E.

Table 5-15
SELECTED RESERVISTS WITH OVER
20 YEARS OF SERVICE¹
FOR CY 1976
OFFICERS

<u>COMPONENT</u>	<u>OBJECTIVE²</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	
			<u>No.</u>	<u>%</u>
ARNG	2,808	3,871	+1,063	+38
USAR ³	3,719	4,390	+ 671	+18
USNR	1,616	1,934	+ 318	+20
USMCR			NOT AVAILABLE	
ANG	1,950	2,694	+ 744	+38
USAFR ⁴	815	1,348	+ 533	+65
USCGR	506	334	- 172	-34
	11,414	14,571	+3,157	+28

ENLISTED

ARNG	14,381	21,965	+7,584	+53
USAR	11,395	9,587	-1,808	-16
USNR	6,590	10,938	+4,348	+66
USMCR	871	897	+ 26	+ 2
ANG	12,627	12,349	- 278	- 2
USAFR ⁴	3,929	4,632	+ 703	+18
USCGR	525	636	+ 111	+21
<u>TOTAL</u>	<u>50,318</u>	<u>61,004</u>	<u>+10,686</u>	<u>+21</u>

- 1 Officer YOS is based on years of commissioned service.
Enlisted YOS is based on PEBD.
- 2 Based on requirements.
- 3 Troop Program Unit (Line Only)
- 4 Unit Only

.reservists who made their career commitments more than 10 years ago. No one in 1968 could reasonably have foreseen the substantial increases in basic pay (and hence in retired pay, and the subsequent annual increases brought about by the Rivers Amendment in 1967).

Table 5-16
SELECTED RESERVISTS WITH OVER 20 YEARS OF SERVICE

DOD PROJECTIONS² FY 81-96

	<u>OBJECTIVE³</u>	<u>PROJECTED</u>	<u>VARIANCE</u>	
			<u>No.</u>	<u>\$</u>
FY 81 PROJECTED				
OFFICER	10,063	9,875	- 188	- 24
ENLISTED	49,793	58,733	+ 8,940	+ 188
FY 86 PROJECTED				
OFFICER	10,063	10,190	+ 127	+ 24
ENLISTED	49,793	74,802	+25,009	+ 504
FY 91 PROJECTED				
OFFICER	10,063	12,343	+ 2,280	+ 234
ENLISTED	49,793	118,140	+68,347	+1374
FY 96 PROJECTED				
OFFICER	10,063	11,935	+ 1,872	+ 194
ENLISTED	49,793	143,694	+93,901	+1884

1 OFFICER YOS BASED ON YEARS OF COMMISSIONED SERVICE.
ENLISTED YOS BASED ON PEED.
USAR OFFICER DATA IS TROOP PROGRAM UNIT (LINE ONLY)

2 USMC & USAFR OFFICER DATA NOT INCLUDED.

3 BASED ON REQUIREMENTS.

AGING FORCE

Analysis of the age and grade distributions in Chapter IV provides evidence of an aging reserve force. Undoubtedly a major reason for this is the pull of the reserve retirement system.

Table 5-17 displays the number of officers and enlisted persons in each component who are currently still participating even though they have exceeded the component's own statement of desired high year of tenure.

Table 5-17

	NUMBER OF OFFICER PERSONNEL BEYOND DESIRED HIGH YEAR OF TENURE (COMMISSIONED YEAR)												
	01		02		03		04		05		06		TOTAL
ARNG	(3)	944	(7)	825	(14)	595	(21)	541	(28)	98	(30)	162	3.165
*USAR	(3)	327	(7)	550	(14)	223	(21)	309	(28)	51	(30)	106	1.566
USNR	(3)	2	(6)	758	(12)	40	(18)	301	(24)	185	(31)	47	1.333
USMCR					(13)	2	(20)	2	(26)	1	(30)	0	5
ANG			3	(15)	86	(22)	93	(28)	138	(30)	128		448
USAFR				(15)	150	(22)	156	(28)	36	(30)	31		373
DOD TOTAL		1.273		2.136		1.096		1.402		509		474	6.890
USCGR	(16)	1	(22)	0	(32)	0	(32)	4	(32)	0	(32)	0	5
GRAND TOTAL		1.274		2.136		1.096		1.406		509		474	6.895

Numbers in parentheses show high year of tenure SOURCES as stated by each component

RCCPDS - 30 SEP 77

*IISAR - TPU-LINE ONLY APR 77

Table 5-17 (cont.)

RESERVE COMPONENT	NUMBER OF ENLISTED PERSONNEL BEYOND DESIRED HIGH YEAR OF TENURE									TOTAL
	E-1 - E-3	E-4	E-5	E-6	E-7	E-8	E-9			
ARNG	(6) 6.545	(12) 1.227	(15) 3.733	(22) 2.873	(26) 3.268	(29) 1.201	(32) 241			18.088
USAR	(6) 2.373	(12) 499	(15) 1.001	(22) 700	(26) 1.172	(29) 670	(32) 246			6.661
USNR	(8) 640	(20) 138	(24) 567	(26) 1.050	(28) 1.464	(29) 422	(30) 269			4.550
USMCR	(6) 302	(8) 215	(15) 41	(20) 27	(25) 41	(27) 82	(30) 47			755
ANG	(6) 1.074	(20) 23	(20) 246	(26) 775	(36) 26	(36) 28	(36) 28			2.200
USAFR*	(6) 506	(20) 23	(20) 151	(26) 171	(36) 3	(36) 2	(36) 5			861
TOTAL DOD	11.440	2.125	5.739	5.596	5.974	2.405	836			33.115
USCGR	(14) 0	(20) 0	(28) 4	(32+) 0	(32+) 0	(32+) 0	(32+) 0			4
GRAND TOTAL	11.440	2.125	5.745	5.596	5.974	2.405	836			33.119

* UNITS ONLY Numbers in parentheses show high year of tenure as stated by each component

SOURCE

RCCPDS 10/30/77

USAFR - 30 SEP 76

USCGR - 31 DEC 76

Projections of YOS and tenure analyzed in Chapter IV indicate that the numbers of personnel exceeding the desired high year of tenure will continue over the period FY 77-82. Table 5-18 displays the projections for enlisted personnel in the grades E-4/E-9 for the ARNG. The increases shown are generally typical for most of the Reserve Components.

Table 5-18
HIGH-YEAR TENURE ANALYSIS

ARNG - ENLISTED

<u>GRADE</u>	<u>HIGH-YEAR TENURE OF OBJECTIVE FORCE</u>	<u>CURRENT NUMBER EXCEEDING HIGH-YEAR TENURE OBJECTIVE FORCE (1977)</u>	<u>PROJECTED NUMBER EXCEEDING HIGH-YEAR TENURE OBJECTIVE (1982)</u>
E-4	12	1,227	1,302
E-5	15	3,733	3,879
E-6	22	2,873	3,061
E-7	26	3,268	3,462
E-8	29	1,201	1,279
E-9	32	241	253
		<u>12,543</u>	<u>13,336</u>

TECHNICIANS

The aging force is driven by more than the reserve retirement system. The ARNG, USAR, ANG, and USAFR use civilian technicians. Dual Status¹ technicians can apply their past active military service to both their reserve and Civil Service retirement (as can any veteran employed by the Federal government). Civil Service retirement provides an unreduced, immediate annuity at age 60 with 20 YOS and at age 55 with 30 YOS. There is an incentive, therefore, to continue in the Selected Reserve as long as possible to maximize both retirement annuities. The effect of this situation dictates that a significant percentage of the technicians occupy positions in the highest

1 A dual status technician is employed by a Reserve Component as a Federal civilian employee, conditional upon membership in the component.

grades, both officer and enlisted. Consequently career advancement opportunities are extremely limited for non-technician personnel. Table 5-19 shows the distribution of the total population for selected grades in the separate components which employ technicians. The percentage figure below each population is the percentage of that population who are technicians.

Table 5-19

TECHNICIANS AS PERCENT OF SELECTED RESERVE
(Showing senior officer and enlisted grades only)

	<u>O-4</u>	<u>O-5</u>	<u>O-6</u>		<u>E-6</u>	<u>E-7</u>	<u>E-8</u>	<u>E-9</u>
Total Population	4,173	1,913	777	<u>ARNG</u>	37,399	19,731	5,550	1,258
% Technicians	20.2%	33.7%	40.7%		15.3%	29.5%	50.4%	44.8%
Total Population	6,218	3,354	1,317	<u>USAR</u>	21,992	11,815	3,986	1,257
% Technician	3.0%	3.0%	3.3%		5.1%	11.3%	19.0%	24.8%
Total Population	2,780	1,766	359	<u>ANG</u>	14,420	6,979	2,142	871
% Technician	20.1%	41.2%	55.2%		46.8%	67.3%	80.6%	77.7%
Total Population	2,499	2,187	438	<u>USAFR¹</u>	5,672	3,830	981	418
% Technician	9.2%	8.7%	4.2%		39.0%	33.9%	42.2%	49.7%

¹ Data as of 30 Nov 76, all other data as of 31 Oct 76

In each of the four components, the pattern is essentially the same. From the lower to the higher grades, for both the officer and enlisted, the percentage of the positions held by technicians increases sharply.

In the Air National Guard, non-technician enlisted personnel hold 53% of the E-6 positions, but less than 1/3 of the E-7 positions, approximately 20% of the E-8 positions, and less than 1/3 of the E-9 positions. Of the total 8,069 technicians with USAR, 2,030 of them are "status quo" personnel. This means they no longer hold a military position in their unit as a result of completing their active reserve service, but are retained in their technician position until qualified for Civil Service retirement. As these "status quo" technicians are retired from the Civil Service, persons appointed to these positions are required to hold military positions in the units. However, the problem will not resolve itself because other technicians who cease military membership for various reasons will become "status quo".

Examination of the data shown in the Table 5-19 clearly supports the finding that the current Title III retirement provides an incentive for technician personnel to remain for the maximum years of service, which in turn severely limits the opportunities for

non-technician personnel for promotion as well as their access to retirement. This situation must have an adverse effect upon the retention of personnel in the 0 to 6 years-of-service, and may require higher levels of current compensation in the form of bonuses than would otherwise be necessary to recruit and retain the desired number of junior personnel.

During the data gathering process, it became apparent that there was no comprehensive management system for the planning and the control of the reserve retirement program. For example, in the Department of Defense and in some components there does not exist an automated system for the collection of retirement points. These data are essential to the analysis and projection of retirement costs. The RCSS recommendations, pertinent to data collection, are contained in Chapter VII.

INCREASING COST

Another problem with reserve retirement is the ever-increasing cost. Table 5-20 shows the actual expenditures for reserve retirement for the FY 73-76 period. The sharp 94% cumulative increase in costs during this short period is attributable to several factors. First, the period reflects the large numbers of retirees entering the pool from the World War II and Korea mobilizations. Secondly, the retiree population is relatively young and the rapid growth in numbers is not being offset by mortality. Finally, a large number of retirees are receiving annuities based on pay tables that reflect significant real growth and that have been adjusted with blanket increases annually over the past decade.

TABLE 5-20

TITLE III RETIRED RESERVES AND COSTS (ACTUALS)¹

<u>FY</u>	<u>ENLISTED</u>	<u>OFFICER(S)</u>	<u>TOTAL</u>	<u>COST (\$MIL)</u>
1973	6,524	47,770 (88)	54,294	181.7
1974	7,664	52,266 (87)	59,930	239.8
1975	8,996	56,815 (86)	65,811	303.3
1976	10,520	62,281 (85.5)	72,801	372.1
% INCREASE (73 - 76)	61%	30%	34%	94%

¹ DATA EXTRACTED FROM DODI 7700.1 (BASED ON ALL) TITLE III

Among the factors contributing to these increasing costs are several that stand out. A reservist may enter the retired rolls (or merely do nothing) any time after attaining 20 years of retirement-creditable service and yet his retirement annuity will be based on the pay table in effect at the time he first receives retired pay at age 60. This provision was addressed in the Reserve Retirement Modernization Act (RRMA), which proposed that the annuity be based on the pay table in effect when the member entered the retired rolls, adjusted at the time retired pay begins by changes in the Consumer Price Index during the intervening period. The effect of this provision is demonstrated in Table 5-21.

Table 5-21

**COMPARISON OF TWO DIFFERENT BASES FOR CALCULATING
TITLE III RETIREMENT PAY - PRESENT METHOD AND RRMA**

	<u>YEARS OF SERVICE</u>	<u>YEAR OF BIRTH</u>	<u>ASSIGNED RETIRED RESERVE</u>	<u>NUMBER¹ POINTS</u>	<u>PRESENT MONTHLY² RETIRED PAY</u>	<u>RRMA MONTHLY³ RETIRED PAY</u>	<u>PERCENT⁴ DIFFERENCE</u>
O4	20	1917	1959 ⁵	2660	\$317.01	\$242.83	30.52
E7	20	1917	1959 ⁶	2660	\$201.00	\$134.90	48.62

1. BASED UPON 4 YRS ACTIVE DUTY AND 16 YRS RESERVE SERVICE (40 ADT + 25 ADT).
2. BASED UPON OCT 76 PAY TABLES (CURRENT METHOD OF COMPUTATION)
(O-4 = \$1715.40 BASIC PAY, E-7 = \$1092.00).
3. BASED UPON JUN 58 PAY TABLES, CPI ADJUSTED TO JUL 77 (RRMA
METHOD) (O-4 = \$630.00 BASIC PAY, E-7 = \$350.00).
4. DIFFERENCE EXPRESSED AS A % OF RETIRED PAY UNDER RRMA METHOD.
5. ENTER AD AT AGE 22 WITH CONTINUING RESERVE SERVICE.
6. ENTER AD AT AGE 20 WITH 2 YR SERVICE BREAK BEFORE CONTINUING
RESERVE SERVICE.

The reservist receives real growth in his annuity even though he has not been participating. One can readily see the advantage to the reservist of "hanging in there."

A reservist has another advantage in the calculation of his retired pay. When an active duty retiree enters the retired rolls his annuity is based on his grade and years-of-service at that time. A reservist's annuity is based on his grade and years-of-service at the time he first receives retired pay, in effect guaranteeing the reservist the maximum longevity step in the pay table. This also increases retired pay without the need for any membership participation by the reservist. Table 5-22 displays this situation.

TABLE 5-22

PAY GRADE	BASIC PAY LONGEVITY INCREMENTS AFTER 20 YOS							
	OVER 20 MONTH	OVER 22 % INCREASE	% INCREASE	AMOUNT	OVER 26 % INCREASE	% INCREASE	CUMULATIVE INCREASE AMOUNT	%
COMMISSIONED OFFICERS								
O-6	\$2180.00	\$ 127.50	5.8	\$2514.00	\$ 185.00	8.4	\$273.10	10.7
O-5	1981.00	60.00	3.5	2051.00	-	-	60.00	3.5
WARRANT OFFICERS								
W-4	1424.70	47.50	3.3	1505.00	114.30	7.8	161.70	11.4
W-3	1252.70	45.00	3.6	1395.70	45.00	3.5	91.30	7.3
W-2	1122.10	-5.30	4.0	1180.00	-	-	45.30	4.0
ENLISTED								
E-9	1176.00	62.10	5.3	1300.00	120.00	9.7	162.10	15.5
E-8	1051.70	60.30	5.8	1224.10	122.10	11.2	162.00	17.7
E-7	930.20	61.70	6.7	1092.00	120.00	12.4	161.00	16.8

Based on samples¹ of officers and enlisted personnel entering the retired rolls during FY 77, approximately 1/2 of all E-7's and E-8's and 22% of the E-9's in the USAR retired pool will become eligible for one additional longevity step upon receipt of retired pay. In addition, 13% of the E-7's and 22% of the E-8's will get two additional steps. In the USAFR over 1/3 of the E-7's and E-9's will get one step and over 1/2 of the E-8's will get two steps.

The awarding of annual gratuitous points adds to the value of retired pay, also without participation. A member of the Selected Reserve usually is credited with 12 of his 15 gratuitous points to add to his 48 drills thereby making a total of 60 inactive duty points per year (the maximum allowable). Gratuitous points have more effect on the retired pay of some reservists than on others. Those persons who earn a total of 35 points in a year under some form of participation get the advantage of all 15 gratuitous points, or 30% (15/50) of the value of their future annuity for that year.

The minimum of 50 points for a satisfactory retirement year forces reservists to participate in activities often not related to their mission in the reserve. It is likely that many correspondence courses taken by

1 Samples provided by USAR and USAFR

reservists do not contribute to increased skill proficiency or combat readiness. Attendance at conferences and conventions often do not add to reserve mission accomplishment. These practices build future retired pay for the reservist and increase the retirement cost liability of the Department of Defense.

HIDDEN COSTS

A final point is that neither the currently accruing liability for future retirement costs nor the current cash outlays for retirement is charged to the budget of either the Reserve or the Active Forces; these costs are charged to the DoD budget at the time the cash outlays occur. This budgetary procedure provides a strong incentive for the components to ignore retirement costs in manpower planning, including the development of objective personnel profiles, and personnel management.

G - BENEFITS AND OTHER ALLOWANCES

Benefits are an integral part of military compensation, particularly for active duty personnel, and, to a lesser degree, for reservists. Those benefits which are now available to the reservist are described in this section. The basic allowances for quarters and subsistence have been considered in an earlier section of this Chapter because they pertain to the direct compensation of all reservists. This section is divided into three subsections: present benefits, deferred benefits, and allowances.

PRESENT BENEFITS

Medical Benefits

Members of the Reserve Components are entitled, by Titles 10, 32, and 38 of the United States Code, to the same medical care, pay allowances, dependent medical care, etc., as active duty personnel when serving on active duty (other than for training) for periods of 30 days or more. For periods of active duty for training or inactive duty training, entitlement is also provided by the same sections of the United States Code, but with a great many inconsistencies between components. The

inconsistencies include, but are not limited to, length of time for continuation of pay and allowances if disabled from injury; length of time of periods of active duty for entitlement to medical care for disability incurred from disease; length of time for entitlement to medical care; transportation to and from a hospital, etc.

Medical care for dependents is granted to members of the Regular Forces and to members of the Reserve Components on active duty (other than for training) for periods of 30 days or more, or to dependents of those who died during that active duty; and, if the retiree was in receipt of retired pay, to dependents of retired members and those who died while retired.¹

There is no apparent reason for tolerating the continuation of inequities in coverage resulting from historical inconsistencies in the legislation governing medical benefits entitlements for members of the Reserve Components.

Military Exchange

Members of the Reserve Components are authorized military exchange privileges by Department of Defense directive on the basis of one day of use for each eight

¹ See RCSS Issue Paper "Medical Benefits for Reservists and Their Dependents," January 1978.

hours of inactive duty for training to a maximum of 24 days annually. Dependents are authorized to accompany the reservist. Members of the Reserve Components on active duty or active duty for training for any period are authorized unlimited use of the exchange during such periods.

Authorized exchange days may be accumulated by reservists for use at times other than when in a training status. An inconvenience is created by not authorizing dependents use of the exchange while unaccompanied. Identification procedures for access of reservists to exchanges vary unnecessarily by service. Motivational studies have substantiated that exchange privileges have little impact on recruiting and retention.¹

Commissary

Members of the Reserve Components and their dependents are authorized by various sections of Title 10, United States Code (depending on service) use of commissaries when on active duty or active duty for training for periods in excess of 72 hours.

¹ See RCSS Issue Paper "Military Exchange/Commissary," January 1978.

Commissary access may not be accumulated for inactive duty training as in the case of exchange privileges. Identification procedures for access into commissaries vary by service. Motivational studies have substantiated that there is little impact on recruiting and retention in regard to commissary privileges.¹

DEFERRED
BENEFITS

Servicemen's Group Life Insurance (SGLI)

Full-time group life insurance up to \$20,000 is available, according to Section 767 of Title 30, United States Code, to members of the Reserve Components when they are assigned to units or positions in which they are required to perform active duty (AD) or active duty for training (ADT) and each year are scheduled to perform at least 12 periods of inactive duty training (IDT) that is creditable for retirement purposes. Also eligible are persons assigned to or who, upon application, would be eligible for assignment to the Retired Reserve and who have not received the first increment of retired pay or have not reached their 61st birthday but have completed at least 20 retirement-creditable years of service. Members of

¹ See RCSS Issue Paper "Military Exchange/Commissary," January 1978.

the Standby Reserve or Individual Ready Reserve who perform less than 12 periods of scheduled IDT are not eligible for full-time coverage, but do qualify for SGLI while performing AD or IDT. Such reservists are covered (i.e., their beneficiaries would receive the benefit provided the death occurred within 120 days of the period of duty in which the illness or injury took place.

Basically the SGLI program is self-supporting (though there is internal subsidization among active duty, reserve and retired categories, and different age groups) and represents no Government funding to sustain the insurance. The cost of administration is factored into the premiums. A major potential cost to the Government exists in the form of war risk coverage. The insurance carrier is exempted from liability for war related deaths.

SGLI is a low cost, voluntary group life insurance program for eligible members of the Reserve Components and an important adjunct to estate planning for retired reservists not yet drawing retired pay.

Survivor Benefit Plan

The Survivor Benefit Plan (SBP) (10 U.S.C., 1447-1455) provides the survivors of reservists who are in receipt of retired pay with income up to 55 percent of the retired

pay of the member. Survivors of beneficiaries may be designated as spouse only, spouse and dependent child, or children only, and other persons with insurable interest.

The reservist must have received at least one retirement payment for the survivors to be eligible to receive payments. The member is automatically enrolled in the SBP at the maximum amount, unless he elects in writing not to participate or to participate at a reduced rate. This election is made at least 30 days before the reservist becomes entitled to receive retired pay, i.e., normally age 60. SBP payments are increased periodically with increases in the Consumer Price Index (CPI). The cost to the retiree for SBP is in the form of a reduced annuity with the amount based on the class of beneficiary. For example, if the spouse is the only beneficiary the cost is 2½% of the first \$300 of retired pay and 10% for amounts over \$300. Therefore, the cost is adjusted automatically as retired pay is adjusted for CPI changes.

Generally, when the SBP election is made by the reservist, it is irrevocable. However, if the survivor predeceases the retiree, he will not have to continue to pay premiums. The minimum base amount on which the benefit is determined is \$300, unless the retired pay

is below \$300, in which case the benefit will be determined on the full gross retired pay.

If an eligible member recalled to active duty should die while on active duty and after having received retired pay, the survivor's annuity is offset by Dependency and Indemnity Compensation. The benefit is further offset by Social Security benefits attributable to military service after 1 January 1957 under certain circumstances.

No financial data are available to determine the present day SBP costs attributable to reservists. A reservist's retired pay is not vested until age 60 and consequently a reservist's survivor has no entitlement to any portion of his retired pay until after the reservist has received his first check for retired pay. Many bills have been introduced in the Senate and House of Representatives to rectify this situation. The lack of vesting of retired pay for survivors is considered to be a serious inequity by members of the reserve community, and this view has frequently been communicated to the RCSS.

Individual Retirement Account (IRA)

Any member of a Reserve Component who has served less than 90 days on active duty (other than active duty for training) and who is not otherwise covered by a

retirement plan is entitled to establish an Individual Retirement Account (IRA) by Section 219 of Title 26, United States Code. Qualified individuals may deposit in an IRA 15% of their gross annual income up to \$1,500 and deduct this amount from gross earnings on their Federal income tax.

Public Law 87-792 of 1962 established the IRA. Reservists who were not covered by any other retirement plan were considered ineligible because of the possibility of receiving future Title III retired pay. The Tax Reform Act of 1976 removed this disqualification. The advantage to an individual of establishing an IRA is in the form of reduced taxable income during the period of normally higher earnings and the deferment of that amount of income to a time following retirement when taxable income is usually lower.

Dependency and Indemnity Compensation (DIC)

Survivors of Guard or Reserve members who are killed on active duty, active duty for training, inactive duty training, or travel to and from such duty, or die as a result of injury or disease incurred during such duty or travel, are entitled, by Sections 401 through 423 of Title 38, United States Code, to tax-free, monthly Dependency and Indemnity Compensation benefits based on

the military pay grade of the reservist at the time of death. The 1977 monthly rate ranges from \$277 for an E-1 to \$602 for an O-8. These rates increase with grade to a much lesser extent than compensation, retired pay, and survivor's benefits. The amount payable to the widow or widower continues for life (unless he or she remarries). Income from other sources does not affect the amount of this entitlement. Additional benefits are available to the widow or widower based on the number of children under age 18.¹ Dependent parents may also be eligible for DIC benefits. When there is no surviving spouse, but dependent children, benefits to such children are available and normally greater than the benefit for a dependent when there is a surviving spouse

This same benefit is available to members of the Active Forces. The benefit is administered by the Veterans Administration but no distinction is made between active duty personnel and reservists for accounting purposes.

This benefit is an important item of protection for the survivors of reservists who are killed or die while performing their duties in the Reserve Components.

¹ Children are eligible up to age 23 if they are full-time students. There is no age restriction if the child has a severe mental or physical disability.

Death Gratuity

The survivor of a Guard or Reserve member who dies while on active duty, active duty for training, or inactive duty for training is entitled, by Section 321 of Title 32 of the United States Code for Guardsmen and Section 1475 of Title 10 for Reservists, to a lump sum payment. The surviving dependent is also entitled to the gratuity if the reservist's death occurs while traveling directly to or from such training or if death occurs within 120 days after training as a result of injury or disease incurred or aggravated during active duty or active duty for training, or as a result of injury incurred during inactive duty for training. The amount is six months' active duty pay (including basic, special, and incentive pays) based on the grade and years of service of the member at the time of death but in no case less than \$800 nor more than \$3,000.

The original intent of this death gratuity was to provide an immediate payment to dependents towards relocating from the military post. The aspect of immediacy of payment has been preserved, in most cases, through payment made by the service within 24 hours of death notification.

The question has arisen periodically as to the continued need for such a benefit, both for the Active Forces as well as for the Reserve Components, because the gratuity was originally established to cover the immediate expenses faced by dependents in the days before life insurance coverage was available in the military benefit program. The gratuity was retained even after insurance became available so as to provide immediate cash because the insurance settlement process was generally quite attenuated.

Burial Expense

A member of a Reserve Component is entitled, by Sections 1481 through 1488 of Title 10, United States Code, to the care and disposition of his remains, should he die while on active duty (including active duty for training), performing authorized travel to or from that duty, on authorized inactive duty training, or hospitalized or undergoing treatment at the expense of the Government for injury incurred, or disease contracted, while on that duty or training or while performing that travel. Incident to the recovery, care and disposition of the remains of any decedent, payment may be made for recovery and identification of the remains; notification of next of kin; preparation for burial

(including cremation); furnishings a uniform, a casket or urn, or both, with outside box; hearse service; funeral director's services; transportation; interment; provision of a flag to drape casket; presentation of flag to the parents, and provision of burial site in a national cemetery (if authorized). A flag presentation is authorized to a member of the Ready Reserve if not covered as above and to a former member of a Reserve Component who had at least 20 years of retirement-creditable service but is not yet entitled to retired pay.

If kin desire to make private arrangements, reimbursement may be made for those items normally covered in such circumstances but in amounts not larger than that normally incurred by the Service Secretary.

The average cost for the care of the remains of a deceased was \$1,500 in fiscal year 1977. The total expenses incurred in fiscal year 1977 was \$2.2 million. The burial expense benefit and the death gratuity go towards meeting those immediate expenses on the death of the reservist.

Federal Old-Age, Survivor and Disability Insurance (OASDI)

A member of a Reserve Component is taxed in the form of pay withheld according to the Federal Insurance Contri-

Contributions Act (FICA) for earnings received while on active duty and active duty for training. Three types of benefits then are available under OASDI for those contributions: a monthly retirement benefit payable as early as age 62; disability benefits if a qualified participant becomes severely disabled and is unable to do other substantial work; and, survivor benefits upon the death of a qualified participant.

The amount of retirement, disability, or survivor benefit is based on the insured's status, which is determined by his age, FICA taxes paid, and wage-earning time covered by the OASDI.

Earnings received from inactive duty training (IDT) are not subject to such tax. Apparently the reason IDT earnings were not taxed originally is because of administrative inconvenience and negligible return based on the low earnings of a reservist at the time military earnings were brought under FICA in 1957 and prior to the substantial growth of the pay rates since that time.

Table 5-23 shows the amounts of FICA tax collected on active duty and active duty for training payments by the Government from the members in Fiscal Year 1977 and projections for Fiscal Years 1978 and 1979. It also

portrays the amounts that would have been collected in 1977 and would be collected in 1978 and 1979 from the member if inactive duty training earnings were taxed in those years.

Table 5-23

ACTUAL AND PROJECTED FICA TAXES WITHHELD
(in millions)

<u>YEAR</u>	<u>FICA RATE</u>	<u>AD & ADT EARNINGS</u>	<u>IDT EARNINGS¹</u>
FY 77	5.85	30.6	50.6
FY 78	6.05	36.9	55.3
FY 79	6.13	35.9	54.0

1 Calculated using the appropriate FICA tax rate by year and actual or projected IDT earnings.

The amounts are obviously not negligible today, but are quite substantial! In addition, certain benefits are denied to the reservist by not taxing the inactive duty training earnings. A large portion of the 18-26 year old group in the Selected Reserve are students, unemployed, or working in situations not covered by OASDI. The disability and survivor protection offered by OASDI would be of value to this group because this protection requires only eight quarters for persons born since 1947, and also the entire year would be counted (four

quarters per year instead of the one quarter in which ADT is performed) towards the required 40 quarters necessary for full coverage. Members of this same age group who are working and covered by OASDI are generally not attaining the maximum taxable earnings subject to FICA and their inclusion by being taxed on IDT earnings would increase certain benefits. Persons who already are earning the maximum FICA taxable wage would be entitled to a refund upon filing their Federal income tax. A secondary earning opportunity (such as being a member of the Selected Reserve) in the private sector would be subject to FICA and covered by OASDI. In addition, making inactive duty training pay subject to FICA is in accord with the compensation principle that manpower costs should be explicit in the budgets of the components.

ALLOWANCES

Officer Uniform Allowance

An officer of a Reserve Component is entitled by Section 415 and 416 of Title 37, United States Code to an initial allowance of not more than \$200 as reimbursement for the purchase of required uniforms and equipment; an additional allowance of not more than \$100 each time he enters active duty for a period of more than 90 days;

an additional uniform maintenance allowance of not more than \$50 at the completion of each four year period of service in the Selected Reserve, provided he has not received the \$200 or \$100 allowance within four years.

The allowances were established to relieve the financial burden placed upon reserve officers for the purchase and maintenance of uniforms and equipment. Complete reimbursement was never intended.

The maintenance allowance had the additional intent of providing an incentive to remain in the reserve. The uniform maintenance allowance is an insignificant part of an officer's total annual reserve compensation (less than 1% or \$12.50 per year) at this time, although when enacted it represented about 3% for an officer in grade of O-3. During fiscal year 1977, a total of 19,615 reserve officers received the \$50 uniform maintenance allowance for a total cost of \$980,000 (USNR not included). Reserve officers not on extended active duty are allowed to deduct the cost of purchase and maintenance of uniforms from their Federal Income Tax after reducing the deduction by the amount of the allowance received.¹

1 See RCSS Issue Paper "Officer and Enlisted Uniform Allowances", January 1978.

The initial \$200 and the \$100 officer uniform allowances relieve the financial burden of uniform purchases on reserve officers called to extended active duty for short periods of time. Because the uniform maintenance allowance is so insignificant, it does not serve its intent of being an inducement to retain officers in the Selected Reserve, especially when there is no officer shortage.

Enlisted Uniform Allowance

An enlisted member of a Reserve Component is entitled, by Section 418 of Title 37, United States Code, to an initial issue of uniforms and equipment or a cash allowance in lieu of this issue, as prescribed by the Service Secretary. This is supplemented upon call to active duty. The Reserve Components have a "turn-in and replacement" system whereby worn-out clothing and equipment are replaced at no cost to the reservist. The Naval Reserve provides an initial uniform allowance of \$112.50 of persons in the grades of E-7 and above and a maintenance allowance of \$3 per quarter while participating satisfactorily in the Selected Reserve.

The "initial issue" and "turn-in and replacement" system for enlisted persons is functional. Naval Reservists in the grades of E-7 and above were provided the monetary

allowance because they wear a uniform different from other enlisted persons in the component.¹

No change is necessary in the "initial issue" and "turn-in and replacement" system for enlisted persons. The Navy policy on uniforms is currently being reviewed to determine whether all E-6's and below will return to wearing the bell-bottom uniform. If that is authorized, the initial allowance for E-7's and above would again be justifiable as it is not at present.

1 See RCSS Issue Paper "Officer and Enlisted Uniform Allowances", January 1978.

CHAPTER VI

RECOMMENDED RESERVE COMPENSATION SYSTEMS

A- INTRODUCTION

In this Chapter, the RCSS presents a choice of two reserve compensation systems; each has been designed to enable the Reserve Components to achieve their manning objectives and each is more efficient than present reserve compensation.

The main difference between the two systems is that one includes a provision for retired pay and the other includes an additional compensation element designed to provide the same degree of draw for career personnel as the RCSS retired pay element. The two systems have a common pay table for the general level of compensation received by members of the Selected Reserve. They also have common enlistment incentives for non-prior service personnel, and common prior service and reenlistment bonuses to aid in attracting and retaining reservists with relatively scarce skills.

Both of these alternatives shift compensation dollars from deferred compensation to current compensation,

where the analysis of the personnel profiles clearly indicates they are most needed.

Today's reserve compensation cannot be accurately described as a system. It is a collection of compensation elements which have evolved over time, and, as we have demonstrated, is not compatible with the Reserve Components' force manning objectives. Both alternatives recommended by the RCSS have been designed as systems, that is, each element has been designed with reference to the other elements in the system and to the capability of the system to attain the objective force profiles at minimum cost.

B - GENERAL LEVEL OF CURRENT COMPENSATION

The findings and conclusions presented in the previous chapters, which relate to the general level of current compensation, indicated a need to:

- Decrease the slope of the payline associated with the general level of current compensation;
- Increase the general level of current compensation for junior personnel (0 to 6 YOS), and increase it relatively more for enlisted

personnel than for officers;¹

- Reduce the divergence between the officer and enlisted paylines that develops with increasing YOS;
- Correct the inequity that exists because of the distinction in quarters entitlements for married and single personnel;
- Design compensation elements and adjustment mechanisms to ensure that reserve compensation is more responsive to reserve manning experience.

RESERVE PAY

In the following section dealing with Reserve payline development, the method of creating and the rationale for the RCSS recommended general level of current compensation are described. Although the two new general level elements of current compensation are described separately (Training Pay and Retainer Pay), they must be considered as a combination. This combination will

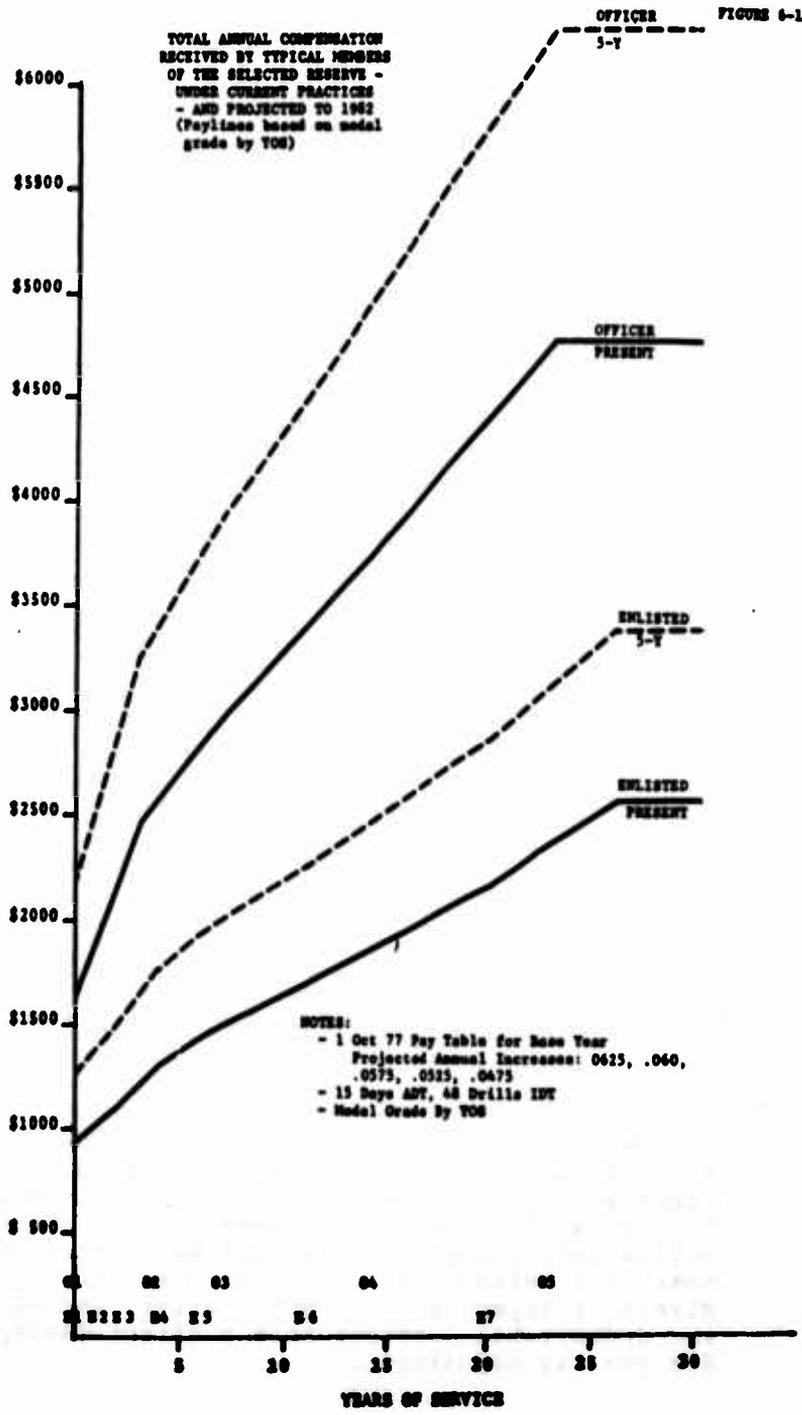
1 As Chapter IV indicated, the 0 to 6 YOS groups, both officer and enlisted, currently are experiencing shortages relative to the objective profile. Additionally, Chapter V indicates that drill pay is a higher percentage of gross income for officers than enlisted, hence the relatively higher increase for enlisted personnel.

be referred to as Reserve Pay. Each element was developed to work in conjunction with the other, both in the manner in which it is established, and the manner in which it is to be adjusted.

Setting the Level of Training Pay.

A major implication of the fact that the Active Forces and the reserves compete for personnel in different labor markets is that a rigid linkage for the establishment of the general level and adjustment of reserve compensation to active compensation is not suitable for the efficient manning of the reserves. Ideally then, restructuring the general level of reserve compensation would entail the design of an entirely new reserve pay table in accordance with objective force profiles. However, we felt that this would have required examining and questioning major areas of current policy, particularly personnel procurement and promotion policies, which were far beyond the capability of our time and resources.

From Figure 6-1, it is clear that the present direct linkage, under which perpetual across-the-board increases are the only possible adjustment, is inconsistent with the findings of Chapter V:



- It results in higher absolute increases in the higher grades where they are least needed;
- It continually steepens the paylines; and
- It continuously widens the gap in absolute dollars between officers and enlisted at any given YOS.

To correct the shortcomings of the present compensation practices and the likely effects of future adjustments, several methods were investigated by the RCSS. One method stood out, as it appeared to alter the slope of the payline in the direction indicated as appropriate by our findings. Training Pay, the first element of Reserve Pay, would be based upon 1/30th of the sum of the cash elements of RMC (CPY), which are basic pay, BAS, and BAQ at the with dependent rate.¹ It would be denominated in terms of a day, which is defined as a period of not less than eight hours in any one calendar day. Once established as the Training Pay

1 The "with dependent" rate used initially to establish Training Pay was chosen as being most appropriate for setting the initial pay level. While this retains a modified linkage to the current active duty compensation system by maintaining a numerical relationship, it does sever the conceptual direct linkages that currently exist, and eliminates the undesirable features that a direct linkage has on Reserve Pay adjustment.

level, the elements of RMC, which comprise that pay, lose their identity, and Training Pay is merely one element of Reserve Pay.¹

The tax advantage² portion of Regular Military Compensation (RMC) was deliberately omitted when setting the level of Training Pay for several reasons:

- The tax advantage which accrues to a reservist for the BAS and BAQ which he receives during annual training is difficult, if not impossible to assess. Tax advantage for an active duty member is only based upon military earnings, family size, and the use of standard deductions. Since investments, part-time employment, working spouses, etc., are not considered, this calculation is only an approximation. The same factors are even less precise if

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- 1 Reservists being paid Reserve Pay will be fed and quartered at government expense if required by their duty schedule. They could be considered to be in an equivalent status to an active duty person on Temporary Duty (TDY) and they would be treated accordingly.
 - 2 Tax advantage is the amount of additional compensation that would have to be paid to an individual if BAQ and BAS were taxable so that the same level of disposable income would be maintained.

attempted to be applied to a reservist due to the lack of correlation of the non-taxable allowances to primary income, even if data regarding primary income were available for reservists.¹

- As was discussed in Chapter II, RCSS considers non-taxable elements of compensation as one of the causes of underpricing military manpower. They violate the principle of accurately reflecting the manpower costs.

Constructing Training Pay in this fashion eliminates:

- the contention that reservists receive two days' pay for one day's work; and
- the distinction between IDT and ADT, which often results in differences in compensation for reservists performing similar functions.

1 In the absence of the data on precise income levels and dependency status, sample calculations of the effect of tax advantage on a reservist's income were performed using data on Federal Civilian employees who are members of the Selected Reserve as a proxy. The annual tax advantage varied from \$23 for an E-1, family size two, to \$56 for an E-9, family size five. For officers, the amounts ranged from \$46 for an O-1 to \$121 for an O-6 under the same family size assumptions.

At the same time, it retains the desirable feature of the linkage, i.e., it does not require extensive modifications to present pay systems. Since it is based upon three elements of compensation already existent in the pay systems used by all components, it can readily be computed without the development of new pay tables.

The paylines that would result from Training Pay alone are shown in Figure 6-2. It is apparent from viewing these paylines that Training Pay structured in this manner would achieve two of our major objectives:

- a decrease in the slope of the paylines;
- a reduction in the divergence between officer and enlisted paylines.

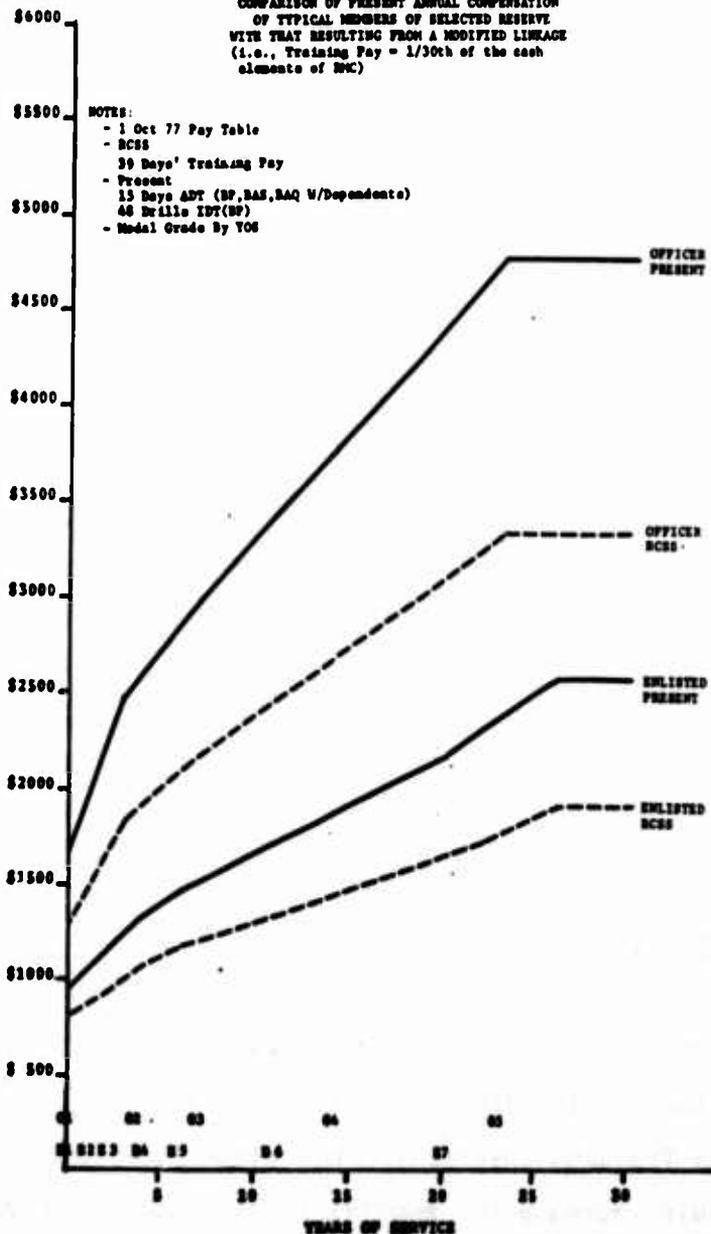
However, Figure 6-2 also shows that the general level of compensation for all personnel would be decreased significantly, while our findings indicated the need for an increase for junior personnel.

Setting the Level of Retainer Pay.

The second element developed by the RCSS provides a method of increasing the general level of pay, while retaining the desirable slope characteristics of the Training Paylines. This element, Retainer Pay, would increase the general level of pay by a uniform dollar amount regardless of grade or YOS. Not only would

FIGURE 6-2

COMPARISON OF PRESENT ANNUAL COMPENSATION
OF TYPICAL MEMBERS OF SELECTED RESERVE
WITH THAT RESULTING FROM A MODIFIED LINKAGE
(i.e., Training Pay = 1/30th of the cash
elements of BWC)

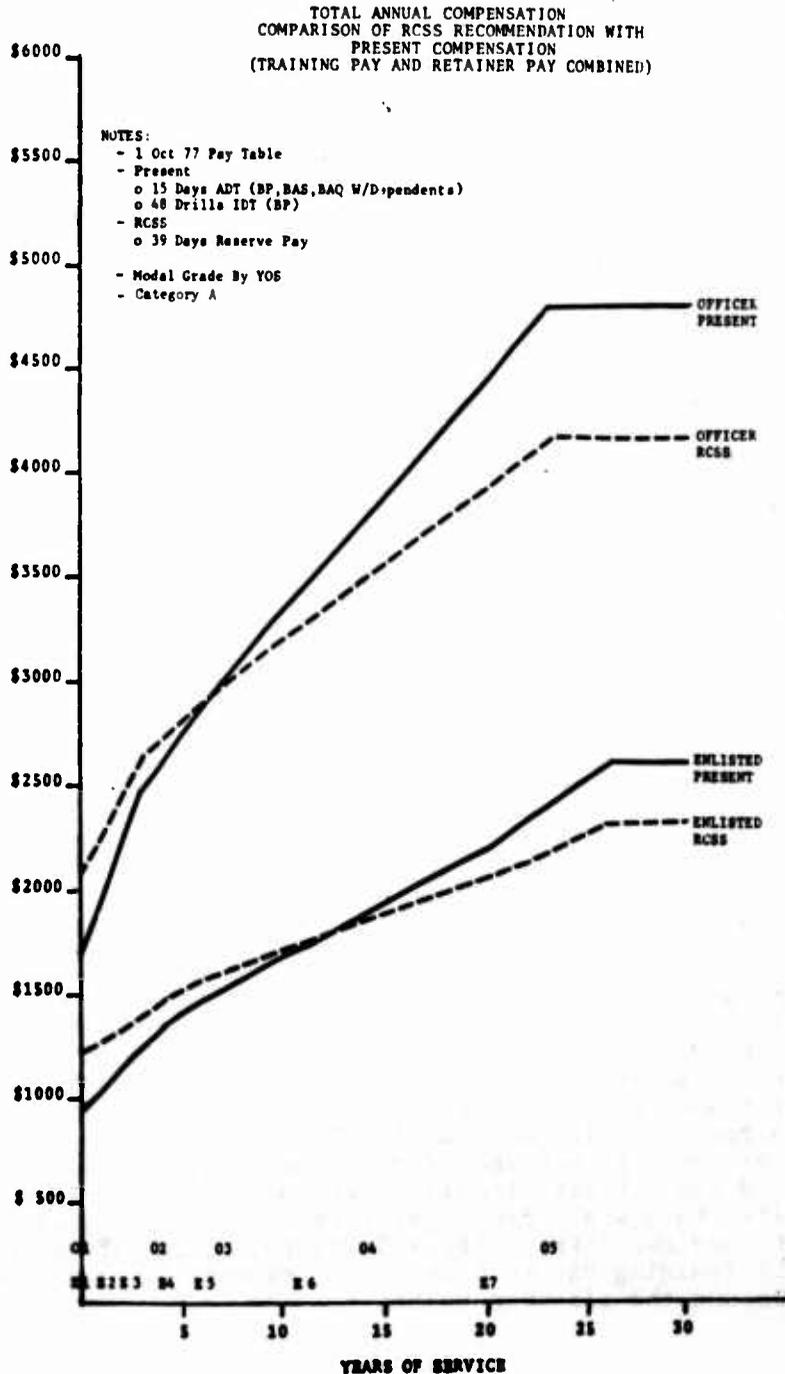


this accomplish the desired level of pay while retaining an appropriate slope, it also would provide reserve unit commanders with a positive means of encouraging participation.¹ To do this, the uniform amount would be payable quarterly, but only to those members who had participated satisfactorily.

The appropriate levels of Retainer Pay were established by shifting the Training Payline upwards in relation to the present payline until a "cross-over" of the two paylines occurs at the desired YOS point. Figure 6-3 shows the combination of Training Pay and Retainer Pay which RCSS considers desirable compared to the present paylines. The crossover points were established at the 7th and 11th YOS for officers and enlisted, respectively. This may appear inconsistent with our objective of increasing pay for the 0 to 6 YOS. However, the crossover

1. Achieving the desired increase in the level of compensation for the first six years is the primary purpose of Retainer Pay. We recognized that this is the period during which participation is most likely to be unsatisfactory. We also recognized that participation rates are generally satisfactory for most officer grades and the enlisted grades beyond the six-year point. There are two reasons for applying Retainer Pay uniformly across the grades and YOS. First, limiting Retainer Pay to the first six years would cause pay inversions. Second, Retainer Pay lessens the reductions that would occur if Training Pay were the only compensation received beyond the six-year point.

Figure 6-3



was deliberately established beyond the six-year point for a specific reason. Future adjustments to the Training Pay portion of Reserve Pay would cause the crossover points to shift toward the lower YOS, at least until such time as Retainer Pay could be adjusted.¹

The resultant annual Retainer Pay levels are \$400 for enlisted personnel, \$500 for warrant officers, and \$800 for officers.² Those personnel who are in training programs which require and are authorized additional periods of paid IDT (in excess of that authorized for Category A) would be entitled to one twenty-fourth (1/24th) the annual Retainer Pay rate for each additional day of IDT. Initially these amounts would be \$33.33 for officers, \$20.83 for warrant officers, and \$16.67 for enlisted personnel. This is necessary to ensure that those personnel who are required to perform training duty over and above the standard level for their Training/Pay Category are adequately compensated for the duty which they perform. Without this provision, personnel in authorized additional drill programs would receive

-
- 1 This point will be demonstrated in the section dealing with adjustments to the general level.
 - 2 These levels relate to Category A personnel. Category B will be dealt with later in this section.

relatively less pay for each additional day of training performed than their contemporaries of equal grade and YOS performing duty at a lower participation rate.

Table 6-1 shows the effect of the recommended system, relative to present compensation, for representative grades and YOS for Category A personnel.

TABLE 6-1
ANNUAL RESERVE PAY COMPARING
PRESENT WITH RCSS PROPOSAL
(By grade by modal YOS)
Training/Pay Category A

<u>GRADE</u>	<u>PRESENT¹ PAY</u>	<u>RESERVE² PAY</u>	<u>\$ DIFF</u>	<u>% DIFF</u>
01 4	\$2063	\$2328	+265	+12.8
02 6	2605	2711	+106	+ 4.1
03 10	3241	3134	-107	- 3.3
04 16	3903	3574	-319	- 8.4
05 22	4774	4149	-625	-13.1
06 26	5822	4831	-991	-17.0
W1 12	2156	2110	- 46	- 2.1
W2 16	2501	2343	-159	- 6.4
W3 22	3056	2713	-343	-11.2
W4 26	3713	3146	-567	-15.3
E1 2	\$ 949	\$1214	+265	+28.0
E2 2	1044	1274	+230	+22 0
E3 2	1133	1329	+196	+17.2
E4 4	1335	1474	+139	+10.4
E5 6	1462	1575	+113	+ 7.7
E6 10	1715	1748	+ 33	+ 1.9
E7 18	2157	2039	-118	- 5.5
E8 22	2596	2327	-269	-10.4
E9 26	3201	2721	-480	-15.8

- 1 48 UTAs, 15 Days' ADT, 10 October 1977 Pay Table
2 24 Training Days, 15 Days' ADT

The levels of Retainer Pay for Category B personnel were determined by examining the manning experience of Category B and shifting the crossover points of the Training Paylines accordingly. In addition, some adjustment was dictated by a desire to make Category B compensation relatively more attractive than Category A in order to offset the substantial loss of income if Category A units are redesignated to Category B.

The following Category B Retainer Pay rates were derived: \$250 for enlisted personnel, \$350 for warrant officers, and \$500 for officers. Figure 6-4 shows the recommended Category B paylines compared to the paylines in present compensation. The crossovers are at approximately the 18-year point for enlisted personnel and the 12-year point for officers. Table 6-2 shows the effect of the RCSS recommendation relative to present compensation for representative grades and YOS.

Category C was examined to determine the requirement for Retainer Pay. Only two officers are currently assigned to Training/Pay Category C. Because the majority of their participation is made up of ADT, the reductions in income due to the transition from present IDT pay to Training Pay would be small. No Retainer Pay was established for Category C. Similarly, Retainer Pay is

FIGURE 6-4

**TOTAL ANNUAL COMPENSATION
COMPARISON OF RCSS RECOMMENDATION
WITH PRESENT COMPENSATION
(CATEGORY B)**

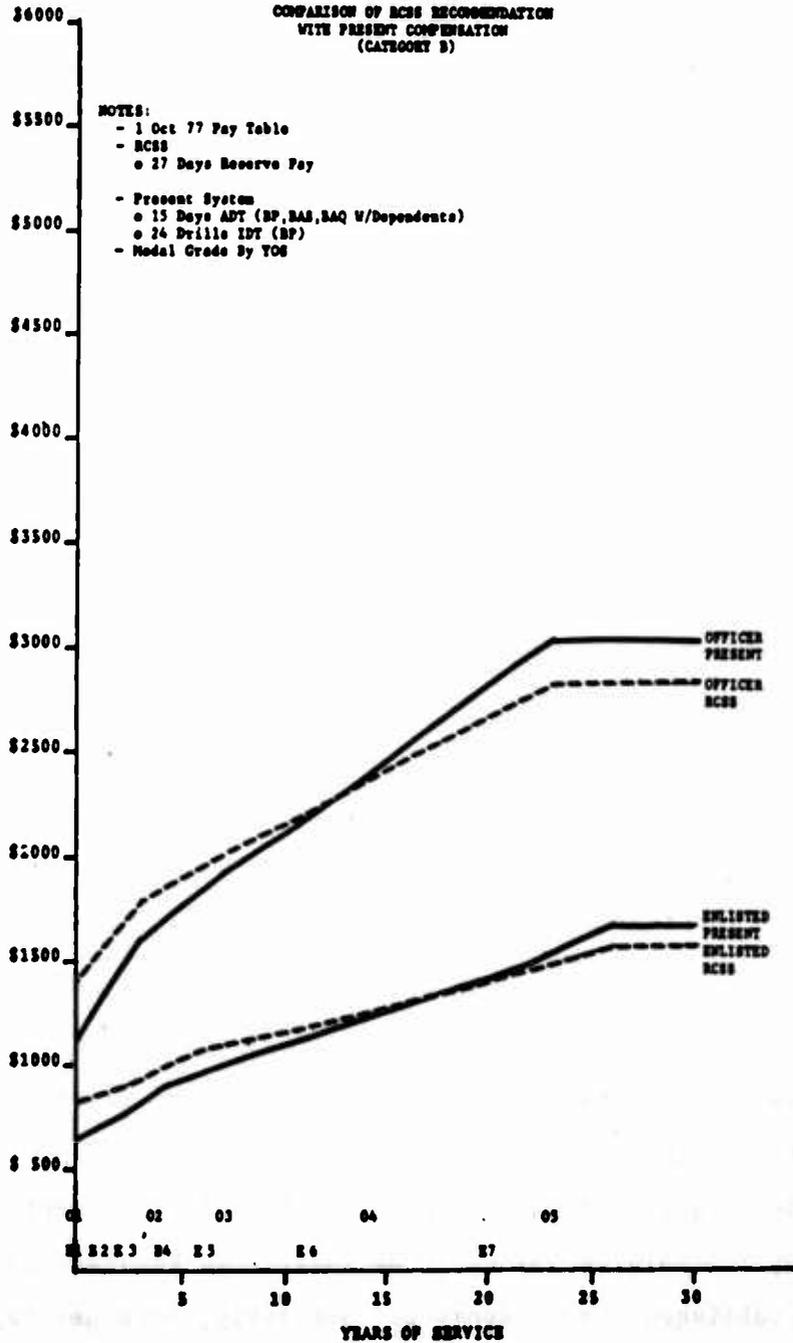


TABLE 6-2
ANNUAL RESERVE PAY COMPARING
PRESENT WITH RCSS PROPOSAL
(By grade by modal YOS)
Training/Pay Category B

GRADE	PRESENT ¹ PAY	RESERVE ² PAY	\$ DIFF	% DIFF
01 > 4	\$1298	\$1558	+260	+20.0
02 > 6	1670	1823	+153	+ 9.2
03 > 10	2069	2116	+ 47	+ 2.3
04 > 16	2485	2420	- 65	+ 2.6
05 > 22	3031	2819	-212	- 7.0
06 > 26	3686	3291	-395	-10.7
W1 > 12	1387	1464	+ 77	+ 5.6
W2 > 16	1605	1626	+ 21	+ 1.3
W3 > 22	1954	1882	- 72	- 3.7
W4 > 26	2365	2182	-183	- 7.8
E1 < 2	\$ 630	\$ 814	+184	+29.2
E2 < 2	690	855	+165	+23.9
E3 > 2	745	893	+148	+19.9
E4 > 4	874	994	+120	+13.7
E5 > 10	956	1063	+107	+11.2
E6 > 10	1116	1183	+ 67	+ 6.0
E7 > 18	1393	1385	- 8	- 0.6
E8 > 22	1669	1584	- 85	- 5.1
E9 > 26	2047	1857	-190	- 9.3

1 24 UTA, 15 Days' ADT, 1 Oct 77 Pay Table.
2 12 Training Days, 15 Days' ADT

not recommended for Category D personnel, as Training Pay would remain essentially the same as their current ADT pay. Although Retainer Pay would probably be appropriate for Category M, there are no Selected Reservists assigned to this category currently. If expanded use of

Category M were to occur, Retainer Pay levels would be required based upon the manning experienced within that category. (Daily and annual pay tables are included as Tables 6-10 and 6-11, and appear at the end of this section).

Impact on The First Six Years-of-Service.

We examined current compensation¹ over the first six years under the present practices and the RCSS recommendation to determine the relative attractiveness for the potential reservist during this critical period. Compensation in each of the six years and over the entire period is shown in Table 6-3. Total pay over the first six years is 26% greater under the RCSS' proposal than under present practices. This relative increase should assist in attracting reservists and in retaining them during the initial contract period.

The amounts of income (and the percentage increase) in Table 6-3 differ from those previously displayed in Table 6-1. Table 6-1 reflects the annual pay which best represents the overall Selected Reserve population (married pay rates) whereas Table 6-3 compares incomes of single personnel since this situation is most typical for enlisted personnel during the first six years of service.

¹ Includes only Reserve Pay. A later section of this Chapter considers Differential Pays as well.

TABLE 6-3

PRESENT AND PROJECTED INCOME FROM RESERVE
PARTICIPATION, FIRST SIX YEARS

<u>YEAR</u>	<u>PRESENT¹ INCOME</u>	<u>RESERVE PAY¹</u>	<u>% INCREASE</u>
1 (E-1)	\$1,708	\$2,080	22% ²
2 (E-2)	931	1,274	37%
3 (E-3)	1,020	1,328	30%
4 (E-3)	1,060	1,328	30%
5 (E-3/E-4)	1,169	1,445	24%
6 (E-4/E-5)	<u>1,215</u>	<u>1,479</u>	<u>22%</u>
TOTAL	\$7,103	\$8,961	26%
PRESENT VALUE AT TIME OF EN- LISTMENT (10% DISCOUNT RATE)	\$5,224	\$6,600	26%

1 1 October 1977 Pay Tables

2 The first increase is small relative to succeeding years because: (1) we assumed the first six months of the first year in Pay Category L; (2) 120 days IADT, which is paid at the active duty pay and allowances rate, results in the same compensation under either system.

Impact On Earning Streams.

It is important to examine the annual earnings that personnel would anticipate on entry if they remained in the organization for a full career. Such an analysis is complicated by individual prospects of promotion probabilities, career lengths, personal discount rates, and inflation or real wage growth. It is impractical to attempt a detailed analysis of all these variables. Therefore, the RCSS did separate

analyses on discounted and undiscounted streams of earnings which follow the pattern of the modal years of service used for payline analysis for personnel entering at the beginning of the earnings stream (NPS) and with six YOS (PS). It was assumed that the individuals would anticipate promotion patterns that would be representative of the present reserve population and that all pay raises would be in current dollars and would be based on present pay tables.

The analysis of the paylines associated with present compensation and RCSS systems indicated these paylines would crossover at the seventh year for enlisted personnel and the eleventh year for officers. However, the undiscounted streams of earnings of these two systems, displayed on a year-by-year basis for present compensation at Table 6-4 for officers and at Table 6-5 for enlisted personnel, indicate the sums of these undiscounted streams of earnings do not crossover until the 28th year for enlisted personnel and the 18th year for officers. That is, the sum of earnings for personnel entering at year one is greater under the RCSS proposal than under present practice until the 28th year for enlisted personnel and the 18th year for officers.

**TABLE 6-4
GENERAL LEVEL OF CURRENT COMPENSATION - NON PRIOR SERVICE
(COMPARISONS OF UNDISCOUNTED STREAMS OF EARNINGS)
OFFICER**

YEAR	GRADE	PRESENT ¹		RESERVE PAY ¹		CUMULATIVE PAY DIFFERENCES	
		ANNUAL PAY	CUMULATIVE PAY	ANNUAL PAY	CUMULATIVE PAY	\$	\$
1	O-1	\$ 1,666	\$ 1,666	\$2,082	\$ 2,082	+ 416	+25
2		1,666	3,332	2,082	4,164	+ 832	+25
3		1,729	5,061	2,121	6,285	+1,224	+24
4	O-2	2,477	7,538	2,632	8,917	+1,379	+18
5		2,555	10,093	2,680	11,597	+1,504	+15
6		2,555	12,648	2,680	14,277	+1,629	+13
7		2,605	15,253	2,711	16,988	+1,735	+11
8	O-3	2,983	18,236	2,974	19,962	+1,726	+ 9
9		3,084	21,320	3,037	22,999	+1,679	+ 8
10		3,084	24,404	3,037	26,036	+1,632	+ 7
11		3,242	27,646	3,134	29,170	+1,524	+ 6
12		3,242	30,888	3,134	32,304	+1,416	+ 5
13		3,395	34,283	3,229	35,533	+1,250	+ 4
14		3,395	37,678	3,229	38,762	+1,084	+ 3
15	O-4	3,748	41,426	3,478	42,240	+ 814	+ 2
16		3,748	45,174	3,478	45,718	+ 544	+ 1
17		3,902	49,076	3,574	49,292	+ 216	-0-
18		3,902	52,978	3,574	52,866	- 112	-0-
19		4,007	56,985	3,638	56,504	- 481	- 1
20		4,007	60,992	3,638	60,142	- 850	- 1
21		4,007	64,999	3,638	63,780	-1,219	- 2
22		4,007	69,006	3,638	67,418	-1,588	- 2
23		4,007	73,013	3,638	71,055	-1,958	- 3
24	O-5	4,774	77,787	4,149	75,205	-2,582	- 3
25		4,774	82,561	4,149	79,354	-3,207	- 4
26		4,774	87,335	4,149	83,503	-3,832	- 4
27		4,774	92,109	4,149	87,652	-4,457	- 5
28		4,774	96,883	4,149	91,801	-5,082	- 5
29		4,774	101,657	4,149	95,950	-5,707	- 6
30		4,774	106,431	4,149	100,099	-6,332	- 6
30 Year TOTALS		\$106,431		\$100,099			

¹ Based on full participation in Training Category A (48 Drills + 15 Days' ACDUTRA in Present Column, 39 Days' Training Pay & Retainer Pay in Reserve Pay Column). Promotion assumed at point of most frequent occurrence (modal) of the next grade. Calculated using 1 Oct 77 pay tables.

TABLE 6-5
GENERAL LEVEL OF CURRENT COMPENSATION - NON PRIOR SERVICE
(COMPARISONS OF UNDISCOUNTED STREAMS OF EARNINGS)
ENLISTED

YEAR	GRADE	PRESENT ¹		RESERVE PAY ¹		CUMULATIVE PAY DIFFERENCES	
		ANNUAL PAY	CUMULATIVE PAY	ANNUAL PAY	CUMULATIVE PAY	\$	\$
1	E-1	\$ 950	\$ 950	\$1,213	\$ 1,213	+ 263	+28
2	E-2	1,044	1,994	1,272	2,485	+ 491	+25
3	E-3	1,133	3,127	1,327	3,812	+ 685	+22
4		1,174	4,301	1,352	5,164	+ 863	+20
5	E-4	1,336	5,637	1,473	6,637	+1,000	+18
6		1,336	6,973	1,473	8,110	+1,137	+16
7	E-5	1,462	8,435	1,573	9,683	+1,248	+15
8		1,462	9,897	1,573	11,256	+1,359	+14
9		1,515	11,412	1,607	12,863	+1,451	+13
10		1,515	12,927	1,607	14,470	+1,543	+12
11		1,571	14,498	1,641	16,111	+1,613	+11
12	E-6	1,715	16,213	1,746	17,857	+1,644	+10
13		1,796	18,009	1,797	19,654	+1,645	+ 9
14		1,796	19,805	1,797	21,451	+1,646	+ 8
15		1,848	21,653	1,829	23,280	+1,627	+ 8
16		1,848	23,501	1,829	25,109	+1,608	+ 7
17		1,901	25,402	1,862	26,971	+1,569	+ 6
18		1,901	27,303	1,862	28,833	+1,530	+ 6
19		1,929	29,232	1,879	30,712	+1,480	+ 5
20		1,929	31,161	1,879	32,591	+1,430	+ 4
21	E-7	2,183	33,344	2,053	34,644	+1,300	+ 4
22		2,183	35,527	2,053	36,697	+1,170	+ 3
23		2,319	37,846	2,138	38,835	+ 989	+ 3
24		2,319	40,165	2,138	40,973	+ 808	+ 2
25		2,319	42,484	2,138	43,111	+ 627	+ 1
26		2,319	44,803	2,138	45,249	+ 446	+ 1
27		2,588	47,391	2,304	47,553	+ 162	-0-
28		2,588	49,979	2,304	49,857	- 122	-0-
29		2,588	52,567	2,304	52,161	- 406	- 1
30		2,588	55,155	2,304	54,465	- 690	- 1
30 Year TOTALS		\$55,155		\$54,465			

¹ Based on full participation in Training Category A (48 Drills + 15 Days' ACDUTRA in Present Column, 39 Days' Training Pay & Retainer Pay in Reserve Pay Column). Promotion assumed at point of most frequent occurrence (modal) of the next grade. Calculated using 1 Oct 77 pay tables.

The crossovers of discounted cumulative streams would be at an even greater years of service point as a result of the "front loading" of the RCSS system relative to the present. For example, if a 6% real discount rate is used, the officer crossover would occur during the 25th year and the enlisted would never cross, since the value of the enlisted stream would be greater under the RCSS system for all years of service. Table 6-6 displays the discounted and undiscounted 30 year earning streams for officer and enlisted personnel under the present and RCSS systems.

TABLE 6-6
EARNING STREAMS COMPARISONS FOR NPS PERSONNEL
(30 Year Totals)

	<u>Officer</u>			
	<u>Present</u>	<u>RCSS</u>	<u>Difference</u>	<u>Percentage</u>
Undiscounted Sum	\$106,431	\$100,099	\$ -6,332	-5.9
Discounted @ 6% Real Terms	43,032	42,373	- 659	-1.5
	<u>Enlisted</u>			
Undiscounted Sum	55,155	54,465	- 690	-1.3
Discounted	22,452	23,242	+ 790	+3.5

The analysis of the earnings streams of PS personnel indicate that the sum of earnings for PS personnel who enter the Selected Reserve with six YOS (the most frequently occurring PS entrants) would be greater for officers until the eleventh year and into the twenty-third year for enlisted personnel. The cumulative undiscounted earning streams for officers are at Table 6-7, enlisted PS current earnings streams are compared at Table 6-8. These findings, as with the results of the analysis of discounted earnings streams of NPS personnel, are consistent with the shift of current compensation from the later to earlier years of service by the RCSS proposal for Reserve Pay.

TABLE 6-7
GENERAL LEVEL OF CURRENT COMPENSATION - PRIOR SERVICE
(COMPARISONS OF UNDISCOUNTED STREAMS OF EARNINGS)
OFFICER

YEAR	GRADE	PRESENT ¹		RESERVE PAY ¹		CUMULATIVE PAY DIFFERENCES	
		ANNUAL PAY	CUMULATIVE PAY	ANNUAL PAY	CUMULATIVE PAY	\$	%
7	O-3	\$2,605	\$ 2,605	\$2,711	\$ 2,711	+ 106	+4
8		2,983	5,588	2,974	5,685	+ 97	+2
9		3,084	8,672	3,037	8,722	+ 50	-0-
10		3,084	11,756	3,037	11,759	+ 3	-0-
11		3,242	14,998	3,134	14,893	- 105	-1
12	3,242	18,240	3,134	18,027	- 213	-1	
13	3,395	21,635	3,229	21,256	- 379	-2	
14	3,395	25,030	3,229	24,485	- 545	-2	
15	O-4	3,748	28,778	3,478	27,963	- 815	-3
16		3,748	32,526	3,478	31,441	-1,085	-3
17		3,902	36,428	3,574	35,015	-1,413	-4
18		3,902	40,330	3,574	38,589	-1,741	-4
19		4,007	44,337	3,638	42,227	-2,110	-5
20	4,007	48,344	3,638	45,865	-2,479	-5	
21	4,007	52,351	3,638	49,503	-2,848	-5	
22	4,007	56,358	3,638	53,141	-3,217	-6	
23	4,007	60,365	3,638	56,779	-3,586	-6	
24	O-5	4,774	65,139	4,149	60,928	-4,211	-6
25		4,774	69,913	4,149	65,077	-4,836	-7
26		4,774	74,687	4,149	69,226	-5,461	-7
27		4,774	79,461	4,149	73,375	-6,086	-8
28		4,774	84,235	4,149	77,524	-6,711	-8
29	4,774	89,009	4,149	81,673	-7,336	-8	
30	4,774	93,783	4,149	85,822	-7,961	-8	
30 Year TOTALS		\$93,783		\$85,822			

¹ Based on full participation in Training Category A (48 Drills + 15 Days ACDUTRA in Present Column, 39 Days Training Pay & Retainer Pay in Reserve Pay Column. Promotion assumed at point of most frequent occurrence (Medal) of the next grade. Calculated using 1 Oct 77 pay tables.

**TABLE 6-8
GENERAL LEVEL OF CURRENT COMPENSATION - PRIOR SERVICE
(COMPARISON OF UNDISCOUNTED STREAMS OF EARNINGS)
ENLISTED**

YEAR	GRADE	PRESENT ¹		RESERVE PAY ¹		CUMULATIVE PAY DIFFERENCES	
		ANNUAL PAY	CUMULATIVE PAY	ANNUAL PAY	CUMULATIVE PAY	\$	\$
7	E-5	\$1,462	\$ 1,462	\$1,573	\$ 1,573	+ 111	+7
8		1,462	2,924	1,573	3,146	+ 222	+7
9		1,515	4,439	1,607	4,753	+ 314	+7
10		1,515	5,954	1,607	6,360	+ 406	+6
11		1,571	7,525	1,641	8,001	+ 476	+6
12	E-6	1,715	9,240	1,746	9,747	+ 507	+5
13		1,795	11,036	1,797	11,544	+ 508	+4
14		1,796	12,832	1,797	13,341	+ 509	+3
15		1,848	14,680	1,829	15,170	+ 490	+3
16		1,848	16,528	1,829	16,999	+ 471	+2
17		1,901	18,429	1,862	18,861	+ 432	+2
18		1,901	20,330	1,862	20,723	+ 393	+1
19		1,929	22,259	1,879	22,602	+ 343	+1
20		1,929	24,188	1,879	24,481	+ 293	+1
21	E-7	2,183	26,371	2,053	26,534	+ 163	-0-
22		2,183	28,554	2,053	28,587	+ 33	-0-
23		2,319	30,873	2,138	30,725	- 148	-0-
24		2,319	33,192	2,138	32,863	- 329	-0-
25		2,319	35,511	2,138	35,001	- 510	-1
26		2,319	37,830	2,138	37,139	- 691	-1
27		2,588	40,418	2,304	39,443	- 975	-2
28		2,588	43,006	2,304	41,747	-1,259	-2
29		2,588	45,594	2,304	44,051	-1,543	-3
30		2,588	48,182	2,304	46,355	-1,827	-3
30 Year TOTALS		\$48,182		\$46,355			

¹ Based on full participation in Training Category A (48 Drills + 15 Days ACDUTRA in Present Column, 39 Days Training Pay & Retainer Pay in Reserve Pay Column. Promotion assumed at point of most frequent occurrence (modal) of the next grade. Calculated using 1 Oct 77 pay tables.

Adjustments to Reserve Pay.

Since Training Pay is based upon the cash pay (CPY) portion of RMC, it will automatically be adjusted at the same time and in exactly the same manner as active duty CPY. Because Training Pay is based upon the three cash elements, rather than basic pay alone, the exercise of the President's reallocation authority would not have the same undesirable effects on Training Pay as the present method of adjusting drill pay.¹ This is true

¹ Recall that one of our major points in Chapter V was that drill pay increased more slowly than both General Schedule Pay and Active Duty Pay at a time when the reserves are experiencing substantial manning difficulties.

regardless of the percent reallocated. Table 6-9 shows total projected earnings over a five-year period assuming no reallocation, 12% reallocation per year, and 25% per year. Differences in total earnings under both reallocations are insignificant.

TABLE 6-9

EFFECTS OF REALLOCATION OF TOTAL PAY
RAISE TO BAQ OVER A 5 YEAR PERIOD¹

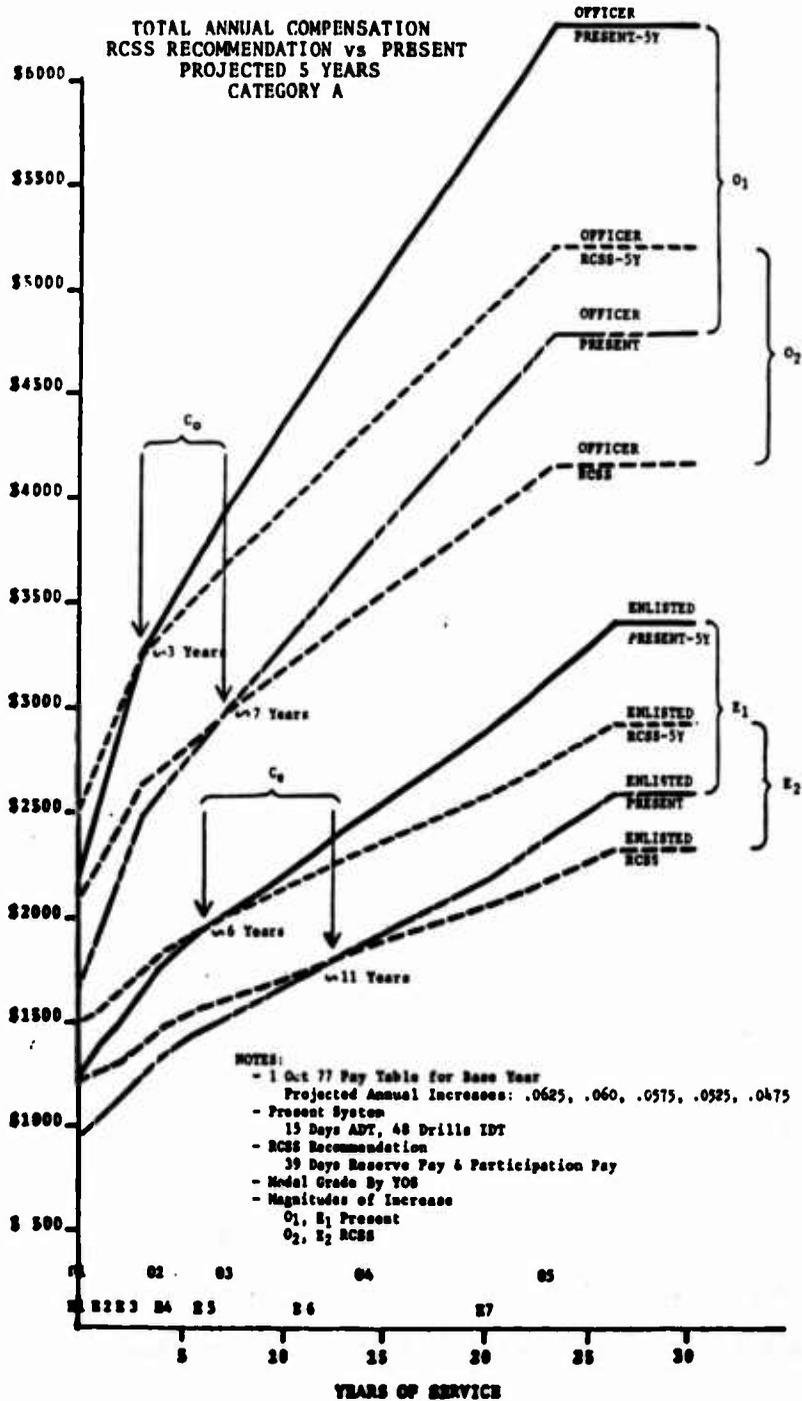
<u>Grade/YOS</u>	<u>No Reallocation</u>	<u>12% Reallocated To BAQ</u>	<u>Difference</u>	<u>25% Reallocated To BAQ</u>	<u>Difference</u>
O-5 22	\$3383	\$3378	\$5/.1%	\$3373	\$10/.3%
O-3 10	2357	2354	5/.2%	2350	8/.3%
E-9 26	2343	2339	4/.2%	2334	8/.4%
E-5 10	1360	1361	1/.1%	1362	2/.2%

¹ Monthly Cash Pay (CPY) based upon 1 Oct 77 Pay Tables projected for 5 years using annual increases of 6.25%, 6.0%, 5.75%, 5.25% and 4.75% contained in the President's 1979 budget.

Figure 6-5 shows the effects of the automatic adjustment feature on the present and RCSS reserve paylines after five years of operation. The automatic adjustment affected only the Training Pay portion of Reserve Pay; Retainer Pay remained the same during this period. The figure reveals some interesting results:

- although the present practice would not achieve the pay level which RCSS recommends until five years in the future, the Reserve Components are experiencing manning difficulties today;

Figure 6-5



- the present paylines steepened further and the difference between officer and enlisted pay became even greater at all YOS;
- the crossover points, which were initially at the 7th year for officers and the 11th year for enlisted personnel, shifted approximately 5 years to about the 3rd and 6th years, respectively;
- the slope of the RCSS payline five years in the future approaches the original slope of the present payline which it was designed to correct.

The last point led us to search for a means of adjusting the slope of the RCSS payline, should this be desirable, based on future reserve manning experience. We considered the effect of an increase in the levels of Retainer Pay, but a uniform increase across all YOS or grades would increase the level of pay but would not correct the slope of the payline. However, the slope could be corrected by applying different increases in Retainer Pay to different grades or year groups. For example, if general manning shortages continue to occur in the first six years, Retainer Pay for those years

could be increased by a relatively greater amount than for other YOS.

**RECOMMENDATIONS ON
GENERAL LEVEL OF
COMPENSATION**

The RCSS recommends that Reserve Pay be established and adjusted in the following manner:

- Training Pay would be set at 1/30th of monthly cash pay (to include BAQ at with dependent rates for all personnel) for a training day of eight hours or longer with provisions for payment at one-half the daily rate to accommodate four-hour training periods. This construction applies to both IDT and ADT periods of less than 30 consecutive days. ADT periods of 30 days or more would continue to be paid at the appropriate active duty pay rates. Training Pay would remain linked to active duty pay and will be adjusted whenever active duty pay is adjusted.
- Retainer Pay would be set initially at the following annual rates for Category A personnel: \$800 for officers, \$500 for warrant

officers, and \$400 for enlisted personnel. Category B annual rates would be \$500 for officers, \$350 for warrant officers, and \$250 for enlisted personnel and be paid on a quarterly basis to those members who have participated at a rate not less than the minimum level of satisfactory participation as established by OSD (currently 90% for IDT plus annual ADT). Each component would be authorized to establish higher standards if it desired. Personnel who are in training programs which require and are authorized additional periods of paid IDT (in excess of that authorized for their Training/Pay Category) would be entitled to 1/24th (Category A) or 1/12th (Category B) of the annual Retainer Pay rate for each additional IDT day. Legislation establishing this entitlement should:

- Set the above amounts as a minimum for their respective classes of personnel. It may never be decreased below the initial dollar levels. This provides the stability required to preserve the intent of Retainer Pay.

- Provide for periodic reviews of the level of Retainer Pay in relation to the ability of Reserve Components to meet their manning objectives.
- Permit (and encourage) varying increases in the level of Retainer Pay for different groupings of personnel (e.g., Training/Pay categories, grades, YOS) when manning experience indicates this would be appropriate. This would provide a level of flexibility not available in present compensation practices.
- Reserve Pay (Training Pay and Retainer Pay) would be subject to Federal Income Tax Withholding (FITW) and Federal Insurance Contributions Act (FICA) deductions.¹

¹ This is consistent with the principles set forth in Chapter II and the rationale for coverage contained in Chapter V. The decreases in net pay as a result of a small increase in FITW applied to the Reserve Pay relative to current withholding are negligible. The increases in FICA deductions, however, are significant, and the effects can be seen in Section E of this Chapter. This reduction in net pay is not visible in the paylines, because they only reflect gross income. This reduction could be overcome by raising Retainer Pay.

- Provide subsistence-in-kind and quarters-in-kind during training when the use of government messing facilities or quarters are required. This is consistent with the treatment of active duty personnel on temporary duty (TDY), which is analogous to the situation for most reservists performing training duty.

Reserve Pay, that is, the combination of Training Pay and Retainer Pay, does achieve all of the objectives established for the general level of current compensation.

TABLE 6-10a

DAILY IDT REMAINS PAY COMPARISON

COMMISSIONED OFFICERS

GRD		<2	>2	>3	>4	>5	>6	>8	>10	>12	>14	>16	>18	>20	>22	>26	
00	TNG	99.77	132.20	134.33	134.33	134.33	110.91	113.91	115.30	115.30	115.30	115.30	115.30	115.30	115.30	115.30	115.30
	RET	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33
	RES	133.11	135.62	137.67	137.67	137.67	104.25	104.25	104.70	104.70	104.70	104.70	104.70	104.70	104.70	104.70	104.70
	CUR	167.33	173.33	176.62	176.62	176.62	109.58	109.58	109.54	109.54	109.54	109.54	109.54	109.54	109.54	109.54	109.54
07	TNG	91.63	99.36	99.36	99.36	91.64	91.64	99.19	99.19	132.20	110.91	117.42	117.42	117.42	117.42	117.42	117.42
	RET	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33
	RES	116.97	123.73	123.70	123.70	127.02	127.02	131.53	131.53	136.62	104.25	104.70	104.70	104.70	104.70	104.70	104.70
	CUR	139.02	160.40	160.40	160.40	155.12	155.12	164.14	164.14	172.32	109.54	102.60	102.60	102.60	102.60	102.60	102.60
08	TNG	61.00	70.00	70.64	70.64	70.64	70.64	70.64	70.64	70.71	66.50	66.20	61.02	66.43	66.43	66.43	66.43
	RET	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33
	RES	99.22	134.32	106.63	106.63	106.63	106.63	106.63	106.63	106.63	110.36	110.36	123.62	125.26	125.26	125.26	125.26
	CUR	101.04	113.24	120.64	120.64	120.64	120.64	120.64	120.64	120.73	104.06	101.00	101.00	101.00	101.00	101.00	101.00
09	TNG	64.66	61.65	64.00	64.00	64.00	64.00	64.66	64.66	64.66	64.66	64.66	64.66	64.66	64.66	64.66	64.66
	RET	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33
	RES	67.00	64.00	64.32	64.32	64.32	64.32	64.32	64.32	64.32	64.32	64.32	64.32	64.32	64.32	64.32	64.32
	CUR	62.42	66.00	103.66	103.66	103.66	103.66	103.66	103.66	103.66	103.66	103.66	103.66	103.66	103.66	103.66	103.66
09	TNG	64.70	64.32	67.16	67.16	67.00	66.03	63.29	64.10	64.66	64.66	71.12	72.77	72.77	72.77	72.77	72.77
	RET	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33
	RES	66.12	67.64	64.50	64.50	61.32	61.17	64.63	64.52	62.00	64.66	64.66	64.66	64.66	64.66	64.66	64.66
	CUR	66.40	64.34	64.24	64.24	61.00	61.00	62.50	62.50	62.50	62.50	62.50	62.50	62.50	62.50	62.50	62.50
09	TNG	63.30	67.11	66.50	63.70	63.70	67.36	69.04	62.27	63.53	63.53	63.53	63.53	63.53	63.53	63.53	63.53
	RET	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33
	RES	76.64	66.45	62.93	67.34	66.60	66.70	63.10	65.61	66.07	66.07	66.07	66.07	66.07	66.07	66.07	66.07
	CUR	64.54	72.10	77.10	65.36	69.44	62.60	67.64	102.50	126.02	105.02	105.02	105.02	105.02	105.02	105.02	105.02
02	TNG	30.17	60.77	66.06	66.20	66.99	66.99	66.99	66.99	66.99	66.99	66.99	66.99	66.99	66.99	66.99	66.99
	RET	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33
	RES	71.51	76.11	66.30	61.64	62.33	62.33	62.33	62.33	62.33	62.33	62.33	62.33	62.33	62.33	62.33	62.33
	CUR	54.70	61.40	73.00	76.34	77.92	77.92	77.92	77.92	77.92	77.92	77.92	77.92	77.92	77.92	77.92	77.92
01	TNG	32.07	32.07	30.10	30.10	30.10	30.10	30.10	30.10	30.10	30.10	30.10	30.10	30.10	30.10	30.10	30.10
	RET	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33	33.33
	RES	64.21	67.21	72.52	72.52	72.52	72.52	72.52	72.52	72.52	72.52	72.52	72.52	72.52	72.52	72.52	72.52
	CUR	66.06	59.06	61.40	61.40	61.40	61.40	61.40	61.40	61.40	61.40	61.40	61.40	61.40	61.40	61.40	61.40

NOTE:

TNG = 1/30th Cash Pay
(Basic Pay, BAS,
BAQ w/kin)

RET = The Pro Rata Share
of Retainer Pay .
(1/24th)

RES = The sum of the above
2 elements

CUR = The present daily
IDT pay (MUTA2)

TABLE 6-10b

DAILY IRR RESERVE PAY COMPARISON
COMMISSIONED OFFICERS WITH MORE THAN 4 YEARS ACTIVE MILITARY SERVICE

GRD	<2	>2	>3	>4	>6	>8	>10	>12	>14	>16	>18	>20	>22	>26
TWO				55.70	55.70	57.36	58.04	62.77	64.31					
RET				33.33	33.33	33.33	33.33	33.33	33.33					
ONE				87.04	88.08	90.73	91.18	95.61	97.67					
CUR				85.36	86.44	92.68	97.84	102.50	106.62					
TWO				48.24	48.98	50.23	52.31	53.04	55.15					
RET				33.33	33.33	33.33	33.33	33.33	33.33					
ONE				81.54	82.33	83.57	85.65	87.20	88.98					
CUR				78.34	77.92	80.48	84.54	87.82	90.24					
TWO				78.18	81.27	82.89	83.72	84.95	86.61					
RET				33.33	33.33	33.33	33.33	33.33	33.33					
ONE				72.52	74.61	75.83	77.06	78.29	79.95					
CUR				61.48	65.64	68.14	70.54	71.82	74.34					

WARRANT OFFICERS

GRD	<2	>2	>3	>4	>6	>8	>10	>12	>14	>16	>18	>20	>22	>26
TWO	44.55	46.95	46.95	47.76	48.48	51.26	52.75	55.58	57.61	58.58	60.48	62.13	63.78	67.03
RET	24.83	24.83	24.83	23.83	24.83	23.83	23.83	24.83	24.83	24.83	24.83	24.83	24.83	24.83
ONE	65.98	67.78	67.78	68.68	70.24	71.83	73.55	76.42	78.45	81.41	81.33	82.94	84.62	88.67
CUR	65.78	73.54	73.54	72.18	75.46	78.78	82.08	87.82	91.88	95.81	97.64	100.86	104.22	112.52
TWO	48.78	43.23	43.23	43.63	44.32	46.45	48.53	49.76	51.38	52.23	53.48	55.13	56.74	58.17
RET	24.83	24.83	23.83	24.83	23.83	23.83	24.83	24.83	24.83	24.83	24.83	24.83	24.83	24.83
ONE	61.54	64.87	64.87	64.87	64.86	67.29	69.17	70.64	71.84	73.84	74.32	75.97	77.58	79.21
CUR	58.88	64.86	64.86	65.66	66.44	71.38	75.46	77.82	80.48	82.88	85.36	88.64	91.88	95.14
TWO	36.87	38.28	38.24	38.83	40.63	42.32	43.54	44.77	45.88	47.24	48.46	49.84	51.28	51.28
RET	24.83	24.83	24.83	24.83	24.83	24.83	24.83	24.83	24.83	24.83	24.83	24.83	24.83	24.83
ONE	54.81	58.34	58.34	58.87	61.47	61.18	64.34	65.61	66.82	68.88	69.34	70.52	72.13	72.13
CUR	52.38	58.62	58.62	58.28	61.48	64.86	67.33	68.78	72.18	74.78	77.14	78.54	82.63	82.68
TWO	31.87	34.27	34.27	34.55	37.57	38.88	40.88	41.27	42.88	43.71	44.81	46.18	46.18	46.18
RET	24.83	24.83	24.83	24.83	24.83	24.83	24.83	24.83	24.83	24.83	24.83	24.83	24.83	24.83
ONE	54.81	55.11	55.11	57.18	58.48	58.84	64.88	62.11	63.32	64.55	65.75	67.33	67.33	67.83
CUR	43.62	50.82	50.82	54.18	56.82	58.88	61.48	64.82	68.44	68.88	71.38	73.88	75.88	79.88

TABLE 6-10c

DATE IN ASSURE FOR COMPARISON

DATE

DATE	>1	>2	>3	>4	>5	>6	>8	>10	>12	>14	>16	>18	>20	>22	>24
80	TWO							48.72	49.57	50.44	51.34	52.22	53.02	53.22	54.07
	RET							16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67
	CUR							55.39	56.24	57.11	58.01	58.89	59.69	71.00	76.10
81	TWO					42.37	42.94	43.60	44.67	45.55	46.36	47.24	48.00	48.90	53.70
	RET					16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67
	CUR					50.74	50.61	52.47	51.34	52.22	53.03	53.81	56.06	70.37	81.06
82	TWO	32.06	33.70	34.67	35.52	36.40	37.22	38.08	38.96	40.26	41.11	41.90	42.39	44.56	48.03
	RET	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67
	CUR	40.73	50.44	51.34	52.19	53.07	53.89	54.75	55.63	56.93	57.78	58.85	59.88	61.23	65.50
83	TWO	30.40	30.10	31.05	31.95	32.78	33.64	34.52	35.01	36.63	37.49	37.92	37.92	37.92	37.92
	RET	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67
	CUR	45.15	46.06	47.72	48.62	49.45	50.31	51.19	52.00	53.30	54.16	54.50	54.50	54.50	54.50
84	TWO	25.63	27.00	27.97	28.79	30.50	30.94	31.82	32.65	33.30	33.39	33.39	33.00	33.00	33.00
	RET	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67
	CUR	42.33	43.70	44.64	45.46	46.73	47.61	48.49	49.32	49.76	49.76	49.76	49.76	49.76	49.76
85	TWO	24.24	25.13	26.12	27.51	28.27	28.27	28.27	28.27	28.27	28.27	28.27	28.27	28.27	28.27
	RET	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67
	CUR	40.91	41.80	42.78	44.10	44.94	44.94	44.94	44.94	44.94	44.94	44.94	44.94	44.94	44.94
86	TWO	22.93	23.77	24.42	25.09	25.00	25.09	25.09	25.09	25.09	25.09	25.09	25.09	25.09	25.09
	RET	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67
	CUR	36.60	40.44	41.09	41.76	41.76	41.76	41.76	41.76	41.76	41.76	41.76	41.76	41.76	41.76
87	TWO	22.36	22.36	22.36	22.36	22.36	22.36	22.36	22.36	22.36	22.36	22.36	22.36	22.36	22.36
	RET	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67
	CUR	29.54	29.54	29.54	29.54	29.54	29.54	29.54	29.54	29.54	29.54	29.54	29.54	29.54	29.54
88	TWO	20.04	20.04	20.04	20.04	20.04	20.04	20.04	23.04	20.04	20.04	20.04	20.04	20.04	20.04
	RET	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67
	CUR	37.51	37.51	37.51	37.51	37.51	37.51	37.51	37.51	37.51	37.51	37.51	37.51	37.51	37.51

TABLE 6-11a

RESERVE PAY		>2	>3	>4	>5	>6	>8	>10	>12	>15	>18	>22	>26
ANNUAL PAY OF COMMISSIONED OFFICERS		GRAND LINE <2											
OCURRE	5511.01	5658.99	5799.09	5799.09	6213.63	6213.63	6495.07	6495.07	6495.07	6754.03	7308.33	7298.49	7561.36
RES	4691.20	4789.09	4969.09	4969.09	5125.66	5125.66	5300.30	5300.30	5300.30	5465.67	5636.17	5797.26	5972.35
DIFF	823.62	863.06	930.06	930.06	1047.90	1047.90	1195.50	1195.50	1195.50	1294.14	1402.16	1531.26	1619.32
%/o	19.09	15.54	16.04	16.04	17.51	17.51	18.43	18.43	18.43	19.16	19.92	20.57	21.22
OCURRE	6230.39	6386.96	6518.96	6518.96	6728.14	6728.14	6942.27	6942.27	6942.27	7168.94	7403.76	7403.76	7623.76
RES	4139.21	4329.21	4329.21	4329.21	4453.69	4453.69	4629.59	4629.59	4629.59	4779.59	4939.59	5179.55	5379.35
DIFF	2101.18	2057.75	2189.75	2189.75	2274.45	2274.45	2312.68	2312.68	2312.68	2389.35	2464.17	2544.21	2644.41
%/o	33.88	32.06	33.74	33.74	33.81	33.81	33.45	33.45	33.45	34.51	35.31	35.31	36.16
OCURRE	3461.22	3782.32	4281.36	4281.36	4018.36	4018.36	4319.36	4319.36	4319.36	4585.95	4998.42	5131.78	5385.87
RES	3369.49	3566.99	3711.91	3711.91	3711.91	3711.91	3711.91	3711.91	3711.91	3791.06	4177.18	4321.39	4563.94
DIFF	91.73	215.33	569.45	569.45	306.45	306.45	607.45	607.45	607.45	794.89	1113.59	1110.39	821.93
%/o	2.65	5.68	13.37	13.37	7.33	7.33	14.06	14.06	14.06	18.35	28.35	25.72	18.22
OCURRE	2795.09	3296.01	3457.00	3457.00	3457.00	3457.00	3537.34	3537.34	3537.34	4256.64	4489.74	4618.09	4773.07
RES	2326.11	3296.52	3394.39	3394.39	3394.39	3394.39	3396.01	3396.01	3396.01	3420.41	3473.21	3453.16	3419.13
DIFF	468.98	999.49	1062.61	1062.61	1062.61	1062.61	1141.33	1141.33	1141.33	836.23	1016.53	1164.93	1353.94
%/o	16.82	30.34	30.45	30.45	30.45	30.45	33.31	33.31	33.31	24.34	29.28	33.82	39.61
OCURRE	2869.28	2944.30	3023.22	3023.22	3274.00	3274.00	3439.03	3439.03	3439.03	3747.72	3932.70	4066.65	4326.65
RES	2624.50	2918.05	3029.41	3029.41	3061.39	3061.39	3268.48	3268.48	3268.48	3477.91	3573.65	3630.23	3630.23
DIFF	244.78	26.25	93.81	93.81	212.61	212.61	170.55	170.55	170.55	269.81	359.05	436.42	696.42
%/o	8.50	0.90	3.12	3.12	6.74	6.74	5.25	5.25	5.25	7.20	9.27	10.70	15.89
OCURRE	2199.30	2439.03	2595.27	2595.27	2654.23	2654.23	2902.72	2902.72	2902.72	3394.11	3473.49	3473.49	3473.49
RES	2088.07	2637.46	2704.18	2704.18	2894.47	2894.47	2974.03	2974.03	2974.03	3277.04	3277.04	3277.04	3277.04
DIFF	111.23	799.57	891.09	891.09	759.76	759.76	928.69	928.69	928.69	1096.45	1196.45	1196.45	1196.45
%/o	5.07	32.82	34.73	34.73	28.21	28.21	33.70	33.70	33.70	32.23	34.43	34.43	34.43
OCURRE	1973.33	2007.13	2077.19	2077.19	2555.22	2555.22	2634.99	2634.99	2634.99	2634.99	2634.99	2634.99	2634.99
RES	2088.03	2392.20	2631.61	2631.61	2679.87	2679.87	2713.78	2713.78	2713.78	2713.78	2713.78	2713.78	2713.78
DIFF	114.70	384.07	554.42	554.42	814.67	814.67	878.79	878.79	878.79	1178.79	1078.79	1078.79	1078.79
%/o	5.82	19.05	26.74	26.74	31.69	31.69	33.36	33.36	33.36	44.75	40.14	40.14	40.14
OCURRE	1645.75	1726.75	2363.20	2363.20	2063.20	2063.20	2363.20	2363.20	2363.20	2363.20	2363.20	2363.20	2363.20
RES	2002.10	2121.20	2328.19	2328.19	2328.19	2328.19	2328.19	2328.19	2328.19	2328.19	2328.19	2328.19	2328.19
DIFF	416.34	392.44	264.99	264.99	264.99	264.99	264.99	264.99	264.99	264.99	264.99	264.99	264.99
%/o	24.99	22.73	12.04	12.04	12.84	12.84	12.04	12.04	12.04	12.04	12.04	12.04	12.04

NOTE:
 CURR = Present Annual Category A Compensation (48 IDT, 15 ADT with BAS and BAQ w/kin)
 RES = 39 days Reserve Pay
 DIFF = Dollar difference between the above two
 % = Percentage Difference between the above two

TABLE 6-11b

SUMMARY PAY ANNUAL PAY OF OFFICERS (EXCEPT ACTIVE SERVICE) AND WARRANTS		>2	>3	>4	>5	>6	>7	>8	>9	>10	>11	>12	>13	>14	>15	>16	>17	>18	>19	>20	
GENERAL		2054.23	2907.72	3209.78	3241.32	3394.11	3523.09														
ADM		2194.47	2974.33	3337.21	3133.93	3229.70	3339.04														
LTJG		40.26	5.73	7.58	107.13	165.42	214.06														
C/O		1.41	3.29	1.94	3.33	4.87	6.13														
ENLISTED		2555.22	2634.99	2683.11	2814.15	2916.04	2993.37														
PLS		2679.97	2711.74	2759.14	2843.26	2913.63	2951.32														
C/O		4.88	4.36	2.83	3.93	3.45	1.41														
ENLISTED		2063.26	2194.95	2271.01	2349.30	2426.79	2531.37														
PLS		2320.19	2424.73	2457.28	2535.25	2553.22	2617.56														
LTJG		264.93	214.74	185.46	155.94	126.42	86.58														
C/O		12.84	9.78	8.16	6.64	5.21	3.42														

INCHIEF		2246.55	2387.75	2448.78	2552.11	2656.64	2761.63	2941.44	3049.33	3193.12	3253.77	3352.29	3458.74	3713.19
PLS		2237.62	2331.22	2362.81	2426.77	2491.31	2555.86	2627.79	2746.36	2823.53	2899.28	2922.37	2967.59	3143.54
LTJG		0.94	56.54	85.98	125.34	165.38	234.76	273.66	322.38	369.53	391.53	437.14	473.46	567.66
C/O		3.47	2.77	2.77	3.51	4.91	6.22	7.42	9.30	11.53	12.74	12.83	13.63	15.29
ENLISTED		2345.76	2325.15	2323.35	2254.52	2408.31	2539.35	2616.54	2694.66	2770.26	2653.93	2954.85	3356.28	3158.87
PLS		2387.47	2186.14	2201.74	2216.95	2311.72	2392.84	2447.81	2489.17	2539.97	2585.89	2657.24	2713.13	2776.63
LTJG		41.73	19.32	19.32	20.62	37.98	54.33	146.22	175.74	205.53	234.33	265.92	304.62	362.30
C/O		2.34	3.86	3.86	1.20	1.68	4.33	5.76	6.72	7.63	8.33	11.31	11.23	12.13
ENLISTED		1797.75	1931.94	1944.23	2085.33	2191.53	2268.36	2345.85	2422.38	2511.46	2578.32	2659.18	2734.61	2756.61
PLS		1924.93	1989.87	1989.97	2122.34	2184.74	2157.65	2198.23	2246.20	2293.39	2342.53	2393.11	2437.69	2533.46
LTJG		139.14	58.32	58.32	30.13	3.33	43.66	73.14	99.66	128.73	158.94	188.22	217.58	256.14
C/O		6.37	3.33	3.33	1.92	0.31	1.06	3.09	4.25	5.31	6.35	7.33	8.19	9.29
ENLISTED		1512.90	1714.59	1714.59	1845.63	1922.49	1999.98	2075.58	2155.59	2231.82	2309.31	2384.91	2465.55	2465.55
PLS		1711.93	1836.73	1836.73	1917.82	1965.63	2013.37	2109.72	2156.86	2234.86	2291.66	2331.58	2371.51	2411.58
LTJG		190.93	122.10	122.10	42.93	13.38	15.42	45.94	74.94	104.46	133.26	163.98	163.98	163.98
C/O		13.15	7.12	7.12	3.91	2.23	3.67	0.74	2.13	4.52	5.59	6.65	6.65	6.65

C - DIFFERENTIAL PAY

This section details the recommendations of the RCSS concerning Special and Incentive Pays. As with Chapter V, it is divided into two subsections: Bonuses and Educational Assistance, and Other Special and Incentive Pays.

BONUSES AND EDUCATIONAL ASSISTANCE

As described in Chapter V, present reserve compensation is not providing sufficient incentive to enable the Reserve Components to attract and retain the quantity and quality of personnel needed. A functional system to accomplish the goal of increased accession and retention is necessary. The system must be capable of adapting to changes in either the requirements for manpower or the supply of that manpower -- because shortages do not remain constant over time. Special Pays can accomplish the goal at lower cost than general pay adjustments and, properly administered, are capable of providing the needed flexibility.

The RCSS recommends the provision of three special pays for the Reserve Forces: a Selective Enlistment Option, a Selective Affiliation Bonus, and a Selective Reenlist-

ment Bonus. The key to each of these is the word "Selective." Each special pay must have the capability to focus compensation resources upon the shortages that need correcting, and, at the same time, be capable of responding to changes in those shortages. The wide geographic variations in wage rates and other economic variables indicate that a uniform, nationwide reserve compensation system is not cost-effective. However, the relationships among economic variables and reserve manning are not systematic enough to recommend blanket regional reserve pay differentials. The differentials recommended here have been devised to deal with shortages in specific components wherever they may occur and only where and when they occur. It is intended that the provisions of enabling legislation be permissive and allow the Secretary of Defense to include these items of special pay in his budget and to authorize their use by the Reserve Components on a selective basis. A description of each differential pay, as recommended by the RCSS, follows. The amounts specified are for the initial implementation and could be adjusted upward or downward as determined to be necessary as the manning experience changes.

Selective Enlistment Option

First, it is necessary to examine the present enlisted force and determine the specific problems. The comparison of the objective force profile to the actual, on-board strength for each component in Table 6-12 shows that all components have significant shortages of personnel through the first four years-of-service (the ANG is an exception only in the fourth YOS).

TABLE 6-12
 'VARIANCE BY YOS, FIRST FOUR YEARS
 (Objective Less Actual Number in Each Year Group)

COMPONENT	YOS							
	1		2		3		4	
	No.	\$	No.	\$	No.	\$	No.	\$
ARNG	- 822	-29	-12,000	-32	-19,851	-53	-27,532	-66
USAR	-11,777	-55	- 8,170	-41	- 8,311	-42	-15,435	-74
USMCR	- 2,675	-37	- 914	-14	- 1,866	-39	- 2,101	-60
ANG	- 1,442	-28	- 696	-15	- 732	-19	897	+ 8
USAFR	- 895	-29	- 280	-11	- 229	-12	- 294	-17
USNR	- 1,797	-53	- 1,687	-36	- 1,013	-30	- 2,851	-32
USCCR	- 438	-36	- 792	-53	- 684	-58	- 516	-61

Table 6-12 suggests that the components are not meeting their accession requirements, and this is substantiated by reference to Table 6-13 which shows the non-prior service personnel accession variances by component.

TABLE 6-13

FIRST YEAR NPS ACCESSION VARIANCES

<u>COMPONENT</u>	<u>OBJECTIVE</u>	FY 77 ¹ <u>ACTUAL</u>	<u>VARIANCE</u>	
			<u>#</u>	<u>%</u>
ARNG	44,054	43,512	- 542	- 1
USAR	23,623	12,051	-11,572	-49
USNR	3,740	2,179	- 1,561	-42
USMCR	8,516	8,131	- 385	- 5
ANG	5,181	3,955	- 1,226	-24
USAFR	3,089	1,623 ²	- 1,466	-47
USCGR	1,292	849	- 443	-34
TOTALS	89,495	72,300	-17,195	-19

1 Source: RCCPDS (except USCGR).

2 Source: USCG Report, 21 Feb 78.

Reference to the enlisted non-prior service continuation and survival rates in Table 6-14 makes it very clear that the shortage of individuals with fewer than six years of-service is not only the result of poor accession, but also poor retention. In fact, in the ARNG it appears to be almost entirely an attrition problem.¹ The survival rates show that by the end of the fourth year every component except the ANG has lost more than 1/2 of the individuals who were present at the end of the first year. The ANG has lost more than 1/3 of those individuals.

1 In FY 1976 non-prior service accessions in the ARNG were 11% higher than desired (49,000 actual NPS) accessions, compared with an objective of 44,000). However, NPS losses were also higher than objective losses, particularly in the first two years.

TABLE 6-14

ENLISTED NPS CONTINUATION AND SURVIVAL RATES
FY 1976

YOS		ARNG		USAR		USNR		USMCR		ANG		USAFR	
FROM END OF	TO	CONT	SURV	CONT	SURV	CONT	SURV	CONT	SURV	CONT	SURV	CONT	SURV
1	2	72	-	75	-	67	-	78	-	86	-	80	-
2	3	81	58	79	59	69	46	77	60	86	74	71	57
3	4	75	44	68	40	73	34	71	43	84	62	75	43
4	5	85	37	69	28	76	26	74	32	89	55	83	35
5	6	94	35	91	25	57	15	83	26	94	52	87	31

Unquestionably, there is a requirement, at this time, to increase accessions. An enlistment incentive, properly structured to hold persons through their initial military service obligation, is a practical solution. RCSS studied the reasons for loss of the individuals prior to the end of their reserve military service obligation to determine if these losses to the reserve were, in fact, gains to the Active Forces. Though the factors vary by component, 11,549 overall losses (fewer than 10%) in FY 77 were gains to the Active Forces out of a total of 117,608 losses from the reserves.

The investigation leads to the proposal of a Selective Enlistment Option. To be eligible to take advantage of the option a person must: never have served previously

in any component of the U.S. Armed Forces (active or reserve), be a secondary school graduate, satisfactorily complete IADT in one or two separate sessions (including MOS¹ qualification if he had enlisted for assignment to a specific MOS), not be enlisting to become a technician, meet all other criteria for enlistment into the component, and, if choosing educational assistance, provide evidence of enrollment at an accredited institution.

The new recruit meeting the eligibility criteria to participate in the enlistment option program, must elect either the Enlistment Bonus or Educational Assistance and must obligate himself to serve six years satisfactorily in the Selected Reserve.

Enlistment Bonus. A person who elects the bonus would receive \$1,200, payable as follows: \$500 after successful completion of IADT and return to the Selected Reserve, \$200 at the end of the second and third years, and \$300 at the end of the fourth year. This payment schedule has been prescribed because the present shortages indicate an accession and a retention problem. If actual manning experience shows a change, then both the amount and method of payment could be reviewed and possibly revised.

1 In the Report MOS is used to include occupational specialties of all the services.

Educational Assistance. Those electing educational assistance may receive 100% of the cost of tuition, fees, books, and consumable supplies (laboratory and shop material, etc.), to a \$500 maximum in a 12-month period, and a total of \$2,000, for enrollment at an accredited post-secondary school (college, junior college, vocational-technical or trade school).

The structure of the initial bonus program and educational assistance is similar in that the timing of the cash outlays provide the incentive to retain a member into the fifth year of service where the continuation rates have been acceptable. The timing of the payments of the educational assistance would also mitigate the loss if a member should not fulfill his obligation in the first year or two. The total available amount of educational assistance (\$2,000) is considerably greater than the total for the enlistment bonus (\$1,200) because the two are differentially attractive in form. A cash incentive is generally more appealing than an in-kind incentive if the amounts are equal. Though it has been established in Chapter V that educational assistance could not be expected to attract a great number of new accessions, this incentive could be cost-effective if it improved the retention rate of persons with fewer than six years-

of-service -- even if it did not significantly increase the number of new accessions. The characteristics of persons choosing this option would be expected to be associated with higher continuation rates.

Table 6-15 displays the effect of the initial bonus program on an enlisted person's reserve income through the first six years in comparison to his present pay and proposed pay without the bonus. The comparison is presented in terms of present values, as well as annual amounts. The increase would be substantial if a \$1,200 bonus authority is used.

TABLE 6-15
EFFECT OF SELECTIVE ENLISTMENT BONUS
ON RESERVE EARNINGS

(Comparing the Bonus on Present Pay
with the Bonus on the Reserve Pay
as Proposed by RCSS)

YEAR	PRESENT PAY	PRESENT PAY WITH ENL. BONUS	% DIFF.	RES. PAY	RES. PAY WITH ENL. BONUS	% DIFF.	% INCREASE PRES. PAY TO PROPOSED WITH BONUS
0-1	\$1,708	\$2,208	29	\$2,080	\$2,580	24	51
1-2	931	1,131	21	1,274	1,474	16	58
2-3	1,020	1,220	20	1,318	1,528	15	50
3-4	1,060	1,360	28	1,354	1,654	22	56
4-5	1,169	1,169	--	1,446	1,446	--	24
5-6	1,215	1,215	--	1,479	1,479	--	22
TOTAL	\$7,103	\$8,303	17%	\$8,961	\$10,161	13%	43%
PRESENT VALUE AT TIME OF ENLISTMENT (10% DISCOUNT RATE)	\$5224	\$6,199	19%	\$6,600	\$ 7,575	15%	45%

* SAME PRESENT PAY AS DISPLAYED IN TABLE 6-3

Selective Affiliation Bonus

This bonus, in contrast, has been designed to attract skilled prior active service personnel into early affiliation with the Selected Reserve. An eligible person must obligate himself to serve satisfactorily in the Selected Reserve for the full period of remaining military service obligation. Eligibility criteria require that the person must: have served honorably on active duty in an Armed Force of the United States, be eligible for reenlistment in the Active Forces (other than for a closed MOS), have time remaining on the military service obligation, hold and be qualified in an MOS approved by the Secretary of Defense, hold rank commensurate with the authorized vacancy, not be affiliating to become a technician, and meet all other component criteria.

A person meeting the eligibility criteria would receive a bonus calculated on the basis of \$25 per month of the remaining military service obligation. If the person had 18 months or less remaining on his military service obligation the bonus would be payable upon signing of the Selected Reserve agreement. If the person had more than 18 months remaining it would be payable one-half

upon execution of the Selected Reserve agreement and one-half on the fifth anniversary of his original enlistment contract.

Table 6-16 shows the effect of this bonus on an enlisted person's reserve income through a two-year period, assuming he had four years of active duty and joined the Selected Reserve immediately upon returning to the community. Indications now are that prior active service individuals tend to wait until their obligation is over before affiliating with the Selected Reserve.

TABLE 6-16
EFFECT OF SELECTIVE AFFILIATION BONUS
ON RESERVE EARNINGS

(Comparing the Bonus on Present Pay
with the Bonus on the Reserve Pay
as Proposed by RCSS)

<u>YEAR</u>	<u>PRESENT* PAY</u>	<u>PRESENT PAY WITH AFFIL. BONUS (2 YRS. MSO)</u>	<u>% DIFF</u>	<u>RES. PAY</u>	<u>RES. PAY WITH AFFIL. BONUS</u>	<u>% DIFF</u>
4-5	\$1,169	\$1,469	26	\$1,446	\$1,746	21
5-6	<u>\$1,215</u>	<u>\$1,515</u>	<u>25</u>	<u>\$1,479</u>	<u>\$1,779</u>	<u>20</u>
TOTAL	\$2,384	\$2,984	25	\$2,925	\$3,525	21
PRESENT VALUE AT TIME OF AFFILIATION (10% DISCOUNT RATE)	\$2,067	\$2,587	25	\$2,537	\$3,110	23

* Same Present Pay as displayed in Table 6-3

Selective Reenlistment Bonus

This bonus is designed to attract both qualified prior and non-prior service personnel to reenlist/enlist in, and remain with the Selected Reserve to a point where career orientation is affected by other considerations (such as retirement, etc.). The present surplus of people in the Selected Reserve with between 6 and 12 years-of-service was displayed in Chapter V. Indications are that a reenlistment bonus is not necessary for general retention at this time, but is appropriate for retaining personnel in hard-skilled occupational specialties or in less attractive type units. The length of the reenlistment period of four years is indicated because continuation rates of over 90% are found at the 10 YOS mark today. An eligible person must reenlist for four years and obligate himself to serve the four years satisfactorily in the Selected Reserve. Eligibility criteria require that a reenlistee must: have the total years-of-service (PEBD) prescribed by the Secretary of Defense¹ upon expiration of the current term of service; have been participated satisfactorily for the complete period (or the most recent year, whichever is less) of Selected Reserve membership; hold and be

¹ Because of the present inventory profile, the criterion has been established initially at less than eight years of total service.

qualified in an MOS approved by the Secretary of Defense; hold rank commensurate with the authorized vacancy; not be reenlisting as, or to become a technician; and, meet all other component criteria.

A person meeting the eligibility criteria would receive an amount of \$1,200, one-half payable upon execution of the reenlistment contract and Ready Reserve agreement, and one-half upon completion of the contract. This payment schedule has been prescribed to foster desired continuation behavior and the need to assure fulfillment of the contract. If manning experience should change, the amount and method of payment could be reviewed and revised.

The effect of the bonus on an enlisted person's income from the sixth year through the tenth year is shown in Table 6-17.

TABLE 6-17

**EFFECT OF SELECTIVE REENLISTMENT BONUS
ON RESERVE EARNINGS**

(Comparing the Bonus on Present Pay
with the Bonus on Reserve Pay as
Proposed by RCSS)

<u>YEAR</u>	<u>PRESENT* PAY</u>	<u>PRESENT PAY WITH REENL BONUS</u>	<u>% DIFF</u>	<u>RES PAY</u>	<u>RES PAY WITH REENL BONUS</u>	<u>% DIFF</u>
6-7	\$1,462	\$2,062	41	\$1,573	\$2,173	38
7-8	1,462	1,462	0	1,573	1,573	0
8-9	1,515	1,515	0	1,607	1,607	0
9-10	1,515	2,115	40	1,607	2,207	37
TOTAL	\$5,954	\$7,154	20	\$6,360	\$7,560	19
PRESENT VALUE AT TIME OF REENLISTMENT (10% DISCOUNT RATE)	\$4,710	\$5,808	23	\$5,034	\$5,988	19

* Present Pay based on earnings stream of modal reservist.

THE SELECTIVITY CRITERIA

The Secretary of Defense would be responsible for including a request for the funds necessary for these special pays in his annual budget. With that would go the responsibility for administering the obligation of the money appropriated for such special pays.

The Secretary of each service annually would submit to the Secretary of Defense, a proposed budget item for

each of the special pays. The Secretary of Defense would approve the requests according to pre-designed criteria. Sample selectivity criteria for each of the special pays follows. These criteria would be adjusted as personnel profiles change.

Selective Enlistment Option. The enlistment option is intended for two purposes. The first is to increase the quantity of new accessions for those Reserve Components that have an unacceptably low strength. A component might be authorized to use the options if it passes both of these two screens:

- (1) Ratio: $\frac{\text{Average Strength (Previous FY)}}{\text{Authorized Strength (Current FY)}} < 95\%$
 and
 (2) Ratio: $\frac{\text{Average Strength (Previous FY)}}{\text{Structure Strength (Next FY)}} < 85\%$

To demonstrate the use of these screens refer to Table 6-18

TABLE 6-18

COMPONENT PERCENT OF FILL

	FY 78 ¹ STRUCTURE REQUIREMENT	FY 77 CONGRESSIONAL AUTHORIZATION	AVERAGE ² STRENGTH OCT 76 - SEP 77	% OF FY 78 STRUCTURE	% OF FY 77 AUTHORIZATION
ARMG	431.3	300	354.3	85.1	91.8
USAR	267.1	212.4	180.3	71.2	86.6
USNR	101.1	96.5	93.8	92.8	97.2
USMCR	37.2	33.5	29.8	80.1	89.0
AMG	100.5	95.3	91.4	90.9	96.0
USAFR	96.6	82.8	80.6	85.9	95.5

1 All Requirements from "Manpower Requirements Report for FY 1978"
 Except Navy.
 2 Computed Monthly End Strengths Divided by 12.

Table 6-13 depicts the various percentages of fill for each component. Referring to the screens, it can be seen that the ARNG, USAR, USMCR, and the USAFR pass screen number (1) (percent of authorized), but that only the ARNC, USAR, and USMCR pass screen number (2) (percent of structure). For the components that pass both screens, the Selective Enlistment option might be authorized subject to further restrictions. To prevent enlistment incentives from being authorized for accessions into MOS that are already acceptably full, the following screen must be met:

$$(3) \text{ MOS \% Fill: } \frac{\text{Component On Board In MOS}}{\text{Component MOS Structure Requirement}} < 95\%$$

Local units of the components must pass three additional screens:

$$(4) \text{ Local Unit \% Fill: } \frac{\text{On Board Strength}}{\text{Authorized Manning}} < 100\%$$

$$(5) \text{ Local Unit \% Fill: } \frac{\text{On Board Strength}}{\text{Structure Strength}} < 100\%$$

$$(6) \text{ Local Unit \% MOS: } \frac{\text{Unit On Board In MOS}}{\text{Unit MOS Structure Requirement}} < 100\%$$

This would assure that local units could not go over-strength to make up for shortages in other geographical areas.

The second purpose of the enlistment option is to authorize components with specific MOS shortages or less attractive type units with shortages to attract new accessions into the specific MOS or unit, even though overall component strength is at an acceptable level. The following screens could satisfy the requirement:

(7) MOS requiring in excess of six months of IADT or one that is specifically approved by the Secretary of Defense:

and

(8) MOS % Fill: $\frac{\text{Component on Board in MOS}}{\text{Structure Requirement in MOS For Component}} < 85\%$

or

(9) Local Unit % Fill: $\frac{\text{On Board Strength}}{\text{Structure Strength}} < 85\%$

Selective Affiliation Bonus. The affiliation bonus is intended to attract prior service personnel with hard skill MOS into the Selected Reserve. It is not intended to "fill the ranks." To be authorized to use this bonus a component must pass through the following screens:

- (1) MOS requiring in excess of six months of IADT or one that is specifically approved by the Secretary of Defense;

and

- (2) MOS % Fill: $\frac{\text{Component On Board In MOS}}{\text{Structure Requirement In MOS For Component}} < 85\%$

Local units of the components must pass three additional screens.

- (3) Local Unit % Fill: $\frac{\text{On Board Strength}}{\text{Authorized Manning}} < 100\%$

- (4) Local Unit % Fill: $\frac{\text{On Board Strength}}{\text{Structure Strength}} < 100\%$

- (5) Local Unit % MOS : $\frac{\text{Unit On Board In MOS}}{\text{Unit MOS Structure Requirement}} < 100\%$

Selective Reenlistment Bonus. The reenlistment bonus is intended to affect retention of prior service and non-prior service personnel who hold and are qualified in hard skill MOS which are in short supply throughout the component. It is not intended to attract those people for whom there is no specific need. To be authorized to use the reenlistment bonus a component and the local unit must pass through the same screens that have been established for the Selective Affiliation Bonus.

Termination, Refund or Recoupment

Bonuses. Participation in any of the bonus programs will be terminated and no further incremental amounts paid if a

member fails to participate satisfactorily in the Selected Reserve in accordance with regulations for the component of which he is a member. Furthermore, participation will be terminated if the member is separated for any reason from the Reserve Component as an enlisted person. A person whose bonus eligibility is terminated shall refund¹ an amount calculated as follows:

the number of months served satisfactorily during the bonus period will be multiplied by \$16.67 for the enlistment bonus or \$25 for the affiliation and reenlistment bonuses;

- o that amount will be subtracted from the total amount of bonus paid to the member (initial plus any subsequent payments);
- o if the calculation indicates overpayment, that amount will be refunded or recouped.

Any refund or recoupment shall not affect the remaining period of obligation of such person to serve as a member of the Selected Reserve.

¹ The refund would be due unless termination resulted from reasons beyond the control of the member or the acceptance of an immediate appointment as an officer in the Active Forces or the Ready Reserve.

Educational Assistance. Participation in this program would be terminated if the member: fails to participate satisfactorily in the Selected Reserve in accordance with regulations for his component; is separated from the Reserve Component for any reason other than to accept an immediate appointment as an officer in the Ready Reserve; completes six years of service required by the enlistment contract; receives financial assistance as a member of the Senior Reserve Officers' Training Corps; or ceases to attend the educational institution. A member who fails to participate satisfactorily in training with the Selected Reserve shall refund the amount of educational assistance received for the current year, unless failure to participate resulted from reasons beyond his control. Any refund or recoupment shall not affect the remaining period of obligation of such member to serve as a Selected Reservist.

OTHER SPECIAL AND
INCENTIVE PAYS

These recommendations concerning Special and Incentive Pays are based upon the findings in Chapter V and the principles of compensation in Chapter II. The RCSS attempted to determine the likely effectiveness of each pay in achieving manning goals. In some cases, determination was not possible because it would require more study than could be devoted to each of these items. All recommendations presented here were made only after examining the effect on reservists' total annual incomes under the proposed RCSS compensation system and the present practice.

After making comparisons for each of these pays, the RCSS has recommended that each special pay (currently based upon 1/30th of the active duty monthly entitlement) for each Unit Training Assembly be changed to 1/30th of the active duty monthly entitlement for each eight hours of training, with half this amount being paid for training periods of four hours. This is consistent with recommendations for payment of Reserve Pay and for entitlement to points for retirement under Alternative #1 which includes a retirement system. However, many of the existing special and incentive pays are non-functional and should be replaced with the bonuses proposed by the RCSS,

which would generally enable much larger payments to be made where there are manning problems in these specialties.

Administrative Duty Pay

The RCSS recommends that the legislative authority for Administrative Duty Pay be repealed. The findings presented in Chapter V clearly indicate that Administrative Duty Pay is non-functional. The assignment of full-time personnel to assist in the administration of Guard and reserve units has diminished the administrative duties of commanding officers entitled to Administrative Duty Pay. There are no shortages or problems in attracting and retaining officers in command positions.

Diving Pay

The RCSS recommends that a decision or recommendation on Diving Pay for reservists be deferred and that the Department of Defense initiate a special study on the labor market analysis of diving duty pay. Pending completion of the study, it is recommended that the existing reserve entitlement for diving pay remain unchanged and that the Department of Navy's legislative proposal to authorize diving pay during IDT be withheld pending completion of the recommended study.¹

¹ DoD legislative item, MISC 1513, 95th Congress (NAVPROP 77-1).

The findings presented in Chapter V clearly indicate that there is an adequate supply of lower skilled divers but a critical shortage of senior technically qualified divers. The financial compensation currently offered divers in the reserve is insignificant and non-functional in attracting and retaining highly skilled divers.

The current entitlement of diving pay (ADT only) coupled with the RCSS recommended compensation system, would not result in offering sufficient compensation to attract and retain highly skilled divers. For example, the compensation received by skilled divers in pay grades E-5 through E-8 would range from +7% to -10%, respectively, when compared to existing compensation.

The Navy's legislative proposal authorizing diving pay during periods of IDT would not result in any significant increase in annual pay. For instance, similar to the above example, the compensation received by skilled divers in pay grades E-5 through E-8 would range from +7% to -10% respectively, when compared to existing compensation.

The recommended RCSS compensation system with a differential pay (assumption \$200 annually) substituted for Special Diving Pay when compared to the present practice, would result in enlisted personnel in the grades of E-7

and E-8 receiving +1% and -5%, respectively.

The RCSS recommended compensation system, coupled with the active duty monthly rate of entitlement, when compared to the present practice would result in substantial increases in a reserve diver's pay. For example, the increased pay for highly skilled divers in the grades E-5 through E-8 would range from 9% to 38%, respectively. Sufficient data are not currently available to determine whether substituting a differential pay for Diving Pay, or the substantial increases resulting from entitlement to the active duty monthly rate, would be functional in attracting and retaining highly skilled divers, or, if it would be cost-effective to compensate these individuals so generously. The RCSS "Special and Incentive Pays" Issue Papers address available alternatives which should be considered in achieving desired reserve manning levels.

Demolition Duty Pay

The RCSS recommends that a decision or recommendation regarding Demolition Duty Pay be deferred at this time and that the Department of Defense initiate a special study on the labor market analysis of demolition duty pay. Pending completion of the study, RCSS recommends the method of computing reserve Demolition Duty Pay be

changed to 1/30th of the active duty monthly entitlement for each eight hours of training, with half this amount being paid for training periods of four hours.

The findings on Demolition Duty Pay in Chapter V concluded that this hazardous duty incentive pay, as currently authorized, is also a non-functional and insignificant element of reserve compensation for the same reasons as Special Pay for Diving.

The recommended RCSS compensation system, coupled with the currently authorized rates of pay for demolition duty will not result in offering sufficient compensation to attract and retain highly skilled demolition specialists. For example, the pay received by demolition specialists in the grades of E-5 through E-8 would range from +7% to -10%, respectively, when compared to the present practice. Substituting a differential pay (i.e., Bonus) for Demolition Duty Pay would result in changes ranging from +13% to -8% for the grades of E-5 through E-8, respectively, when compared to the present practice. When this same comparison is made for the grades E-7 through E-9, the range in difference is even more acute (-1% to -12%). Consequently, it appears that a differential pay with the RCSS recommended system would not be effective in retaining highly skilled senior enlisted personnel.

Applying the active duty monthly rate of Demolition Pay to the RCSS recommended system would result in substantial increases in the annual compensation of reserve demolitionists. For example, the increased pay for grades of E-5 through E-8 would range from 42% to 10%, when compared to the present practice. Sufficient data are not currently available to determine whether these increases will be functional in attracting and retaining highly skilled demolition specialists, nor whether it would be cost-effective to compensate these individuals so generously. The RCSS "Special and Incentive Pays" Issue Papers address available alternatives which should be considered in achieving desired reserve manning levels.

Parachute Duty Pay

The RCSS recommends that a decision or recommendation regarding Parachute Duty Pay, be deferred at this time and that the Department of Defense initiate a special study on Parachute Duty Pay. Pending completion of the study, RCSS recommends the method of computing reserve Parachute Duty Pay be changed to 1/30th of the active duty monthly entitlement for each eight hours of training, with half this amount being paid for training periods of four hours.

The findings on Parachute Duty Pay in Chapter V concluded that this pay is an insignificant portion of a reservist's annual compensation and a non-functional item of existing compensation as is Demolition Pay, but for the opposite reason. Parachute Pay is non-functional because it appears to be unnecessary to meet manning objectives, while Demolition Pay is non-functional because it is inadequate to meet manning objectives.

The recommended RCSS compensation system, coupled with the currently authorized rates of pay for Parachute Duty, would result in enlisted personnel in the grades E-1 through E-5 receiving 25% to 7% more than received under present practices. This increase would be the result of the RCSS recommended general level of compensation, not the result of increases in Parachute Duty Pay.

The recommended RCSS compensation system with a differential pay (assumption \$200 annually) substituted for Parachute Duty Pay would result in enlisted personnel in the grades E-1 through E-5 receiving 33% to 13% more than received under existing compensation. An individual receiving Differential Pay would be paid considerably more than with Parachute Duty Pay. Because Differential Pay would only be paid when manning

shortages developed, it would be selective and, therefore, in keeping with the RCSS mandate of a cost-effective compensation system.

In contrast to Demolition Duty Pay, which is too low to aid in achieving desired manning levels, Parachute Duty Pay appears to be non-functional because it is not necessary to recruit and retain desired personnel. More definitive and detailed data on the secondary occupational skill of a parachutist may reveal that this hazardous duty incentive pay is functional. The RCSS "Special and Incentive Pays" Issue Papers address this requirement in greater detail.

Flight Pay (Crewmember)

The RCSS recommends that the existing reserve entitlement for Flight Pay (crewmember) remain an element of reserve compensation, but that the method of computing crewmember Flight Pay be changed to 1/30th of the active duty monthly entitlement for each eight hours of training, with half this amount being paid for training periods of four hours.

The findings on Flight Pay (crewmember) in Chapter V concluded that the existing level of manning does not indicate that Flight Pay is either excessive or inadequate.

quate, although the value of this pay (in constant dollars) has declined by 57% since last adjusted 23 years ago.

As further stated in Chapter V, under existing compensation, crewmembers receive between 50% and 70% more annual pay than reservists not entitled to Flight Pay. These same crewmembers (E-4 through E-6) would receive between 43% and 63% more annual pay than reservists not entitled to Flight Pay under the RCSS recommended compensation system.

The increase in pay that a crewmember receives is primarily the result of Additional Flying Training Periods. The performance of each Additional Flying Training Period (four hours) under existing compensation results in crewmembers receiving 1/30th of the monthly rate of Basic Pay plus Flight Pay (crewmember). However, under the RCSS recommended system, pay is computed on the basis of 1/30th for each eight hours of training. This results in decreasing entitlement to pay by almost 50%. To offset this decrease, the RCSS has recommended additional Retainer Pay for persons required to perform additional training periods. For example, enlisted personnel entitled to Flight Pay will receive \$16.67 additional Retainer Pay for each eight hours of additional training. Therefore, the percentage differences in pay that exist with

the present practices, have generally been maintained with the RCSS recommended system. The remaining percentage difference between the two systems results from Flight Pay being calculated on the basis of eight hours instead of on the current basis of four hours. Consequently, the RCSS recommends no further adjustments be made to Flight Pay (crewmember) for reservists.

Aviation Career Incentive Pay (ACIP)

The RCSS recommends that a decision or recommendation regarding Aviation Career Incentive Pay be deferred at this time and that the Department of Defense initiate a special study on the labor market analysis of aviation duty pay. Pending completion of the study, RCSS recommends that the method of computing ACIP be changed to 1/30th of the active duty monthly entitlement for each eight hours of training with half this amount being paid for training periods of four hours.

The findings presented in Chapter V concluded that currently there are generally no critical shortages of aviation personnel. It is difficult to judge the effectiveness of ACIP because it is a relatively new compensation element in its present form. However, as pointed out in Chapter V, a typical aviator in the grade O-3 with over 10 YOS receives 58% to 79% more pay than a non-aviator with the same grade and YOS. The same individual would continue to receive between 49% and 68% more pay than a non-aviator under the RCSS recommended system.

As was the case with crewmember Flight Pay, the increase in pay that an aviator receives, primarily results from Additional Flying Training Periods. Because the method of computing pay under the RCSS recommended system (1/30th for each eight hours of training as opposed to 1/30th for each four hours of training), additional Retainer Pay (\$33.33 for each additional training period of eight hours) is recommended to offset decreases in pay from the existing system. Therefore, the percentage differences in pay that exist with present compensation have generally been maintained with the RCSS recommended system. The remaining percentage difference between the two systems results from ACIP being calculated on the

basis of eight hours instead of on the current of four hours. Consequently, existing compensation, coupled with Aviation Career Incentive Pay, is an effective and functional management tool to recruit and retain reserve aviation personnel. However, it cannot be stated with certainty whether or not this would continue to be so under the RCSS recommended compensation system. Available data precluded the RCSS from determining whether the compensation received by reserve aviators under the recommended system would be insufficient, adequate, or excessive in attracting and retaining the required quantity and quality of aviation personnel. The RCSS "Special and Incentive Pays" Issue Papers address this subject as it pertains to achieving desired reserve manning levels within a cost-effective compensation system.

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D - DEFERRED COMPENSATION

The RCSS recommendations concerning deferred compensation consist of two alternatives: Alternative #1 is the continuation of a modified reserve retirement; Alternative #2 is for "no-retirement". The basic purpose of both alternatives is to shift compensation forward, where manning experience indicates it is needed. As Secretary of Defense Harold Brown has noted:

The current system emphasizes deferred compensation, or retirement benefits, rather than immediate cash payments. This leads to too many senior personnel and too few first term people in the first six years of service.¹

Each alternative has the capability to assist the Reserve Forces in achieving their objective force profiles. Even though retirement annuities are substantially reduced from the present, the Alternative #1 should provide sufficient incentive to maintain the desired career force. This is substantiated by reference to those many current reservists who made their career commitments many years ago prior to the Rivers Amendment in 1967, which linked changes in active duty pay² to annual increases in Civil Service pay. Reservists prior to 1967 could not reason-

1 Annual Report, Department of Defense, Fiscal Year 1979, 2 February 1978, p. 334.

2 On which the retirement annuity is based.

ably have anticipated that annuities would be as large as they are today. The major fault with Alternative #1 is the lack of flexibility provided to the personnel manager in affecting the current force.

Alternative #2 has no historical data upon which to base a judgment as to its probable effectiveness. Though an untried method, it does shift compensation resources forward toward the years of active participation (where they are needed) to a far greater extent than Alternative #1. As an item of current compensation, it does have the flexibility to allow the manpower manager to affect the current force.

Each alternative is discussed in this section.

MODIFIED RETIREMENT -
ALTERNATIVE #1

The design of the RCSS proposed reserve retirement plan (Alternative #1) is consistent with the principles described in Chapter II. It would decrease the emphasis on deferred compensation, yet it would provide a proven plan for maintaining a career force. The modified plan would be basically the same as the present plan which is described in detail in Chapter V. The recommended changes to the present plan are described below.

Pay Table Changes

Pay Table in Effect. The retirement annuity would be calculated based on the pay table in effect at the time a person transferred to the Retired Reserve or ceased to be a member of a Reserve Component. Otherwise, the frequency and size of military pay increases would result in a reservist having the unearned advantage of real growth reflected in changes in the pay table from time of retirement (or cessation of membership) to time of calculation of his retired pay at age 60.

Nevertheless, the annuity would be protected from the effects of inflation during the period from time of retirement until the individual attained the age of 60, through a one-time cost-of-living adjustment that would be made when the individual would begin to receive his annuity.

Longevity Increment. The retirement annuity would be based on the longevity step for the YOS at the time a person transferred to the Retired Reserve or ceased to be a member of a Reserve Component as in the case of an active duty retiree. This would prevent payment of an unearned (and unexpected) windfall to the reservist at the time of receipt of retired pay.

Authorization of Retirement Points

Satisfactory Years for Retirement. A minimum of 50 points per anniversary year is currently required for a

reservist to earn a retirement-creditable year. This minimum requires many members to seek methods of attaining retirement points which are not necessarily related either to maintenance or to an increase in skill proficiency or mobilization readiness. A "good year for retirement" would be awarded for participation at the level required and prescribed by the component, not for earning a minimum of 50 points as in the present plan. This would help to reduce point accumulation and unnecessary inflation of annuities.

Membership or Gratuitous Points. Eliminate the awarding of 15 membership points each anniversary year. These points increase the retirement annuity and have no relationship to a member's active participation in a Reserve Component. Membership points were originally intended to provide assistance in attaining the 50 point minimum. Without a minimum point requirement for a satisfactory year, no gratuitous points are necessary.

Correspondence Courses. Eliminate the awarding of points for correspondence courses. Many reservists use these courses merely as a means of attaining the 50 point minimum. It is recognized that many of the courses are career enhancing and in some components are required for promotion. These factors should provide sufficient motivation for members to take appropriate courses. Without

the minimum point requirement to earn a satisfactory year, there would be no need to grant retirement points for correspondence courses.

Points for Unit Training Assemblies. Award one retirement point for each eight-hour or more unit training assembly in one day ($\frac{1}{2}$ point for four hours). This would be consistent with the RCSS proposal for general current compensation in that $\frac{1}{30}$ th of monthly active duty cash pay would be paid for each day of active duty, inactive duty training, or active duty for training.

IDT Point Ceiling. Eliminate the 60 point ceiling for inactive duty points. The retirement annuity is to be based on actual participation according to training category, consistent with our recommendation on Reserve Pay and IDT. Many members are required to participate in more than 24 eight-hour unit training assemblies.

Annuity Calculation

The cumulative effect of all of the recommended changes concerning pay tables and point accumulations would reduce the value of a reservist's retirement annuity to an extremely low level if calculated under the present formula.¹ A system that provides an annuity inadequate

¹ Present formula for annuity calculations:

$$\frac{\text{Total Points}}{360} \times .025 \times \text{Monthly Basic Pay} = \text{Monthly Annuity}$$

Where: Monthly Basic Pay is calculated on pay table in effect at time of receipt of initial retirement annuity and maximum longevity increment.

to encourage desired career participation would not necessarily be more cost-effective than one which promises too large an annuity.

To make the annuity effective as a retention tool, a revised method of calculation was necessary. RCSS considered and computed numerous possibilities until the following two part formula was devised to provide a more cost-effective approach. The first part of the proposed formula maintains the current relationship of active duty participation to the reserve retirement system. The second part more closely relates reserve participation (and reserve pay) to reserve retirement. It also increases the value of reserve participation relative to active duty service by 20% by changing the multiplier from .025 to .030.

$$\begin{array}{r}
 \text{Total Active}^1 \\
 \text{Duty Points} \\
 \hline
 360
 \end{array}
 \times .025 \times \text{Monthly Base Pay}^2$$

+

$$\begin{array}{r}
 \text{Total Reserve}^3 \\
 \text{Duty Points} \\
 \hline
 360
 \end{array}
 \times .030 \times \text{Monthly Cash Pay}^4 = \text{Monthly Annuity}$$

- 1 Not including ADT of less than 30 days.
- 2 Monthly Basic Pay based on pay grade in pay table and longevity step in effect at time of retirement or departure from the reserve program.
- 3 Including ADT for periods of less than 30 days.
- 4 Monthly Cash Pay based on pay table with-dependent rate, and longevity step in effect at time of retirement or departure from the reserve program. Monthly cash pay is simply daily Reserve Pay multiplied by 30.

Payment and accounting procedures currently in effect would make active duty and reserve points easily distinguishable so that administrative procedures can be accommodated.

Reference to Table 6-19 shows the effect of the reductions imposed by pay table and point accumulations and the partial restoration provided by the proposed formula.

Table 6-19

**COMPARISON OF ANNUITIES OF REPRESENTATIVE RESERVISTS
USING PRESENT AND PROPOSED RETIREMENT SYSTEMS**

<u>GRADE</u>	<u>YOS¹</u>	<u>SERVICE PARTICIPATION</u>	<u>PRESENT ANNUITY²</u>	<u>DCRS PROPOSED ANNUITY</u>	<u>% CHANGE</u>
O-6	30 ¹	EAD - 4 yrs ADT - 26 yrs IDT - 26 yrs	\$692	\$533	-23
O-5	30 ¹	EAD - 4 yrs ADT - 26 yrs IDT - 15 yrs IRR - 11 yrs	\$519	\$382	-26
O-5	26 ¹	IADT - 1 yr ADT - 25 yrs IDT - 25 yrs ADD'L IDT - 25 yrs Army Helo Pilot (36 AFYP/yr)	\$386	\$361	-6
O-4	20 ¹	EAD - 2 yrs ADT - 18 yrs IDT - 15 yrs IRR - 3 yrs	\$306	\$237	-23
O-4	20 ¹	EAD - 4 yrs ADT - 16 yrs IDT - 0 IRR - 16 yrs	\$345	\$228	-34
E-8	30 ¹	EAD - 4 yrs ADT - 26 yrs IDT - 24 yrs IRR - 2 yrs	\$329	\$261	-21
E-7	26 ¹	EAD - 3 yrs ADT - 26 yrs IDT - 24 yrs IRR - 3 yrs	\$252	\$189	-25
E-7	20 ¹	EAD - 4 yrs ADT - 16 yrs IDT - 16 yrs	\$216	\$164	-24
E-6	20 ²	EAD - 4 yrs ADT - 16 yrs IDT - 16 yrs (Pay Cat. "B")	\$169	\$127	-25
E-6	20 ²	IADT - 120 days ADT - 20 yrs IDT - 19 2/3 yrs	\$114	\$ 80	-30

1 Age at initial entry 21 years

2 Age at initial entry 19 years

* Assumes 1% real growth in pay table.

The examples shown in Table 6-19 have an assumed 1% real wage growth, although the prospective reservist would probably not anticipate such a real wage growth in estimating the value of his future retirement annuity. The CPI adjustment, as discussed previously, would protect the anticipated annuity from the effects of inflation and would represent zero wage growth to the reservist. For example, the O-4 with 20 YOS in Table 6-19 would probably be viewing his future annuity as reduced by 6% rather than by 23%.

The discussion of reserve retirement and the analysis of the impacts of proposed changes has been limited to the annuity portion of the estate plan that an individual can anticipate as the result of completing a reserve career. The ancillary benefits which are an integral part of retirement and which have significant value to the individual (commissary, exchange, medical) would not be altered under the modified retirement plan. As a result, the overall impact on an individual is not as substantial as indicated in Table 6-19. The specific amount of value (or costs) connected with the ancillary benefits which should be attributed to each member cannot be determined. However, it is apparent that the value of these benefits would not be dependent upon the size of the annuity.

Therefore, the overall impact of the proposals to modify reserve retirement would be mitigated somewhat by the retention of the deferred benefits and to the greatest degree for those whose annuity was most dramatically affected by the proposed modifications.

Similarly, the extension of the Survivor Benefit Plan to reservists prior to age 60, as discussed in Section E of this Chapter, would provide an additional benefit.

Current Accrual of Retirement Costs

As discussed in Chapter VIII, Reserve Components would be expected to include in their budget planning their respective reserve military retirement costs on an accrual basis. This would clear up some major problems in management and in budgetary treatment of reserve retirement which currently allows participation, and accreditation of points for reservists, without regard to increasing skill proficiency and mobilization readiness of those participants.

Deferred Annuity Options

Currently, there is no provision for reserve retirement at any time prior to age 60, either voluntary or involuntary. Officers are separated from active reserve

participation by the provisions of the Reserve Officer Personnel Act, but this, in effect, applies only to the more senior officers. There is no similar personnel program in effect for the separation of enlisted personnel. Generally, they are permitted to remain to their attainment of the maximum age for mandatory removal (58 or 60 dependent upon component) regardless of grade and years of service.

Chapters III and IV have identified the major problems of excessive YOS and age within the Reserve Components.

RCSS has considered the alternative of lowering the retirement age for reserve retirement. However, lowering the age does not change the basic inflexibility of the current retirement system, either from the viewpoint of the government in the management of the force, or from the viewpoint of the individual. RCSS believes that the lump sum option provision described below in the modified retirement plan would provide more flexibility for the government to manage the force, and would give the individual the opportunity to tailor his reserve career and entitlement to deferred compensation to his own particular requirements. This would be accomplished without any increased cost to the government.

Lump Sum Option

It was the conclusion of the RCSS that the option of a lump sum payment in lieu of earlier retirement would work to the mutual advantage of the government and the reservist.

For the majority of reservists, participation in a Reserve Component is a secondary occupation. In general, it may be assumed that the individual's basic benefit package is provided for by his primary employer. A change in the Internal Revenue code in 1976 (26 USC Sec 402) provides evidence that such a lump sum payment for a vested interest in a deferred annuity could be subject to special tax treatment that would not place the reservist in an adverse tax position by selecting a lump sum option.

Lump Sum Option Plan. The RCSS recommends that a lump sum option be made available to reserve retirees both for members who are eligible under the present retirement plan and still active in the reserve or who would be covered by the RCSS modified retirement plan. The decision to select the option would be voluntary on the part of the reservist upon attaining 20 creditable YOS for retirement. The option would be selected by

the individual at the time he or she was transferred to the Retired Reserve or ceased participation in the reserve. The option would have to be exercised prior to attainment of age 58. Exercise of the option to receive a lump sum settlement would constitute a waiver of entitlement to any further deferred benefits including health care, survivor benefits, commissary, and exchange privileges.

Lump Sum Option Amounts - Present Retirees. Table 6-20 shows examples of the average individual lump sum options that would be paid today to officer personnel entering the retired reserve at the ages and grades indicated if the option feature were in effect.¹ The amounts were computed on average point accumulations for the grades indicated. The individuals have been distributed to upper, middle, and lower thirds, classified by total points accumulated, to demonstrate that total point accumulations are not simply a function of years-of-service for retirement. The lifetime annuities represented are the computed average annuity costs to the government in 1978 dollars (no inflation adjustments).

1 The Army supplied RCSS with detailed retirement data from a random sample of officers and enlisted personnel who entered the retired pool in FY 1977.

TABLE 6-20

REPRESENTATIVE LUMP SUM OPTIONS

Officer

	<u>Grade</u>	<u>Points</u>	<u>Age</u>	<u>Lump¹ Sum \$</u>	<u>Annuity Lifestream \$²</u>
Upper	05	3,750	55	42,631	108,761
Third	06	3,750	57	60,772	174,296
	06	4,050	58	70,925	145,870
Middle	05	3,050	53	29,943	88,192
Third	06	3,050	56	45,802	108,752
Lower	04	2,150	45	10,136	53,034
Third	05	2,300	48	15,888	67,015

¹ Discount Rate 6%

² In 1978 dollars. October 1977 pay table. Mortality adjusted by Commissioners 1958 Standard Ordinary Table of Mortality.

Table 6-21 displays similar data for enlisted personnel.

TABLE 6-21

REPRESENTATIVE LUMP SUM OPTIONS

Enlisted

	<u>Grade</u>	<u>Points</u>	<u>Age</u>	<u>Lump¹ Sum \$</u>	<u>Annuity Lifestream \$²</u>
Upper	E-7	3,050	52	14,835	46,947
Third	E-8	3,400	54	21,248	58,244
	E-9	3,400	55	25,607	65,328
Middle	E-7	2,700	48	9,929	41,881
Third	E-8	2,700	46	8,667	42,203
Lower	E-7	2,400	46	6,853	33,371
Third	E-8	1,600	43	3,970	23,982

¹ Discount Rate 6%

² In 1978 dollars. October 1977 pay table. Mortality adjusted by Commissioners 1958 Standard Ordinary Table of Mortality.

Lump Sum Option Amounts - Future Retirees. Table 6-22 shows the effect upon lump sum option payments of the several major revisions to the current Title III reserve retirement that are incorporated in the RCSS recommended retirement plan (Alternative #1) discussed in this section and the expected future annuities under the present reserve retirement plan. Since the actual data used to compute representative lump sum options is not considered valid to reflect the annuities of future representative individuals, the available data were adjusted to portray expected annuities under either the present retirement and the RCSS modification.¹

Column "2" shows the lump sum payments that would be made to the representative individuals if they had experienced no extended active duty other than 120 days' initial active duty for training, to better reflect future reserve participation.

Column "3" represents the lump sum payments that are expected to be made under the RCSS recommended retirement alternative for the same participation rates.

Column "4" shows the percentage difference between a

¹ The point earnings projections, upon which the estimated payments are based, are derived from an analysis of the five complete years out of the last seven for all of the individuals in the random sample provided by the Army.

lump sum payment based upon the provisions of the current Title III retirement plan and the recommended RCSS plan. Columns "5" and "6" show the effects of adding two years and four years of active duty points, respectively, to the total retirement point base to provide examples of the impact of additional active duty.

TABLE 6-22
COMPARISON - LUMP SUM OPTIONS
CURRENT TITLE III VS RCSS RETIREMENT

	1	2	3	4	5	6
	<u>Grade</u>	<u>Lump Sum¹</u> <u>Current</u>	<u>RCSS¹</u>	<u>%</u> <u>Diff.</u>	<u>% Diff.</u> <u>W/ 2 Yr. AD</u>	<u>% Diff.</u> <u>W/4 Yr. AD</u>
Upper	O5	29,333	22,707	-23	-18	-14
Third	O6	44,184	33,601	-24	-19	-16
	O6	49,026	37,269	-24	-20	-16
Middle	O5	23,896	18,514	-23	-18	-14
Third	O6	39,845	30,313	-24	-19	-15
Lower	O4	8,719	6,871	-21	-16	-11
Third	O5	14,290	11,101	-22	-17	-13
Upper	E7	11,648	9,900	-15	-12	-9
Third	E8	15,924	13,389	-16	-13	-10
	E9	19,768	16,449	-17	-14	-11
Middle	E7	7,679	6,535	-15	-11	-9
Third	E8	6,210	5,345	-14	-10	-8
Lower	E7	5,524	4,818	-13	-10	-7
Third	E8	4,230	3,689	-13	-9	-7

¹ Discount Rate 6%
1978 dollars

Applicability of Representative Lump Sum Options. The data provided to RCSS by the Army are considered to be the best now available upon which to make projections of future retirement point accumulations. The five-year period analyzed included most of the All Volunteer period, a time in which there has been no mobilization of the reserves.

In addition to the Army data from a random sample of retirement cohorts for FY 1977, RCSS received retirement data from a random sample of Air Force personnel entering the retired pool during the same period.

Table 6-23 indicates the average retirement point accumulations for officers and enlisted personnel at selected years of service points for the Army and Air Force.

For lump sum option comparisons between the Air Force and Army, a close approximation can be made by increasing by 25% the lump sums shown for Army data on the previous tables. Valid retirement data is not available from the Navy and the Marine Corps. However, on the basis of historical data maintained by the DoD Actuary,

on annual annuities paid to retired personnel by service, annuities paid to Navy personnel are similar in amount to those of the Army, and annuities paid to Marine Corps personnel are similar in amount to those paid to the Air Force.

Table 6-23

RETIREMENT POINT ACCUMULATIONS

<u>Creditable YOS</u>		<u>Army</u>	<u>Air Force</u>
20	Officer	1980	1980
	Enlisted	1620	1620
25	Officer	2340	3060
	Enlisted	2340	3060
30	Officer	3060	4140
	Enlisted	3060	4500

Administration of the Lump Sum Option. Each change in compensation recommended by the RCSS has included careful consideration of the impact upon existing administrative practices and procedures so as to avoid more costly administrative procedures whenever possible.

Administration of the lump sum option plan does not require the establishment of complex new computation procedures. RCSS has developed a table of multipliers for calculation of the lump sum amounts that takes into

account the discount rate and actuarial adjustments required to make the option program financially sound. Computing the lump sum payment for any grade at any age and years of service is a function of determining the annual annuity exactly as it is determined under the current method of computation (see page VI-75) and simply multiplying the annual annuity by the factor indicated for that age. Table 6-24 shows selected multipliers applicable to the indicated ages at which a lump sum payment may be made.

Table 6-24

SAMPLE ANNUITY MULTIPLIERS

<u>Age</u>	<u>Factor</u>
39	2.55
41	2.85
44	3.27
46	3.78
49	4.50
51	5.08

NO-RETIREMENT -
ALTERNATIVE #2

The RCSS developed two alternative compensation systems, one which included a retired pay plan (Alternative #1), and Alternative #2 that substituted a bonus to be paid to personnel with seven or more years-of-service at the end of each year they participate in the Selected Reserve. In this section, the no-retirement/career bonus system (Alternative #2) is described.

Reserve Career Bonuses

The no-retirement alternative was designed to achieve the same force profile objectives as the one with modified retirement; therefore, an additional element of current compensation had to be structured. The pay tables and selective enlistment and reenlistment incentives recommended for Alternative #1, and discussed earlier in this Chapter, were designed so that they too would be compatible with no-retirement, Alternative #2, and are essential parts of the system.

The principal difference in the two alternatives, under current compensation, is the addition of a Reserve Career Bonus (in Alternative #2) in lieu of any retired pay. This would provide reserve members with an incentive for continued participation and component managers with a tool for retaining personnel selectively. It also would offset the reduction in the attractiveness of reserve compensation when reserve retirement was eliminated.

To qualify for the career bonus a reservist must have between 7 and 30 YOS (PEBD), have executed a Selected Reserve Agreement, and have participated satisfactorily in the Selected Reserve. The Selected Reserve Training Pay Categories should be expanded to include such personnel as mobilization designees who may have a mobilization priority equal to Selected Reserve units. The Selected

Reserve Agreement would be similar to the current Ready Reserve Agreement except that it would be a multiple year agreement for up to five years. Agreements for a period of less than five years would earn smaller annual career bonuses. The purpose of this feature would be to encourage longer commitments. In addition, the Selected Reserve Agreement would specify the terms and conditions of the agreement. The career bonuses shown in Table 6-25 are recommended as the amounts that would be paid each year to the individual who has executed a five year Selected Reserve Agreement.

The career bonus would be earned on a yearly basis with proportional reductions for unsatisfactory participation. Payment of the career bonus could not begin until the satisfactory completion of the seventh year of service (PEBD). Thereafter, the bonus would be paid annually as earned. The final career bonus payment would occur upon completion of the 30th YOS.

There would be no deferred entitlement for survivor benefits beyond a conversion privilege of Servicemen's Group Life Insurance at commercial rates without medical examination. The ancillary benefits (medical, commissary, exchange, etc.) which now automatically accompany receipt of retired pay at age 60 would not be available.

TABLE 6-25

REPRESENTATIVE RESERVE CAREER BONUS
SCHEDULE FOR A FULL-TERM AGREEMENT

YOS	ANNUAL AMOUNT ¹	
	OFFICER \$	ENLISTED \$
1	0	0
2	0	0
3	0	0
4	0	0
5	0	0
6	0	0
7	960	485
8	1050	485
9	1070	495
10	1070	495
11	1105	505
12	1105	540
13	1140	555
14	1140	555
15	1225	565
16	1225	565
17	1260	575
18	1260	575
19	1280	580
20	1280	580
21	1280	635
22	1280	635
23	1280	660
24	1465	660
25	1465	660
26	1465	660
27	1465	710
28	1465	710
29	1465	710
30	1465	710

¹ 1% real wage growth. 2% real interest.
Mortality rates - Commissioner's 1958 Standard
Ordinary Table of Mortality.

The amounts were calculated for representative officer and enlisted members of the Selected Reserve to provide the same present value of a pro rata portion of an annuity at age 60 as the RCSS retirement proposal (Alternative #1) would provide, assuming four years of active duty credit. These amounts are based on the implicit level percentage contribution with respect to Reserve Pay under the RCSS payline (for 7-30 YOS).

The calculated implicit contribution was about 35 percent for officers and about 31 percent for enlisted. Note that these amounts are for a full-term agreement and might be reduced by from 5% to 20% for each year short of a full-term commitment.

Flexibility and Selectivity

The schedule of Reserve Career Bonuses initially established would be subject to uncertainty and would require adjustment with the passage of time. The dramatic differences between the current reserve retirement plan and the no-retirement alternative make it extremely difficult to evaluate the impact of the bonus schedule on continuation behavior. Once behavior is revealed, bonus adjustments could be made to assist in aligning the personnel inventory to objectives. In this process the original linkage to values of reserve retired pay

become less and less appropriate; shortage and surpluses become the proper guides.

A distinguishing characteristic of the no-retirement alternative is that the Reserve Career Bonus would be paid to everyone with seven or more years of completed service, whereas under modified retirement (Alternative #1), annuities would be provided only to those who completed 20 years of service. With year-to-year continuation rates now running between 0.90 and 0.95 from the 10th through the 20th year, only 35 to 60 percent of those who complete 10 years are projected to survive to the 20th year. This implies that 40 to 65 percent of the reservists in that range of longevity would find the Reserve Career Bonus to be an increase in compensation and would therefore be more likely to serve longer. This effect would further increase the necessity of future adjustment.

Management of the Reserve Career Bonus would have two dimensions. Managers could accommodate changes in either supply or demand. That is, the schedule of career bonuses and other compensation elements could be raised or lowered, or the selectivity criteria

could be increased or decreased.¹ For example, if total reserve compensation were sufficient to generate surpluses, the personnel managers of the components would have the opportunity to retain higher quality reservists, or, if the continuation selectivity was already considered sufficiently high, then bonus amounts could be lowered, thereby retaining fewer personnel while maintaining quality. Clearly, there should be a blending of both dimensions: the compensation tools must have flexibility, and personnel managers must be selective.

It is likely that most reservists will continue to face the possibility of extended periods of active duty for mobilization and individual special assignments with no reasonable expectation of becoming vested in the active duty retirement system. Under current procedures the reservist on extended active duty is no longer a part of the Selected Reserve and is therefore not eligible for any element of reserve current compensation. It would be unreasonable to consider active duty less than satisfactory fulfillment of a reserve obligation. In seeking a reserve career commitment, in the absence of

1 When career bonuses are to be changed, the new schedule would apply only to those reservists entering into new Selected Reserve Agreements. Agreements in force would continue at the schedule in effect at the time of signing.

a retirement system (under Alternative #2), it seems appropriate to consider extended active duty as satisfactory service toward qualifying for the Reserve Career Bonuses discussed above, but limited to the remaining term on the current agreement.

E - BENEFITS AND OTHER ALLOWANCES

PRESENT BENEFITS

Medical Benefits

The RCSS recommends that a uniform medical care program be established for reservists of all components. There is no apparent reason for the inconsistencies in the medical benefits available to members of the different Reserve Components.

Military Exchange

The RCSS recommends that exchange regulations be modified to authorize unaccompanied dependents to use the exchange and that a standard means of identification and authorization be developed. Unaccompanied dependents can use the commissary when the reservist is authorized commissary privileges. It would be difficult to show any perceptible effect of the exchange privilege on recruiting or retention, but as long as the privilege is extended to reservists, the restriction is an unnecessary irritant that should be removed. The authority for access could still allow only 24 days use, whether by the reservist or by a dependent, and thereby maintain the intended limitation.

Commissary

The RCSS recommends that no changes be made to existing commissary privileges except that a standard means of identification and authorization be developed and utilized by all components. Available evidence does not indicate that expansion of commissary privileges would have any perceptible effect on recruiting and retention.

DEFERRED BENEFITS

Servicemen's Group Life Insurance (SGLI)

The RCSS recommends no change be made in the SGLI protection afforded members and former members of the Reserve Components, even though we were unable to discern any effect on recruiting and retention. Although there is internal subsidization, the program is basically self-supporting, and participation is voluntary. The inclusion of coverage for retired members of the Reserve Components who are less than age 60 does provide protection for their dependents until they become eligible to participate in the Survivor Benefit Plan.

Survivor Benefit Plan (SBP)

The RCSS recommends that the SBP for reservists be modified to include protection for retirees and those eligible for retirement except for attainment of entitlement age.

Early in the Study, the RCSS was asked to make a recommendation on this equity issue that has persisted for many years. Many bills in the Senate and House of Representatives have attempted to resolve this perceived inequity, but to date none has been enacted.

The RCSS has prepared a draft substitute bill for HR 97¹, and, at the request of the Military Compensation Subcommittee of the House Armed Services Committee (and with the approval of the Department of Defense), provided testimony on the draft substitute bill before that Committee on 21 September 1977.² The RCSS alternative provides vesting of the retirement benefits upon attainment of 20 years of retirement-creditable service. It provides an actuarially sound option to the reservist for payment of the survivor annuity at time of his death or at his age 60, if he had lived. It further provides that the ancillary benefits of medical care, exchange and commissary be available to the dependent survivor at the time the member or former member would have attained age 60. The enactment of the bill would be at no additional cost to the Government because the cost of the

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- 1 See Hearings on Survivor Benefits for Reservists (HR 97, HR 4203, and HR 6797) before the Military Compensation Subcommittee of the Committee on Armed Services, House of Representatives, 15 and 20 September 1977.
 - 2 The views expressed at the Hearing were those of the RCSS, and not an official DoD position.

additional options would be borne by the surviving reservists in the form of an actuarially reduced retired pay.

The RCSS recommended this plan in conjunction with the present reserve retirement system. Our recommendation for the future would depend upon which of the two retirement alternatives presented in this report is adopted. However, if our SBP proposal is enacted in advance of any changes in the retirement system, we recommend that it continue to apply to those who are "grandfathered" under the present reserve retirement system.

Individual Retirement Account (IRA)

The RCSS recommends that no changes be made in a reservist's entitlement to participate in an IRA. This benefit has no known effect on recruiting and retention in the Reserve Components. An otherwise eligible person is not restricted from qualifying for an IRA solely on the basis of his possible entitlement to a retirement through Reserve Component participation.

Dependency and Indemnity Compensation (DIC)

The RCSS recommends that no changes be made in a reservist's entitlement to DIC.

Though some reservists may have adequately provided for their dependent survivors through their estate plans, undoubtedly the vast majority of younger reservists would not have made adequate provision for their survivors if they were killed or died while performing military duties or traveling to or from those duties. DIC provides financial protection for the family of a reservist who was killed or died in government service on the same basis as for active duty personnel.

Death Gratuity

The RCSS recommends that the payment of the death gratuity for a reservist should parallel that of a person on active duty, but suggests that the usefulness of the death gratuity has been overtaken by events and should be considered for elimination for all persons. The death gratuity is paid in addition to SGLI and burial expense. One possibility would be to pay it immediately to preserve the intent to cover immediate expenses and then deduct the amount from the SGLI or the burial expense benefit.

Burial Expense

The RCSS recommends that the payment of burial expenses for reservists be continued as at present.

The payment by the military of burial expenses for a person fulfilling his military duties who died or was killed while on active or inactive duty is an appropriate expenditure. The vast majority of reservists, as their active duty counterparts, are young people who have most likely not planned for an early death. The benefit has no relationship to recruiting and retention in the Reserve Forces, but is merely to provide an adequate burial for a person who died while in service.

Federal Old-Age, Survivor and Disability Insurance (OASDI)

The RCSS recommends that all reserve earnings (active duty, active duty for training, and inactive duty training) be subject to the Federal Insurance Contributions Act (FICA) tax.

The previous chapter established that advantages to a reservist of being covered by OASDI earlier in life in return for being subject to FICA. Also, making IDT earnings subject to FICA would be consistent with the Administration's intentions as set forth in the FY 1979 budget to extend Social Security coverage to sectors not already covered. Table 6-26 displays the present FICA tax for each grade (at the modal years of service) based on active duty for training pay only. It further shows the amount of FICA tax for each grade based on all reserve pay as proposed by the RCSS.

TABLE 6-26

FICA TAXES BY PAY GRADE

(Comparing the FICA tax paid currently on ADT pay with that which would be payable on all Reserve Pay under the Compensation System recommended by RCSS)

<u>Pay Grade/YOS</u>	<u>Present 6.05% FICA Tax/Yr</u>	<u>Proposed 6.05% FICA Tax/Yr</u>	<u>Difference</u>
E-1 2	\$12.02	\$ 73.45	\$ + 61.43
E-2 2	13.40	77.08	+ 63.67
E-3 2	14.68	80.41	+ 65.73
E-4 4	17.44	89.18	+ 71.74
E-5 6	19.10	95.28	+ 76.19
E-6 10	22.63	105.75	+ 83.12
E-7 18	28.87	123.36	+ 94.49
E-8 22	35.08	140.78	+105.70
E-9 26	43.66	164.62	+120.96
W-1 12	29.05	127.66	+ 98.61
W-2 16	33.90	141.75	+107.85
W-3 22	41.69	164.14	+122.45
W-4 26	51.00	190.33	+139.33
O-1 4	27.90	140.84	+112.94
O-2 6	35.36	164.02	+128.66
O-3 10	44.30	189.61	+145.31
O-4 16	53.62	216.23	+162.61
O-5 22	65.90	251.02	+185.11
O-6 26	80.77	292.28	+211.51

ALLOWANCES

Officer Uniform Allowances

The RCSS recommends the continuation of the initial \$200 and the \$100 uniform allowances. The RCSS further recommends that entitlement for the \$50 uniform maintenance allowance be eliminated.

As shown in Chapter V, the two initial uniform allowances fulfill their intent, whereas, the uniform maintenance allowance is insignificant, non-functional, and does not serve its purpose.

Enlisted Uniform Allowance

The RCSS recommends continuance of the present enlisted "initial issue" and "turn-in and replacement" system. It further recommends that the monetary allowance for Naval Reservists in the grades of E-7 and above be continued only if a separate uniform is indicated for those persons. As discussed in Chapter V, this allowance appears to be functional.

F - COST ANALYSIS

This section presents the RCSS estimates of aggregate DoD reserve personnel costs for the major elements of reserve compensation under the present pay practices and the RCSS system with a modified retirement alternative. Further, some discussion of the impact of the RCSS proposal on Selected Reserve manning is provided. Tables 6-27 and 6-28 display the total cost, by major category, for supporting the current manpower strength in the Selected Reserve (DoD only) compared with the desired Reserve Component objective strength. It must be stressed that these estimates, although based on the actual FY 77 end strengths, accessions and losses, are only approximations calculated from constructs¹ and projections.² That the total cost displays do not exactly replicate actual reported expenditures does not disqualify this methodology from providing reasonable approximations of the degree and absolute amounts of change in manpower costs that would result from adoption of the compensation system recommended by RCSS.

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- 1 Actual expenditures by pay grade and entitlement for the fiscal year ending 30 September 1977 were requested from all Reserve Components on 24 August 1977. These data were not made available to RCSS. It was therefore necessary to cost all reserve compensation systems through a series of deductive logical constructs based on the fragmentary data available.
 - 2 Inventory projections were made for a twenty year period and cost data developed for the first year and five years in the future, referred to as FY 1 and FY 5, respectively.

COMPARISON OF COST OF PRESENT RESERVE COMPENSATION
WITH COMPENSATION SYSTEM PROPOSED BY RCSS

TOTAL COST ESTIMATE FY 1

(\$millions)

	Current Inventory (77,000)			Objective Inventory (92,779)		
	Present	Proposed System	Cost Differential	Present	Proposed System	Cost Differential
Annual Reserve Current Compensation						
Officer Enlisted	340	327	-13	291	286	-5
Total	1,166	1,251	85	1,141	1,248	104
Officer Enlisted	1,506	1,578	72	1,435	1,534	99
Saved Pay						
Officer Enlisted	0	20	20	0	19	19
Total	0	15	15	0	14	14
Officer Enlisted	0	35	35	0	33	33
Differential Pay						
Officer Enlisted	0	0	0	0	0	0
Total	0	45	45	0	0	0
Bonuses						
Admin. Duty	2	0	-2	2	0	-2
Officer Unif. Maint.	1	0	-1	1	0	-1
Other	Not avail.	N/A	N/A	N/A	N/A	N/A
Special Incentive and Allowance						
Officer Enlisted	407	407	0	407	407	0
Total	\$ 1,916	\$ 2,065	\$ 149	\$ 1,845	\$ 1,974	\$ 129
Retired Pay						
Reserve Compensation (Average Annual Cost/Reservist)	(\$ 2,401)	(\$ 2,588)	(\$ 187)	(\$ 1,999)	(\$ 2,139)	(\$ 140)

COMPARISON OF COST OF PRESENT RESERVE COMPENSATION
WITH COMPENSATION SYSTEM PROPOSED BY NCSS

TOTAL COST ESTIMATE FY 5
(\$millions)

	Current Inventory (855,878)			Objective Inventory (922,179)		
	Present	Proposed System	Cost Differential	Present	Proposed System	Cost Differential
Annual Reserve Current Compensation						
Officer Enlisted	355	341	-14	303	297	-6
	1,331	1,413	82	1,190	1,298	108
Total	1,686	1,754	68	1,493	1,595	102
Saved Pay						
Officer Enlisted	0	0	0	0	0	0
	0	0	0	0	0	0
Total	0	0	0	0	0	0
Differential Pay						
Officer Enlisted	0	0	0	0	0	0
	0	109	109	0	0	0
Total	0	109	109	0	0	0
Special Incentive and Allowance						
Admin. Duty	2	0	-2	2	0	-2
Officer Unif. Maint.	1	0	-1	1	0	-1
Officer Not Avail.		N/A	N/A	N/A	N/A	N/A
Retired Pay Reserve Compensation (Average Annual Cost/Reservist)						
Total	562	562	0	562	562	0
	\$ 2,251	\$ 2,425	\$ 174	\$ 2,058	\$ 2,157	\$ 99
Total	(\$ 2,630)	(\$ 2,833)	(\$ 203)	(\$ 2,230)	(\$ 2,337)	(\$ 107)

The following major categories of reserve compensation were used to construct the aggregate DoD reserve personnel costs:

- Annual Reserve Current Compensation;
- Saved Pay (transition payments);
- Differential Pay (special, incentive, and allowance pays);
- Reserve Retired Pay.

The cost data developed for each of these elements are based on a series of assumptions, both implicit and explicit. Changes to any set of assumptions, or indeed any individual assumption, will result in cost data that may vary significantly from the data presented here.¹ The assumptions used will be discussed in the following paragraphs for each cost category and, where possible, data discrepancies, omissions, and validation problems will be identified.

ANNUAL RESERVE
CURRENT COMPENSATION

Cost data were based on inventories developed by the RCSS

¹ Sensitivity analyses for all assumption sets have not been completed. Indeed, data to perform several of the analyses are not expected to be available prior to completion of the RCSS efforts. Several of these data gaps are discussed in Chapter VII, Section D.

inventory projection model and the objective inventories provided by the Reserve Components. Current inventory data and continuation rates were provided by DoD (MRA&L) from the RCCPDS Data Base. Accession levels (FY 77 actuals) were assumed to be constant for the twenty-year projection period; Cost data would be understated to the extent that FY 77 accession levels are exceeded. Cost data are understated for the objective inventories since only troop program unit data were available for the USAR officer force and only unit program data were supplied for both officer and enlisted forces by the USAFR. No objective inventory for USMCR officers was provided and the FY 77 current officer inventory was substituted as proxy data. Actual grade by years-of-service distributions for the projected force inventories have not been developed for both officer and enlisted personnel of all Reserve Components. Time constraints prevented the development of these grade/YOS distributions. Therefore, projected inventories were developed by YOS cell and DoD modal grade as a proxy to develop cost estimates. Preliminary calculations of actual grade/YOS for current inventories resulted in less than 1% understatement of

costs when compared to the methodology employed. Actual reservist IDT/ADT participation rates by grade/YOS were requested from Reserve Components but were not provided. Therefore, costs were developed based on constructed participation as follows:

- Present compensation costs based on 48 days of IDT and 15 days of ADT.
- RCSS compensation system costs based on 39 reserve training days plus retainer pay.

The application of these constructed participation factors imply that:

- Costs are overstated since only 90% of the officers and 95% of the enlisted Selected Reserves are assigned to Training Pay Category A;
- Costs are overstated to the extent that Category A reservists do not perform 100% of scheduled drills. Attendance varies by component, YOS, and grade;
- Costs are understated since many reservists participate in additional IDT/ADT.

The RCSS recommendation that FICA be applied to reserve pay will result in costs attributable to such employer contributions. These costs are not considered in the displayed estimates.

A real wage growth rate of 1% per annum was used. Preliminary sensitivity to a probable range of supply elasticities has been completed and continuation rates were adjusted to account for expected changes to continuation behavior resulting from the modification of rates of pay under the RCSS proposed system. These adjusted rates were used to produce the data in the impact analysis paragraphs of this section.

SAVED PAY

This compensation will be used to mitigate the net decrease in annual pay received by some reservists during the transition to the RCSS proposed system from current practices as described in the succeeding section. Based on the March 1977 inventory of DoD personnel distributed by grade and years-of-service, 79% of the officer and 13% of the enlisted reservists would be eligible for some form of saved pay. This represents 21.4% of the aggregate DoD Selected Reserve inventory. For purposes of this calculation it was assumed that transition would be completed within five years, therefore no saved pay costs were included in the FY 5 projected estimates. Saved pay was calculated by aggregating all grade/YOS cells that showed a net decrease in annual reserve compensation under the system of reserve compensation proposed by RCSS.

DIFFERENTIAL PAY

This pay element is composed of special pays, including RCSS proposed bonuses, and incentive and allowance pays as enumerated and described in Chapter VI, Section C. Cost data for actual special and incentive pay expenditures during FY 77 were requested from all Reserve Components, but were not provided and therefore were not used in the displayed cost estimates. Fiscal Year 1977 expenditure estimates for administrative duty pay and officer uniform maintenance allowances were obtained from the 3rd QRMC Background Papers and the Reserve personnel budgets for FY 1978 respectively.

Calculation of total bonus costs for the RCSS recommended differential system are based on the assumptions that:

- RCSS proposed screens will be used properly to ensure cost-effective disbursement of incentive dollars, i.e., marginal cost per additional accession will be as low as possible;
- Reserve Components will meet their accession objectives;

- Selection of the optional enlistment bonus or the educational assistance bonus, by eligible reservists in those components passing the screens, will result in
 - o an 88% election of the enlistment bonus;
 - o a 12% election of the educational assistance bonus.

Costs were based on the annual accession level to support the objective requirements provided by the Reserve Components. This accession level is approximately 17,000 higher than the actual FY 77 accession level (used in the RCSS projection model). Bonus payments would be disbursed as described in Section C of this Chapter.

RESERVE RETIRED PAY

Aggregate reserve retired pay costs will be relatively unaffected in the near term (20 years) by the RCSS proposed compensation system. Costs savings from the proposed changes to the retired annuities have not been calculated or displayed. Examples of expected payments

to constructed cases under the present and recommended Reserve Retirement Programs are contained in Section D of this Chapter. The proxy cost data used were developed through use of an RCSS retired inventory projection model based on the FY 76 retired data supplied from the DoD retired data base.¹ These costs do not reflect any increases to retired pay as a result of CPI adjustments since June 1976.

AGGREGATE COST IMPLICATIONS

The aggregate DoD objective force (922,779)² could be maintained at a decrease in annual cost of \$94 million over the force likely to result (855,878) if the RCSS system were not implemented. Further, the average cost per reservist could be \$2,337 vice \$2,630, an expected savings of 11% in spite of the assumed 1% real wage growth. The estimated decrease in annual cost is primarily attributable to the reduction in reserve current compensation; \$58 million for officers and

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- 1 This data base is maintained by the DoD actuary in accordance with DODI 7700.01. No attempt was made to validate these data.
 - 2 If the objective force of 922,779 could be attained by projected year five, by definition, it would be optimally distributed by age, grade, and specialties.

\$33 million for enlisted (\$3 million decrease results from elimination of certain special allowance pays).

This phenomenon results from the combination of two factors:

- Decreasing pay for more senior officer/enlisted personnel;
- Reducing the number of senior officer/enlisted personnel as a percentage of the total objective force.

This more than offsets the increased costs of larger numbers of personnel in the first six YOS and the increases in current compensation for these personnel as illustrated in Figures 6-6 and 6-7.

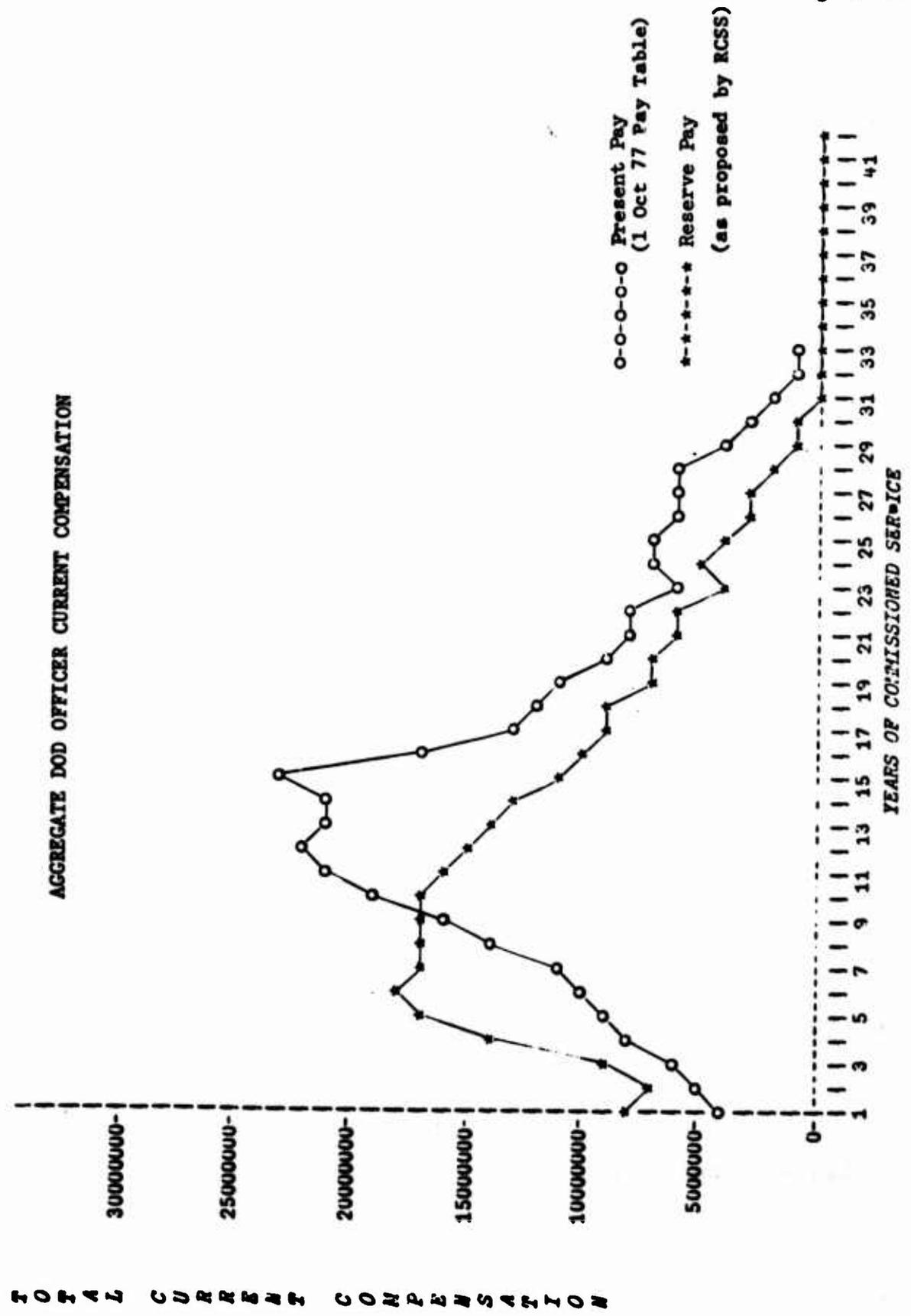
The impact is obvious. Without implementation of the RCSS proposed system, the resulting force will be older, will have significant specialty shortages, and therefore will not be cost-effective.

IMPACT OF RCSS PROPOSAL

There are limited empirical data that express changes in future Selected Reserve personnel supplies and the existing inventories with respect to compensation increases or decreases. Because of this, the RCSS has developed two methodologies to examine the probable impact of the RCSS proposal on manning.

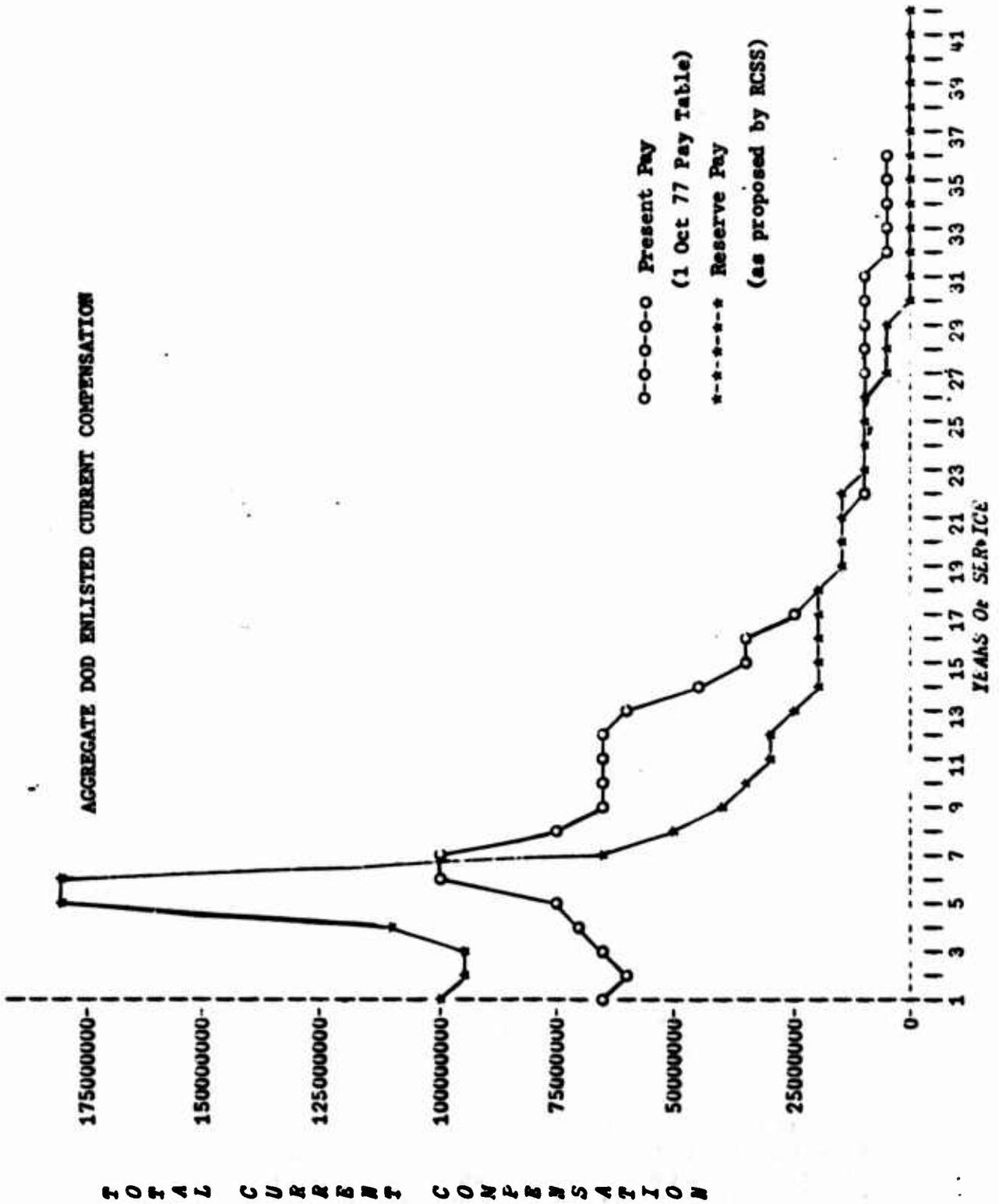
Figure 6-6

AGGREGATE DOD OFFICER CURRENT COMPENSATION



T O T A L C U R R E N T C O M P E N S A T I O N

Figure 6-7



- One method was to determine a supply response co-efficient needed to satisfy the DoD aggregated years-of-service objective in the steady state;
- The second method calculated the impact on the Reserve Components assuming a supply elasticity¹ of 1.0, where the percent change in supply behavior would be equal to the percent change in compensation.

After employing both methodologies the results were cross-analyzed to ensure compatibility. The analyses provided consistent results.

Methodology #1

Within the RCSS proposal costs for the aggregate DoD objective inventory (exhibited in Tables 6-27 and 6-28), the RCSS has calculated the change that must occur in the supply to achieve the aggregate DoD years-of-service objective relative to the change in pay proposed (less differential pay).² Specifically the steady state

¹ Elasticity is defined as the percent of change in the reserve personnel supply divided by the percent change in compensation.

² Differential pays were excluded since their selectivity makes it difficult, at best, to develop a years-of-service value. Further and more importantly, is the fact that their role is envisioned as a manning adjustment mechanism and some separate measure of their utility is appropriate.

supply elasticity coefficients necessary to acquire the objective force were calculated without regard to differential pays. The change in pay calculations did include the value of nominal retirement annuities.

Separate elasticity coefficients were developed for both the required changes in accessions and continuation. Further, elasticity coefficients that describe non-prior service and prior service supply responses were developed. This was necessary since the changes in pay under the RCSS proposal are different for each when deferred compensation by years-of-service is added to the reserve pay stream presented in Section B of this Chapter. These analyses were conducted for both officer and enlisted forces.

If, at some future date, an empirical supply response to compensation can be obtained for reserve personnel, this analytical technique would provide a more definitive indication of how differential pays and/or manning policy actions could be employed.

If required changes in compensation are prohibitively high or low and/or manning policy action is considered inappropriate or not practical, this technique would dictate areas where adjustments to objectives must be made.

A quantitative display of the application of this methodology is provided in Tables 6-29 and 6-30. The column headed "E=1 Bonus" assumes a supply elasticity of 1.0 and depicts the dollar value of changes (in either compensation or management) to the RCSS proposal that should be made to satisfy more precisely the aggregate DoD years-of-service objective, if, and only if, the elasticity of reserve personnel supply is 1.0 and the FY 77 experience with respect to accessions and continuation dates are accurate predictors of the future.

Methodology #2

The second approach to analyzing the probable impact of the RCSS proposal required that some assumption be made regarding the expected supply response to the proposed compensation system. Specifically, the expected personnel changes were calculated and compared to the individual component objectives for the first six years of enlisted service under the assumption that a percent change in compensation resulted in an equal percent change in accessions and continuation of personnel (elasticity of supply = 1.0). This methodology was employed as a verification of the previously discussed approach for the most critical portion of the Selected Reserve force for

RCSS IMPACT ANALYSIS - ALL DOD COMPOSITE
OFFICERS

Table 6-29

YOS	Δ PAY		Δ CONTINUATION		REQUIRED ELASTICITY FOR CONTINUATION		E-1 BONUS		Δ ACC		REQUIRED ELASTICITY FOR ACCESSIONS	
	NPS	PS	NPS	PS	NPS	PS	NPS	PS	Δ	PS	NPS	YOS
1	1.2497	1.2497	1.1001	1.0707	0.8803	0.8568	243	298	1.7721	298	1.4180	1
2	1.2497	1.2497	1.0086	0.9579	0.8070	0.7665	402	486	0.1782	486	0.1426	2
3	1.2267	1.2267	1.0256	0.9347	0.8361	0.7620	348	505	2.2865	505	1.8639	3
4	1.0626	1.0626	1.1367	1.0632	1.0697	1.0006	184	2	2.6624	2	2.5056	4
5	1.0489	1.0489	1.0419	1.0323	0.9333	0.9441	18	43	2.4631	43	2.3483	5
6	1.0469	1.0469	1.1195	1.0517	1.0673	1.0026	180	7	1.5159	7	1.4452	6
7	0.9924	0.9957	1.0202	0.9372	1.0280	0.9413	41	215	1.0000	215	1.0044	7
8	0.9507	0.9540	0.9785	0.9509	1.0292	0.9968	104	13	0.5800	13	0.6080	8
9	0.9389	0.9422	1.0245	1.0097	1.0911	1.0716	332	294	0.6355	294	0.6723	9
10	0.9389	0.9422	1.0522	1.0410	1.1206	1.1049	440	431	0.8837	431	0.9379	10
11	0.9218	0.9252	1.1723	1.0283	1.2724	1.1115	1025	473	0.2364	473	0.2556	11
12	0.9218	0.9252	1.1127	1.0145	1.2070	1.0965	779	409	0.2520	409	0.2724	12
13	0.9071	0.9102	0.9903	0.9750	1.0517	1.0712	355	311	0.1706	311	0.1874	13
14	0.9071	0.9102	1.0102	1.0102	1.1136	1.1098	440	480	0.1483	480	0.1629	14
15	0.8849	0.8881	0.8453	0.8453	0.9552	0.9518	197	227	0.3506	227	0.3948	15
16	0.8849	0.8881	1.0338	1.0338	1.1682	1.1640	702	772	0.0000	772	0.0000	16
17	0.8735	0.8765	1.0805	1.0805	1.2369	1.2326	1016	1125	0.0000	1125	0.0000	17
18	0.8735	0.8765	1.0692	1.0692	1.2240	1.2198	961	1063	0.0000	1063	0.0000	18
19	0.8658	0.8687	0.9690	0.9690	1.1192	1.1155	520	568	0.0000	568	0.0000	19
20	0.8658	0.8687	1.0789	1.0769	1.2462	1.2420	1075	1191	0.0009	1191	0.0000	20
21	0.8658	0.8687	1.0308	1.0408	1.2549	1.2557	1135	1258	0.0000	1258	0.0000	21
22	0.8658	0.8687	1.0619	1.0619	1.2265	1.2224	989	1095	0.0000	1095	0.0000	22
23	0.8658	0.8687	0.9394	0.9394	1.0850	1.0814	371	401	0.0000	401	0.0000	23
24	0.8288	0.8317	1.0507	1.0507	1.2678	1.2633	1333	1476	0.0000	1476	0.0000	24
25	0.8288	0.8317	0.8859	0.8859	1.0669	1.0652	343	366	0.0000	366	0.0000	25
26	0.8288	0.8317	1.0585	1.0585	1.2772	1.2727	1380	1531	0.0000	1531	0.0000	26
27	0.8288	0.8317	1.0660	1.0660	1.2863	1.2818	1426	1542	0.0000	1542	0.0000	27
28	0.8288	0.8317	1.2869	1.2869	1.5528	1.5474	2753	3072	0.0000	3072	0.0000	28
29	0.8286	0.8317	0.7918	0.7918	0.9553	0.9520	222	269	0.0000	269	0.0000	29
30	0.8288	0.8317	1.1096	1.1098	1.3391	1.3344	1683	1877	0.0000	1877	0.0000	30

RCSS IMPACT ANALYSIS - ALL DOD COMPOSITE

ENLISTED

YOS	Δ PAY		Δ CONTINUATION		REQUIRED ELASTICITY FOR CONTINUATION		E=1 BONUS		Δ ACC	REQUIRED ELASTICITY FOR ACCESSIONS	
	NPS	PS	NPS	PS	NPS	PS	NPS	PS		YOS	
1	1.2178	1.2178	1.2157	1.0939	0.9983	0.8983	4	212	1.0588	0.8694	1
2	1.2184	1.2184	1.1104	1.1549	0.9113	0.9479	113	66	0.7769	0.6376	2
3	1.1712	1.1712	1.1848	1.1701	1.0116	0.9990	15	1	0.7164	0.6117	3
4	1.1516	1.1516	0.9562	1.1989	0.8303	1.0410	229	55	1.0733	0.9320	4
5	1.1025	1.1025	1.1119	1.4973	1.0085	1.3580	13	527	4.4019	3.9925	5
6	1.1025	1.1025	0.6599	0.7758	0.5804	0.7037	618	436	1.8172	1.6482	6
7	1.0150	1.0119	1.0494	1.0475	1.0338	1.0352	64	76	0.0059	0.0058	7
8	1.0150	1.0119	1.0990	1.1214	1.0827	1.1082	156	234	0.2879	0.2845	8
9	1.0007	0.9976	1.0363	1.0737	1.0356	1.0764	69	169	0.0668	0.0669	9
10	1.0007	0.9976	1.0350	1.0800	1.0343	1.0827	66	183	0.1152	0.1155	10
11	0.9854	0.9824	0.5872	1.0413	1.0018	1.0600	4	135	0.1334	0.1358	11
12	0.9604	0.9575	0.8313	0.8986	0.8655	0.9385	282	148	0.1888	0.1972	12
13	0.9439	0.9410	1.0167	1.0858	1.0771	1.1539	166	380	0.0000	0.0000	13
14	0.9439	0.9410	1.0664	1.0664	1.1297	1.1333	280	329	0.0000	0.0000	14
15	0.9337	0.9308	1.0498	1.0498	1.1243	1.1278	273	321	0.0000	0.0000	15
16	0.9337	0.9308	1.0507	1.0507	1.1253	1.1288	275	324	0.0000	0.0000	16
17	0.9240	0.9212	1.0383	1.0383	1.1236	1.1271	276	325	0.0000	0.0000	17
18	0.9240	0.9212	1.0374	1.0374	1.1227	1.1262	274	323	0.0000	0.0000	18
19	0.9189	0.9161	1.0551	1.0351	1.1264	1.1299	285	335	0.0000	0.0000	19
20	0.9189	0.9161	0.9573	0.9573	1.0418	1.0450	94	116	0.0000	0.0000	20
21	0.8872	0.8844	1.0534	1.0534	1.1873	1.1910	461	539	0.0000	0.0000	21
22	0.8872	0.8844	0.7899	0.7899	0.6903	0.8431	270	301	0.0000	0.0000	22
23	0.8698	0.8670	1.0072	1.0072	1.1580	1.1616	405	475	0.0000	0.0000	23
24	0.8698	0.8670	0.9669	0.9669	1.1117	1.1152	287	338	0.0000	0.0000	24
25	0.8698	0.8670	0.9910	0.9910	1.1394	1.1430	358	420	0.0000	0.0000	25
26	0.8698	0.8670	0.4415	0.4415	0.5076	0.5072	1263	1442	0.0000	0.0000	26
27	0.8903	0.8903	0.9648	0.9648	1.0637	1.0837	193	193	0.0000	0.0000	27
28	0.8903	0.8903	0.8451	0.8451	0.9492	0.9492	117	117	0.0000	0.0000	28
29	0.8903	0.8903	0.6235	0.6235	0.7003	0.7003	690	690	0.0000	0.0000	29
30	0.8903	0.8903	0.8940	0.8940	1.0042	1.0042	10	10	0.0000	0.0000	30

Table 6-30

the reasons discussed earlier in this Chapter. A summary of expected inventories and their relationship to the objective by component is provided in Table 6-31. Percent changes in pay used for the inventory calculations for the first six years of service are presented on page VI-19 and do not include a value for differential and deferred compensation. These percentages were applied to the FY 77 experience. Where the percent change in RCSS proposed compensation caused the continuation rate for any year group to exceed .95, the expected continuation rate was limited to .95. This limitation presupposes that in reality continuation cannot be 1.0 because of mortality and other uncontrollable personnel actions.

RCSS Impact Analysis

Review of the accession elasticities (Tables 6-29 and 6-30) reveals that reasonable supply responses to the RCSS proposal would satisfy the aggregate accession objectives in all but a few year groups. Specifically, the group with more than three YOS but less than six would require application of either differential pays, manning policy action, or objective adjustment. This is a result of the significant difference between the YOS of desired prior service personnel acquisitions and actual

Table 6-31

EXPECTED STEADY STATE ENLISTED INVENTORIES¹ VS COMPONENT OBJECTIVES
FOR FIRST SIX YEARS OF SERVICE

	0+ < 1	1+ < 2	2+ < 3	3+ < 4	4+ < 5	5+ < 6	TOTAL
ARMY							
Expected Inventory	43,579	44,085	46,172	47,139	45,809	44,056	270,840
Objective	40,155	37,630	37,624	41,540	56,616	60,668	274,233
Variance	+ 3,424	+ 6,455	+ 8,548	+ 5,599	- 10,807	- 16,612	- 3,393
% Variance	9	17	23	13	19	27	1
USAR							
Expected Inventory	12,056	15,620	18,476	19,421	19,946	20,899	106,418
Objective	21,421	20,159	19,746	20,841	27,702	29,522	139,391
Variance	- 9,365	- 4,539	- 1,270	- 1,420	- 7,756	- 8,623	- 32,973
% Variance	44	23	6	7	28	29	24
USNR							
Expected Inventory	2,934	3,598	7,798	9,988	12,717	6,988	44,023
Objective	3,366	3,029	3,383	7,014	9,210	12,259	38,261
Variance	- 432	+ 569	+ 4,415	+ 2,974	+ 3,507	- 5,271	+ 5,762
% Variance	13	19	131	42	38	43	15
USMCR							
Expected Inventory	9,733	9,579	9,724	9,238	8,940	8,386	55,600
Objective	17,239	6,443	4,738	3,494	3,351	3,065	28,330
Variance	+ 2,494	+ 3,136	+ 4,986	+ 5,744	+ 5,589	+ 5,321	+ 27,270
% Variance	34	49	105	164	167	174	96
AMC							
Expected Inventory	4,745	6,974	7,330	7,365	8,138	7,914	42,466
Objective	5,181	4,559	4,011	3,690	15,359	11,723	44,723
Variance	- 436	+ 2,415	+ 3,319	+ 3,675	- 7,221	- 3,809	- 2,257
% Variance	8	53	83	100	48	32	5
USARR							
Expected Inventory	1,960	2,288	2,592	3,071	3,857	3,558	17,326
Objective	3,089	2,470	1,976	1,778	8,809	5,765	23,887
Variance	- 1,129	- 182	+ 616	+ 1,293	- 4,952	- 2,207	- 6,561
% Variance	77	7	31	75	56	56	27

1 Assumed supply elasticity of 1.0 for accessions and continuation

experience. The marginal expenditures required to effect earlier accession of PS personnel in the three plus but less than six YOS would appear to be excessive when compared to other differential pays. This suggests that the Reserve Forces may desire to adjust the objectives slightly to be more accommodating to the prior service candidate while he is transitioning from active military service to a new civilian occupation. By requiring the service of PS candidates, later in the life cycle, say in the year group with at least seven but less than 10 YOS, it could prove to be less costly provided there has been no major skill deterioration since active duty. With the supply response currently required in this seven plus, but less than 10 YOS group, the components could be more selective in their PS accession policy while at the same time they experience improved continuation both of the NPS and PS personnel.

Review of the continuation elasticities required for NPS and PS personnel also appear reasonable when considering the RCSS differential pay schemes. These required elasticities indicate that the RCSS pay proposal, with judicious use of differential pays, can provide the continuation rates necessary to acquire the DoD aggregate years-of-service objective if the actual supply response coefficient is between .80 and 1.2.

If the actual coefficient is 1.0, as some early research suggests,¹ this analysis indicates that the Reserve Components could begin to be selective in the early critical years of service upon implementation of the RCSS proposal.

This aggregate analysis does not suggest that exact or even similar conditions can be expected in all components. Methodology #2 does indicate that the aggregate analysis is logical but that individual component impacts will vary and require separate approaches to the employment of differential pays and manning policy actions.

In general, objective manning levels would improve for all Reserve Components both in the aggregate and in the distribution of the first six years-of-service. However, in the first six years-of-service the USAR and the USAFR would require extensive use of bonus authority for both NPS and PS personnel. Even with extensive bonus authority it appears that the USAR would not be able, in the steady state, to achieve fully either their aggregate requirement or their desired years-of-service

1 "The Economics of Multiple Job Holding," Robert Shisko and Bernard Rostker, p 298-308, American Economic Review, June 1976.

distribution for this critical area of the enlisted force, assuming that the supply elasticity is 1.00. Different actual supply elasticities would change the resulting inventory significantly. A similar condition would exist in the USAFR in this critical year group ($0+ < 6$). The USAFR, unlike the USAR, would be able to satisfy the aggregate objective by using personnel with significantly more years-of-service than desired. The cost of achieving this objective may be exceedingly high, requiring cost/benefit trade-off decisions on behalf of management. The ARNG and ANG could be expected to have very nearly their desired objective force for this critical period of the life cycle. Slight shortfalls may be experienced in the four plus, but less than six years-of-service group but could in all probability, be accommodated by appropriate use of the PS selective affiliation bonus authority.

The ANG would require some use of the NPS enlistment bonus if the elasticity of supply was 1.0 for accessions.

The USNR and USMCR can be expected to be in the best condition of all components in this critical area of the objective force. The USNR would, however, need some differential bonus authority to ensure an adequate number of NPS accessions. They would also require some adjustment in the five plus but less than six YOS group to meet the objective. This adjustment could be to

increase the PS accessions by the use of the PS affiliation bonus, if considered economically feasible. If not feasible, management must accept the PS accessions in later years-of-service and modify the objective. The USMCR can continue to be selective in both their accessions and reenlistments. This would not preclude the use of selective specialty bonuses for "hard to acquire" specialties.

Impact Summary

Within the limited and preliminary theoretical analysis performed, the impact of the RCSS proposal appears to provide a reasonable and flexible compensation system for improving the total DoD Selected Reserve Forces manning. Although not fully capable of solving all component manning problems the proposal allows for maximum management discretion within the components while properly addressing the aggregate problems.

If current compensation conditions are allowed to prevail, it is evident from inventory projections discussed in Chapter IV that, the Selected Reserve Force manning cannot materially improve, but would continue to deteriorate relative to their desired aggregate years-of-service objectives for the foreseeable future. The impact analysis performed more than substantiates that the RCSS

proposal can appreciably improve manning with respect to objectives and will do so for a smaller cost per reservist than at present.

G - THE TRANSITION TO A NEW
COMPENSATION SYSTEM

In this Report, the RCSS has recommended two alternative compensation systems. Either one is more cost-effective than the current system and would help achieve the objective force profiles the Reserve Components need to perform their missions.

The appropriate steps for implementation depend, in large part, on which alternative is selected. For example, "save pay" pertaining to current compensation and "grandfathering" for retirement purposes may be required.

Because there was no way of determining which alternative will be adopted, or whether either would be implemented precisely in the form presented in this Report, we decided the provisions for transition could more appropriately be developed after the system had been chosen.

H - COMPENSATION FOR THE INDIVIDUAL
READY RESERVE (IRR)

THE SHORTAGE OF TRAINED
MANPOWER FOR MOBILIZATION

The inability of the Reserve Components to meet the manning objectives prescribed by the services in either the gross numbers or specific types of personnel desired is not limited to the Selected Reserve. There is a significant problem associated with the strength levels of the Individual Ready Reserve (IRR).¹

Of the four million individuals needed in the early stages of full mobilization (See Chapter III, Section C), approximately one million trained personnel must be available to bring the active and reserve units of each service from peacetime to wartime strength and sustain these units in combat.²

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- 1 The Individual Ready Reserve (IRR) is composed of members of the Ready Reserve (those under contractual obligation) who are neither on active duty nor in a paid IDT status in the Selected Reserve. IRR personnel are all subject to involuntary recall to active duty upon declaration of a National Emergency by the President or Congress, but are not normally required to participate in periodic training.
 - 2 "800,000 additional pretrained individuals" are required to be available from M Day to M+120 days. Statement of the Principal Deputy Assistant Secretary of Defense (Manpower & Reserve Affairs) before the House Armed Services Committee, February 7, 1977. Also, over 225,000 personnel vacancies existed in the Active and Reserve Force structure as of 30 September 1977. (800,000 + 225,000 = 1,025,000).

The approximately 650,000 new accessions needed during the first six months of mobilization and the ability of the Selective Service System to provide the necessary number of conscripts and/or induce increased numbers of volunteers in a timely manner is considered a separate issue and is not addressed in this Report.

There are only four possible sources of personnel to meet the demand for the required one million trained personnel. They are: the Individual Ready Reserve (IRR), the Standby Reserve, personnel on the retired rolls, and certain active duty personnel reassigned from less critical pre-mobilization duties. The last three of these sources represent either relatively small numbers or have very limited utility since the individuals are either more difficult to recall involuntarily because of their status, too old to perform the required duties adequately, or no longer proficient in their skills.¹

1 Department of Defense planning guidance uses yield rates of 95% for the Selected Reserve, 70% for the IRR, 50% for Standby Reserve and 10% for the Retired pools. The September 1977 inventories were: IRR 350,000 x .7 = 245,000; Standby Reserve 85,000 x .5 = 42,500 and although the retired rolls had grown to over one million, this pool is expected to yield only 100,000 personnel for a grand total of 387,500.

Clearly, the major portion of this requirement for trained military manpower is dependent upon the IRR pool. The strength of the IRR has declined sharply since 1973, when over 1,200,000 individuals were in this status, to slightly over 350,000 as of 31 December 1977, a 71% decrease in only 3½ years. This trend is expected to continue, although at not such a dramatic rate, to less than 300,000 by 1982.¹

Although several separate actions are being implemented, or are planned, to reexamine the requirements for trained individuals and increase both the total number of personnel and the proportion that can be expected to be available if mobilization occurs (the yield rate), it is apparent that there is a significant shortfall in trained personnel. This shortfall is primarily in the Army's combat arms, however, it is not limited either to one service or to a single career field. The increasing concern over this shortage on the part of Congress and the Department of Defense led to the initiation of the Minuteman Training Study (MTS). Phase I of this study, which focuses

1 Statement of the Deputy Assistant Secretary of Defense (Reserve Affairs), The Honorable Harold W. Chase, before the House Armed Services Subcommittee on Military Personnel, March 2, 1978.

on the Department of the Army combat arms portion of the problem, has been completed. Subsequent phases are planned that "will focus on programs to increase IRR assets in skills other than the combat arms and on programs to increase and improve the assets of the IRR of the other services."¹ The RCSS has limited the scope of its analysis to two areas. First, the impact on Selected Reserve accessions of the MTS recommended programs to attract NPS accessions directly into the IRR, and second, the development of a compensation alternative to attract into the IRR PS personnel who no longer have a military obligation.

MINUTEMAN TRAINING STUDY PROPOSALS

The MTS Phase 1 report recommended numerous actions to improve manning of the Army IRR. Among them is the test of a program to attract NPS personnel directly into the Army IRR (combat arms MOS) during 1978. It further recommended that, assuming the 1978 test is successful, a follow on program (1979-83) be implemented for a "full

1 Minuteman Training Study (Individual Ready Reserve (IRR) Issue) (Phase I), Office of the Deputy Assistant Secretary of Defense (Reserve Affairs), 5 November 1977 (Revised 6 January 1978) p 2.

scale... recruiting and training program for direct accessions into the Army IRR."¹ The general structure of the recommended programs provided incentives for NPS enlistees of \$800 over a six year period; \$300 upon completion of IADT and \$100 upon completion of each subsequent year of the six-year obligation; and a PS incentive of \$400 (or \$200 for other than combat arms MOS) for a four-year obligation in the IRR (\$200 when the contract is signed and \$200 upon completion of refresher training). The MTS further recommended that the FY 78 test program be performed without monetary incentives. The MTS cautioned that the recommended incentive packages "be contingent upon the provision of equal or greater benefits to members of the Selected Reserve."²

The RCSS concurs in the philosophy that any compensation elements designed for the IRR must consider Selected Reserve compensation, and vice versa, since these two components of the Ready Reserve would either be competing

1 Minuteman Training Study (Individual Ready Reserve (IRR) Issue) (Phase I), Office of the Deputy Assistant Secretary of Defense (Reserve Affairs), 5 November 1977 (Revised 6 January 1978) p V-1.

2 Ibid. p V-20.

for the same specific individual or for personnel from the same general labor market.

RCSS analysis indicated that, under the Minuteman Training Study proposal, the NPS enlistee (who has no additional training requirement upon completion of IADT) would receive 27% to 39% of the amount earned by his counterpart in the Selected Reserve.¹ Therefore, the payments recommended by the MTS for NPS accessions into the Army IRR would most likely be differentially more attractive than the RCSS Reserve Pay proposal (even with a \$1,200 enlistment bonus) to a substantial number of potential combat arms recruits. This characteristic could aggravate rather than help resolve the shortage of combat arms personnel in the Selected Reserve.

The PS "reenlistment bonus" amounts recommended by the MTS, however, would not be expected to have as significant an impact on Selected Reserve recruiting in the combat arms

1 Calculations based on the present value of total current compensation for the first six years, discounted at 10% to the beginning of the period for Training Category A enlisted personnel under; present compensation (39%), the RCSS recommended compensation without a differential pay (31%), and with a Selective Enlistment Bonus of \$1,200 (27%).

since they represent only 12% to 15%¹ of the amount earned by a Category A member of the Selected Reserve.

RCSS Proposals

The shortage of trained manpower is appropriately classified as a major issue. Normally it would be expected that all possible management actions be taken before compensation alternatives are employed. However, it is apparent that the magnitude of the shortage is such that management action alone cannot resolve the issue. Therefore, the RCSS recommends concurrent implementation of management and compensation tools.

The program recommended by the MTS appears to be appropriate in bonus amount and structure to attract NPS accessions

1 Calculation based on the present value of total current compensation for the four year period, discounted at 10% to the beginning of the period, for the compensation of fully participating Training Category A personnel under the present method (15%), the RCSS recommended compensation without a differential pay (14%) and with (12%) if the IRR member were paid for two weeks ACUDTRA in the third year. If the refresher training in the third year were not included the percentage of the present value of the IRR alternative to Selected Reserve status would be reduced to 7%, 1% and 6% respectively.

into the IRR. The impact of such an IRR NPS direct accession program on Selected Reserve accessions is expected to be significant but is unknown. Additionally, it seems unreasonable to perform the proposed test of the accession plan without monetary incentives while at the same time acknowledging that empirical data are not currently available regarding individual propensities to affiliate voluntarily with the reserves in an IRR status.¹ Conversely, the RCSS does not endorse the amount or the structure of the bonus plan recommended by the MTS for PS accessions. The RCSS was also limited by the same lack of empirical data, therefore, the amount and structure of the PS bonus recommended for testing (outlined below), are based on judgments resulting from the many analyses performed in developing the recommended compensation system for the Selected Reserve.

The test of IRR PS accession bonuses should be limited to the service with the largest quantitative shortage (Army combat arms as in the MTS proposal) and to one service with a significant shortage in a technical area. The program should be limited to personnel who have

1 Minuteman Training Study (Individual Ready Reserve (IRR) Issue) (Phase I), Office of the Deputy Assistant Secretary of Defense, (Reserve Affairs), 5 November 1977 (Revised 6 January 1978), p VII-2.

completed their Military Service Obligation (MSO) (over six YOS), but who do not have 10 YOS since the goal is to attract relatively junior trained personnel. The individuals should not have been off active duty or discharged from the Selected Reserve for longer than one year (thereby minimizing the elapsed time factor in skill decay). Personnel who have been in the IRR, Standby, or discharged status for more than one year would not be eligible.

The term of the IRR contract should not exceed four years. This limitation is also designed to place an outer limit on skill decay. The four year limit was selected since it generally represents the maximum length of time the active services will permit assignment outside of an individual's career field without requiring extensive MOS retraining. A four year maximum is also consistent with the recommendation that the PS program not require refresher training during the period of service in the IRR since such a requirement is considered to be a significant disincentive to the individual.¹

1 The MTS recommended refresher training at the mid-point of the contract.

The bonus recommended for testing is \$1,000 for an enlistment/reenlistment in the Ready Reserve for a period of four years. The payment structure should be front loaded to ensure sufficient appeal and have periodic payments to provide a method of reaffirming the obligation and verifying the location and general physical condition of the individual. A payment of \$700 upon execution of the contract and payments of \$100 at the beginning of years two, three, and four is recommended as the one which best meets the dual goals of the structure.

Although the \$1,000 amount recommended is considerably higher than the \$400 (or \$200) in the MTS report, this level can be justified on the basis of either cost avoidance or reasonableness. It costs over \$4,000¹ to recruit and provide non-technical training for a new accession. In addition, this bonus attempts to attract older individuals, ages 23-27, who have much higher financial expectations and alternative earnings potential than younger NPS personnel. The MTS levels are not regarded by RCSS as high enough to attract the desired personnel. The impact on Selected Reserve manning was also considered

1 Based on average NPS accession training costs (Pay and Allowances and Training Costs) for ANG, FY77.

in selecting this amount. The present value of earnings under the RCSS Selected Reserve compensation proposal would be five to six times the present value of the PS IRR bonus recommended depending upon whether or not the Selected Reserve compensation included a \$1,200 reenlistment bonus.¹

RCSS RECOMMENDATIONS

It is recommended that:

- the review and validation of the services' requirements for pretrained manpower include projections and identification by specialties and grade to ensure accurate problem definition;
- the provision of law which enables an obligor to serve the sixth year of his military service obligation in the Standby Reserve be eliminated, thereby increasing the size of the IRR pool;
- the management of the IRR be improved, to include expanded pre-assignment of personnel to specific mobilization requests, thereby increasing the yield of the IRR pool;

¹ PV of Reserve Pay with Reenlistment Bonus \$5,988; PV of recommended IRR Bonus \$949. Assume a personal discount rate of 10%.

- the commencement of the military service obligation period be delayed until the individual completes initial training, thereby increasing the size and the yield of the IRR. (The PEBD would remain at the time of affiliation, therefore, the significant incentive for delayed entry -- the ability of the new member to pre-plan and the promise of more rapid pay increases -- would not be affected adversely);
- specific peacetime-only (active/reserve) manpower requirements be identified which could be matched with otherwise unfilled mobilization manpower requirements, thereby reducing the IRR requirement;
- legislation be enacted to place all non-disability retirees in a "retainer" status similar to the enlisted members of the Navy and Marine Corps who are in the Fleet Reserve, thereby increasing the number of trained personnel who would be more readily available for mobilization and concurrently reducing the IRR requirement;
- compensation incentives to provide NPS and PS accessions directly into the IRR, detailed above, be tested for cost effectiveness;

- standby legislation be submitted to Congress which would permit recall of non-obligated veterans until such time as the previous recommendations have eliminated the shortfall between requirements and available inventories.

CHAPTER VII
ADMINISTRATION OF THE
RECOMMENDED COMPENSATION SYSTEM

A - INTRODUCTION

This study has identified many management tools and procedures which need to be improved in Reserve Component management. The study has also highlighted subject areas which deserve more intensive analysis. The adoption of the RCSS compensation system or any similar alternative warrants an examination of three questions:

- Is the current management structure the most appropriate for the revised compensation system?
- How can the transition from the current to the revised system best be handled?
- Is the current set of decision-assisting tools the most appropriate for the revised system?

B - EXECUTIVE ORGANIZATION

The paucity of management information (in spite of the enormous cost of ongoing automated data systems) resulting in the inability of the manager to make simple

comparisons between desired and actual personnel strengths in terms of attributes such as age, grade, years-of-service, or the impact of changing force structures implies that:

- The function of Reserve Component personnel management is currently too fragmented.
- The adoption of a new compensation system without a concurrent management structure change would apply a one-time fix to the problem which could easily drift back to the present management system morass.

A DOD reserve management organization should encompass the DOD subfunctions of:

- Monitoring the Reserve Compensation System.
- Monitoring the wartime/peacetime personnel requirements.
- Monitoring the current reserve personnel inventory.
- Coordinating promotion, accession, retention and incentive reserve personnel policies.

- Coordinating the requirement/actual reserve personnel attribute policies such as age and skill.

The size of a DOD reserve compensation management organization should be small. The reserve compensation manager should have sufficient seniority to deal on a familiar basis with the senior leadership of the Reserve Components.

C - IMPLEMENTATION

The transition from current practices to the implementation of a recommended system (or a similar alternative) and subsequent monitoring will require both short and long-range planning coordination because:

- Some recommendations require legislation.
- Some recommendations require component level coordination and reaction time.
- Some recommendations are too costly to be implemented on a crash basis.
- Some recommendations are of the nature to require more evidence and data monitoring.

- The recommendations will affect the personnel continuation rates, perhaps dramatically, and there is insufficient objective evidence available to predict the degree of change that will occur.

Implementation planning, legislative development and coordination should occur in a management structure responsible for carrying out the above requirements as a separate advisory organization with specific residual team members of the original staff which then will be phased-out as the implementation steps occur and be replaced by a Reserve Compensation Directorate similar in organization to the Active Military Compensation Directorate within DASD(MPP). A description of the instrument (a Management Information System) to help this new activity manage is described in the remainder of this Chapter.

D - MANAGEMENT INFORMATION SYSTEM (MIS)
TO SUPPORT RESERVE COMPONENTS AND THE
RESERVE COMPENSATION DIRECTORATE

PURPOSE

To recommend a management information system (that would include manpower, personnel, and compensation data) to aid the management and administration of the Reserve Components and comparative systems.

BACKGROUND

The research efforts of the Reserve Compensation System Study (in OASD-MRA&L) have brought to focus the real need for more and better information with which to manage the Guard and the Reserve. In addition, these other factors contribute to the need to take certain early actions to develop a MIS for the reserves:

- Congressional demands for more planning and control information through the use of Budget Authority "fencing" have been increasing.
- The high proportion of manpower related costs in the DOD budget warrant devoting greater attention to determining information needs in greater detail, capturing such appropriate data on a continuing basis, and processing it to provide useful management information.
- The zero draft environment places greater importance upon having appropriate current information on the reserves.

- Mobilization requirements demand the immediate availability of parallel and consistent manpower data from all the services and their Reserve Components.

The record shows that DOD recognized the need for better information for reserve management:

- As far back as 1961 DOD issued Instruction 7730.16 which consolidated several reports and significantly increased manpower data reporting requirements. Its purpose was:
 - to allow program progress comparisons with OSD approved manpower and budget programs;
 - to report on compliance with various legislative requirements and limitations;
 - to include data in required annual reports to Congress and to meet other requirements.
- In 1972, OSD initiated the Reserve Components Common Personnel Data System (RCCPDS).

- In 1974, OSD organized the Manpower Research and Data Analysis Center (now called the Defense Manpower Data Center) to study active and reserve manpower data.

Despite these efforts, by the mid 1970's, the Third Quadrennial Review of Military Compensation, the RCSS, and other studies (not to mention DOD and service management) have been limited by the lack of detailed and disaggregated data - on a comparable basis - for all the services and components.

DATA PROBLEMS ENCOUNTERED

Soon after the work of the Reserve Compensation System Study began, in October 1976, it became evident that a management information system for DOD reserve management did not really exist. In reality, what did exist was a collection of loosely related OSD and Reserve Component information data banks which were also subdivided into separate personnel management or financial information files. (It would be incorrect to use the word "system" -- for all it connotes of carefully planned, integrated, retrievable, and useful information -- to describe what exists.)

Numerous periodic DOD or service reports for Congress or the Executive Office, and certain statistical arrays of personnel data were easy to obtain. But, obtaining non-periodically reported statistical data proved difficult. Often the data sought by the Study Group staff were unavailable, or the files were structured in such a way that the data could not be retrieved readily, or there were serious questions concerning validity or reliability of some data.

This was of concern to the Study Group, not only because it had to rely heavily on the MIS (sic) data for its analyses, but also because a good information system so essential for effective management of large, complex enterprises, was not in existence.

The experience of the staff of this Study Group was that the responses to requests were generally unsatisfactory. This was not attributable to a lack of willingness on the part of the components -- but simply their general (but not total) inability to respond because:

- the data were not in the system, or
- the gross data did not lend themselves to disaggregation for necessary re-combination, or

- each service or component had pursued its own interests, unilaterally, with inadequate attention to DOD requirements.

For these reasons it was often a long time between submission of the data request and receipt of the printout. When it finally arrived it often did not supply the requested data accurately, or completely, or in the manner specified so as to permit consolidation. The existing data operations were obviously organized and staffed primarily for producing regular reports.

Specific problems encountered included:

- the difficulty in getting a clear definition of service manpower goals at a disaggregated level of detail;
- the difficulty in acquiring any useful retirement point accumulation data on potential or actual retirees;
- the difficulty of acquiring information pertaining to technicians;
- the difficulty of acquiring appropriate payroll information on a timely basis.

Much of the data received were incomplete, or subject to doubt, as a consequence of incompatible definitions among the various data operations.

Much of the data obtained by the Study Group could only be acquired by sending Study Group members to make the primary manual search or to assist in the initial software coding.

ANALYSIS OF THE CURRENT SYSTEM

Because of the problems encountered by RCSS members, the Director tasked a team with the mission of analyzing the current system and making recommendations for corrections to ensure that the new RCSS compensation proposals could be better managed at OSD. This analysis produced the following:

- The current manpower/cost management information system can be characterized as a "monitoring system" rather than a system for "managing."
- OSD data systems are oriented on their own subject area such as manpower spaces, personnel, or costing, without the software or definitional consistency to interface between systems.
- Projectional capabilities, if existent, have not been used by OSD.

Alternative policy software is non-existent.

- Individually, most required data exist somewhere in the data system with the exception of cause/effect relationships to correct shortages/overages.
- Much of the needed data are dispersed in manual files and are not quickly or accurately collectable for use at the appropriate level.
- Some of the data are so buried as not to be usable for decision-making.
- The Reserve Components Common Personnel Data System is a transitional system which can provide excellent inventory data. However, the system is a file replacement system rather than an update/reconciliation system. With minor programming to develop annual gains/losses/policy alternatives programs, the system could be significantly upgraded from an inventory reporting system to a major decision-assisting tool.

- The requirements portion of the management information system (Defense Force Planning Data Base) is not defined in adequate detail to support resource allocation decisions except in highly aggregate numbers, or is so manually dispersed as to be non-responsive to decision making. The definitions of wartime reserve requirements and peacetime reserve authorizations are highly controversial.
- Planned improvements to the Defense Force Planning Data Base do not include:
 - software to interface with the personnel inventory data base although a "keying" capability is being put into the inventory base;
 - sufficient detail to manage by profiles designed to keep the fighting force young or retirement liabilities to a minimum.
- The inventory portion of the management information system (Reserve Components Common Personnel Data System for active

reservists and some magnetic tapes for retired reservists):

- is not formally used to project inventory although the needed data elements are there;
 - cannot project retirement costs because the needed data elements are not there;
 - cannot track bonus recipients.
- Planned improvements to the inventory systems will not correct any of the deficiencies.
 - The present management information system is not designed to compare goal versus accomplishment or to compare costs of alternative actions. The present management information system is also not designed to manipulate, model, or present possible solutions to manpower shortages/overages. Many of the alternatives currently constructed manually could be made easily available through computer software. For example, although the

knowledge of the effect of a bonus on reserve accessions is still very primitive, there is a computer capability to model the approximate bonus cost of raising reserve accessions from one level to another -- but it has not been developed. Such action could free some expensive manpower for more critical manpower analysis

- As long as compatible systems interfaces exist, the responsiveness and quality of the information system would not be affected by the decisions to:
 - configure all the management information data elements into one system at OSD;
 - maintain multiple subunits at OSD and Reserve Component levels; or,
 - maintain separate subject systems within OSD and/or the Reserve Component levels.

These decisions would affect the cost of the system.

RECOMMENDATIONS

Because of the immensity of work necessary to provide an MIS, the recommendations are divided into immediate, near-term, and long-term.

Immediate

- Requirements:

- Convene a meeting between OSD and service components to develop an acceptable methodology for determining wartime requirements and peacetime authorizations to a level of detail sufficient to allow management by grade, skill, and years-of-service profiles.
- Convene a meeting between OSD and service components to decide where and how to configure an automated manpower requirement system, especially the
 - o link to the Defense Force Planning Data Base;
 - o permanent status of profiles.

● Inventory:

- Modify and enhance the Projection of Enlisted Reserve Component Strengths (PERCS) to generate inventory projections on a quarterly basis. Design a program to project the retired manpower.
- Convene a meeting between OSD and service components to determine where and how to build accession/retention incentive data bases. Design the data elements and begin their collection.
- Convene a meeting between OSD and service components to determine where and how to build retirement cost predictors (especially creditable years for retirement and point data).

Near-Term

- Requirements:
 - Design the appropriate data base and computer software to support manpower requirements;
 - Design the appropriate data base and computer software to support manpower authorizations.

- Inventory:
 - Program retirement manpower projections.
 - Design a program and begin collection of creditable years for retirement and point data.

- Interface:
 - Design interface programs between requirements and inventory data bases.

Long-Term

Design and program simple alternative policies.

CHAPTER VIII

ADDITIONAL RECOMMENDATIONS

This Chapter sets forth the RCSS recommendations on other vital topics related to Guard/Reserve compensation and mission effectiveness. These topics include Civil Service policy on paid military leave for annual training duty, full-time training and administrative support for the Selected Reserve, motivation of reservists, and recommendations on financial management.

A - COMPENSATION OF FEDERAL CIVILIAN EMPLOYEES DURING ANNUAL MILITARY TRAINING

BACKGROUND

Members of the Selected Reserve who are also Federal Civilian employees are entitled to receive up to 15 calendar days of military leave each year for the performance of their annual training duty.¹ During this time, these employees receive their full civilian salaries in addition to their military pay. An additional 22 days can be authorized for the purpose of providing military aid to

1 A comprehensive review of military leave policies is found in RCSS Background Paper, "Military Leave Policies For Reservists," May 1978.

enforce the law.¹ These Federal policies are generally followed by state, county, and local governments for their employees.

The majority of private companies do provide paid military leave, but the prevailing practice is to offset the military pay against civilian pay that would have been earned, and to provide a differential adjustment, i.e., make up the income difference if the military pay is less than the civilian salary for the ADT period. The Federal policy is a generous one and the Federal Government sets the example nationwide.

FINDINGS

- The liberal military leave policy of the Federal Government encourages participation in the Selected Reserve in that Federal Civilian employees who make up only 3% of the total labor force, account for 13% of the Selected Reserve.²

1 PL 90-588 (1968), authorizing such military leave for law enforcement expressed the Congressional intent to offset military pay against Civil Service pay. Military pay and allowances attributable to the reservist's normal workdays are to be offset against his expected Civil Service earnings for those days.

2 Comparison of Federal Civil Service Personnel Data System File and Reserve Component Common Personnel Data System, March 1977, and "Employment and Earnings, March 1977", U.S. Department of Labor, Bureau of Labor Statistics.

- Of the 112,000 Federal employees who are in the Selected Reserve:

Technicians	59,000	52%
Non-technicians		
O-4 to O-8, W-1 to W-4, and E-6 to E-9	22,000	20%
O-1 to O-3 and E-1 to E-5	<u>31,000</u>	<u>28%</u>
	112,000	100%

- Similar statistics concerning state, county, and local government employees are not available although some surveys indicate that there may be similarities in total numbers.
- The Federal policy of providing full civilian income to employees while they are on ADT is not in keeping with a cost-effective system.¹

If a differential salary adjustment were made, over 47 million dollars could be saved annually.

1 This is covered in detail in RCSS Issue Paper "Compensation of Federal Civilian Employees During Annual Military Training Duty", May 1978.

- Initially, losses of between 100 to 1,400 officers in the grades 0-1 to 0-3 (less than .2% to 2.3% of Selected Reserve) and 540 to 8,100 enlisted in the grades E-1 to E-5 (less than .09% to 1.5%) could be expected under the present system. (If the compensation system recommended by RCSS were to be implemented, these losses would be about the same for officers and slightly less for enlisted.)
- Using similar characteristics and assumptions for employees of "other" governments, we could expect at least a similar loss. However, similar monetary savings would accrue to the local government employer.
- These overall expected losses do not reflect the number of personnel in the 1 to 6 years-of-service group who are under initial obligation and are therefore required to participate.

DISCUSSION

The policy change from one of full civilian salary continuation to that of offsetting the military pay against the civilian salary (similar to the procedure followed when a reservist is called to duty for law enforcement), would be considered as a decrease in military income by reservists.¹ The projected impact of this policy change on existing personnel inventories was calculated using the following assumptions:

- Supply elasticities ranging from .1 to 1.5;
- Technician losses would not be significant since they would have to maintain their reserve affiliation to keep their full-time civilian jobs;
- Non-technicians in the military grades of E-1 to E-5 and O-1 to O-3 (typically under 10 YOS) would be affected since they would not, generally have reached the point where they consider themselves career reservists.
- Non-technician grades E-6 to E-9 and O-4 to O-8 would not be affected since they

¹ Only that portion of military pay earned during the "normal" civilian work schedule would be considered in the offset, i.e., a 40-hour or a 5-day work week.

probably feel the retirement pull and view their reserve retirement and Civil Service retirement together.

Table 8-1 shows the projected range of manpower losses that might occur if the policy change on military leave were to be adopted while existing reserve compensation practices remained in effect.

Table 8-2 shows the somewhat reduced losses that might be expected were that policy change to be implemented after the installation of the total compensation system recommended by RCSS. This would result from the fact that the system recommended by RCSS calls for IDT (drills) to be paid at a rate that includes BAQ and BAS -- not just basic pay. For that reason, the ADT (summer camp) pay would be a smaller proportion of the reservist's total military income; ergo, the military leave offset would not be as significant -- so losses of civil servants from guard/reserve rolls would not be as large. Furthermore, the system recommended by RCSS envisions greater use of selective bonuses to hold key personnel in the reserves so that would be expected to cut losses below those projected.

TABLE 8-1
PROJECTED LOSS OF FEDERAL EMPLOYEES (LESS TECHNICIANS)
IN SELECTED RESERVE USING OFFSET DURING ADT
(PRESENT PRACTICE)
MAY 1978

GRADE	TOTAL SELECTED RESERVE ¹	INVENTORY ²	10 DAY OFFSET ³ AS A % OF ANNUAL RESERVE COMPENSATION	SUPPLY ELASTICITIES						
				.1	.25	.50	.75	1.0	1.25	1.50
0-1	6323	316	19.0	6	15	30	45	60	75	90
0-2	16207	1038	18.8	20	49	98	146	195	244	293
0-3	40238	3726	18.5	<u>69</u>	<u>172</u>	<u>345</u>	<u>517</u>	<u>689</u>	<u>861</u>	<u>1034</u>
TOTAL	62768	5080		95	236	473	708	944	1180	1417
% OF TOTAL SELECTED RESERVE 0-1 thru 0-3		8%		.2%	.4%	.7%	1.1%	1.5%	1.9%	2.3%
% of inventory				1.9%	4.7%	9.3%	13.9%	18.6%	23.2%	27.9%
E-1	36140	204	21.9	5	11	23	34	45	56	68
E-2	44574	549	21.5	12	30	59	89	118	148	177
E-3	77063	2390	21.0	50	126	251	377	502	628	753
E-4	192602	9606	20.6	198	495	990	1484	1979	2474	2969
E-5	192151	13391	20.6	<u>276</u>	<u>690</u>	<u>1380</u>	<u>2069</u>	<u>2759</u>	<u>3449</u>	<u>4139</u>
TOTAL	542494	26140		541	1352	2703	4053	5403	6753	8106
% OF TOTAL SELECTED RESERVE E-1 thru E-5		4.8%		.09%	.3%	.5%	.8%	1.0%	1.2%	1.5%
% OF INVENTORY				2.1%	5.2%	10.3%	15.5%	20.7%	25.8%	31.0%

- 1 March 1977 RCCPDS and Personnel Data USCGR as of 31 December 1976
- 2 Comparison of March 1977 RCCPDS, 31 December 1976 USCGR Data, March 1977 Civil Service Personnel Data System, and Component Technician Data as of October 1976
- 3 Annual Reserve Compensation was calculated using average YOS for each military grade and 15 days' ADT. Data showed military pay always lower than civilian salary for comparable period.

TABLE 8-2
 PROJECTED LOSS OF FEDERAL EMPLOYEES (LESS TECHNICIANS)
 IN SELECTED RESERVE USING OFFSET DURING ADT
 (RCSS RECOMMENDATION)
 MAY 1978

GRADE	TOTAL SELECTED RESERVE ¹	INVENTORY ²	10 DAY OFFSET ³ AS A % OF ANNUAL RESERVE COMPENSATION	SUPPLY ELASTICITIES						
				.1	.25	.50	.75	1.0	1.25	1.50
0-1	6323	316	16.8	5	13	27	40	53	66	80
0-2	16207	1038	18.1	19	47	94	141	188	235	282
0-3	40238	3726	19.1	<u>71</u>	<u>178</u>	<u>356</u>	<u>535</u>	<u>712</u>	<u>890</u>	<u>1068</u>
TOTAL	62768	5080		95	238	476	715	953	1191	1430
% OF TOTAL SELECTED RESERVE 0-1 thru 0-3		8%		.2%	.4%	.8%	1.1%	1.5%	1.9%	2.3%
% of inventory				1.9%	4.7%	9.3%	14.1%	18.8%	23.4%	28.1%
E-1	36140	204	17.2	4	9	18	26	35	44	53
E-2	44574	549	17.8	10	25	49	74	98	123	147
E-3	77063	2390	17.9	43	107	214	321	428	535	642
E-4	192602	9606	18.7	180	449	898	1347	1796	2245	2694
E-5	192151	13391	19.1	<u>256</u>	<u>640</u>	<u>1279</u>	<u>1919</u>	<u>2558</u>	<u>3198</u>	<u>3837</u>
TOTAL	542494	26140		493	1230	2458	3687	4915	6145	7373
% OF TOTAL SELECTED RESERVE E-1 thru E-5		4.8%		.09%	.2%	.5%	.7%	.9%	1.1%	1.4%
% OF INVENTORY				1.9%	4.7%	9.4%	14.1%	18.8%	23.5%	28.2%

1 March 1977 RCCPDS and Personnel Data USCGR as of 31 December 1976
 2 Comparison of March 1977 RCCPDS, 31 December 1976 USCGR Data, March 1977 Civil Service Personnel Data System, and Component Technician Data as of October 1976
 3 Annual Reserve Compensation was calculated using average YOS for each military grade and 15 days' ADT. Data showed military pay always lower than civilian salary for comparable period.

Calculations based on the RCSS recommendation showed some minor differences in projected losses. In the absence of reliable data on members of the Selected Reserve employed by "other" governments, a conservative estimate of doubling the Federal employee attrition was used. For the pay grades examined (O-1 to O-3 and E-1 to E-5), this would equate to a possible total decrease of 4.6% in officers inventory and 2.8% in enlisted. The use of bonuses, as proposed by the RCSS system, could be used to address critical shortages.

RECOMMENDATION

Change the Federal military leave policy to that of offsetting annual training pay against Civil Service earnings for the period. This would ensure that the employee would experience no financial loss during ADT; it would bring this policy into line with the prevailing practice in the private sector. This is not a new concept for the Federal Government, since it uses this procedure to compensate employees used in their Selected Reserve capacities when assigned to law enforcement duties.

B - COST COMPARISONS FOR FULL-TIME TRAINING,
ADMINISTRATION, AND SUPPORT (FTTAS) OF THE SELECTED RESERVE .

Various systems are employed by the Reserve Components to maintain continuity in the administration and operation of reserve units. The Naval Reserve and the Marine Corps Reserve use active duty personnel. The Army and Air Force components primarily use "dual status technicians".

Technicians are full-time civil service employees who, under most circumstances, are required to be members of the Guard or Reserve unit as a condition of employment. In addition to receiving civil service pay, which is based on the Civil Service Commission occupation classification system, dual-status technicians also receive reserve drill pay. They are eligible also for retired pay and benefits under both civil service and military reserve retirement systems.

In April 1976, the Defense Manpower Commission recommended that technician programs be phased-out and replaced with full-time active duty personnel to save an estimated \$270 million per year in manpower costs and "...eliminate dual pay and retirement for what in essence is the same job." The DMC recognized

that complete cost comparisons were not made, but asserted that in addition to estimated annual manpower cost savings, savings in retirement would also result. Because the manpower costs of FTTAS are a significant part of total Reserve compensation, the RCSS was tasked with providing cost comparison analyses of the two basic FTTAS systems employed by the Reserve Components. We did so by developing a life-cycle model reflecting typical career patterns of personnel involved in FTTAS programs, (dual-status technician and full-time active duty) from entry into the program through retirement.

Variables such as entry age, military promotion points, CSC in-grade increases, participation rates, and retirement ages could be introduced for either career pattern. The life-cycle costs were then examined and analyzed.

FINDINGS

- Direct costs of the excepted and competitive technicians of the Army and Air Force components were higher than those of a full-time active duty force of like-size performing the same functions.

- High civil service wage grade personnel constitute a large portion of the technician

population, particularly in the Air National Guard and Air Force Reserve which contributes to higher current and deferred costs.

- Active duty personnel normally retire earlier than Civil Service personnel. Active duty personnel, therefore, typically have lower total current earnings and higher deferred earnings that result in overall higher costs per productive man-year. Considering all factors in the life-cycle cost analyses of the two FTAS systems, including the fact that the dual status technician receives two retirements, the overall costs of the systems are comparable. However, the technician system does produce total current and total deferred compensation streams that are exceedingly high for certain positions.

Current compensation costs were higher for the dual-status technician who participated in his reserve status at levels beyond standard training requirements (i.e., additional training assemblies, flying training periods, etc.). However, increased training had little or no effect on deferred compensation costs because of the 60-point IDT retirement point ceiling.

- Based on the premise expounded by component chiefs and directors that availability for

military mobilization is the prime reason for the dual-status technician's being, it is not cost-effective to pay higher civilian salaries for the performance of military functions.

DISCUSSION

Costs are not the overriding consideration in resolving the FTTA issue. Neither system emerges as clearly dominant where costs are concerned. Therefore, decisions affecting the future of the FTTAS program must be based mainly on management considerations.

- Labor union activity in technician programs has increased, "with the resultant dilution of military command authority, organizational effectiveness, and discipline."¹
- Current "status quo" policies threaten the mobilization effectiveness of the two components which employ technicians in the competitive service, particularly the Army Reserve.
- Technician programs contribute significantly to grade stagnation problems and limit career opportunities for non-technicians, particularly younger Reservists.

1 Study on the Full-time Training and Administration of the Selected Reserve, OASD(RA)

- The technician program contributes to an aging force and retains technicians who are questionable mobilization assets.

RECOMMENDATION

Based on management rather than cost considerations, the RCSS recommends the preservation of the present FTTAS systems in the Naval Reserve, Marine Corps Reserve, and Coast Guard Reserve, and the conversion of technician positions in the Army National Guard, the Army Reserve, and Air National Guard, and the Air Force Reserve to full-time active duty positions. Recognizing no single FTTAS system can be designed to meet the needs of all components, conversion programs must be designed and phased to accommodate the differing mission requirements of each component.

C - THE MOTIVATION OF RESERVISTS

The RCSS review of over fifty studies of Guard/Reserve motivation confirmed that there are, indeed, factors other than pay that affect an individual's decision to join or remain in the reserve program. Such factors include: new challenges, training that relates to a civilian occupation, friendships, pride in military affiliation, and recognition in the community, to name a few. What is still not clear is how and to what extent do such factors -- individually and in combination -- contribute to the motivation to join or remain in the Reserve Components. What is clear is that cultural values change through the years so that recruiting appeals, to be effective, also must change. Any study of motivation is therefore time sensitive.

MOTIVATION STUDIES

Two significant recent studies deserve special attention. Both were conducted under contract for the Accession and Retention Directorate of OSD (MRA&L) (MPP), and both surveyed males between the ages of 17½ and 26 regarding their propensity to join or remain in the Reserve Components.

The first study, "Conjoint Analysis of Values of Reserve Component Attributes,"¹ contained these conclusions

¹ Conducted by Market Facts, Inc., and published in November 1977.

about attractions for the enlistment of potential new recruits for the reserves:

- Educational assistance, enlistment bonus, and increased starting pay are likely to have the greatest impact on increasing accessions.
- Exchange and commissary privileges, military pay being tax-free, and annual training-vacation arrangements, all of which directly or indirectly affect real income of reservists, have a relatively small impact on accessions.
- Other factors related to the person's available time or life style (frequency of meetings, length of meetings, hair regulations), are likely to have relatively little impact on accessions for this group.

These were the study results for current reservists:

- A reenlistment bonus and educational assistance are likely to have the greatest positive impact on reenlistment intentions.
- Tax-free military pay, length of extension of service, and increased pay also appear to be important factors in making a decision to reenlist.

"A Study of Issues Related To Accession and Retention of Enlisted Personnel in the Reserve Components,"¹ examined four possible benefits: financial assistance for education, bonus, pay increase, and a reduced term of enlistment or extension. Additionally, the contractor looked at knowledge and understanding of current benefits enjoyed by those interviewed and explored what motivations, attitudes, and perceptions could be tapped to encourage enlistments or extensions. Based on the findings, the contractor developed four recommended recruiting/retention strategies that are being studied by DoD.

The conclusions showed that financial assistance for education and bonus benefits were the most cost effective for recruiting and retention.

Since 1971, semi-annual youth tracking surveys have been conducted each fall and spring (excepting spring 1975). Unfortunately, to date, only limited attention has been given to gathering data that would be useful for Reserve Component accession management. Unlike the Active Force which draws from nationwide resources, Reserve Component recruiting is local and usually

1 Conducted by Associates For Research In Behavior, Inc., and published in November 1977.

within 50 miles of the unit. Consequently, this semi-annual youth attitude tracking survey for the Active Force has been of little value to Reserve Components. A parallel study would be useful for the Guard/Reserve.

RESERVIST INPUT TO RCSS

Members of RCSS visited many guard and reserve units, reserve associations, and other groups concerned with Guard/Reserve activities. Interviews were conducted with members of reserve units, many of whom were young enlisted personnel in their first term of service. The RCSS found that:

- While not necessarily major influencers upon respondents in the age category of the market tested, there was some value in addressing non-compensation issues in terms of their impact on morale and acceptance of Total Force Policy philosophies -- once the individual has joined.
- Indirect compensation and deferred benefits become of greater importance, in general, to those individuals who have gone beyond the first term enlistment point. A shift

in values and needs occurs at some later point in one's Guard/Reserve career.

- The attitudes of potential enlistees and reenlistees are influenced by senior reservists who are more interested in benefit/vesting.
- The high interest in ancillary benefits and equity issues is grounded in a feeling that actual cash in-kind increases are not likely to come about in an austere defense spending environment and that increases in other benefits areas are more realistically obtainable.

RECOMMENDATIONS

- Future studies should be funded and controlled at the DoD level. DoD funding and monitoring of motivational studies in the private sector should be more cost-effective than uncoordinated studies by separate services and components particularly if the results are to be implemented in a timely manner.
- Separate but parallel studies are required to determine reserve recruitment motivations --

because it is a separate population in the secondary (part-time) labor market.

- Motivation research in industry, marketing, advertising, academia, and the church are worth tracking by DoD for clues and insights into the prevailing values and motivations of the target recruiting population -- because that pool of available young people is predicted to shrink significantly by 1990. The Reserve Components must become more effective in their recruiting efforts to obtain their share of that smaller population.
- Future studies must track the views, values and interests of all young Americans. In the last two years (75-77) the reserves have attained a higher percentage of females than have the Active Forces. In FY 1977, for example, almost half the non-prior service persons joining the Air Force Reserve were women. It can no longer be assumed the motivations of young women are either inconsequential or identical to those of young men.

- To have a payoff, findings from motivation studies must be translated promptly into:
 - re-direction of recruiting efforts;
 - reorientation of persons administering basic training;
 - revised personnel policies;
 - realization that effective supervision today requires different skills and techniques -- even in the military -- from the simplistic autocratic approach "Do it because I told you to!" that was adequate forty years ago.

D - FINANCIAL MANAGEMENT

BACKGROUND

The Active Forces build and execute their military personnel appropriations and have accounting systems (JUMPS related) to collect payroll accounting data for each element of military compensation by pay grade. The Reserve Components do not have comparable military personnel budget and accounting systems. Indeed, in analyzing Guard and Reserve operating budgets it is very difficult to determine the resource inputs (costs), especially, so called "fixed" Guard/Reserve manpower compensation entitlements, and mission outputs (by program element) of the Reserve Components. Compared to active budgets, reserve operating budget submissions to OSD and Congress and their supporting accounting systems appear to be a confusing mix between resource line item (object-of-expenditure), and program (mission) approaches to budgeting and accounting. Current reserve personnel budget "program" categories correspond to DoD Training/Pay Categories¹ and are resource input related. They do not relate reserve manpower cost inputs to Guard/Reserve mission outputs-- "trained units and individuals."

1 See DoD Instruction 1215.6

The RCSS recommends the following financial management changes to Guard/Reserve component budget and accounting systems to improve Reserve Component, Service, DoD, and Congressional planning, programming, and budgeting processes.

RECOMMENDATIONS

- Modernize the chart of accounts-for object-of-expenditure budgeting and accounting. The basic object-of-expenditure (fiscal code) building blocks of reserve personnel budget displays submitted to OSD and Congress should shift from highly aggregated officer and enlisted Training/Pay Category displays to more detailed military pay grade displays by reserve compensation system entitlement.

The new chart of accounts should be based on reserve compensation system entitlement element.

Guard/Reserve operating budget accounting systems should capture all reserve compensation system costs (both current and currently accruing deferred compensation) and be consistent with the object-of-expenditure classifications employed by the Active Forces.

The average number of reserve training days, and average daily and annual (FY basis) compensation by entitlement per military grade, and totals for each grade and entitlement by appropriation should also be displayed in Guard/Reserve operating budget submissions to OSD and the Congress.

- Introduce true program budgeting and accounting. The basic program building blocks of reserve operating and investment budgets should shift from the "training activity" resource input categories to more rigorously defined program and support mission elements consistent with the program and support mission elements of the Active Forces.
- Align Guard/Reserve manpower resource allowances more closely to unit mobilization. In view of the scenarios calling for more rapid mobilization (some units as early as 72 hours), a clearer connection between appropriation of funds and mobilization readiness requirements would improve resource allocation and readiness in the Guard/Reserve components.

- Modernize reserve payroll systems. The Services should allocate necessary resources to the design and acquisition of more member and managerially responsive reserve pay systems (which might well require upgrading onboard computer and communication equipment). Standardized payroll data for all reserve pay should flow from time and attendance taking at unit levels, through payroll disbursement at centralized levels. Modernized reserve payroll systems should provide accurate and timely service bureau type reporting to all Guard/Reserve management levels involved in the management and budgeting of Reserve personnel.
- Ensure cost visibility of dual-status technicians. The direct manpower costs of the approximately 62,500 dual status technicians with their dual military and civilian compensation packages in the ARNG, USAR, ANG, and USAFR are fragmented (therefore hidden) between Guard/Reserve personnel, and O&M, and other Federal appropriations. The total current and deferred compensation costs of these personnel to the government should be combined into one

comprehensive object of expenditure (with necessary sub-classifications), and program element framework display in Guard/Reserve operating budget submissions.

APPENDIX A

ACRONYMS/ABBREVIATIONS

ACRONYMS/ABBREVIATIONS

- ACIP - Aviation Career Incentive Pay
 AD - Active Duty
 Adm - Admiral and other Military Officer rank abbreviations by service and pay grade

Pay Grade	Army	Navy/ Coast Guard	Marine Corps	Air Force
O-10	GEN	Adm	GEN	GEN
O-9	LTG	VAdm	LtGen	LtGen
O-8	MG	RAdm	MajGen	MajGen
O-7	BG		BGen	BrigGen
O-6	COL	Capt	Col	Col
O-5	LTC	Cdr	LtCol	LtCol
O-4	MAJ	LCdr	Maj	Maj
O-3	CPT	Lt	Capt	Capt
C-2	1LT	LtJG	1st Lt	1st Lt
O-1	2LT	Ens	2nd Lt	2dLt

- ADT - Active Duty for Training
 ANG - Air National Guard
 ARNG - Army National Guard
 ASA - Assistant Secretary of the Army
 ASAF - Assistant Secretary of the Air Force
 ASD - Assistant Secretary of Defense
 ASD(MRA&L) - Assistant Secretary of Defense for Manpower, Reserve Affairs, and Logistics
 ASN - Assistant Secretary of the Navy
 BAQ - Basic Allowance for Quarters
 BAS - Basic Allowance for Subsistence
 BP - Basic Pay
 BX - Base Exchange
 CPI - Consumer Price Index
 CPY - Cash Pay
 CY - Calendar Year
 DA - Department of Army
 DAF - Department of the Air Force
 DASD - Deputy Assistant Secretary of Defense
 DCS - Deputy Chief of Staff
 DIC - Dependency and Indemnity Compensation
 DMC - Defense Manpower Commission
 DoD - Department of Defense
 DODI - Department of Defense Instruction
 DON - Department of Navy
 DOFMA - Defense Officer Personnel Management Act
 DOT - Department of Transportation

EPMS - Enlisted Personnel Management System
 ERISA - Employee Retirement Income Security Act of 1974
 EW - Electronic Warfare

 FICA - Federal Insurance Contributions Act
 FITW - Federal Income Tax Withholding
 FITTAS - Full Time Training, Administration, and Support
 FY - Fiscal Year before 1976, 1 July to 30 June; in 1976, 1 July to 30 Sep; 1977 on, 1 Oct to 30 Sep

 GAO - General Accounting Office
 GS - General Schedule

 HASC - House Armed Services Committee

 IADT - Initial Active Duty Training
 IDT - Inactive Duty Training
 IRA - Individual Retirement Account
 IRR - Individual Ready Reserve

 JCS - Joint Chiefs of Staff
 JUMPS - Joint Uniform Military Pay System

 MIS - Management Information System
 MOS - Military Occupational Specialty
 MPP - Military Personnel Policy
 M&RA - Manpower and Reserve Affairs
 MRA&L - Manpower, Reserve Affairs, and Logistics
 MUTA - Multiple Unit Training Assembly

 NEC - Navy Enlisted Classification
 NG - National Guard
 NGB - National Guard Bureau
 NPS - Non-prior service

 OASD - Office of the Assistant Secretary of Defense
 OASDI - Old Age and Survivor Disability Insurance
 ODASD - Office of Deputy Assistant Secretary of Defense

 OGLA - Officer Grade Limitation Act (1954)
 OJCS - Organization of the Joint Chiefs of Staff
 O&M - Operations and Maintenance
 OMB - Office of Management and Budget
 OS - Operations Specialist
 OSD - Office of the Secretary of Defense

PATC	- National Survey of Professional, Administrative, Technical and Clerical Pay
PEBD	- Pay Entry Base Date
PERCS	- Projection of Enlisted Reserve Component Strengths
PHS	- Public Health Service
POM	- Program Objective Memorandum
PPBS	- Planning, Programming, and Budgeting System
PROMAR	- Total Army Projected Mobilization Availability Rates
PS	- Prior Service
PX	- Post Exchange
QM	- Quartermaster
RA	- Regular Army
RCCPDS	- Reserve Components Common Personnel Data System
RCSS	- Reserve Compensation System Study
RIF	- Reduction in Force
RMA	- Retirement Modernization Act
RMC	- Regular Military Compensation
ROPA	- Reserve Officer Personnel Act
ROPMA	- Reserve Officer Personnel Modernization Act
RSFPP	- Retired Serviceman's Family Protection Plan
RTU	- Reinforcement (Replacement) Training Unit
SBP	- Survivor's Benefit Plan
SGLI	- Serviceman's Group Life Insurance
TYFCS	- Total Years Federal Commissioned Service
USA	- United States Army
USAF	- United States Air Force
USAFR	- United States Air Force Reserve
USAR	- United States Army Reserve
USC	- United States Code
USCGR	- United States Coast Guard Reserve
USMC	- United States Marine Corps
USMCR	- United States Marine Corps Reserve
USN	- United States Navy
USNR	- United States Naval Reserve
UTA	- Unit Training Assembly
VA	- Veterans Administration
VGLI	- Veterans' Group Life Insurance
VTU	- Volunteer Training Unit
YOCS	- Years of Commissioned Service
YOS	- Years of Service

APPENDIX B

TABLES OF CONTENTS

FOR

SUPPORTING VOLUMES

(Volumes published separately)

VOLUME 1 - BASIC AND SPECIAL PAYS

**VOLUME 2 - DEFERRED COMPENSATION
AND BENEFITS**

**VOLUME 3 - MISCELLANEOUS
COMPENSATION-RELATED TOPICS**

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Drill Pay	X	-	-
Quarters	X	-	-
Subsistence	X	-	-
Longevity Pay	X	-	-
DIFFERENTIAL PAYS			
Bounty Pay	X	X	-
Enlistment Bonus	-	-	-
Reenlistment Bonus	-	-	X
Nebraska National Guard Bonus Program	-	X	-
Educational Assistance	-	-	X
OTHER SPECIAL & INCENTIVE PAYS			
Administrative Duty	X	-	X
Diving	X	-	X
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Title III Retirement Pay	X	-	-
Retainer/Retired Pay	X	-	-
Retainer Pay (1916-1977)	X	-	-
Separation Pay	X	-	-
Tax on Separation Pay	X	-	-
No Retirement	-	-	-
Fifteen Point Credit	-	X	-
Lump Sum Option	-	X	-
BENEFITS & OTHER ALLOWANCES			
Medical Benefits	X	-	X
Exchanges	X	-	-
Commissary	X	-	X
SGLI	X	-	-
VGLI	X	-	-
Survivor Benefit	X	-	-
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DIC	X	-	-
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VOLUME III

MISCELLANEOUS COMPENSATION-RELATED TOPICS

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Military Leave	X	X	X
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Secondary Labor Markets	-	X	-
Guard/Reserve Shortages Eastern Massachusetts	-	X	-
Approaches to Compensating Military Reserves			
Australia	-	X	-
Britain	-	X	-
Canada	-	X	-