

**STRATEGY
RESEARCH
PROJECT**

The views expressed in this paper are those of the author and do not necessarily reflect the views of the Department of Defense or any of its agencies. This document may not be released for open publication until it has been cleared by the appropriate military service or government agency.

**THE BONUS PROGRAMS OF THE U.S. ARMY RESERVE,
AND THEIR EFFECT ON RECRUITING AND RETENTION**

BY

**LIEUTENANT COLONEL MICHAEL H. COKER
United States Army**

DTIC QUALITY INSPECTED 4

DISTRIBUTION STATEMENT A:

**Approved for public release.
Distribution is unlimited.**



USAWC CLASS OF 1997

U.S. ARMY WAR COLLEGE, CARLISLE BARRACKS, PA 17013-5050

19970819 058

THE FLETCHER SCHOOL OF LAW AND DIPLOMACY

**THE BONUS PROGRAMS OF THE U.S. ARMY RESERVE, AND
THEIR EFFECT ON RECRUITING AND RETENTION**

BY

LTC MICHAEL H. COKER

**U.S. ARMY WAR COLLEGE
SENIOR SERVICE COLLEGE FELLOW**

DISTRIBUTION STATEMENT A:
Approved for public
release. Distribution is
unlimited.

MEDFORD, MASSACHUSETTS

1 JUNE 1997

DISCLAIMER

*The views expressed in this paper are those
of the author and do not necessarily reflect
the official policy or position of the
Department of the Army, Department of
Defense, or the U.S. Government.*

ABSTRACT

THE BONUS PROGRAMS OF THE U.S. ARMY RESERVE AND THEIR EFFECT ON RECRUITING AND RETENTION

This paper traces the history of the four primary cash bonus programs of the Reserve Component Incentive Programs--the Reenlistment Bonus for Service in the Selected Reserve, the Non-Prior Service Enlistment Bonus for Service in the Selected Reserve, the Affiliation Bonus for Service in the Selected Reserve, and the Prior Service Enlistment Bonus for Service in the Selected Reserve. With the main focus being the Army Reserve, this paper illustrates the affect bonuses have on recruiting and retention efforts, and it attempts to measure their effectiveness by analyzing data gathered through various surveys and studies. It identifies successes such as increased number of six-year enlistment and reenlistment terms, improved soldier quality, increased commitment of man-years of service, improvement in the length of time soldiers serve toward their obligation, and decreased attrition rate. The paper also makes recommendations to help ensure the bonus programs proceed to evolve so they will continue be effective tools for assisting the Army Reserve recruit and retain high quality soldiers to fill its units.

INTRODUCTION

Today's Army Reserve has an awesome responsibility. It makes up twenty percent of the Army's organized units, fielding forty-six percent of the Army's combat service support units and thirty percent of its combat support role (Office of the Chief, Army Reserve, 1997). The success of the Army Reserve depends on its ability to recruit, train, and retain high quality soldiers to fill units with skills and talents that are not duplicated anywhere else in the force. These tasks are difficult and very expensive in a time when the propensity for military service is declining.

Some of the most successful tools for attracting and retaining soldiers in the Army Reserve are found in the Reserve Component Incentive Programs. This paper will research the history of these programs and examine their affect on recruiting and retention in the Army Reserve.

THE RESERVE COMPONENT INCENTIVE PROGRAMS

During the Vietnam War, enlistment in the Reserve Components was a means of serving in the country's armed forces and bypassing the draft and service in Vietnam. The Reserve Components had no problem achieving their recruiting mission. However, after the war and the draft ended and the post Vietnam drawdown began, the Reserve Components experienced problems attracting and retaining quality service members. In the mid 1970s, the active forces depended on bonus programs for their transition to an all-volunteer force. The success of the active forces' bonus programs encouraged the Reserve Components to seek to adopt and customize similar incentives for their use. With the help of friends in

Congress, the late 1970s and early 1980s witnessed the birth and evolution of four bonus programs to assist the troubled recruiting efforts of the Selected Reserve. These, known collectively as the Selected Reserve Incentive Programs, are: (1) the Reenlistment Bonus for Service in the Selected Reserve, (2) the Non-Prior Service Enlistment Bonus for Service in the Selected Reserve, (3) the Affiliation Bonus for Service in the Selected Reserve, and (4) the Prior Service Enlistment Bonus for Service in the Selected Reserve.

Reenlistment Bonus for Members of the Selected Reserve

When drafting the Department of Defense Appropriation Authorization Act, 1978, members of the House Armed Services Committee expressed serious concerns with the manning of the Selected Reserve. There was a peacetime shortage of 115,000 in the Selected Reserve, and all available evidence indicated the situation was going to get worse if immediate action was not taken. It was apparent that a recovery from the decline would become increasingly difficult because the military training base did not have the capacity to train large additional numbers of Reservists. The Committee requested the Congressional Research Service to study Reserve recruiting. The study concluded that it was unlikely the Reserve Components would be able to maintain their required strengths without some assistance in recruiting.

The Reserve Components were not without their enemies. Some criticized the effectiveness of Reserve units and did not want to see any increased spending. The Committee agreed that some of the criticism was valid, but believed the country must rely more on its Reserve Forces and provide increased resources to ensure their success. To achieve that end, the Committee proposed to provide the Reserve Components with more

resources, in the form of recruiting incentives. Congress instituted the Reenlistment Bonus for Members of the Selected Reserve, in the Department of Defense Appropriation Authorization Act, 1978 (U.S. Congress, House Report, 1977).

The Reenlistment Bonus for Members of the Selected Reserve authorized a cash payment of \$300 per year for individuals who reenlisted for periods of three or six years. To increase its attractiveness, one-half the total amount was to be paid in an initial payment (\$450 for three years and \$900 for six years), and the balance paid in annual installments of \$150 each. Since retaining individuals with more than ten years of service had not been a problem, this bonus was only authorized for the Reserve reenlistment population with less than 10 years of total service (U.S. Public Law 79. 1977).

Bonus for Enlistment in the Selected Reserve

As the House Armed Services Committee prepared for the Department of Defense Appropriation Authorization Act, 1979, there was still a very strong concern about problems maintaining Reserve personnel strengths. The Committee was convinced that the Reserve Forces had not been granted the support necessary to permit them to accomplish their assigned mission. The primary Reserve problems, in the Committee's eyes, were "the result of accumulated years of management inattention and a shortage of critical resources while the volunteer active forces were being generously provided for," (U.S. Congress, House Report, 1978). The Committee illustrated its belief by comparing the \$270 million provided the active forces for recruiting incentives and bonuses, and the \$2.5 million spent for the Reserve reenlistment bonus.

The Committee had expected the Department of Defense, in its fiscal year 1979 budget submission, to propose a comprehensive program to address problems in maintaining Reserve strengths. When the Department of Defense failed to develop a program and was slow at providing evaluative data regarding the first year's use of the Reenlistment Bonus for Members of the Selected Reserve, the Committee did not believe it could wait on Department of Defense action. Moving on its own, it recommended the establishment of an additional program which became the Bonus for Enlistment in the Selected Reserve.

The Bonus for Enlistment in the Selected Reserve provided for cash payments up to \$2,000 for individuals enlisting in the Selected Reserve for a term of at least six years. To qualify, individuals must have been a graduate of a secondary school and have never previously served in an armed force. One-half of the bonus was to be paid upon completion of initial active duty for training, and the remainder paid in periodic installments or in lump sum (U.S. Public Law 485. 1978).

Bonus for Reserve Affiliation Agreement

After reviewing the recruiting data for fiscal year 1979, the Senate Armed Services Committee was still very concerned about the problem of attracting sufficient numbers of personnel who were motivated and had the mental capacity to operate complex weapons systems. The Reserve Forces were well below their authorized strengths, and recruiting for the active forces had become much more difficult. Perhaps the most alarming statistic found in the 1979 data was the lower quality standards among those who did enlist (U.S. Congress, Senate Report, 1980).

In 1979, only seventy percent of men who enlisted were high school graduates; that number had been eighty percent in 1978. Officers and senior non-commissioned officers were complaining that they were getting lower quality first-term recruits, but Department of Defense officials countered, arguing that new recruit aptitude test scores were reflecting a higher quality recruit than in the draft years. Those inconsistencies were reconciled when a problem was discovered in the scoring method of aptitude tests introduced in 1976.

After discovering the scoring problem, the Assistant Secretary of Defense for Manpower testified before the Senate Committee that mental test scores for recruits scoring at lower ability levels had been inflated. This mistake meant that many recruits were labeled as Mental Category Group III, when in fact, their scores should have placed them in Mental Category Group IV. This problem was serious. The Army had reported that ten percent of its new recruits for 1979 scored in the Mental Category Group IV, but because of the error, the number was actually about forty-five percent. The Mental Category Group IV population drafted into the Army in 1964 had only been twenty-one percent.

The failure to attain its recruiting mission in 1979 meant that the Army would have to recruit twenty-five percent more individuals in 1980, just to maintain strength. To meet its recruiting goal, the Army lowered its enlistment eligibility criteria, which greatly reduced the number of high school graduates. Officials knew this was the wrong approach. The Army section of the 1979 Military Manpower Requirements Report stated, "The key to building and sustaining a cost effective Volunteer Army is the number of high school diploma graduates among new Army accessions." Also, the December 1979 Department

of Defense All Volunteer Force Report pointed out, "It is generally accepted that possession of a high school diploma is the best single measure of a person's potential for adapting to life in the Military." Information in the 1981 Military Manpower Requirements Report also agreed, "The probability that a soldier who has completed high school will be lost from the Army before completion of his/her first term of enlistment is approximately one-half of a non-high school graduate" (U.S. Congress, Senate Report, 1980).

Based on Committee recommendations, the Department of Defense Authorization Act of 1981 included provisions for maintaining quality standards and provided for additional incentives to attract and retain high quality personnel. The new incentive was the Bonus for Reserve Affiliation Agreement. This bonus addressed both quantity and quality issues. It sought to make Reserve enlistment more attractive by offering a cash bonus, and sought to improve soldier quality and unit readiness by encouraging trained, skill qualified, experienced, prior active service personnel to join Selected Reserve units instead of serving out the remainder of their military service obligation in the Individual Ready Reserve.

The Bonus for Reserve Affiliation Agreement was offered to persons serving on active duty who had 180 days or less remaining on their active duty obligations and who would have Reserve service obligations remaining under title 10 U.S. Code, after release from active duty. It was also offered to anyone who had served on active duty, had been released under honorable conditions, and was still serving a period of Reserve service obligation in the Individual Ready Reserve. The bonus payment was determined by

multiplying \$25 times the number of months remaining on the individuals' Reserve obligation. For individuals still serving on active duty, the number of months remaining at the time of discharge was used. Soldiers having less than 18 months remaining on their Reserve service obligation were paid the bonus, in full, when they signed a Reserve Affiliation Agreement. If they had more than 18 months remaining, then one-half of the bonus was paid when a Reserve Affiliation Agreement was signed and the remainder paid on the fifth anniversary of their original enlistment (U.S. Public Law 342, 1980).

Prior Service Enlistment Bonus

The Department of Defense Authorization Act, 1985 established a new GI Bill for both, active and Reserve Forces. While the House Armed Services Committee wanted this program to be the primary recruiting and retention tool for the Reserve Forces, its members also realized that other incentives may be more attractive to some people. The Committee recommended that the Department of Defense Authorization Act for 1986 contain substantial payment increases for the Reenlistment Bonus for Members of the Selected Reserve and the Bonus for Reserve Affiliation Agreement. The Committee also wanted to offer individuals completing active duty an additional incentive to join the Selected Reserve, so the bill also established a new bonus, the Prior Service Enlistment Bonus (U.S. Congress, House Report, 1985).

Prior service members who enlisted in the Selected Reserve for three-year or six-year terms, in military skills designated as critical by the Service Secretary, were eligible for the new Prior Service Enlistment Bonus. Individuals must have completed their initial military service obligation, have less than ten years of service, have been honorably discharged,

and not have been paid a bonus for Reserve enlistment. The bonus authorized a payment of up to \$5,000 for a six-year enlistment, or up to \$2,500 for a three-year commitment. One-half of the bonus was paid in an initial payment and the remainder paid in annual installments of \$416.66 (U.S. Public Law 145, 1985).

EFFECTIVENESS OF BONUS PROGRAM

Surveys Indicating Attitudes/Propensity for Enlistment or Reenlistment

Surveys and studies administered by the Department of Defense, Department of the Army, and various contract agencies, may be the most important indicators of personal motivations for participation and continuation in the Reserve Components. In the "1986 Reserve Components Surveys" soldiers indicated that financial considerations were important in their decision to stay in the Reserves. There appeared to be a distinct difference between the type of financial incentive that appealed to the younger enlisted members and the type that interested the more senior enlisted members. While the more senior enlisted members indicated that retirement benefits played a significant part in their decision to remain in the Reserves, money for family expenses or extra money to use "now" was more important for younger enlisted members. This meant that when reenlistment time arrived, junior enlisted personnel receiving bonuses placed a higher value on money than those not receiving bonuses (Defense Manpower Data Center, 1987).

The "1994 Survey of Troop Program Unit (TPU) Members" found results very similar to the "1986 Reserve Components Surveys." Twenty-six percent of the junior enlisted soldiers responded that the reenlistment bonus contributed "a great deal" to their decision to stay in the Army Reserve, and an additional thirty-seven percent said that the

reenlistment bonus contributed "somewhat" to their decision to remain in the TPU (Office of the Chief, Army Reserve, 1995).

In 1995, the Office of the Chief, Army Reserve conducted a survey entitled, "1995 Survey of Soldiers Early in Their Obligation." This survey queried new Army Reserve members shortly after they had reported to their units. Results indicated that thirty-five percent of the new soldiers said receiving a bonus was a "very" important reason for joining the Army Reserve (Office of the Chief, Army Reserve, 1996).

The "Youth Attitude Tracking Study" (YATS) is an annual survey designed to gather data on the propensity of young men and women to enlist in the Armed Forces. The YATS surveys completed between 1983 and 1986 indicate that hypothetical incremental growth in enlistment bonuses and educational assistance increased the likelihood of enlistment. The latest YATS survey did not contain specific questions concerning bonuses, but it did show a slight increase in propensity for Reserve service in 1995. This increase follows a decline in propensity from 1990 through 1994 (Youth Attitude Tracking Study, 1995).

In 1983, the U.S. Army Recruiting Command conducted a study, *The Measurement of High School Students' Attitudes Toward Recruiting Incentives* (Kaplan and Harris, 1983).

This study found that educational assistance was a more effective incentive to potential enlistees in Mental Categories I and II, whereas, enlistment bonuses were more effective to potential enlistees in Mental Categories IIIa, IIIb, and IV.

Effects on Length of Term of Service

Before the Reserve Component Incentive Programs began, many individuals in the Selected Reserve reenlisted for one-year periods, after they had completed their initial six-year term of enlistment. These short reenlistment periods increased administrative workload and made it more difficult to project future strength needs. In order to encourage longer reenlistment obligations, the law was written to require a three-year or six-year term in order to qualify for a bonus. To further encourage the six-year obligation over the three-year, the law only allowed individuals to receive a bonus one time. This required soldiers to obligate to a six-year contract in order to receive the maximum cash benefit (U.S. Congress, House Report, 1977).

Several reports and studies have examined the effect bonuses have on commitment lengths and actual time served. One such study conducted by the RAND Corporation was, *The Design, Administration, and Evaluation of the 1978 Selected Reserve Reenlistment Bonus Test* (Grissmer, Doering, and Sachar, 1982). This test tracked two groups of individuals, a control group and a bonus group. Individuals in the bonus group were offered a reenlistment bonus for a three-year or six-year reenlistment, while individuals in the control group were not offered a bonus. Figure 1 shows that, eighty-two percent of the eligible individuals in the bonus group chose a three-year or six-year term, and only thirteen percent in the control group chose the longer terms.

PERCENT OF REENLISTMENT ELIGIBLES ELECTING 3-YR OR 6-YR TERMS

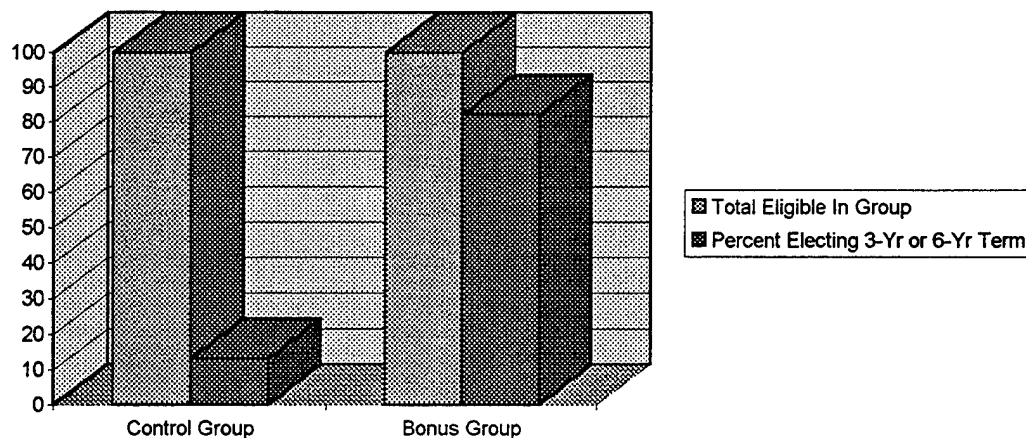


Fig. 1.

In Follow-up of Participants in the 1978 Selected Reserve Reenlistment Bonus Test

(Grissmer and Hiller, 1983), the RAND Corporation continued tracking the participants from its previous study. The follow-up agreed that a bonus increases the total man-years of service, but also found that attrition rates for bonus recipients were approximately six percent lower than for individuals in the control group. RAND concluded that bonus programs brought longer terms of service, higher quality recruits, and reduced attrition to the Reserve units.

The Army Research Institute for Behavioral and Social Sciences (ARI) conducted a study in 1987 entitled, *The Effects of Bonuses on Army Reserve Reenlistments: An Empirical Bayes Approach* (Dale, October 1987). This study was done to support the Sixth Quadrennial Review of Military Compensation (QRMC). The ARI used Army data from the previous RAND Corporation studies and applied the statistical procedure, empirical

Bayes, to analyze the effectiveness of three-year and six-year Reserve reenlistment bonuses. The study presented three findings: (1) reenlistment bonuses increased the average length of commitment, (2) reenlistment bonuses increased retention rates, and (3) six-year bonuses were more cost effective than three-year bonuses.

Figure 2 illustrates ARI's findings for the number of soldiers in each group who chose one-year, three-year, and six-year reenlistment periods. More soldiers in the bonus group selected three-year or six-year reenlistment terms than soldiers in the control group. The increase in three-year and six-year reenlistment terms that occurred in the bonus group resulted in a larger commitment of total man-years and raised the average length of commitment to a number that was three times higher than the control group (fig. 3).

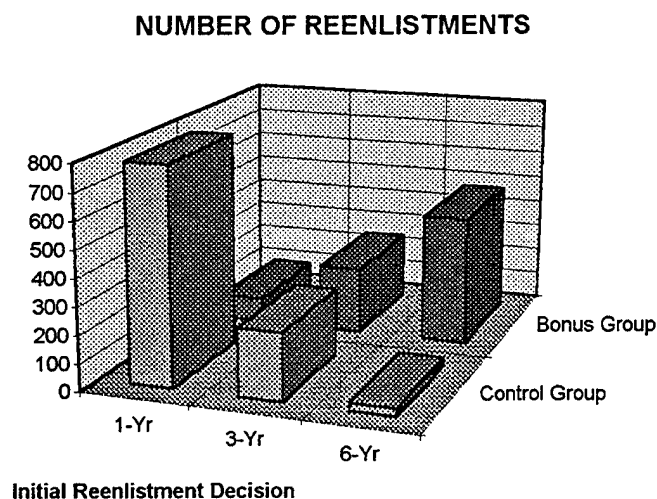


Fig. 2.

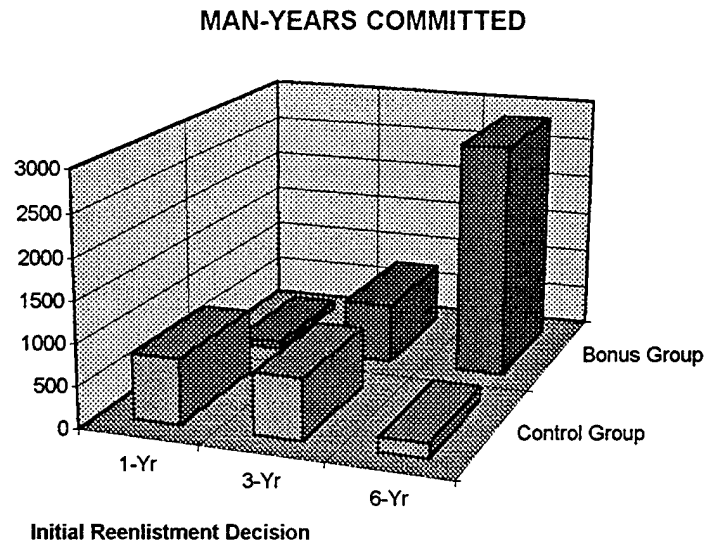


Fig. 3.

By the end of the third year of the experiment, soldiers drawing a bonus were honoring their commitments at a higher rate than those in the control group (fig. 4).

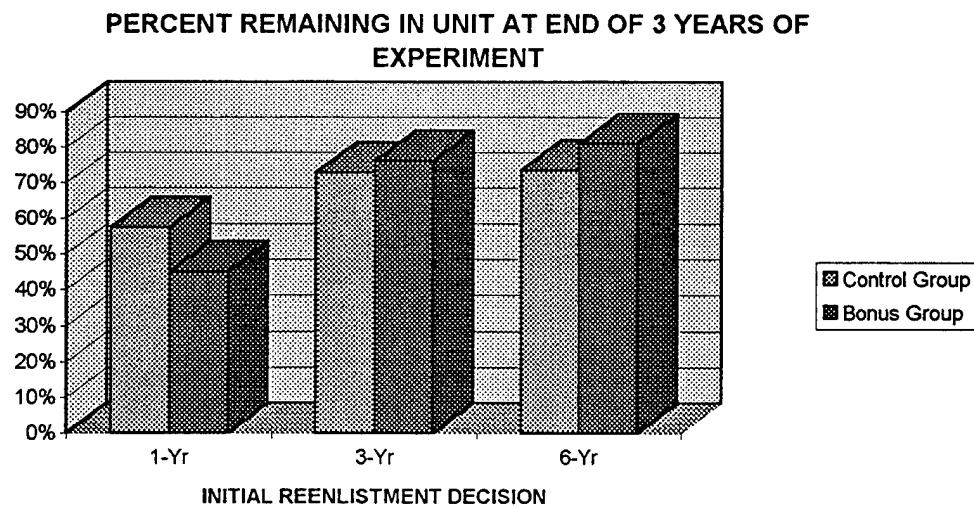


Fig. 4.

Effects on Soldier Quality

The Reserve Component Incentive Programs have been successful in improving soldier quality in the Army Reserve. Since the bonus programs first began in 1978, the number of high school graduates have continued to increase, and the percentage of Mental Category IV personnel entering the Army Reserve has steadily decreased. The graph at figure 5 portrays the improvement of soldier quality in the Army Reserve by using the decrease of non prior service recruits scoring in the Mental Category IV level of the Armed Forces Qualification Test (AFQT) as the measuring device. This data is from the Defense Manpower Data Center, as reported on the Reserve Component Common Personnel Database System.

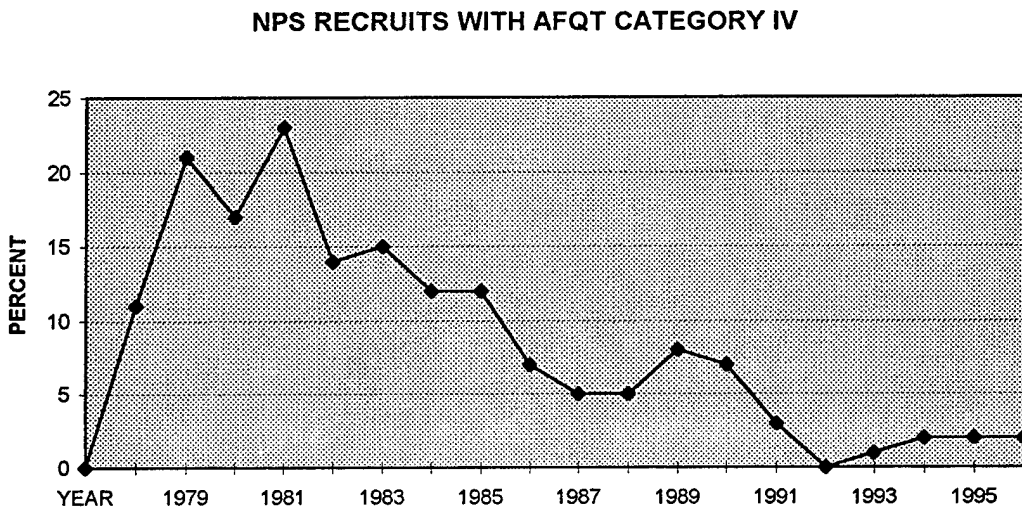


Fig. 5.

THE EFFECT OF INFLATION ON BONUS PAYMENTS

Annual inflation has continually caused Reserve bonus values to decline. Table 1 shows the decreasing value of each bonus from 1978 through the end of 1996. The first dollar amount in each column is the initial amount authorized for that bonus. The second bold print figure identifies the year an increase was made and the new value. Values were determined using the Consumer Price Index "U."

FISCAL YEAR	6-Yr REENLISTMENT	NON-PRIOR SERVICE ENLISTMENT	AFFILIATION	6-Yr PRIOR SERVICE ENLISTMENT
1978	\$1,800	N/A	N/A	N/A
1979	\$1,596	\$2,000	N/A	N/A
1980	\$1,380	\$1,730	N/A	N/A
1981	\$1,238	\$1,551	\$25	N/A
1982	\$1,162	\$1,456	\$23	N/A
1983	\$1,124	\$1,409	\$23	N/A
1984	\$1,076	\$1,348	\$22	N/A
1985	\$1,037	\$1,300	\$21	N/A
1986	\$5,000	\$1,276	\$50	\$5,000
1987	\$4,818	\$1,230	\$48	\$4,818
1988	\$4,618	\$1,179	\$46	\$4,618
1989	\$4,395	\$1,122	\$44	\$4,395
1990	\$4,158	\$1,061	\$42	\$4,158
1991	\$3,983	\$1,017	\$40	\$3,983
1992	\$3,863	\$986	\$39	\$3,863
1993	\$3,748	\$956	\$37	\$3,748
1994	\$3,652	\$5,000	\$37	\$3,652
1995	\$3,548	\$4,859	\$35	\$3,548
1996	\$3,444	\$4,715	\$34	\$3,444

Table 1

The following two figures display the reduction in values that were shown in table 1. The devaluation in figure 6 is from the original bonus amounts, and figure 7 shows the value at the end of 1996. Since the Prior Service Enlistment Bonus has never been adjusted, it is not represented in figure 6.

PERCENT OF ORIGINAL VALUE BEFORE ADJUSTMENT

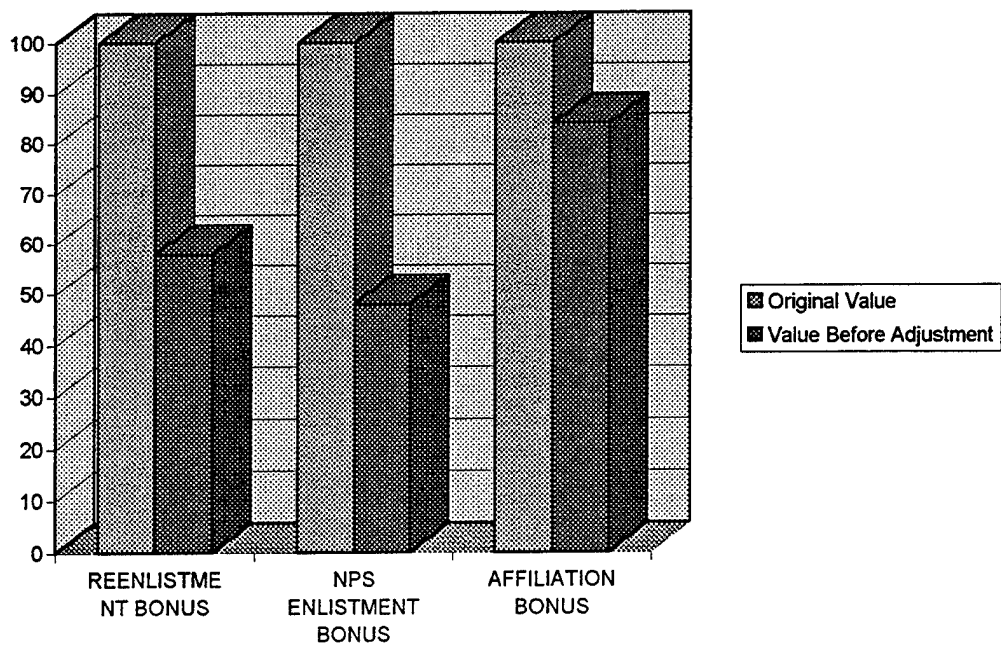


Fig. 6.

ADJUSTED VALUE AT END OF 1996

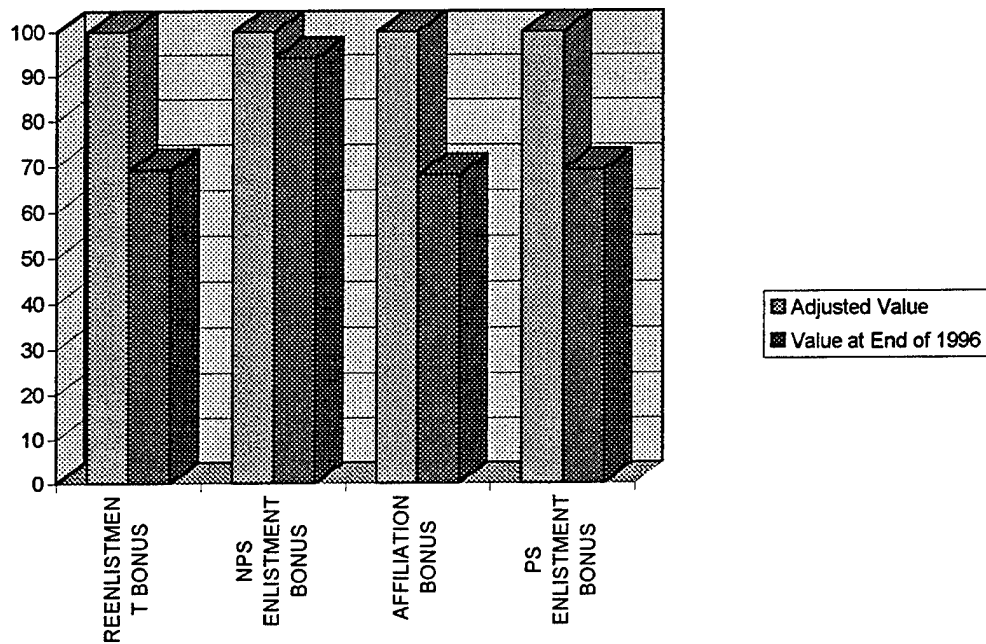


Fig. 7.

In 1987, a U.S. Army Research Institute for the Behavioral and Social Sciences study, *The Effects of the New GI Bill and Higher Reenlistment Bonuses on Army Reserve Reenlistments* (Dale, August 1987), included an analysis of the effects a forty percent increase in the three-year and six-year reenlistment bonus rates had on reenlistment. The New GI Bill and the increase in the bonus amounts began at different times, so the study was able to separate the effects the two programs had on Army Reserve reenlistment. The report noted that after the reenlistment bonus was increased, an average of 203 additional Army Reservists reenlisted for six-year terms each month and an average of 28 fewer Reservists reenlisted for three-year terms. Figure 8 indicates that six-year reenlistments went up and three-year down, inferring that higher bonus amounts increased the number of reenlistment contracts and the committed man-years of service.

EFFECTS OF THE 1986 BONUS INCREASE ON ARMY RESERVE REENLISTMENTS

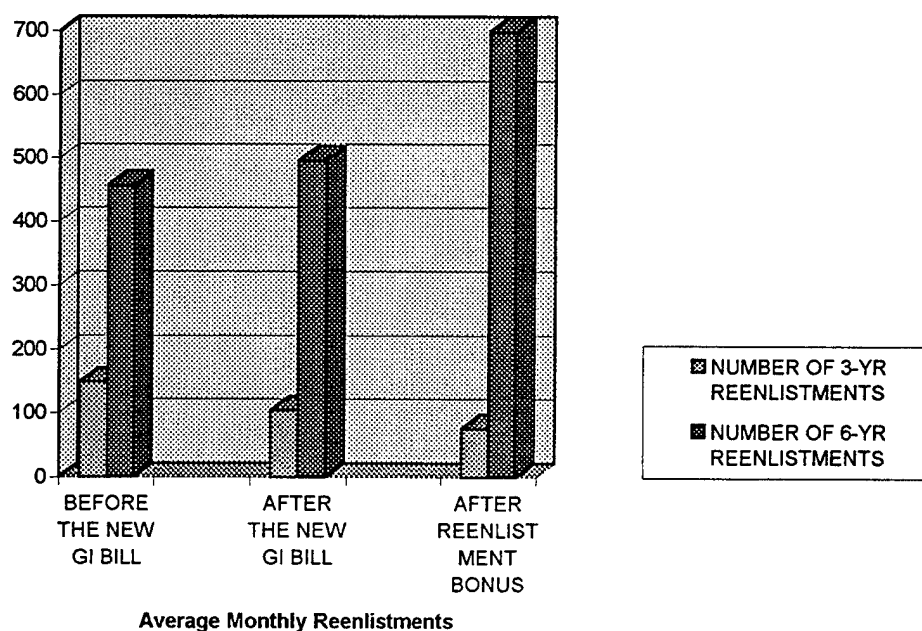


Fig. 8.

The Return on Investment Analysis Application (ROI-AA)

In 1996, the Office of the Assistant Secretary of Defense for Reserve Affairs, contracted General Research Corporation, International (GRCI) to develop a software application that would evaluate the effectiveness of Selected Reserve Incentive Programs. The project was named "The Reserve Component Selected Reserve Incentive Program Return on Investment Analysis Application (ROI-AA)" (General Research Corporation, International, 1996).

The purpose of the project was to determine what effect, if any, incentives have on retention rates in the Reserve Components, and to compare the cost of the incentive programs to the cost to recruit and train replacement personnel. Social Security Number level data was collected from the Defense Manpower Data Center (DMDC) in the form of extracts of the Reserve Component Common Personnel Data System (RCCPDS) files. Information captured was for 1988 through 1995 and included: individuals eligible for incentives, individuals drawing incentive benefits, and data for historical monthly gains and losses.

Based on the collected data, GRCI was able to develop a historical fiscal year cohort file of bonus eligible personnel who were not participating in a bonus program and compare it directly to a file containing eligible personnel who were participating in a bonus program. Table 2 contains the Army Reserve data produced by the ROI-AA model. The "prior service enlistments" column includes soldiers who were receiving the Prior Service Bonus for Service in the Selected Reserve or the Affiliation Bonus for Service in the Selected

Reserve. The "cost avoidance factor" is based on an average replacement cost of \$20,702 per individual, which the Army Reserve provided.

RETURN ON INVESTMENT FOR ARMY RESERVE BONUS PROGRAMS FOR YEARS 1988-1995

	REENLISTMENT <u>BONUS</u>	NON PRIOR SERVICE <u>ENLISTMENTS</u>	PRIOR SERVICE <u>ENLISTMENTS</u>
Improved Retention Rate	3.45%	2.15%	3.58%
Man Years Saved	7,299	15,045	3,441
Incentive Obligation	\$33,707,500	\$73,974,000	\$10,298,400
Cost Avoidance	\$28,741,064	\$73,809,906	\$20,161,808
Return on Investment	(\$4,966,436)	(\$164,094)	\$9,863,408

Table 2

Both, the Army Reserve reenlistment bonus and the non prior service enlistment bonus figures in table 2 indicate negative returns on investment. There are two possible reasons for the poor return shown for all three bonus programs. The first reason may be because GRCI did not cross validate the DMDC extract with Social Security Number level pay data. Because of its work with the Army National Guard and Army Reserve, GRCI maintained that type of detailed Army pay data, but did not have it for the other components. To ensure an equal comparison of data for all Reserve Components, GRCI's "incentive obligation" included the dollar amount needed to pay 100 percent of all bonus amounts to the participants. This resulted in an "incentive obligation" figure that was higher than if the actual pay data had been used, because not all participants remained in the program and collected their total bonus disbursements. Cross validating the pay files would have resulted in an "incentive obligation" figure that only included actual payments.

The second reason for negative returns on investment may be because the ROI-AA does not use inflation affected dollars when figuring "incentive obligations." The model uses the most recent values for the "average replacement cost," but uses "incentive obligation" figures that have not been devalued for inflation. This caused an inaccurate "cost avoidance" factor that was used in computing the return on investment.

Using ROI-AA Results to Compare Retention Rates

The data produced by the ROI-AA model can also be used to compare retention rates between bonus participants and non-bonus participants. As shown in table 3, the combined eight cohorts (1988-1995) contain a total beginning strength of 38,798 soldiers who were eligible for the reenlistment bonus. While only thirty-six percent of the eligibles chose to participate in the bonus program, ninety-three percent of those who did participate, obligated for a six-year term. The table also shows that more bonus recipients were still serving in their units at the end of three and six years.

RETENTION RATES FOR USAR SOLDIERS ELIGIBLE FOR REENLISTMENT

	BEGINNING <u>STRENGTH</u>	REMAINING AT END <u>OF 3d YEAR</u>	REMAINING AT END <u>OF 6th YEAR</u>
BONUS ELIGIBLES	38,798	74.0%	58.6%
NON PARTICIPANTS	24,879	70.6%	56.4%
PARTICIPANTS	13,919	80.1%	62.6%
3-YR REENLISTMENT	872	77.5%	55.8%
6-YR REENLISTMENT	13,047	80.3%	63.1%

Table 3

The number of individuals participating in the Prior Service Enlistment Bonus was extremely small, but table 4 indicates the results were similar.

**RETENTION RATES FOR PRIOR SERVICE USAR SOLDIERS
ELIGIBLE FOR ENLISTMENT**

	BEGINNING <u>STRENGTH</u>	REMAINING AT END <u>OF 3d YEAR</u>	REMAINING AT END <u>OF 6th YEAR</u>
BONUS ELIGIBLES	202,704	44.0%	30.6%
NON PARTICIPANTS	199,008	43.8%	30.6%
PARTICIPANTS	3,696	59.0%	33.2%

Table 4

Table 5 presents a different story. It indicates a very good participation rate for the Non Prior Service Enlistment Bonus, but shows retention rates that are considerably lower than the other programs. This problem was also noted in the 1988 Sixth QRMC (Department of Defense, 1989). That report stated that the attracting mechanism of the Non Prior Service Enlistment Bonus was effective, but the retention mechanism did not work well. This was, and is, apparent because of the very high attrition rates for first-term enlistees.

**RETENTION RATES FOR NON PRIOR SERVICE USAR SOLDIERS
ELIGIBLE FOR ENLISTMENT**

	BEGINNING <u>STRENGTH</u>	REMAINING AT END <u>OF 3d YEAR</u>	REMAINING AT END <u>OF 6th YEAR</u>
BONUS ELIGIBLES	72,597	58.3%	42.5%
NON PARTICIPANTS	35,610	61.6%	48.4%
PARTICIPANTS	36,987	55.1%	36.8%

Table 5

CONCLUSIONS AND RECOMMENDATIONS

Overall, the Reserve Component Incentive Programs have been proven successful at improving the recruiting and retention efforts for the Army Reserve. Various surveys have produced results indicating that new and prospective recruits, as well as junior enlisted members, have been positively swayed by the additional money offered through the bonus programs. Soldiers have indicated that bonuses have influenced their decision to enter the Army Reserve, their choice for unit or specialty, and their length of service obligation.

Studies cited have shown that soldiers have chosen longer lengths of service when bonuses were offered, and tended to honor those obligations better than soldiers who did not receive bonuses. Longer lengths of service have translated into lower attrition rates, which saved recruiting and training dollars by decreasing the recruiting and training missions.

The Reserve Component Incentive Programs have been successful in helping to raise soldier quality. The number of high school graduates have increased, and the percentage of Mental Category IV personnel entering the Army Reserve has steadily decreased.

Efforts to increase bonus values to keep up with inflation need to continue. As shown, the forty percent increase in the reenlistment bonus in 1986 resulted in a forty-one percent increase in six-year reenlistments. Based on the Consumer Price Index, the bonus values at the end of 1996 show a significant decrease. If this erosion continues, the success of the bonus programs will suffer.

The new ROI-AA program developed by GRCI is the first project, in many years, with a purpose of analyzing Reserve Component data. While researching material for this paper, many recent studies on bonuses, recruiting, and retention were found for the active forces, but no recent works, other than surveys, existed for the Reserve Components. More effort needs to be directed to the study of effects of bonuses on Reserve recruiting and retention. In the early years of the Reserve Component Incentive Programs, a great amount of attention was directed to tracking the development and effectiveness of the new programs. That interest needs to be regenerated, and the talents and abilities of the U.S. Army Recruiting Command, the Army Research Institute for Behavioral and Social Sciences, the RAND Corporation, and the Quadrennial Review on Military Compensation, among others, should be focused on the Reserve Forces to define the market, analyze its needs, and ensure that our recruiting and retention dollars are spent wisely and effectively.

As discussed earlier, with a few modifications, the ROI-AA model will be a verify useful tool for tracking and analyzing the Reserve bonus programs. It will provide data that will help the leadership identify and separate the successful programs from the costly, ineffective ones, and perhaps, help pinpoint the cause of the high attrition rates for first-term enlistees. The Office of the Assistant Secretary of Defense for Reserve Affairs is currently in the process of updating its contract with GRCI for the ROI-AA program. They have been informed of the concerns discussed in this paper.

The success of today's Army Reserve, as well as that of the future Army Reserve, depends on its ability to recruit, train, and retain high quality soldiers. The challenges to keep Reserve units filled are very different from those affecting the active forces. Changes in

Reservists' marital status, employment status, and residence may have a significant impact their commitment to their unit and their ability to continue to train and serve. Today Reservists are called on for more frequent and longer deployments, which also affect civilian employer relationships, civilian employment goals and family responsibilities. Commanders must provide effective, interesting training and quality leadership to instill the intrinsic values necessary to keep their soldiers serving. The Reserve Component Incentive Programs have been, and will continue to be, the tangible benefits that Reserve commanders use to attract and retain their quality soldiers so that they may continue to accomplish the Army Reserve's expanding mission.

REFERENCES

- Dale, Charles, *The Effects of Bonuses on Army Reserve Reenlistments: An Empirical Bayes Approach*, The U.S. Army Research Institute for the Behavioral and Social Sciences. Technical Report Number 761.
- Defense Manpower Data Center. 1987. Description of Officers and Enlisted Personnel in the U.S. Selected Reserve: 1986. A Report Based on the 1986 Reserve Components Surveys.
- _____. 1996. *Youth Attitude Tracking Study 1995: Propensity and Advertising Report*. Defense Manpower Data Center Report Number 96-007.
- Department of Defense, 1989. *Sixth Quadrennial Review of Military Compensation, Vol. 1; National Guard and Reserve Compensation* (U.S. Government Printing Office, 1989).
- General Research Corporation, International, 1996. "Reserve Component Selected Reserve Incentives Program Return On Investment Analysis Application".
- Grissmer, David W., Zahava D. Doering, and Jane Sachar, *The Design, Administration, and Evaluation of the 1978 Selected Reserve Reenlistment Bonus Test*, The RAND Corporation, 1982, p. vii. Cited in *Sixth Quadrennial Review of Military Compensation, Vol. 1; National Guard and Reserve Compensation* (U.S. Government Printing Office, 1989).
- Grissmer, David W. and John R. Hiller, *Follow-up of Participants in the 1978 Selected Reserve Reenlistment Bonus Test*, The RAND Corporation, 1983, p. vi. Cited in *Sixth Quadrennial Review of Military Compensation, Vol. 1; National Guard and Reserve Compensation* (U.S. Government Printing Office, 1989).
- Kaplan, Robert L. and Patricia T. Harris, *The Measurement of High School Students' Attitudes Toward Recruiting Incentives*, U.S. Army Recruiting Command Report 83-1, (McLean, VA: The Rumson Corporation, 1983), p. 18. Cited in *Sixth Quadrennial Review of Military Compensation, Vol. 1; National Guard and Reserve Compensation* (U.S. Government Printing Office, 1989).
- Office of the Chief, Army Reserve. 1995. "1994 Survey of TPU Soldiers".
- _____. 1996. "1995 Survey of Soldiers Early in Their Obligation".
- _____. 1997. *U.S. Army Reserve 1997 Annual Report to Congress*.
- U.S. Congress. House. Armed Services Committee. 1977. *Department of Defense Appropriation Authorization Act, 1978*. House Report Number 95-194.
- _____. 1978. *Department of Defense Appropriation Authorization Act, 1979*. House Report Number 95-1118.
- _____. 1985. *Department of Defense Authorization Act, 1986*. House Report Number 99-81.
- U.S. Congress. Senate. Armed Services Committee. 1980. *Department of Defense Authorization Act, 1981*. Senate Report Number 96-826.
- U.S. Public Law 79. 95th Cong., 1st sess., 30 July 1977. *Department of Defense Appropriation Authorization Act, 1978*.

U.S. Public Law 485. 95th Cong., 2d sess., 20 October 1978. *Department of Defense Appropriation Authorization Act, 1979.*

U.S. Public Law 342. 96th Cong., 2d sess., 8 September 1980. *Department of Defense Authorization Act, 1981.*

U.S. Public Law 145. 99th Cong., 1st sess., 8 November 1985. *Department of Defense Authorization Act, 1986.*