In the preceding chapters, we presented evidence about the personnel difficulties facing the Air Force and discussed options for altering the structure of military compensation. The options included restructuring the basic pay table to make it more positively skewed with respect to rank, promoting personnel faster, paying higher bonuses, tying bonus payments to current skill level and current rank, and conditioning deployment pay on the number of previous episodes involving hostile duty. We also discussed skill pay and capability pay, describing the roles they could play and the issues involved in their implementation. In conclusion, we offer two points regarding approaches to evaluating possible new pays and the value of flexibility in managing the personnel force.

PATHWAYS FOR EVALUATING NEW PAYS

The effects and cost-effectiveness of skill pay and capability pay can be analyzed using microsimulation of individual retention and effort decisions in response to the incentive structure posed by the pays. Determining the schedules for skill pay and capability pay and the details of administering these pays would require close consultation with Air Force compensation officers. The simulation model would then be developed to reflect the features of specific options under consideration. Skill pay and capability pay probably would not emerge as highly flexible mechanisms for responding to supply problems caused by the business cycle. But they would be helpful tools for dealing with persistent, large differences between military
and private-sector pay, and for encouraging high performers to stay in the service.

A complement to microsimulation modeling could be a demonstration experiment in which a subset of Air Force personnel would be randomly assigned to test or control groups, and the test groups would be offered alternative skill or capability pays. The retention behavior of each group would be tracked, or survey methods could be used to assess their reenlistment intentions at different points in time. Because of perceptions of inequity, such a demonstration experiment would need to ensure that expected compensation was equal across the control and test programs. There are precedents for the use of such experimentation methods in military personnel research. For example, experimentation was used to analyze the effects of newly structured educational benefits programs and enlistment bonus programs in the early 1980s. These experiments were extremely valuable in providing empirical evidence on the effects of different educational benefits and enlistment bonus payments and structures. Furthermore, this evidence laid the foundation for the adoption of the Montgomery GI Bill in 1984 and the expansion of the enlistment bonus program in 1985. Experimentation is a particularly valuable approach to assess a narrow set of feasible options for skill pay or capability pay.

Another useful approach to assess new pay alternatives is a survey with a “factorial” or “conjoint” design. Just as private firms often use survey methods to query potential consumers about their preferences and buying intentions with respect to new products or new product designs, the military has begun adopting such methods in the area of recruiting. For example, RAND is conducting a survey of American youth in the college market to ascertain their enlistment intention and interest levels under a variety of new recruiting policies targeted to the college market. The “factorial” or “conjoint” approach allows us to examine the effects of different policy factors on enlistment intentions and to determine which combination of factors leads to the highest enlistment intentions. Such survey methods enable inferences about how individuals might respond to new recruiting policies.

Similarly, these methods could be used to make inferences about the retention effects of skill pay and capability pay alternatives among
Air Force personnel in key skill areas. A survey could be designed that would target personnel in various Air Force occupational areas. The survey would include different alternatives for skill pay and capability pay. Analytical methods could then be used to discover which alternatives, or combination of alternatives, lead to the highest level of reenlistment intentions among each group. Surveys can be used to query Air Force personnel about their retention intentions under a large number of potential skill pay and capability pay alternatives. Consequently, the survey approach is a particularly valuable way to assess a large array of options in order to narrow down the field to a few feasible ones.

SECURING GREATER FLEXIBILITY IN SHAPING THE PERSONNEL FORCE

In designing alternatives, regardless of assessment method, it is important to recognize that long-term manning goals may be substantially different from the manning goals of the past. The services have begun to consider the potential advantages of longer careers in certain specialties and keeping personnel in certain positions for a longer time. In the past, the patterns of retention and therefore average years of service were largely similar across specialties. An increase in career length could take the form of increasing the average years of service, e.g., from 7–8 years to 10–12 years or more. It could also focus on keeping more personnel after 20 years of service and even extending the mandatory retirement date from 30 years of service to 35 or 40 years of service, again depending on the specialty and the position. Lateral entry could be expanded to bring in personnel at middle to high skill levels. Lateral entry might help avoid shortages and could introduce the latest skills and knowledge into the military from fast-changing fields. The counterpart to lateral entry is a greater use of outsourcing for tasks that can be done by private-sector contractors. More reliance on outsourcing would presumably have implications for service manning requirements and rank/experience mix. Skill pay and capability pay seem to have the potential for being effective mechanisms for supporting alternative manning structures and for gaining the flexibility needed to meet future manning goals.