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# **New Paths to Success**

## Determining Career Alternatives for Field-Grade Officers

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# Summary

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## Background

In recent years, DoD has increasingly focused on creating a more strategic, modernized, and flexible officer personnel system—in particular, a system that will leverage its human capital to improve organizational effectiveness while enhancing the quality of life of its officers. To achieve these goals, DoD is exploring a wide range of personnel management programs that promise to offer enhanced stability and flexibility for service members while also placing greater value on experience and maturity.

One area that has received considerable attention is the military's promotion system. Secretary of Defense Donald Rumsfeld has expressed concern that current promotion policies risk driving experienced people to leave the military too early. Echoing these comments, Admiral David Jeremiah, the head of the secretary's Morale and Quality of Life Review Panel, has noted, "We make it hard for people to stay."

At present, almost all military officers are subject to a policy commonly known as up-or-out, which requires separation from service if an officer is not promoted within a certain period of time (or selectively continued) or when an officer encounters established grade tenure limits. Of late, the possibility of eliminating or modifying up-or-out has been a source of growing debate. In order to consider the issue more fully, the USD(P&R) asked NDRI to design and determine the effectiveness of new career path alternatives. Specifically, we were asked to recommend alternatives to up-or-out that could be implemented on a limited basis as demonstration projects and then evaluated for possible wider implementation.

## **Up-or-Out or Up-or-Stay?**

The military's up-or-out policy mandates that officers who are twice failed of selection for promotion within a single grade be discharged, retired, or at best allowed to serve up to two more years in order to qualify for retirement. The up-or-out policy is intended to provide a strong incentive for good performance, create promotion opportunities for officers in lower grades, and lower the average age of the officer corps. Such a policy implicitly defines "success" by promotion.

The up-or-out policy, formalized in federal law in 1947, replaced a strict seniority system that many saw as inhibiting military readiness at the start of World War II. Since its inception critics have said the policy is wasteful, results in senior officers feeling their experience is not valued, causes officers to move through assignments too quickly, and reduces the experience level of the officer corps. Instead of an up-or-out policy, many private and public sector organizations, as well as some foreign militaries, have up-or-stay policies that allow individuals to enjoy full careers even if they do not advance beyond certain positions or levels. This policy, which does not entirely preclude forced separation, offers lower turnover, greater career stability, a more experienced workforce, and possibly reduced numbers of accessions and reduced training costs. If achieved, such outcomes would advance DoD's efforts to create more stable career paths for its officers.

## **Formulating Alternatives to Up-or-Out**

In order to help DoD consider alternatives to up-or-out, we considered a range of potential substitutes for, or modifications of, existing policy. The simplest option is to eliminate up-or-out entirely or to limit it to junior-grade officers. We also studied various policies that would not abolish the principle of up-or-out but would still achieve some of the same goals as an up-or-stay policy, such as broadening promotion zones (e.g., allowing promotion consideration over a five-year period) or allowing officers to choose when they are considered for promo-

tion within time-in-grade milestones and other constraints set by the services.

Because changing a single policy can have repercussions throughout the career management system, we also suggest related policies that could, or should, change if up-or-out is modified. For instance, the services will require a refined mechanism for involuntary separation of nonperforming officers. Assignment policies might also change if officers stay in service without requirement of promotion, and new career paths may emerge—such as a “fly only” option for pilots.

Compensation and incentives would also be affected by up-or-out alternatives. With replacement of up-or-out, average time in grade is likely to increase at certain grades, as will cumulative years of service (YOS). More officers will reach the point where they are no longer eligible for longevity pay increases based on the present pay tables. Thus, we considered various ways to compensate officers during a demonstration project through existing incentives, for example, critical skills retention bonuses (CSRBs) and the Thrift Savings Plan (TSP), which could be used to boost officer remuneration. Further, in creating proposed alternatives for demonstration projects, we considered nonmonetary incentives, especially geographic stability, in addition to monetary incentives. All of these related policies played a role in the final formulation of our proposed programs and their target populations.

## **Determining Target Communities**

Within the military’s warfighting communities there is a long-held belief that up-or-out ensures the vitality of the force. Given this tradition and a general skepticism about ending such an established policy, it was a challenge identifying communities to participate in these demonstration projects. In general, officer community managers resist ending up-or-out, except for the medical and legal communities and for certain technical specialists, such as members of the acquisition corps. Those warfighting communities that were more open to the idea of an alternative to up-or-out currently face manning problems they wish to resolve. As a result, two of our policy packages for testing attempt

to address manning shortages. The risk of such a strategy is that an up-or-stay program is viewed merely as a temporary fix to a transitory problem, obscuring the benefits of implementing it as a more permanent policy. We therefore offer two other policy packages that explore other benefits of an up-or-stay system: greater flexibility in managing the careers of highly valued officers and increased return on investment in training and education.

Although we have tailored the packages for a demonstration project to particular communities, they can be adapted to other communities and even to other services. Specifically, we formulated four up-or-stay policy packages focused on four communities of different sizes:

- Air Force: individuals in multiple communities
- Army: the entire foreign area officer (FAO) community.
- Navy: individuals in the Surface Warfare Officer (SWO) community
- Marine Corps: individuals across the entire corps

## **Our Approach**

These four proposed programs (or alternatives to them) would be implemented as demonstration projects. Federal agencies have carried out a number of such projects to test prospective changes in the civilian personnel management system. On the military side, the practice is far less common but has the potential to become a critical new tool for military personnel planning as well.

The design of our projects varies based on the size of the program and the participant selection strategy (i.e., whether participants are selected randomly or are chosen based on specific characteristics). We propose that one project—the Air Force program—could be conducted as a controlled field experiment. Such a design is possible with a program of this size, and random assignment from a pool of eligible officers enables conclusions about cause-and-effect relationships.

By comparison, for our larger Army FAO program we propose a quasi-experimental design. Quasi-experiments require sufficient num-

bers but do not permit random assignment. A strong benefit of this design is that it produces generalizable results, although it is difficult to isolate cause and effect. For instance, if officers who pursue a nonpromotion career path stay in service longer, it may be hard to determine whether the cause is the new career path or whether those who are offered the new path have different external job opportunities or are more prone to prefer career stability.

Finally, two of our projects—the Navy SWO and the Marine Corps programs—are designed to be qualitative case studies. While the results will not be generalizable due to the small numbers of participants, case studies generate in-depth qualitative information.

Demonstration projects with experimental or quasi-experimental design should include three components: (1) a comparison group(s) that is similar to the demonstration group but does not experience main project interventions, (2) baseline data to establish the conditions in the demonstration group and the comparison groups prior to the project's start, and (3) a longitudinal design involving periodic collection of data of interest and that can be used for any necessary midcourse correction. Both during and after the projects, program effects can be determined through a series of comparisons between the demonstration and comparison groups in order to evaluate overall effectiveness. Case studies may also require baseline and longitudinal data, but there is little value in collecting the same data for a comparison group.

### **Our Four Proposed Demonstration Projects**

The four policy packages we propose represent specific suggestions for ways to implement up-or-stay demonstration projects and address a host of career management policies related to promotions, training, assignments, compensation, and retirement. They also share several common themes. First, continuation decisions about individual officers would be primarily based on employability (performance in current grades), not promotability. The system would shift to “perform or out” (either centralized or decentralized) and away from “promote or out.” Second, these programs would highlight stability, with an emphasis on longer careers, longer assignments, and less geographical change. Finally, these programs would minimize required changes to current compensation

policies, using instead current provisions for incentive bonuses and TSP contributions to compensate officers for longer service.

The policy packages are designed as follows:

**Policy Package 1: Field Experiment: The Air Force Effective Manning Fill Program.** Several Air Force occupations, including pilots, have severe “effective manning” shortages. This package would allow the Air Force to retain a small number of O-4s and O-5s in occupations with low effective manning. Those officers in undermanned career fields who do not attend in-residence intermediate or senior service school would be randomly selected to enter the program around their thirteenth YOS in the case of O-4s and seventeenth YOS for O-5s. Participants would receive a four-year employment commitment with a major command. Continuation in the program is contingent upon continued employability tied to performance. We anticipate a program size of roughly 25 O-4s and 20 O-5s added per year, eventually reaching, at program maturity, about 450 O-4s and 280 O-5s, if all continue to 30 years.

**Policy Package 2: Quasi-Experiment: The FAO Military Professional Program.** Most closely in keeping with OSD’s original idea for a demonstration project, this program would eliminate up-or-out across the entire Army FAO community. Officers would be promoted as needed, and FAOs beyond 20 YOS would require an employment commitment from a user agency to remain on active duty. The program would allow FAOs to serve up to statutory retirement age regardless of grade. The FAO community is an ideal test case for several reasons. First, it has high midcareer training costs, which means longer careers provide greater return on investment. Second, FAO expertise is hard to replace, as it comes from “soft skills,” tacit knowledge, and personal networks developed over a long career. Finally, extending careers for FAOs will afford the community a valuable opportunity to explore different ways of managing officers’ careers. Specifically, FAOs could receive training and develop expertise in two complementary Areas of Concentration (AOCs), for example, the Middle East and South Asia. The program would apply to the entire FAO community of about 1,000 officers.

**Policy Package 3: Case Study: The SWO Specialist Program.** At present, SWOs who do not screen successfully for executive officer (XO) stand little chance of promotion to O-5 and tend to leave before retirement eligibility at 20 YOS. As a result, the Navy is short hundreds of SWOs at O-4. These shortages, which are expected to continue for several years, are currently dealt with through bonuses. The suggested demonstration project recommends additional use of a nonmonetary retention incentive, geographic stability, which has different appeal. In particular, this policy package will enable a select number of O-4s per year who did not screen successfully for XO to serve in shore-based billets as “SWO Specialists,” with incentives and opportunities to serve up to their twenty-fourth year. This program should address the Navy’s need to retain more midgrade officers with sea duty experience while making available an attractive career alternative that allows for both greater geographic stability and an increased recognition of expertise. We propose a relatively small program of about ten O-4s entering annually after the XO screening point and five more annually at 20 YOS, with about 120 participating officers at program maturity. This number of officers is reasonable for a demonstration given the size of the cohort, the available job structures, and expectations for participation rates.

**Policy Package 4: Case Study: Marine Corps Retention of Highly Valued Officers.** While both the SWO and Air Force programs are driven by manning shortages, the Marine Corps and Army FAO programs explore how officer careers could be managed differently. Continuation in this program will be based on an officer’s performance-based employability in a specific assignment. The goal is to give the Marine Corps greater flexibility in the career management and retention of highly valued field-grade officers. At present, commanders must go through a cumbersome continuation process to retain these officers. Under this program, a small number of valued O-4s, O-5s, and O-6s will be chosen directly by a command or agency to fill headquarters staff jobs (e.g., in HQ USMC or at Quantico) where their tenure and experience could improve organizational effectiveness. Although this package is the only one designed to be offered servicewide, it will also be small and selective, much as the SWO program, accepting approximately nine officers per year, which is a reasonable number given the

size of the USMC and the available billets each year. Marine officers would receive monetary incentives commensurate with a longevity basic pay increase. They would also enjoy greater geographical stability with longer assignments late in their careers and would continue to be eligible for promotion.

These different policy packages are tested through different experimental methods with different populations. As a result it will be difficult to compare across packages, as would be the case if similar experimental methods with similar populations were used. Such a design is not feasible because of size and occupational differences among the services.

## **Next Steps**

To implement these policy packages as demonstration projects, two steps must be taken. First, the services must formally agree with OSD to put such a project and its associated policies in place. Second, because demonstration projects involve changes to military personnel management practices, Congress must grant the necessary authority. OSD bears the responsibility for seeing that both of these steps occur.

We recommend that OSD seek demonstration project authority for military personnel similar to that granted to the Executive Branch for civilian personnel in Title 5 of the United States Code. This process should begin immediately, as the aim of the project is to begin implementation of the policies in fiscal year (FY) 2005.

Both qualitative and quantitative data are needed for evaluation of the programs and should be collected before, during, and after the programs. Interim analysis will allow for program refinement along the way. Evaluation should include analyzing expected resulting grade structures, career tenure profiles, accession requirements, and costs or savings generated. Results of the evaluation will provide guidance to OSD regarding program design features that would likely lead to greater cost savings, a higher officer response rate, or other desirable outcomes. More importantly, the evaluations will address the advisability of administering the tested policies more broadly or making them

permanent. The implementation and evaluation plans will be specified in more detail once decisions are made about whether and how to proceed with the demonstration projects.

Ultimately these demonstration projects should provide a wide range of results, establishing the relative value of specific policy alternatives and requirements, such as incentives, selection criteria, and community impact. In addition, these projects may indicate the likelihood of support for changes to the existing policy and the level of satisfaction and quality-of-life improvement experienced by those participants.