

MILITARY MANPOWER IN A CHANGING ENVIRONMENT

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### INTRODUCTION

At no other time in our history has a peacetime military had to cope with so many changes in the way it deals with its most important resource, people. For a variety of reasons military manpower issues are a central concern in the Pentagon and on Capitol Hill. Clearly, the military of the 1990s will be very different from the military of today. The process of change, which started in the 1960s, is apt to accelerate over the next several decades as new policies and procedures are instituted.

Already there have been fundamental changes within the military, in the relationship of the military and the general population, and within the whole of society. Paramount among these changes are the elimination of the draft, the changing foreign policy and resulting military strategy, the reduction in defense personnel and budgets, the increasing costs of personnel and personnel related services, and the personnel implications of an ever-increasing technological base. In addition, changing racial attitudes, a declining civilian manpower pool, and new attitudes toward the military in Congress and among the general population in the wake of the Vietnam war have created a new environment in which the military have to operate.

The American military have already begun to adapt to changes in the personnel environment; more change is likely. Although the overall strategies for change have not yet been developed and the precise form is not known, the need for change is recognized, and the direction it will take is evident. It is the purpose of this paper to examine some of the major manpower issues and possible alternatives to the present way people are managed and employed by the military.

### THE DRAFT

Unlike many European countries, the United States has not developed an elitist military. The American military has generally operated as an integral

part of American society, especially since the Second World War. The citizen soldier, whether on active service or in reserve, has been the principle upon which the military has developed. Today, most officers are trained through voluntary and part-time programs on university campuses, not by service academies. Enlisted personnel are procured from the general population, not from families with long histories of military service. Many have viewed the move to an all-volunteer armed force as one away from the historical pattern. Experience so far has not shown that a volunteer force will become mercenary and detached from American society. The challenge for the military, however, is to maintain a broad-based organization that can attract young people.

*One of the major effects of the draft was to remove the military from the forces of the marketplace.* In a draft environment, the military could afford to be dominated by traditions that often ran counter to the general thrust of changes in the civilian environment. The draft ensured an adequate supply of manpower, no matter what personnel policies the Services followed. The removal of the draft compels the military to compete in the civilian marketplace for qualified personnel. The Armed Forces must now be responsive to changes in the civilian environment to attract and retain sufficient numbers of qualified personnel at a cost the American public is willing to bear.

In setting personnel policies, the military do not necessarily have to emulate the civilian environment, for there may indeed be certain policies and traditions they will want to pursue that are not encountered in the civilian environment. Rather, they must develop policies that explicitly take into account the alternatives available in the civilian economy. For example, although the military pay and rank structure need not mirror that in the civilian economy, civilian opportunities must at least be accounted for in the design of military compensation and hierarchy. Further, not only must military personnel policies provide realistic alternatives to civilian employment, but the military should also recognize that there are valuable lessons to be learned from the civilian experience.

In a managerial sense, the elimination of the draft was a major shock. The draft had set up many internal behavioral and organizational responses

that have had to be altered in the zero draft world. These patterns affect every aspect of the way the military manage and use their human resources. They have already made substantial progress in adjusting to the new environment, but the full effect of the ending of the draft and moves toward reducing personnel costs have not been felt.

The immediate effect of ending the draft was a substantial increase in the cost (both marginal and average) of new active-duty personnel. The Department of Defense estimates that the direct salary cost of transition to an all-volunteer force in fiscal year 1973 alone was 2.4 billion. In addition, 1.1 billion was spent in this year by the DoD to provide special pecuniary bonuses and such nonpecuniary benefits as new living quarters. Although the early indications are that a volunteer force is indeed a viable institution, the large costs associated with the procurement and retention of qualified personnel and the limited defense resources available suggest that alternatives for more efficient use of a limited number of high-quality personnel must be developed.

#### MANPOWER/PERSONNEL

The major responsibilities for procuring an all-volunteer force have been carried out by the personnel managers. However, by their very nature, personnel and supply considerations are reactive rather than proactive. The more substantive questions relating to cost are determined in the requirements process, which sets manpower standards and determines the military's demand for labor. In general, there has been a lack of response to increasing manpower costs as reflected in the pattern of labor usage over time. For example, one response to rising manpower costs is to substitute equipment for labor. Although labor has become over 50 percent more expensive than capital in the last 15 years, there has been an insufficient response in terms of the share of military resources devoted to labor. The military ought to be looking for alternatives to become more capital intensive. For example, it may be appropriate to consider equipment with *throw-away* (i.e., replaceable) parts, rather than repairable parts. This is a form of substituting capital for labor, since less labor (in the form of less highly skilled personnel) can be used by maintaining a larger stock of parts inventories--i.e., more

capital. The military may also wish to consider automation of supply lines as another form of substituting capital for labor. The use of resources--capital and labor--must become more responsive to the costs of those resources.

In fact, there are organizational and behavioral reasons for the lack of response to changes in the cost of manpower. In each of the Services and in the Office of the Secretary of Defense, separate organizational entities determine the amount of labor required (manpower) and how those requirements are to be filled (personnel). As a result of the distinction, manpower costs seldom enter as a criterion for determining the structure of the military force. There are some notable exceptions--such as the recent cuts in the Minuteman crew force to reduce operating costs, and consideration of manpower costs in the Navy's ship acquisition process--but requirements are generally set without regard to personnel costs. Only when the individual requirements become aggregated into total Service budgets do planners begin to worry about costs. However, the lack of visibility at that level results in the types of gross adjustments that cut force structure rather than reallocate resources within the given force structure.

The reallocation of defense resources between capital and labor and among various types of labor has been further discouraged by the "manning doctrine" method of setting manpower requirements, both in the initial design of new weapons and operating systems and in the use of existing systems. As a result, alternative manning configurations are seldom explored. Only recently have manpower costs been given consideration in the design of new systems. Although attempts have been made to integrate logistics cost considerations in the design phase of new systems, little attention has been paid to how alternative systems configurations affect such manpower factors as training, procurement, and related personnel costs.

It has generally been argued that once a system is in the operating inventory, manning standards are relatively fixed. In fact, however, opportunities still remain for substituting one type of labor for another, thus affecting the operating costs of the system. For example, the F-4 aircraft was designed to be operated by two crew members. Originally the aircraft was manned by two pilots. The eventual substitution of a navigator for the

second pilot substantially reduced the operating costs of the system. But in general, opportunities for substituting one type of labor resource for another are not examined in the manpower requirements process. Such considerations could result in substantial cost savings.

#### RESERVES

The removal of the draft has reduced the pressure for young men to join the reserves. As a result, the reserve forces are experiencing major shortfalls in their manpower procurement. The Army is currently more than 40,000 men short of its stated requirements. Further, recent research indicates that neither current pay nor proposed pay increases will be adequate to man the reserves at traditional levels.

If the Services are to have a volunteer reserve at pay scales similar to those now in use, they must develop alternative manning doctrines and become more efficient in the way they recruit. Current and forecast reserve shortfalls will force a rethinking of the reserve mission and the alternatives for accomplishing that mission. In particular, it may no longer be feasible to structure reserve units to look like active units. Effective management of reserve forces must take into account the increased costs of reserve personnel, and manning doctrines must be adjusted accordingly. At the same time, the Services must also investigate a variety of incentives aimed at increasing reserve enlistments (both nonprior service and prior service) and reenlistments. Controlled experimentation seems to be a useful tool in this regard. For example, the Army and the Air Force are beginning an experiment aimed at estimating the enlistment response to a shorter reserve commitment. Experimentation of this type permits inexpensive evaluation of alternative policies without committing the Services to options that may prove infeasible. Wider use of this research tool is imperative.

#### MILITARY OR CIVILIAN?

One of the central issues likely to develop as the pressure mounts to reduce personnel costs, and our overseas basing commitments decline, is the way civilian personnel are used by the Defense Department. The military have been under pressure to increase the use of civilian personnel since the

the mid-sixties. Discussion of the problems of substituting civilians for military personnel contains much anecdotal evidence but little supporting analysis. Many have argued that certain jobs should be considered to be truly military, not for combat reasons but because civilians are thought to be unwilling or too unresponsive to fill them. Others have countered that civilians can be hired if jobs are made available, since recruiting is said to be easier for civilians than for the military.

In general, arguments have centered on accomplishing short-run goals. Little consideration has been given to the tradeoff of cost and effectiveness or of cost and flexibility. There is often the implication that personnel situations that create problems for the military will not create similar problems if "civilianized." For example, retention is recognized as a military problem but is ignored in the case of civilians. Replacement of military positions with civilians will lower military accession and retention requirements, but it will have an unknown effect on the civilian personnel system. In fact, a consistent way of characterizing labor resources available to the Defense Department has not been developed. The real question is, how do the military and civilian forces differ in form and substance, and given the differences, what mix would enable the military to carry out their mission in the face of real and present operating constraints? At present, the tools needed to lift the discussion to a more general consideration of roles and use are not available.

#### COMPENSATION

Probably the largest area of military personnel policy subject to major revision is compensation and rank structure. Policies such as "up or out" must be reexamined in the light of civilian experience. The present system of promotion and reward places a premium on a calendar metric instead of proven human performance and capabilities. Further, those not wanting supervisory roles are *forced out*, even though they may be competent technicians.

The general system of compensation, promotion, and reward is out of date by some 25 years and is in drastic need of overhaul, since the types of personnel attracted and retained in the military may be *seriously and adversely* affected. An alternative might be a matrix structure of management similar to that developed by the West German Armed Forces. The so-called matrix



structure permits a more flexible system of management in which human performance and capabilities are the major determinants of pay and rank. In such a system, pay would be a function of both rank and job duties. An individual may remain in the work force or rise to a supervisory position, depending on his interests and capabilities.

Changing the compensation system would require a major philosophical shift in the way the military view pay. In general, all compensation schemes provide a reward for past service and an incentive for future action. Compensation systems that stress differential pay as a way of "meeting the market" are dominated by the latter, and those characterized by fixed pay tables and longevity stress the former. The U.S. military have traditionally viewed pay as a reward. All personnel of similar grade and years of service are paid comparable wages. Special pay is authorized in recognition of extra military-related services. However, hazardous-duty pay, flight pay, diving pay, and jump pay are all seen as rewards for performing special military functions and have become rights rather than a flexible management tool.

In recent years, and with much internal consternation, categories of incentive pay have been introduced. Proficiency pay, the variable reenlistment bonus, and the combat arms bonus are all examples of incentive pay. Furthermore, it is likely that in the future, extensions of incentive pay could provide considerable savings by allowing the military to meet both their internal and external market without raising the compensation of everyone in the force. In terms of internal markets, incentive compensation can be used to foster self-selection to remote stations or to perform less desirable duty. In terms of the external market, the Special Pay Act of 1973 is an example of a broad-based extension of incentive pay.

A further question is, why should the military provide tenure and guarantee retirement income to almost everyone in the force? Without vesting of pension rights, the military have been hesitant to discharge career personnel before they could qualify for their pensions at 20 years of service. One way individuals will more willingly self-select themselves out of the military is to provide vesting of pension rights. Such a system would provide for an equitable treatment of people who want to, or are forced to, leave the

Services before a normal retirement. It should eliminate the "locked-in" effect that results in almost no turnover between the 10th and 20th year of service.

However, vesting would also mean that the military would have to be more competitive in attempts to keep their best people. In effect, vesting is a double-edged tool. It will create a better environment for early termination of less productive people before full retirement. However, it will also create the same incentives for the best people to leave.

Perhaps no other general compensation issue has received more attention than retirement. Yet the arguments surrounding the retirement issue seem to be missing the major factor driving both retirement costs and the military career structure--*the 20-year career*. Why should the military retire able-bodied young men and women in their late thirties or early forties when that time seems to be the most productive, as shown in the civilian environment?

The 30-year career has, in fact, been the historical norm. Between 1900 and 1935, all officers had to serve a minimum of 30 years before retirement. In 1935 the Army offered their officers voluntary early retirement at 15 years of service to minimize the effect of the World War I "hump." Enlisted personnel were required to serve 30 years until 1945, when the requirement was reduced to 20 years. By 1948 all Services had instituted 20-year retirements. Even today, Navy and Marine enlisted men technically serve a 30-year career, 10 of which can be spent in a reserve component.

Compensation and compensation policy must be viewed as a *tool* for efficient management of military human resources. Many practices that have evolved through tradition may have to be abandoned in the interest of a less costly force.

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The need for change is clear and the importance of immediate action to resolve the problems described here must not be understated, for the policies that are adopted now will affect the military manpower system for some time to come.



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