

DEFENSE MANPOWER ISSUES: TESTIMONY BEFORE THE DEFENSE MANPOWER
COMMISSION, JANUARY 28, 1975

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I. INTRODUCTION

Thank you for this opportunity to appear before the Defense Manpower Commission today. It is indeed a pleasure, and I hope that my comments will be useful. While my research has been conducted at Rand under funding from the Defense Advanced Research Projects Agency--better known as ARPA--my statement here reflects my own views, which do not necessarily coincide with those held either by Rand or ARPA.

My purpose today is to provide some perspective on the issues confronting manpower and defense planners in the years ahead--including not only an examination of the progress and prospects for the All-Volunteer Force but, more important, an analysis of the larger manpower issues confronting the Defense Department.

II. TRANSITION TO THE VOLUNTEER FORCE

Let me begin with an examination of the volunteer force itself. In this regard, I will deal with three specific issues this morning: the Services' ability to attract the desired quantity and quality of volunteers; the social composition of the force; and the cost.

QUANTITY AND QUALITY

Although I know you are familiar with many of the volunteer force statistics, I feel a brief review of the evidence to date is useful. But first let me outline our methodological approach to the problem. Briefly, analysis of enlisted manpower procurement calls for an examination of supply and demand, since observed shortages and surpluses are clearly a function of both. And, because the Services do not accept all applicants, one must be careful to distinguish the relationship between the supply of applicants and the number of enlistments.

Turning first to quality, one gets the impression from Table 1 that the frequently expressed concern for a decline in quality with the All-Volunteer Force (AVF) is more fiction than fact, for the percentages of mental category IV and non-high school graduates accessions seem to have changed relatively little with the removal of the draft. If anything, quality actually may have improved slightly, as the four-percentage-point increase in non-high school graduates is offset by a nine-percentage-point decrease in mental category IV accessions.

As to quantity, it is clear from Table 2 why the ability of the Services--particularly the Army--to recruit adequate numbers of personnel

Table 1

THE QUALITY OF ENLISTED ACCESSIONS: PERCENTAGE MENTAL
CATEGORY IV AND PERCENTAGE NON-HIGH SCHOOL GRADUATE^a
(percent of non-prior service male accessions)

		FY60- FY65	FY66- FY69	FY70- FY73/1 ^b	FY60- FY73/1 ^b	FY73/2 ^c	FY74	FY75/1 ^d
Army:	% Cat. IV	19	25	23	23	12	18	14
	% NHSG	36	28	33	32	33	44	39
Navy:	% Cat. IV	10	13	18	13	3	3	6
	% NHSG	43	19	26	30	28	30	32
USMC:	% Cat. IV	9	20	22	18	10	8	5
	% NHSG	43	40	49	44	56	46	44
USAF:	% Cat. IV	9	13	13	11	<1	<1	<1
	% NHSG	21	6	13	13	15	8	6
DoD:	% Cat. IV	14	21	20	19	8	11	9
	% NHSG	35	24	31	29	31	34	33

^aPercentage of total non-prior service male accessions (enlistments plus inductions). Data were furnished by OASD(M&RA).

^bFY73/1 refers to the first half of FY73.

^cFY73/2 refers to the second half of FY73.

^dFY75/1 data are preliminary data for July to November 1974.

Table 2
 RECRUITING OBJECTIVES AND ENLISTMENTS^a

	Jan. 73- June 73	July 73- Dec. 73	Jan. 74- June 74	July 74- Nov. 74
Army: Enlistments	71,249	92,920	106,601	103,890
Objectives	82,570	104,000	107,600	101,800
Navy: ^b Enlistments	37,465	43,797	44,404	56,460
Objectives	44,364	44,429	41,023	61,220
USMC: Enlistments	25,299	25,032	24,935	27,850
Objectives	24,950	28,965	27,000	28,020
USAF: Enlistments	44,796	37,507	37,826	34,280
Objectives	44,769	37,112	37,514	34,030
DoD: Enlistments	178,809	199,256	213,766	222,480
Objectives	196,653	214,506	213,137	224,970

^aRecruiting objectives and enlistments from all sources: non-prior service male, non-prior service female, and prior service. Data were furnished by OASD(M&RA).

^bNavy recruiting "objectives" for January to June 1973 should be interpreted with caution for they do not reflect the changes in Congressional authorizations for FY1973.

was the major issue during the first year of the AVF. During that period, the Army fell more than 23,000 short of its stated recruiting objective, and DoD as a whole fell short by more than 33,000. However, closer analysis of the evidence suggests that these recruiting shortfalls were less a function of the volunteer force per se than of the way it was initially managed. For example, unusually tight quality restrictions during the first six months and a shortage of recruiters during the entire year appear to account for about 90 percent of the Army's first year shortfall.

This conclusion, if not fully validated, is at least consistent with the results from the second year of the volunteer force. For the Services have generally fared quite well in the second year, as shown in Table 2, meeting both their qualitative and quantitative recruiting objectives. The Services' progress is even more impressive when viewed in the context of the increase in true volunteer enlistments. From 1970 to 1974, the number of categories I-III true volunteers nearly doubled. Moreover, the true test of success is not so much whether the Services are meeting their programmed enlistment objectives--since these are, at best, *estimates* of what is needed--but whether they are meeting their *strength* objectives. When viewed in this manner, the evidence suggests that the initial transition has been successful, for the Services have indeed been generally successful in meeting Congressionally authorized strength authorizations.

As noted earlier, though, supply represents only part of the problem. For example, much of the Army's and Marine Corps' first year difficulties can be attributed to unusually high accession requirements, as illustrated by their implicit personnel turnover rates of 35 to 34 percent, respectively.

It is noteworthy that these rates are considerably above those experienced during the draft years. In contrast, much of the Air Force's early success can be attributed to its modest turnover rate of 13 percent.

Useful though this review of the past is, the pertinent question now centers on the future prospects for the volunteer force. In particular, can the Services be expected to continue to obtain adequate numbers of enlisted personnel without the draft? Turning to Table 3, it can be seen that the Services should be in a generally favorable recruiting position after FY1975, as their accession requirements tend to fall within or below the range of supply estimates.

We conclude then, that while recruiting success in FY1975 may be partially a result of the general economic downturn, the longer run prospects for the AVF do not seem to depend on continued national economic problems. At the same time, we must bear in mind the importance of keeping personnel turnover rates within reasonable bounds, for the projected ability of the Navy and Marine Corps to meet their recruiting objectives is partially dependent on their ability to attract excess Air Force supply.

SOCIAL COMPOSITION

With regard to the social composition of the force, a frequently expressed concern is that the removal of the draft would lead to an armed force that is not socially representative of the American public, particularly the upper end of the socioeconomic spectrum. The evidence suggests that this concern may not be warranted. First, Table 4 shows that the end of the draft has resulted in little change in the regional composition of enlisted accessions. Table 5 shows that there has been an increase

Table 3

ESTIMATES OF NON-PRIOR SERVICE MALE SUPPLY^a AND DEMAND^b
(in thousands)

Fiscal Year	Army		Navy		Marine Corps		Air Force	
	Demand	Supply	Demand ^c	Supply	Demand	Supply	Demand	Supply
1973	201	148-161	94	92-113	53	42-54	88	86-103
1974	185	151-166	73 ^d	94-116	54	43-55	66	88-106
1975	188	154-167	97	96-117	57	44-56	64	89-107
1976	162	157-172	105	98-120	49	44-57	66	91-109
1977	161	158-172	94	99-121	48	45-58	65	92-110
1978	154	160-173	103	100-121	47	45-58	63	93-110
1979	149	161-173	109	101-122	47	46-58	65	94-110
1980	144	162-180	111	102-126	47	46-60	63	94-115
1985	141	147-154	99	92-108	47	42-51	63	86-98
1990	141	137-147	99	86-103	47	39-49	63	79-94
1995	141	150-164	99	94-115	47	43-55	63	87-105
2000	141	167-182	99	104-128	47	47-61	63	97-116

^aSupply estimates presented as a range. Optimistic forecasts were derived from enlistment rates contained in "Accession Requirements and the Availability of Volunteers, 1975-1990," ASD(M&RA), memorandum, November 28, 1974, and assume that some of the excess Air Force supply will be captured by the other Services. Conservative estimates based on enlistment rates reported in *Report of the President's Commission on an All-Volunteer Armed Force*, p. 177, assuming category IV intake equals FY74 percentages and that the other Services are not able to capture any of the Air Force's excess supply.

^bEstimates of non-prior service male accession requirements from "Accession Requirements and the Availability of Volunteers, 1975-1990," ASD(M&RA), memorandum, November 29, 1974.

^cData include 2x6 reservist requirements.

^dData exclude 2x6 reservist requirements.

Table 4

DISTRIBUTION OF ENLISTED ACCESSIONS BY REGION:
PRE- AND POST-AVF^a
(percent)

Region	Pre-AVF	Post-AVF	Distribution of 18-21 Year Old Males	
			Not in College	Total
Northeast	18	18	20	22
North Central	30	26	25	27
South	34	36	36	33
West	17	17	17	18

^aPre-AVF defined as July 1, 1970 to December 31, 1972.

Post-AVF defined as January 1, 1973 to December 31, 1973.

Table 5

ENLISTED ACCESSIONS: PERCENTAGE BLACK

	FY62	FY65	FY68	FY70	FY72	FY73/1	FY73/2	FY74	FY75/1
Army	13	13	14	14	16	20	23	27	26
Navy	4	5	7	9	14	11	10	11	13
USMC	5	9	13	15	20	21	21	21	21
USAF	10	12	11	14	14	15	16	16	18
DoD	10	11	12	13	16	17	18	21	21

Source: OASD (MSRA)

in the percentage of black accessions over time--both before and since the end of the draft. However, analysis suggests that this increase is the result of more fundamental causes than the volunteer force, such as high unemployment rates for blacks and the larger proportion of blacks found eligible for military service. Therefore, black accessions into the armed forces have been increasing, irrespective of the volunteer force. Indeed, the question is whether those who have decried the increase in black enlistments would deny blacks the opportunity to enlist if the draft were present, for most indicators suggest that the increase would have come about in the absence of the volunteer force.

Third, consider the income distribution of those entering the force: Has the volunteer force led to an overrepresentation of the poor? Table 6 shows that high income areas are generating about the same proportion of enlistments during the volunteer force as they did during the draft. For example, 2.9 percent of all enlisted accessions in the two years before the volunteer force came from homes located in the top 5 percent of ZIP Codes, according to average family income; this compares with 2.8 percent for the first year of the volunteer force. More generally, Table 6 shows that there has been little change in the distribution of enlisted accessions by income area with the end of the draft.

To summarize, the All-Volunteer Force seems to have resulted in little, if any, change in the socioeconomic composition of the military.

COST OF THE TRANSITION

Let me turn to cost. Without a doubt, the cost of the volunteer force has become one of the major issues in defense budgeting. While the most

Table 6

PERCENTAGE DISTRIBUTION OF DOD ENLISTED ACCESSIONS BY GROUP OF ZIP CODES RANKED ACCORDING TO AVERAGE HOUSEHOLD INCOME^a

ZIP Code Percentiles	Average Household Income	Percentage Distribu- tion of DoD Enlisted Accessions		Percentage Distribu- tion of 16-21 Year Old Male Population	
		Pre-AVF	Post-AVF	All	Not Enrolled in School
95 - 100	> \$17,190	2.9	2.8	5.8	2.9
90 - 95	\$14,840-\$17,190	4.7	4.4	7.0	4.3
75 - 90	\$12,352-\$14,480	18.1	17.5	19.9	15.7
50 - 75	\$10,431-\$12,352	28.6	27.9	27.7	27.0
25 - 50	\$8,722-\$10,431	24.5	24.6	22.0	25.4
10 - 25	\$7,263-\$8,722	12.0	12.7	11.0	15.6
5 - 10	\$6,401-\$7,263	4.4	4.8	4.2	5.6
0 - 5	< \$6,401	4.8	5.3	2.4	3.5

^aReports the percentage distributions of total DoD accessions (inductions and enlistments) by percentile rankings of 5-digit ZIP codes located in Standard Metropolitan Statistical Areas (SMSAs). SMSA 5-digit ZIP codes were ranked on the basis of average per-household income, and then categorized into percentile groupings. Accessions were then matched with these percentile rankings by using the home address ZIP code for each enlistee or inductee.

^bPre-AVF: January 1, 1971 to December 31, 1972.
Post-AVF: January 1, 1973 to December 31, 1973.

commonly cited figure for the budget cost of the volunteer force is usually the Project Volunteer total, this is a gross misrepresentation because the Project Volunteer account was much more of a legislative convenience than a true measure of AVF costs. For example, it includes reenlistment bonuses--bonuses which were introduced in the draft. More important, it assumes that military pay would not have increased without the volunteer force--a clearly unrealistic assumption. Therefore, we need to develop an alternative measure of AVF costs.

Turning to Table 6a, we can see that the average cost of military personnel has, in fact, risen considerably--82 percent between 1968 and 1974. But what are the causes of this increase? There are primarily two: increases in the wage rate that would have occurred whether or not the volunteer force had been implemented, and changes in force mix. In fact, we find that actual manpower costs are only about \$500 million to \$750 million more than what could reasonably be assumed to have happened in the presence of the draft. This is far different from the \$3 billion plus usually cited from the Project Volunteer account.

Interesting though the budget costs are, the economic costs of ending the draft are far more important. By economic costs, I mean what society forgoes in the way of goods and services by maintaining a military force. Although it is difficult to specify precisely, rough estimates place these economic *cost savings* in the neighborhood of \$500 million to \$1 billion per year.

SUMMARY

In conclusion, the volunteer force appears to be on firm footing; the Services have been able to attract a sufficient quality and quantity of

Table 6a
ESTIMATING THE BUDGET COST OF THE VOLUNTEER FORCE

Fiscal Year	Military Personnel Costs ^a (millions)	Average Yearly Strengths ^b (thousands)	Cost Per Man-Year: Actual ^c	Inflation Factor ^d	Force Mix Factor ^e	Adjusted Man-Year Cost ^f	Estimated Cost With- out AVFG (millions)	Net AVF Cost ^h (millions)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1968	\$18,988	3,435	\$ 5,528	--	--	--	--	--
1972	21,629	2,510	8,617	1.376	1.104	\$8,398	\$21,079	\$550
1973	21,722	2,323	9,351	1.490	1.096	9,028	20,972	750
1974 (est.)	22,323	2,209	10,105	1.614	1.102	9,832	21,719	604

^aCosts for active duty military personnel, from the *Budget of the U.S. Government, 1970, 1971, 1972, 1973, 1974, 1975.*

^bAverage yearly strengths for FY1968 to FY1973 from *Selected Manpower Statistics, May 15, 1974.* FY1974 estimate from the 1975 *Budget.*

^cColumn (1) ÷ Column (2) = Column (3).

^dAssumes average man-year costs would have increased by 8.3 percent per year without the AVF and without changes in the force mix.

^eAdjustment factor for taking into account changes in the force mix (i.e., changes in the officer-enlisted proportions and career-first-term proportions). For the derivation, see Richard V.L. Cooper, *Cost of the Volunteer Force, forthcoming.*

^fColumn (6) = Column (4) × Column (5) × \$5,528.

^gColumn (7) = Column (6) × Column (2).

^hColumn (8) = Column (1) - Column (7).

manpower; and the volunteer force has not led to an overrepresentation of the poor or the black, or to disparities by region. Finally, not only are the budget costs of the AVF less than commonly assumed, the volunteer force actually has resulted in economic cost savings.

III. MANPOWER UTILIZATION AND MANAGEMENT

Let me turn now to some of the longer-run issues confronting the Department of Defense. In many ways the problems and challenges are more difficult than those of attracting sufficient volunteers without the draft, for they deal with the subtle, but important, issues of manpower management and utilization.

In the remainder of my presentation, I will deal with these two sets of issues: those related to the proper mix of personnel, which I call manpower utilization, and those related to the management of military personnel, in which I include the vast array of policies affecting military personnel from recruitment through retirement.

MANPOWER UTILIZATION

The issue of manpower utilization is perhaps the easier of the two to discuss, since more objective measures are available. Theoretically, defense capability can be characterized as a function of numerous different resources: manpower, weapons systems, support systems, and so forth. The proper combination is that which minimizes total costs and gets the job done. To the extent that these resources are substitutable, this means that the resource manager must keep relative costs in mind.

The removal of the draft has changed many of these relative costs, so that we would expect cost savings to occur when we substitute away from those resources that have become relatively more expensive. Let me give you three examples: the allocation of resources between manpower and non-manpower inputs, between military and civilian personnel, and between first-term and career personnel. As I have shown in Figure 1, the cost

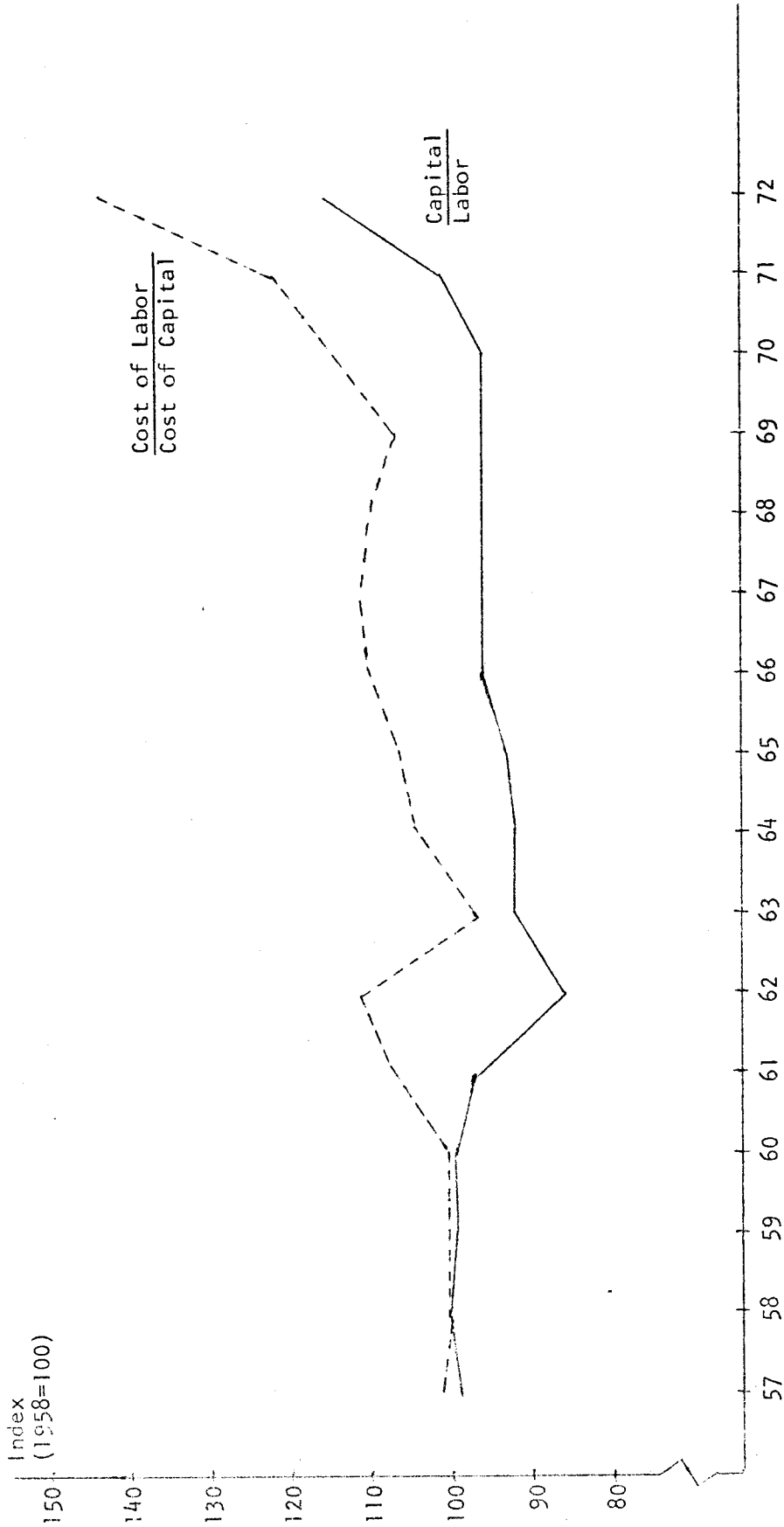


FIGURE 1: COST OF LABOR RELATIVE TO COST OF CAPITAL AND THE CAPITAL/LABOR RATIO

Source: Richard V.L. Cooper and Charles Robert Roll, Jr., *The Allocation of Military Resources: Implications for Capital-Labor Substitution*, P-5036-1, The Rand Corporation, May 1974.

of labor has risen substantially relative to the cost of capital and equipment in recent years. Yet there has been only modest adjustment in their utilization. Moreover, what little adjustment there has been, has taken place solely by decreasing the manpower input, not by substituting capital for labor. This leads us to believe that considerable cost savings might be obtained through manpower-saving automation.

Alternatively, while considerable attention has been given to the issue of civilianization, the comparison of the average costs of military and civilian personnel shown in Table 7 indicates that large savings are not likely to result from a wholesale substitution of civilians for military personnel, though modest substitution programs may be cost-effective in certain cases. The reason for this perhaps surprising result is that civilians have also become very much more expensive in recent years.

Finally, the large pay increases of 1971 and 1973 have substantially altered the cost of first-term personnel relative to those of career personnel, as shown in Table 8. At the same time, estimates of the percentage of enlisted personnel in the first term given in Table 9 show that there has been relatively little, if any, adjustment to these changing costs. The percentages are merely back to their pre-Vietnam levels. This illustrates a case where the Services operate under conflicting incentives, since although the increase in first-term personnel costs would seem to indicate the desirability of substituting career personnel for first-termers, grade limitations imposed by Congress make it difficult to do so. Thus, it seems necessary to develop guidelines whereby the Department of Defense is encouraged to employ the cost-effective mix, but where it is also held accountable for the grade distribution of the force.

Table 7

ESTIMATES OF THE AVERAGE COSTS OF MILITARY AND
CIVILIAN PERSONNEL
(\$ thousands)

Fiscal Year	Military ^a	Direct-Hire Civilians ^b		
		All	GS	Other
1956	4.47	4.35	4.60	4.16
1960	5.28	5.72	5.97	5.50
1964	5.49	7.02	7.65	6.40
1968	6.95	7.85	8.96	6.79
1972	10.96	11.56	12.34	10.60
1974 (est.)	11.45	12.22	n.a.	n.a.

n.a.: Not available.

^a Estimates of the average costs of military personnel obtained by dividing total active duty military personnel costs (from the *Budget of the U.S. Government*) by average strength not engaged in training. As such, these estimates should be viewed with caution since they do not include accrued retirement costs (which would add perhaps 10 percent to the military figures and 5 percent to the civilian figures). Nor do they include civilians used for training military personnel or training costs for civilians. Indeed, these figures are presented merely to illustrate a broad measure of comparative costs.

^b Estimates of the average costs for direct-hire civilians obtained by dividing total civilian personnel costs by the average yearly strengths. Although these costs include the 7 percent Government contribution to retirement, they do not include the costs of the unfunded liability for civil service retirement.

Table 8

ESTIMATES OF AVERAGE MONTHLY BASIC PAY FOR FIRST-TERM AND CAREER ENLISTED PERSONNEL

Fiscal Year	Average Basic Pay for First-Termers (\$/month)	Average Basic Pay for Careerists (\$/month)	Career/First-Term Career Ratio
1958	118	247	2.09
1964	141	288	2.04
1968	175	373	2.13
1971	246	490	1.99
1973	365	563	1.54

^aFirst-termers are defined as those personnel with fewer than four years service.

Table 9

ESTIMATES OF THE PROPORTION OF ENLISTED PERSONNEL IN THE FIRST-TERM (percent)

Fiscal Year	Army	Navy	USMC	USAF	DoD
1962	66	61	66	46	59
1964	66	61	66	46	59
1966	74	64	74	50	65
1968	81	67	82	55	72
1970	80	67	80	50	69
1972	65	62	75	50	61
1974	64	57	73	51	59

Source: Data were furnished by OASD(M&RA).

To summarize, it is crucially important to take costs of alternative resources into account when drawing up manpower requirements. Ending the draft has changed many of these costs, but, due to a variety of factors, patterns of manpower utilization have been slow to change. This points to the importance of taking costs and productivities into account in the planning stages.

MANPOWER MANAGEMENT

In no area are the long-run effects of removing the draft likely to be more pronounced than in that of manpower management. Yet, in many ways, the policies that characterize the manpower management system are the least susceptible to change. The volunteer force does not mean that the military has to emulate the civilian sector, only that it becomes competitive.

Since most of the military's management policies are derived from the basic set of principles and philosophies provided by the insulation of the draft, it is necessary first to understand and then to change many of these basic tenets that have characterized the management of military personnel for the last 25 years. The first is that management policies have, in a large part, been geared to the combat soldier. Yet, those occupations classified as combat activities make up only about 10 percent of the enlisted force. Therefore, while policies such as the emphasis on youth and the 20-year career may be very sensible for these occupations, they may make little sense for much of the remaining 90 percent of the force.

The concept of "equity" is another important feature of the manpower management system. This manifests itself in a number of ways, including frequent rotation, larger allowances for personnel with families, equal basic pay for equal years of service, and so on. Because basic military

compensation has for so long been below that for comparable civilian employment, the notion of equity has led to a series of "second best" management solutions, such as supplementing pay with a variety of hidden benefits that are unlikely to be cost-effective and compensating individuals with security instead of cash. Certainly the concept of equity is important, but the removal of the draft makes it essential to develop a system that is both equitable and efficient.

Finally, the combination of the 20-year career, non-vested retirement, and the "up or out" philosophy has led to a series of effects where personnel are misutilized during their careers, where too many individuals leave with their most productive years ahead, and where retirement costs are extraordinarily high. With the end of the draft we have the opportunity to reevaluate these policies so as to develop alternatives which compensate people fairly and which encourage a more efficient use of manpower resources.

Let me focus on three examples: compensation structure, career lengths, and retirement costs. As I mentioned a few moments ago, the notion of equity has led to a compensation system consisting of basic pay, nontaxable allowances, and numerous hidden fringe benefits--a structure that many recent studies indicate is not cost-effective. Now that the military must compete directly with the civilian sector, it is essential to make compensation visible, thus suggesting the move to a "salary" or "wage" system.

In general, a far better allocation of manpower expenditures is likely to result if the career management, compensation, and retirement system is geared more toward equating manpower costs with an individual's supply price. While the draft necessitated large amounts of non-compensation

manpower costs, such as accession costs, training costs, and change-of-station costs, the removal of the draft implies that total costs can be considerably reduced by replacing many of these costs with direct compensation. For example, the British system of paying more to individuals who enlist for longer periods of time results in a lower total expenditure, since some of the non-compensation costs are transformed into compensation.

This suggests that the current bimodal distribution of "careers," by which most military personnel serve either for one term or for 20 years, should be revised. In particular, it would seem preferable to have a wider spectrum of career lengths, including more of the 8- to 12-year variety and more of the longer-than-20-year careers.

Finally, while retirement costs have indeed become a major manpower issue, too little attention has been given to the root causes. Table 10 shows two principal causes for our presently large retirement costs. First, the implicit contribution DoD makes toward an individual's retirement, *for those who reach retirement* is astronomical: ranging from about 40 to 60 percent of an individual's basic pay. Second, 20-year careers are far more "expensive" than longer careers, since the 30-year careerist implicitly contributes for 10 years more and is on retirement pay for 10 years less. Yet, because of grade limitations and the fact that the Services do not pay retirement costs out of their own budgets, the Services are actually encouraged to retire personnel earlier. In general, the move to the volunteer force would seem to argue for a retirement system that is more comparable to those found in the civilian sector.

Table 10

THE IMPLICIT CONTRIBUTION TOWARD RETIREMENT
FOR MILITARY PERSONNEL^a
(expressed as a percentage of basic
military pay)

	Career Length		
	20 yr.	25 yr.	30 yr.
Officer	57	51	41
Enlisted	58	56	47

^aThe amount that would have to be set aside each year to fund an actuarially sound retirement system. Based on a "normal" career, 6 percent increase per year in basic military pay, 4 percent increase per year in retirement pay, and 8 percent discount rate.

TOWARD AN INTEGRATED STRUCTURE OF MANPOWER MANAGEMENT AND UTILIZATION

My comments thus far have been directed to the changes in philosophy required by the end of the draft along with some examples of possible avenues for specific change. Let me emphasize that the most important thing is to develop a comprehensive system of manpower utilization and management that explicitly recognizes the true resource costs of manpower. To illustrate, my earlier remarks suggest that a more career-intensive military personnel system would be desirable. However, this would require fundamental changes in the manpower management system, since the Services have traditionally viewed senior personnel as supervisors. The payoffs to a more career-intensive structure do not come from having more supervisors, but from having a more capable and experienced work force. Therefore, a system whereby senior personnel can be used in line activity, as well as supervisory activity, should be considered.

IV. CONCLUSIONS

In conclusion, the United States military entered a new era in January 1973, one that will play a major role in shaping U.S. defense posture for years to come. No longer is the supply of manpower guaranteed by the draft. The implications of ending the draft are enormous and go far beyond the issues of manpower procurement. In this regard, the Armed Services have already made substantial progress in adjusting to this new environment. The transition to the volunteer force has been achieved successfully and the prospects for the future appear equally bright. To be sure, the all-volunteer force had some initial difficulties. Yet, when one considers the magnitude of the undertaking, it is perhaps surprising that the problems of transition were not more severe.

At the same time, the longer run problems of manpower management and utilization are only beginning to be understood. Now, more than at any time in our history, it is imperative that the management of the Department of Defense's manpower resources be reexamined and undertaken with a comprehensive view toward the changes in philosophy, as well as specific management policies, which will have to be made in order to fully adjust to this new setting.

In this respect, I feel that the Defense Manpower Commission faces two major tasks: one short-term and one long-run. Given the crucial importance of defense manpower issues, we cannot wait indefinitely for "the" answers. To the extent possible, it is important to develop interim approaches for dealing with these issues. At the same time, since the most crucial issues are those that require fundamental changes in the philosophies and principles guiding manpower management and utilization, it is essential

to develop alternative philosophies and guidelines now so that the Services are encouraged to make the best use of their manpower resources. In short, the Commission has a major opportunity to affect the future of the military manpower system for years to come. We cannot afford to miss this opportunity.

Thank you for giving me this chance to express my concerns and views. I would be pleased to answer any question you have.