

Assessing the Implications of Policy Options for the Military Personnel Budget

An Analytic Framework for Evaluating Costs and Trade-Offs

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ISSUE

The military personnel budget provides financial resources to compensate active military personnel (MILPERS). This includes pay and allowances, subsistence of enlisted personnel, permanent-change-of-station travel, and other military personnel costs. Spending on MILPERS has grown at an average annual rate of 3.3 percent per year since fiscal year (FY) 2000, to approximately \$36 billion in FY 2021. This outpaced growth in prices in the overall economy, which averaged 1.9 percent per year for the same period. To ensure a ready workforce without undercutting modernization efforts, the Department of the Air Force (DAF) must explore options to maximize MILPERS affordability. At the same time, the DAF must consider the nonmonetary trade-offs and risks that these options entail. The DAF needs an analytic framework to view savings, trade-offs, and risks of different solution options alongside one another; this report describes and applies a tool that can be used to evaluate the implications of workforce and personnel policies on MILPERS spending.



APPROACH

To understand how various factors affect MILPERS spending, researchers reviewed relevant bodies of literature, policy, and DAF documents. They also analyzed financial and end strength data contained in military personnel budget documents to understand how and why MILPERS costs have varied over time and among services. Finally, they developed an analytic framework that integrates existing personnel inventory models, funded authorizations, and personnel cost factors. The framework provides a view of how these factors interact, and it enables simulation of different courses of action (COAs) to alter MILPERS spending while considering affordability objectives and other goals. The authors demonstrate the analytic framework for multiple simulations chosen based on discussions with the research sponsor that involve changing end strength, grade strength, and experience levels.



CONCLUSIONS

- The DAF MILPERS budget is developed by multiplying the estimated work years in various end strength subcategories by discrete cost elements and by summing the totals. The MILPERS budget can be controlled by reducing end strength or the average cost of an airman.
- Basic pay makes up much of the standard composite pay rates. Solutions that involve limiting the rate of growth of basic pay and other personnel costs might require coordination across the military services and Congressional approval.
- Grade and years of service affect basic pay along with several other elements of the standard composite pay rates. Personnel policies that alter these factors could reduce the cost of an airman, and they would not require Congressional approval.
- The DAF's average cost of an active duty person exceeds those of the U.S. Army and U.S. Marine Corps. This is because of the greater share of officers and the more-senior grade mix in the DAF. Solutions that involve reducing the ratio of officers to enlisted personnel or shifting toward a less-senior grade mix could reduce the average cost of an airman.
- Certain personnel policies would allow the DAF to achieve annual savings of tens of millions to hundreds of millions of dollars annually.
- Larger levels of savings require changes to compensation, end strength, or grade strength.



RECOMMENDATIONS

- The DAF could use a simulation capability like the one described in this report to link workforce and policy changes to MILPERS spending. This capability could be used to explore how personnel policies might be used to decrease MILPERS spending. In addition, this capability could be used to explore how personnel policies designed to meet nonfinancial objectives will affect future MILPERS spending.
- Improve the fidelity and breadth of the simulation capability. The analytic tool described here establishes a basis for continuing lines of development. These include capturing year-over-year dynamics produced by changes in workforce and personnel policy, increasing the fidelity of monetary outcomes represented in the analytic tool, and incorporating additional nonfinancial outcomes in the analytic tool.
- Refine and evaluate solution options to reduce MILPERS spending. Several solution options showed considerable potential to reduce future MILPERS costs. In particular, the DAF should reconsider personnel requirements for platforms, missions, and operations and examine ways to apply workforce and personnel policies in a targeted manner tailored to characteristics of different career fields.
- Develop solution options with input from operations, plans, programs, financial management, logistics, engineering, and force protection communities. Approaches for reducing MILPERS spending might introduce risk throughout the DAF enterprise. The problem cannot be solved in the silo of manpower, personnel, and services. Additional perspectives from across the Air Staff and Secretariat are needed to identify risks associated with different solution options and to develop mitigating COAs.



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