

**NOT FOR PUBLICATION UNTIL RELEASED BY  
THE HOUSE ARMED SERVICES COMMITTEE**

**STATEMENT OF  
VICE ADMIRAL JOHN C. HARVEY, JR., U.S. NAVY  
CHIEF OF NAVAL PERSONNEL  
AND  
DEPUTY CHIEF OF NAVAL OPERATIONS  
(MANPOWER, PERSONNEL, TRAINING & EDUCATION)  
BEFORE THE  
SUBCOMMITTEE ON MILITARY PERSONNEL  
OF THE  
HOUSE ARMED SERVICES COMMITTEE  
ON  
RECRUITING, AND RETENTION  
15 FEBRUARY 2007**

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# United States Navy Biography

## **Vice Admiral John C. Harvey, Jr. Chief of Naval Personnel Deputy Chief of Naval Operations (Manpower, Personnel, Training & Education)**

Vice Admiral Harvey was born and raised in Baltimore, Md. He received his commission from the U.S. Naval Academy in 1973 and immediately commenced training in the Navy's Nuclear Propulsion program.

Vice Adm. Harvey has served at sea in *USS Enterprise* (CVN 65), *USS Bainbridge* (CGN 25), *USS McInerney* (FFG 8), as Reactor Officer in *USS Nimitz* (CVN 68), and as Executive Officer in *USS Long Beach* (CGN 9). He commanded *USS David R Ray* (DD 971), *USS Cape St. George* (CG 71) and Cruiser-Destroyer Group Eight/*Theodore Roosevelt* Strike Group. Vice Adm. Harvey has deployed to the North and South Atlantic; the Mediterranean, Baltic and Red Seas; the Western Pacific, Indian Ocean, and the Arabian Gulf.



Ashore, Vice Adm. Harvey has served at the Bureau of Naval Personnel (two tours), as the Senior Military Assistant to the Under Secretary of Defense (Policy), as Director, Total Force Programming and Manpower Management Division (OPNAV N12), and as Deputy for Warfare Integration (OPNAV N7F).

On 22 November 2005, Vice Adm. Harvey assumed duties as the Navy's 54th Chief of Naval Personnel. He serves concurrently as the Deputy Chief of Naval Operations (Manpower, Personnel, Training & Education).

Education: Phillips Exeter Academy, 1969

U. S. Naval Academy, BS in Political Science, 1973

John F. Kennedy School of Government, Harvard University, MA in Public Administration, 1988.

Chairman Snyder, Representative McHugh, distinguished members of the Military Personnel Subcommittee, thank you for providing me with this opportunity to appear before you today.

The one constant in our world today is change. The post-9/11 security environment has extended Navy missions to include both traditional and non-traditional operations. In addition to our core missions we are responding to multifaceted security challenges related to the Global War on Terror (GWOT). We find ourselves working with familiar allies, former adversaries, and an expanding set of global partners.

In the past year, 51,943 active component (AC) officers, 293,818 AC enlisted, 12,740 reserve component (RC) officers, 56,647 RC enlisted, and 174,416 civilians in our Navy helped bring certainty to an uncertain world. They provided “boots on the ground” support to combat operations in Iraq and Afghanistan. They delivered food and shelter to the victims of the earthquake in Pakistan. They fought piracy and participated in Theater Security Operations in the Horn of Africa. They provided medical care and comfort to citizens in Indonesia, Malaysia, Bangladesh and the Philippines. They protected the seas and seized illegal drugs in the Caribbean. They stood watch on ships in the Persian Gulf providing a formidable deterrent to Iran. They flew combat sorties in Operations Enduring Freedom and Iraqi Freedom, provided security for oil platforms and conducted civil affairs missions in Afghanistan.

The men and women of the Navy’s Total Force – active and reserve Sailors, civilians and contractors – ARE the United States Navy. In 2006, this nation and the world asked much of the United States Navy -- and Navy answered that call.

The challenge for Navy today is to sustain our core capabilities and readiness while at the same time build the future naval Fleet and develop a Navy workforce that can operate, fight and lead in a variety of challenging environments. Our goal is to ensure naval power and influence can be applied at or from the sea, across the littorals, and ashore, wherever and whenever required.

The rapidly expanding requirements posed by the Nation’s maritime strategy demand that Navy be composed of a more capable and versatile workforce. This workforce is, and will be, a diverse Navy Total Force, collectively possessing the wide array of knowledge, skills and abilities required to deliver critical warfighting capability to the Joint force.

We recognize that this requires a profound change in the way we do business – that the recruiting, personnel management, training and compensation systems of the past will not deliver the workforce of the future.

Recruiting and retention strategies that were effective during the Cold War, when we had a robust labor market, will not sustain us during this long war when there is a shrinking talent pool and decreased propensity to join the military. Major demographic shifts, reflecting an influx of new immigrants and growth in minority populations, will require that we focus on the talent resident in the diversity of our population and how we gain access to that talent. To the degree that we represent our nation, we are a far stronger, more relevant Navy Total Force.

A stronger economy, with low unemployment and positive economic growth, means there will be greatly increased competition for the best talent in our nation. Recruiting the Total Force will become even more challenging with slower overall population growth and an aging workforce.

The dynamics of retention have shifted from long-term commitments to a new generation, most of whom expect to change employers, jobs and careers several times in their working life, and are clearly motivated differently than previous generations. They have more choices than ever before, and are more technologically savvy. They expect innovative and flexible compensation policies, a commitment to continuing education and professional development opportunities.

Our Basic Pay Table that was first conceived in 1922 and an officer personnel management system codified in the late 1970's. Our current military retirement compensation principles were essentially established in 1870 based upon a voluntary retirement of officers at 30 years of service and fixed retirement pay at 75 percent of the officer's base pay. Perhaps it is time to re-examine existing compensation policies with an eye towards establishing a construct that is competitive, fair, flexible, and sufficiently responsive to an ever-changing operational and market-based environment.

As we build the Navy of the future and prepare our people to answer the challenges of our dynamic, dangerous world, we must continue to improve our Total Force readiness, stabilize our workforce, and develop policies that bring forth the promise of our people, ensuring full development of their personal and professional capabilities.

## **NAVY TOTAL FORCE READINESS**

We are a maritime nation. Throughout American history, naval forces have played a key role in fighting wars, defending freedom of the seas, and providing a formidable deterrent to aggression. Our Navy is the world's preeminent sea power. We are always ready and able - anytime, anywhere.

America's all-volunteer force (AVF) has been an overwhelming success. This force has proven to be successful not only during peacetime, but also during sustained periods of conflict. Our Navy Total Force serves because they want to serve. Young Americans are choosing military service, even during these trying and uncertain times. We are attracting better educated and more highly-skilled recruits far more representative of the diversity of our great nation than at the end of the Vietnam-era draft. And, the Sailors we need are "staying Navy."

In 2006, Navy achieved 100 percent of our AC enlisted recruiting goal, and 104 percent of our AC enlisted retention goal. We met 88 percent of our AC officer accession goal, and 99 percent of AC officer end strength goal.

### **Global War on Terror-Centric Communities**

While we met individual recruiting and retention goals for most ratings and designators in the active and reserve components, our engagement in the long war has increased operational tempo

(OPTEMPO) and clearly stressed the readiness of GWOT-centric communities. These communities include: Naval Construction Force (SEABEES), Naval Special Warfare (NSW) and Naval Special Operations (NSO) (SEALs, EOD, SWCC), and our Health Professionals. We have been, and continue to be, concerned about the long-term strength and health of these communities. We have identified programs to help address the challenges, and we are optimistic about meeting future commitments.

### ***Naval Construction Force***

Our SEABEE force is in very high demand and continues to be under considerable stress due to the increased number and length of operational commitments. Despite this challenge, the Naval Construction Force (NCF) sets the example in volunteerism, as evidenced by higher-than-planned reenlistment and retention rates, and high volunteer rates for multiple OIF/OEF tours. On average, 18 percent of the NCF RC forces going into OIF/OEF have volunteered for a second or third mobilization to theater. The latest approved RC SEABEE rotation into OIF had a 39 percent volunteer rate for a second or greater deployment.

Navy deployed 8 active and 12 reserve Naval Mobile Construction Battalions (NMCB), with their associated regiments (2 active and 4 reserve). To meet GWOT requirements, there are two NMCBs in OIF, one in OEF, one in PACOM, and one with a nominal presence in EUCOM. This is a Total Force deployment of both active duty and reserve NMCB's.

We have identified the need to expand the number of battalions and enhance our reserve mobilization plans. As a result, for 2007, Navy added a ninth AC NMCB. We are also pursuing a detailed, phased remobilization plan for use by the RC NMCB in FY09. We believe this integrated deployment plan for the NCF is sustainable through FY14.

### ***Naval Special Warfare and Special Operations***

Our NSW and NSO communities not only face the pressures of high OPTEMPO, but are further stressed by specific recruiting and retention challenges. The health of the NSW/NSO communities is critical to the Navy's success in the GWOT and requires us to place special emphasis on the overall readiness of these highly specialized communities.

In 2006, recruiting efforts resulted in NSW/NSO attaining 55 percent of a QDR based increased goal. Navy met 37 percent of Explosive Ordnance Disposal (EOD), 59 percent of SEAL, 65 percent of Special Warfare Combat Crewman (SWCC), and 46 percent of Diver recruiting goals. As of December 2006, we had retained 79 percent of EOD, SEAL, SWCC, and Diver Sailors in Zone A (between 17 months and 6 years of service), 82 percent in Zone B (between 6 and 10 years of service), and 89 percent in Zone C (between 10 and 14 years of service).

To improve recruiting and retention in the NSW/NSO communities, Navy doubled the size of the recruiting force whose primary mission is NSW/NSO accession. We increased Enlistment Bonuses for each of the communities: \$40K (SEAL), \$18K (SWCC), \$30K (EOD), and \$25K (Diver). SEAL Motivators have been assigned for all 26 Navy Recruiting Districts (NRD) to test

and mentor potential NSW/NSO applicants. Each NRD designated a military member to assist SEAL Motivators in supporting applicants.

In 2007, we will take additional steps to enhance NSW/NSO recruiting efforts. Commander, Navy Recruiting Command (CNRC) will reassign additional recruiters to the NSW/NSO recruiting effort. Six selected NRDs will designate one recruiter per zone for NSW/NSO leads identification. This designation realigns 52 recruiters from other recruiting efforts. A SEAL Working Group (SWG) will address all current and future SEAL recruiting issues. The SWG is headed by Navy's senior SEAL officer and CNRC. We are also piloting a NSW/NSO recruit division at Recruit Training Command to increase camaraderie, improve RTC Physical Screening Test (PST) pass rate, and reduce program attrition.

The unique skill sets of the NSW/NSO communities demand the most extensive Navy training, and require exceptionally bright, physically fit and mentally tough individuals. Recently, it has been a challenge to provide a sufficient quantity of qualified applicants able to pass the NSW/NSO PST at Recruit Training Command (RTC). To improve readiness in the NSW/NSO communities, Navy implemented initiatives in physical training preparedness to ensure candidates are physically able to pass the PST at RTC.

### ***Health Professionals***

We continue to miss end strength targets for our health professional communities resulting in shortages in critical wartime medical subspecialties. Generally, medical professionals do not consider the military for employment. Civilian medical professional salaries are still more lucrative than military pay and continue to outpace the offer of financial incentives (bonuses and loans) to our target market. Excessive education debt load is a major concern for medical professionals who turn to low-interest education loans, outside the military. Other challenges include concerns over excessive deployments/mobilization, especially in meeting RC goals, and fear over the potential loss of private practices.

In 2006, the Navy achieved 75 percent of AC medical specialty mission, a 17 percent improvement over FY05. We achieved 45 percent of RC medical specialty mission, a 27 percent decline from FY05.

In the AC, we achieved 70 percent of Medical Corps (MC) accession goal, 75 percent of Dental Corps (DC) goal, 83 percent of Medical Services Corps (MSC) goal, and 92 percent of Nurse Corps (NC) goal. The Health Professions Scholarship Program (HPSP), the student pipeline for the majority of Navy physicians and dentists, is cause for concern. MC HPSP recruiting achieved just 66 percent of goal. DC HPSP recruiting achieved 76 percent of goal.

In the RC, we met 24 percent of MC accession goal, 46 percent of DC goal, 29 percent of MSC goal, and 85 percent of NC goal. Five year AC retention rates for these communities stand at 75 percent for MC, 51 percent for DC, 83 percent for MSC, and 65 percent for NC.

We are much more optimistic with our recruiting efforts of Hospital Corpsman (HM). We met 99 percent of AC enlisted HM recruiting goal and 94 percent of RC enlisted HM recruiting goal.

From January 2006 to January 2007, we retained 52 percent of HM Sailors in Zone A, 55 percent in Zone B, and 84 percent in Zone C. HM is slightly below overall Navy retention rates for Zone B but is increasing. The other two HM Zones are either at or exceed overall Navy retention rates and exceed goal.

This past year, Navy implemented numerous incentives for health professionals, including tuition assistance, bonuses, financial aid incentives, and loan repayment programs. Our Medical, Dental, and MSC (Optometry) Health Professional Scholarship Program (HPSP) provides full tuition, books and a monthly stipend to students. Navy's Financial Assistance Program (FAP) provides medical/dental residents a monthly stipend and an annual grant.

Retention beyond the first career decision point is a significant challenge for the Dental Corps. More than 70 percent of Dental Officers leave the Navy at this point. Navy has funded, and is about to implement, a Critical Skills Retention Bonus (CSRB) for General Dental Officers with three to eight years of service. This two-year \$40K bonus is expected to address Navy's retention for these officers. With enhancements included in the FY07 National Defense Authorization Act (NDAA), we are contemplating implementation of future Dental Corps Accession Bonus increases. The FY06 NDAA authorized oral surgeons a \$25K per year Incentive Special Pay (ISP), which 69 out of 70 eligible Oral Surgeons accepted in August 2006. Navy is currently contemplating a recommendation to authorize a \$60,000 four-year Critical Skills Retention Bonus (CSRB) to abate a shortage of Clinical Psychologists within our mental health system.

Navy currently provides bonuses for the Nurse Corps Direct Accession (DA) Program at \$15K for a three-year obligation, and \$25K for a four-year obligation. Navy has combined the three-year accession bonus with the Health Professional Loan Repayment Program (HPLRP), which offers \$32K for a two-year commitment, creating an extremely successful incentive package. Combined with a three-year accession bonus, the officer incurs a combined active duty obligation of five years. We anticipate that Nurse Corps will meet its direct accession goal for the first time in four years. We also have a \$20K Critical Skills Accession Bonus (CSAB) for Medical/Dental HPSP recipients. We provide a \$30K - \$60K sign-on bonus and/or affiliation bonus for specific medical/dental specialties.

We appreciate Congressional support for the numerous Medical Recruiting and Retention incentive enhancements enacted in the FY07 NDAA. Such enhancements, coupled with an increase of over \$21M in medical special and incentive pays between FY06 and FY07 are expected to contribute in a significant way to attainment of medical recruiting and retention goals.

### ***Language, Regional Expertise and Culture***

Because the GWOT is truly global and stretches far beyond Iraq and Afghanistan, Navy continues to focus significant effort on transforming and enhancing our expertise in foreign language, regional expertise and cultural awareness.

Navy implemented a Language, Regional Expertise and Culture (LREC) strategy that galvanizes and aligns related efforts across the Navy Total Force. We surveyed existing language

proficiency within the workforce, increased bonuses for language competencies, initiated a focused effort in heritage recruiting, established a new Foreign Area Officer (FAO) community, and implemented training and education programs in regional issues.

Navy conducted a foreign language census of the workforce, which yielded over 138,000 assessments of proficiency in over 250 different languages, many in GWOT-related dialects and many at the native-level skill. To systematically capture foreign language proficiency in the future, Navy began mandatory foreign language screening at military accession points.

Navy has tripled foreign language bonus rates (up to \$1,000 per month for more than one language) and extended eligibility for the Foreign Language Proficiency Bonus (FLPB) beyond Navy career linguists (e.g., cryptologists and FAOs) to include any Sailor, AC or RC, with fluency in critical languages. Since June 2006, Navy FLPB applications have grown almost 200 percent, with approximately 3,000 payments made each month, and increasing at a rate of roughly 200 per month.

The Heritage Recruiting Program accesses Sailors from the nation's immigrant communities with native-level language skill. The program offers a special enlistment bonus of up to \$10,000 for qualified language proficiency, and attempts to place Sailors in occupational specialties offering the greatest opportunity for their use.

A forward leaning FAO community was established within the Restricted Line, accessing an initial cadre of 74 FAOs. We plan to access 50 officers a year with a goal of maturing the FAO community to 400 officers by 2015. We are currently exploring development of an RC FAO program and are in the early stages of defining the RC FAO requirement. We will realign and redistribute existing PEP billets, as feasible, to accommodate new and changing international relationships with existing and emerging partners.

The Naval Post Graduate School (NPS) Regional Security Education Program, which deploys faculty to carrier and expeditionary strike groups underway, was expanded in scope and fully funded across the Fiscal Years Defense Program (FYDP). Naval War College (NWC) integrated regional content into its Senior and Intermediate resident curricula, providing students with the equivalent of a minor in one of five major regions of the world. Instruction is tailored for on-line delivery to primary officers (O1-O3 and CWO) and senior enlisted. NWC has programmed to further adapt the instruction for junior and middle enlisted in FY08. The newly established Center for LREC in Pensacola, Florida, coordinates delivery of culture and survival-level language training for individual and unit deployers.

### **Individual Augmentation**

Many communities of our Navy Total Force, beside the GWOT-centric communities, are supporting the GWOT. As of December 28, 2006, we have deployed or mobilized 45,194 Sailors – 12,124 AC and 33,070 RC – as Individual Augmentees (IAs) since the beginning of Operation Enduring Freedom. Almost 75 percent of IAs are employed using their core Navy



competencies such as, electronic warfare, airlift support, cargo handling, maritime security, medical support, explosives engineering, construction.

Under the umbrella of Task Force Individual Augmentation (TFIA), a collaborative effort involving Fleet and major headquarters commanders, we have made significant progress improving notification, processing, deployment support, and recognition of duty for IAs. We increased average notification time from less than 30 days to over 60 days. Navy leveraged Active/Reserve Integration (ARI) efforts by processing all active duty Sailors on IA tours through one of four Navy Mobilization Processing Sites (NMPS). We established an Expeditionary Combat Readiness Center within the Naval Expeditionary Combat Command to serve as a primary interface with IAs and their families. Navy is ensuring Sailors serving on IA remain competitive for advancement by providing specialty credit for IA tours, points toward advancement, and flexibility in exam taking.

We will continue efforts to enhance predictability and stability for IAs and their families. Our goal is to do everything we can to enable them to plan - professionally and personally - for these tours. Navy will give priority for follow-on assignments, preclude back-to-back deployments and increase geographic stability. We are developing options for shifting the sourcing of all joint warfighting requirements into mainstream detailing processes, providing transparency, and ensuring longer “lead times” to improve Sailor readiness and family preparedness.

### **Sailor Readiness and Family Preparedness**

Sustaining combat readiness – Fleet readiness – now and in the future, starts with our Sailors and their families. We remain committed to ensuring that Sailors are physically, mentally and professionally prepared to fulfill their missions, and that their families are prepared for the challenges associated with lengthy separations. As members of the Navy community, our family members are entitled to quality programs and resources to support them and meet their needs while their loved ones are deployed.

Navy continues our emphasis on Sailor readiness and family preparedness through targeted efforts in fitness, education and professional development, financial management training, support to disabled and injured Sailors, and child and youth programs.

### ***Fitness***

Navy established new fitness standards, training and support. Improved remedial programs assist Sailors in meeting new physical fitness assessment standards. We introduced state of the art fitness equipment and support services to all Navy afloat commands, as well as sites ashore in the 5<sup>th</sup> Fleet Area of Responsibility. In the future, all Navy Fitness Centers will establish programs and services to increase physical activity and nutrition awareness for our Total Force.

### ***Education and Professional Development***

The Advanced Education Voucher (AEV) program was implemented to provide off-duty educational opportunities and financial assistance to senior enlisted personnel (E7-E9) in pursuit of Navy-relevant post-secondary degrees. We increased the number of semester credit hours of advanced education available through the Tuition Assistance (TA) program, and continue paying up to \$250 per semester hour.

### ***Financial Management Training***

With the help of Congressionally-supported regulation, we are protecting Sailors and their families from predatory lending practices through an aggressive plan to improve financial literacy. Our personal financial management career life-cycle training continuum was revamped. Accredited financial counselors are now positioned at all Fleet and Family Support Centers. A series of communications and advocacy campaigns will heighten awareness of predatory lending at all levels of leadership. Senior Navy leadership will continually monitor trends and partner with key financial organizations to improve the financial literacy of Sailors and their families. We will work closely with the other Services, OSD staff, FDIC, FTC, and other regulatory agencies to develop and implement regulations for predatory lending restrictions enacted in the FY07 NDAA.

### ***Support to Injured Sailors***

Through our SAFE HARBOR Program, Navy provided severely injured Sailors timely access to available resources and support. We offered pre/post separation case management and deployment health assessments. Navy coordinated benefits with the Departments of Veterans Affairs and Labor, and other service providers. The Task Force Navy Family Functional Plan, based on lessons learned from the aftermath of hurricanes Katrina and Rita, enhances our response capabilities for future catastrophic events.

### ***Child and Youth Programs***

We are offering quality child and youth care programs to Navy families, which meet or exceed the national accreditation standards, and satisfy 69 percent of the potential need for child and youth program spaces. Given the additional spaces achieved by Congressional-sponsored Military Construction (MILCON) projects and other OSD sponsored facilities, the Navy will achieve 71 percent of the potential need for child and youth program spaces in 2007.

The positive impact of these programs is reflected in the stabilization of Navy's divorce rates, declining rates of alcohol and drug abuse, as well as a lowering of the number of substantiated cases of spouse or child abuse.

### ***Basic Housing Allowance***

We welcome Congress' decision to return funding for Basic Allowance for Housing (BAH) and Facilities, Sustainment, Restoration and Modernization (FRSM) to the traditional Defense Appropriations accounts in FY08, and we hope that Congress will afford us with ample transfer authority during FY07 to effectively manage these accounts.

### **Sea-Shore Rotation**

Enhancements to our Sailor readiness and family preparedness are critical because we are a sea-centric force. Navy's first priority is to properly man sea duty and front line operational units. This means placing a higher priority on utilizing Sailors "at sea." As the number of Navy missions and operations increases, and as we continue to make adjustments to stabilize the Navy workforce, we have, and will continue to, become more sea-centric.

Initial analysis indicates that while it will be possible to sustain a more sea-centric military workforce, it will be more costly. This is due not only to normal cost-of-living increases, but also to increased costs of compensation, training, and recruiting and retention incentives.

Navy continues to evaluate options for rotation of the workforce as we become more sea-centric. We are in the early stages of determining how to transition our current sea-shore rotation business practices to achieve four desired outcomes for our people: geographic stability, deployment predictability, increased professional and personal development, and continually satisfying work.

The Navy's Total Force is ready. We are meeting most recruiting and retention goals, addressing stress in GWOT-centric communities and for IAs, developing new capabilities and communities, and preparing our Sailors and their families for a more sea-centric force.

It is not enough to be ready today. We must look forward and predict our future requirements. We must continuously assess the size of our total Navy workforce, and make the necessary course corrections to shape and stabilize our workforce based on anticipated future requirements.

### **SIZING, SHAPING AND STABILIZING THE NAVY TOTAL FORCE**

For several years, our focus was on sizing the force – ensuring we had the right number of billets, and *filling* every billet with a Sailor. Today, we are focusing on shaping and stabilizing the force – ensuring we have the right *fit* between the knowledge, skills and abilities required by a billet and those possessed by the Sailor filling that billet, and ensuring we can easily adjust either based on changes in warfighting requirements.

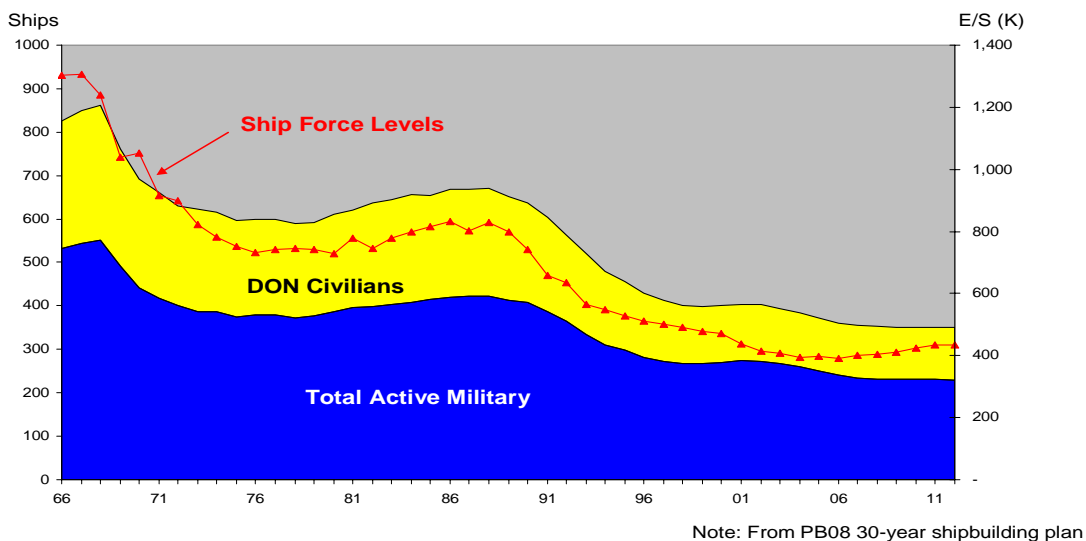
The goal of sizing the force is to determine the right *number of billets* required to meet current and future warfighting requirements. The goal of shaping the force is to ensure we have the right *type of individual* available in our workforce to fill those billets. The goal of stabilizing the force

is to have a personnel management system that can proactively respond to changes in warfighting requirements.

### **Sizing the Total Force**

After the initial post-9/11 workforce surge, Navy started reducing end-strength in a controlled manner commensurate with reductions in force structure and our infrastructure. We were reducing manpower in conjunction with a decrease in the number of ships and aircraft. We were focused on reducing the number of people in each component of the Total Force.

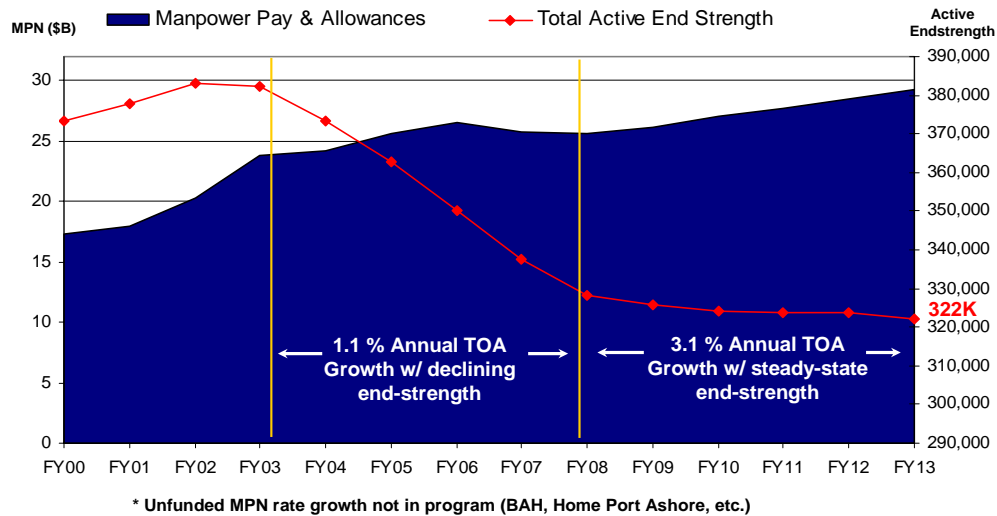
In 2006, Navy shifted from this platform-based manpower determination approach to capability-based personnel management. Based on extensive analysis of the current and future warfighting needs, we forecasted that the AC manpower required to provide the necessary capabilities is approximately 322,000 for a force structure of 313 ships and approximately 3,800 aircraft. As a result, we are now “exiting the glide slope”; that is, we are planning to stabilize the Navy AC workforce around 322,000 by FY13.



Our analysis also allowed us to evaluate the quality of *fit* between the work that needed to be done and the skill sets of the Sailors assigned to do that work. In some cases, we identified work currently performed by Sailors that could be done more efficiently by employing new technologies, decommissioning manpower-intensive platforms, improving training or work processes, or altering the mix of military, civilian and contractor resources.

As we move toward an AC workforce of approximately 322,000 in FY13, we will decrease AC strength by approximately 14 percent between 2003 and 2008. It is extremely important to note, however, that during this reduction, the overall cost of our manpower will rise by almost seven percent. Not only will accessing and retaining our Sailors be generally more expensive, but, as

skill requirements increase, the cost to train, educate and retain them will increase, as well. It is imperative that our force be effective and cost-efficient as we “exit the glide slope.” We can not afford – operationally or fiscally – anything less.



### **Shaping the Total Force**

In order to shape an appropriately skilled AC workforce sized at 322,000, Navy must utilize all force-shaping tools at our disposal. We must also look for new strategies such as DOPMA grade-relief and innovative compensation programs. We need to apply both small adjustments and major course corrections in order to shape our force into a smaller, more effective and cost-efficient Total Force.

### **Rating Merger**

Navy reviewed its ratings (i.e., job specialties) to ensure we provide the Fleet with the right skill mix and reduce redundancies. Since 2003, the total number of enlisted ratings has been reduced from 81 to 77. Twelve ratings were disestablished through mergers that better reflect Sailors’ skill sets and duties performed. Eight ratings were established to align ratings to changing technology and emerging skill sets.

### **Rating Conversion**

Perform to Serve (PTS) is a rating conversion program that permits Sailors in overmanned ratings to switch to other ratings that are undermanned. The goal is to align our Navy personnel

inventory and skill sets through a centrally managed reenlistment program, and to instill competition in the retention process. Since inception four years ago, more than 6,400 Sailors have been guided to undermanned ratings, and more than 98,800 have been approved for in-rate reenlistment.

### ***Voluntary Separation***

Voluntary Separation Pay (VSP), enacted in 2006, has been a useful addition to our force shaping tools by providing a financial incentive to elicit voluntary separations by officers in carefully targeted communities. VSP has been used to separate 132 officers from an eligible pool of 208. Navy greatly appreciates the additional flexibility that Congress enacted in the FY07 NDAA, which will permit Navy to extend the use of VSP to select enlisted personnel and apply it to members with between six and 20 years of service.

### ***MIL-CIV Conversion***

Conversion of military billets, not focused on inherently military work, to civilian billets enhances our ability to align military personnel to warfighting functions. This year, we will target non-warfighting functions previously staffed and performed by military personnel, for conversion. We will transfer some commissioned U.S. vessels to Military Sealift Command (civilian mariners). Our focus will be on mil-civ conversions for medical and legal services, aviation support and maintenance, training support, and headquarters administrative functions.

### ***Law and Regulation***

DOPMA and the Goldwater/Nichols Act, both conceived and enacted in the Cold-war era, make it difficult to efficiently align our personnel to current and projected force structure requirements. Navy has become a far more joint and senior force, reduced in size, but with increased warfighting capability. As Navy end strength stabilizes, the need for more senior and experienced officers will continue to increase. Navy is currently operating at, or very near, statutory control-grade limits across the board and, consequently, is suppressing billet grades through the programming and budgeting process in order to comply with DOPMA constraints. In FY08, Navy is seeking relief from current control-grade limits to enable us to properly man our billet structure while providing a reasonable amount of flexibility to respond to continually emerging external control grade requirements.

## ***Incentives***

The Assignment Incentive Pay (AIP) continues to be an effective market-based incentive to elicit volunteers for difficult-to-fill jobs in critical, but less desirable locations. Navy recoded approximately 8,800 billets from a non-monetary incentive (overseas shore duty with sea duty credit) to a normal shore tour with a monetary incentive.

Sea Duty Incentive Pay (SDIP) will soon be implemented as a pilot program to incentivize enlisted Sailors in sea-intensive ratings to volunteer for longer sea duty. Sailors will either extend their assignment at sea, or curtail their assignment ashore, returning to sea duty. SDIP is aimed at increasing assignment flexibility to support the Navy's move toward a more sea-centric force.

## ***Retention Shaping Tools***

Selective Reenlistment Bonus (SRB), our primary retention tool, allows us to optimize the Navy workforce by targeting personnel with precise, in-demand skills and experience to reenlist. Navy's maximum SRB payment is currently set at \$75,000, allowing sufficient flexibility to increase the bonus ceiling as retention needs dictate over the next several years. This cap increase has been extremely valuable in retaining experienced nuclear-trained personnel and SEALs.

## ***Stabilizing the Total Force***

In the past year we have seen remarkable developments in the global security environment. It is clear that the security challenges of this century will be multifaceted and wide-ranging. If we are to respond to this rapidly-changing environment, we must have a capability-based personnel management system that is proactive, agile and cost-efficient. Such a system will allow a stabilized force that can rapidly adjust to new requirements. A key to establishing this system is a single, centralized analytical construct that is Navy-wide and balances warfighting requirements, personnel and costs.

In 2006, the Navy's Manpower, Personnel, Training and Education (MPT&E) Domain became the Single Manpower Resource Sponsor. The OPNAV N1 organization became the single point of responsibility for oversight of resourcing and manning all Navy, active and reserve, end strength. This consolidation of planning, programming, budgeting and execution authority places all Navy billets and positions into a single analytical framework. Having centralized authority and accountability enables Navy leadership to look across the entire Service to identify and prioritize the work to be performed in delivering warfighting capability. Our analytical framework links people to work, work to platforms, and platforms to capabilities resulting in far better ability to fit our people directly to warfighting capability.

In 2007, as the Single Manpower Resource Sponsor, OPNAV N1 will assume a more robust assessment responsibility through close liaison with Resource Sponsors, Appropriation Sponsors and the warfighting Enterprises through all phases of the Planning, Programming, Budgeting and

Execution System (PPBES) process. I intend to expand our focus beyond military personnel to include the Navy's civilian workforce as well.

The transition from *FILL* – a Sailor in every billet - to *FIT* – the right person (military, civilian or contractor) in the right position - is just the beginning. Navy has developed strategies and action plans to enable sustainment of the changes we have made to-date, and carry us through to match the rapidly changing demands sure to come.

## STRATEGIES FOR THE FUTURE NAVY WORKFORCE

Sometimes we still think of the 21<sup>st</sup> century as the future. It is not. It is today. Sailors, Navy civilians and contractors who will respond to uncertain future missions are entering the workforce and Navy today. What we do today – the decisions we make – will dictate our situation tomorrow, and determine what we are capable of in the future.

To inform, guide and ensure these decisions enable us to sustain the ready, stable Navy workforce we need in the future, we have defined a number of strategies and action plans to transform the Navy Total Force. These strategies address: the long term vision of Navy MPT&E; leveraging the diversity of our Total Force; executing Spiral One Sea Warrior; integrating education and training across Navy; better preparing and positioning the Navy to support Joint missions, and integrating our active and reserve military force.

### *Strategy for Our People*

To sustain a stable Total Force, we must transform into a capability-driven, competency-based, diverse, Total Force that is agile, effective and cost-efficient.

In 2006, we developed the MPT&E Strategic Vision. This vision sets the course along which Navy's Total Force management will evolve over the next 10 years. It describes our environment of uncertainty and changing operations, a more competitive marketplace and rising fiscal constraints. It defines six strategic goals that, when achieved, will enable us to be responsive and effective in the future.





Our six strategic goals for 2016 are:

- *An Effective Total Force.* Workforce components – active and reserve Sailors, federal civil employees, and contractors – will be viewed as one, integrated team that supports required warfighting capability.
- *Capability-driven.* Navy workforce requirements will be based on current and future joint warfighting needs as dictated by the national defense strategy.
- *Competency-based.* Navy work and workforce will be defined, described and managed by the knowledge, skills, and abilities that enable performance required for mission accomplishment.
- *Competitive in the marketplace.* We will continuously revise and update our policies and practices to deliver necessary and comprehensive pay and compensation structures such as life-long learning, career choice and improved family support.
- *Diverse.* We will have a culture of inclusion that encourages and enables all Sailors and civilians to reach their full professional and personal potential.
- *Agile and cost effective.* We will deliver additional capability from a smaller, yet increasingly talented, educated and integrated workforce.

In 2007, we intend to define specific approaches and action plans to achieve our six strategic goals. We will develop roadmaps that define the specific tasks and activities that must be undertaken to ensure we are making decisions that move us forward toward our vision. These roadmaps will include precise objectives that enable measurement and accountability.

### ***Diversity Campaign Plan***

Diversity is a strategic imperative for our Navy. Our diversity program leverages the different characteristics and attributes of individual Sailors and civilians. It enhances the contribution of our diverse force to mission readiness.

We defined the Navy's Diversity Campaign Plan. This plan consists of three Phases: Phase I – Assessment; Phase II – Decisive Action, and Phase III – Sustainment and Accountability. Phases I and II are complete. We are now in Phase III.

The goals of this plan are to (1) institutionalize a culture that values and fully leverages the unique attributes of the Navy's workforce, (2) attract and retain the best talent of our nation, and (3) provide opportunity for all to succeed and advance.

In Phase I, we took a fix – to get a Navy-wide snapshot of where we are in diversity, specifically looking at how recruiting, retention, and promotion practices have resulted in current demographics. As a result, five focus areas were identified for further analysis and action: Accountability; Outreach; Mentoring; Training, and Communication. Our focus was on operationalizing diversity as a frontline issue by involving all Navy leadership in the effort. We

attempted to understand why we have diversity shortfalls in some communities, ratings and occupations, and how we can best improve and sustain representation in those areas.

During Phase II, we performed root cause analysis and implemented decisive corrective actions to institute enduring change. We identified diverse affinity groups and other organizations that Navy would engage or increase engagement with to institute an outreach regimen and build a sustained engagement strategy. A mentoring program was conceived that is formalized but voluntary for mentors and protégées and incorporates one-on-one group and peer-to-peer mentoring. An overarching communication strategy was prepared to deliver a coherent and consistent message to the force.

In Phase III, we are committed to sustainment and accountability. Our focus is on continuing and enduring actions which are critical to our long term success. Navy will communicate a coordinated and consistent strategic diversity message. There will be CNO Enterprise/Community accountability reviews, which will improve outreach – moving from episodic to sustained engagement. We will launch a service-wide mentoring program, and ingrain diversity throughout the learning continuum, empowering our leadership Navy-wide to reinforce the strategic imperative of diversity in today's Navy.

### *Spiral One Sea Warrior*

Our new generation of Sailors expects to be more involved in making their career and life decisions. As a result, we are moving from a schedule-based requisition legacy system to Sailor choice and partnership, a Sailor-centered model.

The Sea Warrior family of career management tools is based on entrepreneurial efforts of Revolution in Training, Project SAIL and Improving Navy's Workforce, which helped us precisely understand the work that we need to do, and how we can best match the Sailor to that work.

Like other elements of Sea Power 21, Sea Warrior is a conceptual framework to deliver a capability. Our long range vision – an easy to use, integrated and responsive family of career management, training, and education systems for Sailors to invest in and direct their careers, education, and professional development – remains unchanged. In the near term, we are focused on access and delivery, performance, and policy to support one primary product - interactive detailing.

In 2006, Navy applied programmatic discipline to place more rigor into specific content development. We stood up a program office within PEO-EIS and deepened partnerships with key Navy organizations. We also unbundled existing products (Navy Knowledge Online,

SMART transcripts, Navy Credentialing Opportunities Online (COOL)) to field Sea Warrior Spiral One – Career Management System (CMS) with Interactive Detailing capability.

In the future, we intend to continue to test, evaluate and deliver proven products to Sailors. Sea Warrior will be established as a program of record for POM-10. Testing starts this year with a tightly defined control group to use the system and provide us valuable feedback to improve upon this capability. The ability to apply for billets online using CMS-Interactive Detailing (consistent with policy and access) will be delivered to our Sailors by June 2009. In future spirals, we will build on lessons learned and as access and systems capability improve, we will move from a policy focus to individual Sailor and access and capability focus. As each build reaches maturity (and passes strict quality acceptance tests for accuracy, ease-of-use, and technical robustness), we will open its use to wider audiences.

### ***Navy Education Strategy***

Developing a Total Force that is ready any time, anywhere starts with education. Education provides the foundation for development and enhancement of the critical thinking skills necessary to confront uncertainty, and adapt and respond quickly and decisively. Education is a strategic investment for Navy's Total Force. It provides preparation for enduring missions that are well-known, plus yet-to-emerge missions we know are certain to come.

In 2006, the Navy conducted a study that sought to establish a requirements and career progression framework and lay the groundwork for an education strategy within that framework. The study included intensive discussions with Navy leaders, unintended consequence analysis of prospective education initiatives, and a literature review and exploratory data analysis.

In 2007, the Navy will conduct a follow-on study that includes extensive data gathering, model building, and data analysis. The goal is to develop a comprehensive Navy Education Strategy that: supports the Navy Total Force, enhances warfighting proficiency; strengthens joint, multi-national and interagency operations; addresses enduring, emergent and future requirements, and exploits learning strategies and best practices.

### ***Path to Jointness***

The Navy is committed to developing Joint leaders – both in the officer and senior enlisted communities. We are pursuing a “Path to Jointness” that will improve how we plan, prepare and assign Navy leadership talent to Joint positions in a way that maximizes the Navy's contribution to Joint, interagency, and multi-national coalition partners.

In 2006, we made significant progress on the policy initiatives linking career progression and assignment with the Chairman's Vision. We defined the professional military education (PME) requirements for the ranks of E-1 through O-8 across the entire active and reserve military forces. Navy has revised the process to select and assign officers who have clearly demonstrated the potential to assume positions of strategic and operational leadership of staff responsibilities as appropriate to their grade in Navy, Joint, interagency and multi-national billets. The Navy now

requires completion of Intermediate PME, including JMPE Phase I for selection to URL 0-5 Command by FY09 screen boards (which are actually held in FY08).

In 2007, we intend to continue our efforts on the “Path to Jointness” by expanding our efforts to the Total Force, and monitoring our policy and process changes to ensure compliance and effectiveness. We will expand our efforts by providing the appropriate PME to the entire active and reserve Total Force, and ensuring graduates are tracked and assigned to billets that exploit their education and accelerate their development as Joint leaders. Our effectiveness will be tracked by the number and percentage of PME graduates assigned to career milestone billets. We have set a requirement for 100 percent fill of Navy resident student billets at all Joint, Service, and foreign war colleges.

### ***Active-Reserve Force Integration***

Navy continues to make significant strides in achieving a true Total Force through Active-Reserve Integration. ARI aligns active and reserve component units to achieve unity of command. It leverages both budgetary and administrative efficiencies, and ensures that the full weight of the Navy resources and capabilities are under the authority of a single commander.

Strength planners and community managers, both active and reserve, are being collocated and are implementing the same business rules and models to manage our Navy’s manpower from a Total Force perspective. Active and Reserve Regions have been aligned under the five CONUS Navy Region Commanders and Naval District Washington, to improve communications and provide mutual support, optimizing our resources and making them more accessible across the Navy.

Navy Reserve Centers have been redesignated as Navy Operational Support Centers (NOSCs). Their mission is to meet the requirements of the Fleet and Combatant Commanders by providing integrated operational support to supported Navy and Joint commands world-wide.

## **CONCLUSION**

Your Navy is ready. We are ready now and we will be ready tomorrow. We are recruiting and retaining the best and brightest talent our nation has to offer. Our Sailors, our civilians, and their families, are physically and mentally prepared. We have sized and shaped our force based on current and projected warfighting requirements. We are building a more flexible personnel management system that can rapidly respond to the ever-changing security environment. Our strategies for the future are defined and executing.

The United States Navy has a proud history of accomplishing its maritime core missions-forward presence, crisis response, sea control and power projection. This past year, our Total Force not only lived up to, but surpassed, this standard, accomplishing our traditional missions,

as well as supporting the non-traditional missions of the long war - counterinsurgency, counterterrorism, civil-military operations and nation-building. We also provided desperately needed humanitarian assistance around the globe.

The challenge before us is the uncertain world. We do not know which of these missions we may be called upon to perform in the future. The nation needs a strong Navy – with unmatched capability, global reach, persistence presence, agility and unequaled lethality. Our Navy's Total Force must be ready today and in the future to respond whenever, wherever we are called upon to do so. That is our heritage, that is our tradition and that is exactly what we will do.