

RECORD VERSION

STATEMENT BY

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AND

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UNITED STATES ARMY**

BEFORE THE

**PERSONNEL SUBCOMMITTEE
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UNITED STATES SENATE**

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PERSONNEL OVERVIEW

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**RECORD STATEMENT OF
ASSISTANT SECRETARY OF THE ARMY FOR
MANPOWER AND RESERVE AFFAIRS
AND THE
DEPUTY CHIEF OF STAFF FOR PERSONNEL
UNITED STATES ARMY**

Mr. Chairman and members of the Committee, on behalf of the men and women of the United States Army, we would like to thank you for the opportunity to appear before your Subcommittee today to discuss the recruiting and retention status and challenging issues facing America's Army. As we move into the 21st century, the evolution of the all-volunteer Army continues, marked by dramatic changes and proud accomplishments. The Army of today is facing serious challenges in the proper manning and readiness of the force, but we feel we are taking the necessary steps, with your help, to ensure that it remains the absolute best Army in the world. We would like to discuss several key issues.

Recruiting

The success, prosperity, and security of the United States today establishes the most challenging environment for Army recruiting in the history of the all-volunteer force. The combined effects of the strongest economy in 40 years, the lowest unemployment rate since the all-volunteer force began, and a low propensity to serve have greatly challenged our recruiting force. Additionally,

the Army faces stiff competition from our sister services, the private sector, and post-secondary educational institutions for high quality men and women. What is good for the nation – decreased national security threat, low unemployment, increased educational opportunities – makes our mission more challenging but does not change the requirement.

The Army's recruiting requirements are developed from projected needs based on a steady state of 480,000 soldiers. During the drawdown, the Army began to underexecute the total contracts required to meet our accession requirement. We did this because market conditions prevented us from meeting the necessary contract mission to build our delayed entry program for the next fiscal year. Today, market conditions continue to prevent us from building an adequate entry Delayed Entry Program (DEP) and meeting our annual accession mission. We can meet the accession requirements only by lowering the number of applicants in the Delayed Entry Pool. In effect, while we have made our accession requirements, we have not made our annual contract requirement since 1995. This has caused the real recruiting workload to increase.

Fiscal Year (FY) 1999 was another difficult year for the Army as the annual contract failure resulted in a workload incapable of meeting accession requirements. We did not meet our active recruiting mission of 74,500, accessing 68,209 or 91.6% of the mission. To accomplish that 91.6%, it took a concentrated effort through the end of the year. This exhaustive effort left little time to build the volume of applicants for the FY00 Delayed Entry Program (DEP). We entered the year with only 22% of the FY00 accession mission in the DEP - 500 less than FY99 and almost 11,000 short of

our goal of 35% of the new FY's accession mission. The Army Reserve missed its 52,084 FY99 accession mission by 10,300. The Army National Guard made its 56,958 mission by 132. The good news is all quality floors were met in FY99, with the exception of the Army National Guard. While they missed the 90% high school diploma graduate goal, all of their quality marks improved over FY98.

The FY00 enlisted accession mission will be one of the most challenging in recent history. The Active Component must write 91,000 new contracts to cover the 80,000-accession requirement and build an adequate DEP of 35% to start FY01. The USAR must access 48,461 and the Army National Guard, 54,034. These workloads combine to require productivity not seen since 1990, under more difficult market conditions.

Through January 2000, we have exceeded our Active Army accession requirements by 1,211. The Army National Guard is meeting its mission, but the US Army Reserve has a shortfall of about 3,000. The Reserves, even with this shortfall, have improved 7% over this same period last year. We are fully challenged to meet this year's accession mission, but we believe we can accomplish the 80,000 active mission. We are implementing ways to expand the recruiting market in cost effective ways. But rest assured, we will not degrade the quality of the force.

The Secretary of the Army and the Chief of Staff of the Army have stated that the number one task is recruiting. In response, the Army has taken several actions during the past few months to meet this challenge. Last year, you provided us an opportunity, and we implemented the test program to treat home

schooled applicants and those who complete the Army National Guard ChalleNGe program as Tier 1, High School Diploma Graduate (HSDG) equivalents for enlistment purposes. We enlisted 379 through this program in FY99 and hope to greatly increase that number in FY00.

This year you provided us the opportunity to offer the “College First” test program. Secretary Caldera, Secretary Riley, CSA Shinseki, SMA Hall, and GEN (RET) Powell jointly announced the implementation of the program on February 3rd. Also on that day, we announced the implementation of “GED Plus – the Army’s High School Completion Program”. We expect these two programs to expand our prime market and the accession of quality soldiers.

Today’s young men and women have more employment and educational opportunities than ever before. Competition for these young people has never been more intense. The Army needs to have competitive incentives to make service to our country an attractive option. The enlistment incentives we offer not only appeal to the dominant buying motive of young people, but they also allow us to sell the skills most critical to our needs at the time we need them. This year you provided us with greater flexibility and improvements to our incentives. You raised the maximum amount of the enlistment bonuses to \$20,000 for the active component and to \$8,000 for the US Army Reserve. We initially offered the \$20,000 maximum to only four military occupational skills and have seen immediate dramatic increases in the volume and quality fill for those skills. You gave us the ability to link the active enlistment bonus with the Army College Fund creating a dynamic recruiting tool in appealing to applicants and influencers.

This combined incentive will help fill some critically short MOSs that have longer terms of service. The combined Montgomery GI Bill and Army College Fund along with the Army's partnership with education remain excellent programs for Army recruiting and an investment in America's future.

While we know the actions we have taken will help alleviate some of the recruiting shortfalls, we also know more work has to be done to meet future missions. We must constantly seek ways to improve the recruiting efforts from developing a stable, robust resourcing plan to the improvement of our core business practices. We must capitalize on the dramatic improvements in technology from the Internet to telecommunications and software. We must improve our marketing and advertising by adopting the industry's best business practices and seeking the most efficient use of our advertising dollars.

In order to improve our marketing and advertising, over the past several months, we have reviewed our marketing and advertising programs and are implementing some key improvements to how the Army markets itself. First, we are creating a Marketing Strategy Group, consisting of four marketing professionals from the private sector with leading edge expertise to assist the Army with developing and delivering the right messages to the American public about Army service. Second, we have already begun better methods of research into our target market and our advertising effectiveness, for use in developing and measuring the Army messages. Third, we are restructuring our advertising agency contract to make it more flexible, with a portion of the compensation based on measurements of performance. Finally, as many of you may be aware,

we have initiated re-competition for this new ad agency contract. Our goal in making these improvements, together with the other recruiting initiatives I've mentioned, is to regain the advantage necessary to compete for today's youth. The challenges the Army is facing are manageable. However it takes time to put the programs in place and to start seeing the results of those efforts.

Business practices, incentives and advertising are a part of recruiting but our most valuable resource is our recruiters. Day in and day out, they are in the small towns and big cities of America and overseas, reaching out to young men and women, telling them the Army story. We have always selected our best soldiers to be recruiters and will continue to do so. These soldiers have a demanding mission in making their individual goals. We owe it to these recruiters and their families to provide them the resources, training and quality of life environment that will enable them to succeed.

The Army appreciates Congress's continued support for recruiting programs and also your support for improving the quality of life of our recruiting force. We are grateful for recent Congressional efforts to increase military pay and benefits and improve the overall quality of life. We believe these increases will not only improve quality of life and retention, but will greatly enhance our recruiting effort, making us more competitive with private sector employers.

Enlisted Retention

The Army's Retention Program continues to succeed in a very challenging and demanding environment. Our program is focused on sustaining a trained and ready force and operates around four basic tenets:

- Reenlist highly qualified soldiers who meet the Army's readiness needs.
- Enlisting or transferring qualified transitioning soldiers into a Reserve Component unit based on the soldier's qualification and unit vacancy requirements within geographic constraints.
- Achieve and maintain Army force alignment by reenlisting qualified soldiers in critical skills.
- Maintain maximum command involvement at every echelon of command.

Ensuring that a viable and dynamic retention program continues is critical to the sustainment function of the Army's personnel life cycle. Our retention efforts continue to demand careful management to ensure that the right skills and grades are retained at sufficient levels that keep the Army ready to fulfill its worldwide commitments. Our Selective Retention Budget continues to provide the leverage, which ensures a robust and healthy retention program.

Over the past several years retention has played an even greater role in sustaining the necessary manning levels to support our force requirements. This was necessary considering the difficult recruiting environment that has existed over that period. This past year was an excellent example of the delicate balance between the recruiting and retention efforts. Our projections for recruiting shortfalls identified early in FY99 caused us to increase our retention mission from 62,500 to 65,000 to preclude the chance of missing end-strength. Through a concerted effort by the Department of the Army, field commanders and retention noncommissioned officers; the Army not only made it's increased mission but finished the year by retaining 6,147 soldiers above that adjusted mission for a reenlistment percentage of 109.5%.

This year we have a retention mission of 68,000. Although that mission is below the 71,147 soldiers that reenlisted last year, the declining separating soldier population will make that mission just as difficult. Last year the retention accomplishments equated to 67% of all separating soldiers, which was a historic high for the Army. The mission this year requires us to equal that feat and retain once again 67% of all separating soldiers.

The ultimate success of our retention program is dependent on many factors, both internal and external to the Army. External factors that are beyond our ability to influence are; the economy, the overall job market, and the world situation. While we are enthusiastic about the healthy economy and the rapidly expanding job market, we are also aware that these factors play heavily on the minds of soldiers when it comes time to make reenlistment decisions. Our force today is more family based. Today the Army is 55% married. The spouses, who are equally impacted by these external factors as the service member, often have great influence over reenlistment decisions. The internal factors that we all have a hand in influencing are; benefit packages, promotions, the number of deployments, adequate housing, responsive and accessible health care, and attractive incentive packages which include reenlistment bonuses. Not all soldiers react the same to these factors. This continues to be a challenge facing our commanders and their retention noncommissioned officers to provide incentives to qualified soldiers that make them want to remain a part of our Army.

Our incentive programs provide both monetary and non-monetary inducements to qualified soldiers looking to reenlist. The Selective Reenlistment

Bonus, or SRB, offers monetary incentive to eligible soldiers, primarily in the grades of Specialist and Sergeant, to reenlist in skills that are critically short or that require exceptional management. Last year we initiated as a test program, the Targeted Selective Reenlistment Bonus program, or TSRB, that focused on three installations where pockets of shortages existed in certain military occupational specialties (MOS). The results of that test were positive enough that the Army expanded the program to eleven other installations within the continental United States and Korea. The TSRB pays a reenlisting soldier a higher amount of money to stay on station at a location in the program or to accept an option to move. Both of these programs, which are paid for out of the same budget, play key roles in force alignment efforts to overcome or prevent present shortfalls of mid-grade non-commissioned officers (NCOs) that would have a negative impact on the operational readiness of our force. We use the SRB program to increase reenlistments in critical specialties such as Infantry, Armor, Special Forces, Intelligence, Communications, Maintenance and Foreign Languages. The SRB budget, as a result of the FY00 Congressional Markup was increased by \$44 million dollars to \$107 million.

Non-monetary reenlistment incentives also play an important role in attracting and retaining the right soldiers. We continue to offer assignment options such as current station stabilization, overseas, and CONUS station of choice. Training and retraining options are also offered to qualified soldiers as an incentive to reenlist. By careful management of both the monetary and non-monetary

incentive programs, we have achieved a cost-effective program that has been proven effective in sustaining the career force.

The Army executes its retention mission through a network of highly dedicated, and experienced professional retention NCOs (career counselors) who serve at the Brigade, Division, Corps and MACOM level. They are supported by unit level personnel who provide retention support to their units as an additional duty. These personnel are directly responsible for making the Army's retention program successful.

The Army's retention program today is healthy. Through the 1st Quarter of FY00 we have reenlisted 102.9% of our first quarter mission and are on track to make the 68,000-reenlistment mission that is required to sustain our 480,000 soldier Army. Our Reserve Component Transition efforts during last year were also successful. We transferred 11,829 active duty soldiers into Reserve Component units against a mission of 10,875, for a 108% success rate. Through the 1st Quarter of FY00 we have transferred 2,731 soldiers into RC units against a mission of 2,507, equaling last year's success rate of 108%.

Despite these successes there are a growing number of concerns surrounding the direction and future success of the retention program. With the eligible separating population of soldiers decreasing during the next three years, the actual retention rate will have to be sustained at about 67%, which is 7% above what the Army has previously accomplished prior to FY99. Additionally, support skills such as MOS, which require language proficiency, signal communications, information technology, and maintenance, present a significant

challenge caused by those external factors that I mentioned earlier, the booming economy and growing job market. Civilian employers are actively recruiting service members with these skills wherever they are assigned. They are offering bonuses and benefit packages that we simply can not expect to match under current bonus allocation rules and constrained budgets. So although retention in the aggregate is healthy, we continue to be concerned with retaining the right numbers of soldiers who possess these specialized skills.

To achieve our retention mission, we concentrate our efforts primarily on first term and mid-career soldiers. It is within these two mission categories that the foundation for the career force is built. However, retention decisions are significantly different between these two groups. First term soldiers cite educational opportunities and availability of civilian employment as reasons for remaining in the Army or separating. Mid-career soldiers are affected more by health care, housing, compensation, and availability of commissary, exchange and other post facilities. Consequently, a higher percentage of mid-career soldiers are married, although the number of married first term soldiers continues to increase. We continue to closely monitor both groups for any change in reenlistment behavior, which could place the overall program in jeopardy. First term retention rates continue at historic levels, as they exceeded 52% during FY99. Mid-career rates continue to be above the pre-drawdown levels, at approximately 74%. We consider these rates to be the minimum levels necessary to sustain the force. Non-retirement eligible career soldiers continue to remain in the Army at a 98% rate. However, retirement eligible soldiers who

are still retention eligible are continuing to leave the service at higher than expected rates. The Army is keeping the right number of soldiers in the force necessary to maintain our readiness. This is due in large part to the help from Congress, existing incentive programs and the continued involvement by leaders at all levels.

Officer Retention

It is anticipated that we will finish FY 2000 at slightly below our Officer Budgeted End Strength of 77,800. We are closely monitoring officer retention rates, particularly that of Captains. Post-draw down (1996-1999) Captain loss rates remain higher than pre-draw down (1987-1988) loss rates; exacerbated by constrained accession cohorts during the drawdown years. However, the impact of the Captain shortage is offset by a Lieutenant overage, in aggregate numbers; however, there remain certain experiential factors that cannot be offset. The Army has programmed for an increase of 200 Lieutenant accessions in fiscal year 2000 and additional increases beyond, to support immediate and future Captain requirements.

Junior officer career expectations and patterns are affecting retention. They include comparisons of Army career requirements with the civilian sector and Service impacts on personal and family life, (PERSTEMPO). Administration and Congressional support on pay table reform serve to redress the pay issues.

We continue to promote Captains at or above the DOPMA goal of 95%, and are currently promoting all fully qualified Lieutenants to Captain at the

minimum time authorized by DOPMA (42 months); and have continued our Captain Recall Program in FY00.

Army initiatives to improve retention among its Warrant Officer AH64 (Apache) pilot population have stabilized attrition trends; a reduction from 12.9% in FY97 to 7.6% in FY99. Last year we offered Aviation Continuation Pay to 517 eligible officers, of which 463 accepted (91% take rate). Additionally, we have recalled 149 pilots since 1997, and have 51 Apache pilots serving on active duty in selective continuation (SELCON) status, and anticipate adding 20 more.

Active Army End Strength

The FY00 Congressional guidance requires the Army to achieve an end strength of 480,000 (which could vary to) 477,600 because of the 5% flexibility Congress has allowed for the military floors. Given the latest forecasts, achieving this end strength will require approximately 80,000 enlisted accessions from an already tight recruiting market. Furthermore, this accession mission hinges on high retention and low attrition rates continuing throughout the fiscal year. Any negative changes to either rate could cause the required accession number to grow even higher. During FY99 (and into FY00) the Army has studied and implemented many successful policies designed to keep retention high, low attrition, and improve future recruiting. However, even with these new policies in place, efforts to achieve end strength will be difficult given the extremely competitive recruiting and retention environment.

The Army intends to support a relatively stable force structure with an end strength of 480,000 through FY07. Manning the Army during this “steady state”

period will require each separation to be matched by a gain. Forecasts indicate that enlisted accessions during this period will range from 74,000 to 79,000 per year, with approximately 7,600 officer accessions required per year.

PERSTEMPO

An increased number of operational commitments and a reduced force structure have combined to increase the turbulence and uncertainty felt by the soldiers who serve our nation. The increase in time spent away from home for our soldiers is directly related to the increase in unit and individual deployments and joint training exercises.

The Army actively manages the effects of PERSTEMPO through force management options as well as working with OSD to manage force requirements in response to contingency operations. Some initiatives to reduce PERSTEMPO include rotating units, selective use of Reserve Component forces, global sourcing, use of contract civilians where possible, and a post deployment stabilization policy.

The FY00 National Defense Authorization Act requires the Services to pay a high-deployment per diem allowance to the armed services members for each day in which the member is deployed in excess of 250 days in the preceding 365 days. The Services must establish a system for tracking and recording the number of days a member of the armed forces is deployed. Congress developed a definition for deployment and has given the Services an opportunity to respond and revise the definition. Congress' proposed definition of deployment is when a service member is performing service, training exercise or operation at a location

or under circumstances that make it impossible or infeasible for the service member to spend off-duty time in housing in which the member resides when on garrison duty at the member's permanent duty station. OSD is preparing a revised definition for deployment and will present it to Congress sometime in March '00.

The Army will continue to manage deployments with an emphasis on maintaining readiness, unit integrity and cohesion while meeting operational requirements.

Military Compensation and Benefits

The purpose of the military compensation system is to attract, retain, and motivate people. In order to man the Army with quality volunteers, we must compete directly with the private sector, and in today's environment, compensation is a key to competitiveness. An effective military compensation system must be flexible and competitive in order to attract young men and women to military service and to retain them throughout a demanding career. This year's budget contains a 3.7% pay raise which is .5% above the Employment Cost Index. By providing pay raises at .5% above the Employment Cost Index this year and through FY2006, you will greatly enhance the quality of life of our soldiers and improve the competitiveness of the military compensation package. We appreciate your commitment in this regard.

With respect to Basic Allowance for Housing (BAH), we strongly endorse the Secretary of Defense's plan to eliminate out-of pocket housing costs by the year 2005. This initiative will improve the quality of life of the soldier and his

family, and contribute to a ready force by enhancing morale and retention. The FY01 President's Budget includes \$46.8M to implement the first phase of this initiative, which will reduce out-of-pocket costs from 18.8% to 15%. We urge your support.

The RAND Corporation modeled the combined effects of the 4.8% pay raise, pay table reform, and retirement reform. They predict that retention will improve by 6% at the first reenlistment point, 13% at the second reenlistment point, and 20% among those members reaching 20 years of service. These statistics underscore the importance of pay and retirement benefits as key factors in retention of high quality individuals.

We continue to endorse the following priorities that have been validated by our soldiers: Pursuing fair and equitable compensation and benefits, providing safe, affordable, and adequate housing, ensuring quality health care, balancing the impact of high deployment rates, increasing and enhancing support to community programs, preserving retirement benefits, and expanding educational opportunities. We would like to thank you again for your continued support on compensation issues.

Military Retirees

Army retirees have served our nation honorably and selflessly which has resulted in a way of life for our citizens that is unknown in many other countries. This nation is eternally indebted to these gallant men and women. Even though they may have taken off the Army uniform, many continue to serve in various

ways in their civilian communities. For many, "US Army Retired - Still Serving" is not a slogan, it's a way of life.

It is important that we honor the promises made by our predecessors to our retirees while they served on active duty during World War II, Korea, Vietnam, and now during the numerous deployments to places in the world that are unfamiliar to the ordinary citizen. Today's active duty soldiers are cognizant of promises broken and how we treat our retirees. After all, many of our active duty soldiers are sons and daughters of retirees. Active duty soldiers are making career decisions based on how promises have been kept to their parents and other retirees they know.

We would like to thank Congress for passage of the various pieces of legislation in an attempt to improve retiree access to promised health care. While many of these improvements are still in the test mode, it is a step forward. We must now continue to march and take additional steps to make the full range of health care that was promised a reality.

The major concern of our retirees is access to military health care. As we have drawn down the force, closed installations, and consolidated medical facilities, access to military health care has diminished. In some places it not only diminished, it became non-existent. Many who retired near an active installation with a hospital now discover that installation and hospital has downsized, reorganized, or closed, leaving them without access to military health care. For many, especially those in their advanced years, health care coverage to replace the lose of military health care is either unattainable or too expensive

for their retirement budgets. Approximately 41% of military retirees are age 65 and older. Making legislative proposals such as S. 2087 will enhance healthcare for our military retirees.

Retirees and family members perceive actions that reduce these benefits or void them all together not simply as a break in faith but it results in a reduced standard of living. It also has a direct influence on their comments when engaged in conversation with young men and women and their parents who may be seeking information on military service.

Failure to appropriate necessary funding for health care, commissaries, and other quality of life issues reduces the overall compensation for active duty soldiers and retirees. Health care and quality of life issues are part of the overall compensation package for all soldiers, active and retired.

Closing

We know the Army offers tremendous opportunities to America's youth. Our soldiers return to America's communities better educated, more mature and with the skills and resources to prepare them for a productive and prosperous life and make valuable contributions to their communities.

The recruiting mission is a challenge this year, and will continue to be a challenge in future years. The success of our retention program continues to rest on the shoulders of unit commanders, leaders and our retention professionals throughout the Army. Our concerns for the remainder of FY00 and beyond center around the momentum that was initiated by the Administration and the Congress last year to improve the lives of our soldiers through improved pay and

the pay table reform initiative. There is still a perception throughout the force that benefits have eroded over time, particularly in the areas of health care, housing, educational opportunities, continued availability to bonus money, and the impact of frequent deployments. How we, as an institution, working closely with the Congress address those challenges during the upcoming months and years will go a long way in determining the overall health of these programs.

We must, as a world leader and power, demonstrate not only to our soldiers but the world, that we honor commitments made and continue to make to our soldiers. Failure to do anything less will rightfully cause our soldiers to lose faith in their country and its promises. This nation has reached a point in history when honoring its past commitments to retirees, veterans, and family members are no longer a matter of funding, its a matter of equity, and cannot be abrogated.

Our success or failure directly impacts Army readiness. We are up for the challenge and will do everything we can to succeed. Your continued support is essential in setting the conditions for future success.

Again, thank you for the opportunity to appear before you today.