

Statement of

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Mr. Chairman, CBO appreciates the opportunity to appear before your Subcommittee to testify on the Administration's proposed 5.3 percent military pay raise and alternatives to it. We would like to begin our testimony with a discussion of several criteria for evaluating the pay raise: pay comparability--which is the major criterion used by the Administration--recruiting, and retention. Next we will present our analysis of the Administration's proposal, including its costs and likely effects on recruiting and retention. Finally we will analyze two possible alternatives to the Administration's plan: a graduated pay raise for enlisted careerists that would offer higher increases to more senior personnel, and a package combining a graduated pay raise with recruit pay increases. In keeping with CBO's mandate to provide nonpartisan analysis, we will analyze these alternatives but not recommend among them.

Our testimony today suggests several major conclusions:

- o The principle of pay comparability may be of limited use in determining the size and composition of a special pay raise. In a period of manpower problems, the Congress may wish to focus on the likely effects of the raise on numbers of enlisted careerists and enlisted recruiting.
- o Even without a special pay raise, the numbers of enlisted careerists will increase in each of the services over the next five years. Shortages will be limited to specific

skills, particularly technical skills. On the other hand, problems with enlisted recruiting are likely to persist, particularly in the Army.

- o The Administration's proposed across-the-board pay raise of 5.3 percent would further increase the number of enlisted careerists and would give the Army a good chance of meeting its enlisted recruiting goals, at least in 1982. But the raise would be costly and would tend to improve recruiting and numbers of careerists in all skills, not just those areas with shortfalls.
- o The Congress might want to consider alternatives to an across-the-board pay raise. A graduated pay raise, granting larger raises to more senior enlisted personnel but no increase to junior enlisted personnel and officers, would be cheaper and would increase numbers of enlisted careerists almost as much as an across-the-board raise. To help meet recruiting goals, the Congress might also have to consider increases in recruit pay, such as a new specialty pay for selected recruits, increased enlistment bonuses, or a mix of both.

EVALUATING MILITARY PAY RAISES: COMPARABILITY AND OTHER TESTS

Comparability

The Administration has proposed a special 5.3 percent pay raise for all military personnel to take effect in July of this

year. It argues that this increase is needed to restore pay comparability with the private sector. Comparability is defined here as the relationship that existed between military and civilian pay in 1972, when the United States moved to an all-volunteer force. Indeed, CBO's calculations suggest that, under a narrow reckoning, a special pay raise of at least 5 percent would be needed to ensure that military pay catches up with increases in pay for production workers that have occurred since the transition to the all-volunteer force. This calculation, however, considers only the improvements in pay stemming from the 11.7 percent across-the-board increase granted last October. In addition to that 11.7 percent pay raise, the Congress last year enacted other important increases: a new variable housing allowance, larger food allowances, and numerous other increases in special pays and bonuses. While all personnel did not benefit, this package of increases added 3 to 4 percent to the pay of the average military person. Taking these important added pays into account, a special raise of less than 5 percent may be sufficient to achieve comparability with the private sector.

The comparability principle may, however, be of limited use in determining the appropriate size and nature of the special pay raise. Comparability calculations depend critically on the index used. Should one use an index for production workers, which may be most appropriate when dealing with enlisted personnel, or the

index used to determine raises for federal white-collar personnel, which current law employs to determine military pay raises? Comparability calculations also depend on the exact base period that is chosen. Should that base period be the year of the transition to the all-volunteer force or the latest period when recruiting and retention results were acceptable? Finally, calculations of comparability with civilians ignore features that are unique to military jobs.

Particularly in a period when there are military manpower problems, the Congress may want to look beyond comparability and judge what pay changes are needed to meet recruiting and career retention goals. To assist in those judgments, we would like to turn now to projections of likely retention and recruiting trends over the next five years. These projections assume that the Congress enacts a pay increase of about 9 percent this October--which would maintain the real pay levels enacted last year--but grants no special pay increases of any kind. Because they do not assume the 5.3 percent increase or any other special raise, the projections serve as a useful base case for assessing alternative pay raises.

Numbers of Careerists

CBO's projections suggest that the number of enlisted career personnel will increase in each of the services over the next five

years, even without a special pay increase. (Career personnel are defined as those with more than four years of service.) Taking the four services together, the increase should, by the end of fiscal year 1982, leave the enlisted career force at about 32,000--or 4 percent--above its 1980 level. By the end of 1986, the career force will have grown by 114,000--or 15 percent--above 1980 levels. (A service-by-service breakdown of these projections is presented in Table A-1 in the appendix to this testimony.)

These increases would allow all the services except the Navy to meet their near-term career objectives--at least those established last year--by the end of 1982. The Navy would meet its objective by the end of 1984.

The services might, of course, find it necessary to increase their enlisted career objectives. Such an increase might be needed to man a larger force or, even if the force does not grow, to provide more careerists to operate highly technical equipment. If enlisted career objectives are increased, the conclusions to be drawn from these forecasts would not be as favorable. Nonetheless, all the services except the Navy could meet higher career objectives, at least by 1986.

The aggregate projections of careerists presented here probably mask overages in some skills and shortages in others. Yet that itself is an important conclusion. If shortfalls exist only in certain skills, the Congress may wish to target special

pays and reenlistment bonuses on those areas, rather than providing across-the-board pay raises to all military personnel.

Finally, these projections are limited to trends for enlisted personnel, as is most of our discussion today. The Department of Defense has testified that problems with officer personnel are less severe than those with enlisted personnel. Indeed, it appears that officer retention problems are concentrated in a few specific skills, such as nuclear-trained personnel. Thus, for officers, as for enlisted, the Congress wish to consider increases in special pays and bonuses as an alternative to across-the-board raises.

Recruiting Outlook

Army Problems in 1982. Without a special pay increase, the outlook for enlisted recruiting is less favorable than that for career retention, particularly in the Army. The problem is that the services must not only meet their numerical goals for recruits, but must also meet the quality goals established by the Congress. These goals set limits on the percentage of recruits the services may accept with low test scores on the standard entrance examination. For the Army, the Congress has also set minimum objectives for the percentage of recruits holding high school diplomas. Holding a high school diploma appears related to the likelihood of completing one's first term of service. While

hard evidence is lacking, test scores may predict on-the-job performance.

CBO's projections assume continuation of current statutory limits on the percentage of enlisted recruits the services may take from test category IV, the lowest acceptable category on the entrance examination. Thus, only 25 percent of all non-prior-service recruits entering each service can score in test category IV in 1982; that limit tightens to 20 percent in 1983 and beyond.

Assuming that the services meet both their numerical recruiting goals and these test-score constraints, we estimate that about 60 percent of the Army's male recruits would hold high school diplomas in 1982 (see Table A-2). This would fall short of the 65 percent goal set for the Army for fiscal year 1981, a goal that the Senate Armed Services Committee has recommended continuing in 1982. If it is to meet the 65 percent goal, the Army might have to reduce its recruiting objectives by roughly 12,000 men, which could mean that it would fall short of its end-strength goals.

While important, these recruiting problems do not occur across the board. They tend to center on the combat arms skills, as evidenced by the substantial portion of enlistment bonuses that now go to these skills.

Unlike the Army, the other three services should not face serious recruiting problems in 1982. While the Congress has not established specific high-school-diploma objectives for these services, all three should exceed the 65 percent goal.

Problems More Widespread Beyond 1982. The recruiting outlook beyond 1982 could be substantially less favorable than in 1982. Long-range projections depend, of course, on many assumptions. CBO has assumed that the Congress roughly maintains current end strengths and grants pay increases that keep pace with increases in the private sector, but grants no special pay increases. Under these assumptions, the percentage of Army recruits holding high school diplomas falls to 54 percent in 1983, driven down by the tightening of the constraints on Category IV recruits. By 1986, the percentage falls another point, to 53 percent, reflecting the gradual decline in the numbers of young persons eligible to enlist. These percentages of high school diploma graduates would, of course, fall far short of the 65 percent goal and also would be well below the historical percentages achieved by the Army both under conscription and during the early years of the all-volunteer force. Moreover, the other services might also have difficulty maintaining their historical percentages of high school diploma graduates (see Table A-2).

Projections Sensitive to Assumptions. Both for 1982 and in the years beyond, these recruiting projections could vary widely with changes in key assumptions (see Table A-3). The most dramatic effect would result from a sharp increase in end strengths, particularly in the Army. If, for example, the Army were gradually to increase its enlisted end strength by 100,000

persons over the next five years, and the test-score constraints were maintained, only 44 percent of male recruits would be likely to hold high school diplomas in 1986. Recruiting results are also sensitive to changes in the test-score constraints and, to a lesser extent, to assumptions about unemployment.

In summary, CBO's projections point to an increase in career force levels over the next five years, even in the absence of special pay increases; any shortages that might occur should be limited to specific skills. But, without some special increases, problems in meeting both numerical and quality recruiting goals, particularly in the Army, will likely persist. These problems could be especially severe if the Army seeks to increase its enlisted end strength.

THE ADMINISTRATION'S PROPOSAL

The key proposal in the Administration's pay package is the 5.3 percent pay raise for all military personnel, effective this July. The new Administration has also endorsed other pay initiatives. These include increases in the maximum allowable enlistment bonus and a broadening of eligibility requirements for the bonus, higher aviation bonuses, and numerous other changes. Finally, the Administration has proposed a contingency fund of \$370 million for further pay initiatives, with specific proposals to be provided.

The Administration has also proposed other changes that could have important effects on military manpower. End strengths are to be increased in all of the services. The total size of the military could reach 2,120,000 by the end of fiscal year 1982--an increase of 70,000 over the 1980 force level. Also, the Administration has proposed lifting the limitations on the percentage of recruits who can be taken from test category IV.

Costs

Since the 5.3 percent pay raise is the major part of the Administration's plan, and the focus of this testimony, we have concentrated on its costs. Assuming an effective date of July 1, the pay raise would add about \$430 million to costs in fiscal year 1981. In fiscal year 1982, additional costs would amount to \$1.9 billion. These figures include not only the added costs for basic pay and allowances, but also costs for reserve pay, reenlistment bonuses, lump-sum terminal leave, and retirement outlays--all of which automatically increase when basic pay is raised.

Nor are these the only costs that could be associated with the 5.3 percent pay raise. The special pay raise is intended to increase numbers of career personnel. This would mean more persons at higher longevity steps and, if current promotion policies remain in effect, more at higher paygrades. In 1982, this shift could add about \$28 million to the military personnel

budget, with substantially larger increases likely in future years.

Finally, the 5.3 percent pay raise would increase future retirement liabilities. These added liabilities would not be fully realized until those benefiting from the pay increase reach retirement age, nor do they show up in today's military or federal budget. But, if the military retirement plan were funded like a private-sector pension plan, requiring that money be set aside to pay these future retirement liabilities, then the 5.3 percent pay raise would increase the amount set aside by \$650 million in 1982. We understand that the Administration will soon propose an accrual accounting system for military retirement that would cause these additional liabilities to be reflected in the defense budget.

Effects on Careerists and Recruiting

Careerist Numbers Would Increase. The 5.3 percent pay raise would increase the number of career enlisted personnel. Relative to career levels in the absence of a special raise, the increase could amount to 10,000 persons by the end of fiscal year 1982. If the increase represented by the 5.3 percent pay raise were maintained in future years, and if personnel policies accommodated larger numbers of enlisted careerists, the career force could grow by 49,000 by the end of 1986. These improvements would, of course, be spread among all skill areas, rather than being concentrated in areas with shortfalls.

Recruiting Would Also Be Helped. The 5.3 percent increase should also improve the enlisted recruiting outlook, at least in 1982. The pay raise would help in two ways. First, by increasing the number of careerists, it would reduce the demand for new recruits. And second, it would induce added numbers of high-quality recruits to join the military. As a result, the raise should enable the Army to meet its numerical recruiting goals in 1982, while also meeting the 65 percent target for recruits holding high school diplomas and the limitation that no more than 25 percent of all recruits may score in test category IV. (These projections assume continuation of the test-score constraints, as this Subcommittee and the full Committee have recommended. Results, of course, would differ if the constraints were lifted, as the Administration has proposed.)

Our conclusion that the Army can meet its 1982 recruiting goals depend critically on the Army's policy towards careerists. As of last year, the Army established an objective for about 280,000 enlisted careerists, a target that they are likely to exceed this year, even without any special pay increase. If the Army chooses to limit its career force to about 280,000 persons, then the 5.3 percent pay raise would not reduce the demand for recruits and so the Army would be less likely to meet its recruiting goal.

Also, as with retention, the 5.3 percent pay increase would improve recruiting in all areas, rather than concentrating increases in the combat arms skills, where problems are most apparent.

In the years beyond 1982, the special 5.3 percent increase would improve enlisted recruiting, but not by enough to avoid future recruiting problems. Even with the raise, the Army would slip to 59 percent high school diploma graduates in 1983 if it met both its numerical goals and the category IV constraints. The other services might also face some problems, particularly in the latter part of the five-year period.

In sum, then, the 5.3 percent pay raise would both increase numbers of enlisted careerists and improve enlisted recruiting (see Table 1). These improvements, however, would occur in all skills, not just those with shortages. Improvements would also occur in officer recruiting and retention, even though problems in the officer corps appear more limited than those among enlisted personnel. In an effort to focus the improvements on areas of greatest need, the Congress could consider alternatives to the 5.3 percent pay hike.

GRADUATED PAY RAISE

The Congress could enact a graduated pay raise for enlisted careerists only, with higher increases going to more senior

TABLE 1. SUMMARY OF EFFECTS OF ALTERNATIVE PAY PLANS ON COSTS, NUMBERS OF CAREERISTS, AND RECRUITING

	Added 1982 Costs <u>a/</u> (millions of dollars)		Added Number of Careerists <u>b/</u> (all services)		Percent of Army Recruits Holding High School Diplomas <u>c/</u>	
	Budget Costs	Retirement Liabilities	1982	1986	1982	1986
	Administration Proposal	1,900	650	10,000	49,000	65
Graduated Pay Raise	950	450	9,000	43,000	63	56
Graduated Pay Raise Plus Added Recruit Pay	1,050	450	9,000	43,000	65	65 <u>d/</u>

a/ "Budget costs" include higher basic pay and allowances (excluding the effects of more persons in high paygrades and longevity steps) plus added costs of reserve pay, reenlistment bonuses, lump sum terminal leave, and other pays that increase when basic pay is raised.

b/ These columns show added numbers of careerists (defined as those with more than four years of service) above the base case. The base case assumes no special pay increase but does assume increases in end strengths for 1982 as proposed by the Administration. End strengths through 1986 remain roughly at 1982 levels.

c/ These numbers represent percentages of male, non-prior-service Army recruits who hold high school diplomas. All percentages assume continuation of the test-score constraints now in effect.

d/ This estimate assumes increases in recruit pay beyond those required in 1982.

personnel. We understand that the Subcommittee is now considering such a plan. As an example of a graduated plan, we have assumed that personnel at paygrade E-4 would receive a 4 percent increase; paygrade E-5, 5 percent; paygrade E-6, 6 percent; and paygrades E-7 to E-9, 6.5 percent. Junior enlisted personnel (paygrades E-1 to E-3) would not receive a special pay raise under this illustrative example, nor would officer personnel.

One rationale for such a pay plan is a desire to make enlisted careers more attractive. The plan moves in that direction by increasing the pay "spread" between junior and senior enlisted personnel. The plan would also move toward restoring the pay spreads that were in effect before the United States moved to an all-volunteer military in 1973. While acknowledging the potential importance of these factors, our analysis of this option focuses on its costs and its effects on recruiting and retention.

Costs

A graduated pay raise would add \$950 million to costs in 1982 (see Table 1). This is less than the cost of a 5.3 percent across-the-board increase because the added costs of higher raises for senior enlisted personnel would be more than offset by the absence of raises for officers and junior enlisted personnel.

Like the across-the-board raise, this pay hike should increase career levels and so could add costs for more persons in

high paygrades and longevity steps. This could add about \$27 million to costs in 1982.

Retirement liabilities, while not shown in the budget, would also increase by about \$450 million. This is less than the increase under the Administration's across-the-board proposal, since officer pay would not be raised.

Effects on Numbers of Careerists and Recruiting

Careerist Numbers Up. A graduated pay raise would increase numbers of enlisted careerists by almost as much as the 5.3 percent across-the-board pay raise. Relative to career levels in the absence of any special pay hike, increases would amount to 9,000 by the end of 1982 and to 43,000 by the end of 1986. These compare to increases of 10,000 and 49,000 under the across-the-board increase of 5.3 percent. The similar results are not surprising, since pay increases under the graduated and 5.3 percent plan would be quite similar for most careerists.

The effects of a graduated pay raise might differ among the services. The Air Force, for example, promotes enlisted personnel later in their careers. Therefore, a graduated pay plan tied to paygrades would reward Air Force personnel less. If the Congress wished to avoid this problem, the graduations of pay increases could be tied to years of service rather than to paygrades.

For enlisted careerists, the graduated pay plan also shares one disadvantage with the across-the-board pay hike. Increases in numbers of careerists would occur in all skills, not just those in which shortages exist. On the other hand, the graduated plan illustrated here avoids raising the pay of officer personnel, many of whom are not in shortage skills. And, since the graduated plan is cheaper, the services might have more latitude to increase special pays and reenlistment bonuses. This is probably the least expensive way to meet shortages in particular skills.

Recruiting Still a Possible Problem. Recruiting results under this graduated pay plan would be somewhat less favorable than those under an across-the-board pay raise of 5.3 percent, at least for the Army. Recruiting would benefit from the improvements in career retention because the demand for new recruits would decline. But the graduated pay plan--which does not increase pay for junior enlisted personnel--would not do much to induce more high-quality youths to enlist. Thus, if the Army met both its numerical goals and the test-score constraints, only about 63 percent of its male, non-prior-service recruits would be likely to hold high school diplomas. This finding suggests that the Army might be able to meet a target of 65 percent, but would be less likely to accomplish that goal than it would with a 5.3 percent across-the-board pay raise.

As under the across-the-board option, these findings depend on the Army's policy toward careerists. If the Army chose to limit its career force to its current objective of about 280,000 persons, then the graduated pay plan would not reduce demand for recruits and so the Army would be unlikely to meet the 65 percent goal.

It may be increasingly difficult, moreover, to solve recruiting problems beyond 1982 by relying on growth in the career force to reduce the demand for recruits. Yet recruiting problems will continue. Even with the graduated pay raise, the percentage of Army recruits holding high school diplomas would decline to 58 percent in 1983 and to 56 percent by 1986. These numbers would, of course, fall below the 65 percent target as well as below historical averages.

In sum, the graduated pay plan would cost less than an across-the-board pay raise and would further increase numbers of careerists. Persistent recruiting problems suggest, however, that the Congress may wish to consider adding some type of recruiting incentive to the graduated pay raise.

GRADUATED PAY RAISE PLUS ADDED RECRUIT PAY

The Congress could enact a graduated pay raise, as discussed above, in combination with increases in recruit pay. Such added recruit pay could take one of two forms:

- o The Congress could authorize a speciality pay for new recruits. The speciality pay would be limited to high-quality recruits--that is, high school diploma graduates who score in test categories I to III. The specialty pay could be further limited to recruits who entered skills that have shortages, as designated by the Secretary of Defense. Specialty pay might be as much as \$150 a month, paid over the first three years of an enlistment, and could probably be offered under the law that now authorizes proficiency pay. Such a speciality pay would compensate those who enter skills--such as the combat arms--that are rigorous and demanding but do not offer training that is easily transferable to the civilian sector.
- o The Congress could increase the size and broaden the eligibility for enlistment bonuses, as the Administration has requested. Enlistment bonuses are probably the least expensive recruiting incentive, since the "up-front" cash offered by the bonuses appeals to youthful enlistees. The bonuses can also be easily targeted on high-quality recruits entering shortage occupations--the policy that the Department of Defense now follows. On the other hand, some object to paying large cash bonuses to young recruits, and bonuses are difficult to recover from those who leave without completing their first term of service.

These two approaches are not, of course, mutually exclusive. For example, the Congress could allow the Defense Department to try a new specialty pay, under authority that now exists for proficiency pay. In addition, the Congress could broaden eligibility for enlistment bonuses and, rather than doubling their maximum size, raise the maximum by the same percentage as basic pay increases.

Costs and Effects on Numbers of Careerists and on Recruiting

This option would offer the same incentives to career personnel as the graduated pay raise discussed above; thus, it should have essentially the same effect on career force levels. If the Congress elected to provide specialty pay for some new recruits, it might be necessary to increase the use of bonuses at the first reenlistment point so as to keep up the incentive to reenlist among those whose specialty pay was terminated.

While leaving the increases in numbers of careerists unchanged, added recruit pay could substantially improve recruiting success. For example, coupled with the graduated pay raise discussed above, a program of specialty pay costing \$110 million should allow the Army to meet both its numerical and quality objectives. (Since the specialty pay would be paid monthly during the first three years of an enlistment, not all the \$110 million would be spent in 1982.) While details of such a plan should be

formulated by the Department of Defense, the \$110 million could provide about 40 percent of all high-quality recruits with specialty pay of \$150 a month during the first three years of their enlistment.

The use of enlistment bonuses to meet recruiting objectives would be cheaper than specialty pays. Added costs could amount to about \$90 million in 1982. The lower costs reflect the strong appeal of cash to youthful enlistees. But the costs shown here do not reflect losses of bonuses to those who leave the military without completing their initial term of service.

A final plan could, of course, reflect some mix of enlistment bonuses and specialty pays. Indeed, it may be necessary to approach recruiting problems with a variety of solutions: pay increases, changes in personnel policies, and increased recruiting resources. This will be especially true if a decision is made to increase substantially the size of the military, particularly the Army.

DECISION ON SPECIAL PAY RAISE COULD HELP DETERMINE MANPOWER DIRECTIONS

We have concentrated on alternatives to the 5.3 percent pay raise that seem likely to be debated quite soon. Other, broader alternatives may also come before this Subcommittee. For example, improvements in military educational benefits could be used to enhance recruiting. Military educational benefits are

a popular topic; ten pieces of legislation to create a new G.I. Bill have already been introduced in the 97th Congress. As a way to improve recruiting, improvements in educational benefits offer both promise and problems. CBO is currently assessing the likely costs and effects on recruiting, and we should soon have some preliminary results.

Some further restructuring of the military retirement system could also be considered. Numerous studies over more than a decade have suggested changes in retirement benefits, including raising benefits for some retirees and lowering them for others. Together, these changes could improve retention of career personnel and reduce long-run costs. This Subcommittee may eventually wish to consider some revisions in the retirement system as part of the overall changes in compensation that you are debating.

As for special pay raises, our analysis suggests that, depending on the Subcommittee's decision, substantially different results could occur. An across-the-board pay hike would increase both numbers of careerists and recruiting prospects, but would do so in all occupations rather than just those with shortfalls. On the other hand, a raise targeted on enlisted careerists--such as the graduated plan--would be cheaper yet would still result in more careerists. The Congress may also need to consider some increases in recruit pay--perhaps through a new specialty pay

for selected skills--in order to give the services a better chance of meeting their recruiting goals.

Clearly, the costs and effectiveness of the all-volunteer military are being carefully scrutinized by the Congress. Our results suggest that the type and scope of the pay raise will influence both those costs and the ability of the volunteer system to meet recruiting and career retention goals. Thus, the decisions made by this Subcommittee and the Congress on this and subsequent pay raises could be an important factor in the ultimate success or failure of the all-volunteer force.

APPENDIX

TABLE A-1. NUMBERS OF ENLISTED CAREERISTS ASSUMING NO SPECIAL PAY RAISES, FISCAL YEARS 1980-1986 (In thousands) a/

	1980	1982	1983	1984	1985	1986	Objective (established Dec. 1980)
Army	273	291	300	315	320	326	281
Navy	194	209	213	219	227	232	218
Marine Corps	47	53	55	58	61	63	50
Air Force	<u>232</u>	<u>225</u>	<u>225</u>	<u>228</u>	<u>234</u>	<u>239</u>	<u>210</u>
All Services	746	778	793	820	842	860	759

a/ Careerists are defined as those with more than four years of service.

TABLE A-2. PERCENTAGES OF MALE, NON-PRIOR-SERVICE RECRUITS HOLDING HIGH SCHOOL DIPLOMAS, ASSUMING NO SPECIAL PAY RAISE, FISCAL YEARS 1982-1986 a/

	1982	1983	1984	1985	1986
Army	60	54	56	55	53
Navy	73	78	73	70	70
Marine Corps	74	73	70	69	68
Air Force	71	86	81	66	68
All Services	68	70	68	63	63

a/ Percentages assume continuation of test-score constraints now specified in law.

TABLE A-3. EFFECTS OF ALTERNATIVE ASSUMPTIONS ON PERCENTAGES OF MALE, NON-PRIOR-SERVICE ARMY RECRUITS HOLDING HIGH SCHOOL DIPLOMAS, FISCAL YEARS 1982-1986

	1982	1983	1984	1985	1986
Base Case <u>a/</u>	60	54	56	55	53
Base Case, But Higher End Strengths <u>b/</u>	53	45	49	46	44
Base Case, But Lower Unemployment <u>c/</u>	60	53	54	52	50
Base Case, But 30 Percent Category IV	66	66	68	67	65

a/ Base case assumes no 5.3 percent increase and no pay raises beyond those needed to keep pace with increases in the private sector. Enlistment bonuses assumed to remain at 1981 levels. Test-score constraints specified in current law remain in effect, and end strengths remain at roughly the levels proposed by the Administration for 1982.

b/ Army's end strength increases by about 20,000 a year, beginning in 1982.

c/ This case assumes the Administration's five-year unemployment assumptions, which show overall unemployment declining to 5.6 percent by 1986. Base case assumes unemployment remains at about 7 percent by 1986, which is consistent with CBO's latest economic assumptions.