

74
. Ap 6/1
D 36/5/
982-2

1011

9744
AP 6/1
D 36/5/982-2

DEPARTMENT OF DEFENSE APPROPRIATIONS
FOR 1982

GOVERNMENT
Storage

DOCUMENTS

JUN 24 1981 HEARINGS
BEFORE A

FARRELL SUBCOMMITTEE OF THE
KANSAS STATE UNIVERSITY
COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES
NINETY-SEVENTH CONGRESS
FIRST SESSION

KSU LIBRARIES
982454 0061TV

SUBCOMMITTEE ON THE DEPARTMENT OF DEFENSE

JOSEPH P. ADDABBO, New York, *Chairman*

BILL CHAPPELL, Florida
JOHN P. MURTHA, Pennsylvania
NORMAN D. DICKS, Washington
CHARLES WILSON, Texas
W. G. (BILL) HEFNER, North Carolina
BO GINN, Georgia

JACK EDWARDS, Alabama
J. KENNETH ROBINSON, Virginia
JOSEPH M. McDADE, Pennsylvania
C. W. BILL YOUNG, Florida

SAMUEL RALPH PRESTON, PETER J. MURPHY, JR., DEREK J. VANDER SCHAAF, J. DAVID WILLSON,
JOHN G. PLASHAL, ROBERT V. DAVIS, AUSTIN G. SMITH, ROBERT A. SERAPHIN, PAUL J. MAGLIOC-
CHETTI, and JAMES S. VAN WAGENEN, *Staff Assistants*; SANDRA A. GILBERT, *Administrative As-*
stant; MARCIA L. MATTS, VALRIE L. LAKE, and DONA L. PATE, *Administrative Aides*

MILITARY PERSONNEL ENTITLEMENT BILL REFERRED
UNDER SECTION 401(b), CONGRESSIONAL BUDGET AND
IMPOUNDMENT CONTROL ACT OF 1974

H.R. 3380 Armed Forces Pay Act of 1981

Printed for the use of the Committee on Appropriations



U.S. GOVERNMENT PRINTING OFFICE

DOCUMENTS

COMMITTEE ON APPROPRIATIONS

JAMIE L. WHITTEN, Mississippi, *Chairman*

EDWARD P. BOLAND, Massachusetts
WILLIAM H. NATCHER, Kentucky
NEAL SMITH, Iowa
JOSEPH P. ADDABBO, New York
CLARENCE D. LONG, Maryland
SIDNEY R. YATES, Illinois
DAVID R. OBEY, Wisconsin
EDWARD R. ROYBAL, California
LOUIS STOKES, Ohio
TOM BEVILL, Alabama
BILL CHAPPELL, Florida
BILL ALEXANDER, Arkansas
JOHN P. MURTHA, Pennsylvania
BOB TRAXLER, Michigan
JOSEPH D. EARLY, Massachusetts
CHARLES WILSON, Texas
LINDY (MRS. HALE) BOGGS, Louisiana
ADAM BENJAMIN, Jr., Indiana
NORMAN D. DICKS, Washington
MATTHEW F. MCHUGH, New York
BO GINN, Georgia
WILLIAM LEHMAN, Florida
JACK HIGHTOWER, Texas
MARTIN OLAV SABO, Minnesota
JULIAN C. DIXON, California
VIC FAZIO, California
W. G. (BILL) HEFNER, North Carolina
LES AuCOIN, Oregon
DANIEL K. AKAKA, Hawaii
WES WATKINS, Oklahoma
WILLIAM H. GRAY, III, Pennsylvania
BERNARD J. DWYER, New Jersey

SILVIO O. CONTE, Massachusetts
JOSEPH M. McDADE, Pennsylvania
JACK EDWARDS, Alabama
JOHN T. MYERS, Indiana
J. KENNETH ROBINSON, Virginia
CLARENCE E. MILLER, Ohio
LAWRENCE COUGHLIN, Pennsylvania
C. W. BILL YOUNG, Florida
JACK F. KEMP, New York
RALPH S. REGULA, Ohio
CLAIR W. BURGNER, California
GEORGE M. O'BRIEN, Illinois
VIRGINIA SMITH, Nebraska
ELDON RUDD, Arizona
CARL D. PURSELL, Michigan
MICKEY EDWARDS, Oklahoma
BOB LIVINGSTON, Louisiana
BILL GREEN, New York
TOM LOEFFLER, Texas
JERRY LEWIS, California
CARROLL A. CAMPBELL, Jr.,
South Carolina
JOHN EDWARD PORTER, Illinois

KEITH F. MAINLAND, *Clerk and Staff Director*

DEPARTMENT OF DEFENSE APPROPRIATIONS FOR 1982

MONDAY, JUNE 1, 1981.

H.R. 3380, ARMED FORCES PAY ACT OF 1981

DEPARTMENT OF DEFENSE WITNESSES

MAJ. GEN. R. DEAN TICE, U.S. ARMY, DEPUTY ASSISTANT SECRETARY OF DEFENSE (MILITARY PERSONNEL POLICY), OFFICE OF THE SECRETARY OF DEFENSE (MANPOWER, RESERVE AFFAIRS AND LOGISTICS)

L. PAUL DUBE, DIRECTOR FOR MILITARY PERSONNEL, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE (COMPTROLLER)

MAJ. GEN. WILLIAM R. USHER, U.S. AIR FORCE, DIRECTOR OF PERSONNEL PLANS, DEPUTY CHIEF OF STAFF, MANPOWER AND PERSONNEL, DEPARTMENT OF THE AIR FORCE

BRIG. GEN. ANTHONY LUKEMAN, U.S. MARINE CORPS, DIRECTOR OF MANPOWER PLANS AND POLICY DIVISION, HEADQUARTERS, U.S. MARINE CORPS

REAR ADM. JAMES R. HOGG, U.S. NAVY, DIRECTOR OF MILITARY PERSONNEL/TRAINING DIVISION, DEPUTY CHIEF OF NAVAL OPERATIONS (MANPOWER, PERSONNEL, AND TRAINING), DEPARTMENT OF THE NAVY

MAJ. GEN. MARY E. CLARK, U.S. ARMY, DIRECTOR OF HUMAN RESOURCES DEVELOPMENT, DEPUTY CHIEF OF STAFF FOR PERSONNEL, DEPARTMENT OF THE ARMY

INTRODUCTION

Mr. ADDABBO. The committee will come to order.

This morning the committee will consider H.R. 3380, the Armed Forces Pay Act of 1981, which was referred to the committee for consideration.

The bill includes several increases in military compensation, such as bonus ceiling increases, hazardous duty pay, scientific and engineering officer bonuses, and so forth. However, by far the most important and certainly the most expensive item in this bill is the recommendation for a 14.3 percent pay raise this next October.

This pay raise will cost approximately \$35 billion over a five-year period, including the impact on retired pay. This amount is roughly the total funding for the Federal Government for agriculture functions, transportation functions, justice functions, as well as assistance to State and local governments as proposed by President Reagan in fiscal year 1982.

To put this in perspective in terms of the Department of Defense, the total one-time amount required to completely modernize and equip the Army and Air Guard is estimated to be \$10 billion while

the difference between a 9.1 percent military pay raise and a 14.3 percent military pay raise is \$12.6 billion over a five-year period. In other words, to the extent that the department may wish to forego a 14.3 percent pay raise for only a 9.1 percent increase, sufficient additional funding would be available to equip the Army and Air Guard with as modern equipment as currently exists in the active force.

We will get into these issues in some detail this morning. The first witness is Major General R. Dean Tice, who is Deputy Assistant Secretary of Defense for Military Personnel Policy. General Tice has with him representatives from each of the services that will be available for committee questioning should the need arise.

General Tice, the committee has worked with you before, but you have not appeared as a primary witness, so we ask that you provide a copy of your biography for the record.

We would ask you also to summarize your statement at this time. Your entire prepared statement will be made part of the record.

For the information of the committee, we are constrained by time. This has been referred to us, together with the Armed Services Committee, and we must act on this expeditiously one way or the other. Therefore, the hearing will be confined to this morning.

We will be hearing from the DOD witnesses until 11:00 a.m. At that time we will hear from the General Accounting Office, with reference to H.R. 3380.

General Tice?

OPENING STATEMENT

General TICE. Thank you, Mr. Chairman, members of the committee.

I appreciate the opportunity to appear before you today to address H.R. 3380, the Armed Forces Pay Act of 1981. I am accompanied today by service representatives and Mr. Paul Dube, from the Office of the Assistant Secretary of Defense (Comptroller).

We consider this legislation to be particularly important because it contains a provision for a significant pay raise for military personnel in October, an action that the Administration believes is essential to sustain and improve the readiness of the military services.

We submitted legislation to Congress which would have provided for a 5.3 percent raise effective July 1, 1981. With a projected raise of 9.1 percent in October, military personnel would be receiving in the next months a total raise of almost 15 percent. The 14.3 percent raise contained in H.R. 3380 is roughly equivalent to the combined July/October raise that we were seeking.

We believe the bill's provision giving the President authority to target the raise is sound—to include the deletion of the section of the existing statute that now limits the raise for members with four years or less service to that received by General Schedule employees.

We consider a significant increase in military pay to be absolutely essential in order to demonstrate to the men and women in the armed services that this Administration cares about them and is

committed to working with the Congress to improve military compensation.

We must raise the morale and self-image of the military. As Secretary Weinberger has stated on a number of occasions, we must cease treating military personnel as second-class citizens.

Beyond the issue of equity for military members, significant pay raises are necessary to meet our projected accession and retention needs. Even with improved pay, the congressional constraints on the recruitment of mental category IV personnel and non-high school graduates could lead to serious manning problems in the Army by 1983.

Further, the prospect of an improved economy will make recruitment more difficult, and the possibility of unforeseen international tensions may require even greater force sizes than those now planned. It is imperative that we resolve the problem of pay inadequacy now.

The other sections of H.R. 3380 are the same, or similar to, legislative proposals that we have been working on in the Defense Department, but as of this time there is no final Administration position on them.

We have testified recently that an increase in the maximum enlistment bonus payment from \$5,000 to \$10,000 and the ability to offer bonuses to individuals enlisting for less than four years is vital to the achievement of our enlistment requirements.

This does not mean that we want to pay \$10,000 in a three-year enlistment. It means we want the flexibility to determine various bonus levels for various terms of enlistment.

Smaller dollar sums would be offered to high quality enlistees for shorter initial levels of enlistment in critical skills. We contemplate that the average payment would not exceed \$5,000.

As you know, the President during the graduation speech at West Point last week announced that he had asked the Secretary of Defense to form a Defense Manpower Task Force to review military manpower and to make proposals which will increase the effectiveness of the Active and Reserve all-volunteer force.

Clearly, a portion of the group's charter will be to look at the numbers and kinds of people needed to man the armed forces, to include conditions of service. Under this important latter area, we are looking at some specific areas relating to compensation, such as pay and benefit levels, educational benefits and alternative pay systems.

We do believe that legislation along the lines of H.R. 3380, as regards the pay raise and reallocation authority, is needed to give us the flexibility we need to incorporate timely findings and conclusions of the task force.

Mr. Chairman, that concludes my statement. I would be happy to answer any questions you might have.

[The biography of General Tice follows:]

R. DEAN TICE, MAJOR GENERAL, USA

Major General R. Dean Tice was born in Topeka, Kansas, on 4 December 1927. He entered the Army as an enlisted man in April 1946 and was commissioned a second lieutenant of infantry in April 1947 upon completion of Officer Candidate School.

After graduation from the Infantry Officer Basic Course at Fort Benning, Georgia, in June 1947, he was assigned as a Tactical Officer in the OCS Regiment at Fort Riley, Kansas. In January 1949 he joined the 1st Infantry Division in Germany

where he served until May 1952 with the 1st Battalion, 16th Infantry Regiment, as battalion motor officer, platoon leader, company executive officer and company commander.

From June 1952 to June 1954 he served as Assistant PMS&T of the Chicago High Schools, leaving this assignment to attend the Infantry Officer Advanced Course at Fort Benning. He then joined the 13th Infantry Regiment where he served as a company commander and regimental adjutant.

His first tour in Vietnam extended from July 1956 to July 1957 where he served as G3 operations advisor to the ARVN. Following graduation from the US Army Command and General Staff College at Fort Leavenworth, Kansas, in 1958, he joined a US Army personnel management team where he served for the next two years.

In 1960 he was assigned to the Department of the Army staff, serving in the Office of the Deputy Chief of Staff for Personnel. In March 1963 he was selected to serve in the Office of the Under Secretary of the Army as Chief, Personnel Management Division.

Upon completion of the Armed Forces Staff College at Norfolk, Virginia in February 1965, he joined the United States Southern Command in Panama where he served as Regional Plans Officer for military assistance to Latin America.

In July 1967, he returned to Vietnam and was assigned as Deputy Brigade Commander of the 3d Brigade, 4th Infantry Division. He later commanded the 2d Battalion, 12th Infantry of the 25th Infantry Division in Vietnam. In August 1968 he was assigned to the Office of the Secretary of Defense for Manpower and reserve Affairs as Executive for Personnel Procurement. He departed that assignment in August 1969 to attend the Industrial College of the Armed Forces.

In 1970 he returned to the 1st Infantry Division where he took command of the 1st Brigade. He also served as Chief of Staff of the 1st Infantry Division and was subsequently promoted to Brigadier General on 6 September 1972. He then returned to the Pentagon to the Office of the Deputy Chief of Staff for Personnel supervising various personnel management programs.

General Tice assumed command of the Berlin Brigade on 9 September 1974 and remained in that capacity until 16 July 1976 when he assumed the duties of Deputy Chief of Staff, Personnel, Headquarters, United States Army, Europe, and Seventh Army, Heidelberg, Germany. He was promoted to Major General on 1 April 1976. On 7 October 1977, he assumed command of the 3d Infantry Division, Wuerzburg, Germany. Upon completion of his command tour he was appointed Deputy Assistant Secretary of Defense for Military Personnel Policy, the position he currently holds.

General Tice has a Master's Degree in Business Administration and a BS Degree in Military Science. His decorations include the Silver Star, Legion of Merit with two oak leaf clusters, Bronze Star Medal with "V" Device, Air Medal with "V" Device and 6 oak leaf clusters, Joint Service Commendation Medal, Army Commendation Medal, Vietnam Cross of Gallantry with Palm, Combat Infantry Badge, Parachutist Badge, and the Purple Heart.

He and his wife, Eunice, have two children, a son Bill and a daughter Mrs. Karen Claterbos.

PRESIDENTIAL TASK FORCE

Mr. ADDABBO. Thank you very much, General.

General, I was at the graduation at West Point last Wednesday. I was privileged to be able to accompany the President to that graduation exercise.

If my memory serves me correctly—and I might be wrong—the President, in announcing the Military Manpower Task Force, also mentioned that the task force would be looking at the pay scales and the question of bonuses, et cetera, other than just manpower. Is that correct?

General TICE. That is correct. I don't think you can separate an analysis of what the manpower requirements are for the armed forces without considering pay as an essential element of that analysis.

Mr. ADDABBO. Well, in view of the fact that this task force is being formed, and will be looking at the questions of pay, whether

it should be across the board or in certain categories, are we a little premature in moving for this 14.3 percent increase, or 5 percent over the 9.1?

General TICE. I think the 14.3 percent pay raise, which is essentially a combination of the 5.3 special pay raise that the Administration was proposing, along with the 9.1, is what is needed to keep current the current pay scales in the armed forces.

As I commented, H.R. 3380 does contain the stipulation that we have reallocation authority up to 25 percent of the pay level increase. We think that that bill or a similar bill which gives us that authority will allow us to target, if necessary, in some of those critical areas.

Mr. ADDABBO. With the present scope of the task force, do you have any information as to when that task force might be reporting?

General TICE. Sir, I think the task force would be convened very shortly.

Mr. ADDABBO. Given the authority under this bill to reallocate, will the services actually reallocate, or will they first use up this 14.3 percent, and then come back for money to fill in the recommendations of the task force?

General TICE. I don't think I have a good answer for that for you, sir.

If you recall in the previous testimony, in support of the 5.3 pay raise in July, the Deputy Secretary of Defense went on record by saying if we had that pay raise in July, he would look at some targeting options for the October pay raise.

COMPARABILITY

Mr. ADDABBO. On appearing before the Committee on the fiscal year 1981 Supplemental, Deputy Secretary Carlucci stated that "We do not pretend to have a precise or magic percentage increase in military pay that will achieve comparability". Yet, the Department has insisted that a special pay increase of 5.3 percent is required either this summer or in October above and beyond the planned 9.1 percent pay increase in October to maintain comparability.

How can the Department justify the need for a special pay raise of over 5 percent at the same time that your own Deputy Secretary is stating that you really don't know what, if any, pay raise is required to achieve comparability?

[The information follows:]

The reason we do not have a precise figure for the increase in military pay necessary to achieve comparability is that pay comparability, in the technical sense, has never been defined for military personnel. By technical comparability, I am referring to a system like that of federal government civilians where pay equivalence is established with the private sector at the same levels of work. As applied to the military, comparability is used only in a general sense. We define comparability by comparing military pay raises with various measures of civilian sector pay increases. This enables us to make judgements about whether we are maintaining competitiveness with the civilian sector. There are a number of different indices for measuring civilian pay growth. When we took a look at this recently, we found that since 1972, military pay raises had lagged civilian pay increases in a range of one to twenty percent depending on the civilian index used and what military pay elements are included in the military pay raise measurement base. The 5.3 percent figure was derived from a comparison of military pay adjustments and PATC index

increases since 1972. We settled on that figure not because it would achieve technical comparability as described above but because it fell within the range of alternatives for a clearly justified military pay raise.

Mr. ADDABBO. Secretary Carlucci also stated that "the purpose of the proposed 5.3 percent pay increase is not to solve selected manning problems in specific areas." Instead, he stated that the special pay raise is to provide a "clear signal to military personnel of the value we place on their services." Since a special pay raise of 5.3 percent either this summer or next fall will cost \$2.5 billion a year, including the impact on retired pay, isn't there any cheaper way to give a "clear signal" to military personnel that their services are, indeed, valuable?

[The information follows:]

If the purpose of the 5.3 percent pay raise were only to solve specific shortages in selected skills, then reenlistment bonuses would be a more efficient solution. The 5.3 percent pay raise will alleviate shortages in selected skills. It will also improve retention in all skill groups, permitting us to improve the quality of the career force and reduce our demand for accessions. It will provide a solid base for expanding the force. But, most importantly, it will provide a clear indication of the commitment of Congress and the Administration, to military personnel, reversing the atmosphere engendered in the latter part of the 1970's. We believe that the benefits to the nation, in improved retention, recruiting morale, motivation and readiness of our military personnel will outweigh the costs, and will be less costly than alternative ways of trying to obtain these benefits. Money targeted at specific, severe problem areas will not have the effect. Similarly, efforts to provide a "cheap" signal would probably be interpreted as such.

Mr. ADDABBO. The military services have uniformly reported increased retention rates over the past year or so and future increases in retention rates are usually listed as prominent reasons for needing sizeable pay increases.

Yet, when the committee asked Secretary Carlucci how much of these retention increases were attributable to the large 11.7 percent increase last fall, his response was as follows:

We cannot distinguish how much of the recent increases can be attributed to the 11.7 percent raise, how much do other compensation initiatives enacted by the 96th Congress, or how much do other conditions that have changed over the two periods.

He goes on to say, "Nor can we be certain, at this point, that the increases can be sustained in the long term."

If the Deputy Secretary is not certain that the pay increases requested will be able to sustain increases in retention rates, why should additional funds be appropriated at a time when sizable cutbacks are being made in other Federal programs?

General TICE. I think that the proposed increases for this fall, as I mentioned earlier, is needed by any measure that we would use to keep the military service competitive.

The retention rates have improved significantly in the first six months of fiscal year 1981. What I think Secretary Carlucci is saying is that based upon the six months' worth of retention data we are not willing to say that this increase is permanent or that it can be sustained into the future and, therefore, our problems are not necessarily solved or at the least greatly alleviated.

We think we ought to take advantage of the momentum that we have now achieved on increased re-enlistments and also on increased enlistments of higher quality. We have made projections of what the effect of the 11.7 will be on retention, but there certainly is uncertainty in any projection.

We know that from a large body of empirical evidence that increases in pay consistently result in increases in retention. We have estimates of the magnitude of the effect of pay on retention and these estimates vary, though they all agree on the direction of the effect.

I think we must hedge against larger force requirements and improvements in the unemployment rate in the civilian economy. Defense is simply too important to gamble. We must be able to man the force.

With respect to the second comment that he made, we know that the 11.7 pay raise helped. Retention rates would be lower today if there had not been 11.7 pay raise last fall. There is an impressive number of studies which find when civilian pay increases faster than military pay, retention rates tend to decline, and vice versa.

Other factors, such as unemployment rates in the civilian economy, also reflect retention. We do know that no matter what these other factors do, retention rates would be higher than they otherwise would be given greater increases in military pay relative to pay for civilians.

Mr. ADDABBO. In discussing the question of pay raise, you talk about comparability. We note that the recommended projected increase for civilians is 4.8, and we are now looking at a compounded military raise of 27.7 percent, 11.7 last year and 14.3 percent in this request.

Isn't that moving ahead of the civilian increases and no longer working on the basis of comparability?

General TICE. I would think when we talk about comparability, you know that we had the linkage of military pay to civilian pay with reference to the increases that would be given on an annual basis.

The items that go into determining what we count as military pay versus that of the civilian pay is, as you know, difficult to get a handle on. However, I do think that the 14.3, by any of the standards of analysis that we have used, is necessary to keep us even with the competitive market on the outside.

I think that we have been challenged with a recruiting problem, and we feel that the momentum that we have gained in this first six months since the pay raise last fall can be enhanced with this size raise this October.

IMPACT ON RECRUITING COSTS

Mr. ADDABBO. The pay raise we are discussing under this bill would be a pay raise for all services. It appears that the Army is the only one having a recruiting problem.

If the Congress does approve this pay raise, will we see a request from DOD to the Administration and then from the Administration to the Congress for a reduction in recruiting costs?

General TICE. We are looking at several initiatives at this time to see how we can reduce the growth in recruiting costs. But certainly an increase in pay that brings more people through the turnstiles would allow us to perhaps cut back in the long term on the size of the recruiting force, as well as the amount of money that is invested there in the form of advertising.

TARGETING THE PAY RAISE

Mr. ADDABBO. Again, turning to Deputy Secretary Carlucci's statement, he indicated that an across-the-board pay raise does have a somewhat greater effect on the retention of people with skills that are in short supply than it does on the people with more commonly available skills.

This turns out to be true not because of the pay raise itself, but rather because the pay raise is also used as a basis for calculating increases in the re-enlistment bonus award levels which may then be multiplied several times based upon the number of years of the re-enlistment, the shortage of the skill, et cetera.

Doesn't this tell us that we should be raising the ceiling of re-enlistment bonuses and targeting the increases rather than making an across-the-board increase?

General TICE. Sir, I think we need a combination of both. If the purpose is solely to alleviate severe shortages in selected skills, then you are correct. However, across-the-board pay raises are needed in all skills to keep shortages from developing. Bonuses are needed in selected shortage skills to give the additional boost not provided by an across-the-board raise.

I think our difficulty in managing the shortages that occur is that—for example, when you first learn that you have a problem; that is, at the user level, where individuals are not re-enlisting, not staying with you.

At the time you report that to the department head or, say, to the Department of Navy, for example, there is another two or three months time lag. Subsequent to that, of course, they bring it to my attention in the Department of Defense and to the Secretary of Defense.

Before we can really take action, almost a year can elapse before you discern that you may have a critical problem. Then we come to the Congress for help of increasing bonuses or targeting them for a specific skill.

By then 18 months has elapsed. Then you know we may be in a position of not being able to man a ship or a particular specialty.

I don't think any labor economist can determine the drag along from a pay raise versus targeting specifically for bonuses. I think we need a combination of both, Mr. Chairman.

Mr. ADDABBO. If the Congress saw fit to approve the 9.1 percent raise which would go into effect in October, and then earmark the additional 5.3 percent for specific increases—in other words, re-enlistment bonuses, specialty skills, et cetera—would that give you better management within the DOD?

General TICE. Our analysis has not addressed that specific question as you pose it, Mr. Chairman. 3380 does allow us to reallocate up to 25 percent of that into selected grades and longevity steps, but reallocation authority is not applicable to individual skills.

The bonus system, of course, is the area in which we have asked for some increases, especially in the Army, which are targeted to specific skill.

Mr. ADDABBO. Well, 25 percent of 14.3 would be—

General TICE. Roughly 10 percent would be across the board and the remainder could be targeted.

Mr. ADDABBO. Which would be almost close to the \$5 billion.

General TICE. Yes, sir.
Mr. ADDABBO. Mr. Edwards?

COMPARABILITY

Mr. EDWARDS. Thank you, Mr. Chairman.

If you get 27.7 percent over this past year and this coming year, will that in your opinion mean you would then in future years be requesting pay increases similar to the civilian sector?

General TICE. We think so, but, you know, we are enjoying this success when the economy is somewhat depressed on the outside. I think our difficulty is that some of the arguments are tendentious, I think, in trying to relate military grades specifically to civil service.

The survey data that we use, whether it is the PATC or area wage surveys, do not necessarily provide us the kind of direct comparison with civilian skills and military skills.

There is no way ever to measure the X factor that you have in the armed forces. But I would think if we get this pay raise, that we have proposed or that the Administration has proposed, that tends to keep us even.

Plus, the catch-up that we feel, makes up for the lag that has occurred from 1972 to October 1980.

Mr. EDWARDS. Well, I think about comparability—Regular Military Compensation plus all kinds of other benefits. I don't want this to sound like a poor comparison, but I think about some of the welfare programs we have in this country, where people on welfare are on so many programs of one type or another that it is very hard sometimes to finally conclude exactly what it is they are getting.

In addition to Regular Military Compensation, you have a Variable Housing Allowance. In the last year alone the following increases have been authorized and funded by Congress, but are excluded from comparability calculations—Variable Housing Allowances, 25 percent increase in flight pay, 15 percent increase in sea pay, new bonuses for enlisted personnel with over ten years service, family separation pay for junior enlisted personnel, increases in the ceiling for enlistment and re-enlistment bonuses to \$5,000 and \$20,000 respectively, special pay for physicians, and overseas extension pay.

All of these items would be included in the salary of a civilian in determining his compensation package. Why should they be excluded from military pay to determine true comparability?

General TICE. Well, I think that we have already pointed out that we do not use solely RMC in making comparisons with civilian salaries, certainly not for special military subgroups and corresponding civilian subgroups. We do use RMC to measure the approximate position for the force as compared with the majority of civilian workers.

Our philosophy of military compensation is predicated on the fact that those who wear the uniform have a primary military function, and that function is equally important per given service and grade, whatever the specialization any particular member may have.

Thus, we believe that a common basic pay table should form the foundation of our military compensation system, and that progressive military knowledge, as well as loyalty for remaining in the service, should be recognized explicitly.

On this basic foundation we then build our special and incentive pay structures, plus our military benefit packages. These are oriented to manning and equity needs of the forces.

But the question you pose relates directly to how we establish the basic pay table and what its proper levels should be. We answer that question by saying that it ought to be approximately at those levels that prevail in the economy.

The special pays, reimbursements and benefits cited in your list are examples of the superstructure built on a firm basic pay foundation. They are not included in basic pay, or even in overall RMC calculations to analyze what basic pay should be, because of the different compensation approaches of the military as opposed to the civilian compensation systems. But, as I said before, we do consider them in looking at specific subgroups.

The example that was used by one analysis took an E-1 living in Washington, drawing maximum VHA, to conclude what disposable income he has. They also gave him a tax advantage figure for the \$138 a month that he receives for the bunk that he may have on a ship or in the barracks.

I think that some of those arguments are specious as far as what the expendable and disposable income that an individual has when serving in the armed forces.

We took a look at the actual wages of those young sailors killed on the *Nimitz*. Their average hourly wage was about \$2, from \$1 to \$2 an hour, for the number of hours they are working.

I guess our real difficulty in trying to relate military service to civilian occupations is that you have some pretty long days to put in.

From a personal view, I just commanded the Third Infantry Division in Europe. There was not a soldier in that division that worked less than 67 hours a week.

DISPOSABLE INCOME OF GENERALS

Mr. EDWARDS. The Army Times on April 6 printed some information from the Congressional Budget Office that says that your disposable income is \$44,886 a year, and that my disposable income is \$33,958. Could that be true?

General TICE. I wouldn't comment on that, sir.

Mr. EDWARDS. Because you don't know whether it is true?

General TICE. Of course I don't know whether it is true.

[The chart follows.]

How CBO Says Your Take-Home Pay Would Stack Up If Proposed July, Oct. Raises Are Voted.

	Gross Income	Basic Pay	+BAS	+BAQ	+VHA	FICA Tax	Federal Income Tax	State Income Tax	Retirement Contribution	Health Insurance Contribution	With \$20,000 Disposable Military Income Tax Exclusion	Percent Gain From Exclusion	
Military Officers (Pay Grade/Years of Service)													
O-10/26	\$64,518	\$50,113	\$1,138	\$7,378	\$3,689	\$2,151	\$12,873	\$2,408	—	—	\$47,096	54,966	18.7%
O-8/26	62,318	50,113	1,138	7,378	3,689	2,151	12,873	2,408	—	—	44,886	52,766	17.6%
O-7/26	62,318	50,113	1,138	7,378	3,689	2,151	12,873	2,408	—	—	44,886	52,766	17.6%
O-6/26	57,252	48,424	1,138	6,460	3,230	2,151	11,258	2,186	—	—	41,637	49,000	17.7%
O-5/22	53,653	42,605	1,138	6,460	2,790	2,151	8,712	1,988	—	—	39,732	46,551	17.0%
O-5/20	48,550	38,597	1,138	5,541	2,350	2,151	7,198	1,631	—	—	35,370	41,222	15.9%
O-4/16	39,824	30,820	1,138	5,541	2,622	2,095	5,217	1,299	—	—	31,743	35,946	15.1%
O-3/6	31,265	23,328	1,138	4,622	1,882	1,983	3,063	868	—	—	25,871	27,834	8.0%
O-1/2	19,120	13,263	1,138	4,37	1,882	868	932	314	—	—	18,988	17,917	5.5%
Military Enlisted													
E-8/26	33,639	25,996	1,852	4,448	2,445	1,881	3,518	970	—	—	27,470	30,888	12.8%
E-8/20	32,023	25,115	1,852	4,107	2,259	1,276	2,060	822	—	—	28,105	25,185	8.9%
E-7/14	28,265	19,367	1,852	3,821	2,162	1,061	1,364	435	—	—	20,916	21,760	8.7%
E-6/8	19,803	12,458	1,852	3,515	1,758	841	768	283	—	—	14,747	18,259	4.5%
E-5/6	17,877	10,950	1,852	3,230	1,615	736	530	216	—	—	15,995	16,525	3.3%
E-4/4	15,939	10,025	1,852	2,841	1,421	672	378	119	—	—	14,713	15,091	2.6%
E-3/2	14,180	8,441	1,852	2,477	1,610	506	144	66	—	—	13,268	13,502	1.1%
E-1/1	8,850	6,911	1,852	2,477	1,610	506	144	66	—	—	12,121	12,121	0.0%
Federal Executives/ Members of Congress													
Level I	68,630	—	—	—	—	—	22,711	3,851	\$4,874	\$794	37,713	—	—
Level II	60,863	—	—	—	—	—	18,043	3,015	4,246	794	34,365	—	—
Members of Congress	60,863	—	—	—	—	—	18,043	3,015	4,853	794	33,958	—	—
Level V	50,113	—	—	—	—	—	12,873	2,408	3,508	794	30,530	—	—
General Schedule (Grade/Step)													
GS-15/4 & higher	50,113	—	—	—	—	—	12,873	2,408	3,508	794	30,529	—	—
GS-15/1	46,686	—	—	—	—	—	11,381	2,211	3,268	794	29,031	—	—
GS-14/4	43,657	—	—	—	—	—	10,079	2,037	3,056	794	27,881	—	—
GS-12/4	31,088	—	—	—	—	—	5,297	1,313	2,175	794	21,689	—	—
GS-11/4	28,923	—	—	—	—	—	3,756	1,018	1,815	794	18,540	—	—
GS-9/4	21,428	—	—	—	—	—	2,607	759	1,500	794	15,768	—	—
GS-7/4	17,513	—	—	—	—	—	1,745	534	1,228	794	13,214	—	—
GS-5/4	14,141	—	—	—	—	—	1,085	357	690	794	10,915	—	—
GS-1/1	8,342	—	—	—	—	—	130	109	584	794	6,725	—	—

The Congressional Budget Office produced this chart to show how the proposed 5.3 percent July and 9.1 percent October military pay raises would affect the take-home pay of military people compared with that of certain civilian federal employees and members of Congress. The CBO calculated gross income (which includes basic pay, BAS, BAQ and VHA for military people) and deducted state and federal taxes to determine disposable income. The CBO also showed how much each pay grade would bring home if the \$20,000 tax break proposed by Defense Secretary Weinberger is approved, and the Times has added a column showing the percentage increase in disposable income this tax break would give each grade. The CBO selected a sampling of pay grades and years of service and made a number of assumptions: Outside income, bonuses and special pays (such as flight pay and sea pay) are not included, but the pay of an O-10 does include a \$2200 Personal Money Allowance. The current \$50,112.50 cop on top salaries is assumed to be

in effect. BAS is calculated at the rate when on leave or authorized to mess separately. BAQ is shown at the "with-dependents" rate. Both BAS and BAQ rates were adjusted to reflect the 5.3 and 9.1 percent raises, but VHA rates were not. The VHA rates shown are for the Washington metropolitan area. In figuring taxes, the CBO assumed four personal exemptions, a joint tax return and the standard deduction. The Virginia income tax schedule was used to determine the state tax. FICA was figured at 6.7 percent of the first \$32,100. The retirement contribution figures are based on 6 percent of gross pay for members of Congress and 7 percent for other civilian federal workers. Health insurance contributions are based on the Blue Cross-Blue Shield high-option family rates. General Schedule employees' gross income assumes a 4.8 percent raise Oct. 1. Members of Congress and federal executives are assumed to get no raise this year.

OFFSETS FOR PAY RAISE

Mr. EDWARDS. Well, you see the thing that bothers me— we considered the supplemental in subcommittee the other day. We were asked to put incentive bonus money in for pilots and navigators and various and sundry other people.

This committee decided that you didn't need an incentive bonus for some people who fly, because the reenlistment rate is very good. So, we limited the incentive bonus money to those where you needed the incentives.

I don't suppose we have done anything around here this year that has brought the wrath of the military down on our heads like that. Everybody they said ought to be entitled to an incentive bonus. Basically, that is what they said.

Well, then I said, maybe you ought to call it all pay, and not incentive bonus.

My point is that if you increase the pay to what I gather you are saying is an acceptable level, aren't there some of these bonuses and incentives, then, that you could take out?

The chairman raised a question of recruitment and advertising funding for the new enlistees. Is there anything that can be given up if in fact we provide some \$35 billion worth of increased pay over the next five years?

General TICE. I would certainly think so. If we meet our manning objectives. I don't think in the people business that any single incentive that you give is independent of the other functions that we have with respect to pay.

There is a trade-off, I think, between Aviation Career Incentive Pay, which goes to everybody who flies, versus a continuation bonus which was designed to be earmarked against a given and a specific skill within the aviation field, based on shortages.

I think the quickest way to get well, is to put the money toward the selected aviation skills. But there certainly has to be some long-term incentive pay available to people who would seek to make aviation a career.

I think the difference between the aviation continuation bonus and the ACIP, Aviation Career Incentive Pay, spells that out.

Mr. EDWARDS. But you would not have any recommendations today as to what might be—

General TICE. Well, I think if you reduce the number of people you put through training, there are savings to be made in any of these very critical skills. The cost of training a pilot—you only need to retain a few hundred until you pay for the expenditure of funds.

DISPOSABLE INCOME OF JUNIOR ENLISTED

Mr. EDWARDS. CBO has completed an extensive analysis which compares military salaries, including the 14.3 percent proposed pay raise, with that received by civilian Federal workers.

This analysis calculates the disposable income that we were talking about a few minutes ago, considering the impact of taxes but excluding all of the extra benefits and allowances that military personnel receive which may amount to as much as 18 percent additional pay as calculated by GAO.

For example, were you aware that the Congressional Budget Office analysis shows that a college graduate who has worked in the Federal Government for one year would take home the same amount as a 19-year-old military enlisted person who also has served for one year and who may well be a high school dropout, with both individuals receiving approximately \$13,000 after tax disposable income?

General TICE. Sir, I am aware of the CBO analysis that makes disposable-income comparisons. We certainly do not want to argue about the legitimacy of comparing disposable incomes. We recognize that military personnel receive income that is not taxed and therefore given the same gross income would have greater disposable incomes than a civilian who is fully taxed. However, our greatest concern from the day this analysis hit the street is in fact borne out by this very question that you have asked. That concern is that all of the simplifying assumptions that CBO used in computing disposable income would be ignored, a bottom-line figure would be seized upon, and conclusions—such as you have just made—would be drawn which bear no relationship to reality. The bottom-line disposable income that CBO attributes to a 19-year-old enlisted person—i.e., an E-3 with under 2 years of service—is based upon a building block of assumptions, each one of which could easily be challenged, but when taken together produces a figure that borders on the absurd.

First of all, CBO assumes that the example E-3 is married with a family size of four when, in fact, over three-fourths of our E-3's are single and only about 1 to 2 percent of them have a family size as great as four. Further, it is assumed that the E-3 receives, in cash, basic allowance for quarters, basic allowance for subsistence, and a variable housing allowance at the Washington, D.C. rate. The reality, however, is that the majority of E-3's are single members housed in Government quarters, subsist in a Government mess, and do not qualify for the VHA. The net result is that, rather than the \$13,500 figure cited by CBO, the typical E-3 would have, after a 14.3-percent pay raise, a disposable income of about \$6,600 or about half of the CBO figure.

Mr. EDWARDS. Does that include free medical, 20 percent or so off at the commissary and the other benefits? I want to be sure we are talking about the same thing.

General TICE. The amount of money that is taken care of after everything you have to spend. The young E-3, the example CBO used was the exception, where he drew all the allowances, versus what is received by the majority of the E-3's that we have in the Armed Forces. When we take all that into consideration, even though he has the food, the bunk to sleep in, what he has left to spend is the figure that I gave you, and not the \$13,000.

Mr. EDWARDS. From time to time the committee has heard members of the Department of Defense state that there are military personnel who are operating sophisticated machinery in dangerous jobs who make less than a window clerk at a hamburger stand. This is difficult to believe, since an E-1 who has no experience whatsoever and would not be assigned to such a position has a disposable income of over \$12,000 per year. That works out to approximately \$6 per hour available to the individual after all

taxes, retirement contributions, and so forth are made. Do you believe that a hamburger salesman draws over \$6 an hour after all taxes and health care deductions are made?

General TICE. Sir, I think it is just not true that an E-1 has a disposable income of over \$12,000. This figure is based upon the same set of misleading assumptions that they use in computing the E-3.

Mr. DICKS. Would the gentleman yield?

Have you developed a chart? If this one is misleading, do you have one that is accurate, that we can see, based on your best assumptions?

General TICE. Yes. What they used was the few individuals who would qualify for all of the extra benefits, whereas the majority of the people serving in those grades do not qualify for them.

Mr. DICKS. Have you been asked by any committee of the Congress to prepare a chart that would give you the average or the ordinary situation versus the one in the CBO?

General TICE. Not for all grades. I could provide that for you.

Mr. DICKS. I think it would be important for the committee to get from you—with the assumptions you are using—a comparison between what the CBO has come up with and what the average situation in the service is. I think then the committee would be in a better position to discuss this question.

General TICE. Sixty percent of all those serving are in grade E-4 or below. And the example cited is what a general makes.

Mr. EDWARDS. I thought we have been talking about E-4 and below.

Mr. ADDABBO. E-3 and E-1 are below E-4.

Mr. EDWARDS. I only compared yours and mine. That is the only time I talked about generals.

General TICE. That was your statement earlier, sir.

I would say that when we talk about—I could provide you a RMC chart right now. We made an analysis of wages for the sailors who were killed on the *Nimitz*. I do not want to press the point too far. But the most that anybody made on that deck who was killed was an average of \$3.19 an hour.

Mr. HEFNER. Was that based on a 40-hour week, 50-hour week?

General TICE. The ships never work less than 56 hours a week when they are steaming. When they are shaping up for deployment, they work as high as 100 hours a week.

Mr. EDWARDS. So do all of us. You do not work a 40-hour week. We do not work a 40-hour week.

General TICE. When you compare the skill, whether it is a machinist or electronics technician, with an individual in civilian life, I think they do work 40 hours a week. Of course none of us work 40 hours a week.

DISPOSABLE INCOME OF E-4

Mr. DAVIS. General Tice, I assume you have seen the CBO chart we are all talking about. Take the E-4 in Washington. There is an E-4 that comes over regularly from one of the services. I do not want to mention which one. He is living on the economy. He moved from barracks out on the economy. I asked him the other day, do you have a money problem, he said no, with the VHA he has

enough money. When you get out there, and somebody has \$500 or \$600 a month cash to spend and you are 19, 20, 21 years old, that is a lot of money.

Let me walk you through this chart and see if the chart is wrong. An E-4 has basic pay of \$10,000 a year. This is after the 14-percent raise. That is about right. BAS, again I think the assumptions are that he has a family of four, including himself. I am not sure whether this individual does or not. Sixteen hundred dollars a year for subsistence allowance. Quarters allowance, just the Basic Allowance for Quarters, \$2,800 a year. Variable housing allowance for living in the Washington area, \$1,400 a year. Then some deductions: \$672 taken out in social security, \$378 taken out in Federal income tax, and \$178 taken out in State income tax. CBO analysis shows he makes no retirement contribution, no health insurance contribution. And then the gross total disposable income, with the pluses and minuses, works out to be \$14,713 a year. Is there any quarrel with that? You can get your hands on these individuals. They walk in your office. If each of the individual pieces here are valid, is not the total valid? If this person gets a 14-percent pay raise, and he is probably 21 years old, he is taking home \$14,700 a year. That is what he has left to spend, to go out and pay for his quarters and food. Is that wrong? It is probably wrong for somebody on the *Nimitz*. You probably cannot pay those guys enough in some cases for the jobs they do. But talking about somebody living in Washington?

General TICE. He is probably sharing an apartment with four or five other soldiers in order to—even with the VHA—to make ends meet. In the example you gave, he would be doing well.

Mr. DAVIS. That is how he chooses to spend it. If he shares with four or five people—that is a different question. Is \$14,700 a year what you feel is a reasonably fair number to represent what an E-4 in Washington would take home after he gets a 14-percent pay raise?

General TICE. That is correct.

Mr. DAVIS. Thank you.

Mr. HEFNER. If you go under this assumption—we are big on assumptions around here—say he is an 18 or 19-year-old he does not have some of these fringe benefits you are talking about. Do you have any table that shows—

General TICE. Mr. Hefner, the example Mr. Davis used assumed the 19-year-old has four kids. He would have to start awfully early.

Mr. HEFNER. Say he is just a single guy who does not have a wife or family.

General TICE. Yes, I can give you that.

Mr. HEFNER. Can you give me that now?

General TICE. An E-4?

Mr. HEFNER. I do not care if he is in Fort Bragg or wherever he is. What disposable income does he have?

General TICE. An E-4 that does not have the dependents, living in the barracks, would draw the basic pay of \$10,025 a month. He would be living in the barracks.

Mr. DICKS. Not a month.

General TICE. I mean a year.

An annual salary, Mr. Hefner, of \$10,025. He would be living in the barracks. He would be eating in the mess. He would not draw VHA. He would—minus the income tax, and the FICA tax, and State income tax, and his disposable income would certainly be—I can give that to you. But it is about \$4,000 less than what is shown here.

Mr. HEFNER. But he has three other people he is not having to support. I am not saying that \$8,000 is a lot of money. But I do not know any McDonald clerks who make \$8,000 a year and receive free food and housing. My daughters both have worked in McDonald's. They did not come near that. It just seems to me you are kind of caught up when you start talking about 3 bucks an hour for this work. When you get to the underlying effect, it seems to me we are making an awful good argument for some kind of draft or conscription. That is just my view.

COST OF ALL VOLUNTEER FORCE

General TICE. Savings on the manpower side with conscription may not be that great, with the high turnover. It depends on how many months you are going to take them into the service, and what salaries you are going to pay them.

Mr. DICKS. I think this is a very important point. There are a lot of people who feel somehow there is going to be a magical savings if we all of a sudden went to a draft, and it will somehow solve all of our personnel costs and everything else. I think it would be very useful if we could get an idea, what would you do if you had to go into a draft context? Are you going to take the people who volunteer and pay them less? Are you going to move everybody down—how would you do it? I would be interested if you can give us—

General TICE. Sir, all I can raise is some of the issues that would have to be debated.

In order to generate appreciable savings with a draft, you would have to pay recruits and junior enlisted personnel less money than we are paying them now.

Mr. DICKS. Reduction in pay.

General TICE. You would have to have a reduction in pay in order to save. Training costs could be driven up, because the Air Force, the Navy, and the Army enlistments now are moving towards longer enlistments. You would have to make an assumption how long you would serve. If you suggested 15 months, then training costs would be high. You could not get your highly technical individuals from that group either, unless you happened to induct people with the education who could make the lateral transfer into those skills.

I do not have a good answer for you, Mr. Dicks, on that. But—I think that if the Nation had pressures for a commitment to serve, it would be beneficial. But I see a lot of problems with reverting back to the draft.

DISPOSABLE INCOME OF OFFICER

Mr. ADDABBO. A fair comparison in looking at officer compensation might be to take two personnel graduating from college at the

same time, one entering federal civil service and the other entering military service, and look at what their pay levels would become. For example, the civilian worker with no experience would have a disposable income of approximately \$10,000 while the military officer would have a disposable income of approximately \$17,000. After six years, the civil servant could reasonably expect to be a GS-11 which would provide him a disposable income of approximately \$18,000 a year but his counterpart who would only be a Captain would be drawing approximately \$26,000 in disposable income. Of course, we recognize that military life is in many ways more difficult than a civilian occupation. However, how can you reconcile the fact that entering officers receive 50 percent more pay that is available to them to spend than their federal counterparts with the stated need for very large pay increases for the military and exceedingly small ones for the civil service?

[The information follows:]

First, let me say that we do not accept the Civil Service payline as an appropriate standard for judging the adequacy of officer compensation. The fact is that the Civil Service does not have the same supply/demand problem as the military services so the comparison is specious. A more appropriate measure of the adquacy of officer pay would be against the pay scales offered by corporations in the private sector who compete more broadly with the military for college graduate resources. A Conference Board study of comparative staffing and compensation patterns published in 1974, that is still valid when adjusted for wage growth, shows that military compensation for officers very closely parallels those paid in the private sector. The study further noted that comparability persisted throughout the salary scale except at the upper five percent (O-6 and above) where the military fell far short of compensation paid in the private sector for personnel of similar grade and responsibility. This leads me to conclude that our basic compensation structure is essentially sound except at the top end where we should be paying more.

Mr. EDWARDS. Thank you, Mr. Chairman.

Mr. ADDABBO. Mr. Dicks.

TARGETING PAY RAISES

Mr. DICKS. The increases in civilian pay for various skills have certainly varied over the last 10 years. Has DOD made any attempt to calculate what the real trends between military and civilian pay for a given job have been since 1972? If so, what have those trends been, and if not, why not? Basically what it costs to get a clerical person has gone up as much since 1972 as the cost of a technician, or somebody with a special skill.

General TICE. I think you would find probably in the clerical field they have not risen as greatly as we have raised pay in the military in that given specialty. The linkage or the surveys that we have looked at—our difficulty is finding one that is appropriate to those skills that we have in the Armed Forces—is the Professional, Administrative, Technical, and Clerical, or the PATC survey, that the Bureau of Labor Statistics runs, and that only covers a very small portion of our enlisted force.

Another survey that has perhaps more applicability is the area wage survey, where they include machinists and individuals like that, or technicians, who have a direct correlation.

Mr. DICKS. There is considerable sentiment for targeting pay increases. I would like to discuss a number of options with you to

determine your thoughts on them. One suggestion is to limit the 5.3 catch-up to those in the senior enlisted grades based on the argument that we need to retain skilled personnel, and that due to wage competition over the last several years the gap between a new recruit and a senior enlisted person has decreased. What would be the impact of such an action compared to the across-the-board proposal?

General TICE. On targeting of the pay raises, and the specifics of using the 5.3 to target and have the 9.1 across-the-board, as discussed earlier, the reallocation authority that is in this bill amounts to just about that. And I think the Department of Defense is on record as saying that we will look at targeting in those areas—at least in the critical mid-career fields, for some of this pay raise.

Mr. DICKS. Are you going to be looking at the specific skills or pay grades?

General TICE. Pay grades. Under current authorization, the only options we have for looking at critical skills is by using the bonus system as opposed to military pay increases.

Mr. DICKS. Would it be better if we could go to specific skills, if we could change the authorization?

General TICE. That is an area which we have studied off and on—the third QRMC looked at that issue. The Presidential Commission also looked at that option. The General Accounting Office has looked at differential pays by skill. We have felt that our current combination of basic pay, allowances, coupled with the bonuses, gives us that authority to do just about that, sir. In other words, we use the reenlistment bonus, which is designed to attack problems in critical skills. The annual pay increases are designed to make the overall military career competitive with the civilian sector.

Mr. DICKS. We have already voted a substantial military pay increase last year of 11.7 percent. If we voted 14.3-percent increase this year and then go to barely half the level as the Reagan budget assumes for 1983, would we not be creating an illusion of backing off the commitment to military pay?

General TICE. There are some problems for the administration. We came forth with the 5.3 pay raise as a special, out of cycle pay increase, to signal to the troops in the field that—along with the 11.7-percent raise provided by the Congress last year—we really care. And I think that the kind of mileage you would get out of a out-of-cycle raise may be offset a little when it is combined with the annual pay increase.

Mr. DICKS. There is one suggestion about targeting—targeting the pay increase for high school graduates, rather than non-high-school graduates. What do you think of that idea?

General TICE. Personally, I would hate to think that you have two classes of citizens drawing pay with reference to their civilian education. As you know, sir, for the non-high-school graduate that we enlist today, we use another discrimination in that we only take mental category 1 through 3 on the mental aptitude test for those who are non-high-school graduates.

Mr. DICKS. What would you estimate the impact to be both in terms of potential savings as well as any adverse impact on person-

nel involved if the Congress denied any special pay raise to non-high school diploma graduates until they had been on active duty for 1 year?

General TICE. If the Congress denied any special pay raise to non-high-school diploma graduates until they had been on active duty for a year, it is conceivable that the problems in attrition rates with non-high-school graduates would increase. The higher attrition rates would result from the obvious differential in pay for the same effort performed by high school graduates who would make even more difficult the task of developing confidence in these individuals and shaping them into productive soldiers. The end result could be the need to rely more heavily on high school graduates, and instead of savings, higher manpower procurement costs. We do not have the experience and data to quantify the impact. However, I think you are aware, sir, that high school graduates complete their first term of enlistment at a 50-percent greater rate than non-high-school graduates. We lose 40 percent of all non-high-school graduates who enlist during this first term. Over 80 percent of high school graduates complete their first term of service.

Mr. DICKS. Thank you, Mr. Chairman.

Mr. ADDABBO. Mr. Robinson.

BONUS CEILING

Mr. ROBINSON. Thank you, Mr. Chairman.

General, on the second page of your statement you say:

This does not mean that we want to pay \$10,000 in a 3-year enlistment. It means we want the flexibility to determine various bonus levels for various terms of enlistment. Smaller dollar sums would be offered to high-quality enlistees for shorter initial levels of enlistment in critical skills. We contemplate that the average payment would at most be about \$5,000.

Then we are talking about a degree of targeting with regard to a proportion of the prospective pay raise as well.

How is this flexibility going to be determined, and who is going to exercise it?

General TICE. It will be determined by the Army—

Mr. ROBINSON. You mean by the various services?

General TICE. Yes, sir. But subject to our review in the Department of Defense.

Our estimate of the number that would receive these higher level bonuses is less than 18,000, on the enlistment bonus.

Mr. ROBINSON. Again, are we talking about all services or Army now?

General TICE. Basically Army.

Mr. ROBINSON. Because that is where the essential problem is?

General TICE. We have two problems, sir. We have the problem of enticement to have the high-quality individuals to enlist in the Army, versus the problem of retention of the very technical skills in the Air Force and the Navy, for example. So that we have a recruitment problem that is greater in the Army than it is in the other services. We have retention problems that are greater in the Air Force and the Navy than we have in the Army.

Mr. ROBINSON. Well, I am interested in how arbitrary versus a case-by-case basis the extension of these bonuses is going to be.

General TICE. Mr. Robinson, hopefully we are not arbitrary on administering any of the bonus programs. I have Lieutenant Colonel Schroetel here who oversees, has the oversight responsibility in my office to manage or overview—he has the overview responsibility of analyzing all of the bonus money paid out to our troops. If you would like, he could give you 2 minutes on how we do that.

Colonel SCHROETEL. Annually each service submits to the OSD their proposed program of bonuses in terms—we are talking enlistment bonuses here now—in terms of levels of payments, dollar amount, and the numbers and the skills. We review those proposals, looking primarily at what the manning is in the skill, were they having difficulty getting people into that skill in the past, how many they need next year, and the following year, and match that with what sort of expected improvements we can get at various bonus levels. We can provide more for the record or to the staff if you would like. It is quite a complex process, obviously. But we do a skill-by-skill review for each of the services individually.

Mr. ROBINSON. How much trouble do you anticipate with regard to people who would like to reenlist, feel they are qualified for the bonus, and yet are not offered the bonus? Is that going to constitute a difficult matter?

Colonel SCHROETEL. As General Tice has indicated, we have increased the proportion of the people who are reenlisting who receive a reenlistment bonus. Again, we are talking reenlistment bonus here. Again we look at what is happening in the services in each individual skill and what we expect to be happening, and we authorize the services to pay reenlistment bonuses where there are problems.

There have been more problems, so we are paying reenlistment bonuses to a larger proportion of the forces. For example, in 1980, fiscal year 1980, we paid reenlistment bonuses to 34 percent of the Navy people that reenlisted. In 1982, we will be paying reenlistment bonuses to 80 percent of the Navy people that are—

Mr. ROBINSON. This is exactly the concern that—

General TICE. In the Navy, for example, to show you a comparison, in 1980, the Army, only 1 percent of those career reenlistments received a reenlistment bonus. In 1981 we increased that to 28 percent. On the other hand, Navy had 34 percent from the beginning in 1980 that was receiving a reenlistment bonus, and we increased it to 56 percent of those reenlisting received the bonus. In the Air Force, only 10 percent in 1980 received a reenlistment bonus. In 1981, 30 percent.

Mr. ROBINSON. You and I both know some of these people, skilled though they may be, are a lot more skilled than others, and those are the people that I am worried about.

If we are going to simply take a skill and everybody that reenlists in that skill is going to get the bonus, I do not think we are going to accomplish the purpose, I think we are going to be somewhat selective within the skill, and I would certainly hope that this is the way that the system operates, because if it does not, if they are going to get it on an across-the-board basis, it is not going to work.

General TICE. Reenlistment bonuses are not given across the board. You test to be sure they are functional in the AFSC or MOS,

and that is only paid to those who are reenlistment-eligible in that given skill and the numbers are not that great.

Mr. DAVIS. General, or Colonel Schroetel, whichever—the reenlistment bonus it is capped right now. The maximum you can get is a Navy nuclear power enlisted person, and he can get \$20,000 for a number of years of additional service. Would it not make sense to talk about targeting? If you do a straight economic analysis there are military enlisted people who are so valuable to the military that you may want to give them a \$20-, \$30-, \$40-, or \$50,000 bonus. Economics may dictate it is perfectly justified to pay it to get them to sign up for half a dozen years, but you cannot do that. Would that make sense? You can only offer bonuses for so long, until you hit the ceiling.

General TICE. I think, Mr. Davis, that we have two challenges in reference to the bonus program. What may be the most critical individual that we need today is because we have the shortage due to the draw of the highly technical skill that he has in civilian life, but if you go to war, perhaps the guy that hangs the bomb under the wing is just as important. I think that is philosophically one of the things that bothers me about how to arrive at the best way to spend our money to man the force.

We know, or hopefully we know, that the sum of the whole is far greater than the sum of the parts in any military organization, or the Congress or any other organization. I think it is critical in the military that you develop that kind of team effort, and perhaps that causes us to make some suggestions to you that do not stand up under pure economic analysis. On the other hand, I think that based on experience and everything we can see that you have got to somehow mold that team. But we have made good use of the bonuses.

I think on the nuclear power, that that is a very rare exception where that chief petty officer that we have trained can step outside and almost double his salary.

Mr. DAVIS. There are a lot of others in the Navy and Air Force. You talk of avionics skills and some of the maintenance skills, you are rapidly approaching the point where it is getting to the ceiling in some areas.

General TICE. I think the greatest relief we had last year was when Congress gave us authority to go into what we call "Zone C". Where we thought in the past once you get an individual past the 10 years that he was a careerist and would stay on board. What we were faced with, in fact in the nuclear power area, was after 12 years' service he took a \$280 a month reduction in salary in order to reenlist. By extending the bonus program to Zone C, we corrected that.

Mr. DAVIS. My point is the guys I am talking about are not going to be around for a Zone C bonus. The guys I am talking about are not around to be part of the team that a military organization has to be, they are getting out because of a one-time \$14,000 or \$15,000 bonus. If you can get out and double your pay on the outside and make \$14,000 extra every year—

General TICE. Right now we have the limitation of \$20,000 nuclear and \$16,000 in all other areas.

Mr. DAVIS. Should it be higher?

General TICE. I think it is up to us if our analysis supports that to come back to you.

Mr. DAVIS. Does that mean you do not know?

General TICE. I think we know, and that is the reason we make the proposals. But I think right now we are not ready to say we need to increase the \$20,000, for example, nuclear power bonus.

PAY COMPRESSION

Mr. ROBINSON. Mr. Davis raised the question with regard to the cap, and it logically brings us to the question of compression.

Would you like to spend a couple of minutes discussing what this prospective pay raise will do to the question of compression.

General TICE. If it were applied across the board with every pay grade, then the differentials that we have between the grades would remain constant in relation to the 14.3-percent pay raise. But I think that we have said we are willing to take a look at targeting some of the pay raise this fall, in the hopes that we could alleviate some of that compression in the mid-career noncommissioned officer area.

Mr. ROBINSON. At the upper level its equivalent is going to lead to more people being subject to that ceiling, is it not?

General TICE. Yes, sir, for the officers, where you have the pay cap, there is no way that we can address that. The Congress has the pay cap, and everybody else. But I think that we can address those in the enlisted force for those midcareer individuals that we have in say grades E-5-9.

Mr. ROBINSON. This is a matter which you feel that the services are prepared to live with at the present time, if the pay increase is granted?

General TICE. Well, no, I think the services have taken a very hard look at how we might target that to relieve some of the compression. Under this current bill we have authority for reallocation.

BONUS CEILING

Mr. ROBINSON. I would like to go back to the bonus question for just a moment and ask whether or not the military service representatives have any comments on whether the bonus ceiling should be raised as individual services.

Admiral HOGG. The Navy has the bulk. We find in the Navy that in several specific ratings we are up against the ceiling, but we have a different viewpoint. We have in effect used up our flexibility with the bonus for those ratings and we are really substituting that bonus money for base pay. In other words, if base pay were adequate, if we had not had our pay cap or reallocated from years 1975 through 1979, which were heavy years in inflation, as we progressed toward 1980, we probably would not have had to apply those significant bonus increases.

General USHER. We in the Air Force would second the motion on that. Our analysis does not show that we are in need of an additional ceiling at the moment, but it is clear that we have made an ever increasing use of the selective reenlistment bonus to meet our requirements both in terms of multiples of base pay and in terms

of the skills that we have extended it to. We are up to some 130-odd skills now and spending just a little bit short of \$100 million a year. At least that is the proposal for fiscal year 1982, and we in fact have allowed the base pay and so forth to fall behind to a point that it has been used in part to make up for those deficiencies over the years. We would just like to say that this 14.3 percent in our view is the minimum really by any standard that we need to bring military pay back into comparability.

Mr. ROBINSON. Would you agree with the statements made by the Navy that you have been substituting bonuses for base pay at the appropriate level?

General USHER. Mr. Robinson, I would not say that we do that consciously. But to the extent that base pay falls behind, your first effect of that you will see is in the more marketable competitive skills. So, yes, to a degree then what you are doing in effect is substituting bonuses for lack of base pay, although it does not work that way consciously. It works as a cause-and-effect kind of thing.

Admiral HOGG. Mr. Robinson, I thought I said that we consciously do it. I really did not mean that. It in effect becomes that.

Mr. ROBINSON. I understand.

General CLARK. I think our concern is to increase the bonus from \$5,000 to \$10,000 for our critical skills, particularly our combat arms, and to have a flexibility in that bonus as to who gets how much of that particular bonus; otherwise I think that the Army is satisfied with the bonuses as they are presently constituted.

Mr. ROBINSON. May I ask all of you if it is visualized that it is unnecessary to pay the complete amount of the allowable bonus? Is this going to be phased in a degree that is reasonable depending on the extent of the necessity of that particular skill, or does everybody get the full amount, practically speaking?

Admiral HOGG. No, sir. In fact, as Colonel Schroetel said, we must justify to the Secretary of Defense on an annual basis looking ahead the levels of bonus that we will apply to each of our ratings, and our analysis includes a review of inventories, requirements, and retention, and if we cannot make the case within the specific criteria established by OSD we cannot apply the bonus and, in fact, were it not for an increasing need for additional moneys, in order to retain our people over the last 3 years as inflation has increased, we may well have been dropping off in the bonus. In the middle 1970s we frequently reduced bonus levels in ratings and we would foresee if one's base pay reaches the level of adequacy combined with our sea pay and submarine pay programs in the Navy, which have been improved considerably the last year as a result of congressional action, that we would in fact reduce the bonus levels.

In our negotiations with OSD and OMB and congressional staff last year for submarine pay and sea pay we said as our inventories caught up we would reduce the bonus levels.

Mr. ROBINSON. Did you have something else?

General USHER. Just a couple of comments. First of all, OSD is a pretty tough taskmaster with respect to justifying bonuses. It does not come easily. And so we have to do a pretty thorough job there.

The other thing I would like to point out about the weakness of the bonus as opposed to across-the-board, you tend to chase shortages with bonuses; in other words, you would have to have had this

loss of experience, the loss of man-years and so forth occur to you before the rules of the game will allow you to apply a bonus to that.

What an across-the-board pay raise does, where we bring pay up to the level of adequacy, our analysis shows that you prevent problems, they do not occur because retention in general is better as a consequence and you have fewer problems that you are trying to fix with a bonus. There is a considerable lead time, as General Tice pointed out earlier, so you are in a preventive-care mode much more with an across-the-board pay increase than you are with bonuses.

Admiral HOGG. In summary, from the Navy viewpoint we agree with the Air Force in this regard. We do not see bonuses as a desirable route to take. We would much prefer to see sufficient life stream earnings so that bonuses are not necessary, at least certainly not to the high levels of bonus that we are paying today, and are programed to pay for the next 2 years. We would like to see the bonus level down to the point where there is a firm foundation of base pay and incentive pay which form the foundation for our pay system and then only apply the reenlistment bonus to those small numbers of ratings where the draw from the outside, for example, in the nuclear industry is so significant that this no way that we are going to match dollar for dollar, nor do we want to because there are intangibles in the military, as I testified to you all in March, but pay those bonuses to a small number of ratings where the uniqueness of the expertise in the draw from the outside is terrific.

Mr. ROBINSON. I know my time has expired, so since we are going to be hearing from the GAO next I would like to ask the questions concerning the GAO survey be placed in the record under my name.

Mr. ADDABBO. Without objection.

[CLERK'S NOTE.—Questions submitted by Mr. Robinson and the answers thereto follow.]

PROJECTED CHANGES IN CAREER FORCE

Question. The General Accounting Office has done a detailed analysis on the stability of the all-volunteer force. The GAO looked at the career force and concluded that it has been relatively stable and has increased in absolute terms as well as a percentage increase of the total enlisted personnel. The GAO quite correctly points out that the career force is important because that is where the skilled technical and leadership personnel are.

However, when you break down the components of the career force and look at those with five to twelve years of service and those with 13 to 30 years of service the GAO found a mixed picture. For example, between 1972 and 1979 the number of people with 13 to 30 years of service declined quite sharply. However, the GAO also found that this decline was caused by retirement of personnel and that the reduction was a normal process of people leaving the service after a full career rather than for dissatisfaction with pay or other aspects of service life. Is this true?

Answer. Yes. The retirement phenomenon accounts for much of the shift. Reenlistment rates did decline, however, in the late

1970's. Pay does, affect the decisions of retirement eligible personnel to remain on active duty, as well as personnel at other points in their careers.

Question. The GAO also discovered that what appears to be a mass exodus of senior NCO's is really nothing other than normal attrition from what is an abnormally small cohort of senior NCO's which resulted from low reenlistment rates not recently but ten years ago. If the GAO analysis is correct, how will substantial increases in pay improve upon already acceptable retention and allow you to keep senior NCO's that you don't have any force to begin with because of problems many years ago?

Answer. We need experienced NCO's and petty officers and we are attempting to retain as many as we can from these small cohorts. Pay will help. We also must insure that sufficient incentives are provided to the more junior NCO's so that those of the highest quality will remain to fill the senior ranks.

Question. The GAO found that from 1973 through 1979 the number of people with from 5 to 12 years of service has gone up drastically. The GAO points out that with normal attrition rates this large group will actually produce a surplus of senior NCO's in coming years whether or not there are any large across-the-board pay raises. Is this correct?

Answer. The large numbers of personnel with from 5 to 12 years of service is, partly, an attempt to compensate for the shortage of senior NCO's. If military service should become, for whatever reasons, so attractive that more NCO's were willing to reenlist than we had spaces for them to fill, we would be in the enviable position of being able to: (1) be more selective about whom we reenlist, and (2) cut back on reenlistment bonuses. We are not at that point, and we will never have a surplus of NCO's.

Question. Do you agree with the GAO conclusion that across-the-board pay raises would have very little impact on the current 13 to 30 years service group since most stay until retirement any way but rather would influence more people in the 5 to 12 years group to remain in the service longer than they otherwise would and thus create a force imbalance in future years by having too many senior NCO's?

Answer. The effect of across-the-board pay raises is relatively small, but positive, on the retention behavior of those with 13 to 20 years of service. There is a much greater effect on those with 5 to 12 years of service. The effect on retention for those with more than 20 years of service would be as large or perhaps even larger, than the effect on the 5 to 12 years of service group.

Across-the-board pay raises could not result in too many NCO's, only in too many who want to become NCO's. Our selection process would insure this, should we ever enjoy the luxury of being in that position.

[CLERK'S NOTE.—End of questions submittal by Mr. Robinson.]

Mr. ADDABBO. Mr. Hefner.

Mr. HEFNER. I have no questions, Mr. Chairman.

Mr. ADDABBO. Mr. Murtha.

FEDERAL PAY CAP

Mr. MURTHA. Mr. Chairman, I do not understand this CBO take-home pay. Is this the cash they get on the gross income?

Mr. DAVIS. Mr. Murtha, if you go through the table of gross income, this assumes the 14.3-percent pay raise that is in this bill. The gross income assumes that an individual has four dependents, lives in Washington, D.C., and is living on the economy, is not in a barracks someplace or quarters.

Mr. MURTHA. What I am asking is where does the cap come in, the Federal pay cap at the higher level, the supergrade pay cap, where does that come into play?

Mr. DAVIS. Currently you have to be three stars or higher?

General USHER. Two stars. On 1 October it will be one star.

Mr. MURTHA. These figures here would not be accurate at all then because that is a \$50,000 cap, is it not?

Mr. DAVIS. Base pay.

General TICE. Base pay only.

Mr. DAVIS. That is the base pay. So you have to move over to the second column and the cap is where, on what?

General TICE. O-7 this fall. Right now it is O-8.

Mr. MURTHA. You are not in as bad shape in the service as they are in the civilian economy, is that right, General?

General TICE. As far as the cap, I think it has greater impact on senior-level civilian grade as opposed to the senior military.

Mr. MURTHA. Let me ask you about retirement. Do you have people who are retiring from the armed services who are actually making more money than they would make if they were working, still on active duty?

General TICE. You mean because of the twice-a-year CPI increases for retired—

Mr. MURTHA. Because of the cap.

General TICE. Not more than they would make on active duty, but more than they would have made in the basic pay grade if they continued to serve.

Mr. MURTHA. If they would have stayed on active duty and they were capped, you actually have people who are retired who get a twice-a-year cost-of-living that are making more money retired than when they were working?

General TICE. That would be a very small number.

Mr. MURTHA. You do have people that is happening to?

General TICE. I think.

Mr. MURTHA. Just like we do in the civilian sector?

General TICE. The last count it was about 10 that would apply to.

Mr. DICKS. Ten in the military?

Mr. MURTHA. In all the military retired?

General TICE. Yes, sir.

Mr. MURTHA. And you have a number, I assume, that will be moving toward that cap?

General TICE. If the pay raise this fall is increased, then, of course, that is a possibility, except the bill before Congress this year is to change the twice-a-year computation for retirees.

Mr. MURTHA. What I am looking at, General, as it is right now that is what we have, once a year or twice a year. All right, there

is no disincentive then with the cap affecting the military, the cap does not affect the military in an adverse way; is that accurate or is that inaccurate?

General TICE. I think there are problems when you have this fall all one, two, three, and four stars drawing the same salary.

Mr. MURTHA. How many people would that involve?

General TICE. We have totally authorized 1,100 generals and admirals, 1,119. That is 0.4 percent of the total officer force.

Mr. MURTHA. If this cap stays in place, all of them would then be drawing the same?

General TICE. The same salary.

Mr. MURTHA. There would be no—

General TICE. The exception would be the Chief of Staff or CNO who receives \$3,000, or \$4,000 a year personal money allowances.

Mr. MURTHA. So actually you are talking about then from the CNO and Chiefs of Staff down clear through all flag level officers will be receiving the same pay?

General TICE. That is correct.

Mr. MURTHA. Would you recommend removing the cap?

General TICE. Of course.

Mr. MURTHA. That is all I have, Mr. Chairman.

General TICE. But I understand the challenge you have, sir.

Mr. ADDABBO. Thank you very much, General. We appreciate your testimony.

With the constraint of time we will have to place many questions in the record. We ask you to expeditiously answer them.

General TICE. Thanks to your staff we had some advanced word on some of these and we will provide these for you.

[CLERK'S NOTE.—Questions submitted by Mr. Addabbo and the answers thereto follow:]

REGULAR MILITARY COMPENSATION

Question. The basis for military pay raises is regular military compensation called RMC which includes only base pay, subsistence and quarters allowances, and an estimate of the tax break on the tax free allowances just mentioned. RMC is then compared with civilian indices to come up with an estimate for a military pay raise each year.

In the civilian marketplace, an individual's salary would automatically reflect any extra pay for the demands of the job in terms of skill or perhaps danger. Is it true that in comparing the civilian salary to military salary you use only RMC and exclude those portions of military pay in terms of bonuses and special allowances that would be the military counterpart to compensation for the extra demands of a particular job?

Answer. I would like to clear up some points with your prefatory remarks. Regular Military Compensation, or RMC as it is commonly known, is not the basis of military pay raises. RMC was used operationally only between 1967 and 1974, and even in that time period it is questionable whether RMC could be characterized as being the basis of military pay raises. Public Law 90-207, of 1967, provided that whenever the General Schedule of Compensation for Federal Classified employees was increased, a comparable increase was to be effected by Executive Order in the basic pay of members

of the uniformed services; however, the amount of increase in basic pay was to be determined by equating RMC to General Schedule Salaries and the whole of that increase implanted into basic pay. Since basic pay amounts to about 75 percent of RMC, the percentage increase in basic pay had to be greater than the percentage increase in General Schedule salary. For example, the 1967 salary increase was 4.5 percent, while the basic pay increase was 5.6 percent. Public Law 93-419 put an end to this practice. That law, which is the governing statute today, provides that military continue to be linked to civil service increases, but provides an entirely different method; namely, that the elements of basic pay, basic allowance for subsistence, and basic allowance for quarters each be increased by the same percentage as General Schedule salaries. This new method drops the operational use of RMC entirely. Even extraordinary pay adjustments, such as the one proposed in H.R. 3380, are not computed on the basis of RMC.

I want to make clear that RMC was developed as a concept in 1961 to be a very rough comparison with civilian salaries and that remains its function today. There is no one RMC per pay grade, or even one RMC for pay grade and longevity step. There are many, depending on dependency status, whether living on or off post, and whether the individual can receive BAS reimbursements where rations in kind are not available, or when assigned under emergency conditions to locations where no messing facilities are available, and so forth. The computer print-out DoD makes available to Congressional staffs is a simplified version, assuming all-cash BAS and BAQ, and even that document is almost an inch thick. What I am saying is that the aggregated average RMC's you are used to seeing are not as simple as they appear, nor are they straight-forward equivalents of civilian salaries. They are, as they were intended to be, rough comparisons of those elements of military compensation that are usually found in civilian salaries and that each military member receives all the time. That is all RMC's were meant to be, that is all they are, and I caution you against making undue use of them. For example, if you vote a tax cut for the country, RMC's automatically go down, and when you increase taxes, RMC's automatically go up. But those are not necessarily reasons to increase or decrease military compensation.

With regard to your specific question, the answer is, No. When we compare the compensation of military test pilots and Civil Service test pilots, for example, we know that the Civil Service test pilot is a grade or two higher than the normal Civil Service pilot, and that when he is performing unusually dangerous work—for example, head-to-head aspect photography—that he gets an additional hazard differential. We always incorporate aviation career incentive pay into the military compensation picture in such cases. We do the same when analyzing any dangerous specialized or high-technology intensive duty; indeed, such analyses form part of the basis of special pay and bonus proposals we submit to the Congress. The point, both for military and civilian pay, is that a relatively small percentage of people fall in those categories, but for those categories we do try to measure all extra compensation symmetrically in order to ensure that military personnel don't pay an undue financial penalty for the privilege of wearing a uniform. That is

the basic philosophy underlying most of our special pays. You speak of danger—potentially, every military duty is dangerous, and that potentiality often becomes a reality, as we saw with the *Nimitz* recently and in the Iran rescue mission a year ago. Military service cannot always be usefully compared to the civilian labor market place.

Question. In addition to the retirement system, medical benefits, commissary privileges, etc., the GAO has determined that the extra pay and allowances mentioned in the previous question represent 18 percent of the RMC. If these were included in the calculations for military pay raises, is it not true that there would, indeed, be no justification for any special pay increase for military personnel this year?

Answer. No, it would not be true. These items are targeted to special sub-groups of the military population. These sub-groups are encountering manning, reimbursement and equity problems not applicable to the force as a whole. Therefore, such items would never be included in a general military pay adjustment. Basic pay represents the common foundation on which we build the rest of the compensation structure; it is predicated on the common military function that all uniformed Service members are required to perform. Special pays and reimbursements are targeted only to those specific personnel in the specific circumstances intended to be corrected by those items. While I cannot verify the GAO's calculation, and have not done so, it seems a bit on the high side. But regardless of the accuracy of the assumptions behind that calculation and the resultant 18 percent, it is irrelevant to the merits of enacting the items cited. Special items targeted to specific groups are by definition unrelated to general pay raises or to general RMC comparisons.

Question. Although not every military person receives the extra pay items totaling 18 percent, many do. What percentage of the military force receives compensation above and beyond RMC in one form or another?

Answer. Potentially 100 percent, if you include as "extra pay" the military benefit items, such as medical care, commissaries, exchanges, etc. However, something less than 15 percent of the force remains to be eligible for retirement, and medical care is used less frequently by a relatively young and healthy force than would be the case with a counterpart civilian population, while only members with dependents can make a greater or lesser use of commissaries. But probably every military member has used an exchange at one time or another. So the answer is: Potentially 100 percent. If, however, you limit your question to cash special pay and reimbursement items, obviously the number would be considerably smaller. It would fluctuate depending on military needs and deployments. Should our forces be drawn back to CONUS, the number of personnel receiving such special items should be a net decrease. If, on the other hand, we went to an alert-type deployment with larger numbers deployed overseas and at sea, the number would increase.

COMPENSATION FOR NON-HIGH-SCHOOL GRADUATES

Question. Representatives of all military services as well as the Office of the Secretary of Defense have repeatedly stated before this Committee that high school diploma graduates have about half of the attrition rate experienced by those without a diploma. In recognition of this qualitative difference, this Congress last year set in law a ceiling in the number of non-high-school graduates that could be recruited.

Isn't it true that the Department of Defense has thousands of non-high-school graduates who would volunteer for military service but for which no space is available?

Answer. First let me state that the services are not now enlisting non-high-school graduates whose test scores are below Category III. We believe the supply of the non-high-school graduate capable of scoring in Categories I, II or III presently exceeds demands. However, pay is not only a question of supply and demand but also reward for the effort and risk which are equally expected from non-high-school graduates as well as high school graduates.

Question. The Department has repeatedly emphasized the need for military pay to be "comparable" to that received outside in the civilian environment. Yet, the study in October 1979 by the Defense Department on pay comparability points out that because of the incidence of non-high-school graduates in the military at the junior levels, that difference between military pay and true comparability may be insignificant since most DOD comparability comparisons assume everybody in the private sector is a high school diploma graduate. Have you looked at this disparity since it was pointed out nearly two years ago in a study by the Defense Department itself?

Answer. The statement you are referring to in the October 1979 DoD Pay Adequacy Study was in the section on Age/Earnings Profile comparisons. As you know from reading the report, we tried to approach the issue of military pay adequacy from several different angles. These included comparing military and civilian pay increases since the inception of the All-Volunteer Force, looking at the supply/demand situation, assessing what impact the discrepancy between military and civilian spouse earnings have on the military family standard of living, and comparing the earnings of the military and civilian workers at similar age and education. We simply pointed out in the study that at that time, if only age and education were considered, the earnings of junior enlisted personnel did not compare badly with civilian workers, particularly when account is taken of the non-high-school diploma graduates in the military force. The problem with that type of comparison, and the reason we don't think it particularly relevant for setting compensation policy, is that no consideration is made of the type of work and the conditions under which the work is performed.

Question. The basic rationale behind the Department's request for increased pay is because the all-volunteer force is supply constrained. This is not true, however, for non-high-school graduates where the supply in fact greatly exceeds the demand. Why then should non-high-school diploma graduates be awarded a "special" pay raise for comparability since they may well be adequately or overpaid already?

Answer. Based on type of work, there is no conclusive evidence that non-high-school graduates are overpaid. We believe that it would be disastrous for morale to deny a military member a pay raise simply because he does not have a high school diploma.

IMPACT ON MILITARY RETIRED PAY

Question. The Committee recently had a detailed hearing on military retired pay and discussed with Defense witnesses the impact that the sizable active duty pay raises of the all-volunteer force has had on military retired pay.

Assuming for the moment that the Congress eventually passes a "special" pay increase, why should it be included within the base amount that is used to calculate military retired pay once the individual leaves active duty?

Answer. Basic pay that an individual receives is compensation for basic duties performed. Military retired pay is compensation expressed as a percentage of active duty pay in recognition of active service. To delink retired pay calculations from active duty basic pay rates would establish a criterion that is unrelated to the military duties actually performed. It would also be contrary to accepted practice throughout retirement systems, both public and private. Additionally, the "High-3" averaging of retired pay under Public Law 96-342 reduces the effect of active duty pay raises for future retired pay calculations. Further, to take such an approach would interject an unstable influence into the retirement system.

Question. If, for example, 5.3 percent of the 14.3 percent increase was not permitted to be used in calculating military retired pay, the Congressional Budget Office has estimated that savings of \$650 million on an accrual basis would be made each year. What would you estimate the impact to be if this "special" pay raise of 5.3 percent was not included in the retired pay base in terms of impact on recruiting, retention, etc.?

Answer. If the 5.3 percent pay raise were not included in the retirement calculation it would have very little effect on recruiting. The retirement system is not a strong recruiting factor. Retention among mid-career personnel would suffer a modest decline in the short-run. However, in the longer-run, such a change could be significant. It would call into question the stability of the retirement system, adversely affecting morale and retention. If this were seen as a precedent for future pay raises, such a change could have a particularly adverse effect on the retention of personnel with more than 20 years of service. It would increase the incentive to retire, because the retirement annuity would grow by the inflation rate, as measured by the CPI, should they leave active duty.

TARGETING PAY RAISE

Question. The problem that the military services are currently having with retaining individuals in selected critical skills is fairly well documented.

Is it fair to say that to retain individuals with these skills will require a different set of solutions than is required to retain a large number of people with skills much less in demand in the civilian market?

Answer. Of course, and the law provides the DoD with a number of ways to deal with such problems. All of Chapter 5 of Title 37 is devoted to means to help us deal with such problems. When the means codified in Chapter 5 are inadequate, or the incentive amounts ineffective, or when new sub-groups requiring special attention come to our attention, we present legislative proposals to the Congress to allow us to deal prudently with the problems. But I would like to leave you with one thought. When we in common parlance refer to "critical skills," we do not mean to imply that military duties not falling under that term are somehow "non-critical." All that the expression means is that, for whatever reason, we are having manning difficulties in those particular military duties, and need extraordinary means to correct these difficulties. All military duties are important, particularly to our operations in wartime. If they weren't, we would try to delete them from our functions and have them performed by someone else. I want to emphasize to the majority of the force, who are not covered by these categories, that they and their duties are equally important to the attainment of our mission. It is important to me that they understand this. Should a great majority of the force be covered by the "critical skills" terminology, it would be the duty of the Department of Defense to re-evaluate the basic pay table.

Question. How much do you estimate that a retention rate for Air Force aircraft maintenance personnel, for example, will be improved by a "special" increase of some 5 percent above inflation which works out to be probably less than a thousand dollars a year when people with the skill can get out of the service and double or triple their pay immediately?

Answer. We do not have such an estimate at this time.

Question. According to the GAO the Army has too many material control and accounting specialists, material storage and handling specialists, and behavioral science specialists. One reason people with these types of skills stay in the services is because they are generally paid more in the service than their age and occupation counterparts are paid in the private sector. Why should people with these skills receive a pay raise next year that will be larger than probably any other personnel either inside or outside the federal government when they probably already earn more than what the market says is fair compensation to begin with?

Answer. I would have to check with the Army and my own staff to verify the accuracy of those GAO figures. Often there is another side to the issue that is not considered by the GAO. But even if the GAO charges are true, I believe that the answer to your question is that military personnel, regardless of what duty they may be assigned at the moment, are not limited to that duty and that duty only. I know from personal experience in the Army that some enlisted personnel have three, four, or even five MOSs. In addition, all military personnel, except those excluded by law, are required to be able to fight, to participate in combat directly. That is why international law draws a distinction between uniformed combatants and non-uniformed francs tireur or partisans. That is also the reason we have a uniform basic pay table, to recognize this basic military function. Thus, unlike the civilian who has one specialized job and is not expected to perform beyond the limits of that job

without extra compensation, the military member must be able to perform a variety of military duties at times and places specified by his commanders. It is this difference that invalidates the basic assumption of your question; namely, that military and civilian specialists are exactly alike. They are not, nor is the Service a duplicate of a private corporation.

Question. During hearings on the fiscal year 1981 Supplemental on April 6th, the Committee addressed the issue of military pay increases with Deputy Secretary Carlucci.

H.R. 3380 includes a statement by the Armed Services in the report that "It is the intent of the Committee that the increase should be applied across the board". Yet, in the hearing before the Committee, Deputy Secretary Carlucci stated that "I would agree that military pay raise reallocation may be justified and we intend to look at this issue very closely for the October 1, 1981 military pay raise". Since the Secretary made that statement nearly two months ago, what conclusions has the Department come to with regard to the need for reallocation?

Answer. We continue to believe that some pay raise reallocation may be justified and are pleased that H.R. 3380 contains the reallocation authority that will enable us to target the raise if we consider it necessary.

Question. The Deputy Secretary also stated that "We are particularly concerned that the pay table contains the proper compensation incentive to encourage military personnel to seek the added responsibilities that come with promotion." Do you feel that H.R. 3380 as reported improves the "compensation incentive" that the Secretary felt should come with increased responsibilities?

Answer. H.R. 3380 gives us the flexibility to target the pay raise to provide greater incentive for promotion.

NAVY POSITION ON MILITARY PAY INCREASE

Question. In testimony before the Committee, the Secretary of the Navy stated that current methods of calculating comparability were inequitable and that a new index should be used which combines the professional, administrative, technical, and clerical survey with the area wage survey in order to more accurately reflect the Navy population.

The meeting concluded that this revised index shows that an 11.4 percent increase is required to return military pay to 1972 levels. Has your office had a chance to review the Navy numbers to determine if a 14.3-percent pay increase not only overstates that Navy requirements but also overstates the other services requirements as well?

Answer. The 11.4-percent figure cited by the Navy is the increase necessary to restore the 1972 relationship between military pay and PATC/AWS pay as of October 1980. It does not include the additional approximate 9.1-percent increase required for October 1981. If this increase were included, a total military pay raise of over 20 percent would be required to restore to 1972 PATC/AWS levels as of October 1981. Therefore, the 14.3-percent raise does not overstate the Navy requirements but, in fact, falls short.

Question. While the CBO estimates the disposable income, the GAO has estimated that an E-7 with over 18 years of service as a

total gross income of over \$30,000 annually excluding the bonus or incentive payments that he may receive. In terms of gross pay, does a Washington, D.C., bus driver with 3 years of experience make over \$30,000 a year?

Answer. The \$30,000 figure cited by GAO for an E-7 with over 18 years of service includes, in addition to RMC, valuations for retirement, health care, commissary and exchange, and Government FICA contributions. A Washington, D.C., bus driver with only 3 years of experience makes \$21,310 a year, not counting overtime. I do not have figures on the value of their fringe benefits, but if they are included, I am confident that their total compensation package would approach \$30,000.

Question. The CNO has stated that his goal is 60 percent and 95 percent retention for second and third term reenlistments, respectively. In March, the Committee was informed that these rates were in fact at 59.1 percent and 93.6 percent already and still increasing. Again, wouldn't this tend to indicate that the problem is not across the board but rather in specific areas.

Answer. In developing the 60 percent and 95 percent steady state retention goals in fiscal year 1978, Navy critically analyzed its readiness/compensation/retention problem to ensure adequacy of mission fulfillment. The conclusion of this assessment was that in order to grow the enlisted force structure to 488K total strength by the end of fiscal year 1986 (28.4K or 6 percent from end fiscal year 1980), and to put Navy into a position to eliminate the petty officer shortfall within nine years, Navy would have to sustain retention rates of 44 percent first term, 60 percent second term and 95 percent third terms. The assessment also concluded that compensation relief would be required to sustain these retention rates.

Since the development of these rates, Navy has aggressively examined its mission/readiness requirements and concomitantly, its shipbuilding program and concluded that it is necessary to grow its force structure to 600 deployable ships. Inherent to growing a 600 ship deployable force, is the necessity to man this force. Between now and end fiscal year 1987, Navy will be embarked on an ambitious program designed to improve readiness on existing fleet units, to man a Navy growing from 484 to 546 deployable ships to create the base for manning a 600 deployable ship force. In order to achieve satisfactory quantitative manning levels, Navy enlisted end strength will grow to 540K by end fiscal year 1987 (80.5K or 18 percent). This growth is substantially greater (283 percent) than that envisioned in developing the 44 percent first term, 60 percent second term and 95 percent third term goals. If Navy is to achieve this quantitative end strength growth, Navy will be required to sustain retention rates of 47 percent first term, 67 percent second term and 98 percent third term. Navy believes that these retention rates are achievable if a 5.3 percent real growth pay raise is passed in fiscal year 1982, the Navy's proposed Selective Reenlistment Bonus Programs are approved and a competitive posture with PATC wage earners is maintained. From a qualitative perspective, i.e., petty officer strengths, however, Navy will still fall substantially short of requirements. Navy is currently examining various options as to how to substantially increase retention above that described above in order to eliminate our qualitative (petty officer) shortfall.

Question. Just this past Friday, the Army delivered to the Committee a booklet entitled, "Army FY82 Manpower and Personnel Budget Issues." Included in that booklet was a page addressing the problem of pay compression between lower and middle ranked enlisted personnel. For example, the Army points out that a soldier with over four and less than six years of service who is promoted from pay grade E-4 to E-5 will see a raise in basic pay of only \$21.00 per month. The Army correctly labelled this as an absence of meaningful monetary incentives for promotion. The Army concludes that the alternative appears to be for Congress to appropriate funds specifically targeted on resolving pay compression."

H.R. 3380 which the Committee is considering today and the report which accompanies it specifically states that it is the intent of the bill that the recommended 14.3 percent increase not be targeted. Does the Army position differ from H.R. 3308?

Answer. H.R. 3380 gives the President authority to reallocate up to 25 percent of the basic pay raise by grade and longevity step so the Army's position could be accommodated under the bill as written.

Question. Since the Army states that the "solution is reallocation of the annual pay adjustment by varying the percentage adjustment for various grades", does the Department request that this bill be amended to reallocate the pay raise in order to address the compression problem?

Answer. No. By giving the President reallocation authority, we can address the compression problem, if necessary, under the bill as written.

RECRUITING, RETENTION, AND COMPENSATION

Question. The Congressional Budget Office has recently completed an analysis of the impact of some of the proposals for military pay raises that have been under discussion in the various congressional committees.

According to the Congressional Budget Office, military pay is close to comparability with civilian pay when you count such newly authorized benefits as variable housing allowance and various enlistment and reenlistment bonuses. If these are included in the calculations do you agree with this assessment?

Answer. Neither we nor the CBO knows whether military pay is close to comparability with civilian pay. However, we do not believe it is appropriate to include elements such as the Variable Housing Allowance and enlistment and reenlistment bonuses in overall comparability calculations. If we were to view the VHA as a pay raise, we would have to look at pay raises reallocations into BAQ—which would reduce housing additives such as the VHA and overseas station allowances—as pay cuts. In fact, the DoD did reallocate part of the pay raise in 1976 and 1977, but these actions have never been viewed as widening the comparability gap. Similarly, we would have to look at any reductions in overseas allowances (HA) as pay cuts. Such a reduction was just implemented in Germany, with the average E-5 giving up \$492 annually—equal to about 4 percent of his annual pay. If we were to include such changes in the comparability process, we would have to provide a 4-percent larger annual increase to offset this loss. Just as bonuses should only be considered when comparing compensation for specific skills, station allowances should

only be considered in comparing compensation at specific locations. Only 34 percent of military people receive a VHA and another 6 percent receive HA, with the actual amounts received varying widely by location. To include such allowances in comparability comparisons would attribute a spurious compensation value that most military members do not in fact receive.

[CLERK'S NOTE: The following answer was previously provided the Committee:]

Neither we, nor the CBO, knows whether military pay is close to comparability with civilian pay. I would agree that if VHA is included, increases in military RMC since 1972 are within about one percent of increases in PATC pay. But there is nothing magic about PATC for determining comparability for military pay. As a matter of fact, since the PATC covers only white collar workers, it is not representative of the military force. If we look at some indices that include blue collar workers, military pay lags considerably behind civilian pay even if VHA is included.

Question. The CBO accurately points out that the comparability principle is probably of limited use in determining the appropriate size and nature of any special pay since these calculations depend critically on the index used to determine comparability. For example, DoD could use an index for production workers or use what is called the PATCI (pronounced PATSY) index. Shouldn't we look beyond comparability and judge what pay changes are needed to meet recruiting and career retention goals.

Answer. I agree that determining military pay policy should incorporate considerations of both recruiting and retention goals and pay comparisons with civilian workers. It was precisely these considerations that led us to conclude that a substantial increase in military pay is justified. We were, and are, having recruitment and retention problems. When this is combined with the fact that military pay raises have lagged civilian pay increases, the weight of evidence is clearly there for an increase in military pay.

In the long run, our recruiting and retention goals can be met only if we maintain overall pay comparability with the private sector. It is true that the comparability index used is critically important in determining the size of the annual increases. However, our studies have indicated that the proposed 14.3 percent PATC-based increase is the most conservative result yielded by any private sector pay index. Any other index besides PATC would indicate a requirement for an even larger raise.

Question. It is interesting that the Department persists in returning to fiscal year 1972 as representing the "correct" pay comparability level. Since that was done without any historical experience for an all volunteer force, it was necessarily an educated guess. Why shouldn't we make use of the experience we have had in the past nine years and take a year for which recruiting and retention were satisfactory and use that as a basis for figuring comparability?

Answer. Since there is no precise answer to the question of "correct" pay comparability, it is fruitless, I believe, to quibble about whether 1972 or any other year should be used for the comparison base. We are convinced that a pay raise in about the 14- to 15-percent range is justified. Our justification for that does not rest upon an adherence to a certain base or a particular civilian index to measure against. We used 1972 as a base year only for the purpose of providing us a rough guide in making a judg-

ment about the magnitude of what the military pay raise should be.

Based on our experience over the last nine years, recruiting and retention statistics were satisfactory for each year in which the 1972 standard was maintained. Recruiting and retention began to decline only after the first pay cap was imposed in 1975.

Question. The GAO and the CBO have both found that even without a special pay increase in October, the number of career enlisted personnel would increase in each of the services over the next five years. For example, the CBO estimates that by the end of fiscal year 1982, the enlisted career force will be about 32,000—or 4 percent—above its 1980 level. By the end of 1986, the career force will have grown by 114,000—15 percent—above the 1980 levels. Do you agree with this estimate?

Answer. The CBO projections fall at the upper range of our own projections. Note that our projections and, I believe, those of the CBO assumes full comparability raises each year.

Question. If the Committee accepts the CBO and the GAO estimates on careerist increases as correct, this raises a significant question as to the need for any special pay increase even for middle and senior enlisted personnel since in total there will probably not be any shortage. What gets masked by this analysis, however, is that there will be some shortages in particular skills and overages in others. Isn't the proper conclusion, given these facts, that the Congress should target special pays and reenlistment bonuses to specific areas rather than provide substantial across the board pay raises to all enlisted military personnel?

Answer. It does not follow that, because the range of our projections encompass the estimates of the CBO for career growth, there is no need for a special pay increase. First, the CBO estimates fall into the very upper range of our estimates. We estimate that career growth, by the end of fiscal year 1982, will range from 6,000–33,000, relative to the career content at the end of fiscal year 1980. Second, there was a shortage in the career force in 1980, and there is a shortage, in the aggregate, today. Furthermore, the requirements for careerists is likely to grow significantly over the 1980's. Third, our ability to recruit new-entrants into the enlisted force will decline over the 1980's along with the shrinking population of recruit-aged males. Even if we were anticipating a stable, rather than an expanding, force size over the 1980's we would want to increase retention in the career force in order to reduce our demand for recruits.

Question. It has also been pointed out that the only real problem with officer personnel is retention concentrated in a few specific skills such as nuclear trained personnel. Doesn't this also argue against large across-the-board pay increases for officers?

Answer. No. We have highlighted our more acute problems in manning officer requirements, such as in the aviator, nuclear power, and engineering communities. To address these problems, we have introduced compensation initiatives to put us in a more equitable competitive position with demands for these same resources in the private sector. However, it would be wrong to assume by these actions that the other officer communities do not require adjustments to their basic levels of compensation to keep

pace with the private sector as well. We cannot afford to ignore compensation requirements of the larger segment of the officer force without the risk of incurring the same kind of problems that are already upon us in the acutely critical skills. We have begun to reverse the trend in overall career officer retention through improved compensation approved last year. It would be a waste to ignore that momentum and let the trend slip back in the other direction.

Question. The CBO and the GAO have both also concluded that the Navy, the Marine Corps, and the Air Force should not face serious recruiting problems in 1982 either in terms of quality or quantity. Is this true?

Answer. Given the requested recruiting resources for fiscal year 1982 and no major change in the economy, we expect the Navy, Marine Corps and Air Force to achieve their fiscal year 1982 recruiting goals. However, in fiscal year 1982, these Services must build an adequate delayed entry program for fiscal year 1983 when recruiting will become more difficult.

Question. The CBO estimates that about 60 percent of the Army's male recruits will hold high school diplomas in 1982. If the Army does fail to meet the 65 percent goal set in law by the Armed Services Committees, the Army would have to reduce its recruiting objectives by approximately 12,000 men and fall short of its end strength goals in 1982. What is your current estimate as to the ability of the Army to indeed meet these goals contained in the fiscal year 1982 budget request?

Answer. Given a continuation of the 35-percent constraint on male non-high school graduates and the 25-percent cap on Category IV enlistments, the Army is expected to have the most difficult time in achieving its NPS enlistment requirements for fiscal year 1982. It is possible that the Army could fall short as much as indicated by the CBO. In fiscal year 1983, the challenge facing the Army will be even greater with a continuation of the 35-percent cap on non-high school graduate males and lowering of the Category IV constraint to 20 percent. Given the proposed bonus program, and a 14.3-percent pay raise, the Army should be able to meet its fiscal year 1982 non-prior service accession requirements and build a good delayed entry program for fiscal year 1983.

Question. Is it true that Army recruiting problems do not occur across-the-board but rather tend to center on the combat arms skills?

Answer. Meeting the Army's combat arms quality and quantity recruiting requirements is more difficult than meeting the non-combat arms requirements.

Question. There have been several recent studies, which indicate that the Army may need to gradually increase its enlisted strength by as much as 100,000 personnel over the next five years if it is to meet its force structure requirements. If this growth is to take place, the CBO projects that only 44 percent of male recruits would likely hold high school diplomas in 1986 if the current test score constraints were maintained even if military compensation maintains comparability over that time period with the civilian sector. Does this mean that the Army problem can't be solved simply by large additional pay increases?

Answer. We don't believe the Army's potential problem can be solved simply by large additional pay raises. Growth in enlisted strength requirements must be met by all sources of manpower, stressing the need to minimize the requirement for male non-prior service enlistments while not compromising combat effectiveness and readiness needs. Meeting the Army's non-prior Service male enlistment requirements will remain a major challenge for the All-Volunteer Force during the 1980's. It will take a combination of pay increases, bonus funds and possibly, educational benefits to meet the challenge. It will also require establishment and sustainment of a climate positive toward military service not only as a place one can find pecuniary based benefits but also a place one can honorably serve his country.

Question. The Congress has been discussing an additional 5-percent increase for military personnel either this summer or perhaps in addition to the requested 9-percent pay raise this fall. The CBO looked at two options with regard to this additional "special" 5-percent pay raise: Option one would be an across-the-board increase and option two would just be a raise for middle and senior enlisted personnel. It is interesting to note that the CBO estimates that the targeted pay raise would save a billion dollars a year in direct pay costs and an additional half a billion dollars a year in accruing retirement liabilities and yet still add 90 percent of the careerists that will be added from an across-the-board increase. Additionally, because of the increased number of careerists, the graduated pay raise would enable the Army to recruit only 2 percent fewer high school diploma graduates than it would be able to with an across-the-board additional 5-percent increase. Doesn't this argue that an across-the-board increase is not only unnecessary, but would waste \$1.5 billion a year without really improving either the quality or quantity of military personnel?

Answer. I am not familiar with the CBO options. However, if the targeted pay raise eliminated the increase for first term personnel, it is not difficult to understand why it would cost less. Personnel with less than four year of service constitute about 55 percent of the enlisted force. Also, any pay raise which does not include officers, will, of course, cost less than one which does.

One of our major problems over the next few years will be recruiting, especially in the Army. I do not understand how this option, which reduces accession demand by less than an across-the-board raise, and results in lower starting pay for recruits, will not have a significantly weaker effect on recruiting than an across-the-board raise.

The effect on the morale and motivation of officers and first termers must also be carefully considered. The ability to attract qualified officers, especially those with engineering degrees, and the ability to retain them would be adversely affected. Although excluding some groups from an across-the-board pay raise may appear to save some money in the short run, it is not likely to be a free lunch.

Question. Do you agree that there is some merit in the targeted pay raise proposal since it would move toward restoring the pay differentials that were in effect between junior and senior enlisted

personnel before the United States moved to the all volunteer force in 1973?

Answer. There is the notion that the pay differentials existing during the draft were the appropriate ones. This is not the case. Career personnel were always volunteers so their pay was kept up by competition with the civilian sector. First term pay, however, was arbitrarily low. It did not serve the purpose of voluntarily attracting recruits into military service.

There are places in the pay table where we would like to see a greater differential between pay grades. It is not clear that the differential that existed during the draft is the appropriate standard. Further, I would hesitate to endorse a proposal to alleviate these problems at the expense of the junior enlisted force. Our recruiting problems are likely to become sufficiently challenging without reducing recruits' pay.

Question. Since the graduated or targeted raise is cheaper, the services might have more latitude to increase special pays and reenlistment bonuses which is probably the least expensive way to meet shortages in particular skills in the first place. Do you agree that special pays and bonuses are in fact better tools for alleviating shortages and particular skills than are across-the-board pay raises?

Answer. We agree that special pays and bonuses are better tools for alleviating existing shortages in a few selected skills than are across-the-board pay raises. We must be careful of carrying this proposition to the extreme, however. Across-the-board raises are necessary to prevent additional shortages from occurring. Further, when larger and larger portions of an individual's pay become contingent solely on the act of reenlisting rather than upon his behavior after he reenlists, performance may suffer.

Question. Last year the Committee spent some time discussing proficiency and speciality pays with Departmental representatives. The CBO also has analyzed specialty pay as a tool to be targeted for recruits needed in shortage skill areas. For example, the CBO indicates that a program of specialty pays costing only \$110 million should allow the Army to meet both its numerical and quality objectives by paying an additional \$150 a month to selected recruits. Have you reviewed this CBO proposal which seems rather inexpensive to the Committee if it will indeed substantially address the Army's recruiting difficulties?

Answer. This program would be a substitute for an expanded enlistment bonus program. We are not familiar with details of the CBO cost estimates. However, the \$110 million sounds low as a steady state cost. It does sound reasonable as a first year cost.

Question. Could the Army use the existing statutory authority for proficiency pay as the vehicle for paying this specialty pay to certain recruits?

Answer. The existing proficiency pay law was designed to compensate personnel with specific proficiencies in selected skills. I believe the intent of the law was to retain technically qualified career personnel, not to recruit a broad general category of new recruits.

COMPARISON OF U.S. AND FOREIGN MILITARY COMPENSATION

Question. Last December the General Accounting Office published an analysis of the military compensation systems of the United States and five other countries, three of which also have volunteer forces.

Australia, Canada, and the United Kingdom maintain their armed forces on a volunteer basis. The GAO analysis compared the relative military pay purchasing power for an E-1, an E-5, and an O-4. The results appear to vary somewhat for each of these ranks. For example, an E-1 in the U.S. military has about 30 percent more purchasing power than his Canadian counterpart, but has approximately 30 percent less than his Australian or British counterpart. In other words the E-1 pay in the United States military is, on average, roughly comparable to that received in the three other all volunteer forces being analyzed, at least in terms of being toward the center of the extremes. Is this correct?

Answer. The GAO very carefully labelled its study as preliminary findings. Therefore, the GAO study, while an excellent beginning effort, was not considered the definitive final answer either by GAO or by the Department of Defense. We have not attempted an independent study of foreign compensation systems since our work in 1976. Therefore, I have no reason to question the preliminary GAO comparisons nor, on the other hand, can I endorse them without an independent review by the DoD. Having said that, let me make clear that the recruiting problems of our allies are different from ours. First, their armed forces are much smaller, in some cases smaller than our Marine Corps; thus, their recruiting problems, even on a per capita basis, are different. Second, the economic and social conditions of those countries affect their unemployment problems, and hence their recruiting problems, differently. The gist of what I am saying is that while further analysis might indeed confirm that entry enlisted pay levels are roughly comparable, I am not sure what significance I would attribute to that fact.

Question. The story changes somewhat for an O-4, who starts anywhere from 30 to 45 percent below his Australian, Canadian, and British counterparts in terms of purchasing power but because of larger longevity increases passes his Australian and Canadian counterparts by as much as 10 percent, and draws within 10 percent of his British counterpart at the upper ranges of pay for an O-4. It would appear that there is not so much a difference in compensation across the four countries as there is a difference in approach, in that the United States appears to compensate its junior O-4 somewhat less than the other countries but believes in substantially larger increases as the O-4 gains experience in that rank. The real problem appears to arise when looking at the data for an E-5. For example, the junior E-5 in the U.S. Army has anywhere from 30 to 90 percent less purchasing power than his all volunteer force counterparts in the three other countries, and this situation only improves slightly as he increases his experience as an E-5 and the best he can eventually hope for is to be anywhere from 25 to 40 percent below his counterparts in terms of purchasing power as he becomes a senior E-5. In looking at this data for E-1, the E-5, and the O-5, doesn't this seem to indicate the problem

in compensation is not across the board, but rather is for specific ranks?

Answer. Let me repeat my caveats on the GAO study again. It is a fine beginning effort, but it is not conclusive. Nor has the DoD verified these data with independent analysis. However, even if these data were correct, I would have to think carefully about what policy significance I would attribute to them. The forces of these allied nations are smaller than ours, and their social and economic foundations are different. In addition, the theoretical basis for their military compensation system, which is a military salary adjusted by differentials for trades and professions, is radically different from our own. Therefore, I would not necessarily arrive at the conclusion implicit in your question. I do happen to agree that greater rewards for grade and service are warranted, but this is an intuitive reaction to our own system and is not affected much by what allied nations do. But do not construe that remark as an acquiescence to your implied conclusion that there is no overall compensation problem. I happen to believe that there is a very definite overall across-the-board, compensation problem.

Question. More and more of the compensation debate appears to center around paying military personnel for the skills that they have and therefore for the specific job that they must perform rather than by the stripes on their sleeve. The GAO found that Canada, United Kingdom, and Australia have established within their volunteer military systems the use of different pay tracks for different skill groupings. In other words, pay in the civilian private sector requiring similar levels of skill, experience, and responsibility is linked to military salaries for similar positions. Would this seem to be a reasonable approach to address some of your manpower problems?

Answer. I do not agree that the central compensation issue is limited to differential compensation for various military duties. On the contrary, I happen to think that the central compensation issue is one of developing a comprehensive military compensation doctrine that dovetails and supports our operational objectives and our desired force characteristics. This is a very different problem than military duty differentials linked to private sector skill differentials. The latter issue is one aspect of the former, but it is by no means governing. Yes, of course we have to consider it and have done so for years, but not in isolation from other factors. You will notice that I do not refer to military "jobs"; I refer to military duties. A member of an armed force is not a civilian in uniform limited to only one duty and one duty only. He must perform a number of duties under conditions quite different from his civilian counterpart. I do not subscribe to the theory that military service is a "job" and that the proper role-model for the armed forces is a corporation in the private sector. The major function of the armed forces is to train and prepare for warfare, and this has no counterpart in the private sector.

Question. As mentioned earlier, Australia, Canada, and the United Kingdom all maintain their armed forces on a volunteer basis, but have discarded pay and allowance structures similar to the United States in favor of a taxable salary system. The GAO found that their major reasons for converting to the salary system

was that the previous pay and allowances systems lack visibility and were inequitable. Do you believe that there would be a substantial benefit by converting to a salary system as any number of manpower studies and commissions have recommended over the past several years?

Answer. No, I do not. The benefits alleged to be derived from conversion to a military salary system are not persuasive to the Department of Defense and never have been. The studies in question are the First Quadrennial Review of Military Compensation of 1967, the Brookings Study by Martin Binkin of 1975, the "Military Pay Muddle," the report of the Defense Manpower Commission of 1976, and the GAO report "Military Compensation Should Be Changed to a Salary System" of 1977. On the other hand, the Third Quadrennial Review of Military Compensation of 1977, the President's Commission on Military Compensation of 1978, and the recent Brookings study by Martin Binkin in 1981, "Paying the Modern Military," have all recommended improved versions of the existing pay and allowances systems. It is true that the earlier studies used the "visibility" argument as the main reason why a military salary system would be preferable to the existing pay and allowances system, and claimed that the material benefits to be derived from combining four of the fifty-odd elements of the military compensation system into a taxable salary would be improved attraction, retention and motivation of manpower. However, such claims were based on econometric projections grounded in very uncertain theory. We know that our British and Canadian allies have had problems with the military salary system, and have found that even for their smaller forces military salary was not a panacea—they had merely traded one set of compensation problems for another. The Department of Defense is sure that some effects of converting to a military salary system would be—

Permanent increased costs to the Defense budget of about \$4 billion a year, depending on force size,

Increased mobilization costs of 25 percent to 33 percent, again depending on force size, and

Degradation of military institutional values, an issue on which the leadership of the Services feels very strongly. They believe, and I agree, that a military salary system would further "civilianize" the armed forces at a time when every effort is being made to improve the morale, military cohesiveness, and operational effectiveness of the Armed Forces.

Therefore, the Department of Defense concludes that such consequences of transitioning to a military salary system are outweighed by the costs and disadvantages of so doing.

Question. One area that may prove fruitful is differential pay rates for longer term enlistments. For example, the United Kingdom varies enlisted salaries according to the length of the enlistment contract. In France, which uses a draft, personnel who enlist for three, five, and ten years are awarded increasingly higher bonuses. From time to time there have been indications in the press that the Department of Defense and OMB are considering a somewhat similar approach for our services which would require

much longer initial service commitment. What is the status of your analysis in this area and what can you report to the Committee in terms of a firm recommendation for lengthening the terms of initial service commitments?

Answer. You are referring to the so-called "commitment pay" the British use. We use this approach in our reenlistment bonus and plan to incorporate it into our enlistment bonus structure if we get the flexibility to be able to pay up to \$10,000. Technically, we have the authority to do this now under our \$5,000 ceiling, but the compression involved in such a small amount makes it infeasible to do so. Given the authority to offer \$10,000 bonuses and bonuses for three year enlistments, we intend to offer larger bonuses for longer terms of enlistment.

OTHER ITEMS CONTAINED IN H.R. 3380

Question. In addition to the 14.3 percent pay raise, H.R. 3380 includes several other compensation increases that the Committee must address.

Included in the bill is an increase in the initial enlistment bonus ceiling from \$5,000 to a new maximum of \$10,000 for a four year enlistment. In addition, the bill as reported recommends that some enlistees should be able to receive bonuses for enlistments of less than four years. Do you have any comment on this provision?

Answer. The Services will be facing a more challenging recruiting environment with an improving economy and decline in the youth population. The Army especially will be facing a difficult recruiting task as they need to dramatically increase recruit quality to meet their recruit requirements under the Congressional constraints on enlistments. We need the more flexible bonus program to attract more high test scoring high school diploma graduate recruits. We need both aspects of the requested bonus legislation, authority to pay higher bonus amounts (up to \$10,000), and authority to pay bonuses to three-year enlistees. Both authorities will help expand the high quality recruit supply while enabling a range of bonus payments to be offered in return for enlistments of varying lengths in military occupations of varying attractiveness to potential high quality recruits. The \$10,000 maximum would be offered in only a few of the most critically hard to fill skills and only for four-year terms of service. We believe that the proposed legislative changes along with educational benefits and appropriate levels of pay will permit us to cost effectively achieve our high quality enlistment requirements in the difficult 1980's.

Question. The bill also contains what is called an accession and continuation bonus for engineering and scientific officers. The authority would provide an accession bonus of up to \$15,000 for a 4-year obligation, and in addition, a continuation bonus of up to \$3,000 per year through 19 years of service. To what extent do you believe this bonus will provide a solution to the Department's scientific and engineering officer shortage?

Answer. I believe approval of the accession and continuation bonuses for engineers will close the gap in compensation with salaries paid in the private sector to the point where the Services—especially the Air Force—will be in a more competitive position to begin to make up their shortfalls.

For example, the Air Force is currently over 1,000 short of its requirements in engineers. The shortage is expected to grow unless the compensation gap is closed. Consequently, it is imperative that the bonuses be approved. Through judicious application, I believe the shortage can be reduced to manageable levels by the end of fiscal year 1982.

Question. The bill includes an increase for temporary lodging allowances to permit reimbursement for living expenses actually incurred by members and dependents while occupying temporary quarters incident to a permanent change of station move with the total payment not to exceed 4 days of expenses. This is the second most expensive item in this bill requiring approximately \$160 million per year when fully implemented. In the fiscal year 1981 bill and in the supplemental to be discussed in conference tomorrow there are hundreds of millions of dollars provided for additional PCS benefits. Would it not be wise to wait a year or two and determine to what extent all of these additional payments accurately reflect the cost of moving household goods and families from one duty station to another?

Answer. Using commercially produced data and results of DoD studies, we have documented the shortfall in reimbursements for PCS expenses incurred by servicemembers. The GAO in its report (OSD Case 5556) of December 1980, supported DoD conclusions and recommended establishment of a Temporary Lodging Expense (TLE).

DoD believes there is no need to wait to see what improvements can be attributed to fiscal year 1981 and fiscal year 1982 benefits because we know what PCS expense areas have not yet been addressed. We wish to emphasize that PCS "benefits" are reimbursements for expenses associated with government direct moves. They are a cost of the government's doing business and can hardly be considered compensation.

Question. Finally, there are several smaller items authorized for increases in hazardous duty pay, advanced payment for health professions scholarships, environmental leave, emergency leave and leave for consecutive overseas tours. These items total \$33 million per year when fully implemented. Do you have any comments you wish the Committee to consider when marking up these items?

Answer. In my opening statement, I commented that many of the items contained in H.R. 3380 are the same, or similar to legislative proposals that we have been working on and considering in the Defense Department. As of this time we do not have a final Administration position on them.

[CLERK'S NOTE.—End of questions submitted by Mr. Addabbo.]

Mr. DICKS. I have a couple of questions.

Mr. ADDABBO. The gentleman from Washington has some questions for the record. Without objection.

[CLERK'S NOTE.—Questions submitted by Mr. Dick, and the answers thereto follow:]

GI BILL

Question. General Meyer has testified strongly in favor of a reestablished GI Bill and stated that investments in educational benefits would yield the greatest possible return. If legislation,

such as H.R. 1400 was enacted, do you still feel that the full 14.3 percent increase would be needed to meet recruitment and retention goals? If yes, answer the following. Are you saying a GI Bill would not have a significant impact or that the 14.3 percent increase will not meet objectives?

Answer. The Defense Department remains opposed to the enactment of H.R. 1400 or similar legislation at this time, pending the outcome later this year of the Congressionally-mandated educational benefits test. We are at this time unable to specify what "significant impact" a GI Bill could have on recruiting. We believe there is a good chance a GI Bill could hurt our retention efforts despite features such as transferability of benefits. Making such a determination is the primary reason for the Congress' instructing us to conduct the current test. We are confident that, with the information which will become available to us later this year, we will be able to design and recommend to the Congress an educational benefits program that will contribute maximally to our recruiting and retention goals.

The full 14.3 percent in compensation is necessary now in its own right, independent of any action taken on GI Bill legislation. The 14.3 percent increase is not designed simply to contribute to our recruitment efforts. It is a matter of equity, in that it simply honors the nation's commitment to our men and women in uniform that was made when they volunteered to serve their country—the commitment that military pay and benefits would be maintained at levels competitive with civilian opportunities. The 14.3 percent increase will simply restore the pay comparability that was allowed to erode following the inception of the AVF.

Question. If Congress had to choose between a revitalized GI Bill and the full 14.3 percent increase, which would better address the most critical manpower problem identified by the Armed Services Committee (which is Army recruitment) that will meet Congressionally-imposed quality standards?

Answer. The Congress should not have to choose between a revitalized GI Bill and a 14.3 percent increase in compensation. They are completely separate issues, in that one (the 14.3 percent increase) is proposed as a matter of honoring the commitment made to our volunteers at the time they joined, while the other (GI Bill) will be an incentives program designed to meet certain specific recruiting and retention problems in the AVF.

[CLERK'S NOTE.—End of questions submitted by Mr. Dicks.]

MONDAY, JUNE 1, 1981.

GENERAL ACCOUNTING OFFICE WITNESSES

KENNETH J. COFFEY, ASSOCIATE DIRECTOR FOR MILITARY PERSONNEL

VINCENT DiCARLO, DEPUTY ASSOCIATE DIRECTOR FOR MILITARY PERSONNEL

JIM JOHNSON, SENIOR STAFF MEMBER

INTRODUCTION

Mr. ADDABBO. The committee will now hear testimony this morning on H.R. 3380 from the General Accounting Office. The primary witness will be Dr. Kenneth J. Coffey, who is the Associate Director for Military Personnel.

Dr. Coffey, we welcome you to the committee, since this is your first appearance here, and look forward to working with you in the future. You have a prepared statement which discusses in depth the manpower and compensation problems facing the department, which we will place in the record in its entirety.

I believe you have been here most of the morning and have heard the testimony by department witnesses. I would appreciate it if you would summarize for the committee your statement and perhaps make any comments you feel appropriate as to the position the General Accounting Office may have taken on any issues that may have already been touched upon. Then we would like to have an opportunity to ask you a few questions on H.R. 3380.

Dr. Coffey, you may proceed.

Mr. COFFEY. Thank you very much.

Before proceeding, I would like to introduce on my left Mr. Vincent DiCarlo, Deputy Associate Director for Military Personnel, and on my right, Mr. Jim Johnson, one of our senior staff members.

GAO OPENING STATEMENT

Mr. Chairman, recognizing that the proposed increase is some 9.5 percent larger than the raise which has been proposed for the rest of the Federal work force, the key question in our view is whether these extra monies for military personnel can be fully justified during these times of overall sacrifice and budgetary restrictions, either on the grounds of military necessity or gross inequities.

Concerning military necessity, the reason most often cited by the military for the extra level of proposed military pay is that this higher pay is needed to reduce the outflow of experienced personnel from the armed forces. Whereas we recognize the seriousness of such problems and accept the necessity for corrective action, the

question is whether an across-the-board increase is the most efficient and cost effective means to this end. Our reasons for opposing the use of extraordinary across-the-board raises are, first, that the size of the career force, since the advent of the all-volunteer force, has grown so that in aggregate, it is larger today than it has ever been in the past.

There are problems, though, within the career force. The first problem could be called a grade and year of service imbalance. In simple terms, it means that we have too many junior NCOs, those with 5 to 12 years of service, and too few senior NCOs, those with 13 to 30 years of service.

The shortage in the senior NCO group is really a vestige of past personnel experiences, primarily higher than normal attrition during the Vietnam War years. In contrast, the attrition from this group has not been abnormally high during the all-volunteer force years.

If no pay increase whatsoever was granted, we could expect that some 85 percent of the senior NCO group would stay in the service until retirement. Therefore, if an increase is granted, it would impact only on those 15 percent who will be leaving the service at some time between now and their eligibility for retirement at 20 years.

In contrast, many more people leave during their years as junior NCOs, between 5 and 12 years of service, and it is fair to assume that an across-the-board raise would prompt an increase in the size of this junior NCO force.

However, because this group is already larger than desired, and because in future years, as this group ages, there are likely to be too many senior NCOs, by increasing the size of the junior NCO group at this time would really increase the size of future problems.

The second area where there are problems within the force concerns what we could call skill imbalances, and in this area there are really three types of problems I would like to cite:

The first concerns those areas that include people who possess skills that are highly marketable in the civilian economy. These are the people we hear most often about in discussions and in reading newspapers, such as the *Service Times* and the like.

Second, are shortages in skills that are not marketable in the civilian economy, but are generally thought of as being unpleasant or unattractive.

Third, those skills or occupations which are really easy to fill and which are generally in surplus because within the context of having enough NCOs overall in aggregate, for every shortage category there are categories where there are surpluses.

Concerning the first group, the services have many skills that are technical in nature and require a sizable training investment. These are the ones that are most often marketable in the civilian economy, often at salary levels substantially exceeding those offered by the armed services.

For example, a recent Air Force study indicated that it is short about 3,000 E-5s through E-7s in 48 critical skills. These shortages are primarily in sortie producing skills, skills that support the flying of aircraft, such as avionics, aircraft maintenance, electronics special-

ists and communications specialists, all skills that are highly marketable and generally in high demand in the civilian economy.

To retain individuals with these skills will, in our opinion, require a different set of solutions than required to retain people without marketable skills.

For example, large monetary incentives, far beyond the 14.3 percent pay increase we are talking about, may be necessary.

Each service also has shortages in skills which are generally thought of as being unpleasant or unattractive for whatever reason, possibly because of an unpleasant working environment, long family separations, or because it is a skill without any demand in the civilian economy.

The Navy, for example, has a shortage of over 500 boiler technicians. While being a boiler technician does not require a heavy training investment, the working environment in the engine room of a ship, particularly in those ships that are diesel-powered, is unpleasant and not conducive for people staying in the career for a long period of time.

The Army has a chronic shortage of people in combat arms positions, skills that are both dangerous and without a civilian occupation counterpart. Solutions to these problems obviously require an innovative set of solutions which would differ substantially from the kinds of incentives needed to keep people with marketable skills.

Finally, there are some skill groups in all of the services which are relatively easy to fill and which are in a surplus position. These would include administrative clerks and other similar occupations.

The Army, for example, has too many material control and accounting specialists, material storage and handling specialists, and behavioral science specialists.

Incidentally, one reason people with these types of skills stay in the services is because they are generally paid more in the service than their age and occupation counterparts are paid in the private sector.

A major problem facing the services then is how to get people into the skills and keep them in the skills where they are needed most.

Would an across-the-board pay increase accomplish this goal? In our view, the answer is doubtful. Much more likely the raise would impact to a greater extent on those service personnel with the least marketable skills on the outside. Whereas the October 1980 pay raise of 11.7 percent has improved overall retention rates, it is unclear whether the increased retention has been among critically short skills or from among those groups that are already in surplus. Before another large across-the-board increase is authorized, we believe that the probable impact on the skill imbalance problem needs to be determined, and if such a task was undertaken, it is our view that the results would indicate that the across-the-board approach would not contribute significantly to the resolution of the problem.

The second major reason offered by the Administration for the extraordinary pay increase is the necessity to restore pay comparability between military personnel and their civilian counterparts.

Comparability is an extremely complex matter, and I will not take the time to get into the technical aspects. However, let me described briefly what the current situation is in this regard and hopefully clear up some confusion that seems to exist in the minds of some as to what comparability means in the context of existing legislation.

Throughout the current debate on the proposed pay increases, we have heard and read a great deal about the fact that military pay has not kept pace with inflation. We have also heard people say that the consumer price index is a measure of inflation, and is a guide by which to measure whether comparability has been maintained. This definition of comparability is not consistent with existing legislation.

The key element in the legislation is that military salaries are to be kept comparable with private sector salaries, not inflation, and this has been done by tying military salaries to Federal civil service pay raises which in turn are based on the results of the annual professional, administrative, technical and clerical pay survey, the so-called PATC index.

While regular military compensation, the military equivalent to civilian salary, has fallen below the PATC amount, about 4 percent according to Defense's calculation, by less than 1 percent by other calculation, these comparisons neglect to consider several other military pay items not included in the basic pay package which have increased at a greater rate during the past several years.

In aggregate, these special pays and allowance items are worth an extra 18 percent in compensation, a substantial amount which should be taken into account when considering the concept of comparability.

Obviously, some service members receive several of the additional pay items and some, particularly those at the lower grade levels living in the barracks, receive none. Unfortunately, the services do not have data available to give a composite picture of how many are receiving which pay items, but our guess is that a small percentage of members, particularly those in the career force, do not receive at least one or more of these pay additions.

What, then, are some possible alternatives to extraordinary across-the-board pay raises? We believe that a key to solving many of the services manpower problems is to manage each skill individually and to tailor specific solutions to specific problems. In this way, the services could address shortage problems caused by competition from the private sector and by being unable to keep people in unattractive or unpleasant occupations.

Management by skill would also help the services deal with manpower surpluses where they exist.

For example, for those skills which are highly marketable in the private sector, the services could consider such things as more vigorously pursuing their recruiting outreach programs aimed at enlisting prior service members already trained in critical skills. This may require more liberal policies concerning bonuses for prior service members and restoration of rank. They could also provide sufficient attractions in terms of lucrative bonuses or extra pay contracts to keep senior NCOs in critical skill shortages beyond the traditional 20-year retirement point. This may require some job

restructuring to put these people who are now mostly supervisors back on the production line.

For those skills which are not highly marketable but which are short because the jobs are undesirable or unattractive, the services might consider such things as providing variable career track options so people who would enlist or re-enlist in the unpleasant occupations would then be guaranteed retraining and service in a more lucrative and rewarding area field.

They could also consider returning to a policy of selectively providing substantial and extended out placement training in a civilian skill for people in military occupations which have no private sector counterparts.

For example, 4-year enlistments, personnel, could spend the last year learning a skill which would then be transferable to the civilian economy.

For those skills already in a surplus position, there should be a vigorous management program and emphasis should be placed on things like retraining which should be required in order to allow re-enlistments for those who are in surplus skills, we also could limit future pay raises for such individuals until their pay levels reflect the pay for these skills in the private sector.

Mr. Chairman, in summary, let me say that we at GAO are not against pay increases for military members. We believe that each service member, regardless of skill or occupation, should be afforded a standard of living comparable with that of his or her peers in the private sector.

However, we believe that in this period of major cutbacks and belt tightening, when all of our citizens are being asked to sacrifice, when programs such as Social Security are being proposed for major reductions, the Administration and the Congress should proceed very cautiously in providing an abnormally large across-the-board pay raise to the military.

If the military is to be set up as a privileged class in our society, we run the risk of a backlash which could ultimately undo all that you and the Administration are trying to accomplish in strengthening the armed forces.

Although there are many compelling reasons being advanced by the services in support of the 14.3 percent pay raise, we believe that the weight of evidence supports the position that the extraordinary portion of the pay package, that in excess of the 4.8 percent being proposed for Federal civil servants, cannot be justified and should not be authorized.

Not only do we believe that this approach would be far more cost effective and palatable to taxpayers being asked to sacrifice in other areas in order to provide the extra \$2.9 billion needed for the extraordinary portion of the proposed military pay raises, we also believe that it is in the long-term interest of the services and the nation.

We believe that any monies in addition to that required for a 4.8 percent across-the-board pay increase should be considered only on the basis of addressing and hopefully resolving specific skill and grade imbalance problems.

Mr. Chairman, thank you. My colleagues and I would be happy to answer any questions you may have.

[The statement of Mr. Coffey follows:]

U.S. GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C.

FOR RELEASE ON DELIVERY
Expected at 9:30 a.m.
Monday, June 1, 1981

STATEMENT OF

DR. KENNETH J. COFFEY
ASSOCIATE DIRECTOR (MILITARY)
FEDERAL PERSONNEL AND COMPENSATION DIVISION

BEFORE THE

SUBCOMMITTEE ON DEFENSE
HOUSE COMMITTEE ON APPROPRIATIONS

ON

THE PROPOSED 14.3 PERCENT
MILITARY PAY RAISE

Mr. Chairman and Members of the Subcommittee:

We appreciate the opportunity to be here to present our views on the 14.3 percent military pay raise proposal contained in H.R. 3380--a bill to increase the pay and allowances of members of the Armed Forces.

While the proposed October 1981 military pay raise is your primary concern today, in order to put into proper perspective our position on this or any other proposed across-the-board pay raise, I would like to state that this issue is very much inter-related with other manpower management and compensation issues that we, and others, have addressed over the past several years. These include (1) instituting a military salary system to replace the antiquated and little understood pay and allowances system, (2) adopting manpower management models tailored to the

needs of individual military occupations and structuring military pay on an occupational basis, (3) problems created by requiring the military to manage against year-end personnel strength figures, (4) questions of whether the objective enlisted force composition, with its years-of-service and rank/grade distribution, properly state the Services' actual needs to provide the personnel for a cost-effective force, and (5) reforming the retirement system so that it would work for, rather than against, military manpower objectives.

I recognize that what I have just recited for you is a broad and far-reaching agenda of issues that have been, and continue to need to be, addressed. While my specific focus today is on the proposed across-the-board pay raise, we are concerned that pay is only part of the problem and, until these management issues are resolved, the military will continue to experience manpower problems regardless of the short-term fixes it tries to apply. We include the proposed 14.3 percent across-the-board pay raise in the category of short-term fixes.

Let me emphasize here, to dispel at the outset any doubts you may have about our basic position, we are not opposed to pay increases for military members. We believe that each Service member, regardless of skill or occupation, should be afforded a standard of living comparable to that of his or her peers in the private economy. However, beyond this minimum, we believe that each skill should be managed individually and pay and benefit packages tailored to attract and keep sufficient people to perform these critical jobs. In other words, we do not see pay as an

issue in and of itself to be looked at in isolation. Rather, we see pay and the rest of the compensation package as a management tool to be used to achieve specific mission-related goals and requirements.

Recognizing that the proposed military pay increase is some 9.5 percent larger than the raise which has been proposed for the rest of the Federal work force, which is based on a survey of private sector earnings, the key question, then, is whether the extra monies for military personnel can be fully justified during these times of budgetary and program reductions either on the grounds of military necessity or gross inequities.

Across-the-board pay raises

On March 10, 1981, the President submitted to the Congress the Administration's revised fiscal year 1982 budget. The Administration proposed a 5.3 percent pay raise for military personnel in July 1981. If the 5.3 percent pay raise were enacted, the military pay raise projected for October 1981--included in the prior Administration's budget--was about 9 percent. These pay increases were to be on top of an 11.7 percent across-the-board pay raise which became effective last October. The 14.3 percent across-the-board pay raise proposed in H.R. 3380 is essentially a combination of the Administration's proposed July and October 1981 pay raises. The Defense Department has estimated that the 14.3 percent pay raise will add about \$4.5 billion to the fiscal year 1982 Defense budget. This is about \$2.9 billion more than would be added by a 4.8 percent across-the-board pay raise--the percentage raise being considered for Federal civil servants.

The President's revised budget stated that the across-the-board pay raises are needed to "reduce the outflow of experienced personnel from the Armed Services."

In reaching conclusions as to the reasonableness of, or need for, the proposed pay increase, I believe we need to examine more carefully the nature of the manpower problems facing the military and try to define them more specifically. This should enable us to see more clearly whether the proposed across-the-board pay raise will solve the problems or whether some other alternative approaches might be more appropriate. In this regard, I would like to examine with you what (1) the current career force profile looks like and what short- and long-term impact the raises would likely have on the career force, (2) military skills are in short supply and what the likelihood is that across-the-board pay raises will correct skill imbalances, and (3) the civilian and military pay differences are for comparable occupations.

Impact of pay raise on
career force profile

In spite of widespread perceptions about recent trends, the fact is that the active duty enlisted force has been quite stable in size since the beginning of the All-Volunteer Force. In fact, during the 8-year period of the All-Volunteer Force, the military Services have never been more than 1.5 percent below funded authorized strength levels. As of the end of fiscal year 1980, the Services has 99.9 percent of their authorized strength.

In addition to overall strength levels, the career force has also remained quite stable. Since 1974, the Army career force has increased by over 45,000 soldiers to a level where a record 40 percent of the force has over 4 years of service. The Navy and Marine Corps career force has remained relatively constant, and the Air Force career force has gone down somewhat in absolute terms, but as a percentage of the total enlisted personnel, its career force has also increased.

Therefore, in addition to maintaining a relatively stable end-strength, in aggregate, the career force has also remained quite stable, increasing somewhat both in absolute terms and as a percentage of total enlisted personnel. The career force is important because that is where the skilled technical people are.

As you begin to break apart the components of the career force and look at those with 5 to 12 years of service and those with 13 to 20 years of service, you begin to get a somewhat different picture. Between 1972 and 1979, the number of people with 13 to 30 years of service declined quite sharply to slightly over 270,000. For the most part, this decline was caused by the retirement of those personnel who had 12 or more years of service during the closing years of the Vietnam War. Thus, much of this reduction was a normal process of people leaving the Service after a full career, rather than for dissatisfaction with pay or other aspects of Service life.

At the same time, however, in the late 1960s and early 1970s, reenlistments among personnel with 5 to 12 years of

service declined quite severely. Consequently, what we are seeing now is not necessarily a mass exodus of senior NCOs as would appear on the surface, but rather normal attrition from what is an abnormally small cohort of senior NCOs, the result of low reenlistment rates in the group which had 5 to 12 years of service in the early 1970s. Recognizing that about 85 percent of the people who reach their 13th year of service stay for 20 years to take advantage of the generous retirement benefits and only a few remain in the Service beyond 20 years, we believe that the proposed pay raises would have only marginal impact on keeping more senior NCOs in the Services.

On the other hand, in recent years, from about 1973 through 1979, the number of people with 5 to 12 years of service has gone up rather sharply to about 470,000 in 1979. Assuming that the continuation rates for this group remains at historical levels, we can expect in the future to see a turnaround in the numbers in the 13 to 30 years of service group with surpluses of senior NCOs. This will likely happen whether or not added pay increases are authorized and to the extent that across-the-board pay raises cause people in the 5- to 12-year group to remain, it could exacerbate the future 13-to 30-year manning problem.

Therefore, as we see it, one question that needs to be answered is what impact will the proposed 14.3 percent pay raise, or and other percentage raise, have on keeping in the Service those people whom the Services need--the senior NCOs.

On an aggregate basis, an across-the-board pay raise likely would have very little impact on the current 13 to 30 years of service group--the group receiving the most public attention--since most of these people will stay until retirement anyway. In contrast, however, the pay raises would probably influence more people in the 5- to 12-year group to remain in the Service longer than they otherwise would have, thus increasing the overall size of the career force but likely causing an even greater surplus of senior NCOs in future years than might otherwise result. Further, we are not at all convinced that the across-the-board pay raises will influence the right people--those needed to meet specific manning requirements--to remain in the Service.

Impact of pay raises
on skill shortages

As we have seen, the active duty career force has remained quite stable since 1973 and, on an aggregate basis, is fully manned. So, what exactly are the manpower problems the Defense Department hopes an across-the-board pay raise will help them solve? Our discussions with Defense officials and analysis of manpower documents indicate that the basic problem is not one of gross numbers of people, but rather one of skill imbalances--shortages in some skills or occupations and surpluses in others.

Even here, the problems vary from Service-to-Service, from grade-to-grade, and from occupation-to-occupation. However, they can generally be categorized as (1) shortages in skills that

are highly marketable in the civilian economy, (2) shortages in skills that are not marketable in the civilian economy, but which are generally thought of as being unpleasant or unattractive, and (3) skills or occupations which are relatively easy to fill and which are generally in a surplus position.

Each Service has certain skills that are quite technical in nature, require a sizable training investment, and are also highly marketable in the civilian economy--often at salaries which substantially exceed those offered by the Services. For example, a recent Air Force study indicates that it is short over 3,000 E-5s through E-7s in 48 critical skills. These shortages are primarily in "sortie producing" skills--skills which support the flying of aircraft--such as avionics skills, aircraft maintenance, electronics specialists, and communications specialists. Many of these skills are highly marketable in the civilian economy, particularly in the airline, general aviation, and electronics industries. The Navy also has shortages in skills that are highly marketable, such as operations specialists, nuclear technicians, computer technicians, and, to a lesser extent, machinist mates, and radar and sonar technicians. The Army is short of air traffic radar controllers, maintenance mechanics, and other skills of a similar nature which are in demand in the civilian economy. To retain individuals with these skills will, in our opinion, require a different set of solutions than is required to retain people without marketable skills. For example, large monetary incentives,

far larger than the proposed across-the-board increases, along with other tailored emoluments, may be needed to keep these people.

Each Service also has shortages in skills which are generally thought of as being unpleasant or unattractive for whatever reason--possibly because of an unpleasant working environment, long family separations, or because it is a skill without any demand in the civilian economy. The Navy, for example, has a shortage of over 500 boiler technicians. While being a boiler technician does not require a heavy training investment, the work environment--in the engine room of a ship--is not generally pleasant, particularly in diesel-powered ships. The Army has had a chronic problem filling its combat arms positions--skills that are both dangerous and without a civilian occupation counterpart. Solutions to these problems will obviously require an innovative set of solutions which may differ substantially from the kinds of incentives needed to keep people with marketable skills.

Finally, there are some skills in all of the Services which are relatively easy to fill and which are in a surplus position. These would include administrative clerks and other similar occupations. The Army, for example, has too many material control and accounting specialists, material storage and handling specialists, and behavioral science specialists. Incidentally, one reason people with these types of skills stay in the Services is because they are generally paid more in the Service than their age and occupation counterparts are paid in the private sector. One problem facing the Services, then, is how to get the people

into the skills where they need them most. The answer is obviously not by giving them more money to stay in the skills where there are already surpluses. Rather, other solutions need to be found to correct the skill imbalance problem.

In summary, on an aggregate basis, each Service is essentially fully manned at their authorized strength levels. However, the mix of skills and grades--which the Services equate to experience--is out of balance with large surpluses in some skills and equally large shortages in others.

The impact of the previous across-the-board pay raise on overall retention and more specifically the skill imbalance problem also is still in doubt. Defense officials have testified that the 11.7 percent increase effective last October has improved retention rates. Yet, they acknowledge that it is too early, if not impossible, to tell how much of this increase can be attributable to other significant benefit increases which were also provided at that time. Furthermore, although overall retention rates may be up, the real question is did the pay raise help the skill imbalance problem? So far, the Defense Department has not produced any evidence to suggest that the October raise contributed to solving this problem in any of the Services. In more specific terms, has the increased retention been among those critically short skills or has it caused response more from those groups already in surplus? We believe that before another substantial across-the-board pay raise such as the proposed 14.3 percent raise is given, Defense should be required to answer these questions.

Civilian/military pay
comparability

Secretary Weinberger has stated that the Administration is committed to restoring military pay to the level of comparability it was at in 1972 when the All-Volunteer Force began. Comparability is an extremely complex matter, and I will not take the time here to get into all of the technical aspects. However, let me describe briefly what the current situation is in this regard and, hopefully, clear up the confusion that seems to exist in the minds of some--including those in the Pentagon--as to what comparability means in the context of existing legislation.

Throughout the current debate on the proposed pay raises being carried out in congressional hearings and the press, we have heard and read a great deal about the fact that military pay has not kept pace with inflation. We have also heard people say that the Consumer Price Index, as a measure of inflation, is the guide by which to measure whether "comparability" has been maintained.

This definition of comparability simply is not consistent with existing legislation. Although keeping up with inflation may have been a consideration when the existing military pay legislation was enacted, it was not as important a factor then as it is today because at that time wages, in general, were increasing at a faster pace than inflation. Therefore, the key element in the legislation was that military salaries were to be kept comparable with private sector salaries, not inflation. This was to be done by tying military pay raises to Federal civil service pay raises,

which in turn were to be based on the results of an annual national survey of professional, administrative, technical, and clerical pay. This survey results in a pay index commonly referred to as the PATC index.

Comparability, then, means keeping up with private sector pay, not keeping up with inflation. Since private sector pay, as measured by the PATC survey, is not keeping pace with inflation, military pay should not keep pace with inflation either.

While we 100-percent agree with and support recent statements by President Reagan and Secretary Weinberger that military people should be treated like first-class citizens, there is the danger of tipping the scales too far. The problem with using inflation, rather than an index of what private citizens are earning, as the guide for determining pay comparability is that this then sets up Service members in an abnormally rewarding situation. They would then be one of the few groups of workers in the country who were actually keeping up with inflation. While this is a desirable and laudable goal, we believe that it is short-sighted and in the long-term will only cause resentment against the military as a privileged class in our society.

At the beginning of the All-Volunteer Force, regular military compensation (RMC)--the military equivalent to a civilian salary--and the PATC index started at approximately the same point, somewhat above the Consumer Price Index. RMC soon began to drop in relation to the PATC index and continued to drop throughout the 1974 through 1980 time period. The reason for this was a series

of pay caps which prevented either Federal civilian or military pay from increasing as much as the PATC index. RMC, however, did not drop as rapidly as Federal civilian pay in relation to the PATC index for two reasons. First, two components of RMC--basic housing and subsistence allowances--are not subject to Federal income tax, and, second, the October 1980 military pay raise was unlinked from Federal civilian pay and exceeded Federal civilian pay by 2.6 percent. The cumulative affect of the 1972 through 1980 pay raises and the proposed 14.3 percent military and 4.8 percent civil service pay raises on selected pay grades is illustrated in appendix I to this statement. This admittedly simplistic comparison indicates that, with a 14.3 percent pay raise in October 1981, regular military compensation will have increased by well over 100 percent since 1972, whereas a 4.8 percent civilian pay raise will have increased civilian salaries by less than 75 percent in some cases for the same period.

While RMC has fallen below the PATC index by a minimal amount--by about 4 percent after last October's pay raise according to Defense's calculation and by less than 1 percent by other calculations--I must point out that comparing RMC to the PATC index is only part of the story. This simple one-to-one comparison for military pay neglects to consider the many other pay and benefit items which increases a military member's take-home pay. These additional monies have grown substantially in number and value in recent years, but particularly with the increases authorized by the 96th Congress. These include:

- Authority to pay a variable housing allowance to Service members living off-base in the continental United States. Service members living off-base at overseas locations receive other housing and cost-of-living allowances.
- A 25-percent increase in aviation career incentive pay and enlisted flight pay.
- A 15-percent increase in sea pay rates.
- Authority to pay reenlistment bonuses to personnel with between 10 and 14 years of service.
- Family separation pay for E-4s and below.
- Authority to increase enlistment bonuses from \$3,000 to \$5,000 and selective reenlistment bonuses from \$15,000 to \$20,000.
- Special pays for physicians.
- Career sea pay for officers and enlisted men.
- Overseas extension pay for members who extend their tour of duty in designated overseas locations.

This is by no means an all inclusive list of the pay and benefit items over and above RMC which are available to qualifying military members and which should be considered when discussing pay comparability. The following table, aggregated for all Services will give you an idea as to the importance of the currently authorized other pays in relation to the cash components of RMC for fiscal year 1982.

	<u>Billions</u>
Basic Pay	\$22.3
Basic Allowance for Quarters	2.7
Subsistence	<u>2.7</u>
Subtotal - Cash Component of RMC	27.7
Other Pays and Allowances	<u>5.0</u>
Total	<u>\$32.7</u>

In addition to the estimated \$5 billion for currently authorized other pay and allowance items, an additional \$265 million in new or increased pays are proposed for fiscal year 1982 in H.R. 3380. So, as you can see, in aggregate, other pay and allowance items represent a substantial amount which should be taken into account when considering the concept of comparability. Even by the Defense Department's own estimates, of the 4 percent difference which existed between RMC and the PATC index after the October 1980 pay raise, perhaps as much as 3 percent was made up, in aggregate, by the other pays. Thus, the real difference between the PATC index and military pay is very small.

Obviously, some individual members receive several of the additional pay items, and some, particularly those at the lower grade levels living in the barracks, may receive none. Unfortunately, the Services do not have data available to give a composite picture of how many members are receiving which pay items, but our guess is that a very small percentage of Service members, particularly in the career force, receive only RMC.

I have attached to this statement several tables which give a more comprehensive picture of the major additional pay items

which Service members receive, the number and percentage of people receiving them, and the range of rates for these additional pays. (See appendix II.)

I have also attached to this statement appendix III which gives some actual examples to illustrate the impact these additional pay and benefit items have on total earnings for both officers and enlisted men. In addition, appendix IV shows the estimated pay change for two critical Navy skills as a result of the October 1980 pay increases. It shows that from fiscal year 1980 to 1981 a Navy E-5 operations specialist received about a 63 percent raise and a submarine nuclear propulsion technician received about a 30-percent pay raise.

One issue that often comes up when discussing the adequacy of military pay is that of enlisted people using food stamps. The large estimates of 100,000 to 275,000 eligible military members, which surfaced last year, have been largely discounted, but some people still use this issue to justify a large pay raise.

To put this issue into a little better perspective, I have included as appendix V two estimates we made based on the Administration's proposed food stamp eligibility requirements. One estimate, which assumes a 14.3 percent pay raise this October, indicates that a maximum of about 4,700 members might be potentially eligible. A second estimate, which assumes a 4.8 percent pay raise--the amount proposed for Federal civilian employees--indicates that a maximum of about 14,550 members might be potentially eligible. As I said, these are maximum estimates. Not taken into account in making the estimates are:

--Variable housing allowance received by over 90 percent of Service members living off-base in the continental United States or other household income such as spouses' income, special and incentive pays, and enlistment or reenlistment bonuses, all of which must be considered in determining individual eligibility.

--The estimated 20 percent of enlisted members living overseas who are not eligible for food stamps by virtue of not living in the United States.

Also, of those military families we estimated might be potentially eligible for food stamps, over 90 percent live in Government-furnished quarters. If the Agriculture Department counted the value of compensation received in-kind in determining food stamp eligibility, most of these people would not qualify for food stamps. However, since income received in-kind is not currently considered by Agriculture, these people may be legally eligible for, although not necessarily in need of, food stamps. While a few low graded military families may be truly in need of food stamps because of their large families, we believe that number is indeed very small and that food stamps should not be an issue used to justify an across-the-board pay raise.

What are the alternatives to
an across-the-board pay raise

We agree that the military Services are facing some serious manpower problems that need to be dealt with, but the question is how to deal with them in the most cost effective and efficient

manner. Some of the problems originated 8 to 10 years ago when reenlistments were at an extremely low level. In our view, it is highly unlikely that across-the-board pay raises will have much impact on the current problems resulting from that period. Further, we do not believe that an across-the-board approach is the best or most efficient way to solve the skill imbalance problems facing the military Services. Not only would such an approach have little positive impact, there is a high risk that it would only serve to make the situation worse in future years.

During the current debate on the military pay raise, various proposals have been made to "target" the raise. We firmly support the concept of focusing the money to solve specific manpower problems; however, most of the targeting proposals are to give a different percentage increase to the various enlisted and officer grade levels. While this idea has one advantage over an across-the-board pay raise in that it would relieve the pay compression which currently exists between a few grade levels, such targeting would have little impact on what we see as a much more serious problem--that of skill imbalance. Our concept of targeting is to manage by skill or occupation group and to use pay as a management tool to solve specific manpower problems.

As I mentioned earlier in my statement, we believe that fundamental changes are needed in the way military members are managed and paid. I did not address these fundamental changes in detail; however, we believe that until some basic military management concepts change--such as management by skill or

occupation--and reforms are instituted with regard to both the pay and retirement systems, the Congress and the Defense Department will continue to face the dilemma facing us today.

We fully recognize that fundamental changes will not come easily. Nevertheless, we believe that there are possible ways the military can improve its present manpower situation which would be more effective and less costly than an across-the-board pay raise. The new Army Enlisted Force Management Plan has suggested some ways to help overcome these manpower management problems. These include, among other things, (1) disassociating pay and grade for certain technical and skill dependent fields, (2) developing a program to selectively retain soldiers with 20-plus years of service in shortage skills, (3) developing a system to facilitate redistribution between Military Occupational Specialties to accommodate changing requirements, (4) using the promotion system as a motivator for reclassification and retention, and (5) using the retirement system to improve retention in critical skills.

In the past and today, promotion is too often viewed as the principal means of compensating an outstanding soldier. This has been to the detriment of the Services and the individual in the senior NCO grade, by promoting the soldier out of his occupational specialty and area of expertise and training investment. For this reason, the Army also plans to investigate decoupling grades from compensation and to rely more on performance and investment-based pay. We support these initiatives.

We believe that the key to solving many of the Services' manpower problems is to manage each skill individually and tailor specific solutions to specific problems. In this way, the Services could address shortage problems caused by competition from the private sector and by being unable to keep people in unattractive or unpleasant occupations. Management by skill would also help the Services deal with manpower surpluses where they exist. For example, for those skills which are highly marketable in the private sector, the Services could consider such things as:

- More vigorously pursuing their recruiting outreach programs aimed at enlisting prior Service members already trained in critical skills. This may require more liberal implementation of the policies concerning bonuses for prior Service members and restoration of rank.
- Increasing the use of tailored pay increases to attract and retain people with critically needed skills.
- Developing specific skill management programs that would include strategically-timed training programs to coincide with reenlistment, a tailored promotion program which would keep people in their skill rather than to promote them out of it, and a benefit package that would be competitive with the industry counterpart.
- Providing sufficient attraction, such as a lucrative bonus or extra-pay contract, to keep senior NCOs in critical skill shortages areas beyond the traditional 20-year retirement point. This may require some job restructuring

to put these people, who are now supervisors, back on the production line.

For those skills which are not highly marketable, but which are short because the jobs are undesirable or unattractive, the Services might consider other incentive packages such as:

--Providing variable career track options to encourage people to enlist or reenlist in specific unpleasant occupations. For example, if a person signed up for 2 years in the infantry, he would be given training for the second 2 years in a career of his choice.

--Returning to a policy of selectively providing .

"outplacement" training in a civilian occupation for people in military occupations which have no private sector counterpart.

--Making better use of post-service benefits to retain people in unglamorous skills for additional Service.

Those skills which are already in a surplus position should also be vigorously managed because, when the end-strength number is the critical number being managed against for every skill surplus, there must also be a countervailing skill shortage. Some things the Services might consider in this area could include:

--More vigorously pursuing retraining programs for people in surplus skills to get them into jobs where they are needed. This could possibly be made a reenlistment requirement for people who wish to reenlist in noncritical skills.

--Selectively using severance pay and deferred annuities to encourage untrainable people in surplus skills to leave the Service.

--Again, developing specific skill management programs, but for these skills, limit future pay raises until pay in these occupations reflect the pay for these skills in the private economy.

Mr. Chairman, let me say that we are not against pay increases for military members. We believe that each Service member, regardless of skill or occupation, should be afforded a standard of living comparable to that of his or her peers in the private sector. However, we believe that in this period of major cutbacks and belt-tightening, when all of our citizens are being asked to sacrifice and when programs such as Social Security are being proposed for major reductions, the Administration and the Congress should proceed very cautiously in providing a large across-the-board pay raise to the military. If the military is set up as a privileged class in our society, we run the risk of a backlash which ultimately could undo all you and the Administration are trying to accomplish in strengthening our Armed Forces.

In our opinion, any across-the-board pay raise in October should be limited to the amount established by the PATC survey and provided to Federal civil servants, currently projected to be 4.8 percent. Specific problems in recruiting or retaining critically needed skills should then be addressed individually. Not only do we believe that this approach would be far more

cost effective and palatable to taxpayers being asked to sacrifice in other areas to support the extra \$2.9 billion pay raise, we also believe that it is in the long-term interest of the Services and the Nation.

In summary, I would like to paraphrase a recent editorial which appeared in the March 27, 1981, Louisville Courier-Journal, because I believe it very nicely summed up the manpower problems facing the military. The editorial indicated that people are beginning to believe more and more that, rather than across-the-board pay raises, future raises should be tailored to attract and keep people with critical skills. It went on to say that the military has resisted such a move because this would mean that some personnel with critical skills would be paid more than others of the same rank.

As the editorial noted, rank is vitally important to the military and should not be dismissed lightly. It is one tradition that gives military organizations cohesiveness. However, it is time for the Armed Services to face economic reality. The Services must compete in the job market against industries that are looking for the same kinds of people they are trying to recruit and keep. This will mean that, increasingly, pay raises must be targeted to meet shortages of people with specific skills. Across-the-board pay raises may also occasionally be needed, but, more and more, the Services need to manage their personnel structure and pay policies on an occupation-by-occupation basis.

Mr. Chairman, this concludes my formal statement. My colleagues and I would be happy to respond to any questions you may have.

COMPARISON OF CUMULATIVE PAY INCREASES
FOR SELECTED MILITARY AND CIVIL SERVICE GRADES

The following is a simple comparison of cumulative pay increases for selected military and civil service grades. It shows that when comparing regular military compensation (RMC)--generally considered the equivalent of a civilian salary--with a comparable civil service salary, military pay increased at a substantially higher percentage rate than civil service pay.

This comparison does not include numerous other pay items which military members receive, including:

- Variable housing allowance currently paid to 56.5 percent of officers and 31 percent of enlisted members at average rates ranging from \$342 to \$3,015 per year.
- Overseas station allowance currently paid to 23.8 percent of officers and 22 percent of enlisted members at various average rates ranging from about \$100 per year to over \$7,800 per year.
- A wide variety of special pays and bonuses paid to about 25 percent of all service members. These special pays include such things as (1) special physicians pay, (2) physicians board certified pay, (3) additional retention pay for physicians, (4) dentist, optometrist and veterinarian special pay, (5) sea duty pay, (6) overseas extension pay, (7) proficiency pay, (8) enlistment bonuses--up to \$5,000, (9) reenlistment bonuses--up to \$20,000, (10) responsibility pay, (11) diving duty pay, (12) nuclear officer pay, (13) career sea pay, and (14) premium sea pay.

APPENDIX I

APPENDIX I

--A wide variety of incentive pays currently paid to about 31 percent of officers and 5 percent of enlisted members. These incentive pays include: (1) flying duty pay, (2) parachute jump pay, (3) demolition duty pay, (4) submarine duty pay, and (5) flight deck duty pay.

The comparison also does not include a wide variety of other benefits received by military members which are not available civil servants, including:

- Free health care for the member and, depending on availability, free health care for dependents.
- No contribution to retirement which is available upon completion of 20 years of service at 50 percent of basic pay. (Civil service employees contribute 7 percent of gross pay, and generally must complete 30 years of service before being eligible for retirement.
- Commissary and exchange privileges.

The selected grades depicted below are for illustrative purposes only, and do not indicate work difficulty or grade level relationships between military and civil service grades.

<u>RMC 1/</u>	<u>% Increases In RMC 2/</u>	<u>Salary</u>	<u>% Increases In Salary 2/</u>
<u>E-3 (Under 2 Years of Service, Family Size 1)</u>		<u>GS-3, Step 1</u>	
1972 \$ 5,731	-	\$ 5,828	-
1974 7,020	22.5	6,764	16.1
1977 8,220	17.1	7,930	17.2
1980 10,593	28.9	9,766	23.2
<u>3/1981 12,164</u>	14.8	10,235	4.8
Cumulative increase	112.2		75.6

APPENDIX I

APPENDIX I

	<u>RMC 1/</u>	<u>% Increases In RMC 2/</u>	<u>Salary</u>	<u>% Increases In Salary</u>
<u>E-7 (18 Years of Service Family Size 4)</u>			<u>GS-7, Step 10</u>	
1972	\$11,245	-	\$11,771	-
1974	13,412	19.3	13,679	16.2
1977	16,007	19.3	16,035	17.2
1980	20,435	27.7	19,747	23.1
3/1981	23,535	15.2	20,695	4.8
Cumulative increase		109.3		75.8
<u>O-1 (Under 2 Years of Service, Family Size 1)</u>			<u>GS-7, Step 1</u>	
1972	\$ 8,772	-	\$ 9,053	-
1974	10,135	15.5	10,520	16.2
1977	12,009	18.5	12,336	17.3
1980	15,372	28.0	15,193	23.2
3/1981	17,755	15.5	15,922	4.8
Cumulative increase		102.4		75.9
<u>O-4 (12 Years of Service, Family Size 4)</u>			<u>GS-13, Step 2</u>	
1972	\$18,213	-	\$19,362	-
1974	21,324	17.1	22,543	16.4
1977	25,400	19.1	26,889	19.3
1980	32,515	28.0	33,116	23.2
3/1981	37,679	15.9	34,706	4.8
Cumulative increase		106.9		79.2
<u>O-6 (26 Years of Service, Family Size 4)</u>			<u>GS-15, Step 10</u>	
1972	\$28,496	-	\$33,260	-
1974	33,743	18.4	36,000	8.2
1977	40,525	20.1	47,025	30.6
1980	52,274	29.0	50,112	6.6
3/1981	60,584	15.9	52,517	4.8
Cumulative increase		112.6		57.9
<u>O-7 (20 Years of Service, Family Size 4)</u>			<u>GS-16, Step 3</u>	
1972	\$32,542	-	\$31,656	-
1974	38,542	18.4	36,000	13.7
1977	46,639	21.0	45,251	25.7
1980	60,078	28.8	50,112	10.7
3/1981	69,234	15.2	52,517	4.8
Cumulative increase		112.8		65.9

Footnotes

- 1/ Regular Military Pay (RMC) is the sum of basic pay, quarters and subsistence allowances, and the tax advantage which accrues because allowances are not subject to Federal income taxes. Not included in RMC are the numerous tax benefits provided by the various States.
- 2/ The percentage increase compares each year with the preceding year listed. The cumulative increase compares 1972 with 1980 subsequent to the October 1980 pay raise.
- 3/ The figures are based on the assumption that the October 1981 pay raise will be 4.8 percent for civilian employees and 14.3 percent for military personnel, except that basic pay for military personnel will be limited to the rate of basic pay for level V of the Executive Schedule which is estimated to be \$52,517 with the scheduled 4.8 percent pay raise.

Table 1
List of Major Pay Items in Addition to RMC
Air Force - Officers

	<u>Number</u>	<u>Percent of Officer Force 1/</u>	<u>Range of Rates 2/</u>
<u>Number of Officers</u>	101,209	<u>100.0</u>	
<u>Variable Housing Allowance</u>	<u>60,576</u>	<u>59.9</u>	\$629 to \$1,581
<u>Incentive Pays</u>	<u>38,664</u>	<u>38.2</u>	
Flying Duty Crew Members	37,223		\$1,500 to \$3,675
Flying Duty Noncrew Members	1,100		\$1,320
Parachute Jumping	55		\$1,320
Demolition Duty	100		\$1,320
Other Incentive Pays	186		\$1,320
<u>Special Pays</u>	<u>11,367</u>	<u>11.2</u>	
Variable Special Physicians Pay	3,574		\$6,636
Board Certified Pay (Physicians)	1,425		\$2,572
Retention Additional Special Pay (Physicians)	2,864		\$9,221
Incentive Medical Special Pay	500		\$6,844
Dentist Special Pay	1,520		\$2,420
Dentist Continuation Pay	1,088		\$7,879
Optometrist Special Pay	176		\$1,200
Veterinarians	220		\$1,200
<u>Station Allowance, Overseas</u>	<u>28,715</u>	<u>28.4</u>	
Cost-of-Living Overseas Allowance	7,568		\$1,069 to \$2,091
Overseas Housing Allowance	6,785		\$1,029 to \$7,803
Temporary Lodging Allowance	14,362		\$371

NOTE: Footnotes on page 37.

Table 2
List of Major Pay Items in Addition to RMC
Air Force - Enlisted

	<u>Number</u>	<u>Percent of Enlisted Force 1/</u>	<u>Range of Rates 2/</u>
<u>Number of Enlisted</u>	473,985	100.0	
<u>Variable Housing Allowance</u>	171,873	36.3	\$682 to \$1,442
<u>Incentive Pays</u>	13,560	2.9	
Flying Duty Crew Members	9,900		\$732 to \$1,572
Flying Duty Noncrew Members	1,425		\$660
Parachute Jumping	650		\$660
Demolition Duty	1,100		\$660
Other Incentive Pays	485		\$660
<u>Special Pays</u>	86,781	18.3	
Duty at Certain Places	51,300		\$96 to \$270
Diving Duty	3		\$780
Sea Duty	5		\$192
Overseas Extension Pay	1,167		\$600
Proficiency Pay Shortage Specialty	82		\$600 to \$1,200
Proficiency Pay Special Duty Assignment	4,153		\$600 to \$1,200
Reenlistment Bonus (Regular)	2,280		\$500 to \$1,300
Selective Reenlistment Bonus	24,829		\$1,391 to \$16,000
Enlistment Bonus	2,962		\$1,278 to \$5,000
<u>Station Allowance, Overseas</u>	155,012	32.7	
Cost-of-Living	47,385		\$753 to \$1,335
Singles Cost-of-Living	24,933		\$320
Housing Allowance	35,943		\$1,130 to \$2,923
Temporary Lodging Allowance	46,751		\$350

NOTE: Footnotes on page 37.

Table 3
List of Major Pay Items in Addition to RMC
Army - Officers

	<u>Number</u>	<u>Percent of Officer Force 1/</u>	<u>Range of Rates 2/</u>
<u>Number of Officers</u>	<u>99,857</u>	<u>100.0</u>	
<u>Variable Housing Allowance</u>	<u>44,758</u>	<u>44.8</u>	\$342 to \$3,015
<u>Incentive Pays</u>	<u>16,510</u>	<u>16.5</u>	
Flying Duty (Commissioned Officers)	7,908		\$1,500 to \$3,672
Flying Duty (Warrant Officers)	5,533		\$1,500 to \$3,000
Flying Duty - Noncrew Members	265		\$1,320
Parachute Jumping	2,640		\$1,320
Demolition Duty	162		\$1,320
Other Incentive Pays	2		\$1,320
<u>Special Pays</u>	<u>13,454</u>	<u>13.5</u>	
Variable Special Physicians Pay	4,711		\$6,497
Board Certified Pay (Physicians)	2,001		\$2,909
Retention Additional Special Pay (Physicians)	3,372		\$9,297
Dentist Special Pay	1,820		\$2,521
Dentist Continuation Pay	970		\$9,635
Optometrist Special Pay	210		\$1,200
Veterinarians	365		\$1,200
Diving Duty Pay	5		\$1,320
<u>Station Allowance, Overseas</u>	<u>26,308</u>	<u>26.3</u>	
Cost-of-Living	6,641		\$698 to \$2,024
Housing Allowance	7,098		\$761 to \$7,488
Temporary Lodging Allowance	12,569		\$751

NOTE: Footnotes on page 37.

Table 4
List of Major Pay Items in Addition to RMC
Army - Enlisted

	<u>Number</u>	<u>Percent of</u> <u>Enlisted Force</u> 1/	<u>Range of</u> <u>Rates</u> 2/
<u>Number of Enlisted</u>	670,477	100.0	
<u>Variable Housing Allowance</u>	170,835	25.4	\$565 to \$1,199
<u>Incentive Pays</u>	32,525	4.9	
Flying Duty Crew Members	4,220		\$828 to \$1,572
Flying Duty Noncrew Members	2,600		\$660
Parachute Jumping	24,860		\$660
Demolition Duty	803		\$660
Other Incentive Pays	42		\$660
<u>Special Pays</u>	177,201	26.4	
Duty at Certain Places	58,559		\$96 to \$270
Diving Duty Pay	52		\$1,045
Overseas Extension Pay	2,094		\$600
Proficiency Pay	45,802		
Reenlistment Bonus (Regular)	1,118		\$721 to \$920
Selective Reenlistment Bonus	43,104		\$972 to \$16,000
Enlistment Bonus	26,472		\$3,364 to \$5,000
<u>Station Allowance, Overseas</u>	133,815	20.0	
Cost-of-Living	61,303		\$100 to \$903
Housing Allowance	42,235		\$960 to \$2,316
Temporary Lodging Allowance	30,277		\$940

NOTE: Footnotes on page 37.

Table 5
List of Major Pay Items In Addition to RMC
Navy - Officers

	<u>Number</u>	<u>Percent of Officer Force 1/</u>	<u>Range of Rates 2/</u>
<u>Number of Officers</u>	<u>65,654</u>	<u>100.0</u>	
<u>Variable Housing Allowance</u>	<u>43,774</u>	<u>66.7</u>	\$611 to \$3,000
<u>Incentive Pays</u>	<u>28,097</u>	<u>42.8</u>	
Flying Duty (Commissioned Officers)	16,416		\$1,500 to \$3,672
Flying Duty Continuation Pay	6,831		\$5,803 to \$6,123
Flying Duty - Noncrew Members	65		\$1,320
Submarine Duty	3,847		\$1,805 to \$4,987
Parachute Jumping	288		\$1,320
Demolition Duty	320		\$1,320
Flight Deck Duty	270		\$1,320
Other Incentive Pays	60		\$1,320
<u>Special Pays</u>	<u>22,648</u>	<u>34.4</u>	
Variable Physicians Special Pay	3,622		\$5,796
Additional Physician Special Pay	2,639		\$9,310
Board Certified Pay (Physicians)	1,209		\$2,969
Dentist Special Pay	1,599		\$2,674
Dentist Continuation Pay	1,001		\$8,683
Optometrist Special Pay	149		\$1,200
Responsibility Pay	900		\$1,289
Diving Duty Pay	296		\$1,320
Nuclear Officer Incentive Pay	2,628		\$5,277
Career Sea Pay	8,105		\$1,984 to \$3,536
Premium Sea Pay	500		\$1,200
<u>Station Allowance, Overseas</u>	<u>8,755</u>	<u>13.3</u>	
Cost-of-Living	6,075		\$893
Housing Allowance	2,680		\$2,703

NOTE: Footnotes on page 37.

Table 6
List of Major Pay Items in Addition to RMC
Navy - Enlisted

	<u>Number</u>	<u>Percent of</u> <u>Enlisted Force</u> 1/	<u>Range of</u> <u>Rates</u> 2/
<u>Number of Enlisted</u>	476,086	100.0	
<u>Variable Housing Allowance</u>	172,652	36.3	\$741 to \$1,450
<u>Incentive Pays</u>	41,644	8.7	
Flying Duty Crew Members	7,926		\$782 to \$1,572
Flying Duty Noncrew Members	441		\$660
Submarine Duty	24,662		\$659 to \$3,179
Parachute Jumping	780		\$660
Demolition Duty	850		\$660
Flight Deck Duty	6,820		\$660
Other Incentive Pays	165		\$660
<u>Special Pays</u>	180,164	37.8	
Sea Duty, Career	91,085		\$1,021 to \$3,195
Premium Sea Pay	5,917		\$1,200
Duty at Certain Places	25,133		\$96 to \$270
Diving Duty Pay	1,658		\$1,120
Overseas Extension Pay	320		\$600
Proficiency Pay	14,031		\$360 to \$1,800
Reenlistment Bonus	34,635		\$500 to \$20,000
Enlistment Bonus	7,385		\$1,693 to \$5,000
<u>Station Allowance, Overseas</u>	63,509	13.3	
Cost-of-Living	49,218		\$481
Housing Allowance	14,291		\$1,437

NOTE: Footnotes on page 37.

Table 7
List of Major Pay Items in Addition to RMC
Marine Corps - Officers

	<u>Number</u>	<u>Percent of Officer Force 1/</u>	<u>Range of Rates 2/</u>
<u>Number of Officers</u>	<u>18,358</u>	<u>100.0</u>	
<u>Variable Housing Allowance</u>	<u>11,954</u>	<u>65.1</u>	\$657 to \$2,625
<u>Incentive Pays</u>	<u>7,140</u>	<u>38.9</u>	
Flying Duty - Crew Members (Commissioned Officers)	4,797		\$1,500 to \$3,675
Flying Duty - Crew Members (Warrant Officers)	48		\$1,500 to \$3,000
Flying Duty - Noncrew Members	82		\$1,620
Continuation Bonus	2,097		\$5,722
Parachute Jumping	72		\$1,320
Demolition Duty	44		\$1,320
<u>Special Pays</u>	<u>227</u>	<u>1.2</u>	
Diving Duty Pay	36		\$1,320
Career Sea Pay	191		\$3,000
<u>Station Allowance, Overseas</u>	<u>4,217</u>	<u>23.0</u>	
Cost-of-Living	3,142		\$413 to \$710
Housing Allowance	750		\$2,209
Temporary Lodging Allowance	325		\$1,995

NOTE: Footnotes on page 37.

APPENDIX II

APPENDIX II

Table 8
List of Major Pay Items In Addition to RMC
Marine Corps - Enlisted

	<u>Number</u>	<u>Percent of Enlisted Force 1/</u>	<u>Range of Rates 2/</u>
<u>Number of Enlisted</u>	<u>171,656</u>	<u>100.0</u>	
<u>Variable Housing Allowance</u>	<u>40,719</u>	<u>23.7</u>	\$806 to \$1,238
<u>Incentive Pays</u>	<u>2,578</u>	<u>1.5</u>	
Flying Duty Crew Members	1,322		\$750 to \$1,563
Flying Duty Noncrew Members	588		\$827
Parachute Jumping	500		\$660
Demolition Duty	168		\$660
<u>Special Pays</u>	<u>43,898</u>	<u>25.6</u>	
Duty at Certain Places	27,026		\$96 to \$2,403
Diving Duty Pay	215		\$780
Overseas Extension Pay	560		\$600
Proficiency Pay	4,098		\$360 to \$1,800
Reenlistment Bonus	8,612		\$1,456 to \$16,000
Enlistment Bonus	3,387		\$3,000 to \$5,000
<u>Station Allowance, Overseas</u>	<u>41,892</u>	<u>24.4</u>	
Cost-of-Living	39,022		\$267 to \$566
Housing Allowance	2,087		\$1,828
Temporary Lodging Allowance	783		\$1,535

NOTE: Footnotes on page 37.

APPENDIX II

APPENDIX II

- 1/ Data is not currently available to indicate how many individual Service members are receiving multiple special and incentive pays.
- 2/ Most dollar amounts represent an average amount or range as computed in the Fiscal Year 1982 Service Justification Estimates. However, the maximum bonus amounts are identified for enlistment and reenlistment bonuses.

APPENDIX III

APPENDIX III

MILITARY PAY AND BENEFITS
FOR SELECTED RANKS

LIST OF ABBREVIATIONS

ACIP	Aviation career incentive pay
BAQ	Basic allowance for quarters
BAS	Basic allowance for subsistence
BP	Basic pay
COLA	Cost-of-living allowance
CMA	Clothing maintenance allowance
FICA	Government's contribution to social security
MED PAY	Medical pay
Sep. Rat.	Separate rations
SRB	Selective reenlistment bonus
VHA	Variable housing allowance

APPENDIX III

APPENDIX III

Service: Air Force

Pay Grade: E-4

Over 4 Years of Service, married, receiving Variable
Housing AllowanceCompensationCash pay elements

BP	\$8,726
BAQ	2,473
BAS	983
CMA	90
VHA	<u>1,142</u>

Subtotal	\$13,415
----------	----------

<u>Tax Advantage</u>	837
----------------------	-----

Benefits

Retirement <u>1/</u> (Actuarial Evaluation)	\$4,299
Health Care <u>2/</u>	564
Commissary and Exchange <u>3/</u>	139
FICA <u>4/</u>	<u>580</u>

Subtotal	<u>5,582</u>
----------	--------------

Total	<u>\$19,834</u>
-------	-----------------

APPENDIX III

APPENDIX III

Service: Army

Pay Grade: E-5

Over 4 Years of Service, married, receiving Variable Housing Allowance

CompensationCash pay elements

BP	\$8,971
BAQ	2,812
CMA	122
COLA	1,294
VHA	1,613
BAS (Sep. Rat.)	<u>1,324</u>

Subtotal	\$16,136
----------	----------

Tax Advantage

927

Benefits

Retirement <u>1/</u> (Actuarial Valuation)	\$4,420
Health Care <u>2/</u>	869
Commissary and Exchange <u>3/</u>	139
FICA <u>4/</u>	<u>597</u>

Subtotal	<u>6,025</u>
----------	--------------

Total	<u>\$23,088</u>
-------	-----------------

APPENDIX III

APPENDIX III

Service: Air Force

Pay Grade: E-6

Years of Service: Over 14, married, receiving Variable
Housing AllowanceCompensationCash pay elements,

BP	\$12,280
BAQ	3,060
BAS	1,324
VHA	1,411
CMA	<u>90</u>

Subtotal	\$18,165
----------	----------

<u>Tax Advantage</u>	1,058
----------------------	-------

Benefits

Retirement <u>1/</u>	6,050
Health Care <u>2/</u>	1,477
Commissary and Exchange <u>3/</u>	139
FICA <u>4/</u>	<u>817</u>

Subtotal	<u>8,483</u>
----------	--------------

Total Compensation and Benefits	\$27,706
------------------------------------	----------

APPENDIX III

APPENDIX III

Service: Air Force

Pay Grade: E-7

Years of Service: Over 18, married, living on post

CompensationCash pay elements

BP	\$14,443
BAQ*	3,326
BAS	1,324
CMA	<u>90</u>

Subtotal \$19,183

Tax Advantage

1,173

Benefits

Retirement <u>1/</u>	\$ 7,116
Health Care <u>2/</u>	1,781
Commissary and Exchange <u>3/</u>	139
FICA <u>4/</u>	<u>960</u>

Subtotal 9,996

Total Compensation and Benefits \$30,352

*Estimated value of inkind quarters.

APPENDIX III

APPENDIX III

Service: Air Force

Pay Grade: O-3

6 Years of Service

Married, living on post, receiving flight pay

CompensationCash pay elements

BP	\$20,304
BAQ*	4,104
BAS	991
ACIP	<u>3,672</u>

Subtotal		\$29,071
----------	--	----------

<u>Tax Advantage</u>		1,916
----------------------	--	-------

Benefits

Retirement <u>1/</u>	\$10,004
(Actuarial valuation)	
Health Care <u>2/</u>	869
Commissary and Exchange <u>3/</u>	139
FICA <u>4/</u>	<u>1,350</u>

Subtotal		<u>12,362</u>
----------	--	---------------

Total		<u>\$43,349</u>
-------	--	-----------------

*Living on post estimated value of inkind quarters.

APPENDIX III

APPENDIX III

Service: Navy

Pay Grade: O-3

Years of Service: Over 6, married, receiving flight pay and
Variable Housing AllowanceCompensationCash pay elements

BP	\$20,304
BAQ	4,104
BAS	991
VHA	376
Flight pay	<u>3,592</u>
Subtotal	\$29,367

<u>Tax Advantage</u>	1,916
----------------------	-------

Benefits

Retirement <u>1/</u>	10,004
Health Care <u>2/</u>	869
Commissary and Exchange <u>3/</u>	139
FICA <u>4/</u>	<u>1,350</u>
Subtotal	<u>12,362</u>

Total Compensation and Benefits	\$43,645
------------------------------------	----------

APPENDIX III

APPENDIX III

Service: Navy

Pay Grade: O-4

Years of Service: Over 14, married, receiving Variable
Housing AllowanceCompensationCash pay elements

BP	\$25,704	
BAQ	4,565	
BAS	991	
VHA	<u>1,058</u>	
Subtotal		\$32,318

<u>Tax Advantage</u>		2,444
----------------------	--	-------

Benefits

Retirement <u>1/</u>	12,664	
Health Care <u>2/</u>	1,477	
Commissary and Exchange <u>3/</u>	139	
FICA <u>4/</u>	<u>1,709</u>	
Subtotal		<u>15,989</u>
Total Compensation and Benefits		\$50,751

APPENDIX III

APPENDIX III

Service: Air Force

Pay Grade: O-5

22 Years of Service

Married - 2 Exemptions, receiving medical pay and variable housing allowance

CompensationCash pay elements

BP	\$32,969
BAQ	5,116
BAS	991
MED PAY	13,248
VHA	<u>1,882</u>

Subtotal

\$54,206

Tax Advantage

4,161

Benefits

Retirement	
(Actuarial valuation) 1/	\$16,244
Health Care 2/	869
Commissary and Exchange 3/	139
FICA 4/	<u>1,975</u>

Subtotal

19,227

Total

\$77,594

APPENDIX III

APPENDIX III

Service: Navy

Pay Grade: O-7

Years of Service: Over 27 years of service, married, receiving
Variable Housing AllowanceCompensationCash pay elements

BP	\$45,990	
BAQ	6,422	
BAS	991	
VHA	<u>2,957</u>	
Subtotal		\$56,360

<u>Tax Advantage</u>		6,910
----------------------	--	-------

Benefits

Retirement <u>1/</u>	22,659	
Hospital Care <u>2/</u>	869	
Commissary and Exchange <u>3/</u>	139	
FICA <u>4/</u>	<u>1,975</u>	
Subtotal		<u>25,642</u>

Total Compensation and Benefits		\$88,912
------------------------------------	--	----------

APPENDIX III

APPENDIX III

Service: Air Force

Pay Grade: Brigadier General O-7

20 Years of Service

Married (Claiming 2 Exemptions), living on post, receiving flight pay

CompensationCash pay elements

BP	\$45,990
BAQ*	6,422
BAS	991
ACIP	2,400
COLA	<u>244</u>

Subtotal	\$56,047
----------	----------

<u>Tax Advantage</u>	6,910
----------------------	-------

Benefits

Retirement <u>1/</u> (Actuarial valuation)	\$22,659
Health Care <u>2/</u>	869
Commissary and Exchange <u>3/</u>	139
FICA <u>4/</u>	<u>1,975</u>

Subtotal	<u>25,642</u>
----------	---------------

Total	<u>\$88,599</u>
-------	-----------------

*Living on post, estimated value of inkind quarters.

- 1/Normal cost for military retirement is 49.27 percent. Normal cost computation based on economic assumptions that long-term average annual rates of inflation will be 5 percent, pay increases will be 5.5 percent, and the interest rate will be 6 percent.
- 2/Estimate is probably underestimated because the data is not current. Based on actual per capita costs (fiscal year 1973) of \$426.99 per service member and \$230.57 per each dependent, escalated at 32 percent--the increase in total DCD spending for medical operations from fiscal year 1973 to fiscal year 1976.
- 3/Estimate is probably underestimated because the data is not current. Based on per capita costs of appropriated funds for commissary and exchange operations. Per capita costs allocated only to active duty personnel.
- 4/Government's contribution to social security.

APPENDIX IV

APPENDIX IV

PAY CHANGE FOR SAMPLE CRITICAL SKILLS IN NAVY*
 PETTY OFFICER 2D CLASS (E-5) OVER 4 YEARS
 OF SERVICE ASSIGNED NORFOLK
 MARRIED WITH ONE CHILD

	<u>OPERATIONS SPECIALIST</u>		<u>SUBMARINE NUCLEAR PROPULSION</u>	
	<u>FY 80</u>	<u>FY 81</u>	<u>FY 80</u>	<u>FY 81</u>
Basic Pay	\$8031	\$8971	\$8031	\$8971
Quarters	2516	2812	2516	2812
Subsistence	1172	1438	1172	1438
VHA	-	854	-	854
Sea Pay	300	2100	300	2100
Sub Pay	-	-	960	1560
Pro Pay	-	-	1800	1800
Bonus <u>1/</u>	669	4486	4016	4486
Tax Advantage	<u>923</u>	<u>1476</u>	<u>1011</u>	<u>1743</u>
Total	<u>\$13612</u>	<u>\$22136</u>	<u>\$19806</u>	<u>\$25764</u>
Nominal Increase		63%		30%

1/Annualized assuming a reelistment of 3 years

*Estimated calculations.

APPENDIX V

APPENDIX V

ESTIMATED NUMBER OF MILITARY
PERSONNEL ELIGIBLE FOR FOOD STAMPS

Based on the proposed new food stamp eligibility criteria, we estimate that the following number of military personnel could be potentially eligible to receive food stamps.

Estimate assuming a 14.3 percent
across-the-board pay raise

<u>Military Grade</u>	<u>Number Potentially Eligible</u>
E-1	143
E-2	127
E-3	565
E-4	1,726
E-5	2,153
E-6	9
Total	<u>4,723</u>

Estimate assuming a 4.8 percent
across the board pay raise

<u>Military Grade</u>	<u>Number Potentially Eligible</u>
E-1	293
E-2	309
E-3	1,145
E-4	5,148
E-5	6,889
E-6	770
Total	<u>14,554</u>

These are very conservative estimates, and it is likely that the number of military people eligible for food stamps would be much smaller, for the following reasons:

--Because of the multiplicity of rates used to compute the variable housing allowance (VHA) rates, we did not include this allowance in our computation. However, 98 percent

of Service members living off-base in the continental United States receive VHA. According to our calculations with the 14.3 percent pay raise, about 397 of the potentially eligible members receive VHA. With a 4.8 percent pay raise, about 1,268 of the potentially eligible members receive VHA. As indicated below, most of the remainder live on-base in Government-furnished quarters.

--Most E-1s and E-2s remain in grade only about 6 months and are then promoted to a higher pay grade. Under the new food stamp criteria, annual gross earnings are the first test of eligibility.

--According to our calculation, of the 4,723 members potentially eligible for food stamps after a 14.3 percent pay raise, 4,401 live in Government-furnished quarters. Of the 14,554 members potentially eligible after a 4.8 percent October 1981 pay raise, 13,260 live in Government-furnished quarters. Because the Department of Agriculture does not include compensation received in-kind in its eligibility test, these individuals could potentially be eligible for food stamps. However, if these people lived off-base and received cash in lieu of quarters or if in-kind compensation was counted, most of these members would not be eligible for food stamps.

--Our estimate does not include other household income such as spouses' income, income from second jobs, or amounts

from special pays and bonuses, even though the Agriculture Department considers all cash income for eligibility.

--Military personnel stationed overseas are not eligible for food stamps. On average, about 23 percent of enlisted members are stationed overseas, and this amount could be deducted from the estimated number potentially eligible.

In summary, regardless of the amount of the October 1981 pay raise, the number of military members legitimately eligible for or needing food stamps is very small, either because they are receiving an additional variable housing allowance or because they are living in Government-furnished quarters with all utilities except telephone paid.

TARGETED PAY RAISE

Mr. ADDABBO. Thank you very much.

Dr. Coffey, if we try to be selective in who receives the pay raise, what would be your recommendation for each of the four services and for different pay grades, as well as different skills, since it seems that your position is fairly clear that compensation should be targeted rather than made across the board?

Mr. COFFEY. Mr. Chairman, we have noted the action in the Senate, which is being supported by a great number of members, for a targeted pay raise which would give larger pay increases to certain grades and years of service. We believe this is a step in the right direction.

However, we feel that it should go much further. We also should point out that a targeted pay increase, such as that proposed by the Senate, has certain lingering problems that we should be aware of:

First, it provides a continuing cost to the government in the outyears for those increased pay levels that would be granted. Second, it would impact on the retirement benefits that would be paid to senior NCOs and officers.

Third, and primarily from our point of view, it would remove the flexibility in management that we believe is essential to providing pay administration; that is, we believe the services should have the ability to pay what is necessary today to solve today's problems and should have the ability to solve tomorrow's problems tomorrow without being locked in to pay and allowances that no longer are necessary or justified.

FOOD STAMPS

Mr. ADDABBO. When Dr. Korb, who is now the Assistant Secretary of Defense for Manpower, worked for a private think tank, he estimated that 275,000 military personnel were eligible for food stamps.

After that report, both your office, as well as Department of Defense, did detailed studies and concluded that no more than 20,000 military personnel would be eligible, and this number is probably high because the estimate does not include any income from working wives or any assets over \$1,500.

Do you believe that the argument that pay raises are needed because so many military personnel are at the lower end of the economic ladder as evidenced by the need for food stamps has any validity?

Mr. COFFEY. No, sir, we do not, and to provide you with some background on this, I would like to defer to Mr. Johnson, who has done a lot of work for us in this area.

Mr. JOHNSON. We recently did an update of the estimated number of people who might be eligible based on a 14.3 percent increase, and also based on a 4.8 percent increase.

The estimates that we developed indicate that approximately 4,700 people would be potentially eligible with a 14.3 percent pay raise, and approximately 14,500 with a 4.8 percent increase.

These are very conservative numbers. We didn't take into account those people who live on base and because of the eligibility

criteria used by Agriculture, compensation in kind is not counted, and it does have value.

Also, these numbers didn't take into account those individuals who receive a variable housing allowance, and most people living off base do receive a variable housing allowance of some amount.

The reason we didn't take that into account is the multiplicity of rates that are available. In summary, it would be a very small number of people who would be eligible for food stamps.

VARIABLE HOUSING ALLOWANCES

Mr. MURTHA. Could I ask does the variable housing rates cover the cost of housing to most of the people who are receiving it? Do you know the answer to that?

Mr. JOHNSON. It is supposed to cover up to 15 percent of the cost of housing. Theoretically, the 15 percent is supposed to come out of base pay. Variable housing allowance and basic housing allowance together are supposed to cover the remainder.

Mr. MURTHA. What I am asking is, do you know if in fact—for instance, I see here an E-1 for basic housing gets \$2,477. That would be \$200 a month. Obviously in this area he would have a hard time getting much of a place for \$200 a month.

You don't have any idea what percentage actually of their housing is covered by the amount of money they received?

Mr. JOHNSON. At this particular point in time we don't have an actual percentage. We are doing a study now that will indicate that when we have completed. The preliminary results of that study indicate that some folks at all grade levels are receiving far more than the cost of their housing and, of course, some are receiving less.

Mr. MURTHA. You don't have at this point what percentage are getting far more than the cost of their housing?

Mr. JOHNSON. No, preliminary indications are about half, though.

Mr. MURTHA. 50 percent are getting more than they are paying for housing and 50 percent are getting less, or 50 percent just getting the right amount?

Mr. JOHNSON. Getting less, because the rate is based on averages. Approximately half would be receiving more and half would be receiving less.

Mr. DICKS. How much more?

Mr. JOHNSON. I don't have that figure.

Mr. DICKS. Is it statistically significant?

Mr. JOHNSON. Yes, sir.

Mr. DICKS. 50 percent are getting \$5 a month more?

Mr. JOHNSON. It is considerably more than that.

Mr. DICKS. We don't know that, though, unless you have done the analysis. You admitted you haven't.

Mr. JOHNSON. We don't have the final results of our analysis yet. We should have that within—

Mr. DICKS. How much more? You say significantly more. How much is significant in your judgment? 10 percent?

Mr. JOHNSON. That would—

Mr. DICKS. Use the San Diego area as an example.

Mr. JOHNSON. Again, that would depend on the rank because the rates are determined based on pay grade.

If you would allow us to provide some of that information for the record, it would be much more accurate than I could give you now. [The information follows:]

*MILITARY MEMBERS RECEIVING MORE OR LESS HOUSING ALLOWANCES THAN THEY PAY IN HOUSING COSTS

The following data is provided in response to the question concerning the number and percentage of Service members who are receiving more or less housing allowance (Basic Allowance for Quarters plus Variable Housing Allowance) than the housing survey indicates they are paying for housing costs. Because of the large number of housing areas involved, we selected for analysis five of the largest areas which account for about 25 percent of the military members receiving housing allowance, and five areas with smaller military populations.

Location and pay grade group	Overpaid by at least \$600 per year		VHA plus BAQ within \$600 per year of housing cost		Underpaid by at least \$600 per year	
	Number	Percent	Number	Percent	Number	Percent
Five locations with large military populations						
Washington, DC (Metro):						
E1-E3.....	35	9.2	153	40.2	193	50.7
E4-E6.....	284	17.2	750	45.5	615	37.3
E7-E9.....	152	24.3	229	36.6	245	39.1
O1-O3.....	313	20.7	560	37.1	636	42.1
O4-O6.....	620	26.4	655	27.9	1,075	45.7
Total.....	1,404	21.6	2,347	36.0	2,764	42.4
San Diego, Calif.:						
E1-E3.....	57	7.8	376	51.2	302	41.1
E4-E6.....	396	17.7	1,046	46.6	801	35.7
E7-E9.....	261	25.7	315	31.0	440	43.3
O1-O3.....	313	28.5	390	35.5	397	36.1
O4-O6.....	238	28.3	226	26.8	378	44.9
Total.....	1,265	21.3	2,353	39.6	2,318	39.0
Fort Bragg/Pope AFB, N.C.:						
E1-E3.....	18	7.2	126	50.4	106	42.4
E4-E6.....	42	12.9	200	61.3	84	25.8
E7-E9.....	23	12.6	83	45.6	76	41.8
O1-O3.....	19	7.5	131	51.8	103	40.7
O4-O6.....	31	14.5	94	43.9	89	41.6
Total.....	133	10.9	634	51.8	458	37.4
San Antonio, Tex.:						
E1-E3.....	36	8.9	222	55.1	145	36.0
E4-E6.....	174	16.6	481	45.8	395	37.6
E7-E9.....	139	23.7	214	36.5	233	39.8
O1-O3.....	101	15.8	278	43.5	260	40.7
O4-O6.....	120	19.8	199	32.9	286	47.3
Total.....	570	17.4	1,394	42.5	1,319	40.2
Norfolk, Va.:						
E1-E3.....	50	8.4	269	45.4	273	46.1
E4-E6.....	242	15.3	758	48.0	578	36.6
E7-E9.....	145	19.0	300	39.2	320	41.8
O1-O3.....	144	16.8	335	39.0	379	44.2
O4-O6.....	173	21.4	294	36.4	341	42.2
Total.....	754	16.4	1,956	42.5	1,891	41.1

Location and pay grade group	Overpaid by at least \$600 per year		VHA plus BAQ within \$600 per year of housing cost		Underpaid by at least \$600 per year	
	Number	Percent	Number	Percent	Number	Percent
	Five locations with smaller military populations					
Fort Benning, Ga.:						
E1-E3.....	10	19.2	24	46.2	18	34.6
E4-E6.....	19	14.8	65	50.8	44	34.4
E7-E9.....	16	16.0	50	50.0	34	34.0
O1-O3.....	12	13.2	42	46.2	37	40.7
O4-O6.....	11	16.7	26	39.4	29	43.7
Total.....	68	15.6	207	47.4	162	37.1
Fort Dix/McGuire AFB, N.J.:						
E1-E3.....	14	34.1	10	24.4	17	41.5
E4-E6.....	23	22.8	40	39.6	38	37.6
E7-E9.....	7	18.9	16	43.2	14	37.8
O1-O3.....	4	19.0	7	33.3	10	47.6
O4-O6.....	3	17.6	5	29.4	9	52.9
Total.....	51	23.5	78	35.9	88	40.6
Fort Leavenworth, Kans.:						
E1-E3.....	4	57.1	1	14.3	2	28.6
E4-E6.....	7	13.5	28	53.8	17	32.7
E7-E9.....	8	19.5	14	34.1	19	46.3
O1-O3.....	8	28.6	13	46.4	7	25.0
O4-O6.....	6	9.5	22	34.9	35	55.6
Total.....	33	17.3	78	40.8	80	41.9
29 Palms MCB, Calif.:						
E1-E3.....	4	4.9	53	65.4	24	29.6
E4-E6.....	30	29.7	36	35.6	35	34.7
E7-E9.....	15	25.9	24	41.4	19	32.8
O1-O3.....	9	16.4	27	49.1	19	34.5
O4-O6.....	5	20.8	11	45.8	8	33.3
Total.....	63	19.7	151	47.3	105	32.9
Fort Campbell, Ky.:						
E1-E3.....	2	2.4	50	60.2	31	37.3
E4-E6.....	18	13.7	74	56.5	39	29.8
E7-E9.....	18	26.1	23	33.3	28	40.6
O1-O3.....	14	12.6	71	64.0	26	23.4
O4-O6.....	9	23.7	13	34.2	16	42.1
Total.....	61	14.1	231	53.5	140	32.4

*Represents a sample, not a full population.

DISPOSABLE INCOME OF E-1

Mr. MURTHA. Here is what is confusing me. When you look at an E-1, he is getting \$12,000 disposable income versus a civilian employee of the government at the lowest level starts at \$6,700.

Mr. JOHNSON. Yes, sir.

Mr. MURTHA. Now, what is the difference? This person on the civilian end of it is getting that in cash, \$6,725.

Mr. JOHNSON. That is his disposable income, correct.

Mr. MURTHA. So that is cash money he is getting?

Mr. JOHNSON. That is cash money he gets, less the deductions.

Mr. MURTHA. The private in the service is getting \$12,000 and he is getting how much of that in cash? For instance, I assume that

living in the barracks he is getting a credit of \$200 a month. You add that on to this base pay over here, is that right?

Mr. JOHNSON. Correct.

Mr. MURTHA. And the BAS the same way?

Mr. JOHNSON. Yes, sir.

Mr. MURTHA. VHA, you do the same thing there?

Mr. JOHNSON. That is correct.

Mr. COFFEY. As General Tice said earlier, though, this figure is somewhat misleading in that it assumes that the E-1 is married and has two dependents.

Mr. MURTHA. Very few of the E-1s are married, aren't they?

Mr. COFFEY. Yes, sir.

Mr. MURTHA. What would you say, 25 percent are married, or less than that?

Mr. JOHNSON. Probably less.

Mr. MURTHA. 75 percent of the E-1s are not married?

Mr. COFFEY. Yes, sir.

Mr. MURTHA. What would be an accurate figure for the 75 percent of the E-1s?

Mr. JOHNSON. One thing you would have to include in an accurate figure would be the value in-kind of what an E-1 receives by living in the barracks and the subsistence allowance that they receive, or the subsistence they receive in-kind by eating in the mess. That value would have to be added on to the so-called disposable income figure to have it comparable to the CBO figure..

Mr. MURTHA. If you took the \$6,911, I assume that is money he actually receives?

Mr. COFFEY. Correct.

Mr. MURTHA. Then you take out the income tax, that is zero. You take out Social Security, and state income tax, then you add the barracks and the food to that, and the clothing that he gets. Then you have the figure. That is something you are unable to do.

Mr. COFFEY. Roughly, Mr. Murtha, the value of disposable income for the E-1 would be about \$7,000 plus the value of his barracks and his food.

Mr. MURTHA. It would be basically the same as the GS-1 but the GS-1 has no barracks and no food and no clothing allowance.

Mr. COFFEY. That is a very good comparison, yes, sir.

Mr. DiCARLO. The E-1 also only remains in grade approximately six months and then becomes an E-2 and remains in that grade again for approximately six months. By the year's time, he is an E-3. So it is not a static condition.

Mr. MURTHA. What about the GS-1? How long does he stay in grade?

Mr. DiCARLO. He stays in grade approximately a year or longer.

Mr. MURTHA. He stays in grade substantially longer?

Mr. DiCARLO. Yes, sir.

Mr. JOHNSON. A GS-1 can be promoted within six months.

DISPOSABLE INCOME OF OFFICERS

Mr. MURTHA. Well, now, in the higher levels, how do you compare, for instance, a college graduate would be at what level in the GS rating?

Mr. COFFEY. Generally a GS-7 to GS-9.

Mr. MURTHA. They would start at GS-7 to GS-9? So they start at \$13,000. A Second Lieutenant starts at \$16,000.

Mr. COFFEY. No, according to this chart the GS-7 gross income would be \$17,000. You are talking about gross income. If you are talking disposable income, you are right, it is \$13,000.

Mr. MURTHA. Well, what percentage of these Lieutenants are you comparing with the percentage? This is what is confusing to me. What percentage of Lieutenants, First Lieutenant, Second Lieutenants, the entry grade college level versus the entry level of GS-level, what would be the difference?

Mr. COFFEY. In terms of disposable income, it is there approximately the same. A Second Lieutenant would be receiving equivalent to what a GS-7 would receive.

Mr. MURTHA. You have \$16,985 for the Second Lieutenant. You have \$13,000. Does that say your single versus your family of four? Is that what you are getting into again?

Mr. COFFEY. The college graduate entering civil service would come in, some at GS-7 and some at GS-9, so they are somewhere in the vicinity of \$13,214 to \$17,066; in contrast, the Second Lieutenant is slightly higher.

Regardless of whether the civil servant came in as a GS-7 or GS-9, he/she would receive about \$2,000 to \$3,000 less per year in disposable income. This is based on the CBO works, which assumes that the Second Lieutenant would be married.

Mr. MURTHA. What percentage of them are covered?

Mr. COFFEY. I do not know, sir.

Mr. MURTHA. Thank you, Mr. Chairman.

Mr. DAVIS. Mr. Coffey, just to clear up a few of these things. To come in as a GS-9 under civil service you have to have a Master's Degree or a certain number of years of graduate education.

Second, you are looking at a GS-9 step 4, which means he has been a GS-9 for three years at that point. So, he has at least three years of service.

A lot of college graduates come in as GS-5, no experience, no graduate education. When you look at GS-5 step 4, that would be a GS-5 for three years. A more meaningful comparison might be GS-5 versus a Second Lieutenant at two years.

Back to your original question about the E-1 with dependents, four people, comparing his \$12,000 disposable income with that for an E-1 without dependents—that would only make about \$1,000 worth of difference. So you are talking about \$11,000 for an E-1. It does not include any bonus money.

Mr. MURTHA. Then you are saying on the 0-1, 0-3, that 0-3 has six years?

Mr. COFFEY. That is correct.

Mr. MURTHA. That is the reason he jumps from \$16,000 to \$26,000. It is the seniority.

Mr. DAVIS. Somebody with half a dozen years in the government, if he is a college graduate and probably talking about a GS-11 step 4, it is \$18,500 for comparability. A Captain with six years is \$25,800.

Mr. COFFEY. At that point, both are likely to be married and to have dependents. It is more typical here.

Mr. MURTHA. It makes sense to me. It would be a big jump between those levels. But I notice there is not that jump for enlisted. I would think that the lower level—for instance, when you jump from Private to PFC to Corporal, you really don't have much of a jump in pay there. Yet in the officer level you do have a substantial one. At the enlisted level there is barely a difference at all.

Mr. DAVIS. GAO came out with a study about two years ago, and then last year this committee directed DOD, the Air Force as a test case, to start coming up with a system to tell people how much they make in the military because survey after survey shows they really don't know.

You go out and ask somebody, "What do you think you have to spend," they just don't know, because the whole system of pay and allowances is so confusing, they don't understand what they have their hands on.

Virtually every study that comes out says they ought to clean it up.

Mr. MURTHA. I am not sure I understand how much a Second Lieutenant would make if he goes into the armed forces versus the other guy. You say there is about a \$1,000 difference?

Mr. DAVIS. It would be a little more for an officer. A Second Lieutenant, with no dependents—that number might vary. If he is single, he might have \$2,000 less as a round number or about \$15,000 cash in hand.

FOOD STAMPS

Mr. HEFNER. Would the gentleman yield for just a question? I am intrigued about this food stamp business. Do we have some Federal employees who would be entitled to food stamps?

Mr. JOHNSON. That is correct.

Mr. HEFNER. Do you have any idea how many?

Mr. JOHNSON. No, I don't. One problem with calculating that number is that most of the people, based on current pay tables, who would appear to be eligible are, unfortunately, women and their husbands probably work. So, it is very difficult to get a handle on the number of Federal employees that might be eligible.

Mr. HEFNER. If this pay raise goes into effect, you would have something like 14,000 people eligible for food stamps in the military?

Mr. JOHNSON. Depending on which pay raise goes into effect. If the 14.3 percent goes into effect, you would have about 4,700 who might be eligible for food stamps.

Mr. HEFNER. How would they in theory fare if they were in the private sector? Would they have the earning capability? They would probably still be on food stamps in the private sector.

Mr. JOHNSON. That would be speculation on my part, but I would say so.

Mr. HEFNER. So it is not a real true picture. There are a tremendous amount of people on food stamps in the armed services, not necessarily because the pay is so low, but possibly because of

circumstances that they have in many cases made for themselves.

Mr. JOHNSON. Right. I would like to make one comment on that. We talk about the number of people potentially eligible, but that doesn't necessarily mean that this is the number of people who are actually using food stamps.

As Mr. Davis mentioned, there is so much confusion among the military members as to what their pay actually consists of that there may actually be more people using food stamps than we projected would be potentially eligible. We just don't know. However, there is a great deal of confusion as to what their pay consists of.

Mr. HEFNER. Of course, if you just take this chart, in theory you would assume that there would be more people eligible for food stamps working for the government on a percentage basis than there would be in the military.

Mr. JOHNSON. That is possible.

Mr. COFFEY. Except that very, very few people enter the government as GS-1. There was a story in the Washington Post recently trying to find GS-1s. They turned out to be a few people that are scattered here and there, mostly part-time summer hires. The average entry for people in the Federal civil service is about GS-3. These are the kids that come in following high school graduation.

Mr. HEFNER. I don't see GS-3 here.

Mr. COFFEY. No, sir, it is not in the chart.

Mr. HEFNER. What would that be?

Mr. JOHNSON. They would still be eligible.

Mr. MURTHA. For food stamps in this area?

Mr. JOHNSON. If that was their only source of income, correct. I don't have a pay table, but I recall that in looking at the table they would be, if that were their only source of income.

Mr. HEFNER. Thank you.

Mr. ADDABBO. Mr. Davis?

Mr. DAVIS. Mr. Hefner, GS-3 starts about \$9,700, give or take.

Mr. HEFNER. A GS-3 with four dependents would be in real bad shape.

Mr. DAVIS. That is before deductions. That is his gross pay.

Mr. ADDABBO. Dr. Coffey, in taking into consideration the survey which showed 20,000 eligible for food stamps, in determining the eligibility a figure is not allocated for housing or other emoluments, is that correct?

Mr. COFFEY. That is correct.

Mr. ADDABBO. If that was included, that 20,000 figure would be probably less.

Mr. COFFEY. It would be substantially below that, yes.

Mr. ADDABBO. Mr. Robinson?

Mr. ROBINSON. Thank you, Mr. Chairman.

As an extension of Mr. Hefner's question regarding food stamps, what is the range of possibility with regard to where we would find these people in the military that would be eligible for food stamps? We would start with the E-1s of course that are in training, I suppose. Where do we go beyond that?

Mr. JOHNSON. Again, our computation was based on the new eligibility requirement that is being proposed by the President, which is a gross income test. That is the test we used.

Based on that gross income test, an E-1 with a family the size of, I believe, four would be eligible for food stamps.

Mr. ROBINSON. There are going to be mighty few of them.

Mr. JOHNSON. There are few of those, right. For E-2s, with a family size four and a family size five, about 127 families would be eligible assuming a 14.3 percent raise. The largest number, incidentally, is an E-5 with a family size six living in government-furnished quarters. We estimate about 2,100 of those people would potentially be eligible.

Mr. ROBINSON. But you don't know how many people like that exist in fact; that is, how many E-5s with families of six there are.

Mr. JOHNSON. Yes, we do have an approximate number based on DOD's calculation—their force profile. Those are the numbers that we use. It varies from time to time, of course, but they have a fairly accurate number of E-5s, with a family size of a particular number.

Mr. COFFEY. Mr. Robinson, most of the food stamp recipients in the forces are likely to be newly enlisted individuals who already have wives and children and were in situations of unemployment and food stamps before they came in.

Those are cases of 23-, 24-year-old E-1s who have been unemployed, perhaps steel workers, for numbers of months, who finally opt for enlistment in the military forces. The typical E-1 enlistee, the 18-, 19-year-old, is very unlikely to have a wife and family. These with dependents would be abnormal cases.

But as the recruiting market has changed, the services have begun to enlist more and more married people at a somewhat older age. It is these cases where you find the food stamp use.

Mr. ROBINSON. Can you give us anything like a percentage of the total proportion that would be in that category?

Mr. JOHNSON. We could provide that for the record.

[The information follows:]

ESTIMATED NUMBER OF MILITARY PERSONNEL POTENTIALLY ELIGIBLE FOR FOOD STAMPS

This data is in response to the questions concerning (1) the number and percentage of military members, by pay grade, potentially eligible for food stamps and (2) the number and percentage of potentially eligible members who are living in Government-furnished quarters. This data is based on (1) the fiscal year 1981 force profile compiled by the Office of the Assistant Secretary of Defense (MRA and L) and (2) the proposed food stamp eligibility criteria which includes a gross annual earnings test of 130 percent of the Office of Management and Budget's nonform poverty guidelines for various household sizes.

Military grade	Total grade population	Number potentially eligible	Percent of grade population potentially eligible	Number in Government quarters	Percent of eligibles in Government quarters
Estimate assuming a 14.3-percent across-the-board pay raise:					
E-1.....	158,122	143	0.09	38	26.6
E-2.....	165,027	127	.08	51	40.1
E-3.....	332,327	565	.17	398	70.4
E-4.....	409,128	1,726	.42	1,669	96.7
E-5.....	323,535	2,153	.67	2,153	100.0

Military grade	Total grade population	Number potentially eligible	Percent of grade population potentially eligible	Number in Government quarters	Percent of eligibles in Government quarters
E-6.....	202,848	9		9	100.0
Total.....	1,590,987	4,723	.29	4,318	91.4
Estimate assuming a 4.8-percent across-the-board pay raise:					
E-1.....	158,122	293	.19	188	64.2
E-2.....	165,027	309	.19	113	36.6
E-3.....	332,327	1,145	.35	661	57.8
E-4.....	409,128	5,148	1.25	4,676	90.8
E-5.....	323,535	6,889	2.13	6,852	99.5
E-6.....	202,848	770	.38	770	100.0
Total.....	1,590,987	14,554	.91	13,260	91.1
Estimate based on current (October 1980) pay rates:					
E-1.....	158,122	775	.49	188	24.3
E-2.....	165,027	309	.19	113	36.6
E-3.....	332,327	1,484	.45	698	47.0
E-4.....	409,128	7,455	1.80	6,421	86.1
E-5.....	323,535	10,009	3.10	9,435	94.3
E-6.....	202,848	3,030	1.50	3,030	100.0
Total.....	1,590,987	23,062	1.45	19,885	86.2

These are very conservative estimates, and it is likely that the number of military people eligible for food stamps would be much smaller, for the following reasons:

First, we did not include variable housing allowance in our computation, although about 98 percent of Service members living off-base in the continental United States receive VHA;

Second, our estimate does not include other household income such as spouses' income, income from second jobs, or amounts from special pays and bonuses, even though the Agriculture Department considers all cash income for eligibility; and

Third, military personnel stationed overseas are not eligible for food stamps. On average, about 23 percent of enlisted members are stationed overseas, and this amount could be deducted from the estimated number potentially eligible.

In summary, regardless of the amount of the October 1981 pay raise, the number of military members legitimately eligible for or needing food stamps is very small, either because they are receiving an additional variable housing allowance or because they are living in Government-furnished quarters with all utilities except telephone paid.

Mr. COFFEY. Our estimate would be somewhere between 10 and 20 percent of new entrants, particularly in the Army. This has been a policy that the services have controlled, and it has varied from time to time, from service to service. Currently, the Army is enlisting such people. That is essentially where you will find your food stamp concentrations.

BASE YEAR FOR COMPARABILITY

Mr. ROBINSON. To get back to my prepared questions, the Department of Defense has steadfastly maintained that 1972, when the all-volunteer force was in its initial stages, is the only valid measuring point for pay comparability.

This would seem to ignore nine years of experience which was not available in 1972 and would roughly be analogous to insisting that the XM-1 tank be made according to original specifications regardless of the results of field tests.

What is your feeling as to the merit of selecting a different year than 1972, when recruiting and retention may have been successful, as a base year for comparison?

Mr. COFFEY. Mr. Robinson, I think the issue is not so much the year, but what the commitment was to maintain.

The message we hear coming from the Pentagon, and with which we disagree, is that the commitment was to maintain military personnel salaries at a level equal to that of inflation. However, the history at the time of the legislation, certainly the legislation that was enacted, links military salaries not to the inflation index, but to the wages being paid to civilian workers.

If, on average the wages being paid are not keeping pace with inflation, which is essentially the case, there is no commitment for the service personnel to be given extraordinary treatment in terms of restoring their salary to a level of inflation.

What we are saying, essentially, is that the objective today, both in terms of the historical commitment and the legislation, is to retain service salaries in accordance with the PATC survey, which is linked to civilian civil service salaries, and military salaries today, without the 14.3 percent increases, are at a point within 1 to 4 percent of the PATC level.

Mr. ROBINSON. So you would not suggest a year other than 1972, but rather adopt a different system altogether?

Mr. COFFEY. The objective is to keep pace with civilian salaries, not with inflation.

Mr. ROBINSON. Thank you, Mr. Chairman.

Mr. ADDABBO. Mr. Dicks?

TARGETED PAY RAISE

Mr. DICKS. If current reallocation authority remains the same, up to 25 percent by pay grade rather than skill, and Congress opts to provide the aggregate amount of 14.3 percent increase, how would you recommend we allocate that increase?

Mr. COFFEY. We believe that compression is a very real problem, and that if we are going to authorize the full 14.3, that we would hope to see some of it used, as the Senate has proposed, to relieve compression.

However, as I pointed out, and I would like to repeat, this creates two lasting fiscal problems. One is the impact on retirement, because you are raising the basis for retirement calculations of senior NCOs and officers. The second is you are locking in those levels of pay as the basis for future pay calculations. These long-term costs are very real.

We do think, though, as a matter of principle, that it would at least break the commitment to across-the-board pay levels for everybody in the armed forces, and that this would be a very symbolic and good step in the right direction.

Mr. DICKS. Wouldn't it be better, instead of just doing this by pay grade, if we came up with a flexibility and said they could do it either by pay grade or skill? Wouldn't that be another step in the right direction as well?

Mr. COFFEY. Yes, sir. I would like to point out, though, that last year the services were given the authority to reallocate pay, and it took them a very brief period of time to say, "No, thank you."

Mr. DICKS. They rejected that.

Mr. COFFEY. Yes, and I am not sure that if you simply gave them the authority that much would happen this year, be it authority for reallocation by pay grade or reallocation by grade or skill.

Mr. DICKS. So you think the only way it is really going to work is if Congress mandated that 25 percent of the pay increase be reallocated by either pay grade or skill, or else they wouldn't get the money? Then they would have to decide whether they wanted to use it or not.

That would be a much better way to test this thing out, wouldn't it?

Mr. COFFEY. It certainly would be.

IMPACT ON RETIRED PAY

Mr. DICKS. Let me ask you one further question. I assume most of your work has been on this pay increase. One of the things I have been concerned about is, with the amount of money we are spending on personnel, whether we can continue to justify a retirement based on 20 years of service. I would like to hear what your comments might be on that as well.

Mr. COFFEY. We have long advocated—in fact, testified a few weeks ago before the Budget Committee concerning our view that the retirement system is not supporting the type force we want. The type retirement system we need is one that would, on the one hand, allow the services to retire early and with vested pension rights those that they don't need to keep to 20 years; on the other hand, to have a retirement system which would encourage others to stay beyond 20 years.

This should not be an across-the-board policy. It should be on the basis of their needs in terms of skill and performance. These recommendations, as you know, have been around for many years. They have been echoed by a number of very learned groups, most recently the President's Commission.

We noted with some disappointment that the proposals that have been submitted by the last Administration for retirement reform, and which were originally in the 1982 budget, were withdrawn by this Administration on the grounds of short-term cost saving.

In our view, this is a shortsighted view of the changes that need to take place. There would be some short-term costs, but the long-term benefits would be very great.

Mr. DICKS. Thank you, Mr. Chairman.

VARIABLE HOUSING ALLOWANCE

Mr. MURTHA. Mr. Chairman, could I ask a question on the Variable Housing Allowance?

I see here, for instance, taking the median range, a person gets about \$10,000 including BAQ at the officer's level. They could buy a house. This is tax free. They could then buy a house and charge the interest off to taxes.

Mr. COFFEY. Correct. It is immaterial whether they are buying or renting. It is an average reimbursement to cover 85 percent of the costs.

Mr. MURTHA. Is that tax free, that housing allowance?

Mr. COFFEY. Yes.

Mr. MURTHA. I guess it depends on where you live as to which ones get the Variable Housing Allowance.

Mr. COFFEY. The continental United States is the only place in which it is authorized. Virtually everybody—unless you live on base, something like 98 percent of those that live off base, are receiving the Variable Housing Allowance, in addition to their standard allowance for quarters.

The amounts vary, though, depending on the location. It is based on an annual survey they do of what the costs are in these areas.

Mr. MURTHA. That is all I have, Mr. Chairman.

Mr. DICKS. What percentage of people live on base of the lower ranks?

Mr. COFFEY. I don't have a percentage figure. I think we can provide one to you.

Mr. DICKS. Yes, for the record, please.

[The information follows:]

JUNIOR ENLISTED PERSONNEL LIVING ON BASE VERSUS OFF BASE

This is in response to the question concerning the number and percentage of junior enlisted personnel (E-1 through E-5) living on base in Government-furnished quarters versus those receiving a cash housing allowance. The tables below show (1) the total number of junior enlisted personnel and the number and percentage married and single in each pay grade, (2) the number and percentage of married junior personnel living in Government quarters versus those receiving a cash housing allowance, and (3) the number and percentage of single junior personnel living in Government quarters versus those receiving a cash housing allowance. The tables show that a high percentage of married junior personnel receive a cash housing allowance—an average of 69.5 percent of married E-1's through E-5's—and that an even higher percentage of single junior personnel live in Government quarters—an average of 87.5 percent of single E-1's through E-5's.

MARRIED VERSUS SINGLE MILITARY PERSONNEL

	Total in pay grade	Married in pay grade		Single in pay grade	
		Number	Percent	Number	Percent
Pay grades:					
E-1.....	158,122	14,355	9.1	143,767	90.9
E-2.....	165,027	23,860	14.5	141,167	85.5
E-3.....	332,327	77,888	23.4	254,439	76.6
E-4.....	409,128	184,482	45.1	224,646	54.9
E-5.....	323,535	238,841	73.8	84,694	26.2
Total.....	1,388,139	539,426	38.9	848,713	61.1

MARRIED MILITARY PERSONNEL

Pay grade:	Total married in pay grade	In Government quarters		Receiving cash housing allowance	
		Number	Percent	Number	Percent
E-1.....	14,355	860	6.0	13,495	94.0
E-2.....	23,860	2,244	9.4	21,616	90.6
E-3.....	77,888	10,632	13.7	67,256	86.3
E-4.....	184,482	52,816	28.6	131,666	71.4
E-5.....	238,841	97,939	41.0	140,902	59.0
Total.....	539,426	164,491	30.5	374,935	69.5

MILITARY PERSONNEL WITHOUT DEPENDENTS

	Total without dependents in pay grade	In Government quarters		Receiving cash housing allowance	
		Number	Percent	Number	Percent
Pay grade:					
E-1.....	143,767	142,914	99.4	853	0.6
E-2.....	141,167	136,177	96.5	4,990	3.5
E-3.....	254,439	230,885	90.7	23,554	9.3
E-4.....	224,646	178,592	79.5	46,054	20.5
E-5.....	84,694	53,777	63.5	30,917	36.5
Total.....	848,713	742,345	87.5	106,368	12.5

Source: Data compiled from Department of Defense fiscal year 1981 force profile distributions.

Mr. DICKS. Going back to the question on the housing allowances, does the housing allowance take into account utilities and things of that nature, as well as the cost of just renting an apartment, whatever?

Mr. JOHNSON. The housing allowance is supposed to cover utilities, with the exception of telephone. That is included in the survey.

Mr. DICKS. You are still telling us on that basis, 50 percent are getting more—the energy costs alone in the last few years have really gone up rather extensively.

Mr. JOHNSON. Again, I would prefer to provide that for the record. Our analysis on that is not quite completed.

TARGETED PAY RAISE

Mr. DICKS. How do we get the military to be interested in that subject? We have raised this issue with them. They don't want anything to do with it. They think you guys are wrong.

Mr. COFFEY. Certainly the clearest way is as you suggested, to withhold portions of their hoped for pay increase until and unless they come up with a way to justify the spending of extra monies on an occupational basis. Past history says you would get very good response very quickly.

Mr. DICKS. One of the arguments I hear from them is, one of the areas you are not treating, under this idea of paying more for skilled people, is that the people who are actually going to be in combat, under that scenario, wouldn't get paid much. There wouldn't be as many incentives. Yet, those are the people when you go to war you are really going to be counting on the most.

How do you handle that argument?

Mr. COFFEY. By answering that if you are treating them as a separate occupational group, as you are treating others separately, that you have the flexibility to pay them what you believe that service is worth.

Conceivably, people who serve in the combat arms could receive premier pay because it is indeed a very demanding and potentially very dangerous job. There are many armed forces that look upon combat arms assignments as the most rewarding assignment, in terms of pay and other benefits.

Mr. DICKS. Who, for example? The British?

Mr. COFFEY. The Israelis, the British. As long as you are paying on an occupational basis, a group basis, which is done by the British, Australians, Canadians, you have the ability to look at combat arms separately and to manage it accordingly.

MANPOWER COSTS UNDER FULL MOBILIZATION

Mr. MURTHA. Would the gentleman yield?

Has the GAO ever projected if we were to go to total mobilization, what would happen to the pay structure we have now? I am thinking in World War II we paid barely subsistence. Here we go to full mobilization, with 12 million men under arms. What happens to our defense dollars?

Mr. COFFEY. We go broke.

Mr. MURTHA. What is the answer? You lower the pay of the people that are serving? How do you do it? How do you handle it?

Mr. COFFEY. One of the very real, probably more realistic concerns, is whether on a much more limited scale we could afford to call up and support the Reserves we currently have because of these very high pay rates.

There is no standby provision that I am aware of for major pay changes in the event of mobilization. Perhaps this is something that should be considered. If we called up and sustained on Active duty, say, an additional million Reservists, our manpower cost would be extremely high.

Mr. MURTHA. GAO has never done a study like that?

Mr. COFFEY. No, sir. The cost might be high enough that it might deter the decision to mobilize. I think some kind of standby thinking needs to be done on this.

COST OF ALL-VOLUNTEER FORCE

Mr. DICKS. Let me ask you one other thing.

A lot of people hold out as a way to save a lot of money going back to the draft. Has the GAO or anyone done any kind of work on comparing what the cost would be if you had a draft versus not having a draft? Done any work on that?

Mr. COFFEY. We have done some preliminary work and quite a lot of discussion and thinking. The answer is probably much as General Tice talked. It would depend on a lot of very critical decisions.

Mr. DICKS. Wasn't the draft in the past for two years?

Mr. COFFEY. Right.

Mr. DICKS. Based on, say, a two-year draft, have you done any work that you could give us any kind of numbers?

Mr. COFFEY. It would depend on two factors. First is how many you would draft. If you simply draft in today's environment, today's force size—

Mr. DICKS. Let me ask you a question on that. How many people do we get each year—400,000?

Mr. COFFEY. Roughly, yes, for the Active forces.

Mr. DICKS. So we have to decide how many of those you would be drafting and how many would be volunteering?

Mr. COFFEY. Correct. We must remember of the 400,000, certainly in excess of 300,000 are of the quality and commitment that we are after, that all our concern about quality has to do with the marginal difference between the number of quality people we are getting and those we would like to have.

So, we could envision a draft within the existing force structure of perhaps 100,000 a year. This would allow continuing volunteering from those who are of at least the quality that you would be drafting and who obviously want to come in.

Mr. DICKS. But would you get them if the pay was less?

Mr. COFFEY. It depends how much less. If you made massive reductions in pay, no. The numbers would go down.

Mr. DICKS. So then the quality of the volunteers you get would likely drop?

Mr. COFFEY. Correct.

Mr. DICKS. So you are playing a risk game. It is kind of rolling the dice about who these 100,000 people are that you are going to pick up in the draft?

Mr. COFFEY. Yes.

Mr. DICKS. And if you really do believe, as I do, that the quality out there isn't all that good because of the decline in education in America, you may not really be getting all that many better people. Therefore, this thing could be kind of—has a false promise.

Mr. COFFEY. I essentially echo that thought and point out that even when we talked about reducing salaries for all the initial entrants, down to a level of the minimum wage, which is probably politically infeasible, the savings would not be very much.

The manpower costs essentially are in the career force. By reducing entry-level salaries, you can save several billion dollars, but against the \$80 billion or so we are spending, it is not a substantial amount.

Mr. DICKS. And when you offset that against training differences and the likelihood that you are probably going to get less quality in the people who volunteer—there are some real offsets here that I think people have not thought through.

Mr. COFFEY. Right. There would also be pressure to have a somewhat larger force size in order to retain the operating units at the level they are at today. Because you would have more people in training, to keep the units at their current strength, you would need a larger force.

Mr. DICKS. I am not advocating you do a lot of work on things somebody hasn't asked you to do, but in this area, it is an important question. Getting some numbers here would be important.

Mr. COFFEY. Yes. We have started that. We hope to have something for you in the near future.

Mr. DICKS. Thank you, Mr. Chairman.

Mr. ADDABBO. Mr. Hefner?

IMPACT ON RETIRED DAY

Mr. HEFNER. If this entire pay raise goes into effect, how is that going to affect the retirement of the people who are going to retire in the next couple of years. It seems to me this is a real windfall for these people.

Mr. COFFEY. It is, indeed.

Mr. HEFNER. How much is that going to affect down the road the overall cost of retirement? It seems to me that it would be probably a very difficult thing to do. It seems a bit excessive pay increase to give someone who is going to get out in 18 months or two years.

Would it be feasible to write into this legislation this amount of increase would not be given to those that were going to get out of the service within the next two years or so? It seems to me that it is a tremendous windfall.

It has nothing to do with retention. If a guy has two years to go, he is not going to leave the service. As a matter of fact, most of these people in these positions, with five or six years, they are not going to leave the service.

Mr. COFFEY. You are correct, sir. At the extreme, a service member could retire immediately upon the effective date of the pay increase, and recognizing that military retirement pay is based on the salary you have at the time of retirement, unlike civil service—your retirement and mine, where it is a three-year average.

In their case, the moment the pay rate changes, their retirement goes up substantially. So it would be in our interest to defer those additional costs, if there is a way to do it. As you suggest could well make sense.

Mr. HEFNER. It would be a tremendous savings over the long run.

Mr. COFFEY. It would indeed.

Mr. HEFNER. I have no further questions.

Mr. ADDABBO. Any further questions?

Thank you very much, gentlemen.

Mr. COFFEY. Thank you, Mr. Chairman.

Mr. ADDABBO. The committee stands in recess until 9:30 on Thursday.

INDEX

H.R. 3380, ARMED FORCES PAY ACT OF 1981

	Page
Bonus ceiling.....	19, 22
Comparability.....	5, 9
Comparability, base year for.....	115
Comparison of U.S. and foreign military compensation.....	41
Compensation for non-high-school graduates.....	30
Cost of All-Volunteer Force.....	16
Disposable income of E-1's.....	109
Disposable income of E-4's.....	14
Disposable income of generals.....	10
Disposable income of junior enlisted.....	12
Disposable income of officers.....	16, 110
Federal pay cap.....	26
Food stamps.....	106, 112
GI bill.....	45
Impact on military retired pay.....	31, 117
Impact on recruiting costs.....	7
Introduction, Department of Defense.....	1
Introduction, General Accounting Office.....	47
Manpower costs under full mobilization.....	120
Navy position on military pay increase.....	33
Offsets for pay raise.....	12
Opening statement of GAO.....	47
Opening statement of Maj. Gen. R. Dean Tice, USA.....	2
Other items contained in H.R. 3380.....	44
Pay compression.....	22
Presidential Task Force.....	4
Projected changes in career force.....	24
Recruiting, retention, and compensation.....	35
Regular military compensation.....	27
Statement of Dr. Kenneth J. Coffey.....	52
Targeting the pay raise.....	8, 17, 31, 106, 116, 119
Variable housing allowances.....	107, 117
Witnesses.....	1, 47

INDEX

CONTENTS

[Faint, illegible text representing the index or table of contents, including page numbers and chapter titles.]



