

GAO

Report to the Chairman, Subcommittee
on Force Requirements and Personnel,
Committee on Armed Services, U.S.
Senate

September 1993

MILITARY DOWNSIZING

Balancing Accessions and Losses is Key to Shaping the Future Force





United States
General Accounting Office
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**National Security and
International Affairs Division**

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The Honorable Richard Shelby
Chairman, Subcommittee on Force
Requirements and Personnel
Committee on Armed Services
United States Senate

Dear Mr. Chairman:

This report highlights the progress that the Department of Defense has made in downsizing its active duty force using various force management tools and legislative authorities. It identifies several policy issues and questions that are key to future force reduction decision-making. It also identifies matters for consideration by the Congress to facilitate future reduction actions.

We plan no further distribution of this report until 15 days after its issue date. At that time we will send copies to the Chairmen of the House and Senate Committees on Appropriations; the Chairmen of the House and Senate Committees on Armed Services; the Director, Office of Management and Budget; and the Secretaries of Defense, the Air Force, the Army, and the Navy. Copies will also be made available to other interested parties upon request.

Please contact me at (202) 512-5140 if you or your staff have any questions concerning this report. Major contributors to this report are listed in appendix V.

Sincerely yours,

A handwritten signature in black ink that reads 'Mark E. Gebicke'.

Mark E. Gebicke
Director, Military Operations and
Capabilities Issues

Executive Summary

Purpose

The Congress, in exercising initial oversight regarding the planned downsizing of U.S. military forces, prescribed reduction targets, and provided other guidance and legislative authorities to the Department of Defense (DOD) to facilitate downsizing, minimize involuntary separations, and preserve a balanced force.

The Chairman of the former Subcommittee on Manpower and Personnel, Senate Committee on Armed Services, asked GAO to examine DOD's adherence to congressional guidance and authorizations in military downsizing. GAO determined (1) what progress DOD has made toward meeting reduction targets, (2) how downsizing actions are affecting new recruiting or accessions, (3) what range of voluntary and involuntary reduction actions are being taken to meet downsizing objectives, (4) how downsizing is being accomplished across various groupings of officer and enlisted personnel by years of service and how this is affecting force profiles, and (5) what issues might be important to future reduction decisions.

Background

At the end of fiscal year 1987, the active duty U.S. military was at its post-Vietnam peak of 2,174,217 positions. The National Defense Authorization Act for Fiscal Year 1991 called for a fiscal year 1995 end strength of 1,613,000 positions, about a 25-percent reduction, or 561,000 positions less than the fiscal year 1987 end-strength level. A greater reduction target was subsequently put in place by the previous administration, which, as of January 1993, was projecting an end strength of 1,607,000 by the end of fiscal year 1995 and further reductions in succeeding years. The current administration is reassessing its out-year reduction plans beyond its fiscal year 1994 end-strength goal of 1,621,000. The military personnel system is highly structured, with specific legal and regulatory requirements governing career advancement and service continuation. Thus, under this system, the services, even before the current downsizing period began, would expect to lose and replace large numbers of personnel each year.

The large multiyear Defense downsizing effort meant a period of greater personnel turbulence than would otherwise exist and the potential for significant numbers of persons to be separated involuntarily. Thus, the Congress, concerned about the impact of force reductions, required that the services, before carrying out involuntary reductions of career members who were not eligible for retirement, implement procedures to limit accessions and to reduce the populations of personnel having less than

6 years of service as well as the population of retirement eligible personnel. Also, the Congress authorized certain measures, including the use of financial separation incentives and other transition assistance to facilitate downsizing and minimize the impact on individuals.

Results in Brief

DOD has accomplished a majority of its previously planned active duty force reductions; however, further reductions are likely as the result of a recently completed DOD review. In examining how DOD is accomplishing this downsizing, GAO found:

- DOD and the services have reduced accession levels over previous years, but they are still recruiting large numbers of personnel each year as part of their efforts to sustain a balanced force.
- DOD has given priority to achieving voluntary reductions. It has used various force shaping authorities or “tools” as well as financial separation incentives to help draw down the military forces across various skill and seniority groups. With many of those persons most inclined to leave voluntarily having done so, and the base of persons eligible for separation incentives decreasing, DOD officials believe that significant additional increases in end-strength reductions would likely result in more involuntary reductions.
- DOD’s approach to force reductions, along with its continued emphasis on accessions, has helped to control, although not entirely contain, some proportional personnel growth in years of service and rank. A negative consequence of such growth is increased relative cost; however, a positive aspect is increased experience levels—two important trade-offs in force shaping.
- Some policy issues and questions identified during the recent downsizing could become more important in future force reduction decisions. The issues include how quickly the force can be reduced, what accession levels should be, and what cost trade-offs are most desirable between a younger or a more experienced force.

Principal Findings

Reduction Goals Are Being Met, but Further Reductions Are Expected

By the end of fiscal year 1993, DOD expects to have reduced its active duty force levels by over 446,000 positions, which is a reduction of nearly 21 percent over fiscal year 1987’s end-strength levels. Under current

drawdown plans, DOD's planned end strength for fiscal year 1994 (1,621,000) will be just 8,000 positions higher than the number the Congress had mandated for the end of fiscal year 1995. However, further reductions are expected as the result of a recently completed "Bottom-up Review" of DOD needs and programs for fiscal years 1995-99.

Despite Reduced End-Strength Levels, Accession Rates Remain High to Help Shape the Force

DOD's planned accessions in fiscal years 1993 and 1994 are about 225,000 and 207,000, respectively. While these might appear to be significant numbers in a period of downsizing, planned accessions in fiscal year 1993 are down 34 percent compared with fiscal year 1987's level of nearly 342,000 personnel. DOD has retained a relatively high rate of accessions to better assure a balanced force across the various pay grades and skill areas to preserve future career opportunities.

DOD's Downsizing Involves a Spectrum of Voluntary to Involuntary Reduction Actions

Although DOD has emphasized voluntary reductions, it has used various voluntary and involuntary reduction tools to draw down its military forces across various pay grades and skill areas. Among the voluntary actions are early release of personnel prior to their normal end of enlistment or use of financial separation incentives to induce persons to leave. Additionally, in fiscal year 1993, DOD used new legislative authority for early retirement of personnel after 15 years of service. Less voluntary means are used when voluntary tools do not achieve the necessary reductions. Less voluntary means of separation involve tightened retention standards or the use of special boards to mandate retirement of selected personnel from the ranks of those already eligible to do so. These actions have lessened but not eliminated the need for the services to use reduction-in-force (RIF) to involuntarily separate career force personnel who are not yet eligible for any form of retirement.

As the number of end-strength reductions increases in the coming years, DOD and service officials believe the number of involuntary separation actions could increase because the population of persons eligible for financial separation incentives is decreasing, and those most willing to leave under such incentives will have done so already. Legislation enacted as part of the fiscal year 1992 and 1993 Defense Authorization Act authorized the use of incentives for fiscal years 1992-95 for those who had completed 6 years of service at the time the law was enacted. Service representatives believe that the number of involuntary reductions could be minimized somewhat by expanding the eligibility to include service members who have attained 6 years of service since the incentive legislation was enacted.

DOD Has Implemented Measures to Induce Attrition, but Some Long-Term Changes in Force Profiles Are Noted

DOD's efforts to manage the drawdown have helped to control, although not entirely contain, some long-term growth in the proportion of personnel with higher years of service and rank. There are positive and negative aspects of such growth in seniority. On the positive side, each of the services, in varying degrees, has largely maintained a steady, downward trend for over 10 years in the percentage of personnel having less than 4 years of service. For example, the percentage of all service personnel having 4 years or less of service was 53 percent in fiscal year 1980, and dropped to 39 percent in fiscal year 1992. This trend, according to various service officials, creates a more experienced and better trained work force; one that some DOD officials cite as being increasingly important in a smaller military. On the negative side, a more senior force is relatively more costly. The trend toward a more senior force has been reflected in growth, by several percentage points since fiscal year 1980, in those military personnel having completed 15 or more years of service and in the numbers of personnel eligible for retirement. The increases would have been greater except for DOD's actions to (1) encourage voluntary separations; (2) in some instances, mandate retirement of selected officers and enlisted personnel; and (3) tighten quality standards governing service continuations among the enlisted population. DOD's planned use of early retirement authority for personnel having completed between 15 and 20 years of service could further contain growth in that population group.

Issues Affecting Future Reduction Decisions

Some policy issues and questions identified during recent downsizing activities may become more prominent as further reductions occur. They include future force profiles, how quickly the reductions should occur, what accession levels should be, and what cost trade-offs are most desirable between a younger or a more experienced force. However, the recent drawdown experience does more to offer perspectives on key issues than to suggest simple, fixed answers.

Optimum force profiles in terms of experience levels, average pay grades, and officer/enlisted ratios are not clearly established and would likely be difficult to develop with any degree of uniformity among the services. Nevertheless, because of their impact on readiness and costs, GAO believes that general trends in force profiles should be considered by the administration and the Congress in deciding future force levels.

In considering how quickly reductions should occur, it will be important to take into consideration the fact that DOD's military personnel system experiences significant turbulence with high levels of personnel turnovers

during more normal times, when downsizing is not occurring, and this turbulence can be compounded by the degree and pace of reductions.

Another consideration is the impact of personnel reductions on unit manning levels. Army officials acknowledge that, during the current drawdown, personnel reductions have occurred more quickly than have changes in unit force structure, creating some undesired undermanning of units. While they expect this problem to correct itself as future reductions in unit structure occur, they recognize the problem could be exacerbated with increases in personnel reduction targets unless these further reductions are correlated with additional structural reductions.

In considering accession levels, it will be important to consider both the short- and long-term potential impact of reduced accessions on the forces. In the short term, significant reductions in accession levels can be attained, but, in doing so, they result in a relatively more costly, but more experienced force. From a long-term perspective, significantly curtailing accessions poses a greater potential for force imbalances in the future.

One additional factor affecting accession levels is the quality of new recruits.

Matters for Congressional Consideration

Given that DOD's downsizing is apt to continue for several more years, the Congress, to the extent it desires a continuing emphasis on minimizing involuntary separations, may want to consider extending the use of special separation incentive programs beyond the current deadline of fiscal year 1995. Also, the authority for use of the separation incentives limits their use to those who had attained 6 years of service at the time the legislation was enacted in December 1991. Therefore, the Congress may also want to amend the legislation to include all who have attained 6 years of service within the time frame for which the incentives are authorized as a means of broadening the pool of persons eligible for the incentives and minimizing the potential for greater involuntary separations in the future.

Agency Comments

DOD fully concurred with the report's findings and matters for congressional consideration. (See app. IV.)

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Abbreviations

DMDC	Defense Manpower Data Center
DOD	Department of Defense
DOPMA	Defense Officer Personnel Management Act
GAO	General Accounting Office
OSD	Office of the Secretary of Defense
RIF	reduction-in-force
SERB	Selected Early Retirement Board
SSB	Special Separation Benefit
VSI	Voluntary Separation Incentive

Introduction

The United States is in the process of implementing the largest drawdown of its military forces since the end of the Vietnam conflict. Both the Congress and the Department of Defense (DOD) have established various targets and objectives to guide that drawdown in a balanced manner, in keeping with the nature of the military personnel system. The military personnel system is highly structured, with specific legal and regulatory requirements governing career advancement and service continuation. Within the parameters of those regulatory requirements, there exists a number of decision points where force shaping, design, and reduction actions can be taken by the services. Given the magnitude of downsizing underway, the Congress has provided expanded force shaping authorities and tools to DOD to facilitate downsizing, minimize involuntary separations, and preserve a balanced remaining force.

Reduction Targets and Objectives

The National Defense Authorization Act for Fiscal Year 1991 (P.L. 101-510) authorized end-strength levels totaling 1.613 million active duty military personnel as of September 30, 1995. This end strength represents an overall reduction of 561,217 positions, or nearly 26 percent, from the post-Vietnam peak strength of 2.174 million positions at the end of fiscal year 1987. Likewise, the administration, in annual budget submissions during recent years, has submitted out-year reduction targets. The January 1993 budget submission by the previous administration projected continuing force reductions through fiscal year 1999 at which time the services end-strength would be 1.568 million positions.

The current administration has accelerated some previously planned personnel reductions but for now has projected future reductions only through fiscal year 1994; its goal for the end of fiscal year 1994 is 1.621 million positions, within 8,000 positions of the levels that the Congress had specified for the end of the following year, fiscal year 1995. Even so, DOD officials have indicated that further reductions will be made as the result of a recently completed "Bottom-up Review" of DOD needs and programs for fiscal years 1995-99; however, new reduction targets by fiscal year were not available as of early September 1993.

Policy Objectives

The Congress has articulated policy objectives to guide force reductions. Section 402 of the National Defense Authorization Act for Fiscal Year 1991 directed the services to carry out well-balanced force reductions and to limit reductions among career military personnel (generally those having 6 or more years of service). The act stipulated that the services could not

involuntarily separate military personnel without first having implemented procedures to (1) limit the number of accessions; (2) increase retirements among those eligible to do so, and (3) limit the number of personnel with more than 2, but less than 6, years of service. In emphasizing this, the conference report to the act stated that

“the conferees expect the Secretary of Defense to exercise prudent judgment in approving accession levels and force profiles by grade and years of service to guide the personnel strength reduction process in the military services as forces draw down over the next five years.”

The conferees also stated their expectation that the military services would maintain the same relationship between officer and enlisted strengths as existed at the end of fiscal year 1990 in making active duty end-strength reductions in the future.

DOD has also articulated policy objectives to reduce the military forces, maintain a high state of readiness, treat people fairly—both those who stay and those who leave—and ensure that careful consideration is given to how today’s decisions will affect tomorrow’s force. Some objectives reaffirmed congressional guidance, while others were added such as

- protecting careerists near retirement, that is, protecting all qualified service members with 15 years of service or more until they are eligible for retirement;
- establishing officer and enlisted accessions at levels necessary to sustain the base force;
- using the drawdown as an opportunity, wherever possible, to balance officer and enlisted skills; and
- establishing policies and procedures that are consistent with legislative guidelines for officer promotion opportunity and timing and, at the same time, controlling senior enlisted grade (top 5 grades) growth and maintaining promotion rates.

Military Force Management

The services are unique in terms of how they recruit and retain personnel, as well as in how they manage military careers. Within each service, the military personnel system is a centrally managed, “closed” system, meaning that persons recruited with no prior military service are generally brought in at entry level positions and progress through the ranks, contrasted with an “open” system such as the private sector, where new hires can be brought into an organization at various levels depending on

the persons' qualifications and experiences. The military essentially "grows its personnel from within." Further, the military personnel system, which is predicated on maintaining a relatively young and vigorous work force, operates under an "up-or-out" policy in which members who fail to receive promotions within specific time frames are limited to how long they can remain in the service.

Many persons join the military for the education and training benefits, particularly in the enlisted ranks, expecting to remain in the service for only a few years. Others decide to make the military a career; for those individuals, service continuation involves a periodic renewal or extension of their contracted service time. Accordingly, the military services lose significant numbers of personnel through a variety of loss programs each year, and therefore, must recruit enough new members to replace losses and ensure that the services will have enough well trained personnel to meet and sustain future years' seniority, grade, and experience requirements. DOD data indicate that it has not been unusual for the services to replace more than 15 percent of their active duty personnel each year, even when the authorized end-strength levels are at a relatively "steady state," neither increasing or decreasing significantly.

Separate Personnel Management Systems for Officer and Enlisted Personnel

The services essentially have two personnel systems for active duty military personnel, one for officers and one for enlisted personnel. The officer community is basically governed by the Defense Officer Personnel Management Act (DOPMA), while enlisted personnel management is governed by specific DOD regulations.

Officer Force Management

DOPMA was enacted in 1980, establishing key parameters to managing the officer force with the intent of maintaining a continuous flow of officers through the military personnel system over a 20- to 30-year career path, based on normal attrition from voluntary resignations and retirements. The DOPMA legislation outlines standards and procedures relating to the appointment, promotion, separation and retirement of officers in the armed forces. For example, it stipulates how long officers of various ranks may remain on active duty beyond normal retirement eligibility at 20 years. It also prescribes the number of officers each service is authorized in each of the senior ranks from the 0-4 to the 0-6 pay grades, a number that will vary depending on officer end strengths authorized by the Congress.

Central to DOPMA is the up-or-out promotion system in which officers generally advance in groups or cohorts originally determined by the year

of their commissioning and compete for promotion against other members of the group at set years or zones of consideration for each paygrade. For example, an officer commissioned in 1983 would normally be considered for promotion to paygrade 0-4 in 1993, at the year 10 mark along with other officers in that year group or cohort. Under the DOPMA system, a select group of the 0-3 officers from a particular cohort can be considered for promotion “below the zone,” that is at year 9 (or earlier in selected instances) along with members from that year’s cohort of officers. However, most of the 1983 commissioned officers would have their greatest potential for promotion “in the zone” at year 10. Failing to be selected for promotion at year 10, the officers in this cohort could have an additional opportunity to be considered for promotion in the following year (or later in selected instances) “above the zone,” along with that year’s cohort. Failure to be selected for promotion then would mean these officers could be involuntarily separated. Thus, it is essential that the force at large be managed in such a manner that personnel are able to compete for, attain, and complete key assignments at the right points in their career progression.

Enlisted Force Management

DOD Directive 1304.20, dated December 19, 1984, and DOD Instruction 1300.14, dated January 29, 1985, provide guidance and outline the basic parameters to enlisted force management. The directive sets constraints on the pay grade mix and career content (personnel with more than 4 to 6 years of service) of the enlisted force and establishes broad goals for elements such as recruitment, career progression and timing of promotions, service continuation, and military occupation specialty balance. The instruction requests the services to undertake specific enlisted force planning to incorporate long-range personnel goals. These plans provide the Office of the Secretary of Defense (OSD) with the means to monitor the services’ progress toward meeting the objectives of the enlisted personnel management system.

Promotions for enlisted personnel at various pay grades are affected by time in grade or service requirements that vary by service, and may involve the use of selection boards. Promotions may also be affected by such things as tests, schools attended, evaluations (ratings), and awards.

Force Management and Shaping, a Continual Process

Theoretically, the services could simply increase or decrease recruiting, modifying it to take into consideration normal attrition and retirement levels, in order to increase or decrease authorized end-strength levels. However, given the structure and the nature of military career

management programs, such actions, according to DOD officials, could create imbalances in the force in terms of age, skill levels, and right numbers of personnel by specialty area. Thus, constant management of the force at various career points is required to avoid these problems and stay within force management regulations.

As previously discussed, the services must replace many personnel each year, even where no changes in authorized end strength are planned. Many personnel losses are voluntary and attributable to completion of initial periods of obligation, and decisions by service members over whether to continue and make the military a career choice.¹ At the other end of the personnel pipeline, many voluntary losses each year are due to retirement decisions. Involuntary reductions can occur anywhere along this personnel pipeline due to misconduct. (App. II shows the services' loss rates by specific categories for fiscal year 1992.)

Unique to the military personnel system is a variety of military personnel requirements and actions, in addition to regular accessions and losses, that may be used to help shape the force, ensure balanced manning by rank and specialties, and preserve needed career advancement opportunities. These actions include:

- using early release programs to permit individuals to separate in advance of their scheduled end of enlistment period;
- tightening quality controls, such as physical weight standards, governing those who will be permitted to reenlist;
- limiting the maximum number of years that members at a given rank may continue in the service before being denied re-enlistment opportunities;
- selecting certain nonretirement eligible personnel to be involuntarily separated through use of formal reduction-in-force (RIF) boards; and
- selecting certain retirement eligible personnel to retire before the normal mandatory time frame through use of formal Selected Early Retirement Boards (SERB).

¹Initial periods of obligation for officers or enlistments for enlisted personnel generally range from 4 years to 6 years and will vary depending on such factors as prerequisite schooling obligations and military specialty. The concept of career status is not uniformly defined by the services; however, it often refers to those personnel with at least 6 years of service.

Additional Authorities Provided by the Congress to Facilitate Downsizing and Force Shaping

In completing action on the National Defense Authorization acts for fiscal years 1991, 1992, and 1993, the Congress authorized certain additional measures to induce downsizing, and minimize the adverse affects on individuals as they transition to civilian life. These actions included:

- expanding reduction-in-force (RIF) authority to include certain officers previously exempt from RIF action related to the source of their commissions;
- expanding authority for use of SERBs for officers;
- reducing certain time in grade requirements for voluntary retirements at current grades among officers having already completed the 20 years of total service needed to retire;
- extending lump-sum separation pay and transition assistance to enlisted personnel who are involuntarily separated, having completed 6 years or more of service—only officers were previously eligible to receive this benefit;²
- authorizing two special categories of separation pay to induce voluntary separations, the lump sum Special Separation Benefit (SSB)³ and the Voluntary Separation Incentive (VSI),⁴ to induce voluntary separations among those having completed 6 or more years of service at the time the legislation was enacted; and
- providing, effective with fiscal year 1993, DOD with the authority to offer a 15-year retirement option for selected members of the military.

Persons separating under SSB and VSI provisions are also entitled to the same transition assistance programs available to persons receiving pay under condition of involuntary separation.⁵

²Involuntary separation pay is based on a service member's monthly basic pay rate and years of service. Within this formula, a service member is entitled to either one-half or full separation pay depending on the reason for involuntary separation and type of discharge. For example, an individual separating under a RIF action, or denied reenlistment, who is otherwise fully qualified for service, would receive full separation pay. A service member who failed to meet certain qualifications, such as drug abuse rehabilitation failure, could be involuntarily separated and receive one-half separation pay. A person involuntarily discharged for reasons such as misconduct is ineligible for any separation pay.

³SSB is a one time lump-sum payment equal to 15 percent of a service member's basic pay rate times the years of service.

⁴This incentive involves annual payments for twice the number of years of service equal to 2.5 percent of a service member's basic pay times the years of service. (See app. III for illustrative examples of separation pay for military personnel under the various separation pay categories.)

⁵These transition assistance programs include such programs as counseling and job placement services, transition health care, and expanded travel and transportation allowances and leave allowances.

Objectives, Scope, and Methodology

The Chairman of the former Subcommittee on Manpower and Personnel of the Senate Committee on Armed Services asked us to examine DOD's implementation of military downsizing in accordance with legislative guidance and authorizations. We determined (1) what progress DOD has made toward meeting reduction targets, (2) how downsizing actions are affecting new recruiting or accessions, (3) what range of voluntary and involuntary reduction actions are being taken to meet downsizing objectives, (4) how downsizing is being accomplished across various groupings of officer and enlisted personnel by years of service and how this is affecting force profiles, and (5) what issues might be important to future reduction decisions.

We reviewed congressional legislation, budget documents, manpower statistical data, and individual service personnel plans. We also interviewed appropriate officials at the following organizations:

- Office of the Deputy Assistant Secretary of Defense, Personnel and Readiness, Military and Manpower Personnel Policy Directorate, and Personnel Support Policy and Service Directorate;
- Office of the DOD Comptroller;
- Department of the Air Force, Deputy Chief of Staff for Personnel, Directorate of Personnel Programs;
- Department of the Army, Deputy Chief of Staff for Personnel, Directorate of Manpower;
- Department of the Navy, Bureau of Naval Personnel, Officer Plans and Career Management Division, and Enlisted Plans and Career Management Division; and
- Department of the Navy, Office of the Deputy Chief of Staff for Manpower and Reserve Affairs (Marine Corps), Manpower Plans and Policies Division.

Special Notes Regarding Personnel Statistics

In completing this review, we made use of manpower and personnel data from budget documents and other data sets from the Office of the Secretary of Defense (OSD), the individual services, and the Defense Manpower Data Center (DMDC). In portraying historical data, fiscal year 1980 was chosen because it reflected the beginning point for the defense build-up of the 1980s; fiscal year 1987 was chosen because it reflected the post-Vietnam peak year of active duty end-strength levels just prior to the onset of recent downsizing activities.

Our comparison of data showed inconsistencies in common data sets among the services, OSD, and DMDC. We found inconsistencies within singular documents, such as budget justification documents submitted to the Congress, where the same information was presented in more than one section of the document. These inconsistencies were more prevalent when the data were related to future personnel actions, but also affected DOD reports summarizing prior year actions to some extent.

Time did not permit a detailed examination of the services' and DOD's data systems to fully document the validity of the data and the bases for inconsistencies. Where discrepancies were noted, we conferred with DOD officials for their judgments as to the most appropriate data source. We attempted to use the best available information in all cases, recognizing that numbers used in this report may vary slightly from other reported sources. Thus, data presented in this report dealing with accessions and losses should be viewed as approximations, not final and absolute numbers. We have added special notes to tables used in this report to further highlight data limitations as warranted.

We conducted our review from April 1992 to July 1993 in accordance with generally accepted government auditing standards.

Reduction Targets Are Being Met, but Significant Recruiting Is Still Required

By the end of fiscal year 1993, DOD expects to have reduced its active duty force levels more than 446,000 positions below end-strength levels that existed at the end of fiscal year 1987, when the military was at its post-Vietnam peak of 2.174 million positions. At the same time, and possibly contrary to public perception, DOD is, and expects to continue, recruiting a large number of personnel each year in order to maintain and sustain a balanced force to meet future operational requirements. As a consequence, a much greater degree of personnel turnover is occurring than is generally recognized. Given the extent of personnel turbulence involved in downsizing and shaping the force, and uncertainties over future force levels, service officials indicate that flexibility and periodic reassessment are required in managing accession levels.

Status of Reduction Efforts

At the end of fiscal year 1993, DOD end-strength levels are expected to be down to 1.728 million positions, a 21-percent reduction over fiscal year 1987's end-strength levels; by the end of fiscal year 1994, DOD expects end-strength levels to be at 1.621 million, a reduction of 25 percent. Table 2.1 shows the reductions accomplished and expected by the services through fiscal year 1994.

Table 2.1: End-Strength Levels for Selected Fiscal Years

Service	Fiscal year			
	1987 ^a	1992 ^a	1993 ^b	1994 ^b
Army	781	611	575	540
Navy	587	542	526	481
Marine Corps	200	185	182	174
Air Force	607	470	445	426
Total^c	2,174	1,808	1,728	1,621

^aFigures for fiscal years 1987 and 1992 are actual.

^bFigures for fiscal years 1993 and 1994 are projected as of March 1993.

^cNumbers may not add due to rounding.

Sources: OSD and individual military services.

The largest of the reductions are occurring in the Army and the Air Force, which, by the end of fiscal year 1994, are slated to reduce their levels by 31 and 30 percent, respectively, over fiscal year 1987 end-strength levels; lesser reductions are occurring in the Navy and the Marine Corps, which

are to reduce their end strengths by 18 and 13 percent, respectively, by the end of fiscal year 1994. Selected Reserve force levels will be reduced from 1.15 million in fiscal year 1987 to 1.02 million at the end of fiscal year 1994—an 11-percent reduction. (App. I more completely summarizes current planned changes in DOD force levels by service and active and reserve components from fiscal years 1980 through 1994.) However, as previously discussed, reductions are planned beyond fiscal year 1994, although complete out-year reduction targets have not yet been finalized by the administration.

Accession Levels Remain Relatively High, Despite Downsizing, to Help Shape the Force

DOD's recruiting plans for fiscal years 1993 and 1994 call for recruiting about 225,000 and 206,000 persons, respectively. Table 2.2 contrasts the levels of accessions in fiscal years 1987 and 1988 with actual accessions in fiscal year 1992 and those projected for fiscal years 1993 and 1994.

Table 2.2: Service Accession Levels by Fiscal Year

Numbers in thousands

Service	Fiscal year				
	1987 ^a	1988 ^a	1992 ^a	1993 ^b	1994 ^b
Army	142.2	124.0	84.0	83.3	79.4
Navy	99.9	101.4	64.9	69.3	59.5
Marine Corps	36.6	37.8	33.4	36.1	32.6
Air Force	62.9	48.4	40.0	36.4	34.9
Total	341.6	311.5	222.2	225.1	206.3

^aFigures for fiscal years 1987, 1988, and 1992 are actual.

^bFigures for fiscal years 1993 and 1994 are projections as of July 1993.

Note: Totals may not add due to rounding.

Sources: DOD and the services.

DOD officials have reported greater difficulties in recruiting during this period of downsizing; some service officials have attributed these difficulties to a perception of some young people that the military is not recruiting during downsizing or a view that the military no longer affords

as viable a career option as it once did.¹ DOD officials also cite some early signs of reduced quality in recent recruits. In spring 1993, DOD officials reported that the number of new personnel with high school diplomas dropped DOD-wide during the first half of fiscal year 1993 to 94 percent, from a high of 99 percent in 1992; for the Army, the reduction was greater, down to 89 percent. However, an Army official expressed optimism that the rate could rise closer to the Army's target of 95 percent during the remainder of the year, the prime time for recruiting new high school graduates. DOD officials subsequently reported in September 1993, that the number of new military personnel DOD-wide with diplomas during the first 9 months of fiscal year 1993 was 95 percent. While this level is still lower than the 99-percent level achieved in fiscal year 1992, it compares favorably with the 89-percent average achieved for the period 1980 through 1992.

The Army's current accession levels shown for fiscal year 1993 reflect a 7,000-reduction from planned levels at the beginning of the fiscal year. However, Army officials told us that the decreased accession levels were related primarily to faster paced reductions than originally planned, which resulted in fewer accessions being needed, and were not related to any decrease in quality of recruits.

Projected accession levels for fiscal years 1993 and 1994 might be considered to be relatively high for a time of such significant downsizing; however, total accessions planned for fiscal year 1993 are down 34 percent in relation to fiscal year 1987's level.

Personnel Turbulence Is Much Greater Than Net Reductions

Unless actual loss rates for the services each year are closely examined, it can be concluded that the number of persons leaving the services during these years of force downsizing is reflected simply in the changes in service end strength. Our March 25, 1992, testimony before a Subcommittee of the Senate Armed Services Committee noted that shaping the force requires a larger number of accessions and attritions than would be the case if the focus were primarily on limiting the recruitment of personnel to achieve end-strength reduction goals.² Total numbers of persons leaving the services during fiscal years 1992 and 1993

¹Some service officials also attribute recruiting difficulties to reductions in recruiting advertising budgets. We are not in a position to either validate or refute this concern. However, we are initiating a review of DOD recruiting practices to assess the potential for more cost-effective recruiting practices in a downsized and fiscally constrained environment.

²Defense Force Management: Status of Military Force Downsizing (GAO/T-NSIAD-92-20, Mar. 25, 1992).

were projected to be about 3 times the amount of net reductions in end strength. For fiscal year 1994, DOD expects to recruit about 206,000 new personnel and the departure of 313,000, for a net end-strength reduction of about 107,000 positions. Using beginning fiscal year 1994 end-strength levels as a base, DOD expects, during that fiscal year, to separate 19 percent of its people, recruit 13 percent new personnel, and achieve a 6-percent net end-strength reduction by the end of that year. The numbers of personnel entering and leaving the services during this period of downsizing, compounded by uncertainties and heightened anxiety levels over future careers of others who remain, add to what many military officials have characterized as a high degree of turbulence affecting their forces.

While downsizing actions have of necessity resulted in significant personnel turnover levels and turbulence, they aggravate to some extent, already significant turnover levels associated with the services' systems of rotating personnel from one assignment, unit, and location to another, including between the United States and overseas assignments. Our previous reports on Army and Marine Corps training have noted that senior leaders have described this personnel turbulence as one of the most significant problems affecting the Army's ability to maintain a trained force.³

Establishing Accession Levels During Downsizing Is Difficult

The Congress and DOD have provided guidance to the services in establishing accession levels. Some DOD guidance suggests a greater degree of precision is available in establishing fixed accession levels than the services have found practical during downsizing. However, with congressional authorizations for use of financial separation incentives to induce voluntary attritions, DOD encouraged the services to retain relatively high levels of accessions. It did so in order to build and sustain a more balanced force for the future, minimize the potential for skill imbalances and promotion stagnation, and protect career options for remaining personnel. DOD's action also reflects budgetary decisions to increase the ratio of entry level to more senior personnel in the career force to reduce the cost of the force.

The conferees to the fiscal year 1991 defense authorization act expressed an expectation that the Secretary of Defense would exercise prudent judgment in approving accession levels. OSD established the objective of

³Army Training: Various Factors Create Uncertainty About Need for More Land (GAO/NSIAD-92-203, Apr. 22, 1991) and Operation Desert Storm: War Offers Important Insights into Army and Marine Corps Training Needs (GAO/NSIAD-92-240, Aug. 25, 1992).

programming accessions to a level not greater than that required to sustain out-year force levels. It also stated that accessions should not be programmed to less than 85 percent of the level required to sustain the out-year force levels.

In establishing accession rates to sustain a future force, the services must examine historical trends in attrition and replacement rates, factor in the probabilities of how long individuals are likely to remain on active duty, and apply a mathematical formula to calculate replacement or accession rates per year. Service officials point out that such forecasting can be very imprecise without stable long-term force levels and retention patterns, two factors that have not been present during the current downsizing. Accordingly, service officials indicate that accession levels need to be reassessed frequently, based on changing conditions, and adjusted to replace losses and meet end-strength requirements. One such adjustment has already been alluded to regarding the change in fiscal years 1993 and 1994 accession levels due to the more rapid drawdown than previously planned.

Various Tools Used to Downsize the Force Across Career Groups, but Some Less Than Voluntary Reductions Are Required

The services have used a number of authorities or “tools” to reduce and shape its force by various year groupings of officer and enlisted personnel. These tools have ranged from use of voluntary early release programs and financial separation incentives to induce separations to involuntary RIFs.

The services vary in the extent to which they have experienced losses under each of these categories. (See app. II for a summary of losses occurring during fiscal year 1992 by service.)

To achieve reductions in a balanced manner across pay grades and skill areas, the reductions have of necessity fallen along a spectrum ranging from voluntary, to induced, to involuntary reductions—the most adverse being RIFs.

Voluntary Separations

DOD has initiated a number of actions to facilitate voluntary separations for persons wanting to do so. The more significant actions have involved use of financial separation incentives and early release programs; additionally, beginning with this fiscal year, DOD has authority to offer early retirement for personnel with at least 15 years of service.

Separation Incentives

The most publicly visible tools the services have used to achieve downsizing objectives have centered on the use of financial separation incentives—SSB, a lump-sum separation incentive, as well as VSI, a variable annuity payment. Both have been used to induce separations for persons whose eligibility is based on having completed between 6 and 20 years of service at the time the legislation became effective in December 1991. However, DOD data on fiscal year 1992 separations show that the median length of service for those persons separating under SSB and VSI programs was 11 years. Table 3.1 summarizes the number of persons by service separating under SSB and VSI during fiscal years 1992 and 1993, and summarizes projected SSB and VSI separations in fiscal year 1994.

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Table 3.1: Personnel Separating Under SSB and VSI

Fiscal year	Army	Navy	Marine Corps	Air Force	Total
1992 ^a	29,134	4,177	944	17,323	51,578
1993 ^b	12,205	4,114	1,565	11,482	29,366
1994 ^b	10,545	6,581	700	503	18,329
Total	51,884	14,872	3,209	29,308	99,273

^aNumbers shown are actual.

^bNumbers shown are projections as of June 1993.

Source: OSD and the services.

Our March 1992 testimony on military force downsizing pointed out the much greater long-term value of VSI to the recipient but also indicated that initial trends showed an overwhelming majority of persons were opting for the smaller value, but single lump-sum payment, of SSB;¹ our analysis shows that this trend continues. Of those opting for the financial incentive separations in fiscal year 1992, 87 percent chose SSB. DOD officials expect this trend to continue. (App. III contrasts the differing values of the separation incentive pay options with involuntary separation pay and indicates the costs to DOD for fiscal year 1992.)

Of all the services, the Army has made the greatest use of the separation incentives, reflecting the fact that it has the largest reductions of any service, both in terms of numbers and percentages. However, each of the services has used the incentives in varying degrees to achieve downsizing objectives as well as to shape its officer and enlisted forces.

Army officials explained that the Army has offered the incentives to all eligible officers, except for those in the medical skills area. In some instances, the Army has offered the incentives to officers in certain year groups; this was predicated on the knowledge that if sufficient numbers of persons did not elect to accept the incentives, a RIF would be required. During fiscal year 1993, the Army targeted officers in pay grade 0-3 who were in year groups 1983 and 1984; in fiscal year 1994, it expects to target 0-3s in year group 1985. The Army will also offer the incentives to officers who fail their first board consideration for promotion to 0-4 during the respective fiscal years.

¹Defense Force Management: Status of Military Force Downsizing (GAO/T-NSIAD-92-20, Mar. 25, 1992).

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The Navy did not begin using the incentives for its officers until fiscal year 1993, when it offered them to various officer communities within pay grades 0-3 and 0-4. In fiscal year 1994, the Navy plans to offer the incentives to various officer communities in pay grades 0-3 through 0-5. The Marine Corps originally targeted officers in overstrength specialties in pay grade 0-4 to improve promotion flows. In fiscal years 1993 and 1994, it has offered and expects to continue offering incentives to persons in the 0-3 pay grade as well. The Air Force has made offers to most of its 0-3s and 0-4s, except pilots. In fiscal year 1994, the Air Force is planning to target its 0-4s, including pilots.

In terms of enlisted personnel, all of the services are using the incentives to help reduce personnel in overstrength skill areas and in other areas in some cases. The Army has offered the incentives to enlisted members in over-strength skills and to members who are subject to separation under changing policies limiting how long personnel can remain on active duty without being promoted. The Navy originally used the incentives to target mid-grade (pay grades E-5 and E-6) members in overstrength specialties, and in fiscal year 1994, it is expanding the eligibility to target overstrength specialties in pay grades E-4 through E-9. The Marine Corps has used the incentives to target enlisted members who were in skill areas no longer needed and to reduce overstrength areas. The Air Force initially offered the incentives primarily to mid-grade (pay grades E-4 and E-5) personnel who had more than 9 years of service and were in less critical skill areas, but for fiscal year 1994, it plans to target personnel in pay grade E-5. It also plans to open up the eligibility criteria incrementally, as necessary.

The services' use of these incentives accounted for 13 percent of overall service separations in fiscal year 1992, and their use is expected to account for 9 percent and 6 percent, respectively, in fiscal years 1993 and 1994. According to OSD, the decreasing numbers in fiscal years 1993 and 1994 reflect the fact that most persons interested in the incentives have taken them and that the base of eligible personnel is lessening. The base of eligible persons grows smaller each year since a service member must have had between 6 and 20 years of service as of December 5, 1991, when the legislation became law. Thus, the total population of potentially eligible personnel is decreasing yearly. Additionally, this legislation only authorizes the use of these incentives through fiscal year 1995. As of now, the Navy is projecting that its 0-3 officer population in the 1987 year group is in excess of requirements. Regardless of additional reductions in authorized end-strength levels resulting from the recent Bottom-up Review, the 1987 year group contains approximately 2,000 officers more

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than DOPMA 0-4 limitations will allow to be promoted without causing an imbalance. This means that around fiscal year 1996 the Navy will be faced with either implementing RIF actions or seeking temporary legislative waivers to DOPMA grade tables to permit the promotion of a greater number of personnel than would otherwise occur. An extension of authority for the incentives and the window of eligibility would offer another option for dealing with this situation; an option already used by the Army in fiscal years 1992 and 1993.

Early Release Programs

Under early release programs, the services permit individuals to separate in advance of their scheduled end of enlistment period; the early releases generally occur in the same year that personnel are scheduled to separate, but there have been instances where they have occurred earlier. They are used most often to separate persons during their first term of enlistment, generally those who fall within 2 to 6 years of service. These programs have been used in recent years by all of the services, except for the Marine Corps (see table 3.2).

Table 3.2: Separations Through Early Release Programs in Fiscal Years 1992 and 1993

Fiscal year	Army	Navy	Marine Corps	Air Force	Total
1992 ^a	34,705	3,743	0	1,770	40,218
1993 ^b	300	2,132	0	1,071	3,503
Total	35,005	5,875	0	2,841	43,721

^aNumbers shown are actual.

^bNumbers shown are projections as of June 1993.

Source: Service officials.

Service officials report that they have had to make less use of the programs in fiscal years 1992 and 1993 than in earlier years, before the availability of financial separation incentives. However, service officials indicate that this is still an important tool to use as needed to help reduce and shape that portion of the force having less than 6 years of service; it can be a particularly attractive tool from a cost saving standpoint, since it can help reduce salary costs in the year in which it is used and does not involve any severance pay.

Early Retirement

In the National Defense Authorization Act for Fiscal Year 1993, the Congress authorized DOD to temporarily approve the retirement of military personnel with at least 15, but less than 20, years of service to further facilitate downsizing and avoid involuntary separations. DOD's implementing guidance gives each of the services authority to prescribe criteria for eligibility for early retirement, including such factors as grade, years of service, and skill area. The guidance stipulates that the authority should be used to retire members who are excess to the services' short- and long-term needs and that, if possible, the services should manage their programs so those members nearest 20 years of service are offered early retirement first. Authorizing legislation stipulates that retirement pay for those personnel leaving under this program will reflect a reduction of 1 percent for each year short of 20 years. Table 3.3 summarizes the planned use of this authority by each of the services.

Table 3.3: Planned Military Separations Using Early Retirement Authority in Fiscal Years 1993 and 1994

Fiscal year	Army	Navy	Marine Corps	Air Force	Total
1993 ^a	1,450	0	100	39	1,589
1994 ^a	5,082	1,400	0	4,997	11,479
Total	6,532	1,400	100	5,036	13,068

^aNumbers shown are projected as of April 1993.

Source: Service officials.

Each of the services indicates that it is still in the process of determining how extensively it will use this authority. However, this authority is generally being used to target overstrength skill areas and year groups starting with those close to 20 years of service. The Air Force and the Army have each tentatively targeted the majority use of the early retirement authority toward their enlisted ranks while the Navy is targeting primarily its officer force. The Marine Corps plans to use this authority only during fiscal year 1993 to separate 100 officers.

Less Than Voluntary Means Also Used

While the various force management tools have been helpful in minimizing the need for involuntary separations, the services have still had to separate some personnel having less than 20 years of service under less than voluntary means, such as through formal RIF actions, to meet downsizing and force shaping objectives. Additional reductions have occurred through the use of SERBS to reduce the ranks of retirement eligible personnel. Other

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controls over service continuation have also been used to further reduce the force.

RIFs

In fiscal year 1992, the Army was the only service to separate personnel, those at the 0-4 level, through formal RIF actions; this included 244 officers. Early in fiscal year 1993, the Air Force separated 1,595 officers by RIF actions, principally affecting 0-3 level officers. The Army also anticipated using RIF actions in fiscal year 1993 but obtained enough voluntary attritions from repeated VSI and SSB offers among 0-3 officers in year groups 1983 and 1984. None of the services has used RIF procedures to date to separate enlisted personnel. However, the services can deny reenlistment to enlisted personnel without the need for RIF action.

SERBs

Each of the services has used available SERB authority to reduce the population of officers and enlisted personnel already eligible to retire. Although a SERB is not technically considered an involuntary separation, it is considered to be essentially that by the persons who are selected to retire under this formal board selection procedure. In fiscal year 1992, a total of 3,429 officer and enlisted personnel were formally selected for retirement under SERB procedures (see table 3.4), and the services project similar numbers in fiscal years 1993 and 1994 (see tables 3.5 and 3.6).

Table 3.4: SERB Reductions for Fiscal Year 1992

	Army	Navy	Marine Corps	Air Force	Total
Officers	1,735	350	125	979	3,189
Enlisted	160	0	80	0	240
Total	1,895	350	205	979	3,429

Source: OSD.

Table 3.5: SERB Reductions Planned for Fiscal Year 1993

	Army	Navy	Marine Corps	Air Force	Total
Officers	807	422	78	1,533	2,840
Enlisted	0	720	40	0	760
Total	807	1,142	118	1,533	3,600

Note: Numbers shown are projections as of July 1993.

Source: OSD.

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Table 3.6: SERB Reductions Planned for Fiscal Year 1994

	Army	Navy	Marine Corps	Air Force	Total
Officers	659	400	80	654	1,793
Enlisted	0	800	0	0	800
Total	659	1,200	80	654	2,593

Note: Numbers shown are projections as of July 1993.

Source: OSD.

Other Tools Used to Reduce the Force

The services have used other force shaping tools to facilitate downsizing, including tightening quality control standards for those persons who are allowed to continue in military service and limiting the maximum number of years that a member may serve at a given pay grade before being denied reenlistment rights.

Tightened Quality Control and Retention Standards

Each of the services has also tightened quality standards affecting the ability of military personnel to continue their careers at the conclusion of their initial periods of obligated service. Actions taken have included shifting from decentralized to centralized approval authority over reenlistments. In addition, greater attention is being given to physical fitness and weight standards and substance abuse. Service officials told us that tightened standards are more apt to affect enlisted personnel in their first enlistments than career personnel. They indicated that the number of persons in their first enlistment permitted to reenlist is also affected by a reduced need for certain skills. Numbers of persons affected by these controls are included within the tabulations of all persons leaving the services each year at the end of their term of service or contract and are not broken out separately (see app. II).

Limiting Service Continuation Without Further Promotions

Each of the services has reduced time frames or tenure standards governing how long career enlisted members may stay at a given pay grade before being denied reenlistment rights.

- The Navy reduced the time that persons in enlisted grades E-6, E-7, and E-8 could serve without further promotion from 23 to 20, 26 to 24, and 28 to 26 years, respectively.
- The Marine Corps changed its tenure rule for only one pay grade, E-7, reducing service time from 25 to 22 years.

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- The Air Force made changes in tenure rules for pay grades E-4 and E-6 through E-8; the most significant change being to reduce the authorized tenure for an E-4 from 20 to 10 years.
- The Army has changed tenure rules for those in pay grades E-4 through E-8.

Service officials indicate that these tightened standards have been responsible for facilitating the early departure of a number personnel; however, precise numbers are not available. Some of these persons retired, whereas others not eligible for retirement separated under financial separation incentive programs.

Long-Term Changes in Selected Force Profiles Have Continued Moderately During Downsizing

DOD's use of its various force shaping tools has helped to control, though not entirely contain, personnel growth in force profiles such as years of service and pay grades. These changing force profiles are part of a longer term trend dating to before the onset of downsizing efforts in the late 1980s. Table 4.1 aggregates these changing profiles at the DOD level for fiscal years 1980, 1987, and 1992.

Table 4.1: Changing Force Profiles by Selected Fiscal Years

	Fiscal year		
	1980	1987	1992
Percent of enlisted personnel having less than 4 years of service	57.6	49.7	42.7
Percent of enlisted personnel having between 15 and 20 years of service	7.3	8.2	11.6
Percent of officer personnel having between 15 and 20 years of service	14.7	16.6	17.1
Percent of enlisted personnel having more than 20 years of service	3.2	3.0	3.4
Percent of officer personnel having more than 20 years of service	11.1	11.4	12.6
Officer to enlisted ratios	1/6.3	1/6.0	1/5.6
Average enlisted pay grades	4.0	4.3	4.4
Average officer pay grades	3.2	3.2	3.3
Percent of enlisted personnel in the top 5 enlisted pay grades	39.2	43.0	46.7

Source: DMDC.

There are positive and negative aspects of such changes in force profiles affecting each of the services.

A More Experienced Force

In recent years, the military services have been widely recognized and cited by senior military leaders as being more capable and better trained than ever. One of the factors contributing to this, according to various military officials, has been the growth in experience levels of military personnel, gauged by length of service. This situation exists across various groupings of personnel by years of service ranging from those in their initial tours of duty to those eligible for retirement.

Decreases in Percentages of Pre-Career Personnel

Since fiscal year 1980, each of the services, to varying degrees, has experienced a continual growth in experience levels, particularly for

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enlisted personnel. This trend is most pronounced in terms of the decline in percentages of pre-career personnel. Table 4.2 shows the decline in enlisted personnel having less than 4 years of service for each of the services at the end of fiscal years 1980, 1987, and 1992.

Table 4.2: Percent of Active Duty Enlisted Personnel Having Less Than 4 Years of Service, for Selected Fiscal Years

Fiscal Year	Army	Navy	Marine Corps	Air Force	DOD-wide
1980	60.3	57.9	72.1	48.1	57.6
1987	53.4	49.8	60.7	40.4	49.7
1992	46.4	43.4	58.1	30.1	42.7

Source: DMDC.

Similar though less dramatic changes have also occurred within the officer ranks of each of the services.

Increases in Percentages of Personnel Nearing Retirement

Growth in service experience levels is seen in proportional increases in numbers of service members having more than 15, but less than 20, years of service. Table 4.3 shows the percentage of enlisted personnel having between 15 and 20 years of service for each of the services at the end of fiscal years 1980, 1987, and 1992.

Table 4.3: Percent of Active Duty Enlisted Personnel Having Between 15 and 20 Years of Service, for Selected Fiscal Years

Fiscal year	Army	Navy	Marine Corps	Air Force	DOD-wide
1980	5.6	7.9	3.0	10.7	7.3
1987	7.5	7.4	5.0	11.2	8.2
1992	11.7	9.9	7.2	15.4	11.6

Source: DMDC.

Increases have also been noted in the percentage of officer personnel with more than 15 years of service. Table 4.4 shows the percentage of officer personnel having between 15 and 20 years of service for each of the services at the end of fiscal years 1980, 1987, and 1992.

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Table 4.4: Percent of Active Duty Officer Personnel Having Between 15 and 20 Years of Service, for Selected Fiscal Years

Fiscal year	Army	Navy	Marine Corps	Air Force	DOD-wide
1980	14.2	14.3	12.0	16.0	14.7
1987	14.3	16.4	17.3	18.6	16.6
1992	16.0	16.1	18.0	18.5	17.1

Source: DMDC.

As indicated in tables 4.3 and 4.4, the percentage of members near retirement has risen in all four services over the past 12 years. One reason for part of the increase is related to an overall trend toward a more experienced force since the all-volunteer force began in 1973. Until 1988, according to DOD officials, service members with more than 15 years had entered military service prior to the all-volunteer force system, which drafted a significant portion of the required accessions. Another reason is that, in recent years, the Congress and DOD have emphasized protecting members near retirement from involuntary separations. The percentages could stabilize or decline somewhat within the next 2 years as the services make use of new temporary authority to offer early retirement for personnel having completed between 15 and 20 years of service. All of the services, however, indicate that they are still in the process of determining how extensively they will use this new authority.

While this move toward a more senior force has occurred in each of the services, the “youth to experience” mix has always differed significantly among the services. As high as the percentages are for services in fiscal year 1992, they are much less than they were at the end of fiscal year 1980.

The high number of personnel with relatively few years of experience points to relatively high personnel turnover rates within the services. This is an important addition to the more frequently recognized turbulence involving the rotation of personnel from one unit or assignment to another, including to and from overseas assignments.

Tradeoffs exist between a force that is more senior and a force that is more junior and relatively less experienced. Generally, service officials believe that the trend indicated by table 4.1 is one indicator of a better trained force than the one that existed prior to the all-volunteer force or during the mid- to late-1970s, a time often referred to as a period of the “hollow force.” OSD officials also share this view. However, they are also aware that, along with this growth in experience, there comes an increase

in average personnel costs, and OSD has, during this drawdown, exerted influence on the services to maintain relatively high accession levels, thereby having the effect of slowing these recent trends. For example, while the relative size of the lower ranking enlisted population dropped steadily during the 1980s, that level of decline has slowed in recent years with the DOD average changing from 43.1 percent at the end of fiscal year 1991 to 42.7 percent at the end of fiscal year 1992.

Controlled Increases in Retirement Eligible Population

Since fiscal year 1980, the percentage of members with more than 20 years of service has increased moderately, more so for officer than enlisted personnel. Tables 4.5 and 4.6 show the percentages of enlisted personnel and officers having more than 20 years of service, for each of the services, at the end of fiscal years 1980, 1987, and 1992.

Table 4.5: Percent of Active Duty Enlisted Personnel Having More Than 20 Years of Service, for Selected Fiscal Years

Fiscal year	Army	Navy	Marine Corps	Air Force	DOD-wide
1980	2.6	2.7	1.8	5.0	3.2
1987	2.2	2.9	1.7	4.7	3.0
1992	2.8	3.1	2.2	5.1	3.4

Source: DMDC.

Table 4.6: Percent of Active Duty Officer Personnel Having More Than 20 Years of Service, for Selected Fiscal Years

Fiscal year	Army	Navy	Marine Corps	Air Force	DOD-wide
1980	9.6	12.7	11.2	11.5	11.1
1987	11.2	11.7	10.4	11.7	11.4
1992	11.3	13.5	12.2	13.0	12.6

Source: DMDC.

While the percentage of enlisted personnel with more than 20 years of service increased slightly DOD-wide, the average increase for officers was more noticeable from fiscal year 1980 through fiscal year 1992, with the greatest increase occurring between fiscal years 1985 and 1988. However, to a certain extent, each of the services minimized the potential for greater growth during fiscal year 1992 by the use of SERBS, and each service expects to do so further in coming fiscal years, with the greatest emphasis on officer personnel.

Officer to Enlisted Ratios Continue to Rise

Congressional conferees, in providing force reduction guidance, indicated a desire to see the services maintain the same relationship between officer and enlisted ranks as existed at the end of fiscal year 1990. However, as shown in table 4.7, some moderate growth in the ratio of officers to enlisted personnel has occurred.

Table 4.7: Officer/Enlisted Ratios for Selected Fiscal Years

Fiscal year	Army	Navy	Marine Corps	Air Force	DOD-wide
1980	1/6.8	1/7.2	1/9.4	1/4.7	1/6.3
1987	1/6.2	1/7.1	1/8.9	1/4.6	1/6.0
1990	1/5.9	1/6.9	1/9.0	1/4.3	1/5.8
1992	1/5.4	1/6.8	1/8.6	1/4.2	1/5.6

Source: DMDC.

The changes occurring since fiscal year 1990 are reflected in a longer term trend as indicated by the change between fiscal years 1980 and 1992. Some service officials believe that some shift in officer to enlisted ratios is inherent in downsizing. That is, officer to enlisted ratios typically rise during downsizing as reductions are made to the proportionally larger enlisted ranks and fall during a build-up as proportionately more enlisted personnel are added. Army officials also point to congressionally mandated increases in medical personnel manning levels that have required retention of more officer personnel.¹

Average Pay Grades Increase

Changes have also been noted in the average pay grades of officer and enlisted personnel during downsizing, as well as being part of a longer term trend, evidenced by changes since fiscal year 1980. Table 4.8 shows changes in average enlisted pay grades for fiscal years 1980, 1987, and 1992.

Table 4.8: Average Enlisted Pay Grades for Selected Fiscal Years

Fiscal year	Army	Navy	Marine Corps	Air Force	DOD-wide
1980	3.99	4.06	3.50	4.27	4.03
1987	4.29	4.26	3.85	4.40	4.27
1992	4.44	4.43	3.89	4.63	4.43

Source: DMDC.

¹The National Defense Authorization Act for Fiscal Year 1991 restricted the services' abilities to reduce medical personnel.

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Table 4.8 and additional data we examined for each of the intervening years show an upward trend in average enlisted pay grades, with a 9.98 percent increase DOD-wide, since fiscal year 1980, with little differentiation in the degree of change occurring annually during the current downsizing period from earlier years.

In comparison with enlisted personnel pay grades for these three fiscal years, a less significant change occurred in officer pay grades (see table 4.9).

Table 4.9: Average Officer Pay Grades for Selected Fiscal Years

Fiscal year	Army	Navy	Marine Corps	Air Force	DOD-wide
1980	3.19	3.18	2.88	3.20	3.17
1987	3.21	3.15	2.94	3.24	3.19
1992	3.27	3.24	3.00	3.37	3.28

Source: DMDC.

However, as with enlisted personnel, officer pay grades show little difference in the degree of annual change during the current downsizing period from earlier years.

Growth in Top Five Enlisted Pay Grades

DOD's guidance to the services in planning for downsizing stipulated that they should control growth in the top five enlisted pay grades. Table 4.10 shows the percentages of enlisted personnel in the top five enlisted pay grades (E-5 through E-9) for fiscal years 1980, 1987, and 1992.

Table 4.10: Percentages of Enlisted Personnel in the Top Five Enlisted Pay Grades for Selected Fiscal Years

Fiscal year	Army	Navy	Marine Corps	Air Force	DOD-wide
1980	38.0	40.9	28.0	43.4	39.2
1987	42.3	45.3	30.8	46.0	43.0
1992	45.4	49.9	31.9	51.0	46.7

Source: DMDC.

The table shows that these top five pay grades have increased by several percentage points relative to the overall enlisted force during downsizing; however, this growth is also part of a longer term growth trend. Our

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examination indicates that the greatest degree of growth is concentrated in pay grades E-6 and E-7.

OSD and service officials offered a number of observations about the growth in pay grades. They stated that the changing technology and the complexity of today's weapon systems have increased the requirement for more senior positions.² These officials also stated that a smaller force is a more senior force; however, we do not necessarily agree that this has to be the case since our examination of the top officer pay grades shows a much smaller increase in senior pay grades. These officials further expressed the view that the current growth in senior enlisted ranks is temporary and that they expect some leveling off in the future with the changes in tenure rules, and use of SERBS and early retirements; they also stated that OSD and service controllers are watching the increase because of budgetary concerns. It is not clear to us that this is necessarily a temporary situation given the long-term trend shown in table 4.10. We do agree, however, that this is a situation that should be watched from a budgetary standpoint.

²The scope of this review did not extend to verifying and validating DOD and service requirements.

Issues Affecting Future Reduction Decisions

Although DOD has already achieved much of its previously planned force reductions, additional reductions are planned. However, as indicated in chapter 2, effective downsizing requires more than the curtailment of recruiting; it requires maintaining significant levels of recruiting and preserving a continuous personnel stream. This situation adds to the importance of using the various force shaping and downsizing tools discussed in chapter 3 to achieve downsizing goals in a manner that retains a balanced force and viable career opportunities for the future. Use of these tools has helped to shape and minimize distortions in the force but, as indicated in chapter 4, there are some continuing changes in selected force profiles that are part of much longer term trends.

Collectively, the issues discussed in this report help to focus attention on some issues we believe are key to future force reduction decision-making. These issues include continuing changes in overall force profiles, pace of future reductions, correlating such reductions to changes in force structure, and determining what accession levels should be, factoring in multiple trade-offs. However, the recent drawdown experience does more to offer perspectives on these issues than to suggest simple, fixed answers for the future.

Desired Force Profiles

Optimum force profiles in terms of experience levels, average pay grades, and officer/enlisted ratios are not clearly established and would likely be difficult to develop with any degree of uniformity among the services. Nevertheless, because of their impact on readiness and costs, we believe that general trends in force profiles should be considered by the administration and the Congress in deciding future force levels. At the same time, we believe that areas such as officer/enlisted ratios and increasing average pay grades could benefit from more in-depth analyses to determine to what extent the growth represents validated requirements and how future downsizing decisions are apt to affect these requirements. We expect to complete more in-depth reviews of personnel requirements in the future.

Pace and Balance in Force Reductions

In considering how quickly further reductions should occur, it will be important to consider that DOD's military personnel system experiences significant turbulence with high levels of personnel turnovers during normal times and that this turbulence can be compounded by required reductions to end strength. The turbulence is not caused simply by the exodus of personnel; it also includes the intake of new personnel to be

trained and added to units. Turbulence also is associated with the normal rotation of personnel from one assignment or unit to another.

Another consideration is the impact of personnel reductions on unit manning levels. Army officials acknowledge that, during the current drawdown, personnel reductions have occurred more quickly than have changes in unit force structure, creating some undesired undermanning of units. While they expect this problem to correct itself as future unit structure reductions occur, they recognize and have some concern that the problem could be exacerbated with likely increases in personnel reduction targets unless the targets are well correlated with additional structural reductions.

Determining Accession Levels

In determining accession levels, it will be important to consider the short- and long-term potential impact of any significant reduction in accession levels on the force. In the short term, significant reductions in accession levels can be attained but, in doing so, they can result in a relatively more costly, but more experienced force—as the average pay grades for the remaining force increase. From a long-term perspective, significant curtailment of accessions today can pose greater potential for force imbalances in the future—imbalances associated with a higher graded force and reduced promotion and career opportunities for younger members of the force.

One additional factor that could affect accession levels is the quality of new recruits. DOD has recently noted a drop in the quality of new recruits during the first half of fiscal year 1993. This trend, should it continue, could suggest the need to make some further trade-offs between high accession levels and the loss of quality, experienced personnel. DOD has a number of tools available to help shape the force as reductions occur, tools that can be used in combination to produce a balanced force across pay grades, year groups, and skill areas.

Conclusions

DOD has accomplished a majority of its previously planned active duty force reductions; however, senior DOD officials have indicated that further reductions are planned as the result of a recently completed review of future DOD needs. DOD and the services have reduced accession levels over previous years, but are still recruiting large numbers of personnel each year as part of their efforts to preserve and sustain a balanced force for the future.

DOD has used various force shaping authorities or tools to help drawdown the military forces in a balanced manner, with an emphasis on voluntary reductions. DOD's ability to meet force reduction targets while seeking to retain a balanced remaining force has been enhanced by the various authorities, including incentives and transition assistance that the Congress has provided. Many of these special authorities expire at the end of fiscal year 1995. Extension of these authorities is warranted if the Congress desires to continue its emphasis on minimizing involuntary reductions, as end-strength reductions continue to occur.

DOD's approach to force reductions, along with its continued emphasis on accessions, has helped to control, although not entirely contain, some proportional personnel growth in years of service and rank. A negative consequence of such growth is increased cost; however, a positive aspect is increased experience levels. These two issues will require trade-offs in force shaping.

Matters for Congressional Consideration

Given that DOD's downsizing is apt to continue for several more years, the Congress, to the extent it desires a continuing emphasis on minimizing involuntary separations, may want to consider extending the use of special financial separation incentive programs beyond the current deadline of fiscal year 1995. Also, the original authority for use of the separation incentives was limited to those who had attained 6 years of service at the time the legislation was enacted in December 1991. Therefore, the Congress may also want to amend the legislation to include all who have attained 6 years of service within the time frame for which the incentives are authorized as a means of broadening the pool of persons eligible for the incentives and minimize the potential for greater involuntary separations in the future.

Agency Comments

DOD fully concurred with the report's findings and matters for congressional consideration. (See app. IV.)

Military End-Strength Levels, Fiscal Years 1980 Through 1994

Numbers of personnel in thousands

	FY 1980	FY 1987	FY 1994 ^b	Net change between FY 1980 and FY 1994	Net change between FY 1987 and FY 1994
Active duty					
Army	776.5	780.8	540.0	-236.5 (-30%)	-240.8 (-31%)
Navy	527.2	586.8	480.8	- 46.4 (-09%)	-106.0 (-18%)
Marine Corps	188.5	199.5	174.1	- 14.4 (-08%)	- 25.4 (-13%)
Air Force	558.0	607.0	425.7	-132.3 (-24%)	-181.3 (-30%)
Total	2,050.2	2,174.1	1,620.6	-429.6 (-21%)	-553.5 (-25%)
Guard and reserves					
Army	581.5	765.5	670.0	+ 88.5 (+15%)	- 95.5 (-12%)
Navy	97.0	148.3	113.4	+ 16.4 (+17%)	- 34.9 (-24%)
Marine Corps	35.7	42.3	36.9	+ 1.2 (+03%)	- 5.4 (-13%)
Air Force	155.2	195.0	199.2	+ 44.0 (+28%)	+ 4.2 (+02%)
Total	869.4	1,151.1	1,019.5	+150.1 (+17%)	-131.6 (-11%)
Combined military					
Army	1,358.0	1,546.3	1,210.0	-148.0 (-11%)	-336.3 (-22%)
Navy	624.2	735.1	594.2	- 30.0 (-05%)	-140.9 (-19%)
Marine Corps	224.2	241.8	211.0	- 13.2 (-06%)	- 30.8 (-13%)
Air Force	713.2	802.0	624.9	- 88.3 (-12%)	-177.1 (-22%)
Total^a	2,919.6	3,325.2	2,640.1	-279.5 (-10%)	-685.1 (-21%)

^aTotals may not add due to rounding.

^bPrior-year data are actual, while future-year data are projected as of March 1993.

Sources: OSD and individual services. Prior-year data are actual while future-year data are projected as of March 1993.

Active Duty Military Personnel Separations During Fiscal Year 1992

Numbers are in thousands

Reason	Army	Navy	Marine Corps	Air Force	Total
Expired term of service/contract	44.9	36.5	21.4	22.3	125.1
Early out release	34.7	3.7	0.0	1.8	40.2
SSB incentive	25.5	3.6	0.7	15.0	44.8
VSI	3.6	0.6	0.2	2.3	6.7
SERB	1.7	0.4	0.2	1.0	3.2
Regular retirement	18.2	9.2	2.7	16.8	47.0
Involuntary separation					
With separation pay	5.4	0.8	1.9	2.9	11.0
Without separation pay	11.5	20.4	5.4	0.1	37.3
Other ^a	40.0	23.9	10.4	19.4	93.7
Total^b	185.4	99.0	42.9	81.6	409.0

^aIndividual services vary somewhat in the extent to which they indicate losses through "involuntary separation" and other categories. The other category includes separations for not meeting physical requirements, hardship, death, trainee losses, unsuitability, misconduct, desertion, attrition of active duty reservists, miscellaneous adjustments, and others. Both other and involuntary separation without pay categories appear to be closely related.

^bNumbers and totals shown will vary somewhat from actual data due to rounding.

Source: Military service officials.

Illustrated Severance Pay Options Related to Downsizing for Selected Pay Grades

	Enlisted—E-6	Officer O-4
Years of service	15	15
Annual basic pay before separation	\$ 21,121	\$ 43,376
Severance pay if involuntarily separated—lump sum ^a	\$ 31,682	\$ 65,065
SSB option—lump sum ^b	\$ 47,523	\$ 97,597
VSI option—annuity ^c		
Annual	\$ 7,920	\$ 16,266
Total	\$237,614	\$487,985
15-year retirement option—monthly ^d		
Annual	\$ 7,524	\$ 15,453
Total	For life	For life

^aInvoluntary separation pay is based on the service member's monthly basic pay rate and years of service. This one time lump-sum payment is equal to the final monthly basic pay times 12 months, times 10 percent, times the years of service. DOD's involuntary separation payments in fiscal year 1992 totaled \$168.5 million (including separations relating to downsizing actions as well as other involuntary separations).

^bSSB is a one time lump-sum payment equal to 15 percent of a service member's basic pay rate times the years of service. DOD's SSB payments in fiscal year 1992 totaled \$1,691.6 million.

^cVSI involves an annual annuity for twice the number of years of service equal to 2.5 percent of the service member's basic pay times the years of service. DOD's VSI payments to individual recipients in fiscal year 1992 totaled \$70.7 million.

^dEarly retirement pay which is paid monthly is based on a service member's annual basic pay times the years of service, times 2.5 percent, times a reduction factor (1.0 minus 0.01 for each year of service less than 20). The 15-year retirement program is being implemented during fiscal year 1993.

Comments From the Department of Defense



ASSISTANT SECRETARY OF DEFENSE

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27 AUG 1993



Mr. Frank C. Conahan
Assistant Comptroller General
National Security and International
Affairs Division
U.S. General Accounting Office
Washington, DC 20548

Dear Mr. Conahan:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report "DEFENSE MILITARY DOWNSIZING: Balancing Accessions and Losses is Key to Shaping the Future Force," dated August 2, 1993 (GAO Code 391181/OSD Case 9486). The Department fully concurs with the report findings and matters for congressional consideration.

The report provides an assessment of how military strength reductions have been achieved to date, how the Department has complied with congressional guidance and authorizations, how the Department plans to achieve additional strength reductions in FY1994, and what issues might be important to achieve additional strength reductions. Overall, the report is a very constructive assessment of the personnel management policies and programs the Department is using to reduce and reshape the force.

The Department appreciates the opportunity to comment on the draft report.

Sincerely,

Edwin Dorn

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