

**COMBINED STATEMENT OF**  
**VICE ADMIRAL N. R. RYAN, JR., U.S. NAVY**  
**CHIEF OF NAVAL PERSONNEL**  
**AND**  
**DEPUTY CHIEF OF NAVAL OPERATIONS**  
**(MANPOWER & PERSONNEL)**  
**AND**  
**REAR ADMIRAL B. E. MCGANN, U.S. NAVY**  
**COMMANDER, NAVY RECRUITING COMMAND**  
**BEFORE THE**  
**SUBCOMMITTEE ON PERSONNEL**  
**OF THE**  
**SENATE ARMED SERVICES COMMITTEE**  
**ON**  
**RECRUITING/RETENTION**  
**24 FEBRUARY 2000**

## **INTRODUCTION:**

Mr. Chairman, and distinguished members of this subcommittee, my colleague, Rear Admiral Barb McGann, and I, appreciate this opportunity to appear before you today to discuss the focus and direction of Navy recruiting and retention.

Today's recruiting and retention atmosphere can be best described as a war. . . a sustained engagement to recruit and retain the very best men and women this nation has to offer. It is a war that our military services cannot lose without placing national security at serious risk. Our battleground exists amidst a booming economy and what is arguably the most competitive recruiting market in the history of the United States. We must ensure our preparedness to respond, and prevail in battle, by continuing to provide an environment conducive to attracting, training, and retaining the officers, chief petty officers, and Sailors needed to achieve and maintain optimum personnel readiness in the 21<sup>st</sup> Century.

At the outset, I want to express our sincere appreciation for the magnificent support this subcommittee, the full Committee on Armed Services, and the entire Congress, provided in this year's National Defense Authorization Act (NDAA), and for your continuing commitment to Navy men and women and their families. Last year's passage of the compensation triad (4.8% pay raise, rollback of the Military Retirement Reform Act of 1986, and revision of our pay tables) coupled with improved housing allowances, and enhancements to special and incentive pays, was a significant step toward addressing current and future personnel readiness challenges. You have sent an extremely positive and needed signal to the fleet that you recognize their sacrifices and are committed to demonstrating America's gratitude through fair compensation and enhancements to their quality of service. We are beginning to see the fruits of your support and are hopeful that it will translate into significant and tangible momentum in our efforts to attract and retain high-quality individuals in the right mix of skills.

However, my recent discussions with over 500 commanding officers and command master chiefs confirm that we can ill afford to rest on our laurels.

In addition to the significant investment that has already been made, fleet leaders tell us we must continue to focus on providing quality of service: challenging job and advancement opportunities, more time with family, fair compensation, quality health care, adequate housing, and a competitive retirement package. All are critical to demonstrating our conviction that we value every individual. This year presents an opportunity to leverage the momentum and success of the past year and solidify our commitment to our Sailors. We must continue to divest Navy of a “conscription mentality” and continue to support meaningful initiatives that recognize their sacrifices; the arduous nature of sea duty, high operational tempo (OPTEMPO) and lengthy and frequent separations from family. Key to addressing these areas will be further improvements in housing through a combination of bachelor quarters renovation and new construction, as well as enhancements to, and expansion of, Basic Allowance for Housing (BAH). Secretary of Defense Cohen’s recent announcement to significantly reduce, and eventually eliminate, out-of-pocket housing expenses, is a great start and has been favorably received. There’s more we can and should do. We are determined to provide single shipboard Sailors the opportunity to live ashore when in homeport and to enjoy a quality of life comparable to that of their married shipmates, other Sailors on shore duty and in their counterparts in the other Services. We are taking a hard look at whether it might be beneficial to modify existing incentives, given the extremely arduous nature of shipboard sea duty, to enhance the effectiveness of critical distribution tools in our inventory. This may be vital to our continuing efforts to narrow the at-sea manning gap and will undoubtedly have some desirable residual retention impact.

Seeing the Thrift Savings Plan (TSP) through to fruition is another vital component of our commitment to our Sailors. We thank you for bringing this authority closer to reality. TSP is essential to helping us fulfill an inherent responsibility to them and their families. We are confident that, with your continued support, we will be able to begin offering this exceptional savings opportunity to our Sailors and start them down

the road to financial stability. This is the right thing to do and fleet interest continues to be strong. Once implemented, TSP will serve as a centerpiece of our Personal Financial Management Program by helping Navy men and women establish savings early in their careers.

Demonstrating that we “value each and every individual” means more than just pay and benefits. It also means continuing to improve the environment and climate in which our people work and live and creating opportunities for advanced training, education and upward mobility. With renewed emphasis, we are creating a more positive retention climate from the top down to the deck plates. We have aggressively implemented the CNO's and fleet commanders' inter-deployment training cycle (IDTC) initiatives and Secretary Danzig's “Smart Work” measures. We are also developing initiatives to expand advancement opportunities, perhaps the best indication to Sailors that we truly recognize their sacrifices and value their contributions.

## **REDUCING THE GAP AT SEA**

Having reached the end of the post-Cold War drawdown, we are approaching the first steady-state manning environment in the history of the all-volunteer force. While we have made significant progress in properly funding the manpower accounts, we must ensure that our programs fully support fleet requirements and that we adjust them, where necessary, to maximize our preparedness in this new century. Further reduction of the at-sea-manning gap is fundamental to our long-term personnel readiness and our ability to carry out the National Military Strategy.

People are, and will always be, our most vital resource. Our primary goal remains putting the right person, in the right place, with the right training, at the right time. This means establishing and prioritizing manpower requirements and fully resourcing programs to maintain the personnel inventory to recruit, train, assign, develop, and retain our personnel. The strong economy, increased personnel tempo (PERSTEMPO), desire for enhanced quality of life, and other factors, have resulted in a

twenty-year-low retention rate and an extremely challenging recruiting environment. This, in turn, has produced inventory and distribution problems resulting in gapped billets both afloat and ashore.

In FY98, the at-sea enlisted manning gap averaged just over 17,300. A number of aggressive initiatives helped reduce that number to approximately 12,000 by the end of FY99. Our progress continued, as we entered the new century with the gap at 9,757, and we anticipate it averaging less than 10,000 throughout the remainder of this fiscal year. We continue to pursue a number of internal management actions to reduce it further. Additionally, efforts continue unabated to address the root causes of the gap, to include: improving retention, building a healthy Delayed Entry Program (DEP), and making adjustments to minimize the impact of phasing accessions and losses.

In FY99, we established numerous personnel initiatives to improve fleet manning. The end of the drawdown is characterized by an uncompromising need to meet recruiting goals and turn retention towards steady-state requirements. Retention is my highest priority. The cost associated with losing an individual who might otherwise have been retained includes:

- An immediate gapped billet,
- An increase in the recruiting accession mission, and
- Over-execution of the student account as we push additional accessions through the training pipeline en route to the fleet.

Meeting end strength requires balanced success in recruiting, retention, and support for our Sailors who volunteer to support our nation.

The issues above are not new ones and have been addressed in several forums including the Recruiting, Retention, Training, and Assignment (RRTA) working group of the Under Secretary's Revolution in Business Affairs (RBA). Many near-term initiatives have already been implemented contributing to the aforementioned reduction in gapped

billets in the fleet. Retention incentive improvements and compensation reforms in this year's Defense Bill are just now beginning to have the desired impact. Our ability to predict how these initiatives will affect long-term retention is limited. Many of the remaining initiatives require changes in the way we do business and implementation relies heavily upon investment in reengineering and information technology.

The at-sea manning gap and end strength constraints are focal points as we address retention and recruiting efforts in the upcoming years. We must capitalize on our FY99 recruiting success by developing a trend that helps turn the tide in our war for people, and we must continue to revive the retention climate so that our Sailors want to stay Navy.

## **RETENTION – OUR HIGHEST PRIORITY**

We continue to face significant challenges in retaining high quality personnel. While we met end strength requirements last year, retention rates across all terms of service were the lowest in almost 20 years. As the drawdown began, we initiated multiple force-shaping tools and programs and the focus on retention declined. We are reversing this trend by establishing retention improvement as a top priority and have tasked leaders and managers to reengage in the retention arena by focusing specifically on mentoring junior personnel. Taking this a step further, Secretary Danzig and Admiral Johnson recently authorized standing up a new branch within our manpower and personnel directorate that turns the spotlight on retention. Led by a flag officer, this Retention Center will be specifically chartered to focus on retention and funnel energy and resources towards meeting the retention challenge. The effort has already begun with our retention teams gauging the “pulse” of the fleet to help further determine the direction and next level of effort that we must apply to this daunting issue. We are committed to providing leaders with the necessary tools to effectively and aggressively attack retention, reinvigorating our efforts and shifting away from the drawdown mentality. Clearly, the retention focal point remains at the unit level with our

commanding officers. The new retention center concept should greatly enhance the unit commander's effectiveness in carrying out his/her retention responsibility.

We have, and will continue to emphasize the challenge, opportunities, rewards and excitement a Navy career offers, with particular emphasis on the immense pride associated with serving in the world's greatest Navy. Much has already been accomplished in establishing or enhancing a broad range of targeted, cost-effective, incentive pays and bonuses, significant quality of life and workplace improvements, easing personnel tempo (PERSTEMPO) and the burden of the inter-deployment training cycle (IDTC). Continued focus is being placed on building the early and mid-career experience base through aggressive and effective retention and anti-attrition measures.

### **Enlisted Retention**

Navy enlisted retention in 1999 was significantly lower than required, primarily due to the sustained strong economy, concerns over advancement opportunity, and increased PERSTEMPO. Enlisted first term retention was approximately 28 percent, about 10 percent below the estimated long-term retention target for FY03. Second and third term rates also lagged steady-state estimates. Despite these lower retention rates, Navy met end strength and the free-fall experienced during FY92-98 has subsided. Since FY96, an increased percentage of Sailors, especially those in their first term, has executed extensions of less than 24 months. Since FY95, 70-75 percent of first-term Sailors reaching initial EAOS execute short-term extensions, mostly six to 10 months long. Of those who extend, 65 percent will eventually reenlist. Every extension, regardless of length, offers us another opportunity to keep these Sailors on board, and we continue to try and convert short-term extensions into long-term contracts. The increase in short term-extensions is an indicator of the Sailors' growing reluctance to commit to a career. Adoption of the pay triad, higher reenlistment bonuses, increased advancement opportunities, and maintaining PERSTEMPO within established goals, particularly during the IDTC, are contributing to our efforts.

An important part of our overall retention strategy is maintaining robust Selective Reenlistment Bonus (SRB) plan. FY99 was an extremely successful SRB execution year. We exceeded our goal of 10,513 SRB reenlistments by 2000 and expended \$98 million dollars. SRB reenlistments accounted for over 29 percent of the 36,656 reenlistments in FY99, making it the best performing SRB year since 1992. Clearly, a strong SRB program targeted at the most critical skills is one of our best retention tools and allows us to keep the “right” Sailor, at the right time, in the fleet. With congressional support, Navy funded the SRB program to \$98 million in FY99 and to \$120 million in FY00. In addition, the increase in the legislative maximum SRB from \$45 thousand to \$60 thousand provides great flexibility in targeting our efforts at our most technical critical ratings. Our FY00 plan is off to a fast start with 1545 more SRB reenlistments than at this same time last year. Particularly noteworthy is the 753 additional six-year obligor reenlistments over this time last year, exactly the type of reenlistment behavior we are seeking to achieve.

### **Enlisted Attrition**

As a consequence of the drawdown, we have observed pockets of of a “throw away” mentality in the Navy, which saw challenged Sailors sometimes separated without the necessary leadership and mentoring that some of these young people needed. Nowhere was this more true than with our first term Sailors where, since 1990, we have consistently lost approximately one third of each fiscal year accession group before they completed their first enlistment. We must reduce this trend and attempt to retain all Sailors who meet our standards.

We initiated several programs to help reduce attrition of first-term Sailors. During initial training, we instituted preventive and remedial academic skills programs, applied skills training for those requiring additional emphasis in dealing with authority, anger management, and motivation, and remedial physical fitness programs. Results of these initiatives are positive as increasing numbers of initial trainees who complete these programs are proceeding to follow-on training and ultimately into the fleet.

Attrition of first term Sailors from the fleet is problematic. Too many of these new Sailors reach the fleet only to be overwhelmed by the rigors of sea duty. Fleet initiatives targeted at reducing attrition and increasing retention include,

- release of Retention situation report (SITREPS) designed to keep leaders and managers informed of recent retention and attrition trends and to help them focus their efforts,
- active recruiting and increased throughput of general detail Sailors (GENDETs) to “A” schools,
- increased emphasis on Professional Development Boards and the Sponsor/Indoctrination Programs, and
- incorporation of attrition briefs into the Prospective Commanding Officer (PCO) curriculum.

These initiatives are aimed at ensuring that all responsible measures are taken to preclude our Sailors from becoming attrition statistics.

### **Officer Retention**

Officer retention is key to maintaining Navy’s steady-state force structure. Retention in the heart of the officer corps, aviators, submariners, surface and special warfare officers, must improve to meet officer manning requirements. Additionally, while retention in the Restricted Line (RL) and Staff Corps is still generally satisfactory, there are signs that a similar retention challenge to that faced by the Unrestricted Line (URL) is beginning to emerge in the mid-grades for some of the Corps. It is critical that retention improve in the URL communities if we are to maintain readiness and adequately man our ships, submarines, and aircraft in the coming years.

Although we are close to reaching steady-state force levels, the thriving civilian job market continues to offer enticing employment alternatives to officers and is directly competing with officer retention efforts. Operational requirements and commitments are not decreasing, and with every missed retention goal, the workload on the remaining officers increases. This in turn makes retention that much more difficult and results in a downward retention “spiral.”

Across the Unrestricted Line, retaining lieutenants and lieutenants commander is proving the most difficult. Extended periods away from home, and the resulting family separation, weighs heavily on a force that is older and more family oriented than ever. The lure of a strong economy, coupled with excellent opportunities for educated professionals and a perception of enhanced quality of life in the civilian sector, is leading too many junior officers to choose separation over retention.

We have approached officer retention from a number of different directions. These include:

- increased funding for flight hours, steaming days and spare parts to allow officers to maintain the highest level of warfighting proficiency,
- CNO-directed reduction in Inter-Deployment inspections and administration,
- continued vigilance in maintaining PERSTEMPO goals and,
- properly funding the MPN account to allow officers, and the enlisted personnel they lead, to focus on warfighting and not be distracted by uncertain PCS moves, delayed promotions, and missed training opportunities,
- at the direction of Congress, incorporating individual PERSTEMPO tracking into our existing PERSTEMPO system.

We are beginning to see positive retention indicators, largely attributable to effective special and incentive pays that target specific retention problem areas. Newly authorized Surface Warfare Officer (SWO) and Special Warfare Officer (SPECWAR) Continuation Pays and major enhancements to Aviation Continuation Pay are having an overall positive effect on these critical warfighting communities. While it is still too early to measure long-term effects, the outlook is encouraging. However, there is much more work to do. For example, the Civil Engineering Corps is beginning to face significant inventory and retention challenges. This community competes directly with private industry for new engineers. Additionally, while SWO Continuation Pay shows an encouraging initial response, the Surface Warfare Officer inventory shortage -- particularly at the O-4 level -- confirms the need to expand this bonus to retain as many of the remaining officers as possible. Navy has been working diligently, through various community-specific working groups, flag officer field visits, retention teams, and junior officer feedback, to establish a dialogue with junior officers and to convey leadership's plans and initiatives for addressing their concerns. There is a valid need to expand on last year's retention initiatives to sustain and increase the positive retention momentum they have generated. While fair compensation is only one aspect of improving officer retention, it is key to our overall success in this critical area.

### ***Surface Warfare Officer (SWO) Community***

Two challenges continue to confront the Surface Warfare Officer (SWO) community: difficulty retaining enough senior Lieutenants to meet department head requirements and an acute shortage of junior control grade (O-4) officers. As a result Surface Warfare continues to exhibit the lowest retention among the Navy's Unrestricted Line (URL) communities. The two primary dissatisfiers driving SWOs to leave the Navy are lack of quality personal time (while in homeport) and family separation. In light of these concerns, the robust economy provides attractive and lucrative alternative employment opportunities.

In FY97 only 23 percent of officers that started in Surface Warfare, attended Department Head School. In FY98 and FY99, retention to Department Head School was 25 and 24 percent respectively. It is projected to be 27 percent in FY00. This is 11 percentage points below the required 38 percent steady-state retention to the department head point. There are several reasons for this shortfall. Since the 1980s, the pool of division officers has decreased by 43 percent, while the need for department heads decreased by only 23 percent. This change was driven by the replacement of older manpower-intensive ships with more modern, capable, high-tech ships which are less manpower-intensive but which continue to require experienced officers skilled in their employment. As the pool of division officers decreased, retention to department head needed to increase but actually declined. In the '80s, retention to department head averaged 32 percent, but during the height of the draw down fell to a low of 17 percent before leveling off at around 24 percent the last three years. Required retention for the next five years is 34-38 percent (depending upon Year Group (YG) size). To achieve the 38 percent level, Surface Warfare Officer Continuation Pay (SWOCP) was authorized in FY00. This initiative pays a department head up to \$50 thousand for completing both at-sea department head tours and it has clearly been well received by the fleet. We've reached nearly 85 percent of the continuation pay goal in the three months since its inception.

Chronic low retention in the SWO junior officer corps also created a shortfall of control grade officers (O-4, O-5, and O-6), particularly at the lieutenant commander (O-4) level. Year groups 1986-92 are acutely short of inventory with respect to requirements. Additionally, these shortages will grow into the next higher (O-5) pay grade. This shortage impacts not only the SWO community, but the overall URL as well. To meet these challenges, the SWO community leadership is attacking the ship home tempo issue, while initiatives like "Smart Ship" are reducing some requirements that were overloading SWO junior officers during their division officer tours. Inter-deployment training requirements have been significantly reduced under the recent Chief of Naval Operations initiative. To address the O-4 inventory challenge, our surface retention

needs are being studied further by SAG Corporation, which has analyzed the retention effects of bonuses in other communities.

### ***Navy Special Warfare Community***

The Naval Special Warfare (NSW) community, commonly referred to as SEALs (Sea, Air, Land forces), which has historically enjoyed one of the highest retention rates in the Navy, is unable to meet its annual steady-state requirements. At the end of FY98, SEAL officer retention, measured to the critical post-platoon commander point, was 58 percent, having declined approximately 20 percent over the past 10 years from historic levels of over 80 percent. Between 1996-1998, resignations among O-3 and O-4 rose dramatically, though SEAL retention rebounded slightly to 69 percent in 1999. This falls short of a steady-state requirement of 74 percent; however, it suggests that the tide may be turning. Recent legislation, including increased Diving Duty Pay and repeal of the limitation on drawing more than one Hazardous Duty Incentive Pay, are positively influencing SEAL junior officers and enlisted personnel retention behavior. In particular, authorization of Special Warfare (SPECWAR) Officer Continuation Pay, specifically targeted at designated SEAL officers, is proving to be a key factor in improving SEAL officer retention.

### ***Aviation Warfare Community***

Aviator retention remains a major focus of Navy leadership. In light of a sustained strong economy and airline hiring that surpassed industry projections in FY99, the draw of the civilian sector to our aviation professionals continues to be strong. Aggregate retention of mid-grade and senior aviators remains below the 38 percent required to sustain a steady-state force. Aggregate pilot retention fell from 32 percent to 30 percent in FY99, five percent below that required to meet fiscal year department head requirements. However, this decline was at a lower rate than in previous years. Naval Flight Officer (NFO) retention actually increased slightly from 38 to 39 percent in FY99, yet fell two percent short of annual department head requirements. Navy is

currently filling operational aviator billets through employment of disciplined distribution practices and strict adherence to CNO priorities.

While not conclusive, preliminary data indicate that progress is being made in meeting the retention challenge. Recent reports show an overall increase in both pilot and NFO retention through the first quarter of FY00. Aggregate pilot and NFO retention is projected to be 36 and 48 percent respectively, through the department head career point -- representing approximately 12 years of commissioned service. This initial positive trend is evidence that CNO initiatives; such as reducing OPTEMPO/PERSTEMPO at sea and at home, increased spare parts funding, fully funded personnel accounts, and restructured aviator bonus are beginning to have the desired effect. However, even with aviator retention indicators climbing; there is still not a sufficient number of junior officers being retained. The current deficit of junior aviators will become more pronounced as junior aviator year groups complete their minimum service obligation and begin to leave the service. To prepare for this eventuality, it is necessary to retain aviators at greater than the annual required rates now and for the foreseeable future. To help achieve this retention requirement, Navy is targeting aggregate retention and seeking to retain more aviators at all levels. For the first time, incentives are being provided to senior and mid-grade aviators to help retain them in the Navy throughout a twenty-year career. These more senior pilots and NFO's, who are responding well to compensation initiatives, are needed to help mitigate the shortages of more junior officers.

Aviation Career Continuation Pay (ACCP), the retention bonus, continues to be an important tool in our ongoing effort to influence naval aviators to make positive career decisions. The ability to positively impact retention behavior, at all levels, is a direct result of expanded bonus legislation granted by Congress last year. This targeted incentive program compensates aviators for superior performance and going to sea duty through a 20-year career. The response to this bonus has been very positive -- particularly among mid-grade and senior officers through post-command commander. With over 950 ACCP contracts approved to date, Navy is at 79 percent of its FY00 goal.

However, take rates are being closely monitored, especially for junior first-time bonus-eligible aviators, to determine if any adjustments are required.

### ***Submarine and Nuclear Surface Warfare Communities***

Attracting and retaining the right quantity and quality of nuclear-trained officers remains the primary challenge for the community as the nuclear force reaches steady state. Submarine officer accessions and retention are currently below that required to sustain the post-draw down force structure. Retention rates improved in FY99 to 30 percent (compared to FY98 retention of 27 percent). FY00 retention is projected to be similar to FY99 retention but below requirements (project 30 percent retention to department head, with 34 percent required). Retention rates must improve to a nominal 38 percent by FY01 to adequately meet steady-state manning requirements. Inadequate retention only compounds the sacrifices incurred by those officers remaining, as demanding sea tours are lengthened to meet safety and readiness requirements.

Competition from the private sector for nuclear-trained officers continues to pose a serious challenge to career retention. Nuclear-trained officers possess special skills as a result of expensive and lengthy Navy training and they are highly sought for positions in career fields outside the nuclear power industry. Nuclear-trained officer accessions have been short of requirements for the past eight consecutive years. Accession production continues to improve, but requires constant attention. In FY99, submarine officer accessions improved by 17 percent from the previous year but were still eight percent below requirements. Accession shortfalls exacerbate the problem by extending junior officer sea tours. Eventually, many of these remaining officers find the sacrifices too great and resign from the Service.

The Naval Nuclear Propulsion program's success is direct attributable to quality personnel, rigorous selection and training, and the highest standards. The 1998 Report to Congress on Nuclear Officer Incentive Pay (NOIP) Program Alternatives, concluded

that the current NOIP program structure, with rates adjusted as required, provides the surest and most cost-effective means of achieving nuclear officer accession and retention requirements.

The FY00 National Defense Authorization Act included increased NOIP legislative limits, which are essential to provide the Secretary of the Navy sufficient program flexibility to address current and future accession and retention challenges. Combined with the FY00 pay triad reforms, this bonus flexibility, will contribute to improved retention ensuring our submarines are adequately manned.

### ***Civil Engineer Corps (CEC)***

Historically, the Civil Engineer Corps (CEC) has enjoyed remarkably high retention, and it still enjoys one of the highest retention rates in the Navy. However, the CEC has experienced a trend of increased losses over the last four fiscal years. Largely due to the current economic boom, qualified engineers are highly sought and well-compensated by private industry. Nearly 150 officers have submitted letters requesting retirement, resignation or release from active duty in FY00. This constitutes almost 12 percent of the Corps. Of particular concern, 96 junior officers are separating in FY00, up from 78 last fiscal year. To combat this trend, the CEC has established a mentoring process for all junior officers and distributed a Junior Officer Counseling Guide in an effort to improve retention. These actions are anticipated to begin decreasing losses in FY01.

### **NAVY RECRUITING - WHERE IT ALL BEGINS**

A key element of what makes our Navy the greatest in the world is our Navy recruiting effort. Our Navy Recruiting team, led by Rear Admiral Barbara McGann, has met the formidable challenge this past year, in the most competitive market since the inception of the all-volunteer force. When we entered FY99, we had fallen short of our previous year's accession requirement by nearly 7,000 recruits and our Delayed Entry

Program (DEP) pool of recruits lingered nearly 17 points below our target. Facing an extremely formidable task, Navy leadership assessed the situation, determined what resources were needed and what steps had to be taken to turn the situation around. One year later, we were looking at a different picture, as the dedicated Navy Recruiting team, with significant help from Congress, achieved 100.1% of the overall FY99 enlisted accession mission, including over 100 percent of some of our most critical nuclear ratings. However, while this success was most welcome, and critical to Navy's overall personnel readiness, we were unable to rebuild our DEP pool, currently in the 28 percent range, to the desired level of 40-45 percent. Additionally, our success was tempered by some imbalance in the distribution, or mix, of recruits across ratings leaving many gaps to be filled as we enter FY00.

### **Successes of FY99**

FY99 was a comeback year for Navy Recruiting on the heels of FY98's painful wakeup call. Starting the year with a record low DEP pool, and facing the lowest unemployment rate in a quarter century and an extremely competitive civilian job market, the recruiting battle has been a significant struggle. Further negatively impacting our efforts, a diminishing and disenchanted veteran/retiree population has not been encouraging young people to enter the military services, and propensity to enlist, while showing some recent improvement, continued to decline. Additionally, while the size of America's youth population began to rebound from its low point in the mid-90s, high school graduates have been opting for college over enlistment in the military.

Our Navy Recruiting team, with exceptional support from Congress, the Administration, and Navy leadership, overcame near-term obstacles and achieved most FY99 accession goals. This turn-around was largely attributable to a combination of infusion of manpower and capital, enhanced recruiting tools, development of internal strategies and initiatives, and exceptional team commitment. We increased the size of our recruiter force by over 30 percent, increased the Enlistment Bonus (EB) and Navy College Fund (NCF) budgets while authorizing increases in the maximum amounts

payable, developed new and improved educational programs and created a new multi-faceted advertising campaign.

Ultimately, we exceeded our overall enlisted accession mission and filled over 100 percent of our most critical technical ratings, including our crucial Nuclear Field (NF). In doing so, we met or exceeded all Department of Defense (DOD) quality benchmarks. Ninety-percent of our FY99 accessions were High School Diploma Graduates (HSDG) and 65 percent scored in the upper half of the Armed Forces Qualification Test (AFQT). No recruits were accessed from the lowest recruitable test category (Category IV).

The year also proved encouraging for officer recruiting. Medical officer recruiting built on its successes of FY98, achieving goal in most categories, including 100 percent of the Dental Financial Assistance Program (FAP) goal for the first time in its eight-year history. Despite large goal increases, the only misses were in some particularly challenging specialties, such as Orthopedic Surgery, Family Practice, Health Care Administration, Optometry and Pharmacy. Nuclear Program Officer Candidate (NUPOC) Recruiting experienced a remarkable improvement in FY99. We accessed 81 percent of NUPOC goal compared to 53 percent in FY98. Additionally, skillful placement into the out-years positioned NUPOC recruiting to enter FY00 with reasonable confidence of achieving its first fully successful recruiting year since FY96. The strong performance of NUPOC recruiting was largely attributable to our increasing the collegiate pay grade from E-3 to E-6, increasing the signing bonus to \$8,000, increasing the number of VIP field trips for applicants and development and distribution of new promotional materials. Navy Recruiting also achieved 109 percent of general officer recruiting goals (includes all categories except Nuclear and Medical), meeting most program objectives except for Civil Engineering Corps (CEC), Aviation Maintenance Duty Officer (AMDO), Explosive Ordnance Disposal (EOD), Oceanographer and Naval Flight Officer (NFO). FY99 marked significant performance improvement over FY98, particularly for Supply Corps and NFO communities.

Aggressive recruiting to targeted specialties resulted in a strong showing for officer recruiting in FY99.

### **Challenges of FY00**

Despite the performance of our dedicated recruiter force, which achieved FY99 accession goals by overcoming numerous challenges, Navy Recruiting is not yet positioned for long-term success. We continue to face a daunting market: low unemployment, stiff competition and low propensity for military service. Size of the youth population is slowly increasing but more are opting to attend college following high school. Propensity, while still low, showed a small tick upward this Fall, but with a vanishing veteran population and record low unemployment we will have to work hard to sustain any increase. The most troubling factor at the dawn of FY00 was that, while we improved significantly in most areas of recruiting, we were not able to improve our DEP posture (still 28 percent against a target of 40-45 percent) through FY99. This forces recruiters to work on a sub-optimal month-to-month basis, struggling to meet each month's accession goal. The forced focus on in-month goals negatively impacts overall productivity and detracts from efforts to improve the sustainable, long term health of recruiting.

The continued hard work of our recruiters, application of extra resources in FY99 and FY00, and the initiation of new programs, have resulted in achieving the accession mission for 16 consecutive months through January 2000. We are cautiously optimistic that we will achieve our overall FY00 accession mission. However, my optimism is tempered by the fact that we are entering our toughest recruiting season, February through May, without a healthy DEP. We will continue to battle on in the face of myriad challenges to Navy Recruiting. Our long-term strategy continues to be building a stable recruiting program with a healthy DEP and recruiting the right mix to meet the Navy's 21st century requirements. With your continued support, we are focusing on acquiring and effectively utilizing resources needed to pursue recruiting quality people in the numbers we need to maintain your Navy's worldwide preeminence.

## **Planning for Success**

Given the challenging requirements and conditions Navy Recruiting is expected to face over the next several years, we have developed a robust strategy with four focus categories. With strong congressional support, FY98 and FY99 saw many improvements in:

- the recruiter force,
- advertising,
- incentives, and
- market penetration.

Several additional high priority recruiting resource requirements have been identified which will allow us to continue expanding upon recent successes through FY00 and FY01.

## **Sustaining the Recruiting Force**

The quality and depth of our recruiting force is the single most important factor in the recruiting formula. In less than one year, we increased the size of the force by 35 percent to 5,000 production recruiters. Based on prevailing market conditions and accession requirements, we are striving to maintain that level at least through FY01 or until we have achieved a healthy DEP. This cadre of 5,000 men and women includes 70 recruiters selected as E-4s (many were advanced to E-5 after selection for recruiting duty) to whom recruiting duty was first opened in FY99. This change expanded the pool of personnel eligible for recruiting duty and is expected to positively impact productivity, since our junior E-5 personnel were observed to be our most productive. The new E-4's are highly motivated volunteers, usually reporting from a successful first sea tour which permits them to relate exceptionally well to their target audience. Preliminary production data indicates that they are more productive than their senior counterparts.

In no small part due to their demonstrated success, we intend to increase the participation of E-4 personnel.

Our Recruiter Selection Team (RST) has also been an invaluable asset in building and sustaining an effective recruiting force. Established in early 1998, the RST is now firmly established in three fleet-concentration areas. They provide the fleet with an accurate vision of recruiting duty, generate volunteers and effectively screen candidates for recruiting duty. In the first four months of FY00, the RST has screened 638 individuals

We are also working to optimize the locations and productivity of our recruiters. We have opened, or are constructing, over 200 new recruiting stations to reestablish a presence in communities we left in the early 90's. We are also working toward our long-term goal to staff all of our stations with 2-4 persons based upon research that indicates that is the optimum size recruiting station. (We now have one-person stations only where geography dictates). As we increased the size of our production recruiter force, we discovered a need to provide increased administrative support to maximize recruiter production time. To that end, we have hired over 100 district-support personnel and have identified a CNO priority requirement to contract out administrative support duties in our recruiting stations. In January, we kicked-off a Bluejacket Hometown Area Recruiting Program (HARP) to augment our existing recruiter force. Senior Navy leadership is helping to seek out motivated young Sailors, generally on their first tour of duty, to return home to assist their local recruiters for up to two weeks, and we pay for their travel. We have already scheduled over 400 volunteers, with plans to seek more among students awaiting instruction and prior-service personnel awaiting in-processing.

### ***Recruiter Quality of Life***

Not a day goes by that we are not deeply inspired by our recruiters' efforts. They are on the front lines, attracting and accessing America's finest into the Navy. This fall we conducted our most recent Recruiter Quality of Life survey. We were pleased to

learn that recruiters believe their role is important, that they are learning valuable skills and that their contributions are recognized and appreciated. We were not at all surprised to hear that they find recruiting duty to be more stressful than other Navy jobs, that they are working over 60 hours a week or that they do not feel adequately prepared or compensated. These stellar young men and women are excelling on our behalf, but at great personal sacrifice. They are often located in sites far removed from the typical Navy support services. Housing, subsistence and medical care present amplified challenges to the average recruiter. We cannot overstate the importance of improving the support we provide for our recruiters.

Navy Recruiting initiated a Government Leased Housing program in FY99 to help offset recruiter housing expenses. SECDEF's recently announced housing initiative will also contribute significantly to addressing concerns among recruiters about the inadequacies of BAH.

Inaccessible health care, leading to greater out-of-pocket expense, and the complexity and difficulties associated with claims processing are major dissatisfiers for recruiters. We are trying to assist through our health care benefits advisors network. We strongly support the Chairman of the Joint Chiefs of Staff's position that improving TRICARE, particularly benefits like TRICARE Prime Remote, is one of DOD's top priorities.

In addition to hiring district support personnel and station administrators to ease the administrative burden on recruiters, we are also actively pursuing a series of Smart Recruiter initiatives to help recruiters work smarter rather than harder. These initiatives include providing cell phones and a 1:1 vehicle ratio for the 5,000 member recruiting force and developing enhanced recruiter training, using the same training techniques that have been so successful for the Marine Corps.

### **Getting the Message Across**

In FY00 Navy received \$70.1 million for active duty recruitment advertising. We are using all media markets, including television, radio, Internet, direct mail, printed materials, newspapers, magazines, job fair and convention support, public service announcements, and CD-ROM's. Last year, an OSD sponsored study by Bozell-Murphy made several recommendations for improvement. Among those that we have completed, or on which we are nearing completion, to gain maximum benefit from of our advertising dollars are: increasing staff expertise, reducing national sports event media buys, implementing dark-periods during the media year in order to focus budget resources on key periods and integrating public affairs into advertising. A number of other recommendations are under review, including, expanding investment in local advertising, increased investment in internet banner advertising, conducting more research, and retooling media tactics by segmenting our market into various age groups, including our influencer market, with distinct strategies for each segment.

Navy's advertising campaign continues to incorporate the "Let the Journey Begin" tag line in all advertising products. It highlights the attributes of "Navy Life" with an underpinning tone and symbolism of core values. This research-based advertising strategy places increased emphasis on what young people can expect in Navy life and on the advantages of Navy benefits: high-tech education and life-skills training; self-challenge and preparation for the future; travel and adventure; teamwork and camaraderie; and quality of life enhancements such as leisure activities and family support. The campaign continues to add depth and realism by featuring the testimonials of real Sailors spoken in their own words about the fun, adventure, and challenge of Navy life - connecting with the target audience in an honest and relevant way and allowing our potential recruits to "see and hear themselves" in the Navy. Alongside this new "Navy Life" campaign we are continuing to fund visibility of the existing "Honor, Courage, Commitment" ads.

Results reflect that all commercials increased Navy awareness, bolstered propensity to join the Navy, and fostered perceptions that Navy prepares individuals for the future while facilitating the accomplishment of personal and professional goals.

Program Eligible Leads are up 40 percent for first quarter of FY00 compared to the same period in FY99. We have also experienced success in our Direct Response Television spots as well as our new 28-minute infomercial. Both produce immediate and highly trackable leads at a low cost.

We continue to expand into our fastest growing media market, the Internet, with widespread presence through banner advertising and job postings. In FY99, over 4,000 contracts, or nearly 8 percent of our goal, were attributable to our web-site, compared to less than 1800 in FY98, and just over 800 in FY97. Additionally, we have moved into Electronic Recruiting (E-Recruiting) using recruiters to place job announcements on web-sites and screen applicants and résumés. Further, Navy was selected, by OSD, to test-market outbound telemarketing and kiosk utilization for all services.

We are currently working on several new marketing products and initiatives. We have produced new videos as fulfillment items and are expanding into CD-ROM's for direct mail campaigns. These new aids will specifically target Naval Flight Officers, Medical Service Corps, Civil Engineering Corps, Nurse Corps, and various enlisted programs. Additional new initiatives we are working include political-style local media blitzing, U.S Navy Scholastic All-American Team Program, Hispanic Market penetration tests, and a 20-seat 3D full-motion flight simulator for fairs and conventions.

For FY01 our advertising budget remains constant at \$71.6 million. We have identified a need for additional funding to enable us to continue the very innovative and aggressive advertising programs discussed above and to continue leading the assault in initiating new advertising strategies using emerging technologies.

### **Enhancing the Appeal**

We are constantly working to expand incentives and programs to create the best possible product for our recruiters to offer America's young people. With your support, we have enhanced financial incentives in the form of Enlistment Bonuses (EB) and

Navy College Fund (NCF), the latter an augmentation of the valuable Montgomery GI Bill. We have developed educational programs to increase our appeal to the college-bound market, including Navy College Assistance Student Headstart (NavyCASH), Technical Preparation (TechPREP) partnerships and the Navy College Program (NCP). We have also established added incentives to persuade new recruits to access as General Detail (GENDET) Sailors, including the GENDET Targeted Enlistment Program (GTEP), Homeport Guarantees and bonuses.

The Enlistment Bonus (EB) is used to attract prospective recruits, and as a channeling tool to persuade quality applicants to access into our most critical ratings and during our most challenging seasons. In FY99 and FY00, we have offered a seasonal shipping bonus to increase accessions during the difficult February to May season. The bonus was \$3,000 in FY99 and increased to \$5,000 this year. Our highest bonus levels are reserved for our most high-tech, demanding, critical ratings, such as Nuclear Field. Starting in late FY98 and continuing through this fiscal year, we are offering bonuses to GENDET accessions. The GENDET apprenticeships are undermanned and difficult to recruit to as recruits increasingly look for a guarantee of technical training. GENDET EB is proving popular with take rates consistently at or near the top of all eligible ratings. We thank you for the authority granted in the FY00 Defense Authorization Act to increase our maximum bonus amount to \$20K. We have not yet used this higher bonus level, as we strive to make the most judicious use of our EB budget, but we may move to higher levels for our most critical skills. In the FY01 Defense Omnibus Submission we have requested authorization to award bonuses for two and three year obligations, as the Army currently does. We are confident that such bonuses can help us fill our GENDET gaps at-sea.

An opportunity to earn money for college is consistently one of the top three reasons new recruits list for joining the military. The GI Bill is still the most widely recognized educational benefit of military service and a key selling point used by recruiters. Navy College Fund (NCF) compliments the GI Bill and is funded at nearly twice the FY97 level. This program has proven to be a strong incentive for attracting

the highest quality individuals into our most technically demanding ratings. In FY00, we began offering the EB/NCF combination option. Having the combination available affords our prospective recruits with the ideal opportunity to tailor their incentive package to meet their individual needs.

Navy recognizes that with the prevailing increase in the number of students choosing to attend college immediately after high school, it is essential to portray the Navy as a viable source of higher education, in partnership with national colleges and universities. We have three exciting, relatively new programs active this year to promote Navy's image as a viable source of advanced education in cooperation with civilian institutions. Navy began to form TechPREP partnerships with community colleges in FY99. Interested students sign up during their junior year in high school. They complete 15 college credits while in high school, another 15 credits after high school graduation while in DEP and all remaining required credits through Navy basic and select advanced technical training in order to be awarded an associate's degree from a partner community college. Already 37 schools and two statewide community college consortiums around the country have signed articulation agreements, with many more in the works and high school students are already participating in these programs. TechPREP participants are also potentially eligible for bonuses, NCF and/or loan repayment programs when they access on active duty. An additional program, currently limited to nuclear field and critical submarine ratings applicants is the NavyCASH program. Selected applicants enlist in the Navy in an inactive paid status for up to one year while attending college before they ship to RTC. This exciting program improves the entry-level training of applicants and allows the Navy to manage the shipment timing of recruits. Currently limited to 150 work-year quotas per year, this program is proving extremely popular, with roughly two thirds of the quotas for FY00 obligated by mid-February.

A third program that highlights Navy educational opportunities is the Navy College Program (NCP). Effectively kicked-off in October 1999, NCP assists Sailors in obtaining advanced degrees as quickly as possible. It incorporates and expands upon

all existing Navy education programs. Every Sailor is given guidance to develop a roadmap for obtaining a degree based on pre-service education, rating technical training, existing distance learning and testing programs and in-service college attendance using Tuition Assistance. Transcripts are available to Sailors detailing all current credits from any active duty educational experience. Partner colleges will award appropriate degrees upon completion of necessary credits. From a recruiting perspective, it is gratifying to be able to describe to recruits this clear indication of Navy's support of lifelong learning for all Sailors.

Today's youth are immersed in a high-tech world that demands ever-greater levels of technical training. Prospective recruits are increasingly likely to demand technical training in the form of formal A-school guarantees. This has made the GENDET apprenticeships harder to fill. Several initiatives have been developed to combat this problem. GTEP allows an individual to join the Navy, spend 12-18 months as a GENDET, then go on to attend a guaranteed Class "A" school. In this way, Navy fills its near-term GENDET requirements and provides the individual desired technical training. Although it first became available in June 1999, we sold 433 GTEP quotas through the remaining four months of FY99. We have already sold over 300 GTEP seats in FY00. Since there are some inherent limits to GTEP, we are using other incentives also. Starting in FY00, recruits who choose to enlist as GENDETs are offered their choice of geographic region for their first assignment. Nearly 600 homeport requests have been accommodated through January. GENDETs also have been eligible for EB since late FY98. Our most fundamental effort to improve GENDET sales involves an in-depth look at the names, descriptions and marketing materials we currently use for these apprenticeships. We are working to ensure recruits are given the most accurate information about the choices, incentives, and long range training opportunities that are available to Navy GENDET Sailors. We have already found with some of our other ratings that clearly portraying our job programs in modern, high-tech language makes all the difference.

### **Expanding Opportunities to Serve**

In January 1999, Navy reduced its requirement for accessions with a high school diploma from 95 percent to 90 percent, the DOD standard. The intent of this change was to provide opportunities for military service to those proven performers who had previously been excluded based on lack of a specific type of education credential. The High School Diploma Graduate (HSDG) requirement is used as a measure of attrition risk, while the Armed Forces Qualification Test (AFQT) score requirement (62 percent of accessions must score in the upper half on the AFQT) is used as a measure of skills, trainability and qualification for various ratings. Because the greatest concern associated with increasing non-high school diploma graduates (NHSDG) accessions is an increased risk of attrition, Navy Recruiting tightened its existing screening process. Additionally, new measures were taken in DEP management and at Recruit Training Command (RTC) to reduce attrition risk. One such measure is a one week Academic Capacity Enhancement (ACE) course provided at the beginning of RTC to NHSDG accessions to improve their academic and social skills and increase their chances of completing recruit training.

With just one full year of accessing to the 90 percent benchmark and less than a full year of RTC attrition data available on these carefully screened individuals, it is too early to reach any solid conclusions, but several positive observations can be made. The Navy was able to access 2,500 individuals who otherwise would have been excluded from service, which certainly helped us to reach our FY99 accession mission. Partially because of the screening requirements for these NHSDGs, our quality actually improved from 64 percent to 65 percent of accessions scoring in the top half of the AFQT. While we increased by five percent the number of NHSDG accessions, RTC attrition in FY99 was virtually identical to that of the previous year. The attrition gap between HSDG and NHSDG has not increased. RTC attrition was more than 2 percent lower in the second half of FY99 than in the same period of FY98. So far in FY00, RTC attrition is continuing to trend downward despite an increased number of NHSDG accessions. At least one division composed largely of NHSDG ACE graduates has earned CNO honors for superior performance at RTC. Starting in FY00, RTC is offering

ACE students without a GED a chance to earn one. Of those who have taken the required exam, 82 percent have earned their GED.

We continue to explore other options to expand opportunities for service within the constraints of existing quality requirements. We are developing a DEP enrichment program. The objective would be to enhance the basic skill level of otherwise fine candidates before accessing them into the Navy. We would identify individuals with high school diplomas and favorable background checks, but whose test scores are slightly too low to qualify them for enlistment in the Navy (though eligible under broader DOD guidelines). They would be provided basic skills training and an opportunity to retake the Armed Services Vocational Aptitude Battery (ASVAB) to raise their AFQT score. If successful in raising their AFQT to at least Navy's minimum of 31, they will be enlisted. These individuals would be good retention candidates based on education credentials. They would represent low disciplinary risk based on clean records. They may even already qualify for some ratings based on composite line scores. They are just slightly lacking in basic verbal and mathematical skills measured by the AFQT. By providing basic skills training, we give these individuals a second chance to prove themselves and go on to serve with distinction.

In FY00, we are returning to a policy of actively recruiting prior-service personnel, a pool of talent that was relatively neglected during the downsizing. Prior-service accessions were limited, if not virtually shut down during the nineties as the focus was on encouraging individuals to leave, not to enter the military. That era is well behind us. As we review the gaps in our overall manning, it becomes increasingly attractive to seek out not only the best, young, new recruits, but also those individuals with valuable experience who are qualified to return to service. We have begun to obtain regular mailing lists, develop advertising materials, and to otherwise aggressively seek out Prior Service personnel to welcome back into the Navy. We have accessed 939 Prior Service personnel through the end of January and are aiming for a minimum of 3,000 for FY00. This would bring us close to the numbers achieved in the late 80's.

Recognizing the increasing diversity of the American population, we are aggressively pursuing efforts to increase our penetration of ethnically diverse markets. Since FY98, Navy enlisted accessions have been averaging 20 percent African American, 15 percent Hispanic and 10 percent Asian/Pacific Islander/Native American, collectively the highest percentage in DOD. We believe we can do better, however, both in enlisted programs and especially in officer programs which continue to lag enlisted percentages. Navy Recruiting has a permanent diversity programs office and hired a temporary consulting expert to improve our efforts to reach out to a more diverse population. We are actively pursuing relationships with or participation in organizations, corporations, conferences and job fairs with strong minority representation. We are working to place Navy advertising in ethnically diverse media and to more effectively identify and target minority schools, neighborhoods and organizations in which to increase Navy presence. Current minority active and reserve officers are encouraged to serve as adjunct recruiters.

### **Enlisted Production**

With the low DEP, FY00 will be an extremely challenging recruiting year. Although Navy Recruiting is determined to achieve our accession mission for FY00, we anticipate much hard work yet to be done as we enter our most difficult recruiting season without a comfortable DEP cushion. We remain concerned that, at the current rate of production, we will not attain the number of new contracts necessary to strengthen our DEP position. We have achieved 100 percent of our FYTD accession mission through January 2000 but the recruit mix continues to be an issue. We Currently project that our accessions for the year will be 90 percent HSDGs and more than 64 percent will score in the upper half of the AFQT (Test Score Category I-III A).

Our highest priority enlisted program is Nuclear Field (NF). This program has the most stringent educational, mental, physical and security requirements of all. Field recruiters must work particularly hard for top quality individuals to fill the NF program requirement. On the other hand, the program is also the most enticing of enlistment

options with the highest levels of EB and NCF, valuable technical training, and the NavyCASH program for qualified candidates. Between the unmatched incentives, the support of the program manager and the top priority given to NF in recruiter incentive systems, Navy Recruiting has achieved a healthy DEP posture and has already identified nearly 100 percent of the FY0 NF goal. This will continue a decade long string of successful NF recruiting years.

In addition to the NF program, we have identified a group of critical ratings based on required technical expertise, more stringent entry level requirements and/or urgent manning shortfalls. The number of critical ratings accessions has increased by more than 130 percent in the past six years, but the goals continue to increase and remain challenging. The FY00 critical ratings accession goal is 3,000 greater than in FY99. Critical ratings production is currently trailing overall accession production, but shows some promise in the upcoming summer months. We anticipate recruiting will achieve some, but possibly not all of our specific critical ratings goals. We are striving to improve the appeal of critical ratings with higher EB and NCF levels and improvements to the marketing materials used to describe the ratings to prospective recruits. We have already experienced very positive results with some programs simply by identifying and describing jobs in the high-tech language of today's youth.

The enlisted programs category with the largest remaining percent of FY00 goal yet to identify is GENDET. In the incentives section above we detailed our initiatives to improve the appeal of GENDET, including bonuses, guaranteed technical training and homeport guarantees. We are also working on our marketing tools, focusing on improving the descriptive materials available to prospective recruits. Our efforts are gradually paying off. We are about seven percent ahead of last year's GENDET production. We anticipate our GENDET attainment for FY00 will be better than FY99, but will probably fall short of our objective. We have tried to offer some shorter term (two and three year enlistments to improve GENDET production, but we have had few incentives to offer. We had an allowance of 500 two-year seats to sell in FY99, but sold only 56.

## **Officer Production**

FY00 will be an exceedingly challenging year for officer recruiting. Due to lower than anticipated retention and high levels of Officer Candidate School (OCS) attrition, the in-year goals for the various officer programs increased by an average 30 percent. Emergent goal requirements for officer programs are especially challenging. The FY00 picture is decidedly mixed, with NUPOC recruiting and several of the most popular programs displaying strong sales while several specialty areas among medical and general officer programs are struggling.

The NUPOC program is postured to achieve its first fully successful recruiting year since FY96. The impact of several initiatives established in FY99, and mentioned earlier, is now being fully realized. By mid-February, 85 percent of the FY00 goal was identified compared to less than 70 percent at the same time last year. Over 60 percent of the FY01 goal was already identified as well, including 100 percent of the Surface Warfare goal. Improved incentives for new accessions and strong resource sponsor support of the recruiting effort have generated a level of momentum projected to sustain a successful NUPOC program into the out-years.

Medical Officer accession numbers for FY00 are tracking close to FY99 levels, but percent attainment is lower due partially to an average 10 percent increase in goals. Most programs are tracking well toward achieving goal with the exception of the most challenging specialty areas: Orthopedic Surgeon, Family Practice, Optometry, Pharmacy, and Health Care Administration. Financial incentives in the form of accession bonuses or loan repayment programs and scholarships continue to be crucial to our ability to attract the most qualified applicants.

Currently we anticipate achieving our overall accession mission for general officer programs (non-NUPOC or Medical) despite a 32 percent increase in goals, but foresee difficulties with some specialty areas. Several programs including Pilot, Surface Warfare Officer (SWO), Intelligence, Cryptology and SEAL/EOD are at or near 100

percent of their goal for the year already. The most challenging goals will be CEC and Supply. The goals for these programs increased by 79 percent and 55 percent respectively in-year. The emergent goal increases, specialized skill requirements and civilian market competition for these specialties put goal attainment at high risk. NFO and Chaplain will also be challenging this year. New marketing materials are in the works for NFO and Chaplain, while we are pressing for CEC and Supply officers to participate in our Hometown Area Recruiting Assistance Program. We are exploring the need for additional accession bonuses and/or loan repayment programs to assist with critical in-year officer accession requirements.

### **Civil Engineer Corps (CEC)**

CEC Officer recruiting is at a critical stage. CEC failed to make goal in FY99 (63 of 67 OCS accessions) and we anticipate missing goal again this year projecting that we will access only 60 of our goal of 120. We currently have accessed 46 for the year. For FY01 there are only 24 of a required 110 collegiates under contract. For FY02 there are only eight of the required 110. Based on this out year pool of engineering students signed up to become CEC officers, it is unlikely that the CEC recruiting goal will be met in FY01 and FY02. We are reviewing the need for an accession bonus to improve the CEC recruiting posture.

## **OTHER RECRUITING AND RETENTION RELATED ISSUES**

Several other issues factor into the recruiting and retention equation and most assuredly fit into our quality of service commitment, are particularly noteworthy and deserve recognition. Although these may be less tangible, they play a critical role in attracting men and women to serve and incentivize them to stay Navy. In addition to the continuing efforts to reduce the workload of the Sailors through Secretary Danzig's Smart Work and Smart Ship programs and the CNO's continued improvements in the Inter-Deployment Training Cycle, these other issues include our pursuit of the Thrift Savings Plan, , coordinating and providing access to educational opportunities, and keeping our commitment for quality health care.

### **Thrift Savings Plan**

Navy continues to strongly support implementation of the Thrift Savings Plan for our Sailors. It is a "win-win" program that encourages our young Sailors to save for the future, aids recruiting and retention and makes military compensation more competitive with the civilian sector. Feedback from the Fleet indicates our Sailors have a strong desire for this tax deferred saving plan. Finding an offset for the PAYGO provision has unfortunately kept DOD from implementing this program. We are hopeful that this can be resolved and that TSP will soon be available to our Sailors.

### **Educational Opportunities**

Educational incentives continue to be a top reason young people join the Navy and clearly provide highly effective retention tools. In further support of this data, we are finding that Sailors are increasingly pursuing educational opportunities to acquire new skills for career advancement and as a means to provide a better quality of life for themselves and their families. Education not only reaps dividends for our Sailors, but serves as a force and quality of life multiplier. They are involved in Academic Skills Learning Centers, testing programs for college credit and college admission, or taking

college courses on-base or at-sea under the Program for Afloat College Education (PACE). Navy members continue to indicate that education is a major factor in both their recruitment and retention.

An educated and trained Sailor is better equipped to handle the demanding, fast paced, high tech Navy of the 21<sup>st</sup> century. The higher tempo and complexity of future operations will test our Sailors' and Marines' abilities to innovate, adapt, and apply their knowledge and experience to a variety of tasks in dynamic situations. Continuous learning is necessary for keeping our Sailors and Marines on the cutting edge, including an increased reliance on advanced distance learning systems. The Department's goal of putting career-long emphasis on each Service member's educational and training needs and accomplishments is clearly in consonant with Navy's retention priorities.

### **Health Care**

Health care remains an integral part of our overall readiness and retention equation and as stated before, our commitment to quality of service. I strongly echo both the SECNAV's and CNO's views that while TRICARE has been fully implemented, we have more to do before we truly deliver on our commitment to provide quality, accessible health services to the entire beneficiary population, including retirees. The Nation needs to keep faith with those over 65 who believe we have broken the promise of lifetime care for their sacrifices. How we respond to this issue sends a powerful message to today's Sailors as well as those considering military service.

The Department of the Navy is working actively with the Department of Defense, the Joint Chiefs of Staff, and the other Services on ways to improve TRICARE and, while hard work remains, civilian and military leadership is committed to making the health care system responsive to its customers.

### **SUMMARY**

We are in a war for people, a war the Navy is committed to winning. Last year's NDAA was a critical step in helping us in the recruiting and retention battle, and again, I thank and applaud the Congress and this subcommittee's efforts. That said, wherever I go in the fleet I am repeatedly reminded that the one step is not enough; that more is needed from both within the Navy and through help from Congress to continue to rightfully recognize the efforts and sacrifices of our Sailors. We need to leverage the successes in 1999 to sustain and build the force for the years ahead. We are dedicated to doing this. The more tools we can apply to this daunting task, including this year's legislative agenda and new recruiting and retention initiatives, the better we will be able to address our shortfalls. Although I am optimistic about the outcome, your continued focus and attention to our efforts will be pivotal in achieving the optimum personnel readiness.