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SUBCOMMITTEE ON PERSONNEL
COMMITTEE ON ARMED SERVICES
UNITED STATES SENATE

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Introduction

Mr. Chairman and members of the subcommittee, thank you for the opportunity to testify today. This is a great opportunity to meet with you, to thank you for your continuing interest and support of the men and women who serve our country so well.

In a recent speech at the National Defense University in Washington, D.C., Secretary Rumsfeld eloquently made the case that our national security strategy, the wars that we fight, the way that we fight wars, and the weapons that we use have changed forever, and we must transform to a new approach of deterrence and defense. He specifically stated that as we allocate defense dollars and prepare for nearer-term threats, we must not cheat the future...or the people who risk their lives to secure it for us. We embrace his vision, not only because it is his vision for the Department, but also because he is right. People are the key ingredient to readiness and to successful transformation. We must invest in human capital as ardently as we do weapon systems and we must have the freedom to manage that investment. The men and women of the Air Force, active duty, Guard and Reserve and civilian employees, are dedicated and patriotic individuals who have responded with fervor and talent to the attacks of September 11th. We must respond with equal determination to ensure that they are the best-trained and equipped force possible. We must also ensure that our personnel and force management policies are continually transforming to meet the ever-changing challenges of the 21st Century. This was brought home to us painfully on September the 11th and the weeks to follow as the President declared the War on Terrorism.

Where We Are

STOP LOSS

The war on Terrorism affects an already stressed force. Because of the increased operational requirements stemming from the War on Terrorism, the AF implemented STOP LOSS in September. STOP LOSS has been a coordinated Total Force effort, encompassing the Air Reserve Component (ARC) as well as the active force. We also put in place a process to waive the STOP LOSS order for those individuals with truly extenuating circumstances. As the war on terrorism evolved, we worked hard to define our current and future total mission requirements. In January, we were able to begin releasing airmen from individual career fields--specific Air Force Specialty Classifications (AFSCs). The initial release from STOP LOSS covered 24 officer AFSCs and 40 enlisted AFSCs, which comprise 14% of the officer and 24% of enlisted members of the Total Force. People released from STOP LOSS will be allowed to begin separating as of 1 Mar 02. However, the Air Force won't force anyone out the door with only 30-days notice. Even people released from STOP LOSS that must separate due to high year of tenure or mandatory retirement dates will be allowed to take up to five months to transition. We continue to review wartime requirements, and will announce further STOP LOSS adjustments at the end of March. I would like to point out that the dedication and professionalism with which the men and women of the Total Force have handled the additional frustration associated with STOP LOSS has been absolutely incredible, and is totally in keeping with our Air Force history of proud service to the Nation.

Mobilization

Our Total Force approach to STOP LOSS is just an extension of the way we view ourselves as a single Service. Well before September 11th, the Air

Force was truly a Total Force, succeeding through major contributions from active duty, civilians, Air National Guard (ANG), Air Force Reserve (AFR), and support contractors. This Total Force philosophy is paying huge dividends during the National Emergency as each component performs its role superbly. To date, we mobilized just over 26,000 ANG and AFR assets, with an additional 9,000 ANG/AFR volunteers serving daily. Let me tell you how proud I am of our Guardsmen and Reservists who have volunteered to serve our Nation. We have had tremendous contributions from Air Reserve Component (ARC) members that guard the nation's skies here at home, pursue terrorists abroad, and provide support to deployed forces. As we continue to support the Expeditionary Air Force (EAF) construct with our Total Force policy, the Mobilization of the ARC will remain a critical part of our capabilities, and the ARC will continue to stress volunteerism in meeting current Air Force requirements.

Total Force End-strength

Implementation of the EAF structure throughout the Air Force has enabled us to better measure and assess Operations Tempo (OPTEMPO)-related manpower requirements over time. In the pre-Sept 11 environment, we identified a historical, enduring demand for 2+ AEFs with acute impact on manpower requirements supporting High Demand/Low Density (HD/LD) assets. The events of Sept 11 exacerbated both our overall and HD/LD OPTEMPO, resulting in a higher steady state manpower requirement. New homeland security requirements have resulted in an ongoing reassessment of Air Force total manpower requirements. Our initial projections show increased demands in stressed specialties in war fighting skills such as security forces, intelligence,

and communications, which will have to be offset by reductions in other less stressed skill areas.

While we have been able to meet our end strength requirements short-term through the partial mobilization of the reserve components and stop-loss actions, these tools may affect Total Force retention down the road. We must plan to exit from STOP LOSS, while also allowing our dedicated Air National Guard and Air Force Reserve personnel to return to their normal, citizen-airman roles in the future. In achieving that end, Secretary Rumsfeld has challenged us to pursue more innovative solutions to offset the need for end strength growth. We see this as one more dimension of our transformation effort, and are investigating a variety of options for shifting resources from “tail” to “tooth”. We are also looking at cross-leveling within our force to lessen impact on stressed AFSCs. These “fixes” will take time to develop and implement, however, while the stress on our force is very much here and now.

The Way Ahead

Retention

Recruiting and retention are often mentioned in the same breath, but retention is more than just half the equation for achieving end-strength. Experience is key to Air Force readiness. The retention challenge is a composite problem affected by every other decision made in the AF from operational concepts to award policies. We have found that we recruit individuals into the Air Force, but the decision to either stay or separate is ultimately made around the family dinner table. Air Force members that stay with us do so because of their pride in serving our Nation, and due to the bonds they develop with the greater Air Force family. Our ability to maintain an Air Force culture that offers challenge and growth opportunities for our members,

adequate pay and benefits, and a quality of life acceptable for their families dictates our ultimate retention rates. We set high retention goals for ourselves because of the substantial cost of recruiting and training replacements when people choose to leave. Aided by the badly needed pay and compensation gains Congress worked hard to bring about, we have exceeded one of three reenlistment goals for the first time in 3 years--1st term enlistment. However, we still fell short of our second- and third-term retention goals. Increases in Initial Enlistment Bonuses (EIEB), Selective Reenlistment Bonuses (SRBs), and the expansion of the SRB program into new skill areas contributed to this improvement. With approximately 80% of our enlisted force eligible to make a reenlistment decision in the next 5 years, and recent decreases in officer retention in some of our most critical career fields such as scientists, engineers, and acquisition managers, retention will continue to be one of the Air Force's greatest challenge.

Recruiting

Our renewed emphasis on recruiting is paying dividends, as we are exceptionally well postured to exceed our current recruiting goals. We now have 1634 enlisted recruiters on the job and we are well on the way to meeting our goal of 1650. We have enhanced enlistment bonuses and reemphasized the recruitment of candidates that have some prior service experience. We started offering contracts to freshman ROTC cadets rather than waiting until their sophomore year, added a 1-year commissioning program to attract both undergraduate and graduate students, and increased the maximum age for entry into senior ROTC. Supported by an increased advertising budget that grew from \$16 million in FY98 to \$90 million in FY02, we have already accessed 107% of our FY02 year-to-date goal without lowering quality standards. However, it

would be a critical mistake to become complacent. The recruiting challenges that lay ahead are even greater than those we have overcome if we are going to achieve the force structure we will need for the future. We need to recruit the right mix of skills in the right numbers. In the enlisted force we fell short in the general skills area that includes one of our most stressed skills--Security Forces. We also failed to meet our goals in recruiting scientists and engineers, who are vital to our transformation efforts. An increase in the numbers of Air Force people devoted to meeting mission requirements in homeland security, anti-terrorism, and force protection, combined with the increased demand for transitional skills in areas such as science and engineering, intelligence, and communications, will demand creative new approaches to recruiting.

Investment in Human Capital

Human capital provides the foundation for achievement of every one of our goals, from meeting the challenge of the war against terrorism, to transforming the Air Force to meet future, unimagined threats. To that end, Secretary Roche has initiated a comprehensive overhaul of how we think about developing Aerospace leaders, and our programs for educating and training that workforce. One component of this focus on human capital is providing world class educational experiences tied to the unique demands of the Military Services. To that end, Secretary Roche and Navy Secretary England have begun a cooperative effort between the Air Force Institute of Technology (AFIT) and the Naval Post Graduate Schools (NPGS) to strengthen each institution as an independent Center of Excellence. The individual programs will compliment each other, and together they will offer all Services top-tier educational opportunities. Ultimately, our ability to transform will rest on the investment we make in intellectual capital today.

Compensation

As we transform we need to attract and retain the highest caliber, high-quality, high-tech talent. With an all-volunteer force, compensation programs must keep pace with the private sector or our transformation plans will not be achieved. The President's budget includes an additional pay raise for our military members. These raises will assist with retention, and make service in the Armed Forces more competitive with the private sector. Congress has long recognized the cost effectiveness of offering financial incentives in areas of critical military skills. A robust and targeted bonus program is still our most effective long-term retention tool to manage the force. We must extend authorities for accession and retention bonuses for both the active duty and the Reserves. For the foreseeable future, we will need help in areas such as Aviation Career Pay, Selective Reenlistment Bonuses, Critical Skills Retention Bonuses, and Nurse and Dental Bonuses. New legislative authorities for Critical Skills Retention Bonuses (CSRB) and Officer Accessions Bonuses (OAB) are valuable tools in recruiting and retaining the high quality people we need. Recent cuts in CSRB will have a direct and lasting negative effect on those very skill sets we have identified as critical to our success. Funding of CSRB, as well as enlistment/reenlistment, aviation, and medical bonuses is a vital component in our effort to build an experienced force.

Force Shaping

We can no longer rely on inflexible personnel and management systems to produce the workforce needed to do the job in the 21st Century. We must transform, utilize modern business techniques and explore creative means to

access, develop, and retain a multi-talented and skilled workforce. That is particularly critical in the civilian component of the force.

Traditionally, the Air Force civilian workforce has provided continuity and comprises a significant percentage of personnel in the scientist, engineer, contracting, financial management, logistics, and maintenance career fields. In the Expeditionary Air Force, the role of continuity extends to providing the “reachback” expertise necessary to support deployed troops, where previously that support was provided through forward-deployed bases. Civilians are an integral part of the complex system that keeps the fighters, bombers, tankers and rockets flying. They also play a critical role in the DoD’s homeland security mission. The roles Air Force civilian employees play in accomplishing the Air Force mission are, in and of themselves, compelling reasons to invest in the Air Force’s civilian workforce. However, there are other major issues that make investment in the civilian workforce critical.

A decade of downsizing has produced a civilian workforce that needs new blood and new skills. Since 1989, the Air Force eliminated 100,000 civilian positions. Hiring has been seriously constrained as we attempted to minimize the downsizing’s effect on existing employees. Consequently, there has been limited opportunity to refresh the force with new hires. Professional occupations have been the hardest hit. In 1989, a quarter of all professional employees were within the first 10 years of service; now less than 10% are. As a result, by 2005, based on the current assigned force, over 42 percent of the Air Force civilian population will be eligible for either early or optional retirement. Historical trends indicate that approximately one third of white-collar employees will retire the year they become eligible, approximately half retire within 2 years of eligibility and by the fifth year that number reaches 80%. For blue-collar employees, the numbers are even higher. We must have workforce-shaping flexibilities to

ensure we have a sustainable force that can meet tomorrow's readiness challenge. There are three distinct civilian force-shaping initiatives that we believe to be crucial and that are consistent with the President's Management Agenda.

First, we need to institute pay broad banding to simplify position classification and reward top performers. We need the authority to develop and implement a DoD broad banded classification and pay system. It would streamline the personnel management process, provide flexibility, be responsive to ever changing requirements, encourage empowerment, and enhance productivity.

Second, we support the Administration's initiative for expedited hiring that provides for category ranking of applicants but we also need the ability to do on-the-spot hiring for critical skills or where there is a demonstrated shortage of candidates. We need the increased recruitment flexibility to allow positions to be announced in a limited geographic area. Expedited hiring practices can increase efficiency without undermining merit principles or veterans' preference.

Third, we need the ability to shape our workforce to support our transformation efforts as the Air Force evolves and adapts to the changing security environment of this 21st Century. Early retirement and separation incentives will allow us to create vacancies, which can be used to renew the force now, and arrest the aging of our workforce. An aging workforce costs more than it would if normal accessions had occurred. Separation authority would be used judiciously to ensure institutional knowledge is not lost in the process.

Air Force leaders also need the flexibility to encourage critical skill civilian employees to relocate to meet Air Force mission requirements. Currently, we may pay for a last move home for SES members when they relocate in the interest of the government. We need the same flexibility, at the discretion of the

Service Secretary for certain other employees when asked to move within a few years of retirement.

Likewise, we need flexible authorities to respond to forecasted and unforeseen changes in military requirements. Previous military force-shaping programs and transition benefits expired on 31 Dec 01. These included an early retirement authority, VSI/SSB programs, TIG/CST retirement waivers, SERBs, and special retirement and pay authorities for the Reserve - relaxation of certain "active" and "consecutive" service timelines in the retirement eligibility/pay equation. Transition benefits that expired (applicable to involuntary separations only) included 2 years of continued commissary/exchange privileges, extended use of military housing up to 180 days, delay of travel/transportation/storage benefits up to 1 year, extension of expiration on Res MGIB benefits, educational leave for post-military community/public service, continued enrollment of family members up to 1 year in DoD schools and preference when applying to the Guard or Reserve. While other initiatives such as cross-leveling will be utilized to shape our force assets to requirements, they are not the single answer to successful force management. Hence, as with our civilian force, we must have the flexibility to discriminately incentivize separations and retirements to support current requirements and future planning. The availability of these authorities is critical to maintaining a stabilized military end strength and skill mix, and is consistent with our transformational strategy for personnel and force management policies.

Sustaining Quality of Life

Every dollar that we invest in quality of life (QoL) affects the readiness of the United States Air Force. We have identified a few key quality of life readiness drivers affecting both the member and his or her family. High OPTEMPO, excessive work hours, and extensive, extended deployments, all

mean less time with family. The resulting stress and strain will have a direct impact on readiness. Therefore, our highest QOL priority is ensuring we have the manpower needed to do perform our mission. Through our AEF construct, we can provide a properly sized force a high degree of stability and predictability in deployment and home station scheduling. In the past workplace environments have suffered because total Air Force requirements simply exceeded available resources. Fortunately, with the support of the President, the Congress, and the American people, the Air Force budget is now large enough to begin reversing that trend. The Congress has increased to pay, selected bonuses, and benefits for our service members and we support your continuing efforts to minimize out-of-pocket expenses and to ensure fair and competitive pay and benefits.

Programs and services that support and enhance a sense of community are critical, especially in times of deployment and war. In particular, quality health care and safe and affordable housing are key to providing military members and their families a strong sense of security. On-base MWR and Family Programs are part of the vital non-pay benefit system as are the commissary and exchanges. Programs like child development, youth programs, fitness centers, libraries, skills development, and family support centers contribute to the economic viability, morale, and readiness of our total force.

Our young enlisted members are finding it increasingly difficult to make ends meet. With the vast array of credit available to our members it is especially important for them to understand the consequences of assuming debt that can lead to long-term financial hardship. A study by the RAND Corporation indicates that 27% of junior enlisted members have problems paying their bills compared to 19% of comparable civilians. We conducted an internal survey of E-3 through E-5s and found that 24% had no savings and 29% had less than \$1,000 in Savings. We are helping our junior members before they fall into the spiral of

long-term debt, which in many cases leads to disciplinary action or separation from the Service. We are implementing preventative measures to assist our members and their families with Personal Financial Management Programs. We've added 2 to 4 hours of financial training in our basic and technical training curriculum along with 4 to 6 additional hours of training at the member's first duty station. We are exploring additional training opportunities at our professional Military Education Academies along with developing a WEB-based training program in our world class Internet site. The Air Force "Crossroads." As you continue to support closing the pay gap for our military members, we want to do all we can to support financial literacy so our members can make smart, informed financial decisions.

Summary

Secretary Rumsfeld and Secretary Roche share a very clear vision for the future of the Air Force. That transformational strategy invests in human capital as ardently as it does weapon systems, and aggressively employs sound business principles and modern management techniques to empower the workforce, speeding the agility of our response to emerging threats, and shifting resources from bureaucracies to the battlefield. Our Total Force is meeting the challenges of the new War on Terrorism head-on. They endure a high OPTEMPO, STOP LOSS, and Mobilization without complaint to ensure we achieve our Nation's goals. As leaders, we must use these and the other tools at our disposal judiciously to sustain the force that so selflessly serves our nation's interests today. With the added mission requirements of a war against terrorism, we have stressed particular career fields and will need to increase the numbers of people in those fields. The recruiting and retention of the high-tech work force necessary to achieve the Secretary's transformation goals demands pay and compensation competitive with the similarly educated work force in the

private sector. The time to invest in that precious commodity--human capital--is today. A much greater emphasis on advanced academic degrees from world-class institutions in mission-related fields is fundamental to our success, as are key retention tools like the MGIB and the Student Loan Deferment Program that allow us to recruit from the population of candidates that have college experience. There is no more critical need for us than the need for flexible management tools to shape our workforce—both military and civilian. Authorities like broad pay banding, streamlined hiring, and Voluntary Separation Incentives will allow us to mold today's workforce into a workforce with the skills for tomorrow. The way we fight our Nation's wars has changed forever. I look forward to working with each of you as we transform the Air Force into an organization perfectly suited for our new challenge.