

Prepared Statement

of

The Honorable David S. C. Chu

Under Secretary of Defense (Personnel and Readiness)

and

The Honorable Charles S. Abell

Principal Deputy Under Secretary of Defense (Personnel and
Readiness)

Before the

Senate Armed Services Committee

“Recruiting and Retention”

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Biography
Dr. David S.C. Chu
Under Secretary of Defense
for Personnel and Readiness

David S. C. Chu was sworn in as the Under Secretary of Defense for Personnel and Readiness on June 1, 2001. A Presidential appointee confirmed by the Senate, he is the Secretary's senior policy advisor on recruitment, career development, pay and benefits for 1.4 million active duty military personnel, 1.3 million Guard and Reserve personnel and 680,000 DoD civilians and is responsible for overseeing the state of military readiness.

The Under Secretary of Defense for Personnel and Readiness also oversees the \$15 billion Defense Health Program, Defense Commissaries and Exchanges with \$14.5 billion in annual sales, the Defense Education Activity which supports over 100,000 students, and the Defense Equal Opportunity Management Institute, the nation's largest equal opportunity training program.

Dr. Chu earlier served in government as the Director and then Assistant Secretary of Defense (Program Analysis and Evaluation) from May 1981 to January 1993. In that capacity, he advised the Secretary of Defense on the future size and structure of the armed forces, their equipment, and their preparation for crisis or conflict.

From 1978 to 1981, Dr. Chu served as the Assistant Director for National Security and International Affairs, Congressional Budget Office, providing advice to the Congress on the full range of national security and international economic issues.

Dr. Chu began his service to the nation in 1968 when he was commissioned in the Army and became an instructor at the U.S. Army Logistics Management Center, Fort Lee VA. He later served a tour of duty in the Republic of Vietnam, working in the Office of the Comptroller, Headquarters, 1st Logistical Command. He obtained the rank of captain and completed his service with the Army in 1970.

Prior to rejoining the Department of Defense, Dr. Chu served in several senior executive positions with RAND, including Director of the Arroyo Center, the Army's federally funded research and development center for studies and analysis and Director of RAND's Washington Office.

Dr. Chu received a Bachelor of Arts Degree, magna cum laude, in Economics and Mathematics from Yale University in 1964 and a Doctorate in Economics, also from Yale, in 1972. He is a fellow of the National Academy of Public Administration and a recipient of its National Public Senior Award. He holds the Department of Defense Medal for Distinguished Public service with silver palm.



Principal Deputy Under Secretary of Defense For Personnel and Readiness

Charles S. Abell

Charles S. Abell was appointed by the President as the Principal Deputy Under Secretary of Defense for Personnel and Readiness on November 15, 2002. A Presidential appointee confirmed by the Senate, he is the primary Assistant of the Under Secretary of Defense for Personnel and Readiness providing staff advice to the Secretary of Defense and Deputy Secretary of the Defense for total force management as it relates to manpower; force structure; program integration; readiness; reserve component affairs; health affairs; training; and personnel requirements and management, including equal opportunity, morale, welfare, recreation, and quality of life matters.

Prior to his appointment as the Principal Deputy, Mr. Abell served as the Assistant Secretary of Defense for Force Management Policy beginning on May 8, 2001. In this capacity he was responsible for policies, plans and programs for military and civilian personnel management, including recruitment, education, career development, equal opportunity, compensation, recognition, quality of life and separation of all Department of Defense personnel.

Before joining the Department of Defense, Mr. Abell served as a professional staff member of the Senate Armed Services Committee. Mr. Abell joined the Armed Services Committee staff in 1993, after a 26-year career in the Army. He was the lead staffer for the Subcommittee on Personnel, responsible for issues concerning military readiness and quality of life. His responsibilities also encompassed manpower; pay and compensation; and personnel management issues affecting active duty, reserve and civilian personnel; and organization and functions within the Department of Defense.

In recent years, Mr. Abell has had the primary Committee responsibility for a broad array of important initiatives aimed at restoring cost-of-living adjustment (COLA) equity for military retirees and survivors; improving the military health care program; upgrading Survivor Benefit Plan coverage; and enhancing pay, allowances and retirement programs for active duty and reserve members and TRICARE for Life, guaranteeing all retirees coverage within TRICARE and the military health care system. He also worked on codification of the homosexual conduct policy and legislation concerning the assignment of women within the Department of Defense.

Mr. Abell entered active duty service as an enlisted soldier and concluded his Army career by retiring as a Lieutenant Colonel. He served two tours in Vietnam in various positions; Infantry Platoon Leader, Company Commander and Cobra Attack helicopter pilot. His career progressed through increasingly responsible positions at every level of Army operations. His decorations include the Legion of Merit, (2) Bronze Stars (Valor), Purple Heart, the Meritorious Service Medal (with four Oak Leaf Clusters), 14 Air Medals (two for Valor), the Army Commendation Medal (for Valor), and the Combat Infantryman's Badge.

Mr. Abell holds a Master of Science from Columbus University in Human Resource Management and a Bachelor of Science in Political Science from the University of Tampa.

Introduction

Mr. Chairman and members of this distinguished Subcommittee, thank you for the opportunity to be here today.

The All-Volunteer Force is performing well. Although the Army is experiencing recruiting difficulties, recruiting and retention overall remains solid. Today, we will review with you the current status of military recruiting and retention and discuss some of the current initiatives we are undertaking with the Services to address the challenges we face.

Where we face challenges, we take the necessary steps to resolve problems. We continually review compensation packages to ensure that they are adequate to meet the needs of the members, whether the need be for basic pay, allowances, special pays, or survivor benefits. We work with the Services to take full advantage of the strength that comes from combining resources and knowledge, and of the research that we have done over the years to assist us.

The decisions made about authorities and funding for the next fiscal year matter a great deal to those who have volunteered to serve our nation. We are happy to be here to answer your questions and discuss the programs that we believe are essential to sustaining our volunteer military in meeting our national security requirements.

Active Duty Recruiting and Retention

The success of our All-Volunteer Force begins with recruiting, and the viability of the force is assured with successful retention. This has been easier in some years than it has in others. We gratefully acknowledge how the Congress provides additional

resources during the more challenging times to facilitate our success in both recruiting and retention.

Active Duty Recruiting

During Fiscal Year (FY) 2004, the military Services recruited 176,026 first-term enlistees and an additional 6,799 individuals with previous military service into their active duty components, for a total of 182,825 active duty recruits, attaining over 100 percent of the DoD goal of 181,308 accessions.

While meeting our quantitative goals is important, we also need to have the right mix of recruits who will complete their term of service and perform successfully in training and on the job. The “quality” of the accession cohort is critical. We typically report recruit quality along two dimensions – aptitude and educational achievement. Both are important, but for different reasons.

All military applicants take a written enlistment test called the Armed Services Vocational Aptitude Battery (ASVAB). One component of that test is the Armed Forces Qualification Test (AFQT), which measures math and verbal skills. Those who score above average on the AFQT are in Categories I-III A. We value these higher-aptitude recruits because they are easier to train and perform better on the job than their lower-scoring (below average) peers (Categories III B-IV).

We also value recruits with a high school diploma because they are more likely to complete their initial three years of service. About 80 percent of recruits who have received a high school diploma complete their first three years, yet only about 50 percent of those who have not completed high school will make it. Those holding an alternative

credential, such as a high school equivalency or a General Educational Development (GED) certificate, fall between those two extremes.

In conjunction with the National Academy of Sciences, the Department developed a mathematical model that links educational attainment, aptitude, and recruiting resources to job performance. With this model we established recruit quality benchmarks of 90 percent high school diploma graduates and 60 percent scoring above average on the AFQT. Those benchmarks were set by examining the relationship among costs associated with recruiting, training, attrition, and retention, using as a standard the performance level obtained by the enlisted force cohort of 1990. Thus, the benchmarks reflect the aptitude and education levels necessary to minimize personnel and training costs while maintaining the required performance level of that force.

Over the past twenty years, the military Services have met or exceeded the Department's benchmarks for quality recruits. The quality of new active duty recruits remained high in FY 2004. DoD-wide, 95 percent of new active duty recruits were high school diploma graduates (against a goal of 90 percent) and 73 percent scored above average on the AFQT (versus a desired minimum of 60 percent).

Through May of FY 2005, all Services except Army continued to meet or exceed both quantity and quality objectives for Active duty enlistees. The Army has achieved 40,964 of its 49,285 accession goal through May, for an 83 percent accomplishment. Army quality levels, however, remain strong (Table 1).

Table 1. FY 2005 Active Duty Enlisted Recruiting Through May

Active Duty Enlisted Recruiting (Preliminary Through May)	Quantity			Quality *	
	Accessions	Goal	% of Goal	% High School Diploma Graduate (HSDG); DoD Benchmark = 90%	% Scoring at / above 50th Percentile on AFQT (Categories I-III A); DoD Benchmark = 60%
Army	40,964	49,285	83%	90%	72%
Navy*	18,456	18,440	100%	96%	71%
Marine Corps	17,241	16,935	102%	98%	69%
Air Force	9,047	8,968	101%	99%	79%
Total	85,708	93,628	92%	95%	72%

The Army is applying additional resources to achieve its recruiting goal of 80,000 Soldiers by the end of the fiscal year. The Army is aggressively pursuing three avenues of approach: (1) adding active duty recruiters; (2) offering stronger incentives, with increased enlistment bonuses and an increase in the Army College Fund; and (3) using more targeted advertising, focusing on “influencers,” particularly parents.

The Services accessed 16,431 commissioned officers to active duty in FY 2004, with Army, Navy, and Marine Corps meeting their numerical commissioning needs. In FY 2005, active duty officer accessions are on track in all Services for numerical success this year.

Active Duty Retention

Over the past three years, the Department has worked to improve Service members’ quality of life. We continue to work with the Congress to achieve needed military pay raises, and to develop flexible and discretionary compensation programs.

We have every confidence that such funding and policy modifications will be sufficient to ensure continued success in achieving authorized strength levels.

Army and Marine Corps met or exceeded FY 2004 retention goals. Navy and Air Force were retaining more than their desired levels at the outset of the year, but force-shaping initiatives aimed at balancing manpower skills and assisting with force reduction caused them to retain fewer members during the last quarter of FY 2004. For FY 2005, retention is on track (Table 2).

Table 2. FY 2005 Active Duty Enlisted Retention Through May 2005

Active Duty Enlisted Retention (Final Through May)	Reenlisted Thru May 05	Mission
<u>Army</u>		
- <i>Initial</i>	17,579	18,700
- <i>Mid Career</i>	15,834	16,364
- <i>Career</i>	11,920	9,208
<u>Navy</u>		
- <i>Initial</i>	58.5%	53%
- <i>Mid Career</i>	66.7%	69%
- <i>Career</i>	85.5%	85%
<u>Air Force</u>		
- <i>Initial</i>	52%	55%
- <i>Mid Career</i>	46%	75%
- <i>Career</i>	94%	95%
<u>Marine Corps</u>		
- <i>Initial</i>	5,689	3,966
- <i>Career</i>	4,943	3,386

Stop Loss. The Army is the only Service currently using Stop Loss. The Army Stop Loss program affects less than one percent of the total force (9,044 Active Component Soldiers, 3,762 USAR Soldiers, and 2,480 ARNG Soldiers in May 2005). The active Army Unit Stop Loss program takes effect 90 days prior to unit deployment or with official deployment order notification, and remains in effect through the date of redeployment to permanent duty stations, plus a maximum of 90 days. Reserve Component Unit Stop Loss begins 90 days prior to mobilization or with official mobilization alert deployment order notification, and continues through mobilization, and for a period up to 90 days following unit demobilization.

Army initiatives of Modularity, Restructuring, and Rebalancing the Active/Reserve Component mix, and Force Stabilization will, over time, eliminate any need for Stop Loss.

Reserve Component Recruiting and Retention

There has been considerable discussion about the stress that the Global War on Terrorism (GWOT) is placing on the force—both active and reserve. A repeated question is: What levels of utilization can the National Guard and Reserve sustain while still maintaining a viable reserve force? Recognizing that the GWOT will last for a number of years, the Department established a strategic approach to ensure the judicious and prudent use of the Reserve Components in support of the war effort. We will continue to assess the impact of mobilization and deployments on the National Guard and Reserve, and adjust our policies as needed to sustain the Reserve Components.

One way to examine mobilization of the National Guard and Reserve is in terms of today's force – those who are currently serving in the force. Of the 838,300 Reserve Component members who are currently serving in the Selected Reserves, 364,860 have been mobilized between September 11, 2001 and February 28, 2005– representing 43.5 percent of the current force.

Compared to Operation Desert Storm when we mobilized 30,000 Individual Ready Reserve (IRR) members, we have not used the Individual Ready Reserve in an aggressive manner to support the GWOT. In the past three years, we have mobilized 8,790 IRR members. However, further utilization of the IRR remains a viable option for meeting both near-term and long-term commitments.

We must establish the proper expectations for our Reserve Component members, their families, their employers, and the public in general. We are undertaking a program to foster appropriate expectations for the 21st century in terms of: (1) the frequency and duration of military duty and (2) predictability of extended duty.

Reserve Recruiting

The Reserve Components continue to face a challenging recruiting environment. In 2004, four of the six DoD Reserve Components met or exceeded their recruiting goals. While we have seen mixed results in the first eight months of the fiscal year, most Reserve Components are struggling to meet their recruiting goals (Table 3). The Army National Guard achieved 76 percent of its recruiting goal through May FY05, and the Army Reserve achieved about 74 percent of its goal.

Table 3. Reserve Component Recruiting Performance through May 2005

Reserve Enlisted Recruiting, FY05 Through May	Goal	Accessions	% of Goal	% High School Diploma Graduate (HSDG)	% Scoring at or above 50th Percentile on Armed Forces Qualification Test (Cat I-III A)
Army National Guard	39,957	30,252	76%	85%	54%
Army Reserve	16,143	11,889	74%	90%	74%
Naval Reserve	7,397	6,484	88%	91%	84%
Marine Corps Reserve	5,139	5,154	100%	95%	74%
Air National Guard	6,866	5,495	80%	unk	unk
Air Force Reserve	5,001	5,831	117%	90%	72%

While the other Reserve Components have been able to meet the DoD quality benchmarks for new recruits, the Army National Guard has historically experienced difficulty in meeting those standards. Army National Guard recruit quality levels, at 85 and 54 percent, are respectively, five and six percentage points below the DoD benchmarks of 90 percent high school diploma graduates and 60 percent scoring in the upper half on the AFQT. Rather than recruiting from a national market like the Active Component, the National Guard must recruit from local communities to fill vacancies. With National Guard units located in over 3,000 communities throughout the Nation, meeting the quality benchmarks has presented challenges. Conversely, the community-based nature of the Guard works to its advantage in retention, since “quitting the Guard” before a guard member completes his or her service obligation is very apparent to the whole town.

Recruiters report that there is a reduced propensity to join the military among today’s youth. Due to the realities of war, there is less encouragement today from

parents, teachers, and other influencers to join the military. Our efforts to recognize the value of service should help this over time. In addition to the reduced propensity to serve, fewer individuals are separating from the active components, and fewer of those who do separate are affiliating with the Reserve Components. These factors, coupled with an improving economy and lower unemployment, adversely affect recruiting.

The Army is also aggressively attacking any potential shortfall in Reserve Component recruiting through three avenues of approach: (1) adding Reserve Component recruiters, with an additional 1,900 Army National Guard recruiters and 734 Army Reserve recruiters programmed by the end of the Fiscal Year; (2) offering stronger incentives, with increased enlistment bonuses for both prior service and non-prior service recruits; and (3) using increased advertising, including targeted advertising to parents and influencers. Your support of these efforts is essential.

Reserve Retention

Retention in the Army National Guard and the Army Reserve remains very strong. Attrition in 2004, and thus far in 2005, is consistent with pre-Global War on Terrorism levels, and is actually considerably lower than pre-war levels in the Army Reserve. We expect attrition to remain within acceptable limits. The support of the Congress and stronger retention incentives help offset what might otherwise be a reduced likelihood to reenlist. The Department has established planning factors that will provide greater career stability and predictability to reserve members, their families, and their employers. The Services are implementing policies based on these planning factors now.

Table 4. Reserve Component Attrition through April 2005

Selected Reserve Enlisted Attrition Rate (in percent)	2000 YTD (Apr)	FY 2004 YTD (Apr)	FY 2005 YTD (Apr)	FY 2005 Target (Ceiling)
Army National Guard	11.6	11.1	12.5	19.5
Army Reserve	16.6	12.5	13.1	28.6
Naval Reserve	17.3	17.4	18.0	36.0
Marine Corps Reserve	16.2	16.0	11.0	30.0
Air National Guard	7.1	7.6	6.1	12.0
Air Force Reserve	10.5	8.1	8.4	18.0
DOD	12.8	11.6	11.9	

Legislation in Support of Total Force Recruiting and Retention

Recruiting and retaining the right people in the right skills in the right number has always been a challenge and continues to be our challenge today. None of this comes easily; and Congressional support continues to be key. We are grateful for the across-the-board 3.1 percent pay raise, the increases in Basic Housing Allowance for Housing (BAH), which allowed us to reduce average member out-of-pocket expenses from 3.5 percent to zero, and the targeted increases in pays and allowances for our brave men and women fighting the war in Iraq and Afghanistan and other dangerous places. We are also pleased with the related increases in pay and allowances and bonuses for our members in the Reserve Component.

The reductions in last year’s special pays and selective reenlistment bonuses, i.e., Army – \$6.3M, Navy – \$12M, Marine Corps – \$4.8M, and AF – \$90M, have presented challenges to retain Service members essential for meeting our military and humanitarian missions around the world. As we face these challenges, we seek your continued support in the forthcoming mid-year review and any associated reprogrammings.

We appreciate support of appropriations consistent with the proposed changes to our authorities. We are requesting an increase in the maximum amount for the Hardship Duty Pay and the House includes this provision in their bill. Our request recognizes and compensates our women and men who are serving in a designated hardship location, participating in a designated hardship mission. Our leaders need the flexibility to raise the amounts paid in order to (1) quickly recognize troops serving under the most arduous of circumstances, (2) support sequential assignment, and (3) meet future needs as they emerge and we ask the Senate to pass this provision. Our other major proposal increases the maximum allowable amount that can be offered under the Selective Reenlistment Bonus program is also in the House bill. This increase is necessary for targeting critical skills, as required, to retain sufficient high quality personnel and counter the lure of the high technology private sector and we ask the Senate to pass this provision.

Sustaining Army Strength

The active Army, in spite of taking a \$6.3M reduction in its special pays and selective reenlistment bonus funding this fiscal year, has increased its enlisted retention mission from 56,100 in FY 2004 to 64,162 in FY 2005, an increase of almost 15 percent. They are pursuing constructive levers, such as Force Stabilization policy initiatives, periodic reenlistment bonus program updates, and targeted special pays to influence soldiers and, most importantly, families to reenlist.

In September 2003, the Army announced and implemented a \$5K reenlistment bonus which was paid, in Iraq, Afghanistan, Kuwait, and South Korea. Through May 2005, more than 14,500 Soldiers have taken advantage of the Present Duty Assignment

Selective Reenlistment Bonus by reenlisting to stay with units in Afghanistan, Iraq, or Kuwait. The Army's current program offers bonus amounts up to \$15,000 to Soldiers in these locations.

The Department is taking advantage of a unique force restructuring process – the “Blue” services, Air Force and Navy, are reducing strength while the “Green” service, Army, is increasing. Our “Blue to Green” program provides sailors and airmen with a unique opportunity to “Go Army” under an initiative intended to rebalance the military and preserve human capital. Sailors and airmen in skills identified as excess who are qualified to remain in Service, shall be given the opportunity to apply for immediate inter-service enlistment into the Army. The Department is also working with the Services to boost prior service accessions by sending letters to military alumni inviting them back to active duty (recapturing first term losses).

The Department is also working closely with the Department of Homeland Security's Citizenship and Immigration Service to expedite citizenship applications for resident aliens who serve honorably as members of our Armed Forces.

To capitalize on our successes in retention and sustain that momentum, we must continue to invest in areas that leverage readiness. Authorities for flexible compensation tools enable the Department to tailor incentives to respond to specific readiness demands and provide the capacity to efficiently start and stop them.

We note that the House and this Committee included two provisions in their versions of the FY 2006 NDAA that will very positively affect Reserve component recruiting. The first provision would repeal the current affiliation bonus authority and combine it with the non-prior service accession bonus to provide up to \$10,000 to an

individual who is separating from the active forces with a remaining military service obligation, and agrees to serve in the Selected Reserve for a period of not less than three years in a critical skill, unit, or pay grade. We believe this will help us overcome the current shortfall in individuals transitioning from Active to Reserve service.

The second provision would authorize a critical skills retention bonus for Selected Reserve members similar to the current critical skills retention bonus available to the Active components. While attrition throughout the Reserve components is consistent with acceptable norms, attrition in certain skills is too high. This bonus authority would permit us to target those skills by offering bonuses to members who agree to serve in those skills for at least two years. A member would be limited to receiving \$100,000 over an entire Reserve career under this authority. This amount is half of the career limit of \$200,000 for Active component members for a similar bonus authority. We are certain that this bonus authority will help us retain the right members in the right skills.

Additionally, we note that the House has included two provisions in its version of the FY 2006 NDAA that will have a definite, positive impact on military recruiting. The House raises the maximum level for an enlistment bonus from the current \$20,000 to \$30,000. The Services now use enlistment bonuses in support of recruiting for a variety of purposes: to attract high quality youth, to steer recruits into “hard-to-fill” and critical skills, to even-flow the training base through seasonal use, to encourage enlistment for longer terms, and to reward advanced education. Raising the cap to \$30,000 will give the Services more flexibility in combining the uses of the bonus by encouraging particularly high quality potential recruits to enlist for longer terms in critical skills and enter active duty when most needed.

The second provision authorizes a one-year pilot test allowing the Army to offer a \$1,000 referral bonus to existing soldiers. This bonus would be paid for referring an applicant who subsequently enlists and completes initial entry training. Not only will this bonus be a boon to Army recruiting at a time when it is needed, the one-year pilot will give the Department an opportunity to judge the merit of such a program for Department-wide adoption. Since your bill includes no such provisions, we urge you to recede to the House on these two during your upcoming conference deliberations.

Reducing Stress on the Force

Three other initiatives proposed by the Administration would also help reduce stress on our force: strengthening the authority of the Department of Defense to train and equip the forces of other nations; creating in the Department of State a capacity for stabilization and reconstruction; and civilianizing military positions where appropriate, returning those billets to military use as needed. We regret that the amount and the scope of the request remains unfulfilled. The House State and Foreign Operations Appropriation Bills provide only \$7.7 million of the requested \$124 million for the newly created State Department Coordinator for Reconstruction and Stabilization (S/CRS) and neither the House or Senate Authorization bills include a requested authority for DoD to support S/CRS with a \$200m drawdown authority. The appropriation process has reduced the funding for civilianization by \$400 million. We urge the Congress to reconsider these marks and provide the funding and authority originally requested, to help reduce the stress on our forces.

Additional Opportunities to Support Our Efforts

Today's environment poses some recruiting and retention challenges for our All-Volunteer Force. The pressures of high operational tempo, increases in Army end strength in support of GWOT, and a rapidly recovering economy have made it difficult to achieve increased Army recruiting goals. We greatly appreciate how Congressional support in previous periods of difficulty has helped us maintain the AVF to which we are all committed.

Today I would like to encourage you to support us in a way you may not have thought of – by lending us your time and your voice. We are increasing our efforts to communicate the Value of Service to the American people. Throughout our nation's history, military Service had a tremendous formative impact on many of our greatest leaders – from Presidents to captains of industry to educators and even legislators – after ten years of much smaller forces, the patriotic tendency may be waning in our society.

In order to address this shift, we are developing a focused public affairs campaign aimed at bolstering patriotic impulses and highlighting the value of military service. The ultimate objective is to reach out to target parents and influencers in a way that leads them to support their son's and daughter's decision to serve. We hope that you will partner with us in this effort by teaming with our speakers' bureau to emphasize the importance, nobility, and Value of Service.

With your continued cooperation in support of the programs I have outlined, we can certainly see the Army through its current challenges, ensuring continued viability of our All-Volunteer Force.

Conclusion

Mr. Chairman, in conclusion, I want to thank you and members of this Subcommittee for your advocacy on behalf of the men and women of the Department of Defense. Whether the career of a member of the Total Force is measured in months or years, whether that career is spent in a Reserve component, an Active component, a combination of the two, or as a Department of Defense civilian, the nation's gratitude for dedicated service is proved in your continued support and funding for the programs that keep the force strong and healthy. We look forward to your questions.