

# CRS Report for Congress

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## **DOD Transformation Initiatives and the Military Personnel System: Proceedings of a CRS Seminar**

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## Summary

On April 9, 2003, the Congressional Research Service sponsored a seminar for the purpose of examining the Department of Defense's transformation plans, assessing the impacts these plans might have on the military personnel system, and discussing what issues these impacts might raise for Congress. This report summarizes that seminar and provides a transcript of it.

The impetus for this seminar was the Department of Defense's ongoing efforts to "transform" the U.S. military. There are a number of competing definitions of precisely what "transformation" is, but the term generally refers to a dramatic change, a "quantum leap" ahead, in military power due to technological advances, new operational concepts, and organizational changes.

Much of the discussion about transformation has revolved around the advanced technologies — especially information technologies — that allow the U.S. military to detect, track, and destroy enemy targets more rapidly and with greater precision. Significant attention is also being directed towards developing new warfighting concepts in order to employ advanced technologies for maximum effect. Yet often overlooked in the public debate has been the organizational aspect, which some believe to be the most important and challenging component of transformation; and central to any discussion of organizational change is the military personnel system.

The panelists for this seminar were Dr. David Chu, the current Under Secretary of Defense for Personnel and Readiness and Dr. Bernard Rostker, Senior RAND Fellow and Under Secretary of Defense for Personnel and Readiness during the Clinton Administration. Robert Goldich, a specialist in national defense policy with the Congressional Research Service, served as a respondent on the panel.

In their presentations, the participants generally agreed that the personnel system needed to be made more flexible, efficient, and productive, although they did not always agree on the best way to do this. Among other things, Dr. Chu advocated increasing the length of time that military personnel — especially senior officers — serve in a given assignment, raising the maximum age for active service, and modifying reserve obligations to provide for a "continuum of service." He also favored major revisions in the current DOD civilian personnel system. Dr. Rostker also favored increasing the length of assignments, but he emphasized instituting greater selectivity in bringing people into the "career force," increasing the typical length of service for those who are part of the career force, eliminating "cliff vesting" for retirement to compensate those not selected for the career force, and accepting a higher ratio of senior officer and enlisted personnel. Mr. Goldich added a cautionary note by arguing that recruiting a sufficient number individuals to serve in the military should not be taken for granted, and that a great challenge for the military in the future will be sustaining a training system which can effectively convert citizens into military personnel. None of the opinions, positions and policy recommendations expressed by the panelists reflect the views of CRS, which does not take positions on public policy issues.

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The impetus for this seminar was the Department of Defense's ongoing efforts to "transform" the U.S. military. There are a number of competing definitions of precisely what "transformation" is, but the term generally refers to a dramatic change, a "quantum leap" ahead, in military power due to technological advances, new operational concepts, and organizational changes.

Much of the discussion about transformation has revolved around the advanced technologies — especially information technologies — that allow the U.S. military to detect, track, and destroy enemy targets more rapidly and with greater precision. Significant attention has also been directed towards developing new warfighting concepts in order to employ advanced technologies for maximum effect. Yet often overlooked in the public debate has been the organizational aspect, which some believe to be the most important and challenging component of transformation; and central to any discussion of organizational change is the military personnel system.

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<sup>1</sup>The seminar was planned, organized, and managed by Dr. (name/redacted), Specialist in National Defense in the CRS Foreign Affairs, Defense, and Trade Division. Dr. Kapp, an officer in the U.S. Army Reserve, was ordered to active duty effective October 12, 2003, and has been unable to participate in the final editing of the transcript and its preparation for publication; Mr. Goldich performed these duties.

None of the opinions, positions and policy recommendations expressed by the panelists reflect any views of CRS, which does not take positions on public policy issues.

## **Key Comments of Dr. David Chu**

### **General Comments**

- ! Transformation is a process, not a fixed end-point. Transformation can also be viewed in the historical context of assessing whether forces and doctrines developed during the Cold War era are appropriate for the future or need to be modified. (p. 7)
- ! Transformation revolves principally around doctrine, organization, and people; hardware and technology are generally of secondary importance. (pp. 7-8)
- ! Highly motivated, quality people are critical to the success of our military establishment. The force needs to be “above average” and compensation needs to be set at a level high enough to attract above average people in a competitive market economy. (pp. 8-9)
- ! Personnel policies are not just important for the active duty military, but also for the reserve component and DOD’s civilian workforce (both civil service personnel and civilian contractors). (pp. 9-10)

### **Specific Recommendations**

- ! Reduce the frequency of moving active duty military personnel, and especially senior officers, into different assignments. Allow them to serve longer in their positions in order to master their responsibilities and maximize their value to the organization. (p. 11)
- ! Extend the maximum age of active service slightly to accommodate longer careers for senior officers. (pp. 11-12)
- ! Reassess the military’s “social compact” to keep up with changing social circumstances in American life; for example, look at ways to improve career opportunities for military spouses and to provide more privacy for junior enlisted personnel in their living quarters. (p. 12)
- ! For reserve personnel, a shift from the traditional model of reserve service — one weekend a month and two weeks per year — toward a more variable service obligation which is more intense during periods of national emergency and less intense at other times. (p. 13)
- ! For civilian personnel, a revised personnel system that provides for more flexible hiring mechanisms, “pay banding” instead of the current pay grade system, and collective bargaining at the national level as opposed to the local level. (pp. 13-15)

## Key Comments of Dr. Bernard Rostker

### General Comments

- ! The military's current personnel system is largely derived from the system developed near the end of World War II and reflects a 1950s, draft-era mentality. (p. 15)
- ! More than half the defense budget is dedicated to personnel;<sup>2</sup> therefore, reforming the personnel system should be a high priority. (pp. 15-16)
- ! The rapid turnover in positions which is common in the military arena severely limits the ability of leaders to effectively manage or reform the organizations they lead. (pp. 15-16)
- ! The comparatively short length of military careers allows talented people to leave when they are still very useful to the military. (p. 16)
- ! The Goldwater-Nichols Act added three to five years of joint "career content" but the typical career was not lengthened to accommodate this. (p. 17)
- ! The retirement system essentially forces large numbers of people to stay in the military until they reach 20 years of service. (p. 17)
- ! The Defense Officer Personnel Management Act's emphasis on equity in promotion opportunity for all officers undercuts the productivity and efficiency of the force. (pp. 17-18)

### Specific Recommendations

- ! A stringent system of selection for the "command track." Those selected for this "command track" would be eligible for a military career. Most of those not selected would be separated from the service, although some would be allowed to serve full careers in technical tracks. (pp. 18-19)
- ! Severance pay and vested pensions for those separated early. (pp. 18-19)
- ! Longer careers, lasting into the individuals late 50s and early 60s. (pp. 18-19)
- ! Lower turnover in job assignments. (p. 18)
- ! A greater number of people in the most senior grades. (p. 19)

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<sup>2</sup>The percentage of the defense budget devoted to manpower is dependent on definitions of what is included in the category "manpower costs." Using DOD's definition of "total pay costs" — which would exclude some costs related to manpower that are not compensation for individuals — indicates that in recent years about 40% of the total DOD budget has gone to manpower. This estimate would not necessarily contradict that of Dr. Rostker, therefore, because it would reflect different definitions. *National Defense Budget Estimates for FY 2004*. Office of the Under Secretary of Defense (Comptroller), March 2003: 121.

## **Selected Comments of Robert Goldich**

### **General Comments**

- ! One should not assume that the military will always have a sufficient supply of young people willing to join the military. (p. 20)
- ! The military lifestyle is inherently demanding and it is difficult to find people who are willing to endure it. (p. 20)
- ! The military has to be aware that identifying and appealing to those people who might be attracted to the military lifestyle is absolutely crucial. (pp. 20-21)
- ! Caution should be exercised in developing policies which appeal to individual self-interest — for example, replacing barracks with private quarters — as they may undercut the sense of military community. (p. 21)

## Appendix A: Transcript of the Seminar<sup>3</sup>

DR. KAPP: Without further ado, let's get started. Again, for those of you who came a little bit later, my name is (name/re dacted). On behalf of the Congressional Research Service, which is conducting this seminar, welcome. The principles that guide the work of CRS all derive from the Service's role in keeping the Congress informed. Throughout the legislative process, CRS provides comprehensive and reliable research, analysis, and information services that are timely, objective, nonpartisan and confidential. This seminar, as with all CRS events, is based on the concept that good policy evolves from discussions that present diverse points of view so that congressional audiences can have a balanced view of the pros and cons associated with public policy issues. Today's program is titled *DOD Transformation Initiatives and the Military Personnel System: Potential Issues for Congress*. This seminar is being simultaneously broadcast via the Web to the various offices of the United States Congress and in order to preserve the confidentiality of attendees, cameras will not show the faces of anyone in the audience, nor will they be identified by name.

The streaming video that will be produced will be a one-time live presentation, followed by video and audio clips, that will be made available on the CRS website within a short period of time. The basic outline of the seminar is as follows: I will start off with some short opening remarks on the topic and I will be followed by our panelists, Dr. David Chu, Dr. Bernard Rostker, and Mr. Robert Goldich, in that order. Dr. Chu is currently serving as the Under Secretary of Defense for Personnel and Readiness in the Department of Defense. Dr. Rostker is currently a Senior Fellow at RAND and he was the former Under Secretary of Defense for Personnel and Readiness during the Clinton Administration. Mr. Goldich is a Specialist in National Defense issues with the Congressional Research Service, where he serves as the senior military manpower analyst in the Foreign Affairs, Defense, and Trade Division. Mr. Goldich will devote most of his time to commenting on the remarks of Dr. Chu and Dr. Rostker. Following the presentations of these gentlemen, I'll open it up to the audience for questions and answers. We've set a fair amount of time aside for this, so please, don't be bashful. This is a great opportunity for you to ask questions of some of these distinguished experts in the military personnel field, and I really hope you take full advantage of that. So, let's get started.

The Department of Defense has currently embarked on a long-term effort to transform the U.S. military. While there are a number of competing definitions of precisely what transformation is, the term generally refers to a dramatic change or a quantum leap ahead in military power due to technological advances, new war-fighting concepts, and organizational changes. Or perhaps, more precisely in this context, transformation refers to the process whereby the U.S. military seeks to remake itself by incorporating these new technologies or finding concepts and

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<sup>3</sup>Transcript produced by EEI Production, Alexandria, VA. Technical corrections made by (name/re dacted) and (name/ re dacted), Congressional Research Service.



organizational changes, with the ultimate goal of generating dramatic increases in military power.

In recent decades, scholars have identified numerous instances in history where military forces have transformed themselves and thereby secured military advantage, at least for a time. Some commonly cited historical examples include the transformation of the 14<sup>th</sup> Century English military to take advantage of the longbow; the transformation of the French military in the late 18<sup>th</sup> Century, when the manpower and material of the nation were harnessed to an unprecedented degree through the *levee en masse*; and the German military's transformation during the period between World War I and World War II to allow it to fight a *blitzkrieg* or "lightning war." The transformation of the German military during the inter-war period is a particularly interesting example because it shows how these separate facets of transformation — technology, war-fighting concepts, and organizational changes — can interact in a synergistic way to bring about these dramatic changes in military power. For example, from the perspective of new technology, blitzkrieg relied on the maturing of three relatively new technologies — tanks, aircraft, and radios. From the perspective of war-fighting concepts, blitzkrieg relied on new operational doctrines which allowed commanders of the German panzer [armored] divisions to direct close air support by way of radio. From the perspective of organizational change, blitzkrieg concentrated armored forces in major units — the Panzer divisions — rather than dispersing the tanks throughout infantry units in order to provide them with fire support as the French originally did. Then, digging a little deeper into the organizational change, we can discern some of the impacts that this new way of fighting — this *blitzkrieg* — had on the German military personnel system: an increased demand for people with new skills — mechanics, electricians, large numbers of supply people to deal with the panzer divisions' incessant demand for fuel; pilots and navigators for the aircraft and so forth; increased demand for a large number of people intelligent enough and motivated enough to efficiently operate a complex system like a tank or an airplane; and a need to change the ratio of officers, noncommissioned officers and lower enlisted grades. For example, German aircraft were usually navigated and piloted by noncommissioned officers, and a German tank company had a higher proportion of officers and NCOs relative to the lower enlisted ranks than an infantry company did. There was also a need for new career paths for these people serving in the aviation and armor fields and so on.

So, bringing the discussion back to the present, the U.S. military is currently in the midst of a process to transform itself; and, during this process, much of transformation has revolved around the advanced technologies, especially information technologies, which allow the U.S. military to detect, track, and destroy enemy targets more rapidly and with greater precision. Some significant attention is also being directed towards developing new war-fighting concepts in order to employ advanced technologies to maximum effect. We've seen a fair amount of discussion of that during the current operations in Iraq and how those new war-fighting concepts are working out in practice. Yet often overlooked in the public debate has been the organizational aspect, which some believe to be the most important and challenging component of transformation and central to any discussion of organizational changes is the military personnel system. So to enhance the public debate on this topic, we've assembled this panel to look at what DOD's transformation plans are, to assess what impact those plans might have on the military personnel system, and to discuss what

issues this might raise for the Congress. What types of capabilities are envisioned for this transformed force? Which military occupational specialties will be in higher and lower demand in the future? What types of physical, psychological, and intellectual abilities will people need in order to fill the military specialties required by transformation? How will the military recruit and retain these people? What types of pay and benefits package will be most attractive to qualified individuals? In what ways will the training needs of a transformed force be different than it is today? How should career path be structured to enhance the effectiveness of the transformed force? What types of assignments will be more or less crucial in the future than they are today?

To answer these questions our first speaker will be Dr. David Chu. Dr. Chu was sworn in as the Under Secretary of Defense for Personnel and Readiness on June 1, 2001. He is a presidential appointee confirmed by the Senate and he is the Secretary of Defense's senior policy advisor on recruitment, career development, pay and benefits for 1.4 million active-duty personnel, 1.3 million Guard and Reserve personnel, and 680,000 DOD civilians. He is also responsible for overseeing the state of military readiness. Dr. Chu earlier served in government as Director of, and then Assistant Secretary of Defense for, Program Analysis and Evaluation, from May 1981 to January 1993. 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. Please welcome Dr. Chu.

DR. CHU: It's a great pleasure to be with you this morning and to have the privilege of participating in this panel, because I hope both for my fellow panelists and from your question intervention, to take back with me a wide range of views as to how we might confront the important issue in front of us. I would at the very beginning like to echo something that Larry hinted at, and that is how I would argue we should view transformation. Transformation in the end, as I think the present Secretary of Defense would emphasize, is a journey, not a destination. There isn't a fixed point out there — an answer at the back of the calculus textbook that we can look up and say, "Aha, if I just do the following things I will have achieved this goal." It does, of course, historically arise as an issue because with the end of the Cold War, the question that the Congress especially emphasized, that the Department of Defense had to answer, was "Is the same set of forces, the same doctrine, the same set of practices that characterize the Cold War for the better part of a half century appropriate to the challenges the United States will face in the decades ahead?" I think most people agree probably not — that there will be some changes, perhaps some very substantial changes, in all of the above as the Department moves forward. One of the critical corollaries, I would argue, is that transformation is not, let me underscore not, exclusively, perhaps not even principally, a matter of hardware changes, although that tends to be the focus. There's a lot of interest in what will technology do for us, and how might that change the way the Department functions. I would argue in general, that's secondary; that the issues of doctrine, organization, and ultimately people, really are the primary issues in front of the Department. Technology can have a marked effect, sometimes a sharp shift — as the examples Larry suggested might argue — sometimes more gradual in character.

I think most of you are aware of the present Secretary of Defense's favorite example of transformation, and that is the vignette of the special operations soldier

calling in precision air strikes from a strategic bomber using a satellite telephone on horseback in Afghanistan. And a more wonderful collage of ingredients would be difficult to imagine. In fact it calls to mind that old saying about how you should dress for a wedding — something old, something new, something borrowed, something blue. The old of course is clearly the horse, the new you might argue is the degree of precision that air munitions attacking ground targets have achieved, the borrowed you could argue is the satellite telephone, the blue, if I can keep this analogy going here this morning, I would contend is the sense of true blue, that is to say that ultimately whether or not this all worked depended on the qualities of that soldier on horseback. We could have all the marvelous technology, the engineering, and the scientific community could conjure up on the shelf. If that soldier could not put it together, did not know how to use that technology in a way that was appropriate to the moment at hand, and that would enable the pilots in the strategic bomber actually to attack the targets with precision munitions, everything would have been for naught. I do think that is a wonderful guide to thinking about the issues that Larry has posed for us this morning. Indeed it would be in my judgment the first of a set of assumptions that one might make about how one approaches the transformation issue as far as people are concerned.

A second assumption, I would argue, is that highly-motivated quality people are critical to our success. (The first assumption is that transformation is not just about hardware. It's principally about doctrine, organization, how we operate.) Although I don't think this is a new idea, I do think we sometimes are a bit forgetful that there are continuing returns to quality. This is demonstrated by research that colleagues of Bernie and me at RAND undertook some 20 years ago, in which people in various Army and military occupation specialties were put into simulated situations that were very consistent with what the real world would present and they were graded on their performance. And the performance was tracked back to their underlying qualities — their preparations, their aptitudes, etc. One of the things that was interesting about these experiments is that there wasn't any tail-off to quality or to returns to quality about this. For example, if you have a Patriot [air defense missile] operator — take a very appropriate example in present day, this was back when Patriot was brand new — the person with the higher aptitude skills identified more targets correctly, tracked more targets correctly, engaged more targets correctly, which as we've seen from various instances which have since occurred is truly a critical parameter. It doesn't flatten off somehow. There's no sort of *de minimus* view of what's good here. I think you see the impact of that kind of finding on the way the Department of Defense over the last three decades has gradually ratcheted up its view of what is the minimum quality we want in the force today. Some of you, Mr. Goldich among them, are old enough to remember the near failure of the volunteer force in the Seventies when Congress actually legislated minimum quality standards which by today's view of what's good are laughably low. So Congress, if I recall correctly, Bob, in that era said two-thirds of the male non-prior service enlistees had to be high school diploma graduates. Now we view anything less than 90% as a failure. In that era, if you recall, the nadir in the late Seventies, I believe in the worst year the Department had something like just over half of the male non-prior service enlistees were high school dropouts. I don't want to pretend that a high school diploma is an indicator of all goodness in terms of personnel qualities, but it certainly is the case that if you cannot get along with your high school principal, you are not going to like your drill sergeant. And so, as we've all seen in reams of research

through the years, possessing a high school diploma — successfully navigating an American high school — is a strong predictor of whether you get to the end of your first term of enlisted service. The aptitude scores are strong predictors of whether you can cope with the instructional material we give you to take you from your civilian status to a fully trained apprentice in a military occupational specialty. Likewise, in the Seventies, Congress set standards for what's now called the Armed Forces Qualification Test, that again, by today's view, are low relative to our current ambitions. So one of the lessons the Department has taken away from all this research — research has really had an impact here — in its own experience with the force is [that] high-quality counts. We are Lake Wobegon. We aim to be above-average. This goes explosively to an issue which I know always makes the budgeteers a little queasy, which is our compensation level, and the compensation package in the Department of Defense needs to be competitive with that agenda. It's not enough to match national averages. We have to do better than national averages, other things equal. That is, I think no great surprise to anyone who has actually served in the military. I think we can see the payoff to that quality in the operations currently taking place in Iraq. You see it in the ability of our young people under fire to improvise, to cope with a new situation, indeed just to find their way around a foreign city. I think it's amazing that these units have navigated through places like Baghdad without any big issues being raised of whether anyone's lost or otherwise not in the right place. That's not an accident. That's the result of insisting on high-quality standards of entry, high-quality standards in training, and high-quality standards to stay in the force.

One of the corollaries I think of this proposition — this goes directly to something I know that those in the labor movement have always been fearful about — is that the sometimes view that substituting capital for labor or moving to a more capital-intensive force, which is clearly where the American military is headed over the decades, is not a prescription for somehow dumbing down the task. Indeed it's somewhat the opposite, in its effect that these are machines that require higher aptitude, better qualified people. These are, as the labor movement would say, good jobs. These require a high education level. Increasingly this is a force, as many people here are aware, that has some degree of college experience, either acquired before it enters service or during the course of its military career.

The third big assumption that I'd like to emphasize as the starting point for debate is that the issue of what kind of people we need is a total force issue. I would, if I might, carp a little bit about our title here tomorrow. It's not just about military personnel which is often taken to mean the active force. The total force issue in the sense of active versus reserve — I'll come back to this in just a second — it's also total force issue in terms of what's the civil component of our force because the civilian component is equally important to the success of this enterprise. The fact that all those tanks work in Iraq despite extraordinarily bad environmental conditions is a tribute to the maintenance they've received, attributed also to the underlying design of that equipment. That's largely done by a civil workforce, whether contract or serving in the United States government. Let me switch then, if I might, to a little stock taking. Where do we start from in this transformational journey? Where are we in terms of the Department's people? First of all I think one of the great transformations — and I'm sorry it wasn't on your list, so I'm urging you to put it in your future talks — that the United States military has gone through has been the

notion that we would people this force with volunteers completely. That is truly a revolution. When the United States — and I think that Bernie is writing the history of this at the moment, and can speak to it more thoroughly than I can — but when the United States undertook to move to a volunteer force in the early 1970s, no nation had ever attempted a comparably sized effort, both absolutely and relative to population. The British did have a volunteer force much smaller in absolute size [and] relative to the population, as I recall the numbers. It was a rocky start. It almost failed, as the examples I've described tend to suggest. Indeed when I first came to this Department — Mr. Kapp was kind enough not to mention how long ago that was — the senior military leadership tried to talk to then Secretary of Defense Caspar Weinberger out of continuing our volunteer force. There was great internal dislike of this concept. It was a very different concept from before. You couldn't just draft people and tell them what to do. You actually had to get them to be enthusiastic by your leadership as to their task at hand. The fact that today it is something that every major country I would argue seeks to emulate; even the Russians are moving toward a volunteer force. Even the French are moving to a volunteer force, which I think is an extreme compliment in the military department, [and] is, I think, a tribute to the success of this venture. It did take 30 years and it took a lot of help from the Congress. The Congress has been very attentive to the volunteer force in my judgement, even when the Executive Branch — it's certainly true of the 1970s — was a little laggard in terms of pay. It was the Congress that came in and said, "No. You've got to do better by these people. You've got to take care of them. You've got to be more competitive with your pay scale." That is not to imply that we can rest on our laurels in this regard. I'll come back to this in a second. It really is a situation where I think the Department needs to be in a process of continuous improvement. We must at all times be seeking to better our situation. We need to be strategic in doing so, and we must recognize that the world around us constantly changes. We are not in some kind of continuing equilibrium. There are a lot of forces pushing us into disequilibrium with which the Department needs to contend — to which it must react. I want to comment on those in just a second.

Second, in terms of taking stock, I think one of the lessons, one of the take-aways from the present situation, the mobilization of the reserve forces in the United States, is that the reserves are today a complete volunteer force too. The mind set that people may once have had about the reserves — these were somehow people evading military service, which was a hallmark of the draft era; people who were reluctantly serving there as opposed to on active duty — that's not true of the reserves today and you can see it in the fact that we have mobilized well over 250,000 Americans, often on short notice, invariably at great personal difficulty in terms of suddenly being uprooted from their family and civil life, sometimes at substantial financial sacrifice. We have not had, I'm proud to say, any significant issue raised by reserves being called to active duty. Speaking frankly, we've had more issues with grumpy employers writing and saying, "Gee, I'm a little unhappy my person is being called up." I've actually had situations where the person is pleading, "Don't let my employer stand in the way of my serving the country. I trained for this. I want to do this. It's my duty." Terrific story in terms of the responsiveness of our people. Even a situation where we've extended their service unexpectedly, called them to do more, they have answered that call. I think we need to keep in mind the reserves are a volunteer force and we need to treat them that way.

Third, I think we need to be willing to praise our civilian workforce. It is a terrific workforce. If you look at various polls, whether it's Paul Light's survey or other instruments that have been used, the Department of Defense civil workforce generally scores better in terms of how satisfied it is with its situation. [That] doesn't mean it's perfect, and there are a number of issues out there, but we have a strong workforce, a happier workforce, particularly when it is in one of our so-called demonstration programs. The Congress has given the Department of Defense — and we're grateful for this — latitude over the last three decades to experiment with other types of civil workforce arrangements than the standard Title 5 paradigm. I think the record on that is clear. OPM's done a big study on this, which was published, I think, last year, that in general these are much more satisfied workforces when they are under these demonstration rules than those under the Title 5 civil constraints. I would use the word "constraints" advisably. Title 5, as you all know, is the modern day analog of the civil service reforms of the 1880s. They were a great set of reforms for the 1880s. They settled the struggle, dating back to the early 19<sup>th</sup> Century, as to what kind of federal workforce should we have. Should we have one in Jackson's view that's responsive to political direction, which someone kindly called the spoils system, or should we have one that emphasizes merit principles? Those favoring the merit principle won that battle. But that battle has long since — that fight has long since been settled. We need to move on. Title 5 rules don't let you do that. They are ripe for revision in my judgement and I think the judgement of most in service. Put another way, the excellence of our civil workforce is achieved despite Title 5, not because of its current structure. What does this all imply in terms of changes for the future for transformation as Larry would have phrased to start out this session?

First of all for the active force, it implies that one of the big issues that we need to take on is [that] we need to be more rational about how we assign people to their posts of responsibility. Specifically, we need to move away from the high turbulence world that so much characterized the Cold War — the view that every year or two you change jobs. Partly in the officer corps, because that was used for preparation for more senior responsibility, partly because we had a high fraction of force overseas so you had a rotation base issue with the force as a whole. We need to come back to this question of how long someone spends in a job from the perspective of what's best for that individual, and for the organization, in terms of tenure in a particular post. I think the conclusion of a review like that which we have begun is that typically people should spend more time in a particular post, in order for that individual, especially in a technologically demanding age, to master the responsibilities and to be able to give back to the organization. It certainly is true of the most senior leaders. If you look at the behavior of private corporations, on which RAND has done some excellent research for the Department of Defense, what you find is that typically CEOs spend an average of eight years on the job, and that senior executives typically who are placed in the position with the agenda of changing the organization — of reshaping the organization — generally spend at least four or five years in a particular post, not the 18 months to two years that characterizes many of our officer assignments, especially including, unfortunately, our senior officer segments. A lot of this is a matter of administrative changes in the Department, managerial changes, to have people stay in senior posts longer and at senior levels of responsibilities longer, than is now true. Congress has already enabled the Department in this regard. It gave the Department some years ago the authority to keep four-star officers for 40 years. The Department rarely did that in the past — in

the recent past. It gave the Department the authority to keep three-star officers through 38 years of service. Again the Department rarely did that. We are going to see more of that, in my judgment. We are going to be seeking from the Congress some facilitating changes to raise the maximum age for active service a bit from the current level of 62 years of age, in order to make this all work in the normal circumstance. You can see the first glimmerings of this sort of change already in the decision by the President to invite General Jones to move from being Commandant of the Marine Corps to being Supreme Allied Commander in Europe, and Commander of the United States European Command. It's very historical in character. Generally once one has been the Chief of Staff of a service — there are a couple of counter-examples over history — one sort of steps down and retires. So four years and you're out. Well, that's not going to be true for General Jones — four years and he's on to another senior post.

With the force as a whole, I think, one of the things we have to be thoughtful about is how we respond to the changing social circumstances of American life. What that implies, I would argue, is that we must constantly be asking ourselves: “[What] is the social compact — the set of understandings between us, our people, and their families — as to what this is all going to be about?” What we're going to ask of them and what we're prepared to do for them in return, needs constantly to be reviewed. And I do think there are a number of our practices in this regard that are not consistent with modern, American realities. One of the most important of which is that, typically now in most households as you know — true in the military as well, although again this mix of research demonstrating military spouses are at some disadvantage in this regard — and that is that both spouses work. And often it's more than work. It's a desire by the spouse for a career. Frequent moves are not consistent with fulfilling that desire. One of the reasons it's attractive to us to rethink the question of assignment length is that a side benefit is, you give the spouse some more stability. But more broadly, it will be incumbent upon us in the Department to think about how do we advantage spousal careers in a situation where most spouses are going to want to work and want to develop their career skills over time? To just take another example of a social change the Department will need to confront. As you know, the Department's intellectual outlook on housing for single junior enlistees is that they should live in the barracks. Some of this is because we own the barracks, and we've got business keys backwards where we own the building, we want to fill it, as opposed to asking ourselves, what do we want to offer our people, and, therefore, what kind of housing should we have? It is to me unclear why once they've completed training of the initial sort, why junior enlisted personnel — who are, after all, typically going to be college aspirants who would [rather] live off in private sector housing other than our choosing — why we should compel them to live in barracks? I know that military leadership will speak to good order and discipline, and we're all in favor of that, but of course we allow married personnel, which is the majority of our force, to live in housing of their choice. Why not something similar for junior enlisted personnel? In fact if you look at survey materials on how American youth sees us, and how their parents see us, one of the great negatives in those surveys is “living in the barracks,” the lack of privacy, the lack of a sense that you have a space of your own. So therefore I think as we look at this social compact, one of the things that we ought to look at is why do we have these practices as far as housing, if indeed we are aiming at a college-bound generation in terms of how we're seeking to populate the enlisted force of the American military.

So much for the active force. Quite briefly, let me move quickly to the reserve force. What we seek to create there is a continuum of service. Recognizing it is truly a volunteer force, and that we are advantaged by having those volunteers on active duty at times that make sense for the country as a whole, and we need to arrange things so that it also makes sense to them. As you appreciate the paradigm [with which] we operate the reserves, it could not be more different from that — at least officially. Officially reserves are people who serve 39 days a year. One weekend a month, two weeks in the summer. That's it. Now that's not the reality, particularly in the Air Force which has been more continuous in its use of reserves. But why is it that way? Why should it be two weeks in the summer? I've tried asking senior Adjutants General, "What would you do if we suddenly gave you 39 days a year and you could use them as you would like?" At least one of them would say, "I'd do three weeks in the summer if I could because two weeks is too short. I don't need all those weekend drills during the year. I need more time when the unit comes together with a major training range at its disposal when it could really take advantage of it." Now the issue would be, would the employers sit still for that? A lot of practical problems to solve in that regard. Indeed for some kind of specialists, do I need to see you very often at all? Let's take a trauma surgeon. Once you've received basic military instruction of some kind, do I really need you to come to my hospital to practice trauma surgery or am I better off letting you go to downtown Washington, DC or downtown Baltimore to practice trauma surgery in your civil capacity, and have a relationship with you that allows me when I need you — which is today, to be specific about this — to call you up? A compact — so we're saying to you that your service is going to be variable over time; more intense in periods of national emergency, less in other periods of time. All our rules, all our administrative practices in the Department militate against this kind of arrangement. We are starting to try to reinvent those rules. One of the first objectives, first pilot [projects] in this regard, is to see if we can recruit a set of civilian experts in spectrum management to serve in the Individual Ready Reserve, where the understanding with them will be exactly the kind I just described — that we will ask of you intermittent service in the military, but not a stylized, flat, 39 days a year. One of the things this required in order to make this all work well — this is where we're going to have to come back to Congress and engage in appropriate dialogue with the members and the committees — is the statutory requirement that you have a certain number of weeks of training before you're sent overseas. If you're already trained as a spectrum manager and I suddenly need you in southwest Asia, do I really have to send you through 12 weeks of training in the United States or 16 weeks, whatever it is, a rule that derives from sad experience with inductees during the Second World War? So with reserves, the continuous service for actives, more rational pattern of assignments.

For civilians, as my comments would suggest, what we would seek in the Department of Defense, the Secretary has said publicly, is a national security personnel system. We need to recognize the Department of Defense has a set of missions. They're somewhat different from some others in the government. There may be good government reasons for revisiting the Title 5 constraints in those departments too, but in terms of the Defense Department there is a real national security agenda that needs to be satisfied. An operating mission needs to be fulfilled. I think the three big elements of such a system that we would like to see the Congress enact — and I'm hopeful we'll be sending legislative language to the Hill, perhaps



even this week on this subject — are, first, more flexible, rapid, agile hiring mechanisms than we have today. It takes us, the Department of Defense today, typically 90 days to hire somebody. That is not competitive in today's job market. You go up against high-technology companies that are offering at college job fairs offering jobs on the spot, subject only to due diligence checks. We instead say, "Here are our forms. Please take our test. We'll let you know." That won't cut it. Particularly with the wave of retirements coming in the federal civil service system, we're not going to succeed in repopulating that system with the quality we have today if we can't get more flexible hiring authority. Congress has given the Executive Branch some broad authorities in this regard, with the Homeland Security Act. We're eager to have some of those authorities for the Department of Defense.

Second, we're convinced after looking at the 20+ years of the [China Lake, CA] experiment, and other demonstration projects Congress has authorized in the civil personnel system, that pay banding, as opposed to the stylized grade system that now describes most federal jobs, is the way to go. As you know, instead of having grades [GS]1-15 in the federal service, what pay banding does is say for a broad career field, you have a small number, maybe four, pay bands. So there's the apprentice pay band, there's a journeyman pay band, there's an expert pay band, there's a senior pay band. Once someone's qualified in that band, it's the supervisor's decision, not some grading specialist in the Human Resources Department. It's the supervisors decision, based upon the marketplace, that he or she confronts what to pay that individual. You adjust the pay as responsibilities undergo change. You don't have to rewrite the job description, recompute the job which is the Title 5 structure today. So I've had in my office a lady who is actually doing some additional responsibilities, and [I] wanted to enlarge her job description. She pleaded with us, successfully, not to do that, because if we recomputed it, she might not win that job. That creates a "not in my job description" kind of federal civil service. That's not the kind of place we need to be. It's not the kind of place that we want to be. I don't think it's the kind of place the country wants us to be. But that's the import of the rules under which not only DOD but most federal departments operate today. We need to change that mentality and pay banding is part of that. I know that many unions are suspicious of pay banding. Mr. Harnage has already issued his press release denouncing this idea. I think the actual practice demonstrates that it's not only sound, but the workforce will be happier with it. OPM has done a set of surveys on the federal government, including Defense, and if you break those surveys down for Defense between those workers who were in demonstration projects with pay banding and those without, the ones in pay banding are happier, but we have a union vote to continue that practice at its particular location. It's a much more flexible system. It does tend to tie rewards and performance and that's the hard point I think with some of the union leadership. They're worried that we will not be fair in doing that. I think the evidence is to the contrary and I think we can propose rules and mechanisms that will meet their concerns.

The final element that we would like to see in managing the civil service in a more modern fashion is bargaining at the national level on key human resource issues. At the moment the Department of Defense must bargain at the local level. We have 1,366 local unions at the Department of Defense and what that implies is that it takes a long time to get anything changed. We started under Dr. Rostker's tenure two years ago to get to a result to where if you abused your charge card or your

travel card we could collect from your civil service salary. We still have 200 unions to go in getting that change made. That is not the kind of agility that transformation is all about. Let me conclude by saying that I recognize that what we're going to send out here is a set of ideas, a set of principles; we'll have drafted legislative language I hope to Congress this week. I don't want to argue that we have necessarily found the best way to solve the challenges — to meet the challenges ahead of us and solve the problems we face in every instance. I welcome the dialogue and debate with the Congress and others including members in this panel this morning as to what's the best way to do this. I think together we can shape a personnel system for the civilians, for the reserve forces, for the active force in the United States that truly will meet the needs of the 21<sup>st</sup> Century.

DR. KAPP: Thank you so much for your comments, Dr. Chu. Our next speaker is Dr. Bernard Rostker. Dr. Rostker is currently working as a Senior Fellow at RAND. He has also held several government positions. Most recently he was Under Secretary of Defense for Personnel and Readiness during the Clinton Administration. Prior to this position, he served as the 25<sup>th</sup> Under Secretary of the Army, and before that was Assistant Secretary of the Navy for Manpower and Reserve Affairs. While in this role he was also named Special Assistant to the Deputy Secretary of Defense for Gulf War Illnesses. During the Carter Administration, Dr. Rostker was the Principal Deputy Assistant Secretary of the Navy for Manpower and Reserve Affairs, and then Director of Selective Service. As Director of Selective Service he formulated the Selective Service revitalization plan which resulted in the first mass Selective Service registration since World War II. Almost 4 million young men registered. Welcome, Dr. Rostker.

DR. ROSTKER: Thank you very much. I want to associate myself both with Lawrence's remarks and with David's remarks. The only problem with David's remarks is I'd like to see the Administration go further and faster and I would like to explain why. First of all, [the sign] says Dr. Rostker. There are many times I think that is really incorrect, in that I should address you as Trojan warriors, and the name here should be Cassandra, because Cassandra was Priam's daughter and was cursed with the ability to see the future but that no one would listen to her, and I would tell you that for the six years I was in the Clinton Administration, I was concerned about the need for transforming the military. We had had a revolution in military affairs. We had had a revolution in business affairs. We had no revolution in personnel affairs. The personnel system that was developed at the end of World War II to largely correct the abuses of the seniority system, a personnel system that had seen the Cold War was still in place. World War II was over. The Russians were gone, but we still managed our personnel in a system that largely reflected the draft and largely reflected the 1950s. At least three times in my tenure — once in the Navy and twice in correspondence with the senior leadership at DOD — I wrote papers arguing for a revolution in personnel affairs, and I got nowhere. The only senior executive, the only Secretary of Defense or Deputy Secretary of Defense who got it was Don Rumsfeld and you see Rumsfeld's insights in some of the initiatives that David is suggesting. You might ask why is this true? More than half of the budget is tied up in personnel, and reform of that portion of the DOD budget should be a high priority. I've reflected on that and I have come to believe in the problem that Richard Danzig, a colleague and the second most recent past Secretary of the Navy, has spoken about and has written about. And that is the difficulties of changing a mature institution

that on the surface appears to be operating well. You don't want to tinker with success. There is no question that we have success. We have an outstanding personnel system and the kinds of changes that Secretary Rumsfeld is pushing, that David talked about in terms of the senior leadership, the senior uniformed leadership, is pushing to a new plateau, and it's difficult for people to risk that. That difficulty comes in several flavors if you will. The senior executives are bewildered by the personnel system, by the rules and regulations. They don't understand it and they're scared of change. That is reinforced by the career personnel managers who have become experts in managing a set of outdated rules and can't possibly think of the world in terms that are not captured by those rules. They're experts because they're in the box, but that box is their constraint and any thought outside of the box is absolutely terrifying, because it comes from a new world that they don't understand. When Secretary Rumsfeld came in, and David alluded to this, certainly in a meeting that he and I had as a transition, he really raised three points which I thought got to the heart of what Lawrence is talking about in terms of transformation.

As David has alluded to, the first is the fact that we have this rapid turnover in jobs. At one point in my tenure as Assistant Secretary of the Navy, Fred Pang, who was the Assistant Secretary of Defense had us down to meet with Paul O'Neill. Paul at the time was the President of Alcoa. He also was Chairman of the Board of the RAND Corporation. This is the same Paul O'Neill who would later be Secretary of the Treasury. Paul told us that Alcoa was the most productive aluminum company in the world, and that the key to that was plant managers, and you had to find the best people to be plant managers and leave them in place a minimum of ten years. They had to be able to understand their environment. They had to be able to change it, see the effects of changes, and make adjustments. Ten years. Paul thought that our base commanders must be the analogy of the plant managers — that we needed to leave our base commanders in place for ten years. Regardless of whether he got the most important or not most important people in our family, that was his view. I said, "But we had a slightly different paradigm. We left our base commanders in place no more than two years." He said, "How can they create a program and execute the program and adjust if they're only in place for two years?" I said, "Well that's not the paradigm we work in. Their job is to execute a budget that they didn't create and create a budget that they wouldn't have to execute." He said, "How can you run an institution like that?" I said, "It beats the hell out of me, but that's exactly what we do." David alluded to, and you know, that our Chiefs of Staff spend four years. I'm reminded of the former President of General Electric that said it took him about eight years to figure out the job and then GE took off. But what's important is not just the CNO or the Chief of Staff who spends four years. What's important are the [deputy chiefs of staff] and the heads of our institutions, and they spend on average less than two years. There's no way that you can master your institution in that time, to say nothing of reform your institution. So that was one of the things that Secretary Rumsfeld understood.

The second was the issue of tenure. He was faced at the time of our brief meeting, with the retirement of the senior enlisted serviceman in the Air Force at about age 42, I think. He said, "Here we found a truly superb person, and at 42 we're going to let him go, to say nothing of then paying him for the rest of his life on a pension." No company in the United States would look towards taking its senior

managers and letting them go at such an early age, and yet we systematically built this.

The third thing that we didn't talk about, but it is clear in his pronouncements that has an impact on our personnel system, and here I'm going to reflect mainly on the officer personnel system, is the emphasis on jointness. You see it in the application of force in Iraq. This is truly a joint force. Jointness comes about because of Goldwater-Nichols and the requirements of Goldwater-Nichols. It adds a minimum of three to five years of career content as you master your service skills and then have to master your joint skills, and yet we try to operate that with no additional headroom in a career where we let people leave at 20 years, but more importantly we force large numbers of people to stay to 20 years because we have a cliff vesting system rather than an accrual system, rather than a transferable annuity-type system, which is what every other employee in the United States has. And then we say, "Once you have become a senior executive in the service that you have limited tenure and you have to be gone in your mid-fifties at 35 years of service." When Congress in its wisdom — and I truly mean that, sometimes it's referred to in the derogatory — but in its wisdom gave the Department the opportunity to extend flag and general officer careers, it was universally rejected by the individual service personnel planners. They couldn't possibly see how, in the box they had been working with, how they could use this additional tenure. Their problem was that if I have on average my senior flag officer staying a little longer, that would reflect a reduction in the promotion opportunity from colonel or [Navy] captain (O-6) to flag and that's not fair. Everybody needs the same promotion opportunity. It says so in DOPMA. DOPMA dominates by putting the emphasis on equity for the individuals, not on the productivity of the force and the efficiency of our force. What David has done in his flag initiatives is to change that. Effectively what they have been able to do is say, "We're going to have turbulence in the lower flag ranks until we find the stars — and I don't mean that by stars on the shoulders — and then we're going to keep them longer. If that means that a year group or two or three will have less of an opportunity to get those senior positions because they are encumbered by a Jim Jones or a Vern Clark, so be it. The important thing is the management of the force and the quality of our leaders, not letting everybody have a little chance. When we give everybody a little chance, that may prevent us from having some failures — some people who don't work out — but it's the same tenure that we give to our stars. We give them a little bit of time and we then take that job and we send it down the line for the crapshoot of who the next guy is going to be. Can you imagine running World War II and saying to Eisenhower, "Well you had your year as the Supreme Commander in Europe, it's now time to give it to somebody else because we really want to be egalitarian?" It doesn't happen that way in war. It shouldn't happen that way in peace. It doesn't happen that way in the civilian world. There are cohort problems. There are generational problems, and some people walk out and get promoted early on, and some very qualified people are in generations that are clogged up. And you know what, that's just the way it is. Life is never meant to be fair. DOPMA unfortunately decided that life had to be fair at the expense of the productivity of our force.

These are not just theoretical problems. I guess the only solace I had in my recent tenure in the Pentagon in the sense of feeling there was somebody who was listening to my cries was the taskforce of the Defense Science Board. They said —

and I'm going to quote them — "Unless the Department makes changes in its personnel and compensation systems, the force will be unprepared for 21<sup>st</sup> Century needs. Quality people will not stay in sufficient numbers, and those who do will lack necessary skills and expertise. A new personnel system is needed — one unlike any DOD has had before." I completely subscribed to that. I guess I should have because I actually had a footnote at one critical point, and said the points made here were presented to us by the Under Secretary of the Army, Bernie Rostker, so I sort of polluted their conclusions. I was glad to have this report because I endorsed it and built my personnel plan, my efforts as Under Secretary of Defense, around implementing their recommendations, and I know David shares the enthusiasm for their views.

But I must tell you my predecessor thought this was all too radical and how could he get away from implementing or addressing any of these recommendations. His criteria was stability. He wanted to have stability in the personnel system and not make changes. Making changes creates winners and losers. Just as the person who may now be a star and be promoted to a four-star job and spend eight years as a four-star is a winner, so a person who now doesn't have that opportunity is a loser. That, again, is the way life is. But there are people who think that that is really quite terrible and what we need to do is work toward stability. One of our services kind of got it. That is the Army in their OPMS XXI system. The impetus for the Army moving to this system was largely the observation that in their command tracks — and most of their junior officers came up through their combat arms — in their command tracks, if they were going to have free flow with these promotions, with the DOPMA promotion opportunities, they were witnessing massive turnover in personnel. Instead of being a battalion commander for two years plus, it was a year because they had to run so many people through this system. So they built a personnel system which has a stringent selection into the command tracks and take officers who are not selected for the command tracks or opt not to go into the command track and give them the opportunity to retrain in a softer — in a different kind of job and then stay. Some of them will stay for 20 years. Some of them will stay forever.

I like that system with one very important change. I would take most of the people who don't qualify for command, are not selected for command, and I would send them home. I would not have anything like a 20-year retirement. They frankly don't want to be there. They'd much rather have a vested pension and start a new career than have to stay in the service for another eight years just so they can collect their pension. Some may want to transfer over and I would want them to spend a full career, not a truncated career of 20 years, but a full career like you or I have into your late 50s or early 60s where you learn expertise, you learn your job, you learn how to do things. I would get away from the rapid-turnover force. That was a force that reflected both the draft and the needs for a mass army *a la* post-World War II. It is not a force structure; it is not a personnel system, that reflects the needs for highly-qualified experts to man the full range of systems and jobs that we have. So basically what I would like to see us do, certainly in the officer force, is turn DOPMA on its head. Instead of 70% or so or 90% or so of the captains going on to be majors, I'd cut that number way down to a number commensurate with a much more continued career system with longer tenures. I'd thank them for their service, and I'd give them severance, transitional pay and a vested pension. But those who I would invite into

our career force, both in the technical specialties as well as in our command specialties, I would expect to have less of an “out” in the “up or out” system and more of a “stay,” and much longer tenures.

In my first life, actually my second life in the Pentagon as Principal Deputy, the Navy had instituted a revitalization of its warrant officer program. We took the best of the senior enlisted, really stellar performers, and we made them warrant officers and then the next year we threw half of them out because we had a 50% promotion opportunity between the Warrant Officer grades. Jim Watkins who was a wonderful personnel manager for the Navy said, “This is nuts. We’re going to have a 100% opportunity to promote to the next grade. The only reason you’ll be relieved is for cause, because you’re not doing the job.” But here we’ve taken the best people, the survivors, the most skills and to satisfy some notion of a pyramid, we’ve told half of them to go home. We would have been better off leaving them in the enlisted ranks and they would have then served for another decade of useful service to the Navy. That notion needs to purvey our new personnel system. After the requirement — the need — for a large number of junior officers, when we are talking now about our seniors, we should be very selective — much more than we are today — and once we’ve made the selection, we shouldn’t be using arbitrary rules to force people out just to maintain pyramids. That would require the Congress to be more flexible in terms of worrying about how many colonels or lieutenant colonels we have. Much more looking at the productivity of the force and the experience of the force. It would be a structure that would increase markedly the productivity, the experience, the expertise of our military and drive that down.

Monday — and this will be my last remark — I had lunch with the CNO, Vern Clark. I would tell you that Vern has terrible personnel problems. He’s got too much retention. Too many people want to stay. How do you accommodate these superb performers in the current top six regulations? How do you think about a Navy where the recruit depot is reducing accession requirements? He’s got to figure out how to reconceptualize his whole recruit training program, get people out of that institution — that infrastructure — as he gets more and more tenure in the system. That’s the payback for the higher wages and the higher pay of people more senior in the system. It’s a whole different way of thinking. If we were successful in not forcing people — his senior enlisted — out at 30 years of service, and got another five years of service, it’s really amazing — we could even jot requirements down further. But that takes a whole new mind set, a whole new set of relationships with Congress, a willingness to see more senior numbers, more senior people, more senior compensation, different kinds of retirement systems. It’s all possible but the first thing we should do is tear DOPMA up, and tear the enlisted regulations up, and build the system based upon what our forces need today in terms of skills and capabilities, and reap the benefits of an enlisted force that wants to be there, and stays in large numbers despite today despite the rules we put in their way to making the military a true long-term career. Well, I’ve probably rambled on long enough, Lawrence.

DR. KAPP: Thank you very much for rambling on that long! Our final panelist today is Mr. Robert Goldich, a Specialist in National Defense with the Congressional Research Service. Bob works primarily in the fields of defense manpower and personnel, defense organization, Army and Marine Corps ground force structure and doctrine, overall U.S. defense policy, and military history. Since he joined CRS in

1972 he has published a large number of CRS reports and analyses on fields as disparate as military compensation, benefits, and retirement, conscription and volunteer force issues, the reserve components and military education and training. Mr. Goldich.

MR. GOLDICH: Thank you. First I would associate myself with probably what almost everything of what David said and although this may surprise him, a fair amount of what Bernie said. I think there would be a lot more agreement among the three of us than disagreement. But what struck me in listening to what both David and Bernie said is that they seem to almost take for granted a supply of personnel who, if the proper personnel management and compensation policies were in place, would automatically accrue to the military. But the main problem with that is that if you don't have enough young people in the country who are willing to join the military whether or not the tangible benefits in monetary terms and in terms of career satisfaction are there, then it doesn't really matter.

I was thinking — this made me think about what we've been seeing on TV and reading about in the newspapers the past several days. What we've seen a lot of is that what combat, particularly ground combat, still needs and what there appears to be no doubt that it will continue to require are some of the following: physical courage, physical fitness — both strength and endurance — stoicism in the face of suffering, aggressiveness in the face of danger, and bluntly the will to kill. These things apply to both what the Army would call combat support or combat service support — support rather than combat forces, and we can see this in Private First Class Jessica Lynch and her adventures and the fellow soldiers she was with who were very much combat service support and very much not combat soldiers. What war in general requires still, even if one is not in the theater of war and not in a combat position, are absolutely brutally long work schedules demanding a great deal of physical endurance, and a focus on mission accomplishment above personal and family considerations. It's very hard to find people who are willing to endure these things, and in fact to get great satisfaction in coping with them. And if you do not get people whose mind set is such that they are willing to endure these things, then it doesn't really matter what your tangible benefits are.

So what I would suggest that we need to think about are — or at least one form of transformation is the transformation from civilian to soldiers and the inculcation of soldierly attitudes, and I refer to people in all the military services not just the Army when I say soldiers. The gap between the things I just enumerated, and the more commonly known privations of the soldier in the field and the living standards and conditions of life of modern middle-class Americans, places a greater and greater burden on the training system to reorient the soldier toward life in the field or aboard ship, and toward life in the military generally. The reason for this is that there's in many ways a gap in sociological terms. The civilian is oriented toward the individual, the soldier toward the group. The civilian tends to be oriented toward self-interest, the soldier toward group-interest. The civilian tends to be entrepreneurial, whether in public service or in private industry, the soldier is more committed to the collective mission. And what I think the military has to be aware of with all of its personnel policies, is that it is absolutely crucial that they be able to identify and appeal to people that have these attitudes — that look for a lifestyle that incorporates these things.

I would suggest that one of the ways in which we need to do that may well be to reinforce perhaps the transformation of the civilian to the soldier. This might be going against certain aspects of conventional wisdom. It might for instance mean that you might want more rather than less military housing, perhaps military family housing. You might want more rather than less military base services and infrastructure. Why? Because this reinforces the idea of the military as a community. It reinforces the military ethic — the concept of a band of brothers, and now sisters. This is frequently criticized because people feel the problem — this would create a military more and more isolated from civilian life. I would suggest that this is not so. The military and the people in it are bombarded with civilian ideas and thoughts and concepts 24 hours a day. The problem, I think, is resisting some of this pressure so that we have an effective armed force. I would urge all of you, when you're thinking about all of the concrete aspects of pay and benefits and personnel management and what we should or should not do with DOPMA, the Defense Officer Personnel Management Act, also think to yourselves, how will this identify and how will it enable the military to find and keep individuals who like, who hunger for this very special military lifestyle, because I suggest that there is in many ways probably a fixed quotient of people out in the population who are really willing to experience this. If we develop the right ways of finding these people and keeping them once they are enlisted or appointed in the military, find ways in which to maintain and retain them, that those policies will in many ways make our life much easier in terms of dealing with recruiting and retention. In short, I think our problem is not as much one of fine-tuning matters to deal with people who may or may not be interested in the military. The problem is finding people who we know will be interested in the military for a full career and bringing them in. Thank you.

DR. KAPP: Thank you Bob, for those comments. That concludes the presentation portion of the seminar, so why don't we just take a quick five minute break here. [BREAK] Okay. Dr. Rostker has asked me for the privilege of rebutting Bob's previous comments, so I am going to give him a few moments to rebut and then we will go to the question and answer.

DR. ROSTKER: I would just take issue with Bob's comments on two or three levels. Number one, I am not at all concerned that there are not young men and women who want to join the military and I don't think it's that hard to find them. As we take these other changes and can reduce the requirements, that means we're having to go after less and less people. The personnel system is interesting. We have historically gotten into what's often been described as death spirals. We have shortages. That puts strains on people. They leave. That creates new shortages and we spiral down. Today we're spiraling up because we have outstanding opportunities, we have good readiness. We have a well-structured force and people want to stay with us. Unfortunately that puts pressure on, self-correcting pressure, because it reduces the number of promotions that are available and therefore it sort of damps down. So I'm not too concerned about — as Bob seems to be — that there's not people who want to be in the military. I am concerned about some of the more almost egalitarian — Bob refers to them as group think — of our military people [compared to other groups in our society]. We have a series of behaviors [about military personnel management] that don't really reflect the [personnel management practices of the] majority of institutions in this country. The Marine Corps, for example, was the service [which] most rejected the notion of early promotions and accelerated



promotions. They wanted everybody to be promoted at the same time — they want to stress the group dynamic. That's fine when they're looking out [for] their soldiers. It is not fine when you're thinking about the long-term management of this force. We want to identify people who have leadership, real leadership potential, and get them into real leadership positions, and differentiate and distinguish them from the rest of the group. That does run counter to some of the inclinations of our military managers. I think that is something that has to be fought and we have to persevere because it is too important to let mediocrity be the norm for our military.

DR. CHU: If I could just add one thought to the point that Bob raised. It is a critical assumption that we will have a sufficient supply of young men and women who are willing to put on the country's uniform. Obviously some compensation is directed toward ensuring that that assumption is valid. More broadly, I think Bob implicitly is pointing to a period in the nation's history when that assumption was nearly violated. And that is the 50s when the birth cohorts we're dealing with were the ones out of the Great Depression in the 1930s and they were very small relative to the nation's military needs. You could argue, therefore, that in that period it was — quite apart from the other elements leading to the same conclusion — essential to have conscription. Indeed that's one of the things I think that helped lead the country to a volunteer force as the Baby Boom generation matured and came to 18 years of age. We suddenly had a superfluity of young people relative to what conscription would have implied, which is [when] everybody was drafted, which was true in the 50s. Basically all males who could pass any kind of minimal mental and physical screen were drafted in that period of time because the nation's military was large relative to the size of the birth cohort. That all said, Bob is pointing at one of our challenges going forward. The nation's military as you know from poll results is one of the most respected institutions in American life today. That's been true roughly since the last Persian Gulf War. It was not always true. It certainly was not true in the Vietnam period. I used to attribute it to the men who are in the Armed Service that they made it into one of the most respected institutions in our society.

That all said, when you ask parents and what Bernie knows we like to call influencers — in other words, people who advise young people as to what they should do in terms of a first position out of high school or college, whatever the case may be — as to whether they'd say, "Yes, the military's a great choice," you don't get that same enthusiastic response. So one of our challenges, and Congress has been very helpful on this point with various pieces of legislation saying that the military should have equal access to our high schools, to our colleges and universities for recruiting purposes, and we're very grateful for that legislative encouragement. You need sometimes the hammer that has come with it. But we will need to do more. Hopefully you'll see soon, we hope, a sophisticated public diplomacy campaign will begin to remind the nation's parents and the counselors in the high schools and colleges that military service actually adds to people's values and adds to their lifetime competence in a way that goes far beyond the immediate skill. In other words, it's not just that you'll learn how to be a great mechanic, you'll learn what it takes to do a great job whatever your position in life might be, and what it takes to be a good citizen, whatever role you might play in the economic fabric of our society. I think that's crucial. We need to convince the parents, the guidance counselors, the uncles, the aunts, the big brothers and sisters, that when the young person comes to you and says, "I'm thinking of enlisting," you don't say, "Oh, no. You don't want

to do that.” We want them to say, “That’s a great choice. I’m proud of you for making that choice, and it’s something that you ought to think seriously about.”

DR. KAPP: Okay, let’s open up for the question and answer session, but let me just make two brief comments. A reminder that this seminar is being broadcast via the Web, so let me reiterate that in order to preserve confidentiality — of you — that we will not be showing any faces, and you will not be identified by name. Secondly, we do have a wireless microphone here; we will bring that over to you when you talk, so that not only the panelists can hear you, but the people listening on the Web can hear you as well. So do we have any questions? Yes, ma’am.

QUESTION: Can you hear me? Not to pile on even more conceptual burdens on reorganizing personnel issues, but the question I have is not only outside the box but sort of outside the universe of I think how we look at foreign policy and particularly military engagement. My question regards how are we going to expand the concept of jointness from the military to the other foreign policy agencies? I will just give you a personal anecdote because that’s how I’m understanding and also watching the news. The job of the military — in the last ten years certainly we’ve been seeing this more — has been expanding from just a combat role to essentially one of social stewardship. Certainly the Iraq conflict that we’re involved in right now illustrates this every day on the news, but as well in Afghanistan, one of the big problems right now I see in terms of how we organize our foreign policy professionals is that the only concept of readiness is within the military. We don’t have it, for example, for the State Department; we have experiments like the Office of Transition Initiatives, or we have disaster relief, which is like the Office of Foreign Disaster Assistance, but we don’t really have a combined joint effort of the military and the civilian. I would argue that younger people get this intuitively. I think it’s probably not as pervasive intellectually as you go up. I have a friend right now who’s the liaison with the civil affairs in Afghanistan, yet we only have one active civil affairs unit and now it’s in Iraq. It really, I think is going to be a detriment to our on the ground policy in Afghanistan, particularly when you have these really interesting innovations like the provisional reconstruction teams. My question then is do you see the military, especially here on the Hill, going to bat for this kind of much more pervasive readiness concept? Because you really don’t want to have your military doing everything. I think it threatens not only the professional culture of the military, but it’s also not how you want to conduct your foreign policy abroad because it’s severely imbalanced. I would argue that our foreign policy right now in funding, and in actual implementation, is severely imbalanced, when you look at traditional instruments of power that any officer could tell you that the United States needs to engage with.

DR. ROSTKER: You’re raising really two issues if I might. One, you use the term jointness which would imply to me how do you get people in uniform understanding the importance of some of these other functions and having opportunities within a career to serve with the State Department, for example. And we need to expand things like foreign service officers and the like. The problem we have had is to do that within the confines of a normal military career. So once we have trained somebody like that and if they get to the rank of full colonel, they have to leave at [age 52]. So that’s — a longer career would give us the opportunity to in fact do that.

The second part of your statement implied that you really didn't want to have people in uniform having some of these functions, because it is too military, if you will, and that there is a need for a new class of federal officer who might not be quite the military but could serve these additional functions. I would say that's right, and we'd have to think our way through. But that's not jointness. That's a new class of people. We have in homeland defense a situation today, where we have a Department of Homeland Defense and an Assistant Secretary for Homeland Defense. One of the things that we're going to have to sort out is what the role is that the military will have, and I would suggest that's a sorting out that is not necessarily going to be done at NORTHCOM with the military talking to itself. There has to be a dialogue with the other agencies of government, so that all are comfortable with when and where the appropriate role for the military is. But all of that is enabled further if we have a longer career where people have time to learn these additional skill sets.

DR. CHU: If I could just reinforce your message to all. It would be a great advantage I think, to try to get attention paid to the issue that you've raised. As you know, Mr. Rumsfeld has been particularly critical of the inability of the United States and its allies to extricate themselves from the Balkans promptly in the military sense — that basically there was a failure to devise a strategy for the prompt reinvigoration of the civil government. Just as you say, the military should not indefinitely be in this kind of role, and I think that's certainly the agenda going forward in Iraq as well. I do think that — I would urge a little caution, that by implication you are implying we should have most of our civil affairs capability in the active forces of the United States. The reality is, as I suspect you are aware, is that much of the talent in terms of knowing how to administer a civil government almost by definition resides in our civil sector. Some of the great advantage I think of the reserve civil affairs structure is we can call on local police chiefs, local judges, local administrators, who actually understand how to make a water system work and a sewage system function, both from the technical perspective and in terms of how you organize it administratively. I would be very cautious about throwing that advantage away. I think we're much better off having access to such units promptly, and such talent on a more continuous basis, as we're trying to do. Final thought. The good performance of American military units in these kinds of roles is not, as I know you'll appreciate, accidental. One of the things we haven't touched on this morning much is how should training be transformed. We're on a similar path in the Department in that regard that emphasizes jointness and emphasizes jointness both in the sense across American military branches but also in the sense of working with coalition partners and in the sense of working with civil agencies, which is critically important as you suggest. As you are aware, I think, when we send American military units into these situations we try our very best to have them practice the roles that they're going to fulfill. So they don't just show up suddenly in a peace-keeping or peace-enforcement situation hoping they'll figure out what to do. They have actually trained for that particular mission and gone to school on how to do that before they leave. I think that's a critical part of making the United States government effective and I think one of the things we need to figure out is how we work with our sister agencies in broadening the scope of personnel prepared to undertake these tasks.

DR. KAPP: Bob, did you have a comment?

MR. GOLDICH: Very brief comment to continue with what David said. I think it's important to keep in mind, though, that one of the reasons American forces have been effective in this role is precisely because they are a good military force in the generally accepted sense of the word. I think while doing as much as we can to facilitate their training in this regard, we need to make sure that in fact it does not in any way detract from their attaining the maximum amount of readiness for conventional military roles. Not only would that damage their capabilities for warfighting, it would also — paradoxically, from what most analyses have shown — damage their abilities to be effective peacekeepers and the like.

DR. KAPP: Next question? Ma'am? Let's get the microphone over there if you don't mind.

QUESTION: This is for Dr. Chu. You talked about how the reserve force are really truly volunteers now, but you also referred to the grumpy employers, and I'm thinking that the coercion now may be more on the employers who have no alternative under the law but to let the people go. Is the Department looking at all at the costs to employers of our increased use of reserves?

DR. CHU: We're just starting to get into that issue in the way that we should. We have, after much effort, succeeded in getting a legal ruling that we can actually ask people who their employer is. You'll be interested to know in this era of various concerns that the Department has previously been precluded from saying I need to know who your employer is so I can address the question you've raised. If I admitted a slightly out of school comment that's also an advertisement, at least from evidence I've seen, the employer that tends to be at the grumpier end of the scale is actually the sister federal agency. We have set up, recognizing the unusual nature of this mobilization, a process in which employers could write in saying: "My person is truly critical. I forgot to color the post key or critical," which you are allowed under the law to do, which means the individual must transfer out of the Ready Reserve into a stand-by capacity, which of course people don't [usually] want to go [into]. But recognizing the unusual nature of this situation, since September 11, 2001, employers could write in and say "I should have done this. Didn't do it. This is my key Arab linguist," to take the kind of thing that would qualify. I am amused to report that actually the private employers have been generally terrific about this. Very few inquiries from private employers. The bulk of the inquiries come from government employers, and especially federal agencies, including agencies of the Department of Defense. So I think the employer attitude, in general, I would emphasize, is pretty good, particularly in the private sector. Many private sector companies are stepping forward and continuing health plans even though our health plan is pretty good, it's just one less thing for the family to worry about if the employer continues the one the family's already on. We've taken steps to improve our health plan making everybody eligible essentially for Tricare Prime including Tricare Prime Remote, a power that Congress gave us last year. Some employers have stepped up and made up any difference in salary. I would emphasize I think the salary issue has been over-emphasized to the press. We have done surveys. We're going to do a new survey soon of this issue. The surveys indicate — the older survey indicates that, regarding reservists mobilized for service in the Balkans, 1/3 indicated they were making more than in civil life, 1/3 about the same, 1/3 less. More recent surveys narrowing the scope of spouses — interesting difference here — half the

spouses say they're making more as a family, as a household, with the person in military service [than] they were in civil life, 1/3 still say it's less in that circumstance. So it spans a spectrum. Therefore I'm not sure there's a big employer or compensation problem there to solve. I think we would plead with the Congress, let's complete the study it has asked for all reserve compensation, which is due later this year in August [2003], before we make big, new changes in how we manage that aspect of the system.

DR. KAPP: Sir?

QUESTION: My question has to do with end strength in the services. Given we have open-ended commitments in the Balkans, in Afghanistan, Iraq, an ill-defined military role in homeland defense and I'm sure some battles yet to be fought in the global war on terrorism. Do we have sufficient forces at the current level to maintain the operational tempo?

DR. CHU: The short answer as we believe is yes, but not if we have to operate under all the rules now applicable to Department of Defense. I want particularly to highlight the civil service rules in that regard. We would like a modernized civil service system specifically, because if you look at the individual posts with the Department of Defense there are approximately 300,000 people serving in active [military] service doing things that a civilian — either civil servant or contractor — could perform. In many cases these should be posts that civil servants ought to occupy. It is very hard, under current rules, to get the same kind of flexibility, if we try to move within the civil service, that we have with military personnel, which is why people all love military personnel and military units as the answer. So you have various kind of national emergencies. Take for example what happened in the airports after September, 2001: the National Guard in the airports — not previously thought to be a military mission — probably wasn't really a military mission, to speak frankly about it. But a great, flexible force, responsive to need, did the job. We now have TSA in the airports instead. My point is that we need the flexibility that these proposed changes would give us in order to be able to start looking at the active ranks, and saying, this doesn't really need to be done by military person, it could be done by a civilian and it ought to be an officer of the United States government and therefore a civil servant — not necessarily a contractor in every case. So we want to convert some of those posts. If we can get that flexibility, get these kinds of rules changes, no, there's no need for additional active end strength. We have to manage it differently. That would be the headline. We've got to change our practices. This includes changing how U.S. forces are deployed around the world and how U.S. forces react to deployment. So one of the kinds of things I've not spoken about that we are looking at, energized by the Secretary's concern on this point, is why does it take, in order to have one unit forward, why does it take three or four back in the United States? Part of that mind set of course is out of the Cold War as Bernie knows where you physically had to have a unit forward all the time. With modern transport and modern prepositioning concepts, it's not actually necessary to have the unit sitting there physically all the time in order to be responsive. So if we can manage more modern way of getting from here to there, again, we think we can manage with the end strength we have.

DR. ROSTKER: There are also issues of individual rotation and unit rotation. We've used unit rotation in the Balkans and yet we've used individual rotation in Korea. Unit rotation turns out to be very destabilizing. Once a unit is notified that it's going to be moved, it has to cross-level with people whose end of tours are up, all kinds of other things. That creates massive instabilities in much larger numbers of units. Then you try to stabilize for a period and the like. The argument is, well they've come together, they know how to work together and all of these things and I think that's to be applauded. On the other hand, you have the disadvantage in the Balkans that the whole unit rotates at once and now you have to get to know, the local mayor has to get to know a whole new set of people who are coming in with all of those friction points and opportunities for danger. Yet one of the most difficult hot spots for us now is Korea and we have done largely individual replacements. I personally come down on trying to manage this with individual replacements. The one area where I think we do need end strength relief, where I think we have gone way too far in cuts, is civil service. I don't know about you all, but I'm sure you may well have had experiences where you call up the military office and you find you're talking to a contractor. The work's getting done. The contractor probably is a retiree who's there because we forced him out of the military. I think many of those functions by logic, by right should be done by a federal employee and not by someone who has potentially different incentives in terms of profit maximization and the like. I think we've gone way overboard in the notion that the contractors can be more flexible. It will certainly be helped if we can have the kind of civil service reform that David argues for but I think that I'm uneasy with the extent to which we have contracted out of functions.

DR. KAPP: If I can actually follow up on the original question, if military end strength is pretty much considered to be stable, yet at the same time we're looking to add special forces personnel, add military police personnel and so forth — those are some of the winner occupations. What are going to be the loser occupations? Where are we going to take the transfers from?

DR. CHU: I think you're going to see two kinds of transfers in the months and years ahead. One as I've suggested is to look hard at the degree to which civilian personnel — most especially including civil servants — could perform functions that are now discharged by uniformed personnel. We for example have a significant uniformed content in our laboratories, particularly in one service. Is that really appropriate? We have various support agencies, including support agencies to other agencies in the United States government, that are military. That might at one time have been the right answer. The question we're raising is, "is that the right way to do it today?" Second, and we haven't touched on this much, but there is being kicked off now a big review of what you might call the active-reserve mix. In other words, what units should be in active, the active components, and what units and capability should be in the reserve components. I think you'll see some tradeoffs that put our capabilities that are now reserved more exclusively for the active force and the reserve community and some capabilities that now have been disproportionately in the reserve community moved to some degree of active status to facilitate the early mobilization stages. I do think if we can get more of what I call a continuum of service here, this issue whether it's active or reserve is less important. If you have people who are willing to volunteer for a status that on short notice — maybe like hours — and the Air Force does this already to some extent, we may call you up in

order to be the port embarkation team or the aerial point of departure — port of departure — whatever the case might be. This question about whether you're active or reserve becomes moot. It becomes more of a technical question, not something that governs how you actually serve the United States.

DR. ROSTKER: I think you also have to look at the threat and where we are today. [In] this war, two weeks ago, the press was concerned that there wasn't enough combat power in Iraq. The radio on the way in [this morning] was talking about Baghdad falling. It's still the one heavy division and the one light division — the 101<sup>st</sup> [plus elements of the 82nd]. That's two divisions out of ten. I think the Army is going to have to come to grips with what kind of force structure is commensurate with the threat, and, as you suggest, there are other missions that may take different kinds of troops, but the all too easy answer is increase end strength. There's too much to go on to before you can justify that, and unless the budgets go up, there still is the implied capital-labor tradeoff and most of the services would rather see more money for modernization. The Navy, for example, is both retiring ships and the replacement ships for a smaller Navy will be manned at much lower levels, so I don't think, based upon the traditional metrics, one could use that to argue for an increase in end strength.

DR. KAPP: Sir?

QUESTION: Gentlemen, you've spoken at length about the importance of identifying, grooming, and then holding onto DOD senior executives. Integral to that is the development of those senior executives early in their career and that would be professional military education. I'd like to hear your thoughts on transforming professional military education in terms of jointness, duration, developmental opportunities. Thank you.

DR. ROSTKER: Well, we have a superb system of professional military education. My only concern is that we don't have reasonable payback periods for those who go through it. I mean we'll send somebody to ICAF, get a great education, we expect them to serve two more years in the military because we're forcing him out either by incentives or by tenure. I think we do a superb job, but I think it's the payback that concerns me, and that payback would be ensured by a longer career structure. We don't do as well on the civilian side. It was one of the initiatives of the last administration to have a more robust training program, and it was an initiative of the Deputy Secretary [of Defense] John White. There was only one service that supported that. He pushed it through. But that was the Navy, and that was when I was Assistant Secretary of the Navy. There is not an ethos of release time for training and career planning in the civilian side of the Defense Department as well developed as there is on the military side, and that's unfortunate.

DR. CHU: I would argue that one of the problems with our professional education is that we are still trying to conduct it in a manner that is best suited to the interwar period, and by that I do not mean Persian Gulf wars, but back to [the period between] World War I and World War II. That is to say that the officer must take a year out of his or her career, move to a location where the educators sit, and receive instruction, often in a classroom mode. There's good benefits to that convening function, but one problem is that, as a result, only a small fraction of the force can

benefit from what those institutions have to offer. I'm very intrigued with an initiative that the President of Naval War College has gotten Admiral Clark to approve, which is instead of making the fleet come to him, which creates all the problems I've just described, he's going to take his instruction to the fleet. In other words, he's going to send his educational team to San Diego and they're going to conduct in a different way — which will be more the way some of the continuing education master's degree programs are run — a Naval War College course in San Diego. We've long done this to some degree for the reserve forces and it's a very interesting issue to me. If it's good enough to get a reserve officer — who was after all not serving full-time — up on the step in terms of joint procedures, why can't we think about similar paradigms for active officers? We're very eager to learn in this regard from the best practices in the civil sector. We've talked to firms like IBM — how do they do it? I'm not sure we want to emulate all aspects of their models. At least in the case of one firm, I asked exactly the question Bernie's raised because this firm — it's about the size of the Marine Corps in its employment — essentially requires something similar to our requirements. When you become a manager you have to go through a one-year course of instruction. But they do it almost entirely by distance learning. They have only one week in which they convene the group, which in my mind is too little. But I did ask how does the individual find time for this in his or her work day and the answer was not encouraging: It's your first managerial challenge. That's not the right way to do it. So we need to find, I think, a middle ground between the way at least those private sector examples accomplish this, and the way that we're doing it now, that again takes advantage of modern technology, keeps the best of what we have, but moves forward.

DR. ROSTKER: We have a superb system of voluntary education. Every base has a vol-ed office. Universities are aggressive in placing instructors at our bases and on our ships. You go out with the fleet and instructors are flown out for two or three weeks and people take courses while they're at sea. You can do that for a variety of civilian universities. I think picking up on David's point, I don't see one of those universities being NDU or the War Colleges and that's the way you get your training. You get your education through the same kind of thing. So if you can do a master's because you think that's a box that has to now be checked, and you can do that in release time in vol-ed, why can't you do your professional military education in substantially the same ways?

MR. GOLDICH: I think, though, that it's important to understand that the various types of distance learning which you have mentioned are of unquestioned applicability to perhaps the lower, maybe even the intermediate aspect of professional military education. When you start getting up into the war colleges, the senior service colleges, and perhaps to a certain extent the middle level, it is the interaction among officers from different services and other countries that is at least as significant as the actual course work, which in many ways is really true of what happens in civilian education too. A professor once said that the most important things that happened to him in college happened in the dorms, not in the classrooms, and most of them happened after midnight. A certain amount of the same thing is true at the senior level, so I think we need to be very careful about trying to put something which is very much study at a high level, and applying a kind of mechanistic model to it that might work very well at something which is more based just on facts.



DR. ROSTKER: The professional military system is still pre-Goldwater-Nichols dominant. For all of your joint schools, it's still pretty stove-piped, and the odd naval officer who finds himself at Fort Leavenworth, it doesn't really get the Navy to understand how they need to support land warfare, or the Army officer who finds himself at the Air University is not going to solve this air-ground integration problem. There needs to be a lot more exchange.

DR. KAPP: Okay, I think we have time for about two more questions, so why don't I do you, sir, and then follow up with you and that will conclude our seminar.

QUESTION: As you gentlemen probably know, the federal government's facing a potential human capital crisis, with regard to the fact that by 2004 almost 50% of the federal government will be eligible for retirement. With this in mind, the government is implementing and expanding programs such as pay-for-performance, federal student loan repayment programs. What incentives, if any, do you think the military needs to implement in order to increase or maintain the attractiveness to candidates, while still maintaining that quality level of applicants to the military?

DR. CHU: You're speaking to those who applied for uniformed services or are you speaking of the civil system?

QUESTION: The uniformed services.

DR. CHU: The uniformed services. I think first of all it's critical that we keep our complete compensation package, taking into account allowance and fringe benefits competitive with what people of similar qualities could enjoy in civil occupations. We are taking as a guide the results of the 9<sup>th</sup> Quadrennial Review of Military Compensation as a way of thinking about how much is enough, the answer to the classic question "How much is enough?" One has to obviously think about not only what people might enjoy this year, but what they might enjoy in future years. I think increasingly we are concluding that the kind of people that we'd like to attract will, as Bernie remarks, I believe, look not just at the immediate compensation they receive but what their lifetime or at least their next five years or so compensation's going to look like. What you think you can look forward to. What are the prospects for me if I join this system? That's one of the reasons, as you know from our proposal to Congress, we tried to get away from this view that there's a single across-the-board pay raise that's the right answer for every grade in your service cell on the pay table every year. We are increasingly moving to a philosophy, at least in terms of the executive branch proposal, that we will target the pay pot for military personnel against those areas of greatest needs, and this year as you know it's the mid-career enlisted force, continuing a trend [of] the last several years.

It's not by the way, interestingly enough, consistent with some of Bernie's observations, E-1s, where we're posting just a 2% increase for E-1s because — put it this way, if you don't move out of E-1 in the first six months or so, you're probably not the person we want to retain in the military service. That's a training period in which you're earning that salary. It's a training stipend more than anything else. We think we're very competitive in that range, but we're not as competitive as we need to be for the E-5, the E-6, the E-7, and looking forward and one of the reasons we've been aggressive about E-8 and E-9 pay as well is that's what the ambitious E-5

should be looking forward to. That's what I could become. That's what I want to aim for.

I do think that it's the whole lifestyle that counts in terms of military families. The military likes to observe that the retention decision is made at the dinner table and I'm increasingly convinced that one of the dinner table issues that we have to do a lot better on in the military is the quality of the public school system in communities around major military bases. To speak plainly, it's not often where it should be. This is not, I should emphasize, necessarily an issue of rural versus urban. There are some urban areas with school systems that, when I visit a military base, and ask people, what's the school system like for your child, I do not get the kind of confident, happy answers I'd like to hear. I get sort of "Well, it's okay, sir," or they make some polite remark to me and then my military assistant is told the truth on the side that it stinks. That's not acceptable. I think it's one of the issues in which we'd like to have a stronger conversation with the Congress: how do we use existing federal programs to try to strengthen the schooling opportunities for the children of our military personnel? My instinct is that counts for many families very heavily in their decision do you want to make this a career. I'll just give you one vignette as an example. There is a long waiting line for military family housing at Quantico, not because the houses are highly desirable but because for historical reasons we run a school on base that Defense pays for — not a business we want to expand I should emphasize — that your children can only go to if you live on that base. So people are standing in line to get in.

DR. ROSTKER: But the reality is we may have to reconsider the Title 6 and start paying because of this. This is an absolutely critical question. It was so bad in Guam that we took over the Guam school system.

DR. CHU: If I may interrupt, I do really want to urge a fire break against the solution being Defense takes it over. That's not a good answer, but at the same time simply handing out federal money without any performance standards because you have federal employees in the region is also not a good answer. We need to get a more performance-oriented culture developed here where we expect schools to meet these kinds of standards. Sorry.

DR. ROSTKER: You've now found one point where David and I disagree. A couple of very quick things that relate to the QRMC. When David and I started in this business, and I would own up to the fact that we signed into RAND the first day together in 1970, so that's how long we've been at this shoulder to shoulder. When we first started, there were issues about compensation, and the classic economist answer was that compensation was there to attract and retain people. Through some absolutely stellar work of colleagues of ours, the right answer today is attract and retain and motivate people because we've come to understand that it's the structure of the pay table. That view permeates the recommendations of the last QRMC. What we have effectively done is make the pay line much steeper. Actually it doesn't cost us very much, because there's not a lot of people at the top, but it becomes the goal for everybody in both their performance behavior and retention behavior, it's something they can strive for. So we get a lot of return for those dollars that we give to the most senior people. Increasingly the most senior people are those who've gone through the voluntary education program and have bachelor's degrees

and master's degrees and sometimes more than one master's degree. The Chief Petty Officer of the Coast Guard has a Ph.D. Now what other enlisted force has that kind of education?

The largest challenge we have in bringing people into this military is the fact that so many of our high school graduates are going to college. We have not yet learned how to recruit for the enlisted ranks people going to college, or even people who have not succeeded in college but are in a community college or they've dropped out of college and the like. The paradigm that we recruit you out of high school is only half true. If you look at the statistics, about half of the people we bring in, we bring in before age 19 or lower. That means there is another half that's been out in the job market, out in the college market and are coming to us as second or third jobs. Something hasn't worked out well for them and so we may not be the employer of first choice but they see something in us and we have the benefits of seeing their performance. So we have to learn how to structure our entry programs not to the high school graduating senior, but to another group of people. We have a grade structure which is largely neglected but I think offers great potential for the future and that's our warrant programs. If you said to me, "How am I going to recruit computer specialists, systems engineers into the service — kids who have training in microsystem NT have a certification from a 2-year college. What do I offer them today?" A little bit of advancement on the enlisted rank? I'd like to see them granted warrant commissions much like the Army does with pilots, with helicopter pilots, and recognize there's a whole range of technicians in the civilian sector who may not aspire to be Chiefs of Staff and would not necessarily be particularly good candidates or have the skills we'd like to see in the commissioned ranks, but certainly have more than we offer in the enlisted ranks. I'd like to see us have many more programs to bring warrant officers into all of our services. Enough for me.

MR. GOLDICH: One small point that's very related to what Bernie said is that over the past 20 to 25 years, in a stupendous achievement that the Congress has been very important in bringing about, for the first time in American history and maybe the history of any modern country's military force, we've raised the pay for our career officer corps to the point where it's no longer genteel poverty, where in fact if you get into the field grade officers, you're doing fairly well — very well in some cases. And it's not only important to keep that, it's equally important when you're talking about having done that; let's keep that, and move on to other aspects of compensation such as David was talking about. Things that might be more difficult to measure but which are important in terms of what people look at in terms of lifestyles.

DR. KAPP: Our last question for you, sir.

QUESTION: Its on the educational programs, like the vol-ed. I wanted to know, to what extent does DOD consider those programs a benefit versus some kind of performance enhancement because when some of these service members get the education, they become more competitive and therefore may tend to leave for the private sector.

DR. ROSTKER: We found exactly the opposite. If we can meet their educational aspirations, they'll stay in service. We get better retention. We get less discipline [problems] and faster promotions from service members who are active in the

voluntary education program, so that the rewards increase by staying in the service through promotion, and they don't feel that the only way I'll get my college degree is if I leave because I can't earn it in service. So it's become a very important part of our program and the myth that if we train them, they'll leave turns out to be untrue.

DR. CHU: Let me just add, I agree with what Bernie has to say on this point. I should also add we're not actually saying keep everybody for 20 or 30 years. So we are delighted if people want to stay five or ten years, and that may be part of the community that you're speaking to with your question. That's fine with us. It's not, as Bernie's emphasizing, we do not see it as a loss if people take their skills and go to the civil sector. Among other things they may become a civil servant or contract employee for the Department of Defense.

DR. ROSTKER: We would like it to be that when they do leave, they not leave because we've put barriers in their way to succeed in the military. We would like to have the selection of the best wanting to stay and we being selective, instead of the best wanting to leave and we only can take those who don't have opportunities on the outside. But the voluntary education programs are really valued by the services because they have had positive returns to our discipline, to our retention, and our productivity.

DR. KAPP: Well, that concludes our seminar and I would like to thank all of you for taking your time out of your busy days to come here and to thank you for your thought provoking questions. I believe some of our panelists may have to leave immediately, but I'll certainly be staying if you'd like to ask me any questions or if you'd like to call me later my extension is 77609; and thank you again for coming.

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