



**Statement before the**

**House Armed Services Subcommittee on Military Personnel**

***“Outside Perspectives on Military Personnel Policy”***

A Testimony by:

**Todd Harrison**

Director, Defense Budget Analysis, Director, Aerospace Security Project  
and Senior Fellow, International Security Program  
Center for Strategic and International Studies (CSIS)

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**2212 Rayburn House Office Building**

Chairwoman Speier, Ranking Member Kelly, and Members of the Subcommittee, thank you for the opportunity to testify today. The Department of Defense (DoD) is on an unsustainable trajectory. By almost any measure, the size of the force is nearly the smallest it has been since the end of World War II. Total active duty end strength reached a post-World War II low of 1,302,000 in 2016. Since the peak of the Cold War, the number of ships in the Navy has been cut in half, the number of aircraft in the Air Force has been reduced by 44 percent, and the number of soldiers in the Army has fallen by roughly a third. Yet the base defense budget, when adjusted for inflation, is the highest it has been since the end of World War II—higher than the peak of the Reagan buildup in fiscal year (FY) 1985. The long-term trend is clear: we are spending more and more for a progressively smaller force.

There are many reasons why the budget has been growing while the size of the force has been declining. One of the main reasons, and the focus of this subcommittee, is the cost of personnel. Over the past twenty years, the average cost per active duty service member grew by 59 percent, or roughly 3 percent annually, above inflation. Most of this growth took place in the period spanning 2001 to 2011, which saw costs rise by 46 percent above inflation in just ten years. These figures do not include Overseas Contingency Operations funding or other military personnel-related funding outside of the DoD budget, such as veterans' benefits and services. If these other costs are included, the growth is substantially higher. In the long-term, this level of growth is unsustainable because it means that if the DoD budget is flat and only grows with inflation, the military will be forced to get smaller and smaller over time.

But cost growth is not the only factor affecting the long-term sustainability and health of the U.S. military. Since the end of the draft nearly four decades ago, the military personnel system has not fully adapted to the unique needs of an all-volunteer force. In 1970, the Gates Commission recommended a set of comprehensive reforms deemed necessary for a successful end to conscripted service. Conscription officially ended in 1973, but the Gates Commission's recommendations were largely unheeded in the years that followed.

As the Gates Commission and many other studies since have noted, a key difference in an all-volunteer force is that the military personnel system plays a vital role in filling the ranks. While a military career has no direct parallel in the private sector, an all-volunteer force must nevertheless compete directly with private sector employers to attract and retain quality personnel. The military personnel system must therefore be competitive with what private sector employers provide. This does not mean that DoD should simply match the total compensation levels provided by private sector employers. That has proven to be insufficient. Rather, DoD must be competitive across the board in the mix of cash, deferred and in-kind benefits, and the other intangible factors that matter to people when making a career choice, such as job satisfaction, stability, and training opportunities.

Too often over the past twenty years, Congress and DoD have turned to a limited set of compensation options to try to correct for deficiencies in the overall personnel system. When a problem is encountered in recruiting or retention, a typical response is to increase the overall pay scale or add bonuses and special pays for key personnel. And when that proves insufficient, even more compensation is heaped onto the pile. For example, someone enlisting in the military right

out of high school today can make more than \$45,000 annually in cash compensation in their first year of service, and that climbs to more than \$60,000 annually after four years of service. Yet in 2018, the Army still failed to meet its recruiting goal by more than 8 percent. Similarly, the Air Force has had trouble retaining pilots for several years. To curb the exodus of experienced pilots, the Air Force was offering bonuses of up to \$225,000 for a 9-year commitment. But only 55 percent of eligible pilots elected to take the bonus in 2015. The Air Force increased the bonus in 2017 to up to \$455,000 for a 13-year commitment, and the take rate fell even lower to 44 percent. As these examples demonstrate, we are throwing money at problems with diminishing effects.

When service members make decisions about whether to join or stay in the military, compensation is just one of many factors involved. As this subcommittee well knows, reforming the military personnel system is no simple task. It is a politically sensitive issue that successive Congresses and administrations have been reluctant to tackle. A key impediment to reforming the military personnel system is a lack of data on how service members value changes in personnel policies and compensation. Too often, decisions are made based on anecdotal evidence or the opinions of experts rather than testing and analysis. We can do better, and our service members deserve better.

What matters in the end is not how much something costs to provide, but rather how it is valued by the person who receives it. The way a person values something is a matter of personal preference, and these preferences can and likely will change over the course of one's career. Moreover, the preferences of one generation of service members may be entirely different than those of their current leadership and of the generations that preceded them.

Before making changes to compensation and personnel policies, we need to understand how the service members affected will value those changes. The models currently used by the Office of the Secretary of Defense (OSD), the military services, and the Federally Funded Research and Development Centers (FFRDCs) that support them can only go so far in predicting behavior and recommending solutions because they were not built to account for the full range of preferences service members have for changes in personnel policies and compensation, nor do they collect the data necessary to measure and validate all of these preferences. For example, it is insufficient to simply model how high the pilot bonus should be raised without also considering other alternatives, such as offering these pilots greater stability in duty location, more predictable deployment schedules, or more input into their next assignment. We need to understand these tradeoffs and alternatives and the relative value service members place on them.

Therefore, the first thing we must do to help recruiting and retention and to put the military on a more sustainable fiscal trajectory is to collect better data from service members on their preferences for changes to compensation and personnel policies. The goal of measuring these preferences is to identify opportunities where DoD can maintain or improve the attractiveness of its compensation package and personnel system in the most cost-effective way. This data is essential to make informed decisions about what to change and by how much. Preference data collected from surveys can be used to model how service members value changes to the personnel and compensation systems and the interactions between the two. More importantly,

proposed changes should be tested through surveys and, where possible, through controlled trials on a subset of the overall population before being rolled out to the entire force. While it is only practical to have OSD and the services manage this process of experimentation and data collection, Congress can play an important role by setting the parameters of what changes should be tested, providing the necessary authorities, and holding senior leaders accountable to make sure it gets done.

We should not continue to throw money at recruiting and retention problems and hope things will improve while some of our best and brightest continue to leave the military or never join in the first place. Not only is this approach fiscally unsustainable, it has proven ineffective. In many areas, we have reached the point of diminishing marginal utility in our compensation system. A new, evidence-based approach is required that looks at the full range of options to optimize the military personnel system.