

Managing Military Personnel Costs

Operation Retrenchment Specter, A Workforce Futures Game

MATTHEW WALSH, LISA M. HARRINGTON, THOMAS LIGHT

To access the full report, visit www.rand.org/t/RRA1218-2



ISSUE

The military personnel (MILPERS) budget provides financial resources to compensate active-duty personnel. Spending on MILPERS has grown at an average annual rate of 3.3 percent per year since fiscal year (FY) 2000, to approximately \$36 billion in FY 2021. To ensure a ready workforce without undercutting modernization and sustainment efforts, the Department of the Air Force (DAF) must explore options to limit MILPERS costs. At the same time, DAF must consider the nonmonetary trade-offs and risks that these options entail.

This is a *wicked problem*:¹ It lacks clear boundaries because any action may have repercussive effects throughout the DAF enterprise, and it lacks one “correct” solution because the DAF stakeholders prioritize different financial and operational objectives over varying time horizons. To tackle this problem, the DAF must engage diverse stakeholders to create a strong information-sharing environment, generate creative options, and build consensus around those options.



APPROACH

RAND Project AIR FORCE (PAF) designed and conducted a workforce futures policy game—Operation Retrenchment Specter—with support from the U.S. Air Force’s (USAF’s) most senior human resources leader. During the game, teams competed to find options to limit MILPERS costs without introducing unacceptable risks. To ensure the game construct reflected real world trade-offs accurately, teams used a modeling ecosystem to simulate the monetary and nonmonetary effects of workforce and personnel policies in real time. In addition to proposing options, teams developed hedges and other shaping actions to mitigate risk. At the conclusion of the game, teams presented options to senior leaders from the Air Staff and the Air Force Secretariat. Options yielded projected annual savings of \$500 million to \$2 billion.

¹ *Wicked problems* are a class of planning and policy problems that are difficult to tackle because they lack clear definitions and boundaries, they involve complex interdependencies, and they do not have “correct” solutions. Horst W. J. Rittle and Melvin M. Webber, “Dilemmas in a General Theory of Planning,” *Policy Sciences*, Vol. 4, No. 2, 1973.



KEY FINDINGS

Teams proposed a diverse set of options. Two involved reducing manpower requirements by consolidating or eliminating organizations or functional communities (Gold team and Black team); two involved shifting to a more junior grade mix (Silver team and Blue team); and one involved converting officer positions to the enlisted force (Green team). These options revealed a fundamental trade space among cost, size of the workforce, and experience.

- As seen during the game, senior leaders must decide which compromises to make as they generate future workforce designs.
 - To trade off size, the Air Force could consolidate or eliminate organizations, installations, or functional communities.
 - To trade off experience, the Air Force could more fully utilize the talent and abilities of junior service members and enlisted personnel.
 - To reduce MILPERS costs without *directly* trading off size or experience, the Air Force, with congressional approval, could limit growth in basic pay. However, this could drive recruiting or retention trends that indirectly trade off size and experience.
- These options entail implementation risk.
 - Options requiring congressional approval (e.g., pay) have high implementation risk.
 - The Air Force already has the authority to implement many of the options considered here (e.g., alter promotion timing, alter special and incentive pay, reduce grade ceilings, and consolidate organizational structures and functional communities). However, the impetus to do so has not been strong enough to overcome inertia.
- The DAF could take hedging and shaping actions to reduce risk.
 - For options that reduce size, the Air Force could adopt technologies to increase workforce efficiencies, or it could reduce the number of days that service members spend in student or transient status to accrue manpower savings.
 - For options that shift to a more junior grade mix, the Air Force could delay promotions to give individuals more time to develop.
 - For options that reduce retention in the active-duty force, the Air Force could leverage programs to encourage service members to enter the reserves to retain their experience.
 - For options that reduce basic pay, the Air Force could use special and incentive pay in a more targeted manner to sustain retention in high-demand career fields or in those with high production costs.
- The savings from most options, although modest in relative terms, are significant.
 - Because the MILPERS budget is so large, a 2 percent savings could be repurposed to support thousands of additional personnel or tens of thousands of flying hours.



RECOMMENDATIONS

- Because the options shown in the table below have sweeping implications, the Air Force could establish a group that reports to the Air Force’s chief of staff that is dedicated to developing, vetting, and prioritizing actions to limit MILPERS costs.
- Given time constraints, teams effectively proposed solution classes rather than formal options. The benefit of the game was determining which solution classes are promising enough to warrant further attention. The Air Force should return to data-driven and other evidence-based approaches to optimize solutions within these classes.
- The Air Force should continue to use policy games to explore ways to control MILPERS costs. In particular, the Air Force could develop scenarios involving different economic conditions and/or contingencies to determine how various solutions fare. In addition, the Air Force could include players from different communities and organizations in future games to enable generation of new ideas and to establish more-widespread buy-in.
- Given that domestic and international contexts are not static, the Air Force should periodically revisit workforce design and exercise options to rebalance the force.
- Most workforce and personnel planning problems that the Air Force faces are wicked problems. The Air Force should include policy games in the set of evidence-based methods routinely used to examine such problems.

COMPARISON OF OUTCOMES FROM THE BASELINE SCENARIO AND PROPOSED SOLUTIONS

Option	MILPERS Cost (billions of dollars)	Size (full-time equivalents)	Experience (years of service)
Baseline	35.0	331,533	7.5
Gold: Flatten organizational structure to enable reductions in end strength.	32.8	312,292	7.5
Black: Consolidate Air Force Specialty Codes to enable reductions in end strength.	34.3	324,902	7.5
Silver: Limit annual pay increases and shift to a more junior grade mix.	34.6	331,533	7.3
Blue: Reduce administrative overhead to shift to a more junior grade mix.	34.5	331,533	7.4
Green: Convert officer positions to the enlisted force.	34.7	331,533	7.5

NOTE: Cells in dark red and dark green denote a 2.0 percent or more change from baseline. Cells in light red and light green denote a 1.0 percent or more change from baseline.



PROJECT AIR FORCE

RAND Project AIR FORCE (PAF), a division of the RAND Corporation, is the Department of the Air Force's (DAF's) federally funded research and development center for studies and analyses, supporting both the United States Air Force and the United States Space Force. PAF provides DAF with independent analyses of policy alternatives affecting the development, employment, combat readiness, and support of current and future air, space, and cyber forces. For more information, visit PAF's website at www.rand.org/paf.