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**THESIS**

**O-3 RETENTION: MONETARY VS. QUALITY  
OF LIFE FACTORS—IS MONEY THE SOLUTION?**

by

Cameron P. Woods, Paul S. Kim, and Jordan C. Brooks

June 2023

Thesis Advisor:

Marco S. DiRenzo

Co-Advisor:

Scott Kaplan (USNA)

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**O-3 RETENTION: MONETARY VS. QUALITY OF LIFE  
FACTORS—IS MONEY THE SOLUTION?**

Cameron P. Woods  
Captain, United States Marine Corps  
BS, United States Naval Academy, 2013

Paul S. Kim  
Captain, United States Marine Corps  
BS, Boston University, 2015

Jordan C. Brooks  
Lieutenant, United States Navy  
BS, United States Naval Academy, 2017

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June 2023**

Approved by: Marco S. DiRenzo  
Advisor  
  
Scott Kaplan  
Co-Advisor  
  
Marco S. DiRenzo  
Academic Associate, Department of Defense Management

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## **ABSTRACT**

The purpose of this study is to examine the retention rates of Junior Officers (O-3) who are at their first career retention point. This study covers the current incentives for both Marine Corps and Naval Officers when they reach their first career decision point to remain in service or separate. Taking survey data from the Naval Manpower 2022 Health of the Force survey conducted by the Department of the Navy, this study examines motivations apart from monetary incentives for increasing retention rates in these communities. Monetary incentives are currently the primary retention tool utilized by the Department of the Navy, with few alternate methods given to active-duty Officers. This study examines methods utilized by civilian employers and military-specific incentives that the Department of the Navy can implement to increase Junior Officer retention.

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## LIST OF ACRONYMS AND ABBREVIATIONS

CNO	Chief of Naval Operations
DOD	Department of Defense
DON	Department of the Navy
GWOT	Global War on Terror
HoF-P	Health of the Force - Personal
MSO	Minimum Service Obligation
NMI	Non-Monetary Incentive
OPTEMPO	Operational Tempo
QoL	Quality of Life
SWO	Surface Warfare Officer
TIG	Time-in-Grade
USMC	United States Marine Corps

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# I. INTRODUCTION

## A. PURPOSE

This thesis examines the desires of active duty naval officer personnel as they reach their first retention decision at the conclusion of their initial obligation. The study looks at the effects of monetary incentives on the O-3 officer in the United States Navy and which Quality of Life (QoL) factors are valued more than others. Focusing on the population of officers at the O-3 paygrade, this study looks to show QoL factors desired by Officers and the extent to which monetary incentives are a significant factor in retention decisions.

## B. OBJECTIVES

This thesis explores the following question: To what extent is O-3 retention based on monetary incentives versus quality of life factors? The objective of this thesis is to highlight the policies, programs, and human factors that strengthen or weaken O-3 retention while understanding where our hypotheses stand with the research.

The following are our hypotheses:

- **Hypothesis #1:** Monetary incentives are not the causal factor and are not addressing the reason for Officers leaving the fleet.
- **Hypothesis #2:** The average O-3 desires non-monetary incentives over monetary ones.

Topics covered include career plans, retention influencers, healthcare, pregnancy, parenthood, family planning, caregiver leave, childcare, diversity, equality, and inclusion. The retention mission is identified by all services as a priority since officers who decide to separate leave gaps in experience, authority, and operational billets. As O-3 naval officers are faced with their first opportunity to stay or leave, we want to explore whether there is a connection between monetary incentives and retention and whether tangible methods can be introduced in the Department of Defense (DOD) to help retain more junior officers in the future.

## **C. MOTIVATIONS**

When determining the best cohort of officers to study, we chose the O-3 audience because this is the first point in the officer's career when they can choose to depart the service after completing their initial contract obligation. For example, the Submarine Officer and Surface Warfare Community typically require five years upon commissioning. In aviation, the training pipeline is longer than the Submarine and Surface Warfare communities. Therefore, their officer obligation timeline typically extends to anywhere between eight to 10 years upon commissioning. Similarly, on average, Marine Corps officers must have at least four years of obligated service. Then, it takes on average four years to achieve the rank of O-3 in the Navy and Marine Corps. Understanding the factors that go into an officer's decision to stay or leave at this time in their career is critical as it shows the Navy's ability to retain officers.

Multiple studies over the past two decades have been conducted on retention with many pointing to QoL factors in the DOD (Clemens, 2002; Makarenko, 2014; Stoker & Crawford, 2008; Volkmann, 2014;). Although the DOD has investigated several different options to drive retention with tangible and monetary incentives, there is a direct correlation between retention and NMI incentives in the O-3 cohort communities. Therefore, this study looks to expand on the QoL factors and provide evidence-based alternatives to monetary bonuses to the DON that can aid in their efforts to increase junior officer retention.

## **D. METHODS**

The Chief of Naval Operations (CNO) Survey Office distributes an annual survey to all active duty Navy servicemembers called the Health of the Force–Personal (HoF-P), formerly the Personal and Professional Choices Survey. The survey informs the CNO of programs, policies, and behaviors affecting manpower, families, and commands. The HOF-P aims to understand the overall welfare of the force by including questions about unit cohesion, connectedness, organizational commitment, inclusion, job satisfaction, and trust in leadership. Our data is focused explicitly on the active-duty Navy O-3 cohort. There were 2,590 survey participants from this target audience.

## **E. THESIS OVERVIEW**

Chapter II provides the background of our thesis. Next, Chapter III discusses what previous literature has said regarding retention. Chapter IV covers the methodology of the study. Lastly, Chapter V discusses the findings, conclusion, and recommendations from this study.

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## II. BACKGROUND

This section strives to provide relevant background information regarding retention, beginning with problem identification. Furthermore, we highlight officer obligation and promotion timelines. Additionally, this chapter discusses monetary incentives and bonuses available to the O-3 to influence retention. Lastly, this chapter provides background into the quality of life theme that is crucially related to retention.

### A. WHAT IS THE PROBLEM WITH RETENTION?

In the last three fiscal years, naval officers and enlisted have surpassed its retention benchmarks and now sit in a position to search for the most highly qualified personnel as America competes with its near-peer adversaries (Correll, 2023). General Berger, 38th Commandant of the United States Marines Corps (USMC) describes the Corps' retention strategy in his Talent Management 2030 Plan as “an industrial age relic and more reminiscent of a centrally planned economy than a cutting-edge American meritocracy. It does not efficiently and effectively match the talent of individual Marines with available billets across our Corps” (United States Marine Corps [USMC], 2021). The Navy and Marine Corps team recognize that failure in retention benchmarks not only affects military readiness but failure to retain the best will negate the Navy's ability to compete in the Indo-Pacific area of responsibility. With the likelihood of military conflict in the South China Sea and the ever-changing evolution of warfare with our near-peer adversaries, tomorrow's Navy requires an experienced, more technologically credible force than ever before. “Success on future battlefields as a distributed stand-in force will require our Marines to be more physically fit and cognitively mature, with a higher level of operational experience” (USMC, 2021). Often, it can be assumed that qualified officers will move on outside the Navy and take their skills and expertise elsewhere.

“However, we have identified unacceptable variability in our performance-the gap between our best and worst performers is too great... Invest in trained, resilient, and educated Sailors that can out-think, out-decide, and out-fight any potential adversary” (United States Navy Chief of Naval Operations [USN CNO], 2022). Military technology

continues to impress the world in today's modern era, but the Navy's advanced warfighting systems and processes that will compete with our near-peer adversaries require a more skilled and experienced user. Although the Navy is reaching its retention benchmarks, it is critical that the Navy can compete with the current job market and retain the top tier Sailors to meet the intent of the Chief of Naval Operations' Navigation Plan and Force Design 2045.

The Surface Warfare Officer (SWO) community consistently loses junior officers after their initial obligation, resulting in manpower shortfalls throughout the Surface Warfare Community (Russell, 2021). The Navy is working to fill At-Sea billets and maintain enough officers to fulfill the number of Department Head billets required by a growing surface fleet. As seen in previous studies (Stoker & Crawford, 2008), family-related factors tend to influence whether a junior officer stays in the service or not after their initial obligation. According to Makarenko (2014), workload and strain on family were the top two reasons for negative retention rates. The monetary incentive currently given to SWOs does not address the reason for junior officer separation, as studied by Stoker & Crawford (2008) and Makarenko (2014).

## **B. OFFICER OBLIGATION TIMELINE**

By 10 U.S. Code § 619, officers in the Navy are eligible for promotion to the rank of O-3 as early as 42 months of active service upon commissioning (RAND Corporation, 2023.a.). For an O-1 to be promoted to O-2, he/she must have at least 18 months of time-in-grade (TIG). Then, an O-2 will be promoted to O-3 once he/she has at least 24 months of TIG. Promotions up to O-3 do not require selection boards (RAND Corporation, 2023.a.). If an officer has adverse material that prevents him/her from promotion, the officer will be withheld from promotion until the Secretary of the Navy achieves a decision for continued service or not. O-2 naval officers that meet TIG requirements for O-3 will be added to the All-Fully-Qualified-Officer-List which will then be officially authorized for promotion via an All Navy message.

### **C. OFFICER PROMOTION TIMELINE TO O-3**

We are analyzing the minimum service obligation (MSO) requirements from the three main officer accession sources and unrestricted officer pipelines. Restricted officer pipelines and their associated MSOs are either similar to unrestricted officers or longer due to specialized training requirements such as the Health Professions Officer community. The highest-producing officer accession sources are the United States Naval Academy, Naval Reserve Officer Training Corps, and Officer Candidate School. Examples of unrestricted officer jobs are Surface Warfare, Aviation, Nuclear Surface and Submarine, Special Warfare, and Explosive Ordnance Disposal. First, by 10 U.S. Code § 8459, Midshipmen from the United States Naval Academy must serve on active duty for at least five years or 60 months upon commissioning (RAND Corporation, 2023). Second, by 10 U.S. Code § 2107, Midshipmen from Naval Reserve Officer Training Corps sources must serve on active duty for at least four years or 48 months upon commissioning (RAND Corporation, 2023). Third, job selections typically drive obligation requirements if an officer is commissioned from Officer Candidate School. In some cases, Navy Officer jobs such as Submarine, Nuclear Surface Warfare, and Aviation incur additional years of obligated service than prescribed in Articles 10 U.S. Code § 8459 and 10 U.S. Code § 2107 (RAND Corporation, 2023).

Following 10 U.S. Code § 653, the MSO increases to six years for rotary-wing pilots and eight years for fixed-wing jet aircraft pilots (RAND Corporation, 2023). Naval Flight Officers will be required to serve an MSO of six years. Submarine and Nuclear SWOs must serve a five-year MSO. Explosive Ordnance Disposal Officers incur an additional four-year MSO upon completion of Naval School Explosive Ordnance Disposal school, upon commissioning. Special Warfare Officers incur an additional four-year MSO upon completing Navy Sea, Air, and Land Qualification Training. SWOs are required to serve a four-year MSO upon commissioning. Most likely, all unrestricted officers in the Navy will achieve the rank of O-3 within their first MSO unless the officer receives adverse material that prevents them from achieving the next rank.

#### **D. AVAILABLE MONETARY INCENTIVES TO RETAIN THE O-3**

Annually, the Department of the Navy (DON) issues a notice to both services that provides a list of bonuses and incentives for low-density or high-demand job occupational communities. Although the monetary incentives range from 20,000 to 150,000 dollars, the likelihood of retention continues to be inconsistent with expectations. Mongilio (2022) praised the Marine Corps for exceeding its retention goals due to the force's alignment with Talent Management 2030 which is the first indicator of alternative incentives being more effective. Instead of providing generic, monetary incentive packages, studies suggest that firms may be more successful in retaining talent or valuable human capital by conversing with the client about non-monetary incentive (NMI) packages that bring out the most value to one's life or circumstances (Kryscynski, 2021). In the case of the Marine Corps Fiscal Year 2022 retention campaign, career planners and unit commanders found success in conversing with the Marines about incentives they would like to see to drive retention decisions (Mongilio, 2022). In return, this type of NMI brings out benefits like stability and opportunity to a Marine's family which have been primary causes for separation among junior officers (Makarenko, 2014).

Annually, bonuses and incentives are modified to meet the Navy's manpower requirements and retention strategies. According to Correll, "Retention has also been difficult with a strong national economy, so bonuses and incentives to retain our current naval force [are] a priority" (Correll, 2023). Unlike the Marine Corps, all unrestricted officer communities in the Navy provide an officer retention bonus for the O-3 officers interested in continuing service upon completing their initial service obligation. First, per NAVADMIN 046/23, SWOs can earn a \$30,000 bonus for signing a Department Head contract (Chief of Naval Operations, 2023). Eligible SWOs can apply for the Department Head program at the rank of O-2 with three years of active duty service. SWOs will earn up to \$105,000 in bonuses if they continue to serve as a Department Head during their service as an O-3 (Correll, 2023). Next, Absher (2022) outlines how Submarine Officers can receive annual bonuses: Nuclear Officer Continuation Bonus, Nuclear Officer Incentive Pay, or Nuclear Officer Annual Incentive Pay policies. For example, Submarine Officers under 12 years of active duty service are eligible for a \$35,000 annual bonus if

they agree to an additional two to four years (Absher, 2022). Third, Navy aviation officers can earn up to \$35,000 per year through the Aviation Continuation Pay policy if they continue service upon completing their initial service obligation (Absher, 2022). Finally, Navy Explosive Ordnance Disposal Officers can earn up to \$20,000 annually after signing an additional four year commitment after completing seven years of active service (MyNavyHr, n.d.).

## **E. QUALITY OF LIFE**

Numerous studies have proposed alternative solutions to monetary incentives, with focus areas in QoL areas. QoL as defined by Encyclopedia of Britannica is as follows: “Quality of life, the degree to which an individual is healthy, comfortable, and able to participate in or enjoy life events. The term QoL is inherently ambiguous, as it can refer both to the experience an individual has of his or her own life and to the living conditions in which individuals find themselves” (Britannica, 2023). Being such a broad topic and individual circumstances drive the desire makes addressing QoL issues difficult in a large military organization. Starting in 1993, the USMC started to distribute QoL surveys every five years to address the retention issues during the post-Cold War era. In February 2001, President Bush signed National Security Presidential Directive-2 “Improving Quality of Life, which forced the Secretary of Defense to review and improve QoL for military personnel, looking at setting up the military for the next 20 years” (Office of the Deputy Under Secretary of Defense for Military Community and Family Policy, 2004). The Quadrennial review identified QoL as an important area of focus for retention, more importantly family life, and the impact it had on retention and operational readiness. “More than half of today’s active duty military members are married, and military QoL is a key determinant of whether that soldier, sailor, airman or Marine, remains in the military or returns home” (Office of the Deputy Under Secretary of Defense for Military Community and Family Policy, 2004).

In 2004, the DOD conducted a review and identified the following functional areas that focus on QoL concerns:

1. Assistance with Work Life Stress

2. Underwriting Family Support
3. Child Development Services
4. Collaborations with Local Education Agencies
5. Commissary Benefits
6. Department of Defense Education Activity
7. Employer and Family Support for Reserve Forces
8. Equal Opportunity–Minority Representation in the DOD Workforce
9. Exceptional Family Member Program
10. Exchange Benefits
11. Financial Literacy
12. Fitness
13. Housing
14. Jr. Enlisted Housing Assignment Alternatives
15. Libraries
16. Mobilization, Deployment and Reunions
17. New Parent Support and Family Advocacy
18. Recreational Opportunities
19. Spouse Employment
20. Technology and Connectivity
21. Transition
22. Voluntary Higher Education Opportunities
23. Volunteers
24. Health Care
25. Youth Development Program
26. Partnerships with States (Office of the Deputy Under Secretary of Defense for Military Community and Family Policy, 2004)

These programs continue to exist in 2023 with many of the same areas needing improvement to meet the needs of our military members and families. Officers and enlisted utilize these programs throughout their careers and play a factor in their decision whether to stay or leave. As identified by the Commandant of the Marine Corps (USMC, 2021) and the DON QoL review in 2001, the active duty servicemembers are the main resource, and existing programs must continue to support their welfare, to include families. “Decisions throughout the chain of command should reflect the DON policy that people are the number one resource. Largely because of the constraint on resources, the Navy and Marine Corps appear to have grown away from this emphasis. Priorities need to be adjusted in order to sustain the highest possible QoL and to retain highest quality Sailors, Marines and their families” (Naval Research Advisory Committee, 2001).

### III. LITERATURE REVIEW

This chapter discusses what previous literature has found in relation to the effects of monetary incentives. Additionally, we discuss previous research into salary matching the civilian sector. Furthermore, the chapter examines prior writing on quality of life factors including: leadership and job satisfaction, education and mastery of skill, job fulfillment, and family and living conditions. Lastly we overview what past literature claims in terms of impacts family has on officer retention.

#### A. MONETARY INCENTIVE EFFECTS

Both officers and enlisted may benefit by various monetary incentives and bonuses based on the warfare community to improve retention. QoL and retention surveys focus on DON personnel as one population and apply generic logic for the application of retention bonuses across officer and enlisted populations. Previous studies conducted by DON identify “Pay and Compensation” as a factor in the retention mission. This generalization is further conducted in reviews identifying “Pay and Compensation” as lacking for both populations (Congressional Budget Office, 2007). In the 2002 QoL Forces Survey, O-1 to O-3 reported 65% satisfaction with pay with only 24% dissatisfaction. This was compared to 49% satisfaction and 9% dissatisfaction with the enlisted population in the same survey (Wilcove, 2002).

Enlisted bonuses have been shown to be more effective based on the pay disparity and desire for increased pay from this population. Freeman (2016) stated this:

As the civilian market demand increases, the bonus structure must also adapt and increase to retain the personnel. The enlisted plan does this very effectively with the enlisted multiplier. The officer plan does not have a multiplier and often reaches the max bonus rate allowed by law, with only future reductions being possible. (Freeman 2016)

Since officer pay is higher than their enlisted counterparts, monetary incentives dampen the impact of effectiveness for the officer population. However, monetary incentives cannot be denied as being an underlying motivator/factor in retention. The

officer population finds itself with basic needs met per the Maslow's Hierarchy of Needs model based on increased pay and standards of living. The higher tiers of belongingness and esteem needs are more applicable areas to focus on for the officer population.

## **B. MATCHING SALARIES OF CIVILIAN SECTOR**

Research identified competitive salaries in the civilian sector as a potential motivator for service members to depart the service. The DOD regularly calculates the comparison between Military and Civilian pay and all personnel can calculate their equivalent civilian side pay through DOD online calculator. (Military Compensation, n.d.a) The Regular Military Compensation calculates the compensation by evaluating basic pay, basic allowance for housing, basic allowance for subsistence and federal income tax advantage accrued by being part of the military (Military Compensation, n.d.a). Calculations show that military pay when compared to a similar educated civilian counterpart rank in the 69th percentile at the 10-year mark and 84th percentile at the five-year mark for officers (White House, 2020). To sum up, military officers are well paid in comparison to a civilian with a similar Undergraduate Degree for general jobs.

However, in specialized fields such as the aviation, cyber, medical, and nuclear communities, civilian pay outmatch the military pay for those specialized jobs (Santos, 2016), (Imhoff, 2016). For pilots, Imhoff (2016) compared salaries from the military to civilian airline pay for an O-3 officer and discovered that except for Southwest airlines, an O-3 will make more money over time by separating from the service and pursuing a civilian airline career rather than continue until retirement and pursue the same career.

When the military is unable to match civilian pay, QoL factors must be included in addressing the problem to match the intrinsic motivations of the military service members. "In cases where the wage differential may be too extreme for military compensation due to the high market rates in the civilian sector, the Marine Corps may have to gain flexibility in shaping an attitude and culture within certain communities that can make up for limitations in pay incentives in order to affect retention, maintain quality, and sustain experience past 12 years of service" (Arellano 2016).

Albright (2015) surveyed the USMC cyber community finding that education and skill progression were more important motivators than money (Albright, 2015). Incentives of importance to the cyber community included monetary incentives, duty station preference, geographic stability, education, transferable skills, external career opportunities and internal career progression (Albright, 2015). Money was still a factor but found to be less important than career and skill progression in a specialized community.

## **C. QUALITY OF LIFE FACTORS FOR U.S. MILITARY OFFICERS**

### **1. Leadership and Job Satisfaction**

Multiple studies identify leadership as a major factor in retention and job satisfaction (Cook, 1983; Mey et al., 2021; Office of the Deputy Under Secretary of Defense for Military Community and Family Policy, 2004; Stoker, 2008; White House, 2020). The impact that leadership has on officer retention is incalculable and can play a major role in one's decision to continue service. "When respondents were asked, 'What ONE thing should be done to improve SWO retention?' leadership was the top-rated response for YG94 and Later men (36%) and women (49%) and YG93 and Earlier men (46%)" (Stoker, 2008). Previous DON studies identified leadership in relation to how it improves the quality of their work life and if leadership focused on people as the priority that overall job satisfaction would increase (Office of the Deputy Under Secretary of Defense for Military Community and Family Policy, 2004). Mey (2021) presents the following:

The results of this study demonstrate that employees who have leaders who (1) provide them with a sense of belonging, respect, empowerment and engagement, (2) provide support for their personal growth and development and (3) grant them flexibility and freedom in executing their duties are effective in driving a talent retention strategy. The behavior of these leaders is seen to align with that of the transformational leadership style. These leaders influence their employees in a positive way, and they are less likely to be enticed away by another organization." (Mey et al., 2021)

If leadership does not support or assist military members in utilizing services and being present for their families, the resources are then being wasted. The power of

leadership was clearly delineated in these surveys shown in Stoker (2008) that “mentoring has a strong, positive impact on retention in the military.”

## **2. Education and Mastery of Skill**

With the requirement for newly commissioned officers to have college degrees, it higher education could be a strong motivation for officers. The Officer Corps has seen an increase of 3% in number of O-3s with advanced degrees. This equates to 42% of O-3s to have advanced degrees in 2017 (White House, 2020). Next, 79% of O-4 officers and 93% of O-5 level officers have advanced degrees resulting from Professional Military education, self-education through online degrees, or use of tuition assistance programs through the military (White House, 2020). Personal development through educational programs was rated as a top reason to stay in the military, and serves as a major intrinsic motivation to continue in the workplace (Office of the Deputy Under Secretary of Defense for Military Community and Family Policy, 2004). The personnel who receive a graduate education while in the military have increased chances of promotion and tend to stay in the Navy to at least the 10-year mark at a higher rate than those who do not have graduate level education (Conzen, 1999; Ongun & Bayram, 2012). Educational opportunities were identified by DON QoL surveys and civilian studies that Generation Y and beyond associate career goals and highly value “options for further trainings and graduate programmes” (Luscombe, 2013).

## **3. Job Fulfillment**

Job satisfaction was determined to be a key motivator for most officers as they decide on career intentions. “Ballentine noted that NMI (Non-Monetary Incentives) need to be tailored to the individual worker because preferences differ by age, needs, and career stage. Younger workers seek satisfaction through the workplace environment, while older workers are more concerned with their transition to retirement, including part-time and temporary work opportunities” (Coughlan, 2014). As seen during previous periods of war or conflict, enlistments and retention issues tend to curtail as a sense of job fulfillment and mission change the perception of poor QoL standards (Wilcove, 2009).

Theilmann (1990) found the intrinsic motivation of job satisfaction ranked one of the top five reasons for officers to stay in the service. “Intrinsic job satisfaction factor components variables [are] co-workers, happy with job, friendships, work conditions, personal freedom, [and] serve country” (Theilmann, 1990). Later studies showed a 10.51% increase in likelihood of staying in the service when satisfied with work values and time allocations (Clemens, 2002). Further along this study, we discuss job satisfaction and how it can sometimes be connected to higher educational motives. Finally, Volkmann (2014) described that lacking job satisfaction directly related to turnover in the Marine Corps Reserve. This thought process is further supported by Albright (2015) when describing the key motivator for cyber community Marines to stay was based on the job fulfillment and how the career meets their needs.

#### **4. Family and Living Conditions**

As the population of married personnel has increased in the military especially during the five to ten-year mark of an officer’s career, we see that family and living conditions become a priority for many service members. Service members showed an 87% satisfaction rate with marriage and 91% satisfaction rate involving the relationship with their children (Wilcove, 2002). Deery (2008) showed methods to retain good staff focused around enabling the work and family life balance. Many of these policies have been enacted or improved in the military such as parental leave policy updates. The DON focuses on Childcare facilities, base housing, spouse programs, and services which contribute to every member’s satisfaction with military life (Office of the Deputy Under Secretary of Defense for Military Community and Family Policy, 2004). Balancing high operational tempo (OPTEMPO) and demands at work with family time drives personnel away from the military due to the added stress and pressure of trying to choose between priorities (Stoker, 2008). Smith (2006) found that “GWOT period aviators appear to have a low retention rate due to the increased OPTEMPO and uncertain future. By encouraging alternative career paths, the Marine Corps will give these young aviators some certainty while also giving them a break from the OPTEMPO” (Smith, 2006). Those who are satisfied with quality of family life were statistically more likely to stay in the Navy for 20 years as their family

was minimally impacted (DuMont, 1997). While those experiences the strain on family life were likely to resign (Makarenko, 2014).

#### **D. FAMILY IMPACTS TO OFFICER RETENTION**

Similarly, to the civilian workforce there are numerous factors external to the organization that encourage retention or separation decisions amongst junior naval officers. The common factors that affect retention are the marital and dependent statuses of junior officers. The junior officer population inside the DOD varies widely in age, marital status, and parenthood, due to the various accession sources. However, Taylor (2005) identified that the factors of marriage and parenthood will ultimately play a role in a SWOs commitment to the service past the O-3 rank. There is a lack of NMIs for junior officers that are either parents and/or married. Being aware of the impact these factors play on retention decisions is significant for policy makers considering potential policy and future fleet requirements (Taylor, 2005). Meeting the needs of a service member's spouse or child must be considered to positively affect retention numbers. Many studies have been conducted and have consistently found these factors significant. Crawford and Stoker (2018) discuss what factors related to family are at the top of the reasons why SWOs choose to separate, in both men and women and across several age groups. Makarenko (2014) would agree as he states in his research "the top two reasons negatively affecting retention in both 2008 and 2013 were workload and strain on family." Any policy that satisfies spouses and children of service members is a net gain for the Navy (Taylor, 2005). An important piece of this study will be identifying potential policies the Navy and Marine Corps can implement, change, or promote to reduce the negative impacts due to family related decisions.

In addition to the marital and dependent statuses of SWO junior officers, gender plays a role in retention as well. Taylor (2005) conducted a study which reviewed retention rates amongst SWO junior officers regarding certain demographics, accession sources, and gender. Significantly he notes, "gender was positively related to retention" (Taylor, 2005). He goes on to specify that this is unique to the Surface Warfare Community and he did not find any statistical significance to retention with relation to gender in restricted line

communities (Taylor, 2005). This raises two important questions, can the Surface Navy address gender retention issues similarly to restricted line communities? Does the Marine Corps also suffer similar retention issues due to gender? This study hinges on the ability to find additional relevant data from recent surveys to determine whether policies have been implemented since 2005 that have positively influenced gender retention.

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## IV. METHODOLOGY

In this chapter we discuss our Hypotheses as well as provide an in depth overview of the CNO HoF-P survey. Additionally, we discuss the sample population that completed the survey. Lastly, providing the results for our sample group.

### A. HYPOTHESES

- **Hypothesis #1:** Monetary incentives are not the causal factor and are not addressing the reason for Officers leaving the fleet.
- **Hypothesis #2:** The average O-3 desires non-monetary incentives over monetary ones.

### B. HEALTH OF FORCE SURVEY

The CNO Survey Office made the survey available via the Qualtric Survey tool and utilized a census approach allowing every active duty service member to participate. This Survey was administered through all ranks; however, our results solely focus on the O-3 population. The timeline of completion was August through October of 2022. It was distributed via email and DOD identification numbers were used to limit survey attempts and gather demographic information. As part of the larger HoF-P initiative, the survey included HoF-P metrics used to analyze fleet culture and welfare. Some topics include but are not limited to job satisfaction, organizational commitment, unity, inclusion. Additionally, the survey includes questions that strive to address the programs and policies that impact personal lives of Sailors such as family planning, pregnancy, healthcare, childcare, and leave. Lastly, questions about diversity, equity, and inclusion issues were posed. The full list of questions from the 2022 HoF-P survey is listed in the appendix. Depending on a given responder's career intentions some survey items were skipped. The goal of the survey is to inform the Chief of Naval Personnel of emergent issues in the Navy that affects manpower, families, and commands.

### **C. SAMPLE POPULATION: O-3 NAVY PERSONNEL**

The O-3 participants came from a diverse background which serves as a true representation of the fleet. The population includes both restricted and unrestricted line officers, a wide range of calculated years of service, and members that were serving in either sea or shore Duty. Over 2,500 participants completed the survey, however the sample data we analyzed removed members of the population due to the uncertainty of answers from those who are pending separation and have unclear career intentions. Once accounting for those individuals our sample size decreased to 2042 persons. The sample population represents the diverse population of the Navy as represented in the following summary demographics. The survey was completed by 659 women (33%) and 1383 men (67%). The marital status of participants follows with 721 single, widowed, or divorced members (35%) and 1321 married members (65%) completing the survey. Among our population the individuals identify racially as: 1591 White, 116 African American, 95 Asian, 9 Hawaiian, 30 American Indian or Alaskan Native, 136 bi or tri-racial, and 65 declined to respond.

### **D. RESULTS**

The 2022 HoF-P survey results of 2,042 O-3 responses are detailed in tables (1) and (2). Table (1)—Influences to Stay is organized from the most popular reason to stay to the least significant. Table (2)—Reasons to Leave is organized from the most popular reason to the least significant.

Table 1. Influences to Stay

	Mean	Standard Deviation	Count
Job Security/Stability	0.555	0.497	1133
Retirement Benefits	0.535	0.499	1092
Patriotism/ Desire to Serve	0.424	0.494	865
Healthcare Benefits	0.402	0.490	820
Salary/Pay	0.397	0.489	810
Support/Benefits for Family	0.339	0.473	692
Ability to Balance Work and Personal Life	0.337	0.472	688
Opportunity to Travel	0.286	0.452	583
Promotion/Advancement Opportunities	0.196	0.397	401
Sense of Belonging	0.184	0.387	375
Leadership in Navy	0.162	0.369	331
Command Climate	0.118	0.322	240
Family History of Mil. Service	0.109	0.311	222
Leadership at Command	0.085	0.279	173
Childcare Availability	0.078	0.269	160
Ability to have/adopt children	0.075	0.264	154

The top five motivations to stay were identified as: job security/stability, retirement benefits, patriotism/desire to serve, healthcare benefits, and salary/pay. The five fewest chosen reasons to stay were: ability to have/adopt children, childcare availability, leadership at current command, family history of military service, and command climate.

Table 2. Reasons to Leave

	Mean	Standard Deviation	Count
Civilian Career Opportunities	0.269	0.444	550
Limited Promotion Opportunities	0.255	0.436	520
Geographic Instability	0.231	0.421	471
Treated Differently due to race, ethnicity, gender, or sexual orientation	0.229	0.421	469
Focus on Family	0.213	0.409	434
To use GI Benefits	0.170	0.376	348
Schedule Changes/Lack of Predictability	0.156	0.363	319
Salary/Pay	0.131	0.338	268
Concerns to have/adopt children	0.118	0.322	240
Childcare Issues	0.098	0.297	200
Health Related Concerns	0.078	0.268	159
Current Command Climate	0.069	0.253	140
Proximity to Extended Family	0.068	0.252	139
Recent Sea Duty Exp.	0.062	0.241	126
Don't Feel Like I Belong	0.053	0.225	109
Leadership in Navy	0.053	0.225	109
Work/Life Balance Issues	0.039	0.193	79
Leadership at Command	0.038	0.192	78
Too much Time Away	0.035	0.184	72

The five most selected influencers to leave were: civilian career opportunities, limited promotion/advancement opportunities, geographic instability, treated differently because of race, ethnicity, gender, or sexual orientation, and to focus on family. The five least selected factors to leave were: too much time away from home, leadership at current command, work/life balance issues, don't feel like I belong, and leadership in the Navy.

## V. FINDINGS, CONCLUSION, AND RECOMMENDATIONS

This chapter provides our findings and concluding thoughts from our research. Additionally, we make some actionable recommendations for the Navy and Marine Corps. Lastly, identifying limitations of our research and recommendations on future research.

### A. FINDING 1: MULTIPLE FACTORS ARE MORE INFLUENTIAL TO STAY THAN SALARY OR PAY

The 2022 O-3 population identified job security/stability, retirement benefits, patriotism/desire to serve and healthcare benefits as all more influential reasons to remain in service than salary/pay. This is not dissimilar to what the 2021 results held which indicated job security/stability, retirement benefits, patriotism/desire to serve, healthcare benefits, and family support/benefits as all more significant than salary/pay. The 2021 survey had 1,657 participants and contains responses from both O-4s and O-3s, which differs from the O-3 only target audience, however parallel themes are present. This shows that certain factors of life in the military are more appealing than potential salary improvements or potential bonuses offered. Over 50% of the responders indicated that job security/stability and retirement benefits are the most influential factors to stay in the Navy. This highlights the relative importance amongst this target audience. Most importantly, members indicated their personal patriotism and desire to serve are more significant than their current salary/pay. This mindset is encouraging for the Navy being an all-volunteer force.

### B. FINDING 2: CIVILIAN CAREER OPPORTUNITIES AND FOCUS ON FAMILY ARE CONSISTENT INFLUENCES TO LEAVE

The 2022 participants selected civilian career opportunities most frequently when considering factors that influence separation from the Navy. This remains consistent with 2021 results which those job opportunities were the second most selected influencer, falling short of work/life balance. Consistent with previous literature (Santos, 2016) (Imhoff, 2016), 36% of personnel in highly specialized fields such as Aviation, Medical, or Nuclear

selected civilian career opportunities as an influence to leave the military. This is not surprising as specialized skills are valued greatly outside the military, as often civilian organizations will target members with prior military service for the combination of lower training cost and leadership traits consistent with servicemembers.

In addition to the civilian career opportunities available, the 2022 HoF-P responders indicated the ability to focus on family as a high influential factor. This two-year trend aligns with previous literature as noted in the 5–10 year mark of an officer’s career family conditions become a priority. The sample population ranked the choice to focus on family as the fifth most influential factor towards separation, compared to the 2021 sample that ranked it third.

### **C. FINDING 3: IMPACT OF LEADERSHIP**

Both leadership in the Navy and at current command were deemed insignificant when choosing whether to separate or continue a responder’s Naval career. Additionally, many responders identified the leadership at their current command as an unimpactful aspect towards retention. This is inconsistent with previous literature which all identified leadership as a major factor in retention and job satisfaction (Cook, 1983; Mey et al., 2021; Office of the Deputy Under Secretary of Defense for Military Community and Family Policy, 2004; Stoker, 2008; White House, 2020). The 2022 HoF-P survey respondents state otherwise. The results indicate that the leadership experienced by these O-3 officers are neither a negative nor a positive facet of their military lives. Neither prompting retention nor driving separation. One aspect can be viewed as positive, in that the leadership at current commands is not prompting departure, however the inverse is worthy of further research. At the O-3 level, officers interact heavily with leadership regardless of designator, and the sample population have seemingly stated their leadership is not having any significant influences on their career decisions to how Mey et al. (2021) described.

### **D. FINDING 4: DISCRIMINATION BASED ON RACE, ETHNICITY, GENDER, OR SEXUAL ORIENTATION**

Several responders identified discrimination based on race, ethnicity, gender, or sexual orientation as a casual factor for deciding to transition out of the Navy. This

influence was selected fourth most frequently amongst the sample population. This theme was an uncommon selection from the 2021 survey participants. The results were not specific to any designator or gender indicating discrimination is influencing career decisions regardless of those individualities.

## **E. CONCLUSION**

Although neither hypothesis one nor two can be proven with certainty, well calculated assumptions for further research can be discussed. Given four of the top five reasons to stay in the Navy were monetary related, we can conclude that the average O-3 who stays is fiscally concerned, and monetary incentives do play a significant role in retention. Analyzing the top five reasons to leave the Navy, most officers are leaving because of personal or fiscal experiences. To reinforce, it is possible that that civilian career and limited promotion opportunities are influenced by the desire for monetary or lifestyle changes. Furthermore, geographic instability and focus on family falling within the top five reasons to leave, it is possible that officers who either have families or considering starting one, are concerned with permanent change of station moves and how it may affect them.

## **F. RECOMMENDATIONS**

Given the constraints and scope of this thesis, we are making recommendations based on the top five reasons to stay and leave the Navy, listed in tables (1) and (2). First, making decisions around family seems to be a trend based on the 2022 HoF-P survey for O-3. Therefore, the DON could consider extending time on station or prioritizing preferences of duty stations for junior officers especially for those who are either married or have additional dependents. Per our research analysis, two of the top five reasons to leave the Navy were “geographic instability” and “focus on family” which leads the readers to believe that there is a direct correlation between permanent change of station moves and retention success. Second, continue to invest in the Command Managed Equal Opportunity training to reduce discrimination based on race, ethnicity, gender, and sexual orientation. When members are found guilty of discriminatory actions, hold them accountable and continue to show members of the Naval service that every person is a valued member of the team. On the other hand, it is recommended that further research is invested in this

reason due to discrimination being one of the top five reasons to leave. Additionally, command climate and leadership were one of the lowest reasons to leave the Navy which is often tied to discrimination and equal opportunity. Next, continue to make advances on policies that allow members to focus on their family, especially around times of significance such as birth, adoption, or death of a family member. Finally, since most reasons to stay and leave the Navy for the O-3 population is loosely or directly tied to monetary incentives, the Navy should continue to educate and promote the short- and long-term fiscal benefits of staying in the Navy such as benefits for dependents, tuition assistance, thrift savings plans, and more.

Although competing with the civilian sector will always be a top threat to Navy officer retention, it is recommended that the Navy takes a different perspective to non-monetary incentives and make these incentives more personal and unique to the service member. To explain, in the top 10 reasons to leave the Navy, over 65% of reasons were non-monetary in nature. Kryscynski (2021) suggests that in order to retain employees, the organization should consider providing personalized benefits to the employee's individual or family's life. Then, the employee would not be able to compare the Navy's generic incentives to a prospective civilian company. In other words, NMIs should be so unique that no other competitor can match which then makes it more difficult for the employee to separate. This requires transactional leadership and a more personal experience when understanding the officer's career path and his/her future intentions.

## **G. LIMITATION OF RESEARCH**

There were several limitations regarding our results. As this research is primarily based upon the survey method of an outside entity, we were particularly reliant upon how they phrased questions and answers. The structure of the survey limits our ability to conduct rigorous analysis with respect to how questions were answered. Due to the time and scope of this thesis, we would not have been able to adequately disseminate, collect, and analyze the data. Additionally, as three active duty officers we are all aware of the current challenges to retention and have personal bias towards what influences our peers to separate or retain.

## **H. FUTURE RESEARCH**

First, additional research should be devoted to further explaining the separation tendencies due to discrimination, hopefully identifying which groups are most impacted by discrimination. Although the Command Managed Equal Opportunity programs are prevalent in today's Navy, discrimination was a significant factor in reasons to leave per the 2022 HoF-P survey. Second, results based on sea duty versus shore duty, or deployed versus non-deployed personnel would add to the current information regarding retention. Finally, it is encouraged for further HoF-P surveys to understand if "limited promotion opportunities" are either monetary or career focused.

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## APPENDIX. QUESTIONNAIRE QUESTIONS

### 2022 HoF-P Survey

#### Career Plans and Influences

**1. Which of the following best reflects your Navy career plans?**

- I plan to remain in the Navy until retirement >>*Skip next question*
- I plan to remain in the Navy for the foreseeable future but maybe not until retirement
- I plan to get out of the Navy at my next opportunity
- I'm not sure
- I'm getting out of the Navy but it's not my choice >>*Skip next 2 questions*

**2. Please review the list and identify up to five factors influencing, or that might influence, you to leave the Navy. If we have failed to include a factor that is likely to influence you to leave, please select "Other" and explain in the space provided.**

- Childcare Issues
- Civilian Career Opportunities
- Concerns about Ability to Have/Adopt Children in Navy
- Current Command Climate
- Don't Feel Like I Belong
- Focus on Family
- Geographic Instability (Frequency of PCS Moves)
- Health related concerns (physical or mental)
- Leadership at Current Command
- Leadership in the Navy
- Limited Promotion/Advancement Opportunities
- Proximity to Extended Family
- Recent Sea Duty Experiences (if applicable)
- Salary/Pay
- Schedule Changes/Lack of Predictability
- Treated Differently Because of Race, Ethnicity, Gender, or Sexual Orientation
- Too Much Time Away from Home
- To Use GI Benefits/Pursue Education
- Work/Life Balance Issues
- Other (Please specify) \_\_\_\_\_

**3. Please review the following list and identify up to five factors influencing, or that might influence, you to stay in the Navy. If we have failed to include an important influence to stay in the Navy, please select "Other" and explain in the space provided.**

- Ability to Balance Work and Personal Life
- Ability to Have/Adopt Children While in Navy
- Childcare Availability
- Command Climate
- Healthcare Benefits
- Job Security/Stability
- Leadership in the Navy
- Leadership at Current Command
- Navy Community/Sense of Belonging
- Opportunity to Travel
- Patriotism/Desire to Serve
- Promotion/Advancement Opportunities
- Salary/Pay
- Support/Benefits for Family
- Retirement Benefits
- Family History of Military Service
- Other (Please specify) \_\_\_\_\_

**Demographics**

Rank

Gender

Marital Status

Dependents

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