

REPORT DOCUMENTATION PAGE		READ INSTRUCTIONS BEFORE COMPLETING FORM
1. REPORT NUMBER R-2276/1-AF	2. GOVT ACCESSION NO.	3. RECIPIENT'S CATALOG NUMBER
4. TITLE (and Subtitle) The Evolution of Military Officer Personnel Management Policies: A Preliminary Study with Parallels From Industry - Executive Summary		5. TYPE OF REPORT & PERIOD COVERED Interim
		6. PERFORMING ORG. REPORT NUMBER
7. AUTHOR(s) James H. Hayes		8. CONTRACT OR GRANT NUMBER(s) F49620-77-C-0023
9. PERFORMING ORGANIZATION NAME AND ADDRESS The Rand Corporation 1700 Main Street Santa Monica, CA 90406		10. PROGRAM ELEMENT, PROJECT, TASK AREA & WORK UNIT NUMBERS
11. CONTROLLING OFFICE NAME AND ADDRESS Project AIR FORCE Office (AF/RDQA) Directorate of Operational Requirements Hs USAF, Washington, D. C. 20330		12. REPORT DATE August 1978
		13. NUMBER OF PAGES 22
14. MONITORING AGENCY NAME & ADDRESS (if different from Controlling Office)		15. SECURITY CLASS. (of this report) UNCLASSIFIED
		15e. DECLASSIFICATION/DOWNGRADING SCHEDULE
16. DISTRIBUTION STATEMENT (of this Report) Approved for Public Release; distribuion Unlimited		
17. DISTRIBUTION STATEMENT (of the abstract entered in Block 20, if different from Report) NO RESTRICTIONS		
18. SUPPLEMENTARY NOTES		
19. KEY WORDS (Continue on reverse side if necessary and identify by block number) History Officer Personnel Leadership Military Personnel Personnel Management Management Industrial Management		
20. ABSTRACT (Continue on reverse side if necessary and identify by block number) See Reverse Side		

The discussion in the main study is arranged by historical period, whereas this executive summary is organized around personnel management problems as they have emerged both for the military officer and the manager in industry during the history of the United States. (Author)

AD A060086
980090

R-2276/1-AF
August 1978

The Evolution of Military Officer Personnel Management Policies: A Preliminary Study with Parallels from Industry – Executive Summary

James H. Hayes

**A Project AIR FORCE report
prepared for the
United States Air Force**

DISTRIBUTION STATEMENT A
Approved for public release;
Distribution Unlimited

78 10 12 002

Rand
SANTA MONICA, CA. 90406

The research reported here was sponsored by the Directorate of Operational Requirements, Deputy Chief of Staff/Research and Development, Hq. USAF under Contract F49620-77-C-0023. The United States Government is authorized to reproduce and distribute reprints for governmental purposes notwithstanding any copyright notation hereon.

Reports of The Rand Corporation do not necessarily reflect the opinions or policies of the sponsors of Rand research.

Library of Congress Cataloging in Publication Data

Hayes, James H

The evolution of military personnel management policies.

([Report] - Rand Corporation ; R-2276/1-AF)
"A project Air Force report."

1. United States--Armed Forces--Personnel management. 2. Personnel management--United States.

I. United States. Air Force. II. Title.

III. Series: Rand Corporation. Rand report ; R-2276/1-AF)

AS36.R3 R-2276/1 [UB323] 081s [355.6'1'0973]
ISBN 0-8330-0052-7 78-13697

R-2276/1-AF

August 1978

The Evolution of Military Officer Personnel Management Policies: A Preliminary Study with Parallels from Industry – Executive Summary

James H. Hayes

**A Project AIR FORCE report
prepared for the
United States Air Force**

Rand
SANTA MONICA, CA. 90406

PREFACE

This report is the executive summary of a more comprehensive analysis of the evolution of military personnel management policies for officers (see R-2276-AF, August 1978). It is intended for policy-makers with personnel responsibilities.

Although the discussion in the main study is arranged by historical periods, this executive summary is organized around personnel management problems as they have emerged during our history. Many of these problems still exist, albeit in different form. Because personnel practices of business firms may be held up as examples of efficiency for the military services, the development of industrial personnel management policies for executives is also examined.

The report was originally prepared for the Deputy Chief of Staff, Personnel, Headquarters, United States Air Force, under the "Officer Personnel Management Study" project of the Project AIR FORCE Manpower, Personnel, and Training Program. It should be useful to the current DCS/Manpower & Personnel staff and counterpart organizations in other parts of the Department of Defense in determining future promotion and retirement systems and related management policies.

CONTENTS

PREFACE	iii
INTRODUCTION	1
THE PROBLEM	2
THE SUPPLY OF OFFICERS	3
THE QUALITY PROBLEM	5
PROMOTION	10
SALARY AND RETIREMENT: PROMOTION RELATED PROBLEMS	16
RETENTION AND TERMINATION	20
A FINAL THOUGHT	22

INTRODUCTION

Less than a year after the cannons had stilled at the battle at Saratoga and the beat of the surrender drums had mingled with the other echoes of history, the Congress, in a resolution of 2 June 1784, showed its abhorrence of a standing army led by professional officers:

And whereas, standing armies in time of peace are inconsistent with the principles of a republican government, dangerous to the liberties of a free people, and generally converted into destructive engines for establishing despotism....

Resolved, that the commanding officer be and he is hereby directed to discharge the troops now in the services of the United States, except twenty-five privates to guard the stores at Fort Pitt and other magazines, with a proportionable number of officers, no officer to remain in the service above the rank of captain. [Emphasis added.]

The Navy fared even worse--it was demobilized. Questions dealing with maritime matters were handled by the Army, the sole service remaining in the War Department. Nevertheless, the imminence of war with France in the last decade of the 18th century forced a reappraisal of the value of sea power, and the Navy was reborn on 30 April 1798.

This was the beginning of a long struggle between the Congress and the services over the survival of our armed forces and over the proper way to manage an important human resource--the officer corps. Although some have tried to deny our reliance on military forces, events have made them a necessity. The 19th century saw the War of 1812; the numerous Indian Wars, particularly with the Seminoles; the Mexican War; the numerous wars and conflicts with the western Indians; and the Spanish-American War. The 20th century has been the arena for the Philippine Insurrection, the Boxer Rebellion, the intervention in Mexico to destroy Pancho Villa, the shelling of Veracruz, World War I, the "Banana" wars in Central America, World War II, the Korean War, the Lebanon Crisis, the Cuban Crisis, and the Vietnamese War.

THE PROBLEM

The Congress initially relied on militia officers to create, train, and lead the Army. The Navy, a small service, was established largely by the simple expedient of purchasing ships and recruiting men from the merchant marine fleets of the day. After the War of 1812, the Navy began its own shipbuilding programs and its personnel became professional. It never did rely upon militia in the sense that the Army did.

Proponents of a professional officer corps were heartened when the Congress passed the Act of 5 March 1792, which provided for the better "protection of the frontiers of the United States" and authorized the President to more than double the size of the regular Army. The victory at Fallen Timbers by these regulars, led by General "Mad" Anthony Wayne, lent considerable strength and persuasion to the arguments for a larger regular establishment led by professional officers. Despite the impressive victory, however, the Congress immediately reverted to its previous reliance on the militia. This on-again off-again policy characterized much of the personnel management of our early military history.

The foregoing series of events typifies the major problem of officer personnel management: how does one provide the quality of officers needed in the quantities required during a crisis? This reduces to a question of quality versus quantity, where quality is defined as officers well trained for war and able to skillfully execute the missions assigned to them with the technological means available.

Although quality versus quantity has been the major theme faced by personnel managers, there have been other problems which have tended to obscure, momentarily, the central problem. Promotional opportunity, pay, the line versus the specialist controversy, and demands that equal responsibility carry with it equal rank and equal privileges have also been major concerns of the officer corps. In this century, the officer's role has increasingly been compared with that of industry's executive, with often invidious results for the services.

THE SUPPLY OF OFFICERS

The general distrust of the military exhibited by the Congress and by the American people in the early days of the nation meant that there was a constant push to do away with the armed services altogether. When the needs of our foreign policy finally made it imperative that there be an armed force, the Congress was still in no mood to have either a large force or to spend much money on its maintenance. Thus arose the question of how many regular officers would be permitted and where they would be found.

There has never been any real question that the quantity of officers could be provided. Anyone, in the early days of the republic, could raise a company or regiment provided he had the money. He was then given a commission in the appropriate grade. Up to the beginning of World War I, there was also widespread favoritism and nepotism in the granting of commissions. It is hardly surprising that the efficiency of the officer corps suffered, and there were many attempts on the part of the regular Army to upgrade what was a decidedly weak militia system for the selection of officers. The ultimate result of this effort was the creation of two reserve systems--the militia, which was variously named and finally became the National Guard, and the reserves mandated by the National Defense Act of 1916.

Even today there would be no problem in providing a given quantity of officers--one simply lowers the standard. The maintenance of quality, however, has been the subject of considerable legislation, and is described in the full study (R-2276-AF). Suffice it to say that the Reserve Officers Training Corps (ROTC) system has provided some of the nation's best officers and continues to be a source of trained officers in time of a national emergency. Its ability to expand rapidly and preserve its high standards is, however, limited because the course involves a minimum of two years and a maximum of four years. The gap in the production line created by wartime demands can be filled by the Officer Candidate School (OCS) system, which can

78-10-12-002

produce large numbers of well qualified junior officers given adequate time and proper standards of selection. If retained on active duty, many of these officers can, as World War II showed, continue on to become flag officers.

The final source of officer personnel, the service academies, provide a relatively constant yearly cohort that becomes the backbone of the officer corps. History has shown this source, while small, to be a good one for the development of most of our high ranking officers. It is fortunate that the other sources also produce outstanding personnel who have assumed the nation's highest ranks and have, therefore, prevented any problems which a single source might create through inbreeding.

Finding officers has not always been as neat and tidy as indicated in the preceding paragraphs. As late as the Spanish-American War, the influence of politics and nepotism inhibited the commissioning of those best qualified to perform the duties demanded of them. For instance, when the first naval lists were being compiled by the Congress, "it took no eagle eye to discern the markings of nepotism and sectional influences." The commander in chief of the fleet was Esek Hopkins of Rhode Island, a brother of the chairman of the Naval Committee. The senior captain was Dudley Saltonstall, a brother-in-law of another committee member, and the junior captain was John Burroughs Hopkins, son of the commander in chief. Fortunately for the fledgling Navy, the list of lieutenants also contained the name of an obscure officer named John Paul Jones.

Political and sectional considerations were also at work in the appointment of Army officers. Several generals who were appointed from the middle and southern states drew complaints that the New England states were being slighted. Officers in other grades were appointed because they were friends of important people, not because of their ability or knowledge.

By the time of the Spanish-American War, the politics of appointment had reached the point where more than 25,000 applicants for commission, many of them supported by letters from influential

political or business figures, descended on the War Department. Even President McKinley took a personal hand in the selection process. As a master builder of political coalitions, he saw in the commissioning process a chance to get the south to support his policies. Moreover, as the first wartime president since Lincoln, he saw an opportunity to heal the wounds of the Civil War by having the Blue and the Gray serve together against a common and hated foe.

McKinley saw to it that each state received its proportionate share of appointments. He was also careful to give Democrats, and especially Southern Democrats, a large share of the available commissions. It was no surprise to anyone to see major general commissions awarded to Joseph Wheeler of Alabama and Fitzhugh Lee of Virginia, both of whom had been distinguished Confederate cavalry leaders and who were also prominent Southern Democrats. Because he examined a man's military ability carefully, it was frequently the case that the military skills of those chosen went hand in hand with political expediency.

By the time World War I became a reality, politics were formally expunged from the selection process by the National Defense Act of 1916. From that day forward, the commissioning of officers in the armed forces has been essentially free of political influence and the evils of sectionalism, nepotism, and election by the lower ranks.

THE QUALITY PROBLEM

The problem of quality has been difficult to solve primarily because of the lack of definition of quality. In its stead, quality may be equated to training, and it is in this context that the following discussion should be read.

The Army was the first to attempt to ensure that its officers were as well qualified as the state of the teaching art of the time could assure. To this end, West Point was founded in 1802.

In its initial concept, West Point was not intended to be solely an Army-oriented institution. When Alexander Hamilton first suggested

the idea in 1799, he had in mind five different schools: a fundamental school, in which the students would receive instruction for two years in "all the sciences necessary to a perfect knowledge of the different branches of the military art," and four advanced schools. After completion of the fundamental school, a student would go to one of the four advanced schools: engineering and artillery, cavalry, infantry, or naval.

Hamilton's original idea was changed by the Congress and only an Army-oriented school of engineering was approved. It is curious that the Navy's request for a similar school was refused 20 times in the next 45 years, although the Air Force had no real difficulty in obtaining approval for its own Air Academy after it became a service in 1947.

In recognition of the value of trained officers in the War of 1812, the Congress authorized an increase in the corps of cadets to 250. In addition, cadets were placed under established discipline as prescribed by a set of academy regulations, were organized into companies, were encamped in the field for three months out of the year, and were to be "trained and taught all the duties of a private, noncommissioned officer and officer."

The first positive evidence of the value of the trained (quality) officer occurred in the Mexican War. By that time there were approximately 500 graduates of the Military Academy, mostly in the junior grades of the Army. They included Ulysses S. Grant, Robert E. Lee, Stonewall Jackson, and others who were to become famous in the Civil War. The senior officers did not meet the same standards as the junior officers because of the lack of personnel management to ensure their orderly progression of duties and the lack of adequate training and physical standards. The starkest effect of this situation was revealed by then Lieutenant Ulysses S. Grant, who wrote that the colonel of his regiment--"a most estimable...old gentleman"--decided that with war imminent he should conduct battalion drill, which he had not done in many years; after two or three evolutions he fell dead.

The Naval Academy was founded in 1845 on the Severn River. The need for training is exemplified by the commissioning of the Mississippi and the Missouri, the beginning of the steam navy. There were no naval specialists trained to run these ships nor were there policies for obtaining them from civilian ranks. To correct this deficiency, the Corps of Engineers was authorized on 31 August 1842. On 1 September 1842, Gilbert L. Thompson, son of an ex-Secretary of the Navy, was appointed engineer-in-chief of the Navy. "Unfortunately, his engineering was purely nominal, and confined to a very prompt and efficient drawing of his salary." A later Assistant Secretary of the Navy, Theodore Roosevelt, required all midshipmen to become engineers, thus solving a problem which had persisted for over 50 years.

The most significant growth in the military educational systems took place in the Army during the period after the Civil War. This period has been called the "Dark Ages" of the Army because the splendid fighting force of the Civil War was reduced abruptly to about 27,000 officers and men spread over the United States in posts that rarely numbered more than a company of men. It was a time during which the Army was neglected by the nation and the Congress, and it was a time for introspection, thought, and development of a professional corps of officers. The leader in the movement was the chief of staff, General William T. Sherman, who undertook to establish the basis for what is now the Army system of schooling. He founded numerous branch schools and the Command and General Staff College at Fort Leavenworth.

At about the same time, the Morrill Act of 1863 established the forerunner of the ROTC in the land grant colleges. This important measure is responsible for the yearly input of college graduates trained to be officers, who have served the nation superbly in the two World Wars.

The Navy took similar steps to increase the quality of its officers and established schools adapted to its own needs. The Air

Force has a separate command to oversee its schools and training. The comprehensiveness of military training in the United States is the equal of or exceeds that of any other military force in the world.

Today's officer corps is highly competent and professional, and its quality is probably the highest in the history of our nation. If our military and strategic doctrine is equal to or better than that of potential enemies, it can be said that the outcome of future wars will rest on factors that are not the proper province of this study.

In contrast to the services, industry in its early days had no training program for its managers. Indeed, until 1917 there was no book which stated a necessity to train managers for the complicated task of running the increasingly complex corporations. In addition, college training programs designed to train students in the details of business administration were slow to come. There were two unsuccessful attempts to establish business colleges in the middle of the 19th century: at the University of Louisiana in 1851 and at Washington College in 1868. This latter attempt, by Robert E. Lee, was abandoned at Lee's death in 1870. The first successful business school was established in 1881 at the University of Pennsylvania by a bequest left by Joseph Wharton. The Wharton School was finally given its own dean, faculty, and budget in 1912, more than a century after the first military college had been established. In the next half century, the growth of business schools was explosive and by the decade of the 1970s there were over 500 such schools with an estimated enrollment of 600,000 students.

Courses specifically designed for the advanced training of managers were not established until the World War II era. Thus in some sense a senior military officer receives more formal training than does a senior business executive. The caveat is, of course, that business executives are in daily contact with the problems which they must solve and are, so to speak, constantly in combat. This on-the-job training is invaluable in showing who can and who cannot perform under stress, regardless of the amount of formal training for

the particular executive position in question. Officers, on the other hand, have little opportunity to practice actual combat until it occurs, and therefore they must substitute training for experience.

When an officer proceeds through the military system and reaches the rank of general or admiral, he will almost certainly have had the following training:

- o A college degree.
- o A six-to-nine months' course as a junior officer.
- o Several one-to-four week exposures to specialized schools--guerrilla war, parachute training, gunnery, etc.
- o A course at a service Staff College for which he must be selected by a board of officers.
- o A one-year course at a War College. Again, the officer must be selected for such a course.

Approximately half of all officers with over seven years experience will be Staff College graduates and about 25 percent of those with over 15 years of service will be War College graduates. This means that colonels, with few exceptions, will be college graduates and about 25 percent of those with over 15 years of service will be War College graduates. Also, lieutenant colonels generally will be graduates of schools at the Staff College level, with other field grades (middle management) having lesser degrees of schooling. The great majority of this training is combat oriented and designed to make officers generalists.

The military system of schooling is formalized; selection procedures are prescribed by regulations and attendance is a duty. In addition, there is intense institutional support for the kind of training received which reveals itself most positively in the promotion lists--advancement to flag ranks is exceedingly difficult without a diploma from a War College. Such opposition as there is to the time an officer spends in training is muted and almost certainly not held by any large group of officers.

In contrast, educational opportunities for industry managers and executives after being hired are markedly less both in quantity and formality. Successful managers on the average acquire 600 hours in development programs from the time they leave college to the time they become presidents. This amounts to a total of about 20 weeks of instruction (assuming six hours of actual instruction in a day). A simple interpolation indicates that the average industry middle manager has received far less instruction than his military counterpart at each comparable stage of development, be it junior manager, middle manager, or executive.

PROMOTION

The first War Department regulation for the promotion of officers was an order of the Secretary of War, dated 26 May 1801, which declared that "promotions to the rank of captain shall be made regimentally, and to the rank of major and lieutenant-colonel in the lines of artillery and infantry, respectively." This order was supplemented by another, issued on 7 May 1808, making the above rule for promotion in the infantry and artillery applicable to the cavalry and riflemen.

The two provisions cited above were executive orders of the Secretary of War. The Congress took its first action on the subject of promotion in the Army in the Act of 26 June 1812. The fifth section of that Act stated:

And be it further enacted, that the military establishment authorized by law previous to the twelfth day of April, one thousand eight hundred and eight, and the additional military forces raised by virtue of the act of twelfth of April one thousand eight hundred and eight, be, and the same are hereby incorporated; and, that from and after the passing of this act, the promotions shall be through the lines of the artillerists, light artillery, dragoons, riflemen, and infantry, respectively, according to the established rule.

The rule referred to was established by the executive order of the Secretary of War, and the Act of 1812 served to legalize it. This

unwise rule caused a stagnation in promotions; it was hard to rise when, for example, four lieutenants in a company had to wait for a captain to be promoted, retire, or die. In fact, prior to the Mexican War, "promotion was so slow that a lieutenant had little hope of ever becoming a captain."

The situation in the Navy was even more frustrating because there were only three ranks. Therefore, an officer could look forward, at best, to only two promotions in a career, and the final one he could seldom reach until he was in his seventies. Thus, the opportunities were less and the pace was slower. In addition, the Congress, in an excess of egalitarian zeal, regarded the rank of admiral as imperial and refused to grant it until the Civil War exploits of David Farragut demonstrated the importance of a navy to combat operations. The very size of the fleet also indicated the need for a different and more complex rank structure to approximate that of the Army.

These initial service rules were simply promotion by seniority and though there were various changes in an attempt to make the system more flexible and allow for faster promotion, the seniority system remained in effect in the Army until World War II. It was formally abolished by the Officer Personnel Act of 1947. The Air Force was initially part of the Army and suffered through the agonies of seniority even though it had received authorization for temporary promotions after World War I. These promotions were necessary in view of its rapid expansion.

The Navy realized the stultifying effects of promotion by seniority earlier and obtained legislation in 1916 that amounted to the present-day system of up-or-out. This was not, however, without a considerable amount of dissatisfaction and internal strife.

The Civil War "hump" of some 858 graduates of the Naval Academy between 1861 and 1865 meant that the lower echelon of the Navy was blocked from promotion so that the top graduates of the class of 1868 remained lieutenants for 21 years. The ensuing general dissatisfaction led to many resignations and the Annapolis classes of the 1860s and 1870s had resignation rates in excess of 25 percent.

There was no planning worthy of the name to rectify the personnel problem. Several schemes were proposed. The upper ranks could be reduced, promotion could be on merit, or the classes at the Academy could be made smaller. The first two were vigorously opposed and one admiral had "very serious fears" that the Secretary of the Navy was planning to go to "that system of scoundrelism--of selecting officers for promotion." The last scheme, reduction of the Naval Academy classes, was adopted by the Congress in the Act of 5 August 1882.

In reviewing the literature of the period, one senses an Alice in Wonderland approach to the whole question of promotion in the various measures suggested to reduce the hump problem--a problem which, it must be noted, has occurred to some extent after each of our large wars. The overwhelming concern on the part of the Congress was cost; and on the part of senior naval officers, the preservation of seniority. These twin issues, which reflected the personal biases of the one group and the vested interest of the other, were not in the best interests of either the nation or the Navy. The result was a solution which in effect discriminated against the one group of people who had little to say in the decision--the young midshipmen who had been misled into thinking that when they graduated they would receive commissions in the Navy. Therefore, instead of injecting young blood and the new attitudes and theories that would ensue, the Navy retained its aged officers--whose average age was about 20 years older than in European (and modern) navies. The approach taken was at best a cynical disregard of the rights of the midshipmen and at worst a disregard for the future efficiency of the Navy. Fortunately for the Navy, the young officers did not accept the treatment they were accorded, and the attendant controversy was to result in the "new Navy" and innovative and beneficial concepts for the development of quality standards in the officer corps.

The resulting storm of protest made the 1880s one of the most turbulent periods in the history of the Navy. Midshipmen engaged in a virtual mutiny. Young officers banded together to create the "new Navy" by working to change the attitudes of the Congress. They also

suggested that older officers be "plucked" to create promotional vacancies.

The "plucking" recommendation was not acted on, but the younger officers persisted in their grievances until a Congressional investigation of naval officer promotion took place in 1894. The senior officers recommended a merit system which would allow a few outstanding officers to receive accelerated promotion; the "Young Turks" persisted with their recommendation to "pluck" senior officers to assure a steady flow of promotions. The joint Congressional committee went so far as to draft legislation which proposed "plucking" senior officers from the Civil War "hump." The ensuing controversy was interrupted by the Spanish-American War, which delayed consideration of the promotion issue until the end of the war.

The spectacular victories of the Navy and the new territories that were obtained awakened the Congress to the value of the Navy as an instrument of foreign policy, as well as firing the imagination of the nation. As a result of this sentiment, a series of favorable actions was embodied in the Naval Personnel Act of 1899. The actions included an amalgamation of the engineers with the line, increased pay, and provisions for an accelerated flow of promotions by authorization for the Secretary of the Navy to keep a list of "applicants for voluntary retirement." The volunteers were chosen like so many other volunteers are chosen in the services: if the number of "volunteers" needed to create vacancies did not materialize, the Secretary of the Navy was empowered to convene a board to select the required number of officers for retirement. This was the famous "plucking" board upon which the younger officers had placed their hopes for more rapid promotions.

Unfortunately, the actual result was below expectations, and the new promotion rules were not immediately helpful. In 1906, the youngest captain in the U.S. Navy was still some 20 years older than his British or European counterpart. The U.S. officer still spent, on the average, only about two years as a rear admiral before retiring, while in other navies officers enjoyed six or

more years in flag rank. The men who had suffered from "the hump" and the Act of 5 August 1882 obtained little relief from the 1899 Naval Personnel Act; on the contrary, a good many of them suffered from it. Even Admiral W. S. Sims was eventually plucked by the selection board system.

The real fault was an unwillingness to attack the root of the problem--promotion by seniority. No amount of "plucking" in the higher ranks could overcome the stagnation which existed in the intermediate grades. To do that would, of course, really mean "plucking" at all grades. It was not until the next period that more perceptive Navy personnel planners realized that in its starkest form "plucking" at every rank is really an up-or-out system of promotion.

The National Defense Act of 1916, as already noted, gave the Navy the authority to use the selection system for its promotions. Later the Army adopted the same system, so that under the terms of the Officer Personnel Act of 1947 there is today a uniform system of promotion and selection out for those not selected under certain specified criteria. As the newest service, the Air Force benefited from the Personnel Act of 1947. As a separate service, it benefited from the prior experiences of the other services and the translation of those experiences into useful legislation. More recently, legislation has been introduced to make the system uniform for all the services, but as of this date the fate of the so-called DOPMA legislation is not clear.

In contrast to the comparative uniformity in promotion practices in the armed forces, there are as many different systems of promotion in industry as there are different firms. There are, however, four major patterns. These alternatives range from a self-nomination system, to a cadet system used by Consolidated Edison, to "each member of the [Armco] management team [is] responsible for training and developing a replacement for himself," to Radio Corporation of America's "basic philosophy [for a] management development program and a definite procedure to be followed in making selections," to an internal "help wanted" advertisement published by Texas Instruments.

On the basis of available evidence, "promotion from within still tends to be the rule for middle-level line management positions." In many companies these single-level promotions are made without reference to the personnel system and an individual's boss (after checking with his boss) promotes him when a vacancy occurs. In other companies, however, a conscious attempt has been made to break the promotion process into several parts and to involve more than one superior in selecting the person ultimately promoted. The reason is to abrogate the Peter Principle, i.e., the idea that everyone is ultimately promoted to his level of incompetence.

In some companies such as Uniroyal where the business is relatively stable, rapid promotion is desired for selected individuals. These companies want to be able to replicate the existing top management so they try to have two, and often three, replacements available for each top executive. Their processes are designed to force a relatively large number of selected high potential young people rapidly through the organizational hierarchy until they reach a certain level of middle management. Here they are reviewed, their capabilities assessed, and those chosen for further development receive special grooming from top management. In at least one company, First National City Bank of New York, this is called the "fast track" in the bank's four-track staffing system for managerial jobs.

There is probably no single reason why one company develops a certain system of promotion replete with performance reports, "fast-tracks," and the like. Most companies anticipate that their business cannot stay constant and will change markedly in the uncertain future. Their expectation is that the young people in their promotion programs will have a significant impact as the business and organization for it changes. The correctness of their choice may mean success or bankruptcy, so they deliberately hire many so they can choose the few on whom they place the hopes for the future.

SALARY AND RETIREMENT: PROMOTION RELATED PROBLEMS

Pay has concerned officers since the Newburgh Addresses in 1781, when disgruntled officers demanded that the Congress give them the back pay that was due to them. Pay tended to be related to promotion because the only way an officer could get a pay raise was through a promotion. Because promotion was very slow, there were few pay raises. In addition, each of the services had its own pay scale.

The concept of using pay as a substitute for promotion surfaced during the Seminole Wars in a letter from an Army lieutenant:

Fort Brooke, Florida, in the heart of the enemy's country, is garrisoned by more than 250 men, [and] has been, for six weeks, commanded by a first lieutenant. This officer has held a commission in the service 18 years, having graduated from West Point in 1818.... Every farthing to which he is entitled by existing laws and regulations (exclusive of a servant to take charge of his tent, and which is therefore taken in kind) is \$54 per month or \$648 a year!!

...By the new Army regulations, lieutenants of the Navy of less than 10 years standing rank with first lieutenants of the Army; those over ten years, with captains. Lieutenants commanding with Navy receive \$1800 a year, and one ration, which at 20 cents a day is \$73 a year, and as many servants as necessary. The officer commanding the ship ...is junior to the commandant of the post, but still receives at least three times as much pay....

I do not say the pay of the Navy is too great...but I do say the pay of the Army, at least in the lower grades, is quite too small....

The problem in its most succinct form was that equal responsibility should mean equal pay. Since rank and seniority can be equated to responsibility, the lieutenant thought that the more seniority one had, the larger should be one's pay. In effect, he was asking that a system of longevity pay be instituted.

Longevity pay or its equivalent had not previously been an issue because pay had normally been associated with promotion and the focus

of attention was on the speed of promotion. Therefore, the notion that pay could be traded off against slowness of promotion was not yet relevant. However, the slowness of promotion during this period was so stultifying and so depressing to morale that resignations were submitted citing as the sole reason for leaving the service the lack of opportunity for advancement.

The situation became serious enough that the Secretary of the Army noted in his report for the year 1836: "My attention having been called, by repeated resignations and other circumstances, to the pay of subordinate grades, I have looked into the subject with some care...." The result of the Secretary's investigation was a suggestion for what is now known as longevity pay: "...to remedy the inadequacy of the present system when promotion is slow...it has occurred to me that it would be expedient and just to introduce the additional feature of increasing the pay after five years service in any one grade...."

The Congress failed to act on this suggestion immediately. However, the authorization Act of 5 July 1838 states: "...every commissioned officer, of the line or staff, exclusive of general officers, shall be entitled to receive one additional ration per diem for every five years he may have served, or shall serve in the army of the United States." Since the ration was established at \$0.20 by previous legislation, this meant that each officer with more than five years in grade received an additional \$0.20 per day per each five years in that grade. This was the first instance in which longevity pay was instituted to compensate for slow promotion rates. It was also the first step to indicate that seniority would mean more pay and that there was indeed a difference between officers wearing the same insignia of rank but separated by 20 years in the service. The issue, quite naturally, recurs throughout the remainder of our history as does its corollary, the concept of equal pay for equal responsibility.

The idea of the incremental pay raise for years of service became a permanent part of the military pay system. There remained the complaint that officers in different services who had the same

responsibility received different rates of pay. This problem was formally resolved by legislation in 1922 which established a uniform system of equal pay for equal rank and, of course, established rank equivalency between the grades of the Army and the Navy. Today the system of equivalency includes Air Force grades.

There is an interesting indication that the Congress experimented with a straight salary system for some members of the armed forces. In 1802, the highest ranking officer in the Army was a brigadier general. The Congress authorized his pay as \$225 per month and stipulated that this was his "full and entire compensation, without right to demand or receive any rations, forage, travelling expenses, or other perquisites or emolument whatsoever...." Several years later, in 1808, the authorization act returned to the original basis of payment and a brigadier's pay was \$104 per month, 12 rations, and forage for his horse. In addition, he was paid reasonable travel expenses when on government duty. The record is obscure but one may infer that the general officers of the day preferred the latter system rather than a straight salary.

Retirement, a subject of much interest today, was initially a problem associated with promotion. Simply stated, since there was no enforced method of retirement for either the Army or the Navy and since promotion was by seniority, there could be no promotion until vacancies were created. The only natural methods by which vacancies were created were death, disability, or resignation. Ergo, the policy of making vacancies by forced retirement of those too old, and therefore too infirm, to perform in the field.

The spectacle of superannuated senior officers at the beginning of our wars, including World War II, has been scandalous. The fact of elderly commanders unfit for field duty and combat was a constant agitation for a retirement system. No retirement system existed in either the Army or Navy until 1855, when the Congress, persuaded of the necessity for cleaning out the upper ranks of the Navy, created a "reserve list" for officers incapable of duty. In 1861 the Congress approved a continuing scheme of compulsory retirement for incapacity

of Army and Navy officers and introduced the first provisions for voluntary retirement. Subsequent legislation in the 1860s and 1870s required the compulsory retirement of naval officers at the age of 62 and attempted to stimulate voluntary retirement by increasing retirement benefits. Legislation in 1862 and 1870 provided that Army officers could be retired on their own application after 30 years of service or by compulsion at the discretion of the President. Mandatory retirement at the age of 64, a reform long advocated by professionally minded officers, was finally enacted by the Congress in 1882.

The system of retirement now in effect derives from the Officer Personnel Act of 1947 and permits retirement after 20 years of service (for both officers and enlisted men). Studies have shown that the incentives offered encourage most officers to retire before 30 years of service. The norm is roughly 23 years of service for voluntary retirement among officers. It was foreseen that not all officers would stay until their mandatory retirement point. What could not be foreseen at that time was the cost of the system. As those costs have continued to rise, there has been a growing chorus of dissatisfaction with the system. Nevertheless, the system does create sufficient vacancies to eliminate much of the discontent over promotional opportunities, particularly as they existed prior to World War II and during the Army's "Dark Ages."

Retirement practices within industry are not as uniform as they are in the armed forces. In most cases, each firm has its own policy. Although the Social Security system encouraged retirement at age 65, firms were not bound to do so. Until late in the 1950s, it was common for many companies to have no retirement policy at all. Other companies used the Social Security system to encourage retirement for lower level workers and management but not for higher level executives. "A case in point is Anaconda Copper Mining Company. In 1955, Anaconda had no mandatory retirement policy. It was up to the executives themselves to initiate their retirement. The result was superannuation...the chairman and chief executive officer was eighty

years of age...[the president] was seventy. Two vice-presidents were seventy-six and seventy-three, other top officers were in the mid-sixties...." At Scott Paper the chief executive stayed on so long that "eleven executives were retired before they could become president and six high-level executives simply left for more mobile situations rather than wait until the log jam cleared up."

Other companies were in similar positions. Mandatory retirement plans were necessary because "in many industries, particularly those with histories of spectacular growth...a major clogging at the top usually occasioned a steady stream of men to the outside. As a general rule, the younger, more competent executive whose route ahead was blocked was more apt to leave." The need for change was obvious and mandatory retirement policies were established to help curtail these log jams at the top. In 1961, the most common mandatory retirement age was 65. By 1969 the trend was 63 and some corporations, including Shell Oil, set the age at 60.

In companies with stagnation at the top, middle managers leave in large numbers at about 34 to 45 years of age; managers at the edges of the executive level leave at about 40 to 45 years of age. The development of talented executives requires that they be managed differently at the lower and middle levels of their careers, and that policies be adopted that allow steady movement upward. Retirement plans and policies are an overall part of that process.

As these words are being written, the Congress has passed legislation stating that firms cannot require an employee to retire solely for reasons of age. Certain executive salary levels are excluded but for all others there is now no mandatory retirement age. Time is needed to test the efficacy of this legislation. If history is a guide, the tentative conclusion is that the step may be unwise, unless all of its ramifications are considered most carefully.

RETENTION AND TERMINATION

One common misconception is that industry retention rates for its managerial personnel are higher than those of the military. This is

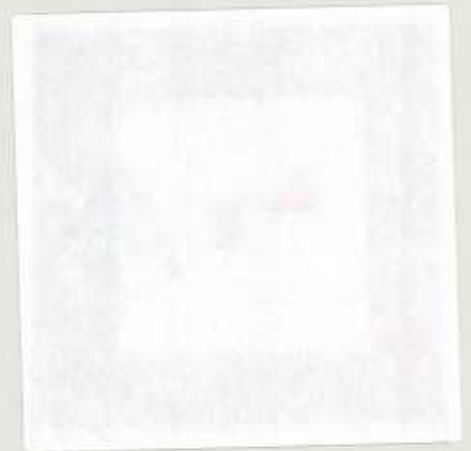
not the case. Evidence shows that in the first five years of their employment as a prospective manager or officer, young men leave at approximately the same rates. If anything, graduates of the military academies and the Officer Candidate Course have higher retention rates. The interesting hypothesis can be drawn that loss rates are independent of the careers young college graduates choose for themselves and are really a function of the maturing process. The data show that about 50 percent of graduates realize, for whatever reason, that they have made a poor initial job choice.

The available data also indicate that retention rates in middle management are probably similar in industry and the military. Once a man has stayed in a chosen career for five years, he is willing to remain until he either "succeeds" or becomes eligible for an early retirement, when he can strike out on a second career. The important factor is probably the incentives in the total compensation package.

A second misconception is that industry is more ruthless in cleaning out its deadwood than is the military--that there is a cold fish-eyed boss who considers only the balance sheet and relentlessly fires those who do not produce. Historical data are extremely scarce but such as do exist directly contradict this image. There appears to be an almost pathological reluctance of one manager to fire another. Quite possibly this is a case of the Golden Rule. Whatever the reason, the available data show that, except for a very few cases "for cause," managers who are marginally satisfactory are kept on by the firm or "shelved" somewhere doing unimportant jobs. Any change is caused by a reversal in the firm's business fortunes. If business falls off dramatically either because of a depression or competition, then the firm will clean out its deadwood. In contradistinction to this haphazard process, the military system is extremely formal, legalized by Congressional legislation, and is a case of up-or-out. No system, of course, will eliminate all marginal personnel.

A FINAL THOUGHT

Almost all "new" ideas have at one time or another been tried. Today we hear about movement to a salary system for the military--it was apparently tried for generals in 1802 and for some unknown reason was found wanting. History demonstrates in both the military and industry that absence of fixed criteria for retirement has inevitably produced stagnation, high resignation rates, and in the end failure in battle or bankruptcy. Today the trend is toward no fixed retirement age--the very situation at the beginning of our history. Other similar problems recede and return until in the end the cliché that those who ignore history are doomed to repeat it seems proven. Yet there is hope: a young man of today with a knowledge of history would have to conclude that there is more equality of opportunity and more concern with personnel problems and the proper management of the personnel resource than ever before. That is a positive note on which to end.



R
RAND



58253