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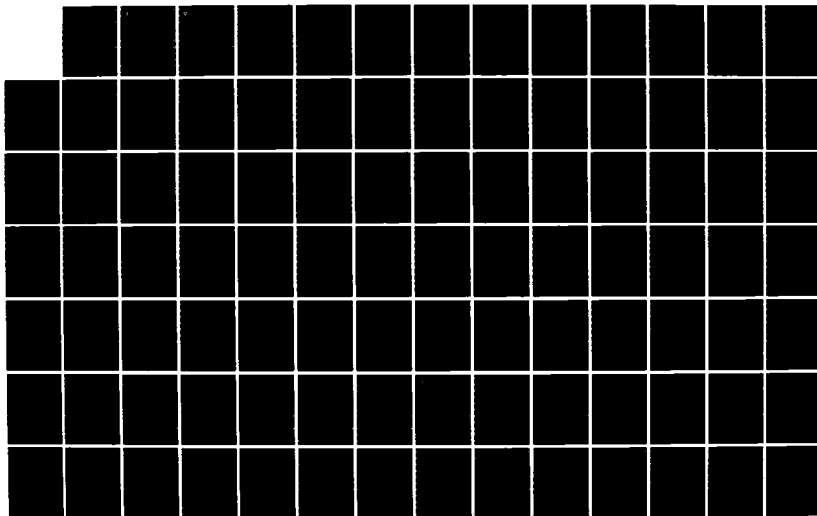
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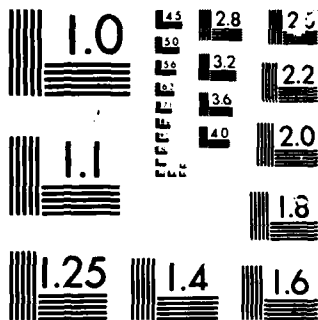
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RECRUITMENT EARLY WARNING SYSTEM PHASE II

A PLAN FOR IMPLEMENTING THE ACCESSION CONTINGENCY PLANNING PROCESS

A TECHNICAL REPORT

by

Dr. Richard Hunter
SYSTEMS RESEARCH AND APPLICATIONS CORPORATION

under the direction of
Dr. Lawrence Goldberg
ECONOMIC RESEARCH LABORATORY, INC.

September 30, 1985



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SECURITY CLASSIFICATION OF THIS PAGE

AD-A166 566

REPORT DOCUMENTATION PAGE

REPORT SECURITY CLASSIFICATION: unclassified		1b RESTRICTIVE MARKINGS N/A	
SECURITY CLASSIFICATION AUTHORITY N/A		3. DISTRIBUTION / AVAILABILITY OF REPORT Approved for public release; distribution unlimited.	
DECLASSIFICATION / DOWNGRADING SCHEDULE N/A			
PERFORMING ORGANIZATION REPORT NUMBER(S) ONR-85-03		5. MONITORING ORGANIZATION REPORT NUMBER(S) N/A	
NAME OF PERFORMING ORGANIZATION Economic Research Laboratory, Inc.		6d OFFICE SYMBOL (if applicable) ERL	7a NAME OF MONITORING ORGANIZATION Office of Naval Research Department of the Navy
ADDRESS (City, State, and ZIP Code) 1914 Association Drive Arlington, VA 22091		7b ADDRESS (City, State, and ZIP Code) Arlington, VA 22217	
NAME OF FUNDING / SPONSORING ORGANIZATION same as 7a		8b OFFICE SYMBOL (if applicable) ONR	9 PROCUREMENT INSTRUMENT IDENTIFICATION NUMBER N00014-85-C-0033
ADDRESS (City, State, and ZIP Code) same as 7b		10 SOURCE OF FUNDING NUMBERS	
		PROGRAM ELEMENT NO. 62763	TASK NO RF 63521803
		PROJECT NO 411	WORK UNIT ACCESSION NO NR475-028
TITLE (Include Security Classification) A Plan for Implementing the Accession Contingency Planning Process (unclassified)			
PERSONAL AUTHOR(S) Dr. Richard Hunter			
TYPE OF REPORT	13b TIME COVERED FROM 84/10/1 TO 85/9/30	14 DATE OF REPORT (Year, Month, Day) 85/9/30	15 PAGE COUNT 114
SUPPLEMENTARY NOTATION Supported by the Office of Naval Research Manpower R&D Program.			
COSATI CODES		18 SUBJECT TERMS (Continue on reverse if necessary and identify by block number)	
FIELD	GROUP	SUB-GROUP	
/A	N/A	N/A	
		Manpower Planning, recruiting, contingency planning	
ABSTRACT (Continue on reverse if necessary and identify by block number)			
The purpose of the Accession Contingency Planning Process (ACPP) is to enhance the Department of Defense's capability to adjust recruiting and advertising resources to meet changes in recruiting conditions that occur during the Planning, Programming, and Budgeting System (PPBS) cycle. In Phase I of the study, the problems encountered in this adjustment process were documented; in Phase II — reported here — proposed solutions were developed. The study was ordered to assess the accession difficulties that developed in the late 1970s and the long delay that resulted before adequate resources were provided through the PPBS-appropriation processes. Its prime purpose was to determine what caused those problems and develop concepts to avoid repeating that near-crisis situation. The study traced the delays to the time required to recognize changing conditions (recognition delay), the time required to effect changes in resources (response lag), and other factors continued on reverse			
11. AVAILABILITY OF ABSTRACT UNCLASSIFIED UNLIMITED ☐ SAME AS REP ☐ OTHER CASES		21. ABSTRACT SECURITY CLASSIFICATION unclassified	
NAME OF RESPONSIBLE INDIVIDUAL Dr. Neil Glassman		22. TELEPHONE (include Area Code) (202) 696-4313	23. OFFICE SYMBOL ONR

FORM 1473, 84 MAR

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such as change in recruiting missions, problems in renorming tests, and changes in quality distributions. Reductions in both recognition delay and resource lag are needed to avoid repeating the bad experiences of the late 1970s.

A PREVIOUS
Phase I of the study evaluated the Services' recruiting experiences from 1973 through 1984. It found that there were periods with more resources than were needed and periods with inadequate resources. These conditions resulted primarily from changes in recruiting conditions that occurred during the PPBS cycle. The study found that 24 to 36 months elapsed between the time a change in recruiting conditions occurred in the field and the time that resource adjustments reached the field to meet that change. By this time, conditions were changing again. *The present report*

Phase II of the study developed a set of procedures that would reduce the delays found in Phase I. The ACPP would formalize procedures that now exist informally. The contingency planning and resource adjustments that have been developed in the 1980s seem to be working rather well, but they are based on personal relationships among the current incumbents. The ACPP proposes to formalize these procedures and incorporate them into DoD's Planning, Programming, and Budgeting System (PPBS). The ACPP would employ the Recruitment Early Warning System to reduce the time required to recognize changes in recruiting conditions (reduce recognition delay) and would establish procedures to accelerate needed resource adjustments (reduce response lag). The ACPP includes procedures for developing contingency plans as part of the PPBS and adjusting resources after the President's budget has been submitted to Congress.

This document contains a Plan of Action with Milestones (POA&M) and a draft DoD directive that would implement the Recruitment Early Warning System and ACPP concepts.

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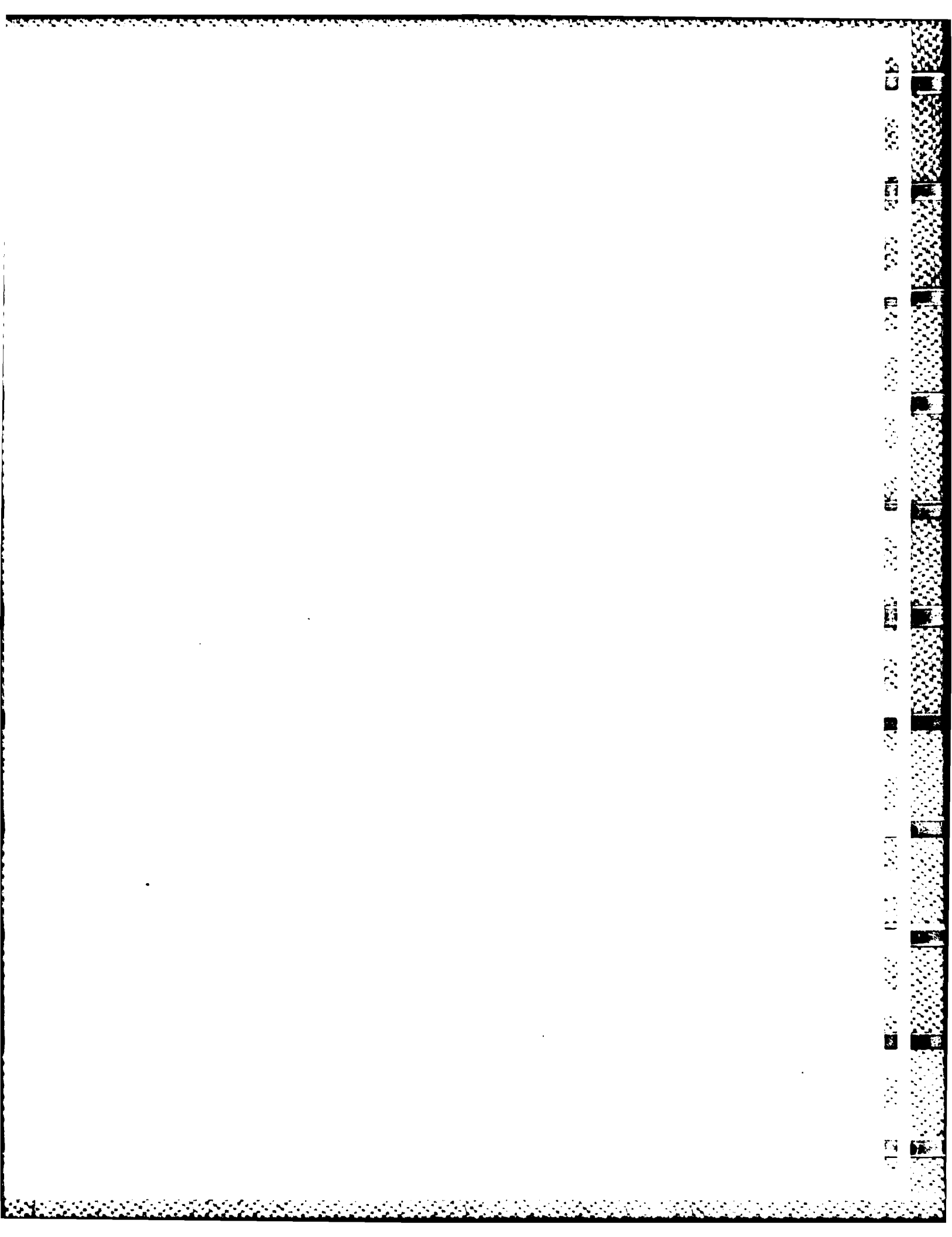
TABLE OF CONTENTS

CHAPTER Section Paragraph	Title	Page
	TABLE OF CONTENTS.....	iii
	TABLE OF FIGURES.....	v
I	INTRODUCTION.....	1
A	Purpose of the Report	1
B	Study Objective	1
C	Purpose of the ACPP Study	1
D	Report Organization	4
II	ANALYSIS.....	5
A	Chapter Introduction.	5
B	The Problem	6
1	Evolution of the Problem	6
2	Supporting Data	10
3	Discussion of Data	15
C	Defense Spending Cycle.	18
1	Process Overview	18
2	The PPBS	22
3	Multi-Year Considerations	24
D	Post-Submission Adjustments	28
1	Adjustment Opportunities	28
2	Mid-Year Review	31
3	The 1985 Example	34
4	Discussion of the Example	36
E	Summary and Application	39
III	THE PROPOSED SOLUTION.....	41
A	Chapter Introduction.	41
B	Solution Overview	41
1	Recruitment Early Warning System (EWS)	42
2	Post-Submission Adjustments	43
3	Accession Contingency Plans	47
4	Alert and Warning Review Procedures	48
C	The Proposed ACPP	49
1	Provide For and Encourage Contingency Planning	50
2	Contingency Management	53
D	A Prototype ACPP.	57
1	Plan 1: Quality Problem	61
2	Plan 2: Quantity Problem	63
3	Plan 3: Mobilization	63
E	Summary of the Proposed Solution.	64

CHAPTER Section Paragraph	Title	Page
IV	PLAN OF ACTION AND MILESTONES (POA&M).....	67
A	Chapter Introduction.	67
B	POA&M	68
C	Discussion of the POA&M	68
1	DoD Directive	68
2	Simulation	70
3	Defense Guidance	71
4	POM Preparation Instructions	72
5	POM Preparation and Review	73
6	Budget Preparation and Review	74
7	Congressional Interaction	75
8	Implemented Operation	75
D	POA&M Summary.	76
V	SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS.....	79
A	Summary.	79
1	Introduction	79
2	Analysis	79
3	The Proposed Solution	83
4	Plan of Action and Milestones	91
B	Conclusions.	92
C	Recommendations.	95
Appendix A	DRAFT MATERIAL FOR A DOD DIRECTIVE	

TABLE OF FIGURES

<u>Figure Number</u>	<u>Figure Name</u>	<u>Page</u>
1	Active Duty Enlisted Recruiting: Resources and Accomplishments vs Unemployment	11
2	Macro Overview of Defense Spending Process	19
3	ACPP Incorporated Into Functional Steps in Spending Process	21
4	Contingency Plans Developed During PPBS Process	23
5	Defense Spending Cycle.....	26
6	Key Points in Post-Submit Reviews	30
7	Mid-Year Review	33
8	FY 1985 Recruiting Resource Evolution	35
9	Monitor and Alert	53
10	Warning and Response.....	55
11	Coordinated DoD Action	56
12	Conceptual Display of a Service's Accession Contingency Plan	60
13	POA&M For Implementation of Proposed Solution	69
14	Recognition Delay and Resource Lags	81
15	Accelerated Response.....	82
16	POA&M Summary	92



CHAPTER I

INTRODUCTION

A. Purpose of the Report

This volume presents and discusses a plan to implement the Accession Contingency Planning Process (ACPP) and to incorporate it into the Defense Department's formal Planning, Programming, and Budgeting System (PPBS) and the program-budget execution process.

B. Study Objective

The objective of the Accession Contingency Planning Process (ACPP) is the same as that of the Recruitment Early Warning System (EWS), discussed in volume I^{*}: to help the Military Services meet the quantity and quality requirements for military accession in spite of changing recruiting conditions.

C. Purpose of the ACPP Study

The Accession Contingency Planning Process is a formalization of

* **Recruitment Early Warning System, Final Report, September 1985.**

the accession management procedures that have evolved over the first half of the 1980s. These procedures have been developed to reduce the time required to effect resource adjustments in response to changing recruiting conditions to avoid repeating the accession problems that developed in the last half of the 1970s.

The DoD Planning, Programming, and Budgeting System operates five years into the future (Five Year Defense Plan or FYDP). It provides good long range planning, but is not very responsive to near term changes in labor market conditions that are very important to successful recruiting. When combined with the time required for Congress to act on the budget, a total of up to two years may elapse between the last formal recruiting command input to a recruiting program and the execution of that program. This time between request for resource and applications of those resources is called resource lag.

Additional delay occurs because of the time lag between when recruiting conditions change and when those changes are recognized and resource requests are adjusted. This recognition period is called recognition delay. Experience shows that more time is required to recognize changes as the decision point moves higher in the governmental structure.

Historical evidence, presented in the next chapter, indicates that the combination of recognition delay and resource lag may result

in 24 to 36 months passing between a deterioration in recruiting conditions and an increase in resources at the recruiter level. Congress must be convinced that additional resources are needed and it tends to make that judgment based on evidence that is several months old by the time it is gathered, evaluated, and presented in testimony. Congress then adjusts resources that do not take effect for many months in the future. Matching resources to mission and knowing what effect small adjustments in resources will make are difficult to determine and are constantly changing with the changing labor market conditions, youth attitudes, and other relevant factors.

The net effect is that conditions have already changed by the time the resources are available. For the past ten years, recruiting resources have been out of phase with recruiting conditions.

The purposes of the ACPP are:

- o To reduce the recognition delay and response lag, so that changes in recruiting resources can affect the conditions in the field when they are needed; and
- o To take full advantage of the flexibility provided by the Congress to improve accession management.

D. Report Organization

The next chapter provides some analytical background to put the implementation plan in perspective. Chapter III describes the Accession Contingency Planning Process. Chapter IV outlines the proposed Plan of Action and Milestones (POA&M) for implementing the ACPP and then discusses each of the steps in more detail. The final chapter summarizes the key points, draws conclusions from this research effort, and recommends corrective action to solve the problems of recognition delay and resource lag and to take advantage of the additional flexibility that Congress has provided. Tab A contains information that could be used to publish a Draft DoD Directive to implement the ACPP.

CHAPTER II

ANALYSIS

A. Chapter Introduction

A seven volume series of reports under the title, "The Enlistment Early Warning System and the Accession Crisis Prevention Plan," prepared in 1984 by the same contractors also for OSD's Office of Accession Policy provides a comprehensive background for this report. Volume IV of that series, "Accession Crisis Prevention Process," September 1984, reports on the work related to the Accession Contingency Planning Process conducted under phase I of this contract. The remainder of this chapter is organized as follows:

- o The Problem,
- o The Defense Spending Cycle,
- o Post-Submission Adjustments, and
- o Summary and Application.

B. The Problem

As asserted in Chapter 1, resource phasing is a major problem. Recognition Delay and Resource Lag result in lower recruiting and advertising budgets when recruiting conditions are difficult and higher budgets when conditions are relatively easy. This condition would seem to be the opposite of what is required to maintain a steady flow of high quality accessions to meet the military's manpower needs. The result has been periods of inadequate recruiting and low percentages of high quality recruits alternating with periods of easy recruiting and high percentages of high quality accessions.

Actions are needed to bring resources into balance with requirements to stabilize the recruiting effort and accession quality. The remainder of this section discusses these problems in more detail. That discussion is divided into three parts:

- o Part 1 discusses the evolution of the problem.
- o Part 2 presents the supporting DoD data elements.
- o Part 3 discusses what the data mean.

1. Evolution of the problem. With the introduction of the All Volunteer Force (AVF) in 1973, the recruiting of enlisted personnel became a labor market activity. No longer could the Military Services

determine their requirement for new personnel and simply task the Selective Service System to provide the requisite number of qualified personnel.

Recruiting conditions changed even for those Services that traditionally used only volunteers. A large number of their volunteers were draft motivated. Young men enlisted in another Service to avoid being drafted into the Army (or enlisted in some branch of the Army to avoid being drafted into a branch they wanted to avoid). Without conscription, all of the Services embarked on a new experience of recruiting in an open labor market. As the Army became more proficient in recruiting and developed highly desirable incentive packages, the market surveys began to show an increase in the number of young men who were attracted to the Army. Candidates who might have enlisted in another Service during the draft era began to join the Army in larger numbers. As a result, the AVF has changed the recruiting environment for all of the Military Services.

Factors such as the relative pay between the military and civilian occupations, the unemployment levels in the general economy, the attitudes of youth and youth influencers toward military service, the prospective recruit's awareness of opportunities in the military, the level of direct contact by recruiters, and the special incentives all became relevant factors. Many actions were taken to enhance the quality of life for junior enlisted personnel, to make military service more attractive for all levels, and to find and recruit those

with a high propensity toward military service.

With the advent of the AVF, the size and quality of the recruiting forces were dramatically increased, as were the level and quality of advertising. KP and other low productive and undesirable work were civilianized or contracted. Major pay raises were enacted. Enlistment bonuses and other incentives were offered. Guarantees of occupation, location, training, and other factors were introduced.

Some of these programs were expensive, but collectively they were successful. By 1975 it was clear that the AVF was working. It was also clear that it was expensive. The efforts to ensure success had resulted in an over reaction. Given the recruiting conditions that existed in the mid 1970s, it appeared that the AVF could be sustained at a lower cost. Programs and budgets developed in the mid 1970s, began to reflect reductions in real program costs (cost after discounting for inflation).

As discussed in previous section, the process used to develop the Department of Defense's program budget results in resource lag -- the delay between when resource decisions are made and when they take effect. Recognition Delay -- the time between when changes in recruiting conditions occur until they are recognized at all levels in the Federal management structure can also take many months.

Often military organizations have a "can do" attitude. In

recruiting this attitude can mask changes. As recruiting conditions become more difficult, the recruiters work harder to make quota. Various recruiting offices experience different effects at different rates of change. When the Services' Recruiting Commands begin to sense problems, they try to manage to achieve their accession objectives within the limit of their management authority. Each management level uses its flexibility to meet the problem before informing higher levels that serious problems are developing. Recognition delay was further complicated by a test norming problem that resulted in personnel scoring higher than they should have on the Armed Forces Aptitude Battery test used to establish mental category.

Recruiting resource sizing decisions made in 1976, 1977, and 1978 (that began to take effect in 1978, 1979, and 1980) were based on the very successful experience of 1973 through 1975. Awareness of changing conditions in 1976 through 1978 were slow because of recognition delay. Reduced unemployment, rapid increases in the minimum wage and civilian pay, and reduced levels of real recruiting and advertising combined to produce severe recruiting problems in 1978 through 1980. Conditions became serious enough that the Army officially began to consider a return to conscription. In the first draft of its five year plan submitted in 1980, the Army suggested that a return to conscription would occur before 1985.

Finally, by 1980, recognition delay and resource lag had played out and increased recruiting and advertising resources became

available. At the same time recruiting conditions improved, unemployment rose, military pay and enlistment incentives (including post-service educational programs) were enhanced, and an expanded advertising program emphasized the opportunities for training and career development -- "Be All That You Can Be", " ...A Great Place to Start", etc.

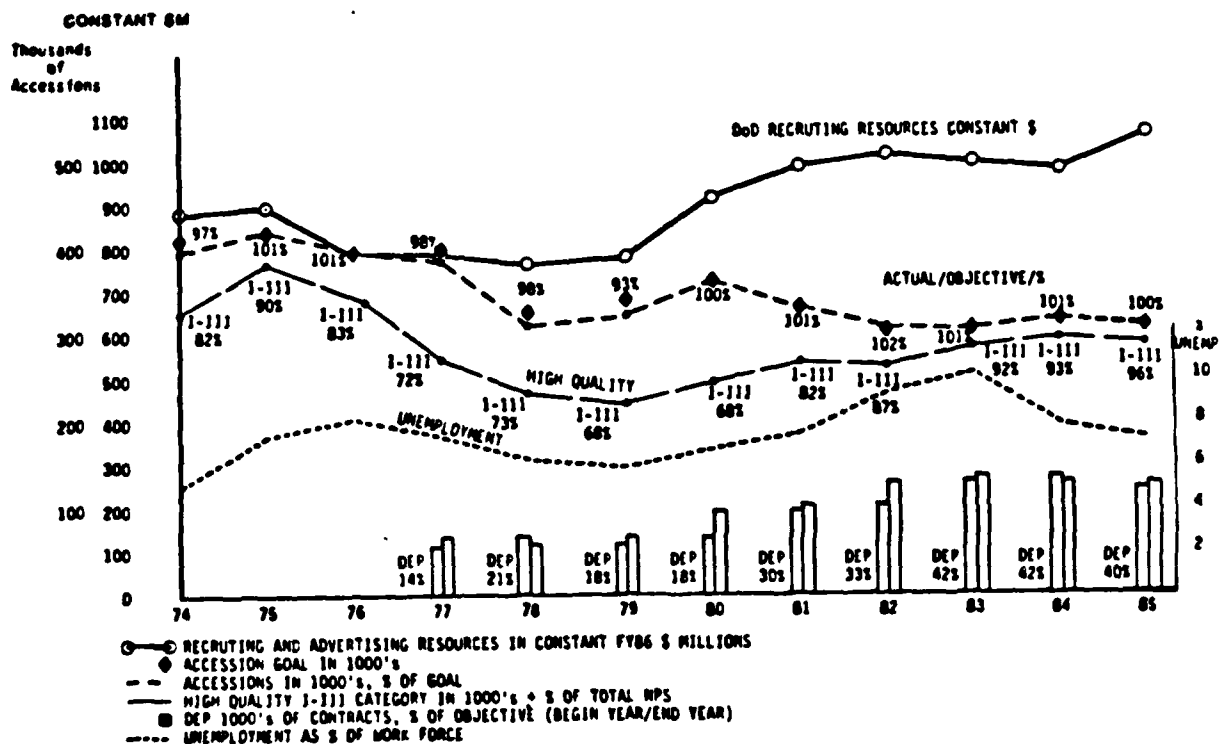
The first three years of the 1980s were the opposite of the last three years of the 1970s. Recruiting resources were relatively high, the market was good for recruiting, total accession goals were achieved and exceeded, quality levels were at an all time high, and the backlog of signed contracts (the DEP) grew.

These successes can be explained, at least in part, by recognition delay and resource lag. The program budgets that were developed during the bad years of the late 1970s began to operate just as recruiting conditions improved in the early 1980s. Figure 1 in the next section provides the data that supports this discussion.

2. Supporting Data. Figure 1 shows recruiting results, recruiting resources, and unemployment conditions for each of the 12 years from 1974 through 1985.

FIGURE 1

ACTIVE DUTY ENLISTED RECRUITING
RESOURCES AND ACCOMPLISHMENT
VS
UNEMPLOYMENT



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The two lines on the chart to consider first are the two independent variables:

- o Recruiting Resources (the heavy solid line at the top), and
- o Unemployment (the heavy dashed line at the bottom).

Recruiting resources, as shown on Figure 1, include the sum of the recruiting and advertising budgets for all four DoD Military Services and all joint recruiting and advertising expenditures expressed in constant dollars. Unemployment, as shown on Figure 1, is an annualized rate of national unemployment for each year with adjustment for the transition in fiscal years.

The relationship between these two lines is important. If either line increases it helps recruiting. If either decreases it makes recruiting more difficult. On Figure 1, recruiting resources and unemployment both decrease in the late 1970s and increase in the early 1980s. They move together when they should be completely out of phase with each other. This phenomenon is attributable to recognition delay and resource lag, not bad management or poor decision-making. This phase problem underlies the rest of the data on Figure 1 and is discussed in more detail in the next section.

The dependent variable is accession achievement. If resources are in balance with recruiting conditions, the accession objectives should

be met with high quality personnel and an adequate backlog of recruits should be maintained in the delayed entry program (DEP) pool.

Figure 1 shows six data sets that are potentially important measures of recruiting achievement. The data are related to annual, DoD-wide, enlisted, active duty recruiting. They are:

- o The objective or goal for total accessions,
- o The total number of accessions achieved,
- o The achievement as a percent of objective,
- o The number of high quality accessions (average and above on test scores),
- o The high quality accessions as a percentage of total accessions, and
- o The number of potential recruits in the DEP at the beginning and end of each year for 1975 and beyond.

Total enlisted accession goals for each year are shown by a diamond on Figure 1. The number of accessions for the year is shown by the upper of the two dashed lines. Achievement as a percentage of objective is listed for each year near the accession achievement

line.

The number of accessions who tested in aptitude categories I-III (well above average through average) are shown by the lower dashed line. That number as a percentage of total accessions is listed as a percentage near the line.

The level of participation in the delayed entry program (DEP) is shown by the bar graph at the bottom of Figure 1. Begin year DEP is shown on the left side of the year mark and end year DEP on the right side. Begin DEP as a percentage of accessions is listed as a percentage to the left of the begin DEP bar.

The "total accession level" is a primary measure of recruiting success. It asks. "How many people were recruited by the resources expended in the existing market conditions?" Total accessions do not tell the whole story, however. When recruiting is good, the Services recruit more individuals who score higher on the aptitude tests. When recruiting is difficult the quality level falls even if total accession numbers are met.

The problems during the late 1970s included both failure to achieve accession goals and a serious decrease in the percentage of accessions with average and above test scores. In 1979 all four Military Services were below goal for total accessions. That year only 68% of those who entered all of Services tested average or above.

The Delayed Entry Program (DEP) allows enlisted personnel to sign contracts months before they come on active duty and can mask the effects of changes in recruiting conditions. For that reason the size of the DEP pool at the beginning and end of each year also is shown. DEP erosions occurred during the difficult recruiting years and was rebuilt when conditions improved.

Any of the dependent accession variables can be compared with the resource line and the unemployment line. The meaning of the data in Figure 1 is discussed in more detail in the next section.

3. Discussion of Data. Figure 1 shows the evidence that supports the discussion of the problem, above.

Economic theory says that hiring should be easier when unemployment is higher and more difficult when unemployment is lower. Recruiting resources should be increased when unemployment is falling and may be decreased when it is rising, if one is trying to stabilize accession quantity and quality. The actual DoD data shown in Figure 1 demonstrates that the opposite is true. Recruiting resources and unemployment move together and the effect is reflected by variation in recruiting results measured by any of the above standards.

Figure 1 shows a period of improving recruiting followed by an accession crisis, followed in turn by the best recruiting ever

recorded.

The high recruiting resources of the early days of the AVF corresponded with increasing unemployment. The results are shown by achievement of the recruiting goals and high quality content. In 1975 all Services met goals. The DoD total was 101% of objective and 90% of all non-prior service enlisted accessions were in mental groups I, II or III (average test scores or above).

In 1976 unemployment peaked for that business cycle, just as recruiting resources were reduced. Through the effort of the recruiters overall objectives were exceeded (101%), but the quality dropped (as measured in percent of accessions in categories I through III) from 90% to 83%.

Figure 1 shows that recruiting resources were about constant in the period 1976 through 1979, but well below the 1974 and 1975 levels. The number of recruits needed in this period declined, because of increased retention of career personnel. One would suppose that lower objectives would result in a higher percentage of high quality recruits. Figure 1 shows that the opposite was true. The percentage of average to above average recruits continued to drop from 1976 to 1979, reaching a ten-year low of 68%.

Figure 1 also shows that unemployment steadily declined over the same period, making recruiting increasingly difficult. The conclusion

reached is that this period of low recruiting resources and falling unemployment created an accession crisis. This situation occurred because of recognition delay and resource lag. Resources had been set by the PPBS and Congressional appropriation process when conditions were good. Changes made when deteriorating conditions were finally recognized (in late 1977) did not take effect until late in FY 1979. The full effects were not seen until 1980.

The higher level of recruiting resources are maintained in the early 1980s, in spite of increasing unemployment and lower recruiting objectives. The result were steadily increasing percentages of high quality accessions. The quality accessions (92 and 93% category I-III) were the highest levels ever achieved, topping the previous peak of 90% that occurred in the previous boom year, 1975.

By 1983, there was concern that real recruiting resources would be reduced, but that the effects of those reductions could not occur until after the economy improved and recruiting conditions became more difficult. The Army was particularly concerned and began to build some contingency plans into their accession program budget requests. Having recognized recognition delay and resource lag, the Office of the Secretary of Defense undertook a feasibility study of a Recruitment Early Warning System to reduce recognition delay and an ACPP to compensate for the resource lag. This report is part of that study effort.

C. Defense Spending Cycle

The Defense Spending Cycle is part of the problem and an important part of the proposed solution. It requires separate consideration before the ACPD itself is discussed and before the POA&M for implementing the ACPD is presented.

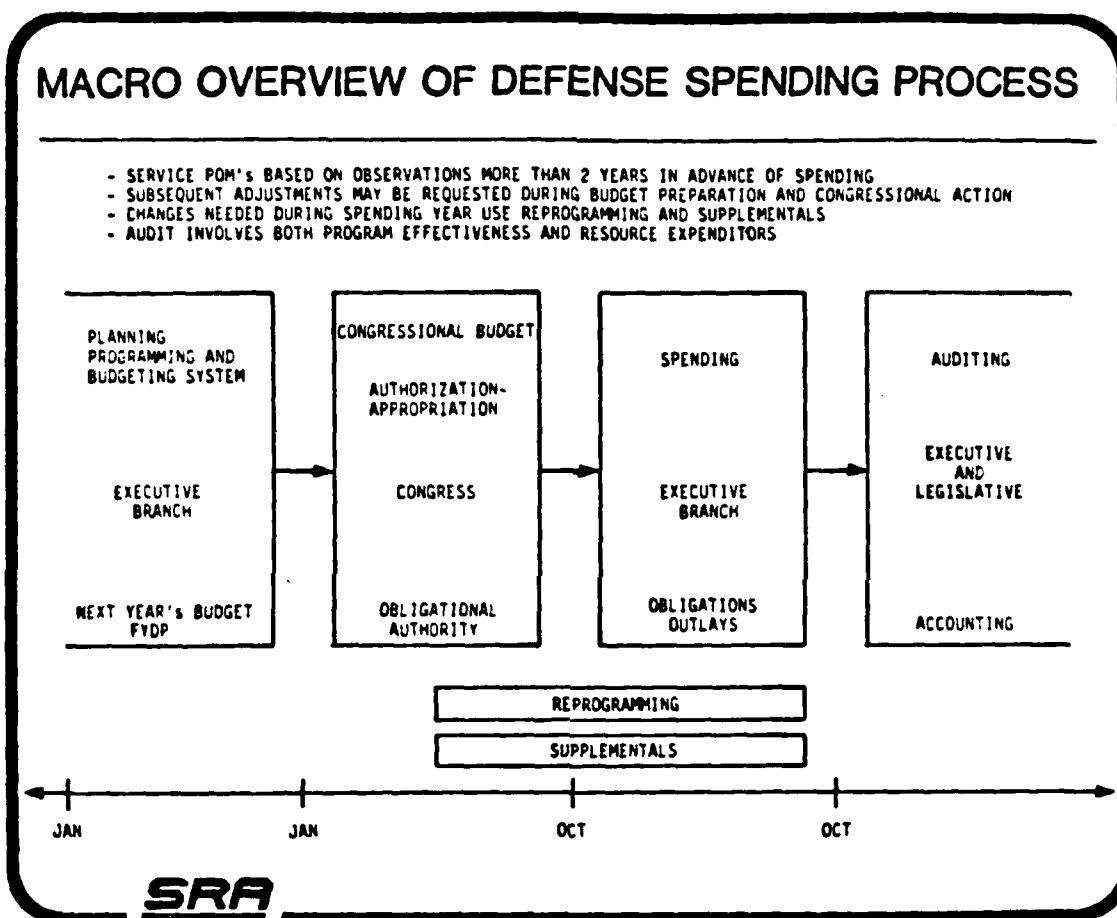
This section is divided into six parts. They are:

- o Part 1. Process Overview,
- o Part 2. PPBS, and
- o Part 3. Multi-Year Considerations,

1. Process Overview. As shown on Figure 2, the Defense spending process contains four major steps that involve both the Executive and the Congressional Branches of Government. They are:

- o PPBS,
- o Congressional Action,
- o Obligation or spending, and
- o Auditing.

FIGURE 2



The DoD Planning, Programming, and Budgeting System (PPBS) develops the recruiting and advertising budgets as part of each Service budget. The process reviews alternatives, sets priorities, and allocates scarce resources among competing programs based on those priorities. The resulting recruiting and advertising resource levels are incorporated in the President's budget and submitted to Congress annually in January. The PPBS is discussed in more detail in part 2, below.

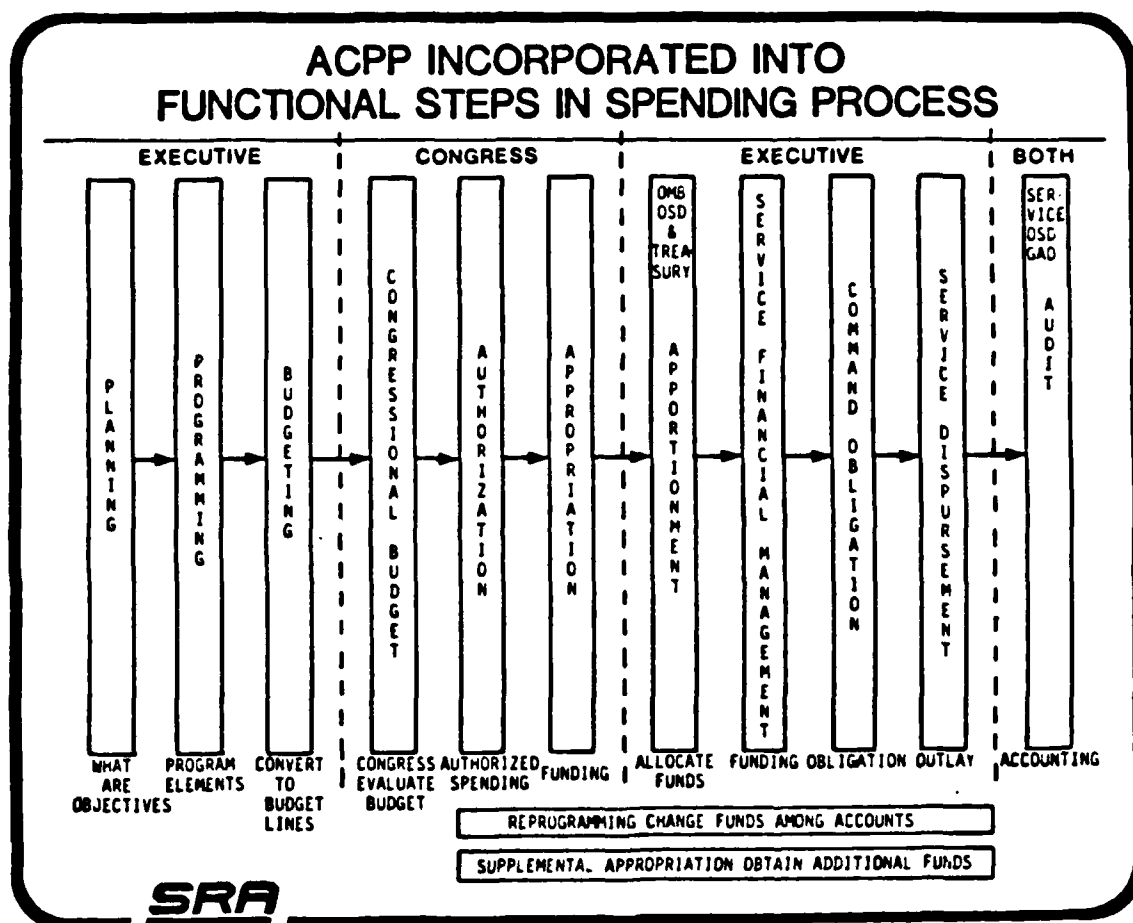
The Congress then goes through its steps of establishing a Congressional budget by passing concurrent resolutions, authorizing programs by passing the annual Defense Authorization Act, and appropriating by passing the annual Defense Appropriations Act. Once funds are appropriated, the Executive Branch prepares a spending plan and executes the program. After the Appropriations Act becomes law, changes in resources can be made only by reprogramming or supplemental appropriations (illustrated on the bottom of Figure 2).

After the obligation year is passed, any remaining unpaid obligations are paid and both the Legislative and Executive Branches may conduct audits of what was spent, how, and how effectively.

Figure 3 presents the steps in the Defense Spending Cycle in one level more detail. It shows the three parts of the PPBS process, the three phases of Congressional Action, the four steps in the execution process, and the joint responsibility for auditing. Any proposed

solutions to the problems of recognition delay and resource lag must address the realities of the Defense Spending Cycle.

FIGURE 3



2. The PPBS. The DoD PPBS cycle contains three general phases: (1) Planning, (2) Programming, and (3) Budgeting. The planning phase involves accessing the threat and determining what forces the United States needs and can afford to meet that threat. The programming phase develops the resource levels by program element to support the planned forces. This process generates a Five Year Defense Plan (FYDP). The budget phase converts the approved program for the coming year into budget categories as required by Congress. The result is the President's Budget that is submitted each January to the Congress.

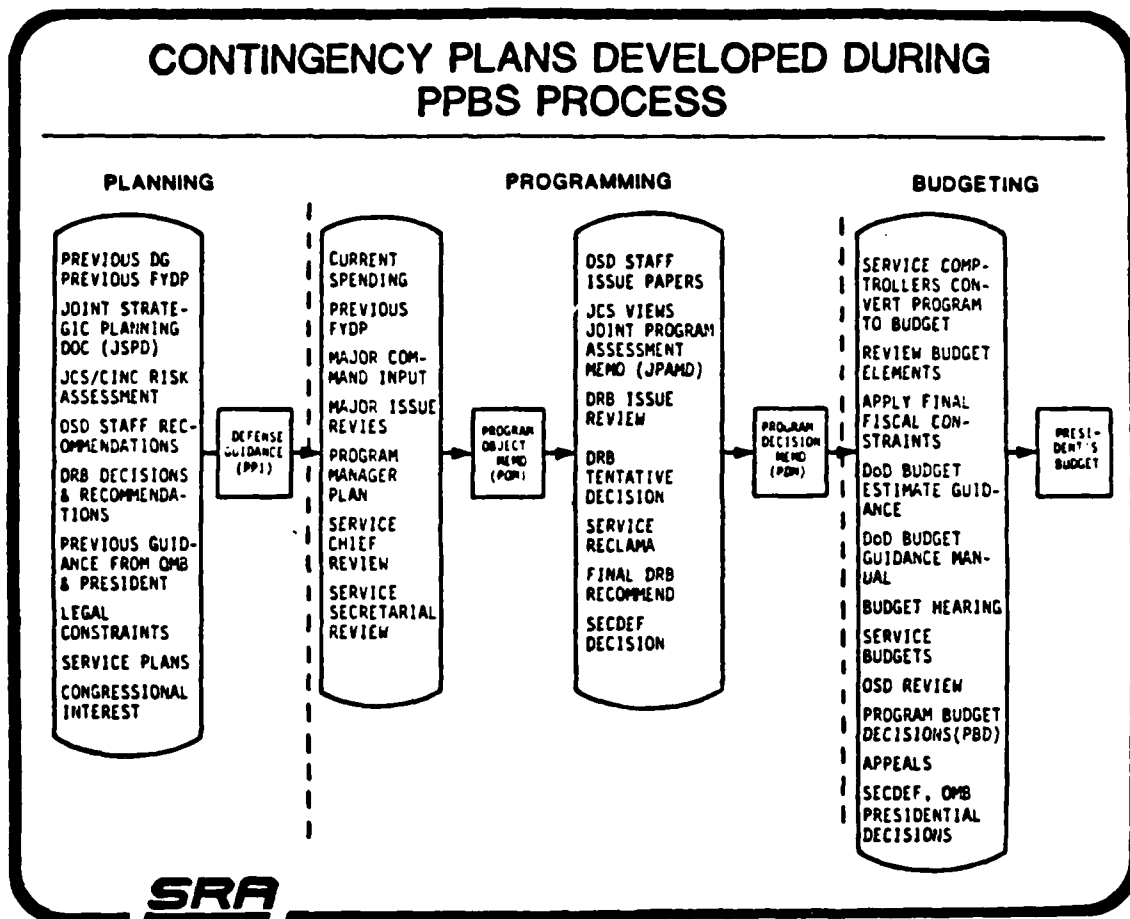
Figure 4 shows the factors that contribute to each phase in the PPBS process and the key documents that are published. These documents control resource allocation in DoD. They include:

- o Defense Guidance (DG) including the POM Preparation Instructions (PPI),
- o Program Objective Memorandum (POM),
- o Program Decision Memorandum (PDM), and
- o President's Budget (and the Five Year Defense Plan - FYDP).

Contingency plans that affect resource levels must be developed as part of the PPBS process shown in Figure 4. Their assumptions and conclusions must be included in the key PPBS documentation, or they

cannot become an integral and permanent part of the DoD resource management process. If they are not part of that process, they will not solve the problems identified above.

FIGURE 4



As Figure 4 shows, some refinements and adjustments are made to the approved program during budget development, but the basic program is set by the Service's Program Objective Memoranda (POMs) developed during the program phase and approved by the Secretary of Defense in his annual Program Decision Memoranda. In some previous Administrations more distinction was made between the program and budget phases than is the case today. Notwithstanding the year to year variations in specific procedures, the PPBS is the controlling resource setting process in DoD. Any accession contingency plans that would affect resources must be incorporated in the PPBS.

3. Multi-Year Considerations. The multi-year nature of the DoD Spending Cycle is shown best on Figure 5. At any given time, the four actions described in part 2 (above) are occurring simultaneously. As many as 10 budget years may be under consideration at any given time. At any given time the following actions are occurring simultaneously:

- o The spending for one or more years is being audited,
- o The current spending year is being executed,
- o A next year's budget is under consideration by Congress, and
- o The FYDP for the following five years is being developed by DoD.

Figure 5 shows three years being audited, the current year, the budget year, and five FYDP years. That FYDP contains the next sequential budget year in detail and four out-years that are being planned beyond the new budget year. The FYDP is a fairly long range plan. The Services begin to develop a FYDP two years before it will be come effective and seven years before it will end.

Some examples using Figure 5 may be useful. Locate fiscal year 1985 across the bottom of Figure 5. All of the actions in that column are being accomplished simultaneously in 1985. The budget year being addressed by each action in 1985 is shown by the year in the column on the far left side of Figure 5.

The spending in years 1984 and before is being audited, 1985 is the execution year, Congress is considering the President's 1986 budget and is authorizing and appropriating funds for 1986, the Executive Department is preparing the 1987 budget, and DoD is developing the FYDP for 1987 through 1991.

A second example tracks a given budget year over time. Find the budget year 1985 in the far left column on Figure 5. All of the actions shown in that row have or will be part of the budget year 1985 cycle. The actions will occur in the fiscal year shown on the bottom of the figure.

FIGURE 5

DEFENSE SPENDING CYCLE

BUDGET YEAR									
1981	OBLIGATE	AUDIT YR1	AUDIT YR2	AUDIT YR3					
1982	CONG	OBLIGATE	AUDIT YR1	AUDIT YR2	AUDIT YR3				
1983	PPBS	CONG	OBLIGATE	AUDIT YR1	AUDIT YR2	AUDIT YR3			
1984	FYDP2	PPBS	CONG	OBLIGATE	AUDIT YR1	AUDIT YR2	AUDIT YR3		
1985	FYDP3	FYPD2	PPBS	CONG	OBLIGATE	AUDIT YR1	AUDIT YR2	AUDIT YR3	
1986	FYDP4	FYDP3	FYPD2	PPBS	CONG	OBLIGATE	AUDIT YR1	AUDIT YR2	AUDIT YR3
1987	FYDP5	FYDP4	FYPD3	FYPD2	PPBS	CONG	OBLIGATE	AUDIT YR1	AUDIT YR2
1988		FYDP5	FYPD4	FYPD3	FYPD2	PPBS	CONG	OBLIGATE	AUDIT YR1
1989			FYDP5	FYPD4	FYPD3	FYPD2	PPBS	CONG	OBLIGATE
1990				FYDP5	FYPD4	FYPD3	FYPD2	PPBS	CONG
1991					FYDP5	FYPD4	FYPD3	FYPD2	PPBS
	FY81	FY82	FY83	FY84	FY85	FY86	FY87	FY88	FY89

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FISCAL YEAR

In fiscal year 1979, DoD included 1985 as the fifth year in the FYDP. To meet that deadline, the Services began to consider resource requirements for 1985 in 1978. During fiscal year 1983, the budget for 1985 was developed. It was submitted to Congress in January of 1984. Congress passed the appropriation in August of 1984. The program is being executed in 1985 and will be audited in 1986 and beyond.

This cycle means that the Services are recruiting personnel to come on active duty in 1985 and 1986 using program resources that were established as out-year estimates by the Services during the period 1978 through 1982. The Program Objective Memorandum (POM) developed in 1983 contained the final formal program estimate of recruiting and advertising resources needed for 1985. The Secretary of Defense's Program Decision Memorandum that approved or modified POM submissions was used by the Services to develop their 1985 budget submissions. These submissions were reviewed, adjusted, approved, combined and became part of the President's 1985 Budget. That budget, representing the Administrations best estimate of requirements at the time, was submitted to Congress in January 1984.

During the remainder of 1984, Congress deliberated, authorized, and appropriated the funding for recruiting and advertising. The Administration testifies during these deliberations and can request changes in the President's program if that is absolutely necessary, but these are usually limited to serious problems. Excessive requests for adjustments delay the Congressional process, tend to undermine the

credibility of the President's budget, and generally are discouraged.

D. Post Submission Adjustments

Once the budget is submitted to Congress, the Executive Branch no longer controls resource levels. If conditions in the recruiting market are substantially different from what was assumed when the budget was developed, recruiting problems may arise. Because of the volatility of the labor market, post-submission adjustments often are necessary. This section discusses post-submission adjustments in some detail. It is organized into four parts:

- o Adjustment Opportunities,
- o Mid-Year Review,
- o The 1985 Example, and
- o Discussion of the Example.

1. Adjustment Opportunities. There are three major opportunities to make post submission adjustments to recruiting and advertising resources. They are:

- o The Mid-Year Review,

- o The reapportionment of the Appropriation in the Spending Plan,
and
- o The Current Year Line in the Next Year's Budget.

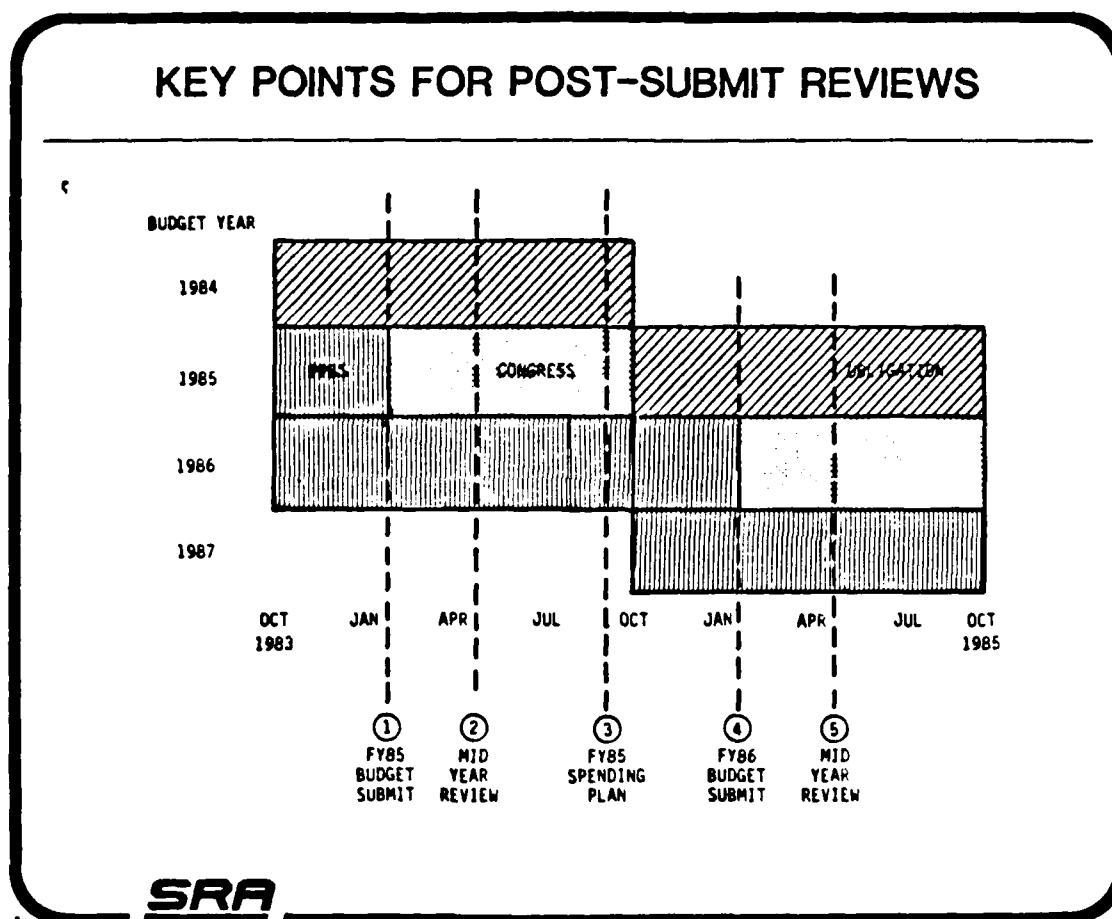
Figure 6 illustrates these points as it tracks the 1985 recruiting and advertising program through two budget cycles from its submission to Congress in January 1984 to completion of spending in September 1985. Point 1 on Figure 6 is the submission. Point 2 is the first mid-year review. At this time the Army made a case to Congress that recruiting conditions were deteriorating in 1984 and that the 1985 budget pending before Congress should be increased. Congress responded favorably and increased program resources for the Army. Spending plans based on these resource levels were developed as shown at point 3 on Figure 6.

Point 4 corresponds with the submission of the 1986 budget in January 1985. One quarter of operations under the 1985 budget is complete. It contains a 1985 current year line that reflects the adjustments made at reapportionment and any changes developed in the first quarter. If adjustments must exceed the DoD ceiling, Congress must be notified of the reprogramming action.

Finally, point 5 shows the 1985 mid-year review. April or May is about as late as adjustments can be made that can still have effect on spending in that fiscal year. The following discussion addresses these

five points in the process where changes can logically be made and then presents the 1985 experience as an example.

FIGURE 6



The President's budget always contains a current year spending line for comparison purposes. This vehicle has been used to reduce recruiting and advertising budgets in the past, but has been very limited in any across Service adjustments or for increasing advertising programs. The new, conditional flexibility provided by the Congress for 1985 makes this tool more useful than it had been previously. The opportunity to apply the total DoD ceiling on recruiting and advertising to the Department without separate restrictions on advertising or on individual Services has provided DoD considerably more flexibility in making adjustments among the relevant program elements.

As shown on Figures 5 and 6 above, the President's budget is submitted in January each year. The best time to deal with the Congress on changes in the recruiting and advertising budgets is in January as part of the next submission of the President's budget. Not only does it contain the budget for the up-coming year, but it also contains a budget line for the year that is about one quarter old. The next best time to approach the Congress with an adjustment to an on-going spending plan is during the mid-year review period when Congress has scheduled routine testimony concerning the up-coming year's budget. The importance of institutionalizing the mid-year review compels some additional discussion of the concept and how it works.

2. Mid-Year Review. Mid-Year Review has become an important management

tool for contingency planning. Congress has relaxed constraints on individual Services and between recruiting and advertising. The Department now manages under a combined ceiling. Within that ceiling adjustments can be made to handle contingencies as they develop during the operating year.

The Mid-Year Review is scheduled for the April or May time-frame, but that is not a limiting factor. The Service or OSD may trigger a ceiling issue at any time.

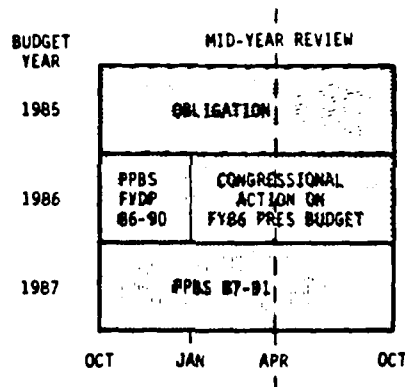
As shown on Figure 7, not only is the mid-year review in the middle of the obligation year, but it also is in the midst of the Congressional testimony on the upcoming budget and at a key point in the PPBS process developing the plan and POM for the following five years. It is a good time to make a reassessment.

What is happening by mid-year may be used to shape the out year budgets in the PPBS process. Adjustments made in mid-year can still affect the results of the current year and the bank of people under contract for the coming year (DEP). It is easier to seek any major reprogramming authority or to adjust requested resource levels in the pending budget, when the Administration is testifying before Congress on the upcoming budget.

FIGURE 7

MID-YEAR REVIEW

- COINCIDES WITH DEVELOPMENT OF FUTURE PROGRAM IN PPBS CYCLE
- USES AUTHORITY TO REPROGRAM WITHIN DoD
- COINCIDES WITH TESTIMONY IN SUPPORT OF PRESIDENT'S BUDGET, THEREFORE AFFORDS OPPORTUNITY TO DISCUSS WITH CONGRESS:
 - CURRENT YEAR ADJUSTMENTS
 - MAJOR REPROGRAMMING OR SUPPLEMENTAL REQUESTS
 - ADJUSTMENTS NEEDED IN PRESIDENT'S BUDGET REQUEST



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Institutionalizing the mid-year review is a step in the direction of reducing resource lag. It also helps Congress recognize the changes that are developing in the labor market sooner than it otherwise might be able to do. Making the appropriate adjustments in the 1986 program before the funds are appropriated may be even better than having the flexibility to adjust them after the fact. But the combination of the two provides considerable flexibility.

3. The 1985 Example. Figure 8 tracks (in tabular form) the FY 85 recruiting budget by Service from submission through the Congressional appropriation process and the 1985 mid-year review. It provides detail for four key points in the process with special emphasis on the 1985 mid-year review. The 1985 spending plan is not shown on this table, but it was essentially the same as the 1985 line in the 1986 budget.

The first column in Figure 8 begins with the FY 85 line in the President's FY 1985 Budget submitted to the Congress in January 1984. It shows the level in August 1984 when the Congressional ceiling was established. That column is the result of the 1984 mid-year review testimony. The third column is the FY 85 line in the FY 86 President's Budget submitted in January 1985. It is essentially the same as the 1985 spending plan, so only one column is shown. The fourth column (in the box) shows the adjustments during the 1985 mid-year review. The next to the last column is the revised spending plan after the mid-year review. The final column shows the net of ceiling less planned spending after the mid-year review. The final column

illustrates the constraints: the total must be within the Congressional ceiling or formal reprogramming or supplemental appropriation actions must be initiated. In 1985, the constraint has been met. The post-review total is less the Congressional ceiling by \$2 million.

FIGURE 8

FY 1985 RECRUITING RESOURCE EVOLUTION
(WITH MID-YEAR REVIEW)

(Enlisted Recruiting and Advertising)
(Active, Guard, and Reserve - \$ Millions)

Category	FY 85 Pres Budget (Jan 84)	FY 85 Cong Ceiling (Aug 84)	FY 85 Line 86 Budget (Jan 85)	DoD Mid-Year Review (Apr 85)	Revised Spending Plan (Apr 85)	Ceiling Less Spending (Apr 85)
ARMY	791	835	834	EB -8.5 Ad -3.1	829	+6
NAVY	253	256	261	EB + .1 Rec + .4 Ad + .1 Spt +4.8	266	-10
MARINE CORPS	157	161	159		159	+2
AIR FORCE	163	165	163	Ad + .2	163	+2
<u>JOINT</u>	<u>96</u>	<u>96</u>	<u>90</u>	<u>+3.5</u>	<u>94</u>	<u>+2</u>
TOTAL	1460	1513	1507	+3.7	1511	+2*

* NOTE: Total DoD Advertising exceeded Congressional ceiling by \$9m, but total DoD program is within ceiling by \$2m.

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4. Discussion of the Example. The total request in the President's FY 1985 budget submitted to Congress in January 1984 was \$1,460 million. During the 1984 mid-year review period, it became clear that the economy had recovered at a more rapid rate than forecast during the development of the 1985 budget and that recruiting was going to be more difficult than originally anticipated. As a result, Congress increased total resources by more than \$52 million to a total of \$1,513 million. Of the increase, \$28 million was for recruiting and advertising for the active duty Army. The remaining \$24 million covered the cost of military pay increases for military personnel involved in recruiting and recruiter support in all Services.

In 1985, this ceiling was applied to DoD total. The previous restrictions on each Service and between recruiting and advertising within each Service were all removed. Only the total DoD ceiling remained in effect. Congress would need to act only if the reprogramming would exceed the DoD ceiling or if supplemental appropriations were needed for a specific Service.

The FY 85 line in the FY 86 budget shows some tightening that occurred during that PPBS cycle. Active Army enlistment bonuses were reduced by \$12 million from \$125 million to \$113 million. About that same net amount was added to the Army National Guard and Army Reserve. Other Army adjustments netted out. For example, over \$3 million were transferred from support to advertising.

The Navy had a net increase of \$4 million. A little over \$1 million in recruiting resource ceiling were transferred from active Navy to the Naval Reserve, \$3.6 million were added in active advertising, and \$1 million in support. The Marine Corps active duty bonuses were reduced by \$1.3 million and the Air Force was reduced by \$3 million. (Note: Air Force enlistment bonuses were reduced by 60% from \$2.8 million to \$1.1 million and Air Force Reserve bonuses by 25% from \$4 million to \$3 million.)

As shown on Figure 8, Active Army enlistment bonuses were reduced by \$8.5 million to \$105 million (\$20 million below the original request and Congressional Ceiling of \$125 million). Some of that cut was used to help Army active advertising, but most of it went to provide ceiling points for the Navy and for Joint programs.

Under the old rules these adjustments would not have been possible without additional Congressional action. The Navy spending plan was \$10 million over its Congressional Ceiling and total advertising was \$8.8 million over the Congressional Advertising Ceiling. These ceiling readjustments were legal now, because the total for all recruiting and advertising was within the Congressional Ceiling, as indicated by the +2 (+ \$2 million) shown under the total line of the far right column. By common agreement of the parties concerned and with OSD approval, the ceilings were adjusted.

It is important to note that these inter-Service transfers are

not funding transfers, but ceiling point transfers. The Army may reprogram the reductions in its ceiling to other uses and the Navy will have to reprogram funds from other sources to take advantage of this additional ceiling.

This section has illustrated the three types of adjustments made in the 1985 recruiting and advertising budget after it was submitted to the Congress:

1. Congressional Adjustment Due To Mid-Year Review Testimony,
2. Readjustment During PPBS Review and Budget Submission for Next Year, and
3. Mid-Year Review of Spending (Obligation) Adjustment.

The first was the \$28 million added to real program by Congress in moving from the first column to the second column in Figure 6. Those changes were based on the 1984 mid-year review of the spending program for that year and what was being developed for 1986. The Army made the case that it needed a ramp for contingency purposes to meet the 1986 objective, if economic conditions improved as then forecast. The information was provided to Congress in testimony and informal mid-year review results when Congress was deliberating on the 1985 budget. They represent the results of action at point 2 in Figure 5.

The second adjustment represents action at point 3 in Figure 5. During the PPBS process in preparation of the 1986 Budget readjustments were made that resulted in a net reduction of total recruiting and advertising resources of \$6 million and a readjustment of ceiling from the Army to the Navy.

The third adjustment is the 1985 mid-year review -- point 4 on Figure 5 and the boxed column on Figure 6. It restored most of the reduction made in the second adjustment, shifted more ceiling from the Army to the Navy, and transferred additional funds from the recruiting to advertising. This kind of an adjustment simply was not permitted until Congress relaxed its constraints. It is needed and should be institutionalized as part of the process.

Summary and Application The above analysis showed that recruiting resources have been out of phase with recruiting conditions during the 12 years since the all-volunteer force was initiated. This problem is largely due to delays required for all of the decisions levels to become aware of changes in recruiting conditions --recognition delay-- and for changes in resources to be effected and reach the field once the need is recognized -- resource lag.

The next step in the analysis considered what has been done to

reduce recognition delay and resource lag. As the 1985 example illustrates, progress has been made. Post-submission adjustments to recruiting and advertising can be made. The purpose of the ACPP is to institutionalize the management tools that are now working informally because of the relationships among the current incumbents. Institutionalizing the process is important because regular turnover is the nature of military staffs. Unless the procedures are institutionalized, they may soon erode and the problems of the last decade may well be repeated.

The second purpose of this effort is to formalize the Accession Contingency Planning Process (ACPP) in DoD to take full advantage of the adjustment processes that have evolved in the 1980s. These adjustments are now possible because the Congress has provided the Department of Defense more flexibility in managing the volunteer accession program. Including accession contingency planning in the PPBS will help the Services meet their quantity and quality requirements as recruiting conditions and results in the execution year vary from the conditions assumed during the programming and budgeting phases.

CHAPTER III

THE PROPOSED SOLUTION

A. Chapter Introduction

This chapter describes the proposed solution to the problems of recognition delay and resource lag. The next section provides an overview. Section C describes the proposed Accession Contingency Planning Process (ACPP) in more detail. Section D presents and discusses a prototype plan. The final section summarizes the chapter.

This chapter draws extensively upon the analysis and discussions in Chapter II. The fundamental thrust of the proposed solution is to institutionalize things that have worked. The procedures that have evolved over the past several years by trial and error need to be made a permanent part of the formal Defense management structure. The purpose of this chapter is to describe the proposed solution.

B. Solution Overview

The proposed solution addresses both recognition delay and

resource lag. It also takes advantage of the additional flexibility in the management of the recruiting and advertising programs that the Congress has recently provided.

The solution has four parts. They are listed here and then discussed briefly in turn. Section C addresses how they can be integrated into a functioning management system. The four parts of the proposed solution are:

- o Recruitment Early Warning System,
- o Post-Submission Adjustments,
- o Accession Contingency Plans, and
- o Alert and Warning Review Procedures.

1. Recruitment Early Warning System (EWS). OSD needs to have the capability to forecast the number of contracts that will result from a Service recruiting program in the coming months. As described in earlier volumes, the prototype of such an EWS forecast system has been tested and is now in operation.

An OSD EWS operating in parallel with the Service forecasting systems will provide an independent assessment. An independent assessment of changing recruiting conditions should confirm the

findings of the Service system and increase the credibility of a Service request for an off-line resource adjustment. In some cases an EWS alert may trigger an action before it otherwise would have received management attention.

As discussed in previous volumes, the EWS will make a monthly forecast of recruiting conditions expected for the next 12-month period. These forecasts are designed to support off-line adjustments to recruiting and advertising resources that may be needed between normal budget cycles. The EWS forecasts will be important in deciding whether post-submission adjustments will be necessary and if they are necessary how large should they be. The EWS forecasts could also be used in conjunction with contingency plans and are proposed as potential triggers for alert and warning reviews discussed below.

The EWS should help reduce both recognition delay and resource lag. It is now ready to become a permanent operating support system.

2. Post-Submission Adjustments. DoD needs to have the opportunity to make adjustments in recruiting and advertising programs after they are submitted to the Congress. This flexibility is especially important when the POM and budget assumptions that underlie those programs do not materialize or when recruiting conditions change substantially after the President's budget is submitted.

The proposed solution would formalize the adjustment points described in Chapter II. The complete set of proposed options or key points are:

- o Budget submission in the January preceding the fiscal year;
- o Proposed adjustment to the request pending in Congress as a result of the mid-year review in April or May before passage of the Defense Appropriation Act;
- o Adjusted spending plan as the fiscal year starts;
- o Revised current year line in the following year's budget submitted to Congress in January of the obligation year;
- o Adjusted spending plan at mid-year review in April or May during the obligation year; and finally,
- o Actual expenditures at the end of the fiscal year.

The budget submission, of course, culminates the DoD PPBS process and shifts the resource management decision process to the Congress. The President's budget is the basis upon which any subsequent adjustments will be made. It is the result of a five year process of estimation and revision, advocacy and compromise.

Recruiting needs have been balanced with other program costs. The budget request should be based on the best estimate of forecast recruiting conditions 9 to 21 months in the future.

Three to five months later, it is time for a mid-year review. As discussed in Chapter II, this review occurs about the same time that the Congressional Committees are holding their regularly scheduled hearing on the budget submission. During testimony, the Administration may explain changes in conditions and request a modification of its budget request. In the 1970s, there was a propensity to defend the budget request. Recognition of the volatility of the recruiting market by everyone concerned has resulted in more flexibility in making adjustments at this point in the process. The 1985 example in Chapter II illustrated this new attitude. The process should formalize this attitude.

Congress usually passes authorization and appropriation acts in late summer before the next fiscal year begins. The DoD ceiling established by this process becomes binding on future adjustments. Adjustments may be made among programs, but the total must remain within the Congressional ceiling for DoD. As suggested below, it is possible that Congress could provide contingency funding; but that is not expected to become a normal procedure.

Once Congress passes the Defense Appropriations Act, responsibility for resource adjustments returns to the

Administration. During the reapportionment process, the Services develop their spending plans. Inter Service transfers of ceiling points could be made at this point, if it is clear that they will be needed. Program adjustments are more likely to be effective, if they are made early in the spending year.

Adjustments made at apportionment must be reflected in the current year line in the budget submission for the following year. That submission is made in January of the obligation year for the current budget. Any first quarter adjustments in the recruiting and advertising programs should be included in that submission.

April or May of the spending year is about as late as adjustments can be made and expected to have much chance of taking effect within that fiscal year. The mid-year review established in 1985 ought to be formalized and should become a permanent part of the DoD recruiting resource management process. As noted in Chapter II, post-submission adjustments are adjustments in ceiling, not in funding. The Services must make internal reprogramming adjustments to accommodate any changes in ceiling. If additional resources are needed or formal reprogramming is required, a supplemental appropriation or formal reprogramming request would be needed. Budget submission and mid-year review would be good times to make such requests, if they are needed. Both are periods when information interchanges are formally

scheduled and expected.

The final post-submission adjustment is de facto. At the end of the fiscal year, what is spent has been spent. Often the actual spending is lower than what was permitted. If it is higher, the Congress must be informed. Spending unappropriated funds is unlawful and a serious problem.

It would appear, however, that ceiling points could be used at the end of the year to support de facto changes in ceiling among the Services as long as the total remained within the total DoD ceiling for recruiting and advertising. Of course, the Services must not have exceeded their total Appropriation limits.

Formalizing the post-submission adjustment process will help reduce recognition delay by providing information to DoD decision-makers and Congressional Committees sooner. Its primary contribution, however, is in the reduction of resource lag. When conditions change, adjustments can be made promptly.

3. Accession Contingency Plans. The Services should have contingency plans that can be executed when recruiting condition assumptions do not materialize or when conditions change substantially in a relatively short period of time. Contingency planning is a central feature in military thinking. A military commander who would enter a battle without contingency plans

would be considered foolhardy. The past twelve years under the AVF have demonstrated that contingency planning is also important to an efficient and effective recruiting program. Without them, either resources are used inefficiently or the quantity and quality of recruits vary unacceptably from year to year.

The proposed solution calls for contingency plans to be included in the Service POM and budget submissions annually. They will be reviewed and approved or modified as part of the PPBS process. Post-submission adjustments can be used to implement contingency plans. Off-line program reviews should be triggered based on those plans, but actual program changes should be subject to human assessment. The proposed process for accession contingency planning is the subject of the next section.

The procedures proposed for contingency planning are discussed in more detail in Section C, below.

4. Alert and Warning Review Procedures. To take full advantage of the three previous improvements, DoD needs to formalize its human assessment and review procedures. These procedures evaluate EWS alerts, develop post-submission adjustments, and execute accession contingency plans. Current procedures tend to operate at three levels:

- o Action Officer,

- o Decision-Makers, and

- o Executive.

These procedures are discussed in more detail in the next section as part of the ACPP. Here it is sufficient to note that computer assisted human assessment, followed by human management within the chain of command are central to the proposed solution.

C. The Proposed ACPP

The Accession Contingency Planning Process (ACPP) should serve two major functions:

- o Provide for and encourage contingency planning for the military accession program, and
- o Establish a procedure for prompt review and adjustment of accession resources when assumed recruiting conditions do not materialize.

It should incorporate all four parts of the solution discussed in the previous section. It will use the EWS, as well as the Service recruiting management systems, to obtain relevant information. It will use the post-submission adjustment points as

primary targets for off-line adjustments. Accession contingency planning should be vested in those who are responsible for recruiting success and should be incorporated as a permanent part of the PPBS process. Finally, it should provide for rapid and effective human assessment before program adjustments are made, but in time to check adverse trends in recruiting conditions.

1. Provide For and Encourage Contingency Planning. The first function would be accomplished by establishing contingency planning as an integral part of the PPBS process. The proposed solution suggests publishing a DoD Directive to implement ACPP. The information provided in Appendix A to this volume could be used to draft such a directive.

As discussed in the previous chapter, the PPBS process has three phases: planning, programming, and budgeting. Accession contingency planning would be included in all three. The Defense Guidance would contain a section on accession contingency planning. The POM Preparation Instructions would provide specific instructions on what to submit and how to format the information. The Service POMs would contain their specific plans. Those plans would be reviewed with the accession program and be subject to issue papers and Secretarial review. The PDM would publish the results. The approved plans would be included as contingencies in the budget submissions and would follow the approved program through the execution year. They would provide plans of action in

case adjustments were necessary.

In their contingency plans, the Services would be required to state their accession program very specifically, as has been required in the POM for more than a decade. In addition they would explicitly state the unemployment assumptions upon which their program is postulated (President's budget assumptions).

The Services would be invited to provide additional assumptions that they consider important, ranges for unemployment and other assumptions over which they believe their program to be valid, and trigger points that should initiate prompt program review if they are exceeded. The Services also would be encouraged to include contingency plans and resource levels that might be needed when various trigger points occur.

This program would establish a regular review cycle. The cycle would include the monthly EWS report and be keyed to produce adjustments for the key post-submission review points discussed above. It would lay out procedures for the reapportionment, budget submit, and mid-year reviews and would provide reporting dates and information formats for data submission.

The DoD Directive would establish the general guidelines for contingency planning. The Defense Guidance would provide additional guidance, and the annual POM Preparation Instructions

would lay out detailed specifics and provide whatever format guidance may be appropriate.

The DoD Directive would establish the basic procedures for prompt review and adjustment of accession resources. These procedures would be augmented by the working procedures established by the participants in the various parts of the system. As currently conceived they would function around an alert and warning system that would activate the Human Assessments Groups (HAGs) at the action level and decision level, respectively. The overall coordinating authority would be a Senior Advisory Group (SAG), chaired by the Deputy Assistant Secretary of Defense for Manpower Policy and Force Management and composed of the Deputy Chiefs of Staff for Personnel of the Four Services and perhaps a representative from the Office of Management and Budget.

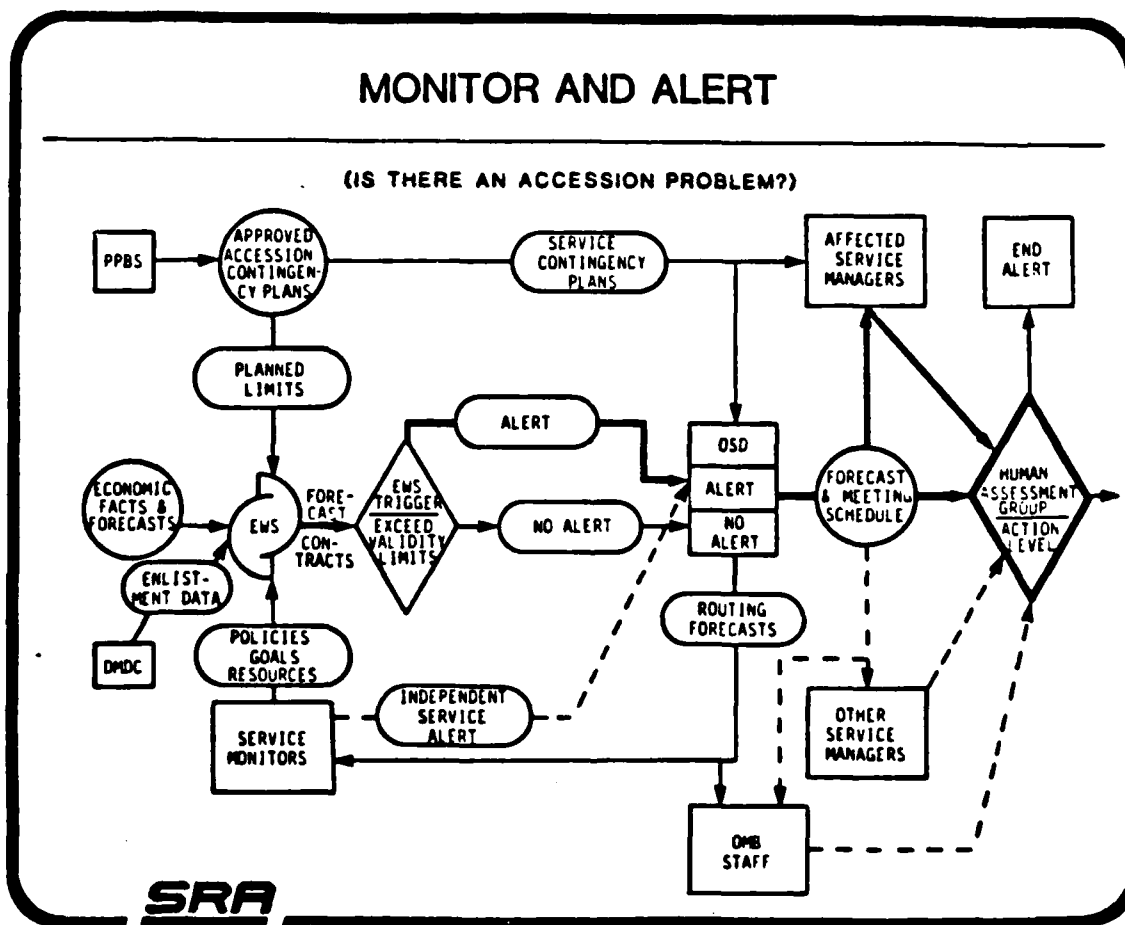
As currently conceived, the ACPP calls for both OSD and the Services to continue to develop and operate their forecasting models. OSD would circulate EWS data monthly. OSD and the Service Staffs would make reviews of the operation of the recruiting programs at least monthly in conjunction with receipt of the EWS report.

The proposed solution envisions trigger points that would require automatic review of the accession plan. The Services could establish these trigger points as part of their contingency plans through the PPBS process. The trigger points would be published in

the PDM if they are part of the PPBS process. OSD would publish trigger points for automatic review separately, if they are not in the PDM.

2. Contingency Management. An alert would be sounded automatically by the Early Warning System when a preestablished trigger point was exceeded. When an alert was sounded the action level human assessment organization would be alerted. Figure 9 contains a

FIGURE 9



data flow diagram that illustrates how the monitor and alert process would operate.

Each Service would be provided information from the OSD Early Warning System on a monthly basis. If the monthly report sounded an alert for a particular Service or if the Service sounded an alert based on the OSD information or its own forecasts, the action level HAG composed of actions officers appointed by that Service and OSD would meet to validate or resolve the concern. Many alerts probably would be explained by policy decisions, changes in goals, or other known actions that permit cancellation of the alert. If the alert was validated, the action level HAG determine that a warning condition existed. A warning would activate the decision level human assessment. HAG reviews would normally involve only OSD and the Service or Services that were affected by the alert.

Figure 10 illustrates the data flows involved in the warning and response phase. The left side of the figure is a simplified version of Figure 9. The right side shows the data flow diagram for the decision level HAG. The decision level consultations may explain the situation and cancel the warning and alert, agree upon and initiate a Service oriented solution, or recommend stronger actions to the SAG.

The SAG's purpose is to develop Department-wide solutions to the problems associated with a major change in recruiting conditions. Obviously, it may end the warning, assign single

Service action, or develop a Department-wide solution as shown on

FIGURE 10

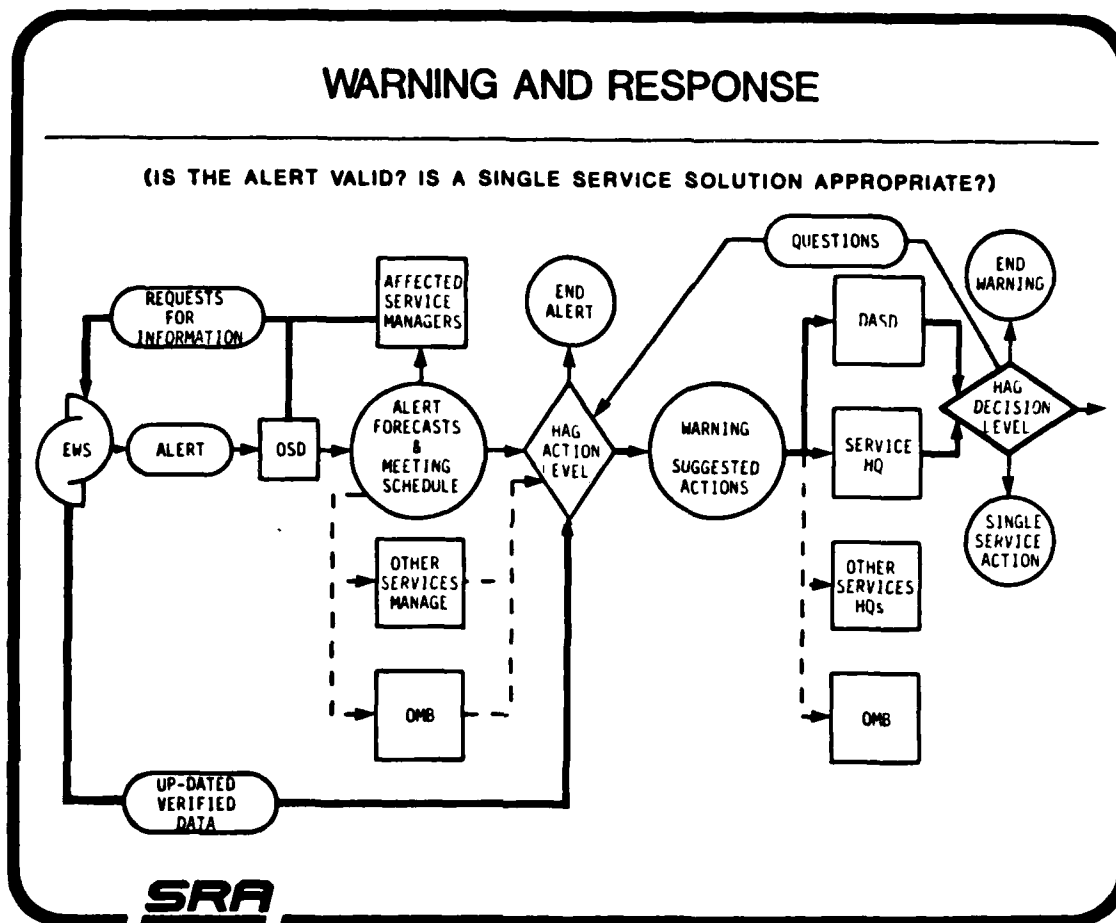
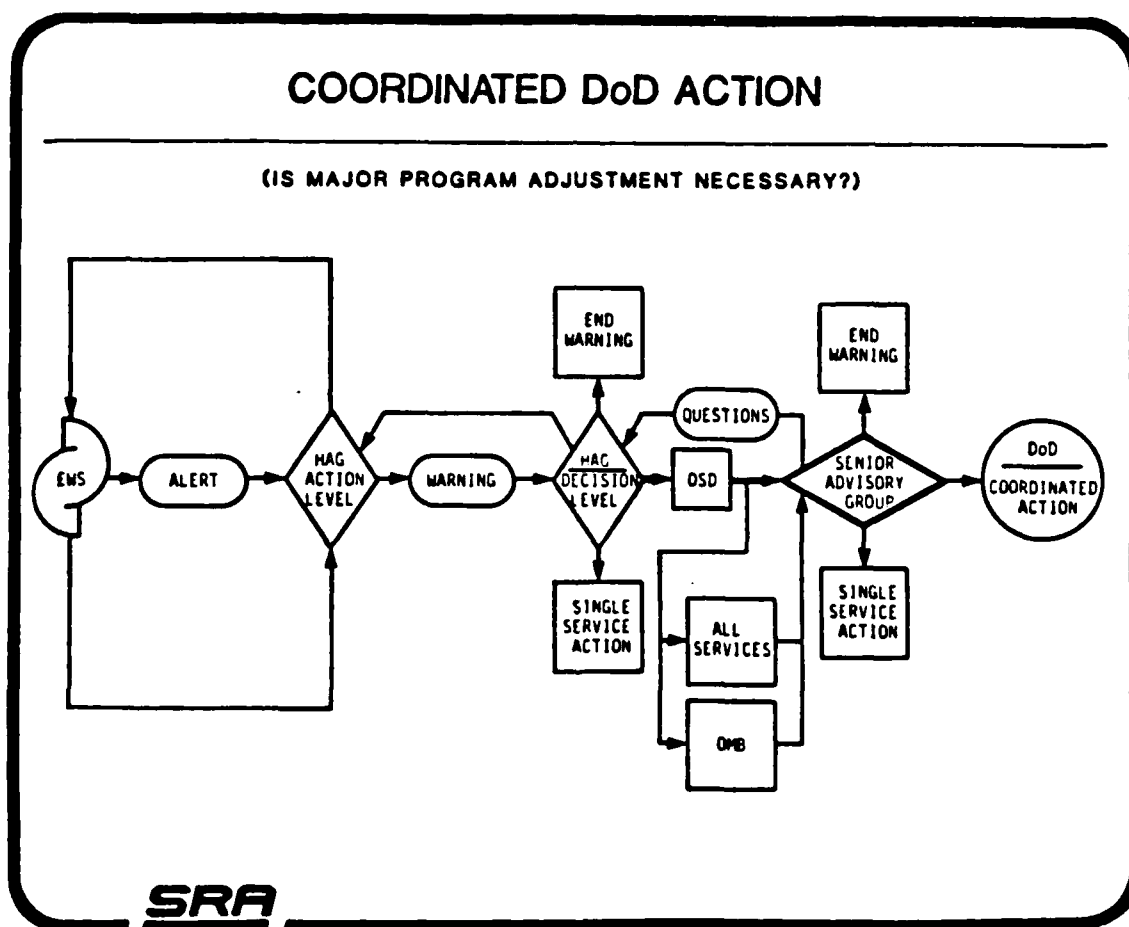


Figure 11. Often major solutions will require the approval of the Secretary of Defense, the Director of OMB, and the Congress. The intent of the ACPP, however, is to resolve as many issues as possible at the lowest level possible to reduce recognition delay and resource lag.

FIGURE 11



The Early Warning System and the ACPD are designed to work together to reduce recognition delay and resource lag. When the assumptions underlying the accession program prove not to be valid, knowledgeable people meet to examine the situation and make appropriate adjustments within the authorities provided in the contingency plans. This system would encourage prompt, but rational, review of the situation and, when appropriate, adjustment of resources.

As shown in the previous sections, the most logical time to make adjustments is during the PPBS key points and during Congressional testimony in support of the President's budget. The mid-year review normally would provide information for adjustment during Congressional testimony.

By having a system in place to review monthly forecasts of enlistment contracts and to establish contingency plans that have been reviewed during the PPBS cycle, the ACPD should reduce the propensity for accession crises. It also should reduce the ad hoc reports to Congress and unilateral actions that have been all too common a part of accession management over the past decade.

D. A Prototype ACPD

The Army developed a contingency plan in 1984 (FY 1985 budget) in anticipation of more difficult recruiting conditions

as the economy improved. It implemented that plan, at least in part, in order to maintain the level of high quality recruits it needed to carry into 1986. As discussed in the previous chapter, the Congress added funds the Army requested in the 1984 mid-year review.

The Navy implemented a contingency plan during the 1985 mid-year review as shown on Figure 8 in Chapter II. After mid-year review, the Navy recruiting and advertising budget exceeded its original ceiling by \$10 million.

In both of these examples, the contingency planning was less formal and more personality dependent than is now proposed. It was not included in the PDM and was less certain of approval than perhaps ought to have been the case. The prototype that is described in this section is based on those experiences and others that have occurred over the past 12 years. It also is based on the assumptions that the DoD will have:

- o An effectively operating EWS,
- o Regular review of accession forecasts,
- o Institutionalized procedures for post-submission adjustments,

- o Formalized procedures for contingency planning, and
- o Established alert and warning review procedures.

An effective contingency plan has five key sections. They are:

- o Circumstances,
- o Objective or process,
- o Action and resources within existing Service Authority,
- o Actions and resources needing higher level approval, and
- o Execution and reporting procedures.

Figure 12 shows a hypothetical contingency plan to illustrate the concept. Across the top it lists the five key sections.

The example plan has three levels. (Actual plans may have as many levels as the Service wishes to advance.) Each horizontal row on Figure 12 represents a level of contingency plan. The problems

FIGURE 12

CONCEPTUAL DISPLAY OF A SERVICE'S ACCESSION CONTINGENCY PLAN

VALIDITY LIMITS AND TRIGGERS	CORRECTIVE ACTION	WITHIN SERVICE AUTHORITY	NEED HIGHER APPROVAL	EXECUTION AND REPORTING PROCEDURE
CIRCUMSTANCE	OBJECTIVE/PROCESS	ACTIONS AND RESOURCES	ACTION AND RESOURCES	PREAGREEMENT OR OFFLINE ADJUSTMENT
EWS FORECAST DROP IN QUALITY CONTRACTS__%	INCREASE LEADS AND INCENTIVES	REPROGRAM ADD__ RECRUITER ADD__ ADVERTISING ADD__ BONUS ETC ADD__ SUPPORT	CEILING INCREASE FROM \$528M TO \$573M	APPROVED BUDGET APPROVED CONC LANGUAGE REQUESTED
FORECAST EROSION OF DEP UNEMPLOYMENT DOWN TO 5%	MAJOR ADVERTISING EFFORT FOR NEW INCENTIVES	REQUEST SUPPLEMENTAL SUBMISSION	NEED SUPPLEMENTAL \$65 MILLION CEILING \$639	SUBMIT SUPPLEMENTAL TO CONGRESS
PARTIAL MOBILIZATION MAJOR FORCE EXPANSION	RETURN TO CONSCRIPTION	REQUEST ACTION AUTHORITY AND FUNDING	PRESIDENTIAL NATIONAL EMERGENCY REQUEST LEGISLATIVE ACTION	CONGRESSIONAL ACTION SSS ACTIVATION MOBILIZATION PLAN

SRA

become more serious and the solutions more radical, as one moves down the three levels. The three levels in this example are:

- o A forecast drop in quality contracts below the established floor,
- o A forecast erosion of the DEP (drop in total number of accessions regardless of quality) because of sharp drop in unemployment, and
- o A partial mobilization or unplanned major force expansion.

For each of these levels, a data element is shown for each of the five key sections for each level.

1. Plan 1: Quality Problem. The "Circumstances" section shows the validity limits and trigger points that would activate an alert and review with an eye to implementing this level of contingency action.

The second section, "Objective/Process", shows what type of corrective action is to be considered. In this case, the plan proposes actions that will increase lead generation and provide additional enlistment incentives.

The third section, "Within Service Authority", shows that

the Service will plan to reprogram existing resources from other programs to add recruiters, advertising, bonuses, and recruiter support. It would also show the approximate level of increase, but probably would not show the source of funds. Those sources would depend on the circumstances at the time of execution.

The fourth section, "Need Higher Approval", lists the action and resources needed from OSD, OMB, or the Congress. In this case the requirement is a recruiting and advertising resource ceiling increase. Again, it is important to remember that ceiling transfers are not funding additions, but only permission to reprogram within Service resources above the Congressional ceiling established for that Service.

The last key section, "Execution and Reporting Procedures", lists the preagreement status, off-line adjustment procedures that have been established, or other reporting procedures that would be necessary. In this kind of situation, the hypothetical case assumes that the plan is being submitted as part of the Service POM and that the Service is proposing that it be approved as a budget contingency and sent to the Congress. If Congress agreed to the plan, it could be executed without further Congressional action if the circumstances postulated develop. Congress would be notified of the situation at the next post-submission adjustment point.

2. Plan 2: Quantity Problem. The second plan assumes a more serious problem. Unemployment drops far below the level forecast when the POM was being developed. EWS forecasts serious shortages in quality and the Service forecasts insufficient total accessions to sustain the DEP.

The Service proposes major new incentives to attract quality accessions and compete in the tightening labor market and a major advertising program to stimulate leads, help convert leads into contracts, and hold contracts in the DEP.

Because the Service will have exhausted its unilateral capability to make adjustments at the previous level, it can only request help from higher authority. This level of effort is hypothesized to require Congressional action. A DoD-wide solution probably will be needed, because under these conditions other Services are likely to be experiencing similar problems, or at least may need to at least review what action they need to take before the next budget cycle begins.

3. Plan 3: Mobilization. The Defense Guidance stipulates conditions that require the Services to conduct major force expansions. This Service has determined that it is unlikely that it would be able to sustain such an expansion without conscription. The Service would request authority to conscript and funding to pay for the force expansion. The President may need to

CHAPTER IV
PLAN OF ACTION AND MILESTONES

A. Chapter Introduction This section outlines the Plan of Action and Milestones (POA&M) for implementing the solution proposed in Chapter III. The plan of action is divided into 8 major parts.

They are:

1. DoD Directive,
2. Simulation,
3. Defense Guidance,
4. POM Preparation Instructions,
5. POM Preparation and Review,
6. Budget Preparation and Review,
7. Congressional Interaction, and
8. Implemented Operation.

Each of these parts is described in more detail in the next section. Each has a number of important actions that must be completed. Many of them must be completed in conjunction with dates established for the PPBS cycle that coincides with implementation. Dates used in this section are approximate only. They are shown as the month and year in which the action is expected to be completed. As with any POA&M, the schedule is established to complete the tasks by a specific time. In this case, the target is

the mid-year review in April or May of 1988. To meet that date, OSD needs to begin implementation in November 1985.

B. POA&M

Figure 13 presents the POA&M as currently proposed. A POA&M should be a living document that is adjusted as it is executed to reflect changes in priority, schedule, and circumstances. The dates currently reported in the POA&M are correlated to expected dates in the PPBS process. Should those dates change, then the milestones should be adjusted to accommodate the PPBS cycle. To be effective the ACPP must become an integral part of the PPBS process.

C. Discussion of the POA&M

This section discusses in more detail each of the 8 major steps shown on the POA&M.

1. DoD Directive. A DoD Directive probably is necessary to implement the proposed solution. Appendix A contains material that can be used to prepare such a Directive. The Directive establishes the purpose the EWS and ACPP and establishes responsibilities for various actions. It outlines the basic thrust of the effort and tasks the OSD staff and the Services to implement the concept.

- o Reduce recognition delay and resource lag, and
- o Make effective use of the additional management flexibility the Congress recently provided.

To accomplish those objectives, the study proposes that DoD implement the prototype Recruitment Early Warning System (EWS) and incorporate the proposed Accession Contingency Planning Process (ACPP) into its regular PPBS procedures. The EWS is described in previous volumes. The ACPP has two primary functions. They are:

- o Provide for and encourage contingency planning for the military accession program, and
- o Establish a procedure for prompt review and adjustment of accession resources when assumed recruiting conditions do not materialize.

The implementation plan of action with milestones (POA&M) described in the next chapter is designed to accomplish these functions and achieve the objectives they support. It will formalize and institutionalize the four main parts of the proposed solution:

- o The Recruitment Early Warning System,

- o The Post-Submission Resource Adjustments,
- o The Accession Contingency Plans, and
- o The Alert and Warning Review Procedures.

FIGURE 13

POAM FOR IMPLEMENTATION OF PROPOSED SOLUTION

Number	Action	Responsible Organization	Date
1.	DoD Directive		
a.	Develop Draft DoD Directive	OSD(AP)	Nov 85
b.	Circulate Draft DoD Directive	ASD	Nov 85
c.	Submit Comments on Draft DoD Directive	Services	Dec 85
d.	Accommodate Comments	OSD(AP)	Jan 86
e.	Publish DoD Directive	ASD	Jan 86
2.	Simulation		
a.	Develop Sample DG and PPI Language	OSD(AP)	Feb 86
b.	Develop Prototype ACP	Service	May 86
c.	Evaluate Prototypes and Language	Services/(AP)	Aug 86
d.	Operate EWS	OSD(AP)	monthly
e.	Evaluate EWS data	Services/(AP)	monthly
f.	Conduct Apportionment Review	All	Sep 86
g.	Conduct Current Year Review	All	Jan 87
h.	Conduct Mid-Year Review	Services/(AP)	Apr 87
3.	Defense Guidance		
a.	Prepare Draft Language	OSD(AP)	Oct 86
b.	Circulate Draft Guidance	OSD(PA&E)	Oct 86
c.	Comments on DG	Services	Nov 86
d.	Accommodate Comments	OSD(PA&E)	Dec 86
e.	Publish Defense Guidance	DRB	Dec 86
4.	POM Preparation Instructions		
a.	Prepare Draft Language	OSD(AP)	Dec 86
b.	Circulate Draft	OSD(PA&E)	Feb 87
c.	Accommodate Comments	OSD(PA&E)/(AP)	Mar 87
d.	Publish PPI	DRB	Mar 87
5.	POM Preparation and Review		
a.	Prepare Accession Contingency Plans	Services	Apr 87
b.	Submit POM	Services	May 87
c.	Review Accession Plans and Contingencies	OSD(AP)	Jun 87
d.	Prepare Issues if appropriate	OSD(AP)	Jul 87
e.	Recommend Decisions	ASD	Jul 87
f.	Draft PDM	OSD(PA&E)	Jul 87
g.	Entertain Reclamas	DRB	Aug 87
h.	Publish PDM	DRB	Aug 87
6.	Budget Preparation and Review		
a.	Prepare Service Budget	Services	Sep 87
b.	Prepare Service FYDP	Services	Sep 87
c.	Submit Budget and Draft FYDP to OSD	Services	Sep 87
d.	Review Budget Submit	OSD(Comp)/(AP)	Oct 87
e.	Draft PBDA	OSD(Comp)/(AP)	Nov 87
f.	Entertain Reclamas	SecDef	Dec 87
g.	Review DoD Budget	OMB	Jan 88
h.	Submit Budget	President	Jan 88
i.	Submit Final FYDP to OSD	Services	Jan 88
7.	Congressional Interaction		
a.	Prebrief Committee Staff	OSD(AP)/Services	Jan 86
b.	Prebrief Interested Members	OSD(AP)/Services	Jan 87
c.	Testify in Support of Program	ASDs/Services	May 88
8.	Implemented Operation.		
a.	Circulate OSD Early Warning Forecasts	OSD(AP)	monthly
b.	Prepare Implementing Instructions	OSD(AP)	Jun 86
c.	Comment on implementing Instructions	Services	Aug 86
d.	Publish Implementing Instructions	DASD	Sep 86
e.	Prepare Mid-Year Review Submissions	Services	Apr 88
f.	Conduct Mid-Year Review	OSD(AP)	Apr 88
g.	Agree on Mid-Year Review Adjustments	HAC(DL)	May 88

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To meet the target implementation dates, the draft Directive needs to be circulated as soon as possible, by November 1985, if at all possible. Review should be complete in time for it to be published before other parts of the POA&M are initiated.

Because this is an important management concern of the Services and because they have been active participants during various phases of the study, they are likely to have strong ideas about how the process should operate. The purpose of the draft directive is to provide a strawman to obtain those views and settle any differences before the rest of the POA&M is commenced.

The schedule would call for Service comments in early December with negotiations to reach settlement in time to publish the directive by the end of January, 1986. This schedule will be complicated by the fact that the FY 1987 budget will be in its final preparation during this period.

If the directive is delayed, it is important that the simulation begin on schedule in February, 1986. As long as the working copies of the directive have been received, the participants in the process can begin the simulation. Once the primary provisions are settled, the final publication date is no longer on the critical path.

2. Simulation. The simulation is important, because it is the

process by which the participants work out the details of the process. It is also a training period for all concerned.

The first three steps (draft DG and PPI language, develop prototype, and evaluate language and prototype) are very important. Success in settling problems and differences of opinion at this point will greatly facilitate the first year of operation.

Operating the Early Warning System and evaluating EWS data should be less controversial. EWS has been operating as a prototype in 1985 and it uses Service supplied data for many of its operations.

The reviews to be conducted under items 2f, g, and h should not cause any problems. All of those reviews were conducted by OSD in 1985 and are planned for 1986. They should be relatively routine by September 1986 when they are scheduled to be conducted as part of the simulation. The major difference will be the use of EWS data in the evaluation and EWS links to potential contingency plans.

3. Defense Guidance. Preparing the Defense Guidance (DG) in the fall of 1986 begins implementation of the system. If the simulation process has been conducted well, preparation of suitable language should not be a problem. The Service comments,

however, are likely to be much more serious at this juncture, because the language is "for real". Experience indicates that things that were accepted in good fellowship at the working levels during simulations and operational testing are not so readily accepted during actual operations. At this point recruiting resources are at stake, not just academic principles.

It may be advisable to circulate this section of the DG before the remainder of Draft Sections IV and V to ensure adequate time for review and agreement.

4. POM Preparation Instructions. The discussion under the DG also applies to the PPI. These instructions provide specific direction on how to prepare contingency plans. They provide detailed instructions and formats for submission. At this point, the information for the ACPD must be closely interfaced with the directions on POM data to be submitted in support of the primary accession program.

This study has assumed that the only ACPD elements the Services will be required to submit will be explicitly stated unemployment assumptions used to develop their proposed accession programs. It is anticipated, however, that at least some of the Services will want to avail themselves of the opportunity to develop and submit trigger points and contingency plans. The PPI should clearly provide both the option not to participate

and instructions on how to participate.

Again, as with the DG, the work invested during the simulation should pay dividends at this time. When the instructions will result in tasking that must be accomplished during the busy POM development period, the Service interest is likely to be more intense than during simulations.

5. POM Preparation and Review. The amount of time and effort required for POM preparation and review will be a function of the extent to which the various Services elect to participate in the process. If all of the Services submit only the economic assumptions, there is essentially no extra work. Those assumptions must be developed to forecast accession resources for the POM. Including them in the submission should not be burdensome.

If, on the other hand, each of the Services should submit a range of serious contingency plans, the level of effort both for the Services and the OSD staff could be much more substantial. Services could under fund the basic program and hedge their recruiting effort with contingency plans. That is essentially what the Navy did in the 1985 budget. Such a policy is not, necessarily, a bad strategy and may result in the more efficient use of resources. But it would make program development by that Service more challenging and greatly complicate OSD and OMB review.

Because this will be the first time that such contingencies have been possible, there are likely to be wide variances in how the various Services approach the opportunity. The simulation will be of considerable value, but there almost certainly will be growing pains.

6. Budget Preparation and Review. Budget preparation and review will be similar to POM preparation and review, only more so. To this point, none of the information or proposed decisions will go outside of the Department of Defense. The budget, however, will be submitted to the Congress, the Press, and the Public. It will be reviewed by the Service Times and other interest group publications. The Washington Post, New York Times, and the news weeklies are likely to draw erroneous conclusions from published data that they have not seen before. No one can be sure how the Congress will react.

Budget development is likely to be a time of caution. Some of the Services that include contingency plans in their POMs may choose not to include them in their budgets. On the other hand, the pressure for resources is strong during the final days of budget preparation, and so some Services may elect to use contingencies to reduce their primary programs to fund other high priority efforts. This portion of the implementation will need to be handled carefully by all concerned to avoid creating problems

that would destroy the ACPD in birthing.

7. Congressional Interaction. Preparation and involvement of Congressional Staff and Committee Members is always critical to any budget associated changes. In this case, however, Congress already has relaxed the constraints on the program. That additional flexibility to manage the recruiting and advertising programs at the DoD-wide level has already proven its worth, as discussed in Chapter II.

The proposed actions only demonstrate responsible use of the flexibility already granted. Congress should be kept fully informed as has been the case in 1985 and will have been the case in 1986. Preliminary discussions with Congressional Staff indicate that the concept is generally recognized as meeting a long standing need. The Congress now recognizes the volatility of the recruiting market and the need to adjust resources to meet changing conditions. Notwithstanding that recognition, recruiting and advertising remain a high interest item for the Congress.

Keeping the Congress informed of developments should remain an important part of the implementation process.

8. Implemented Operation. Implementation is spread through the above items. This section draws together the steps needed to prepare and issue implementing instructions. These instructions

need to be in place before the draft DG is circulated in October 1986.

These instructions should be more detailed than the DoD Directive and more lasting than the DG and PPI. The DG and PPI are intended for one budget cycle only. These instructions need to cover the entire program in detail, not just the PPBS process. Specifically, they need to spell out the EWS procedures, the alert and warning reviews, and the post-submission adjustment processes.

One can expect that the growing process will require a review and revision of the instructions after the initial year of implementation, but the target should be to establish procedures and policies that can guide accession contingency planning and EWS on a continuing basis.

The last items in this section are associated with the 1988 mid-year review. That review will complete implementation.

D. POA&M Summary

Formal implementation of Recruitment Early Warning (EWS) and the Accession Contingency Planning Process (ACPP) begins with development and circulation of a Draft DoD Directive in November 1985 and is completed by the mid-year review in 1988. This POA&M,

if implemented will formalize and institutionalize the recruiting resource management practices that have developed in the 1980s. Institutionalizing the procedures that appear to be working will greatly reduce the propensity for repeating the accession crises of the late 1970s.

The following table summarizes the eight major action topics in the POA&M and lists the date by which all of the action items in that topic are to be completed.

POA&M SUMMARY

<u>No.</u>	<u>Action</u>	<u>POA&M Date</u>
1	DoD Directive	Jan 86
2	Simulation	Aug 86
3	Defense Guidance	Dec 86
4	POM Preparation Instructions	Mar 87
5	POM Preparation and Review	Aug 87
6	Budget Preparation and Review	Jan 88
7	Congressional Interaction	May 88
8	Implemented Operation	May 88

CHAPTER V

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

A. Summary

1. Introduction. The objective of this effort is to help the Military Services meet quantity and quality requirements for military accessions in spite of changing recruiting conditions. The accession crisis of the late 1970s stands as a model of what not to do.

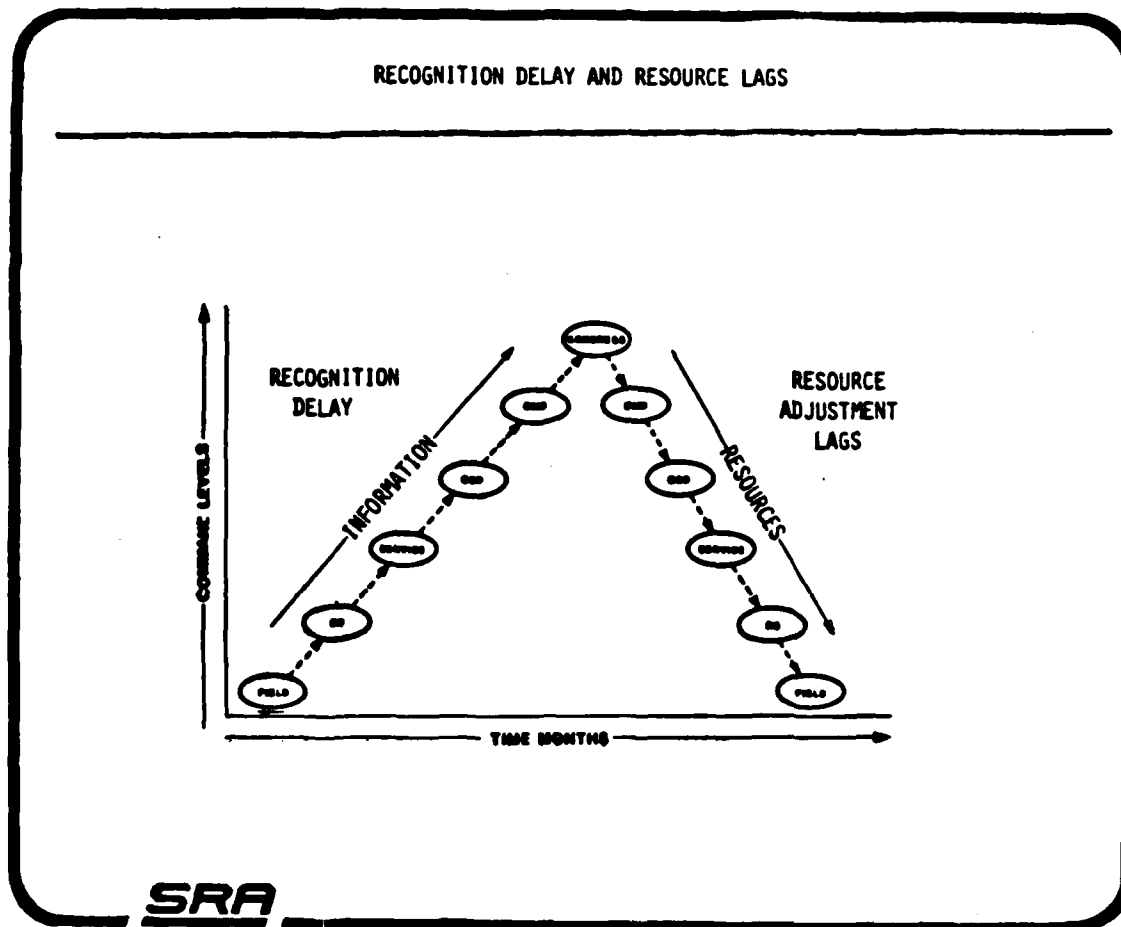
2. Analysis. Plots of the level of recruiting resources (in constant dollars) and unemployment (as a percent of the workforce) for the period 1974 through 1984 revealed that these two independent variables in the accession process moved together. Economic theory would dictate that they should move in opposite directions, if accession quantity and quality levels are to be stabilized. Analysis in phase I of the study traced at least part of the mismatch problem among recruiting conditions (unemployment), recruiting mission (Service goals), and recruiting resources to two sources:

- o Recognition Delay -- the time between when recruiting conditions change significantly and when all of the decision-makers recognize the change and initiate corrective action; and
- o Resource Lag -- the time between when a change in resources is recognized and when those resources take effect.

Empirical evidence shows that in the past the combination of recognition delay and resource lag averaged between 24 and 36 months. This delay between changing conditions and the application of resource adjustments was sufficiently long that the business cycle had changed conditions dramatically before the resource adjustments took effect. These delays explain the mismatch problem among recruiting conditions, recruiting mission, and recruiting resources.

Figure 14 from the phase I study report summarizes the situation graphically. Each bubble on the chart represents an organization in the resource management chain. Time is required to send information up the chain, and time is required to send resources down the chain. The left side represents recognition delays and the right side resource adjustment lags.

FIGURE 14



As shown on Figure 15, the object of this study is to develop and propose actions that reduce recognition delay and resource lag -- that would:

- o Steepen the sides of the triangle, or
- o Reduce how far up the chain one must go to make offline adjustments between budget cycles.

FIGURE 15

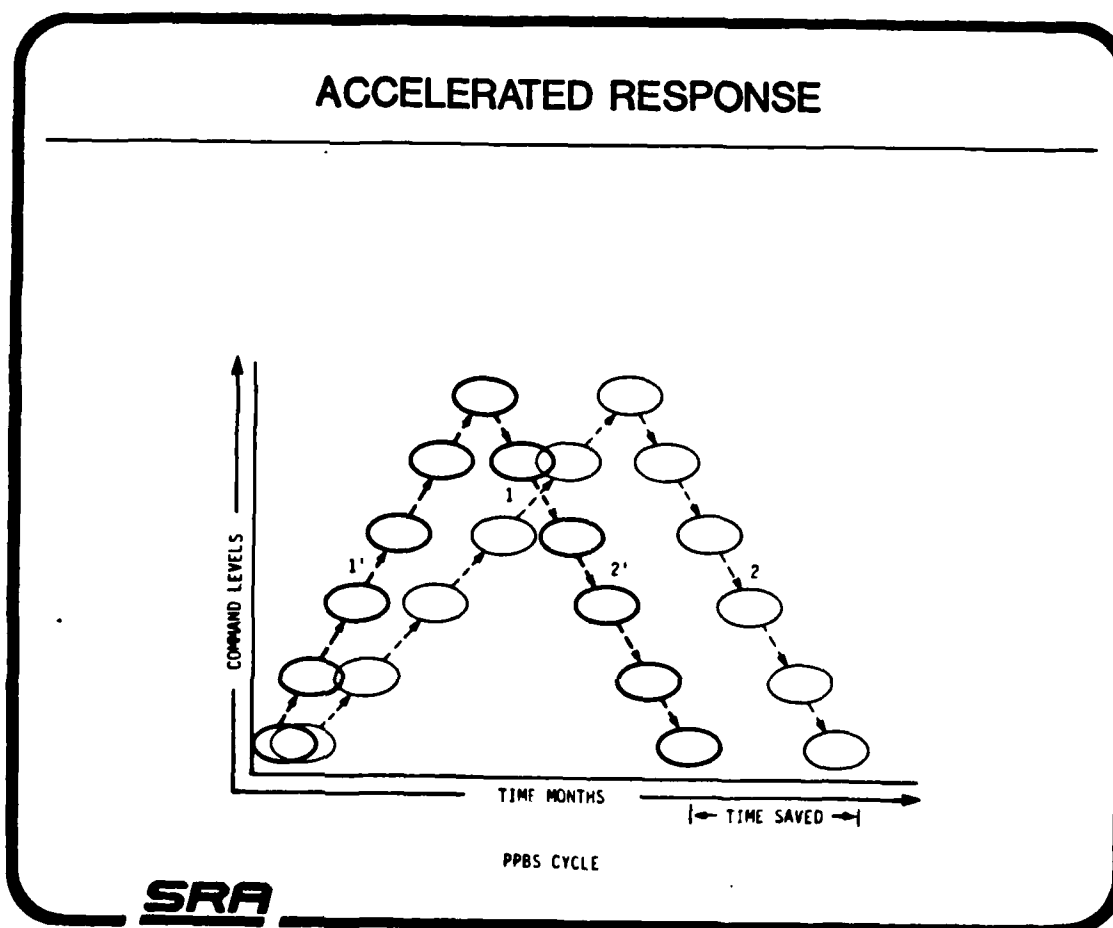


Figure 15 illustrates this change. Even when resource adjustments require going all the way to the Congress, the procedures proposed in this report would substantially reduce the time required, perhaps cut it in half.

A second objective was developed during the study. Congress relaxed its constraints on DoD management of recruiting and advertising resources. Instead of imposing separate ceilings on recruiting and on advertising for each Service and for joint efforts. Congress decided to impose only one DoD-wide ceiling on the combined resources for all recruiting and advertising programs.

The 1985 experience discussed in Chapter II lead the study to conclude that it can be very effective for small, but important resource reallocations. When OSD can use this new flexibility to adjust resources within the DoD ceiling, that 24 to 36-month delay should be substantially reduced -- from no delay (with a good early warning system) to no more than 6 months.

How to effectively use this flexibility became an important second objective for the study.

3. The Proposed Solution. To accomplish these objectives, the study proposes that DoD implement the prototype Recruitment Early Warning System (EWS), discussed in previous volumes, and

incorporate it into the regular PPBS procedures. In addition to the objectives cited above, the Accession Contingency Planning Process (ACPP) reported in this volume has two other important program objectives. They are:

- o To provide for and encourage the Military Services to conduct accession contingency planning for their military accession programs, and
- o To establish procedures for the prompt review and adjustment of accession resources when the recruiting conditions vary substantially from those assumed during POM and Budget development.

The proposed solution has four main parts. They are listed and then each is discussed in turn.

- o Implement the prototype Recruitment Early Warning System (EWS);
- o Make Post-Budget-Submission Adjustments a regular part of the resource management process for recruiting and advertising;
- o Develop Accession Contingency Plans as a regular part of the PPBS process; and

o Provide permanent and regular Alert and Warning Review Procedures to monitor the EWS reports, develop post-submission adjustments, and to implement accession contingency plans.

a. Recruitment Early Warning System. The EWS is not reported in detail here, because it is the subject of the previous volumes. Its implementation, however, is key to successful achievement of the three parts of the solution discussed in this volume.

b. Post-Submission Adjustments As discussed in Chapter II, there are five key points when recruiting resources can be adjusted. Obviously, the most effective is in the President's annual Budget Submission. The budget line submitted in January before the fiscal year begins set the basis from which all other adjustments are made.

The Mid-Year Review conducted in April or May before the fiscal year begins provides an opportunity to suggest adjustments to the Congress while it is considering the budget. Testimony on the budget is normally scheduled during this period, so it is a natural place to make an interface and adjust the resources before Congress establishes its ceilings.

After Congress passes the Defense Appropriations Act, the

Administration apportions the amounts voted and the Services develop spending plans for the year. Apportionment usually occurs just before the fiscal year begins in October. It is the last opportunity to adjust resources that will have an effect for the entire year.

The next communication with the Congress occurs shortly after completion of the first quarter of the new fiscal year. In his budget for the next year, the President provides a Current Year Line. Any adjustments made at apportionment will be incorporated in that line. It affords an opportunity to propose new resource levels in the newly submitted budget, but it also can be used to adjust the current year program based on first quarter results.

The Mid-Year Review , conducted in April or May of the obligation year, is about the last opportunity to make adjustments in the current spending program that will have time to be effective. The newly granted DoD-wide authority, mentioned above, can be used very effectively. As shown in the 1985 example, reported in Chapter II, recruiting and advertising ceiling that Army would be unable to use for enlistment bonuses was transferred to Navy recruiting and advertising to avoid a potentially serious under funding problem within the Navy program.

As a result, the Navy program exceeded appropriation limits by \$10 million and the total DoD-advertising program exceeded

advertising appropriations by \$9 million. Under the previous Congressional ceiling rules this adjustment could not have been made without Congressional action. It was possible in 1985, because the total DoD-wide combined recruiting and advertising program was still \$2 million less than the Congress's combined ceiling.

It is important to remember that these inter-Service transfers are transfers of ceiling points, not dollars. In the 1985 example, the Army could reprogram its extra resources to meet other priority needs; and the Navy had to reprogram other Navy resources to be able to take advantage of the additional ceiling. To increase the Navy's total obligational authority would require a supplemental appropriation.

The final opportunity to adjust resources is after the fact. Actual Expenditures will be audited. It appears that ceiling points could be adjusted to cover de facto spending as long as the total DoD-wide recruiting and advertising expenditures were within the Congressional ceiling and the Service in question did not exceed its obligational authority for its total budget.

c. Accession Contingency Plans. The Services are required to submit only the unemployment assumptions that underlie the recruiting and advertising programs in their POM and Budget submissions to OSD. They are, however, encouraged to develop and

submit contingency plans.

The Army and Navy have each developed and used contingency plans during the past two years. What is proposed in this study is to formalize and institutionalize that process. A prototype plan is provided in Chapter III as an illustration.

The concept is for the Services to propose one or more contingency plans in conjunction with their primary accession plan in their POMs. These will be reviewed and approved or modified using regular PPBS procedures. The prototype plan provides five categories of information that would likely be part of any accession contingency plan. They are:

- o Circumstances under which the contingency plan should be considered, including proposed validity limits or trigger points;
- o Corrective action proposed, the general objectives and processes to be used in the event the circumstances occur;
- o Service plan, what actions and resource adjustments the Service plans to take within its existing authority;
- o Actions and resource adjustments that the Service wants to receive from higher authority; and

- o Execution and reporting procedures, including any preagreements that are being proposed or reports that are planned.

Having contingency plans is fundamental to military planning of all sorts. Contingency plans make sense for most program. They are especially appropriate in managing recruiting and advertising resources. The labor market is too volatile to rely solely on program levels developed at least 9 to 21 months before the resources are used.

d. Alert and Warning Review Procedures. To take full advantage of EWS, post-submission adjustment opportunities, and accession contingency plans, DoD needs to establish procedures to monitor and act upon the EWS forecasts and program results reported by the Services. Chapter III describes one such set of procedures in some detail using flow diagrams.

The proposed structure would establish a Human assessment process with three levels:

- o Action Officer,
- o Decision-Maker, and

o Executive.

When recruiting conditions or economic forecasts reach trigger points established in the contingency plans or otherwise established by OSD and the Services, the EWS would sound an alert. That alert would initiate an Action Officer Human Assessment by the action officers from OSD and the Service or Services concerned. The action officers would evaluate the data present and assess the circumstances and seriousness of the situation and take one of two actions:

- o Verify that a problem exists and announce a Warning that activates the Decision Level Human Assessment, or
- o Cancel the alert either because the alert was a false alarm or that the problem has already been solved.

The decision level participants normally would make the adjustments necessary to solve the problem. They could use a previously approved contingency plan, modify a plan, or develop a mutually agreed upon solution within their existing authority. Obviously, the post-submission adjustment opportunities could be used to implement decision-level changes.

If the decision-level participants cannot resolve the problems, they will move them to their mutual executive levels

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RECRUITMENT EARLY WARNING SYSTEM PHASE II A PLAN FOR
IMPLEMENTING THE ACC. (U) ECONOMIC RESEARCH LAB INC
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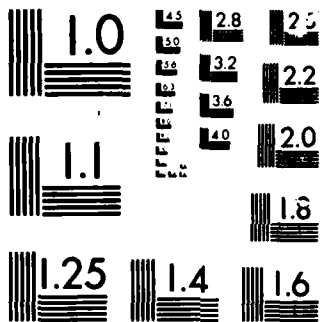
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where Department-wide solutions requiring major resource adjustments or policy changes would be considered.

This process would appear workable. It establishes Human Assessment Groups (HAGs) that are automatically activated as problems develop, but do not meet routinely when conditions are normal. The composition of the HAGs are set by the participating organizations, but participants should be knowledgeable about the forecasting process, the resource adjustment process, and recruiting system operations

The proposed review procedures are not fixed in any way. They are intended to provide the basis for negotiation and development, so that the resulting procedures and structure meets the needs of the Services and OSD.

4. Plan of Action and Milestones. Chapter IV of the study lays out and discusses a Plan of Action and Milestones (POA&M) that would implement the proposed solution. The first action in the POA&M is development and circulation of a draft DoD Directive to implement the concept. The POA&M calls for these action items to be completed in November 1985. To help OSD meet this deadline, Appendix A to this volume contains information that could be useful in drafting that directive.

The following table summarizes the eight key action topics,

the organization that has the lead for that topic, and the date when all of the proposed action items in that topic need to be completed.

FIGURE 16

POA&M SUMMARY

<u>No.</u>	<u>Action</u>	<u>Lead Agency</u>	<u>POA&M Date</u>
1	DoD Directive	OSD(AP)	Jan 86
2	Simulation	OSD(AP)	Aug 86
3	Defense Guidance	OSD(PA&E)	Dec 86
4	POM Preparation Instructions	OSD(PA&E)	Mar 87
5	POM Preparation and Review	Service/(AP)	Aug 87
6	Budget Preparation and Review	Service/(COMP)	Jan 88
7	Congressional Interaction	OSD(LA)/(AP)	May 88
8	Implemented Operation	OSD(AP)	May 88

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B. Conclusions

The conclusions to this study are simple and straight forward.

- o The accession crisis of the late 1970s was a result of recruiting resources being lowered just as recruiting conditions became more difficult.
- o The phasing problem between recruiting conditions and recruiting resources resulted from a 24 to 36 month delay between observed conditions and use of resource allocated because of those conditions.
- o The 24 to 36 month delay was a result of two factors:
 - Recognition delay, and
 - Resource lag.(These include the difficulty the system had in agreeing on success measures and required adjustment actions.)
- o Recognition delay occurs in all operating programs in all large organizations, but it can be reduced by good forecasting techniques and effective multi-level communications.

- o Resource lag occurs because of the lead times required by the Defense spending cycle with its PPBS and Congressional requirements.
- o In recent years, Congress has provided DoD with more flexibility to manage recruiting and advertising resources and DoD has:
 - Created an independent forecasting capability in EWS, that far exceeds its previous capabilities to forecast accessions or contracts;
 - Improved its communications links with the Services and with OMB and the Congress about the status of recruiting and advertising programs; and
 - Developed effective procedures to use the flexibility that Congress has provided.
- o The actions proposed in this report would formalize and institutionalize these procedures.
- o The costs of or risks in institutionalizing the proposed solution are:

- Implementation would add work and complexity to an already busy PPBS process;
 - Change may put at risk the flexibility Congress recently provided this "high interest program";
 - This precedent may result in other contingency plans that will complicate the PPBS, the appropriation process, and subsequent resource management activities;
 - A potential exists to misuse the flexibility for purposes not intended by the Administration of the Congress.
- o The study concludes that institutionalizing the some version of the proposed solution will:
- Reduce recognition delay and resource lag;
 - Use effectively the additional flexibility that Congress has provided;
 - Reduce the probability of recurring accession crises;
 - Avoid over resourcing recruiting during favorable recruiting periods; and

- Help stabilize recruit quality and recruiting success, thereby achieving the original objective of the study.

C. Recommendations

The study recommends that the proposed solution be implemented in accordance with the suggested POA&M. A draft DoD implementing directive should be prepared as soon as possible, using the support provided in Appendix A, to the extent that it is applicable.

A simulation is recommended during the period from February 1986 through April 1987. This practice will facilitate operational implementation recommended to begin in October 1986 with development of the Defense Guidance for the FY 1988 budget.

The study recommends that operational implementation be accomplished in conjunction with the FY 1988 Defense Spending Cycle.

UKAFI



Department of Defense DIRECTIVE

NUMBER

SUBJECT: Accession Contingency Planning and Execution Process

References: (a)

(b) Defense Guidance, current edition

(c) POM Preparation Instructions, current edition

(d) through () see enclosure 1

A. ISSUANCE AND PURPOSE

This Directive is issued to establish an Accession Contingency Planning and Execution Process (ACPEP) in the Department of Defense. Recruiting high quality young men and women for the Armed Forces is of continuing importance to the sustainment of the war fighting capabilities of the United States and to deter potential aggressors. Experience of more than twelve years without conscription has demonstrated the need for early warning about potential recruiting problems and a more responsive means to adjust recruiting and advertising resources when recruiting conditions change. Without an ACPEP, the PLanning, Programming, and Budgeting System has been unable to make the timely adjustments in resources necessary to respond to the volatile youth labor market. This document assigns responsibilities for and provides specific guidance to ensure early warning of changing recruiting conditions, to provide for and encourage the development of accession contingency plans, and to establish and maintain alert and warning review procedures.

B. APPLICABILITY AND SCOPE

1. This Directive applies to the Office of the Secretary of Defense (OSD) and the Military Departments. The term "Military Services" refers to the Army, Navy, Air Force, and Marine Corps.

2. The Accession Contingency Planning and Execution Process shall operate within the Planning, Programming, and Budgeting System established by reference (a) and be consistent with the provisions

of references (b), (c), (d), . . ., except where they are specifically modified by this Directive.

C. DEFINITIONS

The terms used in this Directive are defined in enclosure 2.

D. POLICY

1. OSD shall implement and maintain an independent Recruitment Early Warning System, capable of forecasting enlistment contracts for the active and reserve forces reliably for at least 12 months into the future. The Military Services are directed to cooperate in the implementation and maintenance of this system and to provide appropriate and timely data on their recruiting programs to support the system.

2. OSD shall establish, within the Programming, Planning, and Budgeting System, provisions for development, approval, and execution of accession contingency plans. The Military Services are directed to include with their annual POM and budget requests the unemployment assumptions that underlie their recruiting and advertising resource requests. The Military Services shall cooperate in the development of the ACPEP and are encouraged to develop and use accession contingency plans to help ensure that they meet their needs for high quality accessions.

3. The Department will use the flexibility the Congress has permitted to adjust recruiting and advertising resource ceilings as needed during the spending year to ensure effective use of funds provided. The objective is to recruit the numbers of appropriately skilled military personnel needed by and approved for the various Military Services as efficiently and cost effectively as possible. OSD and the Military Services are expected to take advantage of the opportunities available to review and adjust recruiting and advertising programs to ensure that funds are not wasted and that accession objectives are met.

4. The Department will establish and maintain a review system to monitor the results of the EWS regularly and to recommend actions when appropriate. This review system should include both OSD and Service representation. It should be designed to meet rapidly when problems develop or are forecast to develop between budget decision points, but should incorporate management-by-exception provisions to avoid wasteful meetings when programs are operating within established limits.

E. RESPONSIBILITIES

1. The Assistant Secretary of Defense (Manpower and Force Management) is responsible for coordinating development of the Accession Contingency Planning and Execution Process in accordance

with the policy established in this Directive and consistent with the pertinent laws, executive orders, and regulations. He shall implement a Recruitment Early Warning System (EWS) and begin developing the specifics of the process as soon as possible. He will conduct a simulation of the process between February 1986 and May 1987 and begin first cycle operation for the fiscal year 1989 budget development.

2. The Assistant Secretary of Defense (Comptroller), the General Counsel, and the Director, Program Analysis and Evaluation, continue to have responsibility for their respective parts of the Department's Planning, Programming, and Budgeting System and are responsible to ensure that the ACPEP is compatible with that system and operates in accordance with existing laws and regulations.

3. The Military Departments and the Military Services remain responsible for their recruiting programs. They are also responsible for developing and submitting their POMs and Budgets. Nothing in this Directive relieves them of these responsibilities. In addition, they are now responsible for cooperating in the development of the ACPEP and in the support of the EWS.

F. THE ACCESSION CONTINGENCY PLANNING AND EXECUTION PROCESS

1. Overall Objective. To help the Military Services meet quantity and quality requirements for military accessions in spite of changing recruiting conditions.

2. Description of the Problem. Over the past decade, the level of DoD-wide recruiting resources (in constant dollars) and annualized national unemployment (as a percent of the workforce) have tracked together. They are both independent variables in the accession process. Economic theory would dictate that they should move in opposite directions, if accession quantity and quality levels are to be stabilized. The history of the accession program since 1973 confirms that recruiting has alternated between feast and famine.

a. Middle 1970s. In the mid 1970s recruiting was excellent. Goals were met and quality was high. The Military Services collectively recruited 101% of their objective in 1975, and 90% of those recruits tested in mental category I-III. Unemployment was at 7.3% and recruiting and advertising resources were at \$897 million in constant 1986 dollars. Major pay raises had been initiated and many favorable programs were being implemented to support the all-volunteer force. Resources were high, unemployment was high, and recruiting was successful.

b. Late 1970s. In the late 1970s recruiting deteriorated. In 1979 each of the Military Services failed to achieve its overall non-prior service recruiting objective. Collectively, they recruited only 93% of their objective. Mental category I-III

accounted for only 68% of those accessions. Unemployment was down to 5.8%, the lowest level in the past decade. Recruiting and advertising was also low, at \$767 million (constant 1986 dollars). The only lower year in the decade was 1978 at \$758 million. In the late 1970s there was a recruiting crisis. Military pay had been capped and benefit erosion articles appeared almost weekly in the Service Times. Recruiting resources were at a decade low and so was unemployment.

c. The 1980s. The 1980s brought increases in military pay, rising recruiting budgets, and rising unemployment. Unemployment reached an annualized rate of 10.3% in 1983. Recruiting and advertising budgets were about \$1 billion per year (in constant 1986 dollars). The Services exceeded objectives each year 1981 through 1984. Category I-III accessions increased to 82%, 87%, 92%, and finally 93% during those four years.

3. Causes of the Problem. The cause of the problem would appear to be that recruiting resources were high when recruiting conditions were good and low when they were difficult. This condition is exactly the opposite of what good management would do. In fact, managers did increase resources when conditions were bad and did decrease them in real terms when they improved.

a. Time Phasing. OSD studies show that the adverse conditions observed above resulted from a phasing problem. Resource decisions were made on data that was observed in months previous to the decision and resources decisions did not take effect for several months after the decision because of the nature of the budget and appropriation processes. The causes of the problem were:

- (1) Recognition Delay -- the time between when recruiting conditions change and when all of the decisionmakers recognize the change and initiate corrective action; and
- (2) Resource Lag -- the time between when a change in resources is directed and when those resources take effect.

b. The Extent of the Problem. Empirical evidence shows that the combination of recognition delay and resource lag averaged between 24 and 36 months in the period between 1975 and 1985. This delay between changing conditions and the application of resource adjustments was sufficiently long that the business cycle would have changed conditions again before the resources were applied. This delay explains the phasing problem between recruiting conditions and recruiting resources observed above.

4. The Solution. The obvious solution is to reduce

recognition delay and resource lag. To reduce these delays requires more timely data, communicated more rapidly to all of the decision levels in the resource adjustment chain and a more rapid resource adjustment process. The ACPEP addresses both parts of that solution:

a. Reduce Recognition Delay. The data problem is helped by developing a forecasting capability and using contracts, instead of accessions to determine effects.

b. Reduce Resource Lag. The timing in the PPBS and appropriation processes is relatively fixed. To reduce resource lag, the ACPEP makes more extensive use of post-submission adjustments, accession contingency plans, alert and warning reviews described below.

c. Additional Help. Congress has helped by relaxing its constraints on DoD management of recruiting and advertising resources. Instead of imposing separate ceilings on recruiting and on advertising for each Service and for joint efforts. Congress decided to impose only one DoD-wide ceiling on the combined resources for all recruiting and advertising programs. How to effectively use this flexibility became the study's second objective.

5. ACPEP Program Objectives. This Directive establishes five program objectives. They are secondary objectives that support the overall objective stated above. The ACPEP is designed to achieve these program objectives. When they are established, ACPEP will have made a major contribution toward achievement of the overall objective. The program objectives are:

a. Contract Forecasts. To make monthly forecasts, at least 12 months into the future, that accurately and reliably estimate the number of enlistment contracts to be signed per month by quality categories.;

b. Congressional Flexibility . To use effectively the additional accession resource management flexibility the Congress has recently permitted;

c. Service Contingency Plans. To provide for and encourage the Military Services to conduct accession contingency planning for their military accession programs;

d. Contingency Management. To establish procedures for the prompt review and adjustment of accession resources when the recruiting conditions vary substantially from those assumed during POM and Budget development; and

e. PPBS Interface. To incorporate the above items into the normal PPBS process, so that there are no contradictions between

the ACPEP and the PPBS.

6. ACPEP Features. The ACPEP has four features around which it is to be built. These features ensure that it will carry out the five program objectives and, therefore, achieve the overall objective. These features are not intended to preclude creative development; but, rather, are intended to shape that development. to improve the probability that the ultimate ACPEP will achieve the objectives for which it was designed and implemented. They are:

a. Recruitment Early Warning System. The EWS will provide near-term forecasts of expected enlistment success based on the following factors:

(1) Planned Enlistment Goals. The Military Services will provide EWS their enlistment goals by quality factors monthly for each of the next 12 months.

(2) Planned Recruiting and Advertising Resources. OSD and each of the Military Services will provide EWS with its updated plan for recruiting and advertising expenditures for the Service and Joint programs for each of the next 12 months.

(3) Economic Indicators. EWS will obtain relevant economic indicators (especially those affecting unemployment and

civilian earnings) covering the next 12 month period from the Bureau of Labor Statistics, the Department of Commerce, and other economic forecasting organizations.

(4) Available Unemployment Forecasts. EWS will obtain available unemployment forecasts for monthly and quarterly annual unemployment.

(5) Expected Policies, Programs, and Plans. OSD and the Military Services will provide EWS with the expected recruiting policies, enlistment incentive programs, and mission plans for the next 12 month period, highlighting any anticipated changes.

(6) Planned Military Compensation. OSD will provide EWS with any changes expected in levels of military compensation for the next 12 months.

Using these inputs, the EWS will employ econometric forecasting techniques to estimate monthly civilian earnings and develop an independent forecast of monthly unemployment for each of the next 12 months. These internally generated factors are then combined with other inputs to forecast expected enlistments (signed contracts) by Service, by aptitude category (I-IIIA and I-III) per month for each of the next 12 months. The EWS will report these results monthly to OSD, the Military Services, and other organizations that may be designated by OSD.

b. Post-Submission Adjustments. The post-submission period begins in January when the President's budget is submitted and ends at the end of September a year later when obligation for that year is completed. There are five key points during this period when recruiting resources logically should be reviewed and could be adjusted.

(1) Budget Submission. Obviously, the most effective is in the President's annual Budget Submission. The budget submitted in January before the fiscal year begins set the basis from which all other adjustments are made. Additional flexibility may be needed to ensure that the budget contains the latest input before it is submitted, but that can be accomplished within the existing PPBS process.

(2) The First Mid-Year Review. About four months after the budget is submitted, accession planners from OSD and the Military Services shall conduct a mid-year review. This review will take place in April or May before the fiscal year begins when Congress is considering the budget. Testimony on the budget is normally scheduled during this period, so it is a natural time to request resources adjustments in the pending budget. Congress may consider those requests when it establishes its ceilings and authorizes and appropriates funding for recruiting and advertising.

(3) Spending Plan. After Congress passes the Defense Appropriations Act, the Administration apportions the appropriations and the Services develop spending plans for the year. Apportionment usually occurs just before the fiscal year begins in October. It is the last opportunity to adjust resources that will have an effect for the entire year. At this point, adjustments may be made among programs as long as the total DoD recruiting and advertising funding is within the total ceiling established by Congress.

(4) Current Year in the Next Budget. The next regularly scheduled communication with the Congress occurs shortly after completion of the first quarter of the new fiscal year. In his budget for the next year, the President provides a current year line. For example, the 1986 budget will contain a current year line showing the spending plan for 1985. Any adjustments made at apportionment will be incorporated in that line. It affords an opportunity to propose new resource levels in the newly submitted budget, but it also can be used to adjust the current year program based on first quarter results. Adjustments within total ceiling can be effected without formal Congressional approval. Additions above that ceiling would require formal reprogramming approval or supplemental appropriations. The concept anticipates that normally adjustments made at this time will not exceed the ceiling level.

(5) The Second Mid-Year Review. The next mid-year review

occurs in April or May of the obligation year. It is about the last opportunity to make adjustments in the current spending program that will have time to be effective. The newly granted DoD-wide authority, mentioned above, can be used very effectively. Some Services may have recruiting and advertising ceilings that they are unlikely to obligate. Other Services may have resources that they need to program to recruiting but need ceiling to do so. It is important to remember that these inter-Service transfers are transfers of ceiling points, not dollars.

(6) Post-Spending Adjustments. The final opportunity to adjust resources is after the fact. Actual expenditures will be audited. It appears that ceiling points could be adjusted to cover de facto spending as long as the total DoD-wide recruiting and advertising expenditures were within the Congressional ceiling and the Service in question did not exceed its obligational authority for its total budget.

c. Accession Contingency Plans. This Directive requires the Military Services to submit the unemployment assumptions that underlie the recruiting and advertising programs in their POM and Budget submissions to OSD. They are not required to develop and submit contingency plans, but they are encouraged to do so. The concept is for the Military Services to propose one or more contingency plans in conjunction with their primary accession plan in their POMs. These will be reviewed and approved or modified

using regular PPBS procedures. Although the following discussion is not directive and does not preclude other formats, the following five kinds of information would be useful in a contingency plan.

- (1) Circumstances under which the contingency plan should be considered, including proposed validity limits or trigger points;
- (2) Corrective action proposed, the general objectives and processes to be used in the event the circumstances occur;
- (3) Service plan, actions and resource adjustments the Service plans to take within its existing authority;
- (4) Higher authority actions, actions and resource adjustments that the Service wants to receive from higher authority; and
- (5) Execution and reporting procedures, including any preagreements that are being proposed or reports that are planned.

d. Alert and Warning Review Procedures. To take full advantage of EWS, post-submission adjustment opportunities, and accession contingency plans, the ACPEP needs to establish procedures to monitor and act upon the EWS forecasts and program results reported by the Services. The following procedures are provided as a starting point in building such a system. They are not directed and are not established by this document. Rather, this document directs that the Assistant Secretary of Defense (Manpower and Force Management) establish review procedures. He may use the following information as a possible guide.

(1) Structure. The human assessment process may operate at three levels:

- (a) Action Officer,
- (b) Decisionmaker, and
- (c) Executive.

(2) Process. The ACPEP envisions that the three levels would review recruiting and advertising programs in the following manner. Again, this guidance is non directive.

(a) Action officer level human assessment. When recruiting conditions or economic forecasts reach trigger points

established in the contingency plans or otherwise established by OSD and the Services, the EWS would sound an alert. That alert would initiate an Action Officer Human Assessment by the action officers from OSD and the Service or Services concerned. The action officers would evaluate the data present and assess the circumstances and seriousness of the situation and take one of two actions: (1) Verify that a problem exists and announce a Warning that activates the Decision Level Human Assessment, or (2) Cancel the alert either because the alert was a false alarm or that the problem has already been solved.

(b) Decision level human assessment. The decision level participants normally would make the adjustments necessary to solve the problem. They could use a previously approved contingency plan, modify a plan, or develop a mutually agreed upon solution within their existing authority. Obviously, the post-submission adjustment opportunities could be used to implement decision-level changes.

(c) Executive level human assessment. If the decision-level participants cannot resolve the problems, they will move them to their mutual executive levels where Department-wide solutions requiring major resource adjustments or policy changes would be considered.

(3) Discussion. This process appears workable. It

establishes Human Assessment Reviews (HARs) that are automatically activated as problems develop, but do not meet routinely when conditions are normal. The composition of the HARs are appropriate for the level of review needed. Specific membership should be set by the participating organizations, but participants should be knowledgeable about the forecasting process, the resource adjustment process, and recruiting system operations. This framework should provide the means for developing an effective and efficient review process.

F. IMPLEMENTATION

This Directive is effective immediately. The Recruitment Early Warning System (EWS) is to be implemented as soon as possible. ACPEP simulations will be conducted between February 1986 and May 1987. First cycle operations are scheduled for the fiscal year 1989 Planning, Programming, and Budgeting System (PPBS) cycle to begin with preparation of Defense Guidance language in the fall of 1986.

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