

**STRATEGY
RESEARCH
PROJECT**

The views expressed in this paper are those of the author and do not necessarily reflect the views of the Department of Defense or any of its agencies. This document may not be released for open publication until it has been cleared by the appropriate military service or government agency.

**BASIC PAY IN THE UNITED STATES
ALL-VOLUNTEER ARMED FORCES**

BY

**LIEUTENANT COLONEL KENNETH R. CARSON
United States Air Force**

**DISTRIBUTION STATEMENT A:
Approved for Public Release.
Distribution is Unlimited.**

USAWC CLASS OF 2000



U.S. ARMY WAR COLLEGE, CARLISLE BARRACKS, PA 17013-5050

20000607 150

USAWC STRATEGY RESEARCH PROJECT

Basic Pay In The United States All-Volunteer Armed Forces

by

Kenneth R. Carson, Lieutenant Colonel
USAF

Richard A. Gribling, Colonel, USA
Project Advisor

The views expressed in this academic research paper are those of the author and do not necessarily reflect the official policy or position of the U.S. Government, the Department of Defense, or any of its agencies.

U.S. Army War College
CARLISLE BARRACKS, PENNSYLVANIA 17013

DISTRIBUTION STATEMENT A:
Approved for public release.
Distribution is unlimited.

ABSTRACT

AUTHOR: Kenneth R. Carson
TITLE: Basic Pay In The United States All-Volunteer Armed Forces
FORMAT: Strategy Research Project
DATE: 15 April 2000 PAGES: 57 CLASSIFICATION: Unclassified

As the United States enters the 21st century, the readiness of its over 1.4 million all-volunteer armed forces is as important today as anytime during the 27 year history of the modern all-volunteer force (AVF). Over the last several years, the AVF has faced significant retention and recruiting challenges while the nation's economy has enjoyed record low unemployment placing great demand on the AVF retaining the highly skilled and dependable professional forces. Hence, a significant debate on Capitol began on whether or not basic pay compensation is adequate, fair and comparable to civilian wages within the context of retention within the armed forces. This paper asks the question whether retention in the AVF would benefit from a more predictable and consistent basic pay policy. Those responsible for basic pay policy must understand and articulate the fundamental motivational underpinnings of the AVF in context with a national determination of what is fair and adequate basic pay for the future success of the AVF. The paper analyzes the historical, current and future underpinnings of the modern AVF as related to basic pay policy. Analysis is provided on periods of volunteerism in the 20th century; the decision for the U.S. to switch to a modern AVF in the early 1970's; and the lessons learned from the hollow force crisis (late 1970's) with emphasis on the application of Charles Moskos' Institutional and Occupational motivational theory. The paper assesses the current forces that shaped basic pay policy in CY1999 for FY2000 and highlights differing opinions as to the adequacy of basic pay. Finally, the paper looks at future fiscal and workplace environment forecasts, the adequacy of indexes used to develop current basic pay policy and differing opinions on whether basic pay is comparable to civilian wages. The paper will offer a perspective for future basic pay policy so as to ensure the United States of America maintains the qualitative edge in personnel in any battlespace in the 21st century.

TABLE OF CONTENTS

ABSTRACT	iii
PREFACE	vii
LIST OF TABLES	ix
BASIC PAY IN THE UNITED STATES ALL-VOLUNTEER ARMED FORCES.....	1
BASIC PAY AND THE VOLUNTEER ARMED FORCES--20TH CENTURY HIGHLIGHTS	4
QUALITY OF LIFE FOR VOLUNTEERS BETWEEN WORLD WAR I AND II.....	4
THE NEGATIVE PERCEPTION OF CHANGING BENEFITS: THE LATE 1950'S AND 1960'S	7
THE U.S. CHARTS A NEW COURSE TO RAISE AND MAINTAIN A STANDING READY AND PROFESSIONAL MILITARY--THE BIRTH OF THE MODERN ALL-VOLUNTEER FORCE (AVF)	7
THE HOLLOW FORCE YEARS AND BASIC PAY	10
APRIL 1978, REPORT OF THE PRESIDENT'S COMMISSION ON MILITARY COMPENSATION	10
THE PUBLIC DEBATE.....	11
THE EROSION OF BASIC PAY PURCHASING POWER AND THE CHANGING NATURE OF FORCE INCENTIVIZATION	12
WHY SERVE IN THE AVF--IS IT JUST THE PAYCHECK?	13
THE 1999 READINESS DEBATE AND THE ROLE BASIC PAY PLAYS IN TODAY'S AVF	16
YEAR 2000 DOD SPENDING BILL -- A TURNAROUND FOR AVF BASIC PAY COMPENSATION	17
SENSE OF CONGRESS ON MILITARY READINESS	18
1999 SECRETARY OF DEFENSE (SECDEF) REPORT TO PRESIDENT AND CONGRESS	18
TESTIMONY TO CONGRESS.....	20
Undersecretary of Defense for Personnel and Readiness	20
Associations, A "Voice" for the Soldier, Sailor, Airman and Marine	20
Perspective On Basic Pay by a Service Director of Personnel	21
FUTURE FORCES THAT WILL SHAPE ALL-VOLUNTEER FORCE (AVF) BASIC PAY.....	23
FUTURE COSTS OF OUR NATIONAL MILITARY STRATEGY (NMS) AND THE ALL-VOLUNTEER FORCE (AVF) TO EXECUTE IT	23
Cost of Future National Military Strategy	23
The Public's and Mass Media's Attitude Toward Defense and Basic Pay	24

Sense of National Will Towards Military Basic Pay.....	24
Some Advocate the Armed Forces Are Already Paid Enough	24
FUTURE FISCAL CHALLENGES OF PERSONNEL ENTITLEMENT PROGRAMS	26
CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES (CSIS) REPORT	27
IS THERE A MILITARY - CIVILIAN COMPENSATION GAP?	28
27 Years of the Modern All-Volunteer Force (AVF) Against A Backdrop of the Employment Cost Index (ECI).....	28
Congressional Budget Office (CBO) Expert Testimony—Questioning The Wage Gap 	30
Is There A Better Index Than ECI To Determine "The Fair Pay Raise?"	30
SUPPLY AND DEMAND AND THE FUTURE LABOR POOL.....	32
CONCLUSION.....	35
ENDNOTES	39
BIBLIOGRAPHY.....	45

PREFACE

As the commander of one of the United States Air Forces active duty C-5 strategic airlift squadrons from 1996 to June 1999 I had the privilege to lead 240 of the United States Air Force's finest men and women in selfless service to their country. During this period, despite my best leadership efforts, I saw too many Captains and Non Commissioned Officers leave the service. Not because they didn't enjoy or honor their professional role in serving their country, but because they (in many of their own words) "couldn't afford to serve anymore." As a student attending a Senior Service School, I felt compelled to research many warfighting issues from the Defense Transportation System, to the security of our logistical lines of communication, to the right mix of strategic airlift platforms for my Strategic Research Project. But despite these warfighting issues, I continued to feel that I must join the argument of ensuring a viable all-volunteer force (AVF) for the future of the country. For if our nation does not provide the willpower and means to support a vibrant and combat ready AVF, then the ability to execute our national military strategy (NMS) will lie in question. Therefore, I chose to research the future direction basic pay compensation should play in retention of a modern AVF, especially in light of the future U.S. workforce and potential continuing prosperous economy. This research report is done for those men and women, who continue to serve and those who will serve in America's future AVF who through their professional warfighting competence and readiness will ensure a worldwide deterrent to chaos and war. However, at all times knowing that they, as volunteers, are ready to execute their warfighting missions should deterrence fail.

LIST OF TABLES

TABLE 1 -- EMPLOYMENT COST INDEX (ECI) TABLE 1977 - 1999	2
TABLE 2 -- EMPLOYMENT COST INDEX (ECI) 1977 - 2000 PLUS FUTURE YEAR DEFENSE PROGRAM (FYDP)29	
TABLE 3 -- RAND'S DEFENSE EMPLOYMENT COST INDEX (DECI) VS. ECI.....	31

BASIC PAY IN THE UNITED STATES ALL-VOLUNTEER ARMED FORCES

As the world moves into the 21st century, the U.S. armed forces face global challenges as they support the missions within the continually evolving U.S. National Security Strategy (NSS) of engagement and enlargement. Such a NSS relies on a National Military Strategy (NMS) that demands a standing, professional armed force capable of instantaneous global deployment to execute missions from humanitarian assistance to war. This NMS places a premium on the readiness of the nearly 1.4 million professional all-volunteer force (AVF).

The AVF is now in its 27th year as the system used to raise and maintain the U.S. armed forces. The qualitative success of the AVF relies on successful recruitment and retention, and overarching the entire AVF is the importance of high morale. Today, the armed forces face extensive challenges on the recruiting and retention front as the U.S. finds itself in historic economic prosperity and record low unemployment. (The U.S. is in the throes of the greatest extended period of economic expansion in the history of the nation, along with the highest consumer confidence indicator in 35 years and the lowest unemployment in nearly 30 years).¹ As the U.S. enters the high-tech revolution of stealth and precision guided munitions revolution of military affairs in the 21st century, a successful manpower policy remains a necessity in order to retain a quality, professional, all-volunteer military force ready to execute the nation's NMS.

A desire to serve, pride, responsibility, challenge, a career, travel and adventure are all factors that members of the armed forces say are some of the intangibles that attract them and keep them in the profession of arms. The armed forces place unique psychological and intellectual demands on those who serve, and many describe serving in the armed forces as a calling, not a job or occupation. However, another tangible benefit, and one that is historically apparent within an AVF in peace and prosperous economic times, is that of compensation and basic pay. In 1999 Congress reversed a nearly decade long negative trend in basic pay compensation for FY2000 after lengthy debate and advice from the Joint Chiefs of Staff. The current Chairman of the Joint Chiefs of Staff (CJCS) has stated that competitive basic pay is a basic element of a comprehensive compensation package that is needed to retain quality people and plays an extremely important role in the overall success of an AVF.² Highlighting the significance of the AVF situation in today's current historic economic setting, the CJCS elected to publish his concerns regarding recruitment, retention and basic pay in the AVF as a personal article in the Fall/Winter 1999 issue of *Joint Force Quarterly*. The CJCS states in his article:

Even with more resources, we will continually be challenged to balance care for our people with investing in modernization and staying operationally ready. For too long, however, we have done the balancing on the backs of our people. If we do not correct this situation, we will risk losing one of the greatest achievements of the last quarter century--the All-Volunteer Force.³

For the CJCS to use his quarterly warfighting publication, his most professional communication tool (used to articulate key joint warfighting issues to DOD leadership, leaders of the military industrial

complex elite, and to senior military leaders across the world) to highlight the impending challenges of the future of the AVF signifies the importance of the current and future AVF/compensation issue.

Basic pay has been a key economic incentive of service in the modern AVF since its beginning. The historic Gates Commission (President's Commission On An All Volunteer Force) eluded that basic pay, is the most recognizable compensation by the individual members of the armed forces and strongly influences retention and career decisions in their 1970 report.⁴ And at the turn of the century, the U.S. Army War College's Army Chief of Staff "1999 Well-Being Committee" (a handpicked group of students attending the war college) stated that basic pay was the #1 element within the "essential function" category in a model that encompasses a holistic approach to soldier well-being.⁵ Without a doubt, basic pay is a key and important underlying common compensation motivator for every member of the AVF.

Historical review of military basic pay pay raises as compared to the annual Department of Labor's employment cost index (ECI) (ECI is the broad measure of actual growth in civilian wages) since the beginning of the AVF show significant variations in pay comparability between military basic pay and civilian wages (table 1)⁶:

<u>Fiscal Year</u>	<u>Basic Pay Pay Raise</u>	<u>Private Sector Wage Growth (ECI)</u>	<u>Comparability Gap vs. 1972 (Beginning of AVF)</u>
1972	N/A	N/A	None (Beginning of AVF)
1973	6.0	5.8	0.2%
1974	7.3	5.4	2.0%
1975	5.5	6.4	1.1%
1976	5.0	9.0	-2.6%
1977	4.8	7.0	-4.8%
1978	7.1	6.8	-4.5%
1979	5.5	7.5	-6.5% (Hollow Force era)
1980	7.0	7.8	-7.3% (Hollow Force era)
1981	11.7	9.1	-4.8% (1 st Pay Raise upswing)
1982	14.3	9.1	0.0% (2 nd Pay Raise upswing)
1983	4.0	8.1	-3.9%
1984	4.0	5.6	-5.5%
1985	4.0	5.1	-6.7%
1986	3.0	4.4	-8.1%
1987	3.0	4.2	-9.4%
1988	2.0	3.5	-11.0%
1989	4.1	3.5	-10.3%
1990	3.6	4.4	-11.2% (Base Force sizing)
1991	4.1	4.4	-11.5% (Desert Storm-USSR)
1992	4.2	4.2	-11.5% (Deficit reductions)
1993	3.7	3.7	-11.5% (U.S. minor recession)
1994	2.2	2.7	-12.1% (DOD Bottom Up Review)
1995	2.6	3.1	-12.6%
1996	2.4	2.9	-13.1%
1997	3.0	2.8	-12.9%
1998	2.8	3.3	-13.5%
1999	3.6	3.6	-13.5%

TABLE 1 – EMPLOYMENT COST INDEX (ECI) TABLE 1977 - 1999

Note: The ECI is the instrument/index used by the federal government to measure the adequacy of federal wage increases against the average American worker in the private sector. The use of ECI is legislated by the Federal Employees Pay Comparability Act of 1990 when it instituted the ECI as the index to be used in setting annual pay raises for Federal employees (civilian and military). The goal of the 1990 Act was to narrow the perceived "pay gap" between federal workers and private sector employees. The Act set military pay raises at *0.5 percent below ECI* beginning in 1994 as a fiscally prudent goal in a federal government which was taming deficit spending in the late 1980's and 1990's.⁷

Many argue there is a "wage gap" between military and civilian wages of 8 to 13.5 percent based upon the ECI data. While other research comparing like civilian occupations and other viewpoints suggest that the wage gap may be fairly small or insignificant. However, as Table 1 shows, no one can deny that military pay raises have lagged behind private sector wage growth for 12 out of the last 16 years.

The problem is that even with 27 years of the modern U.S. AVF, basic pay policy develops periods of years resulting in depressed pay trends when compared to civilian wages. These trends have affected retention within the AVF over periods of time. From a policy perspective, the debate goes on concerning the real or perceived military vs. civilian comparability of wages. During the last 27 years, basic pay policy is highlighted as a yearly political and/or budgetary issue within the context of budgetary policy on Capitol Hill, while immersed in discussions of readiness, force quality, success of retention and recruitment, pay comparability, fiscal reality of the federal budget, and other DOD budgetary priorities.

The question of the day is to assist retention and ensure a successful AVF, "Should Congress work towards an AVF basic pay compensation policy that is extensively debated each and every year or one which is more predictable and stabilized in the hopes of increasing and stabilizing retention?" The thesis of this paper is that those who are constitutionally responsible to raise and maintain our armed forces -- the members of Congress, should strive towards a greater defined and predictable basic pay compensation policy so as to help achieve better retention within the AVF. The annual basic pay equation should be driven less by year to year political and DOD budgetary policy and more by the standard of fair, adequate basic pay comparable to civilian wages.

To determine if such a basic pay policy is worthwhile, this paper will review several key factors within the historical, current and future AVF basic pay environment. The paper will first look at the historical aspect basic pay played in the morale and retention of service members during several periods of volunteer forces in the 20th century. It will then look at the development of the modern AVF along with the so-called "hollow force" crisis of the late 1970's. In order to assess where compensation policy is today, the paper will review the underpinnings of modern day U.S. military compensation policy within the AVF, along with an introspection of the major forces that came together in CY 1999 to conclude the FY2000 Defense Authorization Act. This defense authorization enacted the first significant greater than ECI pay raise in over eight years. Finally, the paper will review several of the major forces that will shape basic pay compensation policy in the future AVF.

BASIC PAY AND THE VOLUNTEER ARMED FORCES--20TH CENTURY HIGHLIGHTS

It has been said that in order to make progress and go forward on a subject, one must look back and understand the subject's history. This certainly is true with the issue of adequacy of basic pay compensation with the U.S. history of volunteer forces in the 20th century. It is striking how in several periods during the 20th century, the dilemma of depressed pay within the armed forces resulted in readiness challenges. More importantly though is the analysis of the responsiveness toward the plight of the American GI concerning adequate and fair basic pay from the civilian leadership of the nation (Congress and President).

In this section, the paper will examine the aspects of British and U.S. idealism for volunteer military forces following W.W. I and the reality of basic pay during reliance on volunteer forces in the U.S. between W.W. I and II. The section will then look at the development of the modern AVF following the conscription draft during the Vietnam conflict. Finally, this section will highlight compensation valleys of the 27 years of the modern AVF and various forces, which acted upon basic pay policy. By reviewing the common themes found in these periods in relation to retention and readiness, the lessons learned, especially in the area of governmental responsiveness to adequate and fair basic pay, can be applied to future basic pay compensation policy.

QUALITY OF LIFE FOR VOLUNTEERS BETWEEN WORLD WAR I AND II

Alex Wylie advocated the vision of volunteer armed forces that were adequately paid in his 1917 book, *The Future of the British Army*. Such a perspective and vision is an underpinning of the U.S. modern AVF. Those contemplating in Britain the post-war challenge of maintaining a professional standing armed force through volunteerism were aware that it would be costly to society and the government. Wylie's volunteer system would work because of improved pay.⁸ His argument is strikingly similar to the argument used for the implementation of the modern U.S. AVF in the late 1960's and 1970's. Key to his proposed volunteer system was the *willpower* (emphasis added) of the British government to give the men who served basic pay that was fair and adequate. Wylie described the lack of concern and pay for the British soldier of the day:

The pay of the infantry private should be increased from 1 pound per day to 2 pounds at the very least, and that of non-commissioned officers and other branches of the service in proportion, as a matter of justice, so as to give the War Office the command of the highest class of recruits. ...The darkest stain on the otherwise almost faultless chivalry with which we are waging war against military depotism and barbarism is the wretched pay of the British soldier, the foremost fighter in the strife. ... the wages of all other classes have been steadily increasing and recently going up by leaps and bounds. The colonial fighting by his side has four to six times as much and the munitions workers from five to fifteen times as much. ...The only objection raised against it (recommendation to raise 1 pound) was the cost--a sordid excuse when we are pouring out money like water in every other direction. ...The British soldier is not allowed to speak for himself; but, fortunately, from the beginning of the War many public bodies, private individuals, and organs of the press have spoken for him and urged the Government to increase his wretched pay.⁹

Wylie believed the British public needed to vocalize their support of a strong military that would be raised through volunteers who are paid fairly and equitably as compared to civilians. Wylie argued:

We still owe him (the soldier) a heavy debt. ...we, who have been moving actively in this matter since the beginning of the War, ask everyone who is grateful to the British soldier for his incomparable services to speak now for him vigorously and encourage the Government, who are showing much consideration and sympathy in the case, to increase his pay to the level of fair payment, which they will find necessary after the War if they intend to establish a first-class Regular Army of proper proportions on a voluntary basis. The alternative would be a conscript army after the model of the German militarism, which is not to be thought of.¹⁰

Continuing, Wylie stated:

Whilst the War continues the heroic men of our Armies will continue to fight for their country apart altogether from mercenary motives and in a spirit of true patriotism, though deep down in their hearts there is a rankling feeling of injustice. But when it (war) finishes the question of payment will come up in an acute form, and will require to be decided more in accordance with the practice prevailing in civil occupations. It would be a right and proper course now to place the pay of the men who are bearing the heat and burden of the day on the fair basis that must prevail after the War.¹¹

To see the future through the eyes of history is very compelling. Wylie articulates an argument that would be played out over and over in the decades of the 1900's in Britain and the U.S. Military service will never be about getting rich, but history has shown that those who serve in modern volunteer militaries have consistently received lower to slightly lower wages than could be obtained in the civilian economy. Thus governments debate how much compensation is enough to entice continued service in peacetime.

Post World War I saw the U.S. in favorable economic times during the 1920's and a growing U.S. isolationist view of the world. Such factors allowed supply and demand factors to affect the professional volunteer army in many ways, similar to the modern U.S. AVF force of the late 1970's and late 1990's. Robert Griffith, in his book, *Men Wanted for the U.S. Army: America's Experience with an All-Volunteer Army Between the World Wars* noted ways the army could improve its attractiveness to recruits after they entered the service.

Griffith stated that the most common solutions to the challenge of retention between the interwar years involved raising service pay and reducing fatigue duty.¹² Griffith stated that the inescapable common denominator of all the studies is the recognition that maintenance of army manpower (compensation) still depended on conditions largely beyond the institutional control of the Army (meaning the Congress). A General Staff report on desertion prepared late in 1930 summarized the experience of the 1920's, concluding that, "the major conditions within the Army that caused desertions had received and were continuing to receive serious consideration. Other desertion causes were attributed to social economic conditions, such as the economy and the public's attitude toward military service in peacetime."¹³ These later causes were dismissed as "an inescapable common denominator of all the studies is the recognition that maintenance of army manpower still depended on conditions largely

beyond the institution's control." ¹⁴ This was a politically correct way for the service to say inadequate means were being provided by Congress.

The depressed state of basic pay within the interwar volunteer force was highlighted by Major Albert Brown, a student at the Army War College, who stressed the economic aspects of recruiting and retaining an army in the 1920 to 1930 period in a 1929 (before the effects of the stock market crash of 1929 really became evident) U.S. Army War College study. Brown's research compared civilian and military wage rates in hopes to lend support for the still active bid for a service pay increase. Brown found that military compensation fell below that of civilian labor. Brown concluded that the army recruited its men from the unemployed of the nation. ¹⁵ Anticipating the depression, Brown observed, "This unemployment pool is, however, variable. As it increases, the number of available for recruitment, as well as the quality of the prospective recruit increases." ¹⁶

Griffith concluded that Brown's report was attempting to point out that the higher quality prospects for army recruits were already employed. The only way to obtain better recruits and retain them in prosperous times was to pay for them. Within a few months, the great depression loomed, which changed the supply and demand equation of the labor availability to favor the War Department. The need to pursue increased pay for the armed forces became a moot issue. ¹⁷

From the perspective of those serving in the army at the time, they believed that the army as an institution did all it could to improve basic pay and compensation. Ultimately though, the nation's military combat force is tied to the ways and means provided by the national government, specifically Congress. Army leaders learned to live with the strength and appropriations cuts of the early 1920's. Preparedness advocates never ceased to protest, but by the middle of the decade it was clear to them that few Americans were concerned about defense, and the army began to accept its low profile. ¹⁸

Griffith stated that the army clearly saw itself as a servant, and not as a policy-making agency. Officers directly involved in recruiting and retention criticized the system and proposed solutions that were beyond the control of the army to effect. Only an emergency would alter the system. When the emergency came in the form of the 1930's Great Depression instead of a military crisis, the system functioned efficiently. ¹⁹ The massive unemployment of the depression represented a bonanza to the regular army. Because of the depression, the recruiting system worked, and the army improved the quality of its force. In 1929, 3.2 percent of the civilian labor force was out of work. A year later, the figure was 8.7 percent and by 1933, 25 percent. The decline in desertions and rise and enlistments was predictable. The army was able to inaugurate a systematic program to take advantage of the situation and improve the quality of enlisted men. ²⁰ Due to the economic cycle of the great depression and the beginning of World War II, the aspects and lessons of the interwar period for volunteer professional military force would be forgotten for almost 40 years--until the momentous public challenge in 1968 by presidential candidate Richard M. Nixon challenging the nation to develop and implement an AVF system. ²¹

Certainly the major external and internal forces are different in the year 2000 compared to Britain and the U.S. during the interwar period, but some broad similarities exist. It is clear that individual service member pay was known to be less than civilian wages. The examples point out that the compensation policy presented by the British and U.S. governments effected the morale and thus the retention of potential career military within the overall labor market.

THE NEGATIVE PERCEPTION OF CHANGING BENEFITS: THE LATE 1950'S AND 1960'S

The 1950's and early 60's saw some of the so-called fringe benefits of armed forces being eroded, as society and government questioned the amount of institutional privileges (indirect compensation) which may have been historically provided. The reduction of these benefits did effect the military member's pocket book, however the reduction mainly affected what is referred to as the institutional climate within the services. First Lieutenant Mahlon Apgar wrote in a 1966 *Army* magazine article titled, *Why They Leave The Army*, his results of an unscientific survey of nearly 100 officers stating:

Pay was not a factor as much as he thought it would be. Only 3 percent rated pay as the top factor. The author concluded that the low retention rate may have been a result of the fact that most assume that the military pay must be lower than comparable civilian scales because of the political advantage in so doing as part of civilian control of the military. However the real disparity was noted in fringe benefits. Fringe benefits, once very favorable in the service but now are almost non-existent. At one time, an officer and his family could live well on a small salary because of the many benefits and privileges he enjoyed which tended to equalize his material position. Luxurious quarters, orderlies, beautiful clubs, unrestricted post exchanges, 30 day vacations, as well as a leisurely life in peacetime.²²

Lieutenant Apgar went on to say:

Civilian salaries (in the 1960's) are high enough to enable even the junior executive to have all of these comforts, while the modern officer must live in often disgraceful quarters, with no room-cleaning service, clubs frequently nothing more than bars, exchanges restricted to necessities, leave policies surrounded by limitations, a decidedly non-leisurely lifestyle, and much lowered prestige. Thus the decline in the fringe benefits has been relative as well as absolute and was felt to have a large bearing on the military's attractiveness as a comparison to making a decision to stay in the military or make a living in the civilian sector.²³

Such statements from the 1960's reflect that part of the retention attraction for a career in the armed services was the anticipated "way of life" or lifestyle. Such views reflect that serving provided significant quality of life satisfaction through institutionally provided benefits of the armed services. If the nation through the institution took away such fringe benefits the service members equated such decisions to having to spend more of one's left over discretionary income in order to compensate for the reduced quality of life.

THE U.S. CHARTS A NEW COURSE TO RAISE AND MAINTAIN A STANDING READY AND PROFESSIONAL MILITARY--THE BIRTH OF THE MODERN ALL-VOLUNTEER FORCE (AVF)

Following the U.S. experience in Vietnam in the 1960's, the U.S. was at a crossroads pertaining to raising and maintaining a qualified combat ready military force. Toward the end of the Vietnam conflict,

the youth of America and much of the adult population had mixed feelings concerning the U.S. NSS of Flexible Deterrence, let alone what it meant to provide sons and daughters to conscripted military service. Even from within the services, several began to believe that a force of volunteers, consisting of patriotic men and women who desired to be in uniform would produce a higher quality fighting force than having to carry along within the services what was characterized as "attitude problems who were just doing their time" or causing trouble within the ranks of a conscripted force. During the late 1960's and early 1970's, a significant national debate ensued to discuss whether a conscript or volunteer system was best for raising and maintaining the nation's required professional standing armed forces. The U.S. decision to pursue the AVF system is one of the significant milestones in the history of the current U.S. AVF. Several key aspects of the development of the modern AVF will now be reviewed, for the underpinnings of adequate and fair basic pay lie at the beginning of this period.

The leadership provided by presidential candidate Richard M. Nixon and his subsequent Presidency played a significant role in the development of the AVF. In a speech given on 17 October 1968, presidential candidate Nixon proposed an AVF, stating:

...if we find we *can* (italics added for emphasis) reasonably meet our peacetime manpower needs by other means--then we should prepare for the day when the draft can be phased out of American life. ...both to recruit and retain the highly skilled specialists the services need, military life has to be more competitive with the attractions of the civilian world. The principal incentives are the most obvious: higher pay and increased benefits. ...The military services are the only employers today who don't have to compete in the job market. They have been able to ignore the laws of supply and demand.²⁴

Significant within the debate of the future cost of the AVF is the subject of the cost of freedom and the cost of raising a national defense vice a conscripted or drafted force. Nixon continued:

...our servicemen are singled out for a huge hidden tax--the difference in their military pay and what they could otherwise earn. The draftee has been forced by his country not only to defend his neighbors but to subsidize them as well. While the total cost to subsidize the pay increases needed for an all-volunteer army would be significant it would be increasingly offset by reductions in many other hidden costs to a conscript system, which the heavy rate of turnover now causes. 93 percent of the Army draftees leave the service as soon as their time is up--taking with them skills that it costs some \$6,000 per man to develop. ...In terms of morale, efficiency and effectiveness, a volunteer armed force would assuredly be a better armed force.²⁵

Twenty-seven years of the AVF have proven the architects of the AVF correct. The forces that the U.S. has fielded in the 1980's and 90's have proven that a properly resourced AVF can be a preeminent military power. One only needs to look at the combat engagements of Operations JUST CAUSE (Panama 1989), DESERT STORM (Kuwait 1990/91), Kosovo (1999), numerous military humanitarian and other-than-war operations, along with the maintained Cold War readiness deterrent to the former Soviet Union to see the results. Many questioned in the late 1960's and early 1970's whether or not the AVF, left up to economic market forces and individual decisions to voluntarily enlist and voluntarily stay, would allow the military to recruit and retain enough experience through the years to sustain a quality armed force. The relevant question, which President Nixon asked in 1968, was: "Can the necessary number of

men be attracted to a military career in an all-volunteer establishment?" Obviously with the success of the Persian Gulf War and the ultimate disintegration of the Soviet Union, the answer is--yes.

However, the answer was not so obvious in the early 1970's during the beginnings of the modern AVF. The President's Commission on an All Volunteer Force (also referred to as the "Gates Commission" after the former Secretary of Defense, Thomas Gates who chaired the commission) stated in their 1970 report, "the viability of an AVF ultimately depends on the willingness of Congress, the President, the Department of Defense, and the armed services to maintain...competitive levels of military pay."²⁶ The commission even speculated that military pay might have to exceed pay given to equally qualified civilian personnel stating:

...while high school or college graduates work in a variety of activities and under extremely divergent conditions, military personnel are likely to experience greater hazards and hardships in the service. For this reason, we are unable to claim that equality between military and civilian compensation represents true comparability. In fact, we suspect that higher levels of remuneration for military than for equally qualified civilian personnel will be necessary to achieve comparability in both monetary and non-monetary conditions of service. The excess of military over civilian compensation required would depend, among other things, on how many true volunteers the military will require.²⁷

The Gates Commission stipulated that economic incentives would need to be resourced and provided by Congress to recruit and retain the volunteers. Opponents of the Gates Commission proposals contended that an AVF would not be achieved by a simple increase in first-term pay, but that much more in the way of overall compensation would need to be done. The commission report specifically stated that since any AVF estimates must be based on the number of career-oriented volunteers, any difficulty in retaining volunteers would jeopardize the entire system.

In summary, as far back as the later part of World War I, visionaries forecast that professional standing militaries could be raised and maintained in democracies through volunteer forces. More importantly, these visionaries realized that the volunteers would not only desire to serve, but also that such volunteer service would need to be incentivized by the nation finding the willpower to pay for the privilege of using a volunteer system vice the hidden taxation of conscripted forces. The retention challenges of the 1920's provided several lessons learned concerning depressed pay, supply and demand of labor and the economy's effect on retention within a volunteer army. However, due to the great depression and W.W. II these lessons would not need to be seriously revisited until the advent of the modern AVF in the 1970's. Finally, the fundamental insights offered during the public debates concerning a volunteer vs. conscript system in the late 1960's and early 1970's are crucial underpinnings to the success of an AVF and inherent adequacy and fair basic pay. With the decision to proceed with the AVF the services had the opportunity to recruit from the pool of men and women who desired to be in the ranks and serve their country. In the end, the key factor was the ability and willpower of the nation, through congressional appropriations, to provide adequate economic incentives to attract recruits into and then retain them in the armed forces.

The first true test of the ability of the AVF to fulfill its charter would be upon the nation within six years following its beginning. By the late 1970's, the term "hollow force" began to creep into the lexicon of the American military. In 1980, the army chief of staff, General Edward C. Meyer, used the term "hollow army" in testimony before a subcommittee of the House Armed Services Committee to describe the mismatch between available combat personnel and the number of army divisions. The cause of this "hollow force" was the result of the decision, as the Vietnam War came to an end, to retain the Cold War force structure, even as real defense expenditures fell by 31 percent from 1969 to 1975. Rising oil prices and increased personnel costs associated with the shift from the draft to an AVF exacerbated the negative effect of the decline in defense spending.²⁸ Additionally, military basic pay was lagging compared to civilian equivalence pay based upon yearly cost of living adjustments. In 1979, the Senate and House armed services committees, concerned with tensions in the world and the assessments of quality and quantity in the AVF, called for resumption of registration. During this hollow force period, the AVF concept would be explored in depth, to see if it could continue to be the system of choice to raise and maintain America's armed forces.

THE HOLLOW FORCE YEARS AND BASIC PAY

The ensuing public debates, studies and congressional testimony of the late 1970's, along with subsequent legislative action have a significant effect on the underpinning of basic pay compensation.

APRIL 1978, REPORT OF THE PRESIDENT'S COMMISSION ON MILITARY COMPENSATION

The April 1978, *Report of the President's Commission on Military Compensation* highlighted the growing importance of personnel compensation policy:

Since the switch to a volunteer force in 1973, the Nation's supply of military manpower has become more dependent on the conditions of the labor marketplace. ...When Congress adopted the AVF, a degree of uncertainty entered manpower planning. To attract and retain personnel, changes in compensation policies and personnel management practices became necessary to enable the services to compete effectively with private and other public employees.²⁹

The April 1978 commission went to great lengths to investigate the goals and intent of pay legislation. Confusion ran rampant and to define the sought after goal was critical to the commission's findings to validate increased basic pay compensation for the AVF. In a section titled Compensation Concepts, the commission defined several key terms within the context of the current state of affairs:

Unfailingly, military and Civil Service compensation studies begin with discussions of "comparability." This term is described variously as a principle, an approach, a process, and a model. The only term with more interpretations than "comparability" and "competitiveness," as the Defense Manpower Commission pointed out, is "equity." All studies seem to agree that comparability has to do with using wage surveys of other workers as a guide to setting the pay of a particular work force. But beyond that common frame of reference the meanings of comparability diverge.³⁰

In 1978 Federal civilian pay was being set and adjusted according to comparability. The public law specifically stated that, "Federal pay rates be comparable with private-enterprise pay rates for the same

levels of work."³¹ More specifically, the report highlighted an excerpt from a House of Representatives study on the comparability law that provided some insight into why comparability is useful. The excerpt stated, "adoption of the principle of comparability will assure equity for the Federal employee with his equals throughout the national economy...enable the Government to compete fairly with private firms for qualified personnel...and provide at last a logical and factual standard for setting Federal salaries."³² Hence, comparability according to the commission, is discussed as a principle designed to achieve three ends: equity, competitive pay, and credibility. The commission stated that it was the achievement of the second goal, competitiveness, that there has been much conflict. While comparability is generally thought of as having to do with setting pay through wage surveys, competitiveness is considered to emphasize setting pay according to labor market conditions of supply and demand.

The Commission went on to conclude that the lines of debate between the competitive and comparability principles are not as black and white as they might appear. The commission stated:

Clearly, military compensation, like any Government expenditure, should be adequate to accomplish its purpose yet not waste the taxpayers' money. Advocates of both the comparability and competitive principles appear to have such a goal at heart. Paying military personnel less than necessary is harmful to national security; paying more is wasteful. Unfair, inequitable, and capricious compensation policies can endanger achieving national security goals.³³

Finally, the commission placed the comparability standard in balance with other forces that act upon the AVF:

The use of a comparability standard...carries with it the potential for overpaying those military personnel who could be attracted and retained at a lower wage rate than that determined by the comparability measurement. The wage rates necessary to attract and retain the required number and quality of manpower are determined not only by prevailing wage rates in other sectors, but also by unemployment rates, qualitative and quantitative military requirements, the conditions of service, and other pay and nonpay characteristics of military service. In short, a comparability process measures only one of many determinates of an efficient pay schedule and may result, therefore, in overpayment of certain personnel. ...If nonpay factors strongly favor the military, a comparably set wage will cause lines to form at recruiting stations. If nonpay factors favor civilian employment, the comparably set wage will result in a decline in the quality of those who serve; in the extreme instance, it may result in recruiting and retention shortfalls. While comparability of total compensation comes a step closer to the ideal compensation...significant nonpay attributes of military and civilian employment (the other conditions of service) are still lost in the comparisons.³⁴

THE PUBLIC DEBATE

In a March 1980, public policy debate sponsored by the American Enterprise Institute titled, *How Should the US meet its Military Manpower Needs?*, several statements highlighted whether or not America was honoring its commitment to the AVF. Former Secretary of Defense, Melvin Laird stated:

The standard of living and the income level of the American people have gone up 80 percent since 1972, but the standard of living and the salaries of our military personnel have risen less than 50 percent. ...This situation is not acceptable, because the armed

forces are losing the kinds of skills they need for our military establishment today. People are truly much more important than hardware in defense planning.³⁵

When Secretary Laird was questioned by Congressman McCloskey on the House Armed Services Committee about how to get the armed services to admit, without destroying morale that the AVF is not working, he replied, "First we must maintain the commitment that we made to the military, and that was that we would keep salaries competitive on the outside. That requires a 21 percent-pay increase across the board--active duty, reserves and National Guard."³⁶

During the hearing, Congressman McCloskey highlighted the future requirements and cost for a consistently ready AVF that would be needed to comply with America's future NSS:

...In times of peace the record of the Congress on funding an army prepared to fight the next war has not been very good. This particular period is the worst I have ever seen in our history. The next war, I am afraid, will be in Korea. It will come upon us with about three days' notice, and the conventional part of it will be over in three or four months. So unless our people are ready to train in peacetime to fight that quick, hard, short, tough, conventional war, we have no army at all. If Congress is not up to voting the money for the professionals, should we not move immediately to national youth service?

In response Secretary Laird commented, "I would have no problem with that but the American people, the Congress, and the executive branch would not buy that, and so the alternative is to start paying the young men and women of our military services on a basis competitive with other segments of our society. We chose that course of action as a better alternative than conscript labor and the draft."³⁷

Secretary Laird concluded the panel discussion by saying:

I hope everyone has the idea that we have broken a commitment to the young men and women who are in our military forces today. That commitment was to give them a competitive standard of living, and they do not have it today. Let's not get into all of these debates of peripheral issues. Let's solve this problem which is solvable now. It takes a little money. It takes a little sacrifice on the part of every citizen of this country, but we better start paying this bill; we better not continue to renege on this commitment to these men and women.³⁸

THE EROSION OF BASIC PAY PURCHASING POWER AND THE CHANGING NATURE OF FORCE INCENTIVIZATION

Reviewing the *Military Compensation Background Papers*, 5th ed., one can establish several reasons for the resulting depressed pay of military personnel by the late 1970's. There were four key reasons for the lack of comparability and competitiveness of military pay:

First, since the inception of the AVF on 1 July 1974, changes were made in the method for calculating comparability increases for General Service (GS) federal employees. These changes were necessary in the civilian sector, however, military pay levels were automatically depressed because the military pay system is linked to the GS system. These events accounted for at least a 7 percent decline in purchasing power in basic pay for the armed forces. The second reason was that the President, in an effort to hold down inflation and reduce the rise of the federal deficit in 1975, 1978 and 1979, imposed paycaps on raises for all government employees. These three political decisions cost the military another

7.2 percent in purchasing power. The third reason was the President's 1976 and 1977 proposal and Congress' concurrence to reallocate portions of the military pay increase into the basic allowance for quarters (BAQ). This resulted in a 25 percent reduction in take-home pay for those living in government quarters compared to those receiving BAQ. Lastly, the unprecedented inflation rate that the nation had experienced during the years since inception of the AVF compounded the effects of the previous three reasons. This resulted in further diminishment of the AVF's purchasing power in relation to the Consumer Price Index (CPI).³⁹

The hollow force period highlighted two other critical points in the area of retention and compensation policy within the changing complexity of the AVF. The first critical area highlighted was the critical role of retention in the future AVF. Career reenlistment rates dropped from 13 percent in five short years from 81 percent in 1974 to 68 percent in 1979.⁴⁰ It became increasingly obvious that because of the nature of the military system that only allows entry at the bottom of the hierarchy, losses of mid-career personnel are irreplaceable. Congress realized that the invested training and experience possessed by these "lost" personnel only came back with time. The second major area of notice was the change in the complexity of the force required, in regard to technological skills. A dramatic shift away from general military skills toward the technical specialties began to constitute a large bulk of the mid-career force who were attracted to jobs in the private sector. In 1979, military personnel trained to white-collar occupations accounted for 46 percent of the total military population, compared to 28 percent in 1945.⁴¹

In early 1980 Congress, together with the President, found the leadership and willpower to put the economic incentive back into the AVF. Regular military compensation (RMC) was boosted 11.7 percent by the 1981 Authorization Act. A year later in October 1981, while noting that some improvement in retention levels had occurred following the 1981 Act, Congress stated that "additional actions are required and further substantial improvements (in pay rates) are necessary in fiscal year 1982 to provide necessary incentives for a career of military service."⁴² In the Fall of 1981 Congress passed an additional 14.3 percent increase in the cash elements of RMC stipulated for "achieving the needed improvements in manning and retention levels and to restore the relative relationship of military compensation to pay in the private sector (in current dollars) that previously existed in 1972 at the implementation of the AVF."⁴³

WHY SERVE IN THE AVF--IS IT JUST THE PAYCHECK?

To correct the hollow force period, the compensation increases provided by Congress spoke volumes about the nation's commitment to the men and women who voluntarily sacrificed in service to their country. However, also during this time period a classic motivational theory concerning why people serve in the armed forces was being revealed by military sociologist, Charles Moskos. In 1977 Moskos' Institutional vs. Occupational (I/O) theory gained attention not only from social researchers on military organization but also from a number of senior military commanders in the AVF. The classic I/O theory, with the evidence provided by the hollow force crisis, helped define many of the intrinsic values for serving, which many service leaders thought may be lost by the dependence on monetary (occupational)

incentives. To fully appreciate the role of basic pay, one must understand all the motivational factors at work within the AVF in a broader context of I/O theory. This section will briefly look at I/O implications as it relates to basic pay and I/O's implications in respect to basic pay compensation policy.

The I/O theory can be used to help explain individual service member's motivations in an AVF. Moskos' theory states that one could study military societal aspects from a theory that had two pure states of institutional and occupational, operating at either ends of a spectrum. Moskos describes an institution to be legitimated in terms of values and norms. These values and norms are represented in a general purpose that transcends individual self-interest in favor of a presumed higher good. Moskos points out that, although financial remuneration may not equal the marketplace standard of the overall economy; compensation is frequently made in other forms such as a variety of benefits and forms of "psychic income."⁴⁴ Moskos cites several traditional institutional features of military service to include: "fixed terms of enlistment, liability for 24-hour service, subjection to military discipline and law, and the inability to resign, strike, or negotiate working conditions." He further points out the ultimate danger of loss of life or casualty as it occurs in training maneuvers or actual war.⁴⁵

In contrast to the institution, there is the "pure type" of occupation. Moskos describes occupation to be legitimated in terms of the economic marketplace. Specifically, monetary rewards are provided for equivalent competencies in a pure occupational setting. Self-interest achieves primacy over the interests of the employing organization. Workers gain an element of control over appropriate salary and working conditions in exchange for commitment to contractual obligations.⁴⁶ The theory portends that individuals in military society operate on a continuum, dynamic framework between these two pure states: one pure state of motivation coming from institutional incentives and desires and the other pure state being occupational motivators. The I/O theory captures many of the internal and external forces at work within any military system, but especially a volunteer system.

Moskos made the following comment on the state of affairs of the late 1970's:

The military was undergoing a strange sort of crisis: not the noisy turbulence of the later years of the Vietnam war but a quiet malaise, a sense that the recruits were being bought at the margin of the labor market, that officers were driven by careerism, and that reasons for military service had become obscured. The heart of the matter, it seems, was a paralysis in the definition of the essence of the military organization.⁴⁷

Although economic incentives were being restored within the AVF by the civilian control of the military and the will of the American people (Congress) Moskos' writings and explanations showed both civilians and military members that service in the AVF was certainly more than just the occupational (monetary) aspects of service. Moskos' theory highlighted that senior leaders of the military and chains of command down to unit levels could and should embrace a professional, institutional call to professional combat arms. Institutional values, intrinsic to the noble values of military service, and the officers and non-commissioned officers' oaths towards the institution and constitution were extremely important in an AVF. With an infusion of resource dollars for defense, retention was bolstered by both occupational and institutional motivations from the officer corps to the new recruit. During the 1980's, with occupational

aspects being tended to by Congress, military leadership could now focus on what military leaders do best—develop future leaders, train warfighting teams and units for combat, and study the art of war. Within the context of occupational motivators (basic pay reaching full civilian comparability in 1981) the early 1980's ushered in a period of rebuilding from a previously hollow peacetime military force.⁴⁸

After 11 years of I/O theory in practice Moskos and other sociologists revisited several aspects of the I/O model in 1988. The revisit is important in regard to understanding the role I/O motivations play in developing future basic pay compensation policy and how the AVF appears to respond to different motivational forces on an individual and organizational level over periods of time. Moskos stated in 1988:

The interaction of institutional and occupational trends is not deterministic, but portends a wide variety of potential outcomes. Building institutionalism does not mean that all aspects of occupationalism must be discarded; neither is it necessary to treat the I/O thesis as producing detailed policies of change to cover all contingencies. When ways to reinvigorate institutionalism are found, they will grow from an understanding of how organizational policies shape the behavior of military members, which in turn affects military effectiveness. To gain leverage against policies that foster exaggerated occupationalism, military leaders in particular need a place to stand.⁴⁹

Moskos' validation that a motivational drive towards both I and O can be equally strong, is key to the future of the AVF, especially in sustained economic prosperity cycles. Research done by David Segal in the 1980's attempted to determine if, at the individual level of analysis, I and O orientations can simultaneously exist or if they are a zero sum type gain. The findings indicate that at the individual level, strong I and O orientations can exist simultaneously among many service members. Segal examined the attitudes of 10,687 active duty Air Force personnel, ranging in grades from Airman to Colonel, as well as 202 senior military personnel from all service branches. He found significant orientations of both I and O at all military grades. Segal concluded that institution and occupation should be viewed as two separate dimensions and that, "if we see each (I and O) as representing a distinctive set and ordering of values and norms, we find that it is possible for an individual to be either high or low in both as well as being predominantly one or the other."⁵⁰

Additionally research by Robert Cone concludes that the true attitudes towards I and O is not necessarily easily observed within the professional officer ranks, but the I and O effects within the ranks are likely to be the most profound. Cone states:

The organizational hierarchies and leadership roles controlled by professional officers are extremely influential because they are maintaining the links between the institutional goals and values and the means of implementing themselves. There are certainly strong traditional pressures to maintain "institutional" orientations among the officer corps. Perhaps there are equally strong pressures to conceal "occupational" tendencies if they exist.⁵¹

The finding by Cone is significant for the future success of the AVF in regards to occupational basic pay policy. The findings show that due to the strong institutional orientations of most military personnel and the possible professional stigma that comes from self-reflection on occupationalism within an organization, there may be hidden occupationalism within the rank and file. This hidden or what may be

called depressed occupationalism would continue until the motivational pull toward the civilian option is so great that the individuals within the armed forces finally elect to leave although they may have scored very high in institutional value commitment. In essence, it is entirely possible I/O motivators and quality of life factors allow troops the options of saying, "they can't afford to stay and serve any more." This may especially be true in prosperous economic cycles in which members of the AVF developed skills and talents that are easily transferable into the civilian labor market. Such statements have been commonplace in the late 1990's, as the services have begun to see a slide in retention numbers throughout the late 1990's.

This is what the I/O model provides for the framers of today's AVF and the policies that will ensure a ready AVF in the future. The occupational challenge within the model is more a factor of how well the will of the people as manifested through civilian control of the military (Commander-in-Chief, Congress, Secretary of Defense) determines it will satisfy the occupational well-being of those who serve in the AVF. Reflecting back on the post W.W. I interwar era of the helplessness the army felt as an institution in its ability to increase retention, today, Congress and those civilians armed with the understanding of the I/O theory and research have a deeper level of understanding the critical role they play in establishing basic pay policy.

In summary, although the hollow force was a readiness tragedy for the AVF, the lessons learned moved the understanding of the forces at play on the AVF ahead greatly. The U.S. armed forces and the AVF emerged stronger for having gone through the crisis. The interworkings of the forces involved with an AVF system received significant review and study, especially in the area of understanding the roles of occupational and institutional motivations for those who join and continue to serve a career in an AVF. At the depths of the hollow force, the nation found the resolve, determination and political willpower to provide the monetary resources to incentivize occupational motivations required for an AVF. This came about once again through an understanding on the hidden costs (monetary and societal) of the alternative to an AVF--conscription/draft. At the same time, the validation and embracement of Mosko's I/O theory had a significant effect on the institutional side of the I/O equation. Such foresight allowed service leaders to focus greater attention towards the institutional values and motivation found within professional standing militaries. There is no question that individuals serving in an AVF in a democratic/capitalistic nation serve based on numerous public and private I/O motivations. This paper will now analyze some of the data and debates put forth in CY1999 in order to better understand the major forces shaping current basic pay policy.

THE 1999 READINESS DEBATE AND THE ROLE BASIC PAY PLAYS IN TODAY'S AVF

The FY 2000 budget, submitted by the President, and the Authorization Act subsequently passed by Congress and signed by the President, represented a significant turnaround in regards to basic pay increases for the armed forces (highest basic pay increase in eight years and largest military pay and benefits package since 1981).⁵² To assist in determining future basic pay policy it is important to review the forces that made this turnaround of basic pay happen. The papers next section will review the

significant forces and viewpoints at work during the 1999 legislative year that shaped the FY 2000 Defense Appropriation. Analysis will be conducted by the review of basic pay proposals found in key documents articulated by the major civilian powers in control of the military: Congress, President, Secretary of Defense along with testimony of various subject matter experts.

YEAR 2000 DOD SPENDING BILL -- A TURNAROUND FOR AVF BASIC PAY COMPENSATION

It appears that the Executive Branch and Congress turned the corner in CY1999 on what has been a downward glidepath from the AVF perspective in regard to basic pay in the 1990's. Through many debates and congressional testimony, FY2000 legislation provided three critical compensation actions for the AVF:

- Across the board 4.8 percent pay increase (President proposed 4.4 percent)
- Adjusted the basic pay table to target and adjust key pay increases to certain time in grade positions, thus rewarding performance
- Allowed the repeal of what was called the "40 percent retirement" restoring the option for all military personnel now serving and for those who serve in the foreseeable future the option to retire at 50 percent basic pay at 20 years of military service⁵³

Additionally, legislative language articulates support of pay increases 0.5 percent above the yearly ECI through each year of the FYDP in order to continue to shrink the so-called "military/civilian pay gap" which was articulated widely at 13.5 percent in the summer of 1999 by the mass media.⁵⁴

Within the context of basic pay policy, it is important to look at what the President said as he submitted his FY2000 Budget on 22 Dec 1998:

In consultation with my Secretary of Defense, and the Joint Chiefs of Staff, I have decided to make significant improvements in pay and other compensation for our men and women in uniform. The Defense budget I submit to Congress for next year will include a pay raise of 4.4 percent for 2000 (final Act approved 4.8 percent), a restructuring of pay to reward performance as well as length of service, and an increase in retirement benefits. These improvements will enhance the quality of life for our men and women in uniform, will encourage long-term service by the most talented servicemen and women, and will increase the Armed Forces' military readiness to engage fully, at any time, in order to protect the security and interests of the United States. ... I am proud of the men and women of our military, and I am pleased that they will receive the pay and retirement increases they richly deserve. Coupled with recent quality of life initiatives in housing, childcare and other areas, these improvements will continue to enhance the quality of life for American servicemen and women.⁵⁵

Key to this release was the use of the phrase "in consultation with my Secretary of Defense and the Joint Chiefs of Staff." The President's choice of the word "consultation" is significant, especially against a backdrop of the current political and fiscal environment. The use of the word could infer that the decision wasn't necessarily obvious to the President or obvious to the will of the American people. Or the use of the word could allow the President to explain his budget proposal decision to a national constituency that may not be in favor of the proposed defense spending increases and more specifically basic pay increases for the AVF. For those not in favor of such defense increases, use of the

"consultation phrase" allows the Commander-in-Chief to bureaucratically defer his decision to his Secretary of Defense and top military advisor. Such words appear to soften the presidential leadership decision to those who may not support such a decision. Taking the politics out of the equation though, the decision by the President put forth a yearlong debate on the role of basic pay compensation within the armed services, especially in regard to recruitment and retention.

SENSE OF CONGRESS ON MILITARY READINESS

Congress also takes its constitutional role of raising and maintaining the armed forces very seriously. To place the importance of personnel readiness in context during the 1999 legislative year, one can look at the statements of Senator James Inhofe, Chairman of the Armed Services Subcommittee on Readiness and Management Support. He states that upholding military readiness in a time of relative peace and prosperity presents enormous challenges to politicians and policy makers. He asserts that, "despite public apathy and occasional resistance, those in Congress must make tough decisions that will affect our national security for years to come. It is a difficult task that many in Congress and the executive branch are grappling with at the current time."⁵⁶

Shortly after the President's December 1998, FY2000 Budget proposal, Senator Inhofe released the following statement that characterized the concerns of many in Congress regarding military readiness:

Popular conventional wisdom is that we are now reaping the fruits of remarkable postwar era in the aftermath of both the Gulf War and the Cold War. ... Many fear that while the public is complacent, the U.S. military is suffering readiness, modernization, and budget shortfalls that are seriously impacting its ability to meet the national military strategy. ... It took years to build the military that was ready and able to win the Gulf War. Similarly, the decisions we make today about investing in our defense requirements will directly affect what future commanders will have at their disposal when facing some unforeseen future crisis. ... The time to reverse the course is now. Part of the problem is lack of adequate resources. Overall defense spending has declined in real terms for 14 straight years. Strict budgetary spending caps constrain defense spending much more severely than domestic spending which continues to increase. It is gratifying that more and more people are beginning to realize the full extent of the military readiness crisis and what needs to be done. In recent weeks, the President, Secretary of Defense, the Joint Chiefs of Staff and many others have acknowledged that restoring our military must be a high national priority in the immediate years ahead. ... We in Congress hope to provide constructive oversight and guidance. This should not be a partisan issue. The stakes are too high.⁵⁷

Senator Inhofe's statement of February 1999 highlighted the need to bring the debate of resources for the armed services to a significant national debate. Additionally, he comments that such infusion of resources may take time, but a logical strategic plan for adequate resourcing is critical to the NMS. Such a build-up strategy would later be seen in the basic pay provisions passed for FY2000.

1999 SECRETARY OF DEFENSE (SECDEF) REPORT TO PRESIDENT AND CONGRESS

As the key annual report to Congress, the *Secretary of Defense's Annual Report to the President and Congress* articulates DOD's major programs. To assess policy, it is important to analyze the language with regard to prioritization or urgency of critical programs. The Secretary of Defense

(SECDEF) describes the need for Congress to support an AVF that has been operating at record deployment rates and attempts to rally support for greater basic pay, however, the report lacks specificity as to the amount or goal. The 1999 SECDEF Report states:

That both the new budget and Future Year Defense Program (FYDP) *strike a prudent balance* (authors italics) between immediate military needs, most notably force readiness and quality of life, and long-term safeguards, most notably the development and procurement of new weapons and technologies. ...Achieving the best balance between short-term and long-term needs has been the most difficult challenge for leaders formulating the DOD budget.⁵⁸

The report highlights the SECDEF's concern about retention and compensation, stating:

Readiness requires taking good care of all members of the armed forces and their families. To that end, the FY2000 budget strongly supports the quality of life components like pay, housing, and medical services. To *address mounting warnings about retention* and recruiting, this year's budget includes *the greatest increase in military compensation in many years* (authors italics for emphasis). The basic pay component consists of an across-the-board military base pay raise of 4.4 percent for FY2000 and 3.9 percent annually for FY2001 through FY2005 is proposed. The FY2000 raise exceeds the forecasted civilian wage growth, is 3 full percentage points above the consumer price index, and is the largest military pay increase since FY 1982.⁵⁹

...This package addresses the real concerns that men and women in uniform have raised, *responds to market forces*, (italics added by author for emphasis) and rewards performance. These significant proposals come in the broader context of a continuing effort to achieve adequate military compensation and benefits.⁶⁰

The report further articulates the investment made in our armed forces and how it is critical to retain a certain percentage of experienced men and women in the AVF:

The United States has the best military in the world. The key to U.S. strength is the men and women who serve in uniform. One of the Department's primary responsibilities is to assure that it recruits, trains, and then retains the best people. ...It takes five to seven years to train and Air Force flightline supervisor, 18 years to become the commanding officer of a destroyer or flying squadron, and 28 years to groom an armored division commander. For this reason, the Department has been working with the President and the Service leaders to make sure that the military pay and retirement systems adequately regard the dedicated and experienced servicemen and women.⁶¹

...To attract, motivate, and retain quality people, the armed forces must provide a competitive standard of living for service members. The Department's goal is to ensure the *compensation system is robust enough* (authors italics for emphasis) to attract and retain the force needed for the 21st century. To ensure the maintenance of a highly qualified and ready force in the future and to maintain faith with the men and women, who serve the nation in uniform, the Department has long recognized the importance of an appropriate level of compensation. The military compensation package is made up of both pay and nonpay benefits (direct and indirect)--that make up the components of a standard of living which are part of quality of life. Operating together, these elements of the compensation package stimulate enlistment and retention of the high quality individuals essential to operational readiness.⁶²

Of the five readiness challenges stated in the SECDEF's annual report, retaining a ready force is one of the five. The report stated:

To maintain highly capable forces, it is important to retain individuals needed as middle and senior leaders. Retention issues are emerging as a result of combined economic and quality of life issues. On recent base visits, Secretary Cohen found among military members concerns with pay, housing, health care, retirement compensation and the pace of deployments. DOD proposals are intended to show the administrations and Departments resolve to improve the lives of military personnel and make a military career attractive.⁶³

The SECDEF highlighted the critical retention situation faced by the AVF and the pressures that the economy and quality of life options are bringing on the AVF. The report was released in February 1999, by summer many expert witnesses had testified before Congress on the issue of military compensation highlighting basic pay policy. Congressional witness testimony is critical for the Congress to gain a balanced appreciation for an issue before the American public. Several sections of witness testimony will now be assessed as this section continues to frame the forces that shaped compensation policy for CY 1999.

TESTIMONY TO CONGRESS

Undersecretary of Defense for Personnel and Readiness

Mr. Rudy de Leon, Undersecretary of Defense for Personnel and Readiness testified at length on the role of military compensation with respect to retention. He articulates why it is important for the nation (through Congress) to act now to increase basic pay:

The Armed Forces are operating under a combination of influences never before encountered. The end of the Cold War fundamentally changed the demands placed on America's military. A single, global adversary has given way to multiple global demands on US forces that are no longer forward deployed. At home the nation is experiencing economic prosperity and a growing demand for advanced technological skills and knowledge among the workforce. These economic developments of the so called new economy, welcome and as prosperous as they are, have created sharper competition for the high quality men and women needed in America's Armed Forces. The expertise and leadership for which America's armed forces are renowned is developed through years of training and experience. We need to preserve that expertise and leadership because it takes years to regain if lost.⁶⁴ ...The self-discipline associated with military duty, the level of responsibility placed on today's members, the technical skills possessed all serve to make military personnel a valuable commodity in the job market. Attractive salary and benefits packages, coupled with greater geographic stability and a more predictable lifestyle, are key influences in the pursuit of private-sector opportunities.⁶⁵

Perhaps the most important statement of Mr. de Leon's testimony was the reaffirmation that, "*Basic pay is the most fundamental and visible element of a military member's compensation*" (author italics for emphasis).⁶⁶

Associations, A "Voice" for the Soldier, Sailor, Airman and Marine

Another large voice on Capitol Hill is that of military associations. Moskos placed the role of the associations within the I/O debate within the following context. "Despite the statutory prohibitions in place on organizing the armed forces, the underlying dynamics of the occupational ascendancy are still operative. There is a trend toward what might be called an "incipient unionism" on the part of service

associations."⁶⁷ These associations have gradually taken an increasingly active role in lobbying Congress for pay and benefits on behalf of the AVF.

Spokesperson of the National Military and Veterans Alliance (NMVA), SGT MAJ Michael F. Ouellette, USA (Ret) testified before the House Armed Services Committee on 25 February 1999 concerning the issue of military compensation. His testimony focused on the much-debated military/civilian wage gap that received considerable national media attention during 1998 and 1999. Ouellette told the committee the armed forces appreciated the 3.6 percent, full ECI pay raise on 1 January 1999 that was part of the FY 1999 Defense Authorization. However, he continued:

It must be noted that even though the increase matched wage inflation as measured by the ECI, it only served to stabilize the military/civilian wage differential at 13.5 percent. NMVA and most members of the armed forces are well aware that past military pay raises have been capped below private sector pay growth or full inflation in 12 of the last 17 years. The result is that military pay, even with the January 1999 increase, lags a cumulative 13.5 percent behind that enjoyed by the average American worker performing similar work. With the knowledge of these facts and after sustaining weeks and months of family separation and the hardships associated with the missions of the armed forces, complicated by increasingly longer workdays due to force reductions and operation tempo, military men and women feel they are being "short-changed" by those in control of their destinies. ...The insecurity caused by the constant churning of threats to benefits creates an environment of stress that takes a real toll on national security.⁶⁸

Perspective On Basic Pay by a Service Director of Personnel

Air Force Deputy Chief of Staff for Personnel, Lieutenant General Donald L. Peterson, in his prepared statement to the House Appropriations Committee, 4 March 1999, was to the point on stating the importance of compensation and need for raises in basic pay. General Peterson stated:

...I also believe our number one people issue is recruiting and retention. Our number one recruiting and retention issue is compensation. Our number one compensation issue is retirement followed closely by pay. ...Today's robust economy, along with a 400 percent increase in operations tempo, has challenged our ability to retain highly motivated and technologically adept airmen. Upon leaving the Air Force, our members often tell us they are torn between service to their country and the needs of their families.⁶⁹

More specifically on basic pay General Peterson stated:

Military pay, like military retirement has also lost much of its value. Since 1982, military wages failed to keep pace with inflation. ...1982 was the last time military and private sector wages were compatible. Will increased pay influence retention? Historical evidence suggests the answer is yes. After the pay increases (of 1980 & 81) retention of 1st term airmen increased by 60 percent and 2nd term airmen increased by over 30 percent. ...The impact of these wage increases were highlighted in a 1989 Congressional report that stated in part, "Although several factors contributed to the turnaround, the large pay raises in October 1980 and 1981 played a paramount role..." Survey data also indicates pay influences the retention decision of officers and enlisted members. The 1996 Careers Survey found that only 16 percent of the enlisted members and 22 percent of officers believed pay was "as good or better than the private sector." In the 1997 Quality of Life Survey, less than one in three enlisted members felt that pay was "fair and equitable." The 1998 Separation Survey found similar results: 41 percent of the enlisted and 12 percent of the officers surveyed cited military pay as a major reason

they decided to separate. Many members realize the current restrictions on pay (ECI less 0.5 percent) puts them at a constant economic disadvantage. Interestingly enough, over 50 percent of enlisted members (55 percent) separating and almost one-fifth (19 percent) of the officers separating stated they would stay if they were guaranteed "annual pay increases equal to or higher than private sector wage growth."⁷⁰

Finally, General Peterson reminded the committee of the critical link to the AVF stating, "Since the inception of the all volunteer force in 1975, pay has been an important part of recruiting and retention. In A Report to the President on the Status and Prospects of the All-Volunteer Force, Nov 82, the Military Manpower Task Force recognized, "The Administration and Congress must ensure military pay is maintained at reasonable competitive levels."⁷¹

Summarizing this section on the forces that shaped FY2000 basic pay compensation policy it is obvious that the civilian legislative powers knew it was important to send a positive "occupational" motivation signal to the AVF in the form of compensation increases. The context of the debate was established by the President's Budget then was thoroughly examined in Congress within the articulation of the SECDEF's reports and subsequent thorough congressional testimony. A significant amount of testimony reflected the current basic pay dilemma facing the AVF in the context of readiness and the challenges of recruitment and retention. From the President, to Congress, to SECDEF to DOD staff, and military associations -- the words spoken and written all point toward the fact that they understood the readiness challenges at stake and the significant role basic pay compensation plays in regards to retaining a quality AVF.

The products produced by the Secretary of Defense and the testimony provided by Mr. de Leon consistently shows support of raising pay and clearly demonstrate the occupational motivator compensation that DOD is engaged in to retain an experienced AVF. However, unlike during the hollow force era when basic pay was significantly boosted to estimates of comparable civilian wages, the legislation favored a more fiscally responsible approach in bolstering basic pay. In the end basic pay was boosted for FY2000 across the board at 4.8 percent (0.4 percent more than the Presidential request). More importantly though, language in the Authorization Act stated that the pay increase through each future year in the FYDP should be a minimum of 0.5 percent above the yearly ECI. Congress elected to embrace an approach that promised a change in the trend line from the 1990's downward glidepath to a commitment to a gradual positive slope towards closing the wage gap on civilian wage comparability. Such a policy will buy time to see what effect the basic pay policy will have on retention within the AVF while DOD continues to assess future economic forces of labor and wages within the occupational framework of supply and demand.

The question for the future is, "Will the yearly 0.5 percent increase above ECI be enough to recruit and then retain the AVF in a dynamic fiscal and political future environment? The answer is central to the policy question of, "How much basic pay is enough to be adequate, fair and comparable to civilian wages?" The next section of the paper will review some of the fiscal and political forces that will shape future basic pay policy.

FUTURE FORCES THAT WILL SHAPE ALL-VOLUNTEER FORCE (AVF) BASIC PAY

The paper's last major section will analyze the force's which will have significant effect on future basic pay compensation policy from the decision on the direction of our NSS/NMS and its cost, to upcoming costs of entitlement programs, a discussion on the index's used as the centerpiece for articulating the military vs. civilian wage gap and the public's and academia's view of the AVF basic pay situation.

FUTURE COSTS OF OUR NATIONAL MILITARY STRATEGY (NMS) AND THE ALL-VOLUNTEER FORCE (AVF) TO EXECUTE IT

From the previous section it is clear Congress turned the corner on military compensation for FY2000, voting the most substantial basic pay increase in over eight years. Before we look at the forces that may affect future policy, one question is, "Do we have the right sized military force?" The Reserve Officers Association (ROA) articulated the strategy vs. resources dilemma recently in their monthly magazine, *The Officer*.

Cost of Future National Military Strategy

Obviously, the size of the NMS determines the size of the AVF that in turn drives military compensation and entitlement expenditures. In the November 1999 edition of *The Officer*, "Where Do We Go From Here--Military Supremacy and How We Keep It" the association articulates the future cost of prepared and ready NMS:

That while the investment program to keep our military supremacy (for future NMS) would be considerable, perspective on the scale and composition of current US military spending must be kept in mind. Viewed in light of post-Cold War threats, the scale of U.S. defense expenditures in the late 1990s was already quite imposing; at about one-third of the global total, it is many times the military budget of any existing adversary. But while dangers to democracy are at their lowest ebb in three generations, that situation cannot prudently be expected to last indefinitely. Moreover, much of America's current quarter-trillion-dollar annual defense budget is spent inefficiently on redundant bases, the *high overhead costs of an all-volunteer force* (italics added by author for emphasis) and support functions that should long since have been divested and contracted to the private sector. ...A program to preserve global military supremacy needs to be funded now. That means political leaders must abandon the belief that they can enjoy sustained military supremacy for only three percent of the gross domestic product, the level of defense spending prevailing in 1999. ...critics would complain that a defense budget increase is excessive. In a limited sense they may be right, however in a larger sense, they could be wrong. The share of national output allocated to defense would still be less than half the 7.5 percent average of the Cold War years.⁷²

The article concludes that:

Global military supremacy is affordable at a level of sacrifice. In a nation that now spends six to seven percent of national wealth on various forms of gambling, it hardly seems unrealistic to expect that half that amount might be spent on national defense. Human nature of war and conflict has not changed. If no other lessons can be learned from the deaths of 100 million human beings in conflicts during the American Century (20th century), there is at least one that lingers from the experience of Rome two millennia ago: *Over the long run it costs far more to be unprepared for war than it does to be well-armed and ready* (italics added by author for emphasis).⁷³

The ROA article notes the high-overhead cost of the AVF and the historically repeating context of individual citizen sacrifice for ensuring resources for a common defense in a volunteer force. Finally the article highlights the sacrifice and the political willpower through Congress to honor the historical economic commitment to the men and women who serve in the AVF.

The Public's and Mass Media's Attitude Toward Defense and Basic Pay

To assist in finding a direction for future policy it is important to assess the attitudes of the general public. Several articles pro and con towards military pay are worthy of review.

In a February 2000, *San Diego Union Tribune*, Op Ed piece, Randy Cunningham takes issue with the "late entry" of the administration's support of the nation's armed forces (referring to President's proposed FY2000 budget). Mr. Cunningham states, "after years of neglecting our military, the administration ends its reign touting the first real defense spending increase in over a decade. The administration's 11th-hour conversion is welcome, but it provides no more than a Band-Aid for problems of its own doing."⁷⁴ The editorial addresses several other facts which highlight the current funding of adequate readiness pointing out, "Congress added over \$44 billion to the administration's yearly defense budget s since 1995, while the administration (Commander-in-Chief) found new ways to tax (increased deployments) our overburdened troops." Cunningham notes that since 1990 the armed forces have deployed to over 149 peacekeeping missions. During the previous eight-year period (1981-1989) our troops were deployed only 17 times. Cunningham concludes that the "Defense increase has come too little, too late. As past neglect takes it toll on forces, its (administration's) security policies continue the erosion. ...without a change of course in policy and more realistic long-term defense budgeting, the notion that we are addressing defense deficiencies is nothing more than a shame."⁷⁵

Sense of National Will Towards Military Basic Pay

A September 1999 Associated Press poll published in *USA Today* highlighted what is on the mind of Americans with regard to supporting the U.S. military. When 1,011 adults across the U.S. were asked, "Do you think federal spending on military and defense programs should be increased, decreased or kept about the same?" The poll showed 34 percent supported an increase, and 47 percent said to keep it about the same. When asked about Congress' proposed pay increase (CY 2000 raise) for those who serve in the US military, 78 percent supported a pay increase and only 13 percent opposed.⁷⁶

Some Advocate the Armed Forces Are Already Paid Enough

There are citizens and associations who believe members serving in the armed forces already make enough compared to the rest of American workforce. A former assistant director for national security affairs in the Congressional Budget Office, Ms. Cindy Williams wrote an Op Ed piece that appeared in the 12 January 2000, *Washington Post*. Writing as a senior research fellow at the Massachusetts Institute of Technology her article was titled, "*Our GI's Earn Enough*". The article highlighted the 4.8 percent CY 2000 basic pay increase, the biggest inflation boost the military has seen in 18 years. She states that some politicians and lobbyists are clamoring for bigger raises in future years

and she also states that there is no pay gap "worthy of the name". Her article points out that after four months in the Army, an 18-year-old private earns about \$21,000 a year in pay and allowances and an automotive mechanic starting out with a diploma from a strong vocational high school might earn \$14,000 a year. On the higher end, she states that an E-7 with 20 years in the Marine Corps typically earns more than \$50,000 a year, which is better than a senior municipal firefighter or, a police officer in a supervisory position.

Among officers, a 22-year-old fresh out of college earns about \$34,000 a year as an ensign in the Navy that she says is about the same as the starting pay for an accountant, mathematician or geologist with a bachelor's degree. A colonel with 26 years of service makes more than \$108,000. The article continues to highlight that there are cash bonuses for special skills and fringe benefits (indirect compensation) of four weeks of paid vacation, comprehensive health care, discount groceries and tuition assistance.⁷⁷

Williams contends that those who argue for boosting military pay because the services are finding it hard to recruit and retain the people they need, are not looking at the correct fix. She states that pay is not the most important factor in a person's decision to stay in or leave the military. She does not provide any statistical reasons for this statement, except possibly the comparisons cited in the previous paragraph. Williams states the nation may get better results (recruiting/retention) by reducing the frequency of deployments, relaxing antiquated rules and improving working conditions. She states that proponents of higher pay note that military people "put up with hardships such as long hours and family separations" and states that many similar civilian occupations make similar demands. In the area of risking one's life, she says that firefighters, police, and emergency medical personnel, like many in the military, risk their lives on the job.

Lastly, Williams points to the January 2000 CSIS study (referenced later in this section), stating that problems of morale and dissatisfaction across the military are not all about pay. Citing the study's other major concerns, she believes that higher pay will not fix these problems.⁷⁸

This Op Ed piece is important because it represents what some of the so-called educated elite and policy makers are thinking concerning the current stature of adequate and fair basic pay within the AVF.

The Retired Officers Association (TROA) offered a rebuttal to Ms. Williams' Op Ed piece that highlighted the statistical and historical tying of military basic pay compensation to the ECI. TROA emphasized that like most documents prepared by budget officials over the last two decades to justify cuts, the article selectively glossed over the core issues of comparability and the depressed pay policies of the 1990's. TROA stated:

Ms. Williams' assertion that there is no relationship between military and civilian pay levels is wrong. At the advent of the all-volunteer force, military pay tables were restructured to provide what was considered reasonable comparability with pay scales of federal civilian and private sector workers. In theory, this relationship was to be maintained by annual increases matching private sector pay growth. The latter is measured by the Bureau of Labor Statistics' Employment Cost Index (ECI), the same private sector pay measure the government uses for all other purposes.⁷⁹

The TROA response continued to explain the much acknowledged and mass media covered pay gap by stating:

In the spring of 1993, the administration proposed a series of caps on military pay increases as part of its overall effort to reduce defense expenditures. These caps reduced the rate of growth in military pay relative to that of civilian pay by 9 percent from 1994 to 1997. This reduction came on top of an almost 12 percent gap in wage growth that developed between 1982 and 1992 according to the ECI.⁸⁰

FUTURE FISCAL CHALLENGES OF PERSONNEL ENTITLEMENT PROGRAMS

Another substantial AVF compensation policy challenge is the outlook towards the cost of Federal government entitlements that are forecasted to skyrocket in the future. Mr. Robert Bixby, Policy Director of the Concord Coalition, testified before the House Armed Services Committee, Military Personnel Subcommittee in CY 1999 concerning the future dilemma of federal entitlements. The coalition asserts to be a national bipartisan, nonprofit, grassroots organization dedicated to generationally responsible fiscal policy and long-term economic growth. Bixby highlighted several of the fiscal challenges ahead in his February 1999 testimony:

...The coalition believes unequivocally in a strong national defense and a responsible fiscal policy. These objectives can, and should co-exist. ...Despite recent improvement, current fiscal policy remains unsustainable over the long-term. Increased longevity, decreased fertility, and the pending retirement of the massive baby boom generation will all put an enormous strain on federal resources early in the next century. Because no solution to this looming fiscal crisis has been found yet, great care should be taken to avoid new initiatives that would make the long-term outlook even worse.⁸¹

Bixby further assessed the future challenge that will be exasperated by federal entitlement programs:

In 1962, entitlements (federal) consumed just 32 percent of all federal spending. By 1986, when the Redux (the less costly military retirement plans) retirement plans were introduced, the percentage had risen to 47 percent. In FY 1998 entitlements had grown to 57 percent of all federal spending. More troubling, however is the projected growth. Despite growing public awareness of the relentless growth of entitlement spending and the conclusion of a Presidential Commission that "current trends are not sustainable," we (the U.S.) are nevertheless on track to devote 73 percent of all federal spending to entitlements by 2009. Given these trends it is imperative that any proposal to expand an entitlement program demonstrate a high threshold of need.⁸²

Bixby's testimony clearly drives home the dilemma facing Congress in the balancing of the occupational (Mosko's term) requirements of the AVF with regard to compensation, and the looming challenge of increased percentage of entitlements on federal fiscal resources in the next decade. Bixby provided caution on future basic pay policy:

If the Joint Chiefs have warned, declining rates of recruitment and retention is a major problem, it follows that the remedy should be carefully targeted to address the issue. ...concluding that there is a complex set of factors contributing to the Armed Services recruitment and retention problems. In many ways, the Armed Services are feeling the pinch of competition for highly skilled workers that all employers' face in a full-employment, steady growth economy. Further, there is the disruption in family life

caused by frequent deployments. It is not surprising that the lure of higher pay and more stable family environment would create retention problems among some categories of personnel. ... Evidence suggests that personnel discount future dollars at a much higher rate than the government's borrowing rate. It therefore follows that the same force could be obtained at lower overall cost with more reliance on "up-front" (active duty) basic pay and less reliance on retired pay.⁸³

The approach articulated by Bixby was partially ignored by Congress. Congress with the FY 2000 Authorization Act eliminated previously enacted decreases in retired pay while opting to provide a graduated increase in basic pay as reported in the previous section in this paper.

CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES (CSIS) REPORT

Future basic pay policy will also be shaped by a hallmark report released in January 2000 by the CSIS. The report received front-page headlines in *USA Today* and national newspapers stating that the "American military is facing a critical watershed" and discussed what national defense policy and the AVF is facing in the next decade. The report points out that even though the nation no longer has an identifiable major military adversary, there has been no comparable period in peacetime history in which the U.S. leaned more heavily or frequently on its armed forces. An analysis of the report clearly shows the historical themes of the importance of basic pay to the AVF and especially within Moskos' institutional and occupational motivators. Data for the report was compiled from over 12,000 uniformed personnel at 32 worldwide locations who met in 125 separate focus groups. Key findings in respect to basic pay include:

Today, with the smallest force in decades and with 56 percent married - the force is overworked, underpaid and underresourced at the cutting edge. ... there is little doubt that conditions within the armed forces are far less favorable than they were even 10 years ago. ... Qualitatively perhaps the best force the U.S. has ever fielded, the AVF military today is also older and more married than traditional conscription forces, and possesses high *expectations on matters that affect the quality of their lives* (italics added by author for emphasis) and job satisfaction. ... the armed forces find themselves competing for personnel with a civilian society in the midst of one of the most sustained expansions of economic opportunity in modern times. ... many service members are leaving the armed forces for other careers owing in part to the inadequacy of military pay, medical care, family support, retirement benefits, and other quality-of-life factors. On the survey, questions about pay adequacy, pay comparability, and overall standard of living received by far the most negative responses of the survey's 99 questions, ranking 99th, 98th, and 89th respectively (pay adequacy was the most negative).⁸⁴

One of the report's major recommendations was directed to the "decision-makers and leaders" in the legislative and executive branches. The recommendation spoke directly toward future expectations of basic pay within the AVF. The recommendation states, "that a reasonable quality of life expectation-- especially in pay and medical care--of service members and their families should be met. ... such attention would help to recruit and retain competent men and women in the armed forces."⁸⁵ Although the environment has markedly shifted from that of the beginning of the AVF in 1972 and the hollow force crisis in the late 1970's, the dynamics of institutional professionalism and occupational motivation, especially in regards to adequacy and fairness of basic pay remain fundamentally the same.

IS THERE A MILITARY - CIVILIAN COMPENSATION GAP?

The previous sections have outlined the larger forces that effected the significant reversal of the downward trend in military wage comparability with civilian wages in the FY2000 budget. Additionally, the strategic view was given concerning the future decisions on the aggressiveness of the nation's NSS and the dilemma faced by Congress and the President to provide adequate resources for the AVF and DOD programs within the shadow of ever increasing entitlement bills. The question regarding the much publicly debated "military-civilian wage gap" should be addressed in order to assess future basic pay policy. The reality or perception of a "gap" has been debated within several defense establishment circles and was a subject of national media attention in 1999.

The history of legislative and policy directives of military compensation is a very complex. A "must resource" for any serious student undertaking of the nuts and bolts of compensation policy is *the Office of the Secretary of Defense, Military Compensation Background Papers 5th Ed (1996)*. Within the volume, one can trace the legislative trail of administration proposals to Congressional committee agreements on significant legislative actions, year by year. For this paper we will limit our perspective on the pay gap discussion to the current index's used and advocated on Capitol Hill.

27 Years of the Modern All-Volunteer Force (AVF) Against A Backdrop of the Employment Cost Index (ECI)

Today, with all the history of modern professional standing volunteer militaries and 27 years of the modern AVF, one would think the nation would be closer to being able to ascertain the answer to the question, "Is there a military-civilian pay gap?" However, the articulation of the gap continues to be debated and is part of the problem when it comes to DOD maintaining a long-term predictable basic pay compensation policy. To help answer this question, an analysis of the current index for DOD military pay raise management will be briefly explored.

Table 2⁸⁶ includes the ECI data provided in Table 1 with projected future basic pay estimates through FY2006 based upon current articulated DOD and congressional intent on basic pay. Table 2 shows that annual military pay raises have persistently lagged behind private sector pay growth since 1972 and 1982, the two points when military pay was deemed to have "reasonable comparability" with private sector pay levels. Service pay raises were consistently capped below private sector pay raises during the mid-to-late 1970's. After severe retention problems during the end of that period during the hollow force, Congress enacted "catch-up" raises for 1981 and 1982 that restored overall pay raise comparability. Since 1982, service pay raises have been capped below the comparability in 12 of 17 years, to the extent that an additional 13.5 percent raise would have been required as of January 1999 (in addition to the actual 3.6 percent January 1999 raise) to erase the comparability gap.⁸⁷ Projected raises (FY2000-2006) shown in Table 2 are based on the forecasted ECI data and the Congressional intent for future raises as stipulated in the language approved in the FY2000 Defense Authorization Act (yearly ECI plus a *minimum* of 0.5 percent to close the gap through the FYDP).

<u>Fiscal Year</u>	<u>Basic Pay Pay Raise</u>	<u>Private Sector Pay Raise</u>	<u>Comparability Gap vs. 1972</u>
1972	N/A	N/A	None
1973	6.0	5.8	0.2%
1974	7.3	5.4	2.0%
1975	5.5	6.4	1.1%
1976	5.0	9.0	-2.6%
1977	4.8	7.0	-4.8%
1978	7.1	6.8	-4.5%
1979	5.5	7.5	-6.5%
1980	7.0	7.8	-7.3%
1981	11.7	9.1	-4.8%
1982	14.3	9.1	0.0%
1983	4.0	8.1	-3.9%
1984	4.0	5.6	-5.5%
1985	4.0	5.1	-6.7%
1986	3.0	4.4	-8.1%
1987	3.0	4.2	-9.4%
1988	2.0	3.5	-11.0%
1989	4.1	3.5	-10.3%
1990	3.6	4.4	-11.2%
1991	4.1	4.4	-11.5%
1992	4.2	4.2	-11.5%
1993	3.7	3.7	-11.5%
1994	2.2	2.7	-12.1%
1995	2.6	3.1	-12.6%
1996	2.4	2.9	-13.1%
1997	3.0	2.8	-12.9%
1998	2.8	3.3	-13.5%
1999	3.6	3.6	-13.5%
2000*	6.2	4.3	-11.4%
2001**	4.4 (min)	3.9	-10.9%
2002**	4.4 (min)	3.9	-10.4%
2003**	4.4 (min)	3.9	-9.9%
2004**	4.4 (min)	3.9	-9.4%
2005**	4.4 (min)	3.9	-8.9%
2006**	4.4 (min)	3.9	-8.4%

* The 6.2 percent basic pay raise shown for FY2000 reflects the combination of the 4.8 percent January 2000 raise, plus a "targeted raise" approved for July 2000. The targeted raise will vary from zero to 5.5 percent, depending on a members grade and years of service (intention is to reward performance through promotion, especially early promotion). If the dollar amount of the July raise were applied equally to all members, it would amount to a 1.4% raise, making the cumulative FY2000 raise equal to 6.2 percent for the purpose of calculating its overall impact on pay raise comparability.⁸⁸

** For FY 2001-2006, the FY2000 Defense Authorization Act requires annual military raises that meet or exceed private wage growth (ECI) by 0.5 percent each year. This compared to previous law that capped annual raises at 0.5 percent per year below private sector wage growth (ECI - 0.5 percent).⁸⁹

TABLE 2 -- EMPLOYMENT COST INDEX (ECI) 1977 - 2000 PLUS FUTURE YEAR DEFENSE PROGRAM (FYDP)

Congressional Budget Office (CBO) Expert Testimony--Questioning The Wage Gap

The Assistant Director, National Security Division Congressional Budget Office (CBO), Mr. Christopher Jehn testified February 1999 that the CBO found that the 13 percent pay-gap figure frequently cited in the press does not accurately measure what it purports to and that, in general, the whole notion of relying on a "pay-gap" estimate to set pay raises is inappropriate.⁹⁰ Jehn cautions before adopting increased pay proposals, that Congress may want to consider whether they offer realistic and cost-effective solutions to the military personnel problems. Jehn also raises concerns on setting up symbolic compensation goals that may be reachable, but would draw resources from other DOD accounts:

...The figure of 13 percent pay gap has little to support it, the figure has been widely publicized--and just as widely misunderstood. Because of the diverse forms that military compensation takes (housing and subsistence allowances, bonuses, the tax advantage), service members may have difficulty evaluating how they fare compared with civilians. Depending on how senior military leaders treat this issue, *eliminating the so-called pay gap, like repealing Redux, could easily become an important symbolic goal* (italics added by author for emphasis). That could force DOD either to disappoint the expectations of service members or to devote more resources to compensation--and fewer resources to other needs--that are truly warranted.⁹¹

Perhaps the most significant part of Jehn's testimony was that he stressed that basic pay decisions within the AVF may work best within a pure supply and demand environment. He stated in closing, "Some increase in military pay relative to civilian pay may be appropriate, especially if civilian unemployment continues at its current low level and declines in retention become widespread. But the best way to determine the amount of that (basic pay) increase may be to examine DOD's ability to fulfill its requirements for personnel."⁹²

Such a statement has broad implications and supports wholesale, reactive basic pay policy based upon what the market will bear, which potentially could lead to greater dips in personnel readiness as the AVF would bottom out before market forces would raise basic pay to incentivize recruitment and retention. Instead of a proactive and predictable compensation policy taking into account both the institutional and occupational motivations of service which forces DOD has become to understand following 27 years of the AVF.

Is There A Better Index Than ECI To Determine "The Fair Pay Raise?"

A 1994 RAND study sponsored by DOD and conducted by Hosek, Peterson and Heilbrunn asked the question of whether or not there was a 12 percent wage gap (existing in 1993), and if so, was it advisable to let it grow to nearly 20 percent by 1997? The study developed a new wage comparability index called the Defense Employment Cost Index (DECI). The study, "confirmed what past experiences and previous studies have demonstrated--that military pay matters. If wide gaps are allowed to develop (between civilian and military) in the DECI index, recruiting and retention problems will follow."⁹³

The DECI model offered by RAND provides some interesting perspectives. The ECI and DECI produce different results because the DECI tracks wage growth for civilians who are demographically similar to personnel on active duty (sex, age, socio-economic background, work performed, etc.). By contrast, the ECI measures wage growth in the civilian sector at large. The RAND study states that the ECI and DECI have not always produced different results. Table 3 illustrates how both the ECI and DECI revealed wide gap between military and civilian pay growth rates in the late 1970's and early 1980's.⁹⁴

<u>Fiscal Year</u>	<u>ECI Based Relative Pay Growth</u>	<u>DECI Based Relative Pay Growth</u>
1977	- 3	- 5
1978	- 4	- 5
1979	- 6.5	- 9
1980	- 7.5	- 11
1981	- 5	- 7
1982	0	0
1983	- 2	0
1984	- 8	- 2
1985	- 8	- 2
1986	- 6	- 0.5
1987	- 9	- 3
1988	- 9	- 4
1989	- 10	- 6
1990	- 11	- 6
1991	- 12	- 4 Gulf War
1992	- 12	0 (slight U.S. economic slowdown)

TABLE 3 -- RAND'S DEFENSE EMPLOYMENT COST INDEX (DECI) VS. ECI

The 1994 RAND study revealed no overall pay gap in FY 1992 via DECI, however, large pay gaps did exist for women and officers in DECI index's. These gaps reflected the financial gain women and older, more educated workers made in the civilian workforce in the 1980's. Because of the rapid advancement of civilian wages for experienced workers, a gap of 16 percent developed by 1992 for junior male officers, and a gap of about 11 percent existed for senior male officers. By 1992, increases in wages for civilian women created a 7 percent pay gap for enlisted women and a gap of 21 percent for female officers.

The study concluded that such gaps require attention because pay gaps hurt morale, cohesion, commitment, and quality. The study also called for additional studies to gain greater understanding of what motivates officers to stay despite relative pay gaps, and whether pay may be nearing a threshold below which an exodus of officers might occur. The study attributed several factors to the lack of correlation between retention and pay from 1982 to 1992. Several possible explanations include esprit de corps, long-term career commitment, good retirement benefits, and hopes for restored compensation in the future.⁹⁵ The study concludes that basic pay caps that would create a wide gap between civilian and

military pay should be avoided. Although a one-year pay freeze might do little damage, sustained slippage amounting to perhaps 9 percent by 1997 in the DECI could do real harm.⁹⁶

Dr. Hosek highlighted additional aspects of his research during his testimony to the Senate Armed Services Committee in March 1999. Dr. Hosek stated that:

According to the use of RAND's DECI index the pay gap for officers is approximately 20 percent which means civilian pay has grown 20 percent faster than basic pay since 1982. The pay gap for junior enlisted (5 or fewer years of military service) personnel is a + 8 percent, meaning that basic pay has risen 8 percent faster than civilian wages since 1982. And the pay gap for senior enlisted (more than 5 years of service and assumed to have some college but less than 4 years) is - 5 percent.⁹⁷

This career gap for enlisted is particularly alarming. The research suggests that the large range of DECI based pay gaps (from +8 to -20 percent) reflects the profound supply-and-demand adjustments that have occurred in the labor market over the past two decades. The gap for officers (a delta of 20 percent) differs from the gaps for enlisted mainly because civilian wages have grown more rapidly for college-educated workers than workers with less education.⁹⁸

Dr. Hosek stated:

... the difference between the junior enlisted and senior enlisted is troubling. Whatever compensation edge junior personnel enjoy *is reversed* as they look ahead to the prospect of remaining in the military and making investments necessary to advance through the ranks. The +8 percent (advantage) gap drops to a -5 percent gap (disadvantage) for a total swing of 13 percent (real terms). Our research shows the difference actually had emerged by the mid 1980's and the services have coped with it, but we believe it will be advantageous to modify the pay table to strengthen the incentives for capable personnel to continue in service and make the effort required for advancement to enlisted leadership positions.⁹⁹

The DECI provides another way to look at military wage comparability to civilian wages, however it has not been embraced by DOD. Never the less, it provides statistical information on the occupational comparisons which are taking place among those in the current AVF and will continue to take place in the future AVF.

SUPPLY AND DEMAND AND THE FUTURE LABOR POOL

Earlier in the paper, Moskos highlighted in his I/O theory that an AVF would be highly dependent upon economic variables of the economy. At the present time (Jan 2000), the AVF is competing in an unprecedented positive economic cycle with low unemployment that places great challenges on the ability of the AVF to retain men and women in acceptable numbers. With unemployment hovering around 4 percent, the U.S. has a national labor force that is willing, able and ready to work. The men and women who make up the 1.4 million plus military population are not only willing, able, ready to work, but also are uniquely professional, drug free, highly disciplined, and can easily adapt to new and stressful situations. The men and women in the AVF are a fertile labor pool for the needs of civilian employers in cycles of labor shortages requiring skilled and dependable labor. The armed services have historically had difficulty retaining pilots for careers in the military due to the ample option of civilian employment with the

airlines with significant increased pay and benefits. The same situation develops in the "demand" side for the entire military force when unemployment remains low and the demand for disciplined, skilled labor increases. Therefore, for the foreseeable future, the civilian job market is a direct threat to AVF retention. This current and future supply vs. demand equation is highlighted by the Secretaries of the Air Force and Navy in their individually prepared 1999 Annual Reports to Congress and the President.

F. Whitten Peters, as Acting Secretary of the Air Force, reported in 1999:

...Retention is a concern. ...The Service must compete with the strongest economy in a generation for airmen's expertise and leadership skills. Several years of high operating tempo, civilian-military pay inequities...are making it difficult to keep our people in uniform. ...the service is 855 pilots short of its needs, a number that is expected to jump to approximately 2,000 in FY2002. ...Retention is not solely a pilot issue. ...it is also a serious concern with enlisted personnel, especially mid-level non-commissioned officers. Reenlistment rates for those completing their second-term are 69 percent. This is below the Air Force's goal of 75 percent for the second year in a row and the numbers continue down. ...First-term and career enlistments also fell below Air Force goals for the first time in eight years.¹⁰⁰

And Richard J. Danzig, Secretary of the Navy, expressed similar concerns in 1999:

...The implications of a well-managed professional force are never more important than now as the All-Volunteer Force enters an era of steady-state end strength for the first time. Family separation due to a high operating tempo, greater perceived pay disparity with the civilian community, lower advancement opportunity, an erosion of other benefits, and a strong economy adversely affected personnel retention. Overall enlisted first-term retention for the Navy over the last three fiscal years was approximately 32 percent, which equates to about 6 percent below what is required to support a steady-state Navy force level. ...action must be taken to counteract the draw of better paying jobs in the civilian market.¹⁰¹

The Services are in no doubt waging a full out war with their civilian counterparts in regards to recruiting and retention in the AVF. No one has a crystal ball on the future, it may be that a future change in the socioeconomic and workforce environment does not greatly effect the AVF. But to deny that the workforce in America is not going to change in the future would not be prudent when considering basic pay policy in an AVF system. In a Hudson Institute publication, *Workforce 2020, Work and Workers in the 21st Century*, a hint of the future workforce environment is seen. Envisioning the new economy, globalization and rapid movement of information, the Hudson Institute sees two fundamental qualities of the future workforce:

First, the gates have lifted before almost every American who wishes to embark on the journey of work. Age, gender, and race barriers to employment opportunity have broken down. What little conscious discrimination remains will be swept away soon--not by government regulation but by the enlightened self-interest of employers. Second, *more and more individuals now undertake their own journeys throughout the labor force, rather than "hitching rides" on the traditional mass transportation provided by unions, large corporations, and government bureaucracies* (italics added for emphasis). For all workers, the premium on education, flexibility, and foresight has never been greater than it will be in the years ahead.¹⁰²

If such predictions hold true, placing such characteristics within the general population who are recruited into the armed forces, it is quite possible the armed forces will have a harder time retaining the men and women for a career based solely on this socio-economic dynamic. Such a dynamic would serve to increase the importance of the "pull" required by the institutional and/or occupational forces to retain personnel in the AVF. In such a future environment, personnel management policies in the AVF must work to emphasize the motivational incentives found in both institutional and occupational characteristics of service. Such policies, which enhance I/O motivations, will be necessary in order to compete against independent empowerment of the worker, as individuals take greater responsibility to work "for today" and avoid dependence or reliance on corporations or institutions for their future welfare.

With the reengineering of corporations, downsizing and rightsizing of corporate America and the armed forces in the late 1980's and early and mid 1990's, many of today's younger workforce have grown to believe by observation that the model of working for life for a single company or institution is outdated. Many within America's workforce seriously question long term corporate and institutional allegiance with respect to such recent history and future prospect of greater worker mobility and authority.¹⁰³ On a large scale perspective, such a change in the workforce culture and mentality would be another force to contend with when the AVF looks at the I/O motivations that retain the experienced personnel within the AVF.

This final section has shown that the forces that will shape future basic pay in the AVF have the potential to produce greater debates and greater leadership challenges. As the AVF for the first time enters a "steady-state" for the first time since the end of the Cold War, coupled with record employment and the greatest economic expansion in U.S. history, the AVF is in direct competition with the civilian marketplace. Couple this dynamic with the debate of the future NMS and future federal personnel entitlements reaching nearly 75 percent by 2010 and one can see the leadership challenges which will lay ahead for Congress. At the turn of the century, the majority of American's supported the pay raises recommended by Congress in FY2000 for the AVF. There is still a debate concerning what is adequate, fair and comparable basic pay within the general public. In pursuit of the question concerning the real or perceived military vs. civilian wage gap, the Department of Labor's ECI index and the newly developed DECI index provide valuable data that policy makers should continuously review in order to ensure basic pay remains comparable and competitive to civilian wages. According to DECI data, entry recruits are paid more than their civilian counterparts, however as the research attests to, this was entirely expected during the beginning of the AVF in the early 1970's. What must be dealt by policy makers in the immediate future is the lack of adequate basic pay for higher enlisted grades as shown by the DECI data.

Congress, the administration and DOD should use DECI data to provide a clearer picture of wage adequacy within different socio-economic, educational, and technological skills sets of DOD personnel. However, DECI should not solely be used to justify wage adequacy for the overall concept of basic pay. As the research has shown, basic pay must remain viable and the DECI index alone will not necessarily ensure basic pay's viability. To date, the Department of Labor's ECI provides the overall fidelity which

articulates overall civilian wage growth. The ECI standard for basic pay increases, which has been used over a decade, continues to ensure adequate, fair and civilian comparable basic pay for the AVF. Most importantly, as we look into the future, basic pay will be a key occupational motivator for the vibrancy of the AVF as members consider making a career in the armed forces. As such, basic pay must not only be adequate and fair but it must be competitive in the overall labor market. If future basic pay policy does ensure competitive pay, there is no doubt that the AVF will lose many of its finest personnel in the years to come. To ensure a basic pay policy that is competitive in the anticipated future labor environment, Congress should more closely tie basic pay to civilian wage comparability as found in the overall ECI yearly growth rate.

CONCLUSION

This paper has looked at four major areas in respect to basic pay in volunteer armed forces in order to help ascertain the role of future basic pay compensation policy within the U.S. AVF. These four areas included the historical review of basic pay during several periods of the 20th century in Britain and the U.S. and the beginnings of the modern U.S. AVF; the resurgence of the AVF following the hollow force years; the forces which shaped basic pay policy during the 1999 legislative year on Capitol Hill (which afforded the first military pay raise larger than civilian wage growth in over eight years); and lastly, the future environment basic pay policy will contend with.

In analyzing and comparing highlights of the 20th century, comparisons of post W.W. I visionaries, the W.W. I and W.W. II interwar period, the beginning of the AVF and the hollow force period the paper showed the critical importance of basic pay as a motivational occupational pillar of volunteer armed forces. History highlights the periods and cycles of depressed basic pay and the need for greater consistency toward adequacy and fairness of basic pay for volunteer forces. The analysis of the hollow force period provided a foundation for the inherent motivational aspects of the AVF through the understanding of Mosko's I/O theory. During the depths of the hollow force period, the civilian control of the armed forces solidified the AVF as a viable system to raise and maintain the U.S. armed forces as the nation found the resolve, determination and political willpower to ensure basic pay was adequate and fair by bolstering military pay to civilian comparability.

In the section analyzing the forces which shaped CY 1999 basic pay policy the analysis of key civilian powers of the President, Congress, SECDEF, and testimony by subject matter experts to Congress highlighted that basic pay continues to play a critical role in readiness of the AVF since the AVF is deploying to the far reaches of the earth more and more since the end of the Cold War. This readiness, which must be ensured to execute the nation's NMS, is directly tied to the ability of the AVF to retain a certain amount of experienced men and women. Analysis of the statements provided in CY 1999 clearly show that a lack of adequate and fair basic pay over time can produce significant retention consequences for the AVF that in turn will effect the future readiness of the armed forces. Over the past 27 years of the AVF, as seen in ECI comparability charts, the wage gap has receded and expanded far

too many times to provide predictability in basic pay which can serve as a deterrent to occupational career motivation.

In analyzing the future forces that will shape basic pay, the paper highlighted the unique forces and environment in which basic pay policy must be developed. The AVF is entering a "steady state" for the first time post Cold War. The stabilization of the AVF coupled with dynamics of the future cost of the NMS within the context of economic prosperity, record unemployment, and a uniquely changing workforce will result in basic pay policy being more important than ever to ensure adequate AVF retention. Within this economic and political environment, basic pay policy must continue to serve as an occupational motivator for retention in the AVF. The newly developed DECI index provides unique data in assessing adequacy and fairness of basic pay and should be routinely used to assess basic pay by Congress. However, the Department of Labor's ECI index should continued to be used to assess yearly basic pay pay raises to ensure comparability to civilian wages. Most pressing for the future of the AVF though within the context of future forces is the need to ensure that basic pay is not only adequate and fair but to ensure basic pay is competitive with the labor market the AVF will find itself in.

Taking this research and analysis into consideration, as the U.S. AVF moves into the 21st century, Congress and the President should support a move toward a basic pay policy which provides for predictable civilian wage comparability based on the annual growth of the ECI once the current military / civilian wage gap is closed. The legislative bodies should ensure long term political and fiscal commitment to such a policy in each year's legislative authorizations and appropriations. Such a policy will not only ensure the fairness and adequacy of basic pay but will also enhance basic pay's future competitiveness. Additionally, such a policy will enhance the predictability of future pay that in turn will be a significant occupational motivator for retention within the AVF.

Such a policy will only be accomplished by a thorough understanding of the motivational underpinnings of the AVF by those who are responsible for development of basic pay policy. There will probably never be a "silver bullet" perfect policy solution with regard to basic pay compensation. Basic pay policy should always be a result of a healthy national debate within the halls of the institution responsible to raise and maintain the armed forces--Congress. However, within this great debate, Congress should consider its conviction to honor the nation's commitment to the men and women who serve, by ensuring it provides consistent, predictable basic pay that is adequate, fair and comparable to civilian wages. With the understanding of the historical and current underpinnings of the AVF, coupled with an understanding of the future forces that will affect retention of the AVF, Congress, backed by the willpower of the American people will be in the position to adequately exercise their responsibility to raise and maintain the AVF required to execute the nation's NMS. With the passing of 27 years of the modern AVF, it is time to realize that for the continuous health and readiness of the AVF, occupational needs must be soundly addressed through long-term predictable basic pay policy. Ensuring civilian comparable and competitive basic pay will go a long way in providing a strong and vibrant AVF that will ensure the retention of experienced military professionals. To do less will risk a reoccurring crisis of confidence

within the AVF and the inevitable questioning of the support and commitment by the nation for whom the members of the AVF serve.

In closing, Lieutenant General, Michael Nelson, USAF (Ret) and current President of the Retired Offices Association put the future basic pay policy issue into perspective stating in January 2000, "...Pay raise comparability isn't some esoteric analytical concept; it's a simple matter of fairness. It isn't a recruiting issue; it's a retention issue. Nobody claims that restoring pay comparability is the whole solution to the military readiness crisis staring the country in the face. ...But there can be no solution without it."¹⁰⁴ General Nelson's words sound very similar to the words highlighted earlier in the paper by former Secretary Laird almost 20 years ago concerning the AVF during the hollow force. "Let's not get into all of these debates of peripheral issues. Let's solve this problem which is solvable now. It takes a little money. It takes a little sacrifice on the part of every citizen of this country, but we better start paying this bill."¹⁰⁵

Word count = 19,290

ENDNOTES

¹ Jodie T. Allen, "These Are the Good Old Days," 31 January 2000; available from <http://www.usnews.com/usnews/issue/000131/econ.htm>; Internet; accessed 22 February 2000.

² Henry H. Shelton, "A Word from the Chairman," Joint Forces Quarterly 20 (Autum/Winter 1998-99): 4.

³ *Ibid.*, 5.

⁴ Thomas S. Gates, President's Commission On An All-Volunteer Armed Force (Washington, D.C.: U.S. Government Printing Office, 1970), 56.

⁵ Thomas Kolditz, Lt Col, USA, member Well-Being Committee, interview by author, 20 February 2000, Carlisle Barracks, PA.

⁶ The Retired Officers Association, "Military Pay Raise Gap," no date; available from <http://www.troa.org/Legislative/ActiveDuty/PayGap.asp>; Internet; accessed 1 January 2000.

⁷ Paul W. Arcari, Col, USAF (Ret), Col Christopher Giaino, USAF (Ret); Col William R. Hart, USMC (Ret); Col Frank G. Rohrbough, USAF (Ret) and LCdr Virginia Torsch, USNR, "Military Pay Cap: A Bad Readiness Decision," The Retired Officer Magazine (April 1983): 12.

⁸ Alex Wylie, D.L., The Future Of The British Army (London, U.K.: Hugh Rees, Ltd, 1917), 10.

⁹ *Ibid.*, 8-10.

¹⁰ *Ibid.*, 11-12.

¹¹ *Ibid.*, 12.

¹² Robert K. Griffith, Jr., Men Wanted for the U.S. Army: America's Experience with an All-Volunteer Army Between the World Wars (Westport, CT: Greenwood Publishing Group, 1982), 105.

¹³ *Ibid.*

¹⁴ *Ibid.*

¹⁵ *Ibid.*, 106.

¹⁶ *Ibid.*

¹⁷ *Ibid.*

¹⁸ *Ibid.*, 106-107.

¹⁹ *Ibid.*, 107.

²⁰ *Ibid.*, 149.

²¹ Richard M. Nixon, "The All-Volunteer Armed Force," an address given over the CBS Radio Network, Thursday, Oct 17, 1968; quoted in Harry A. Marmion, The Case Against a Volunteer Army (Chicago: Quadrangle Books, 1971), 75-76.

²² Mahlon Apgar, IV, "Why They Leave," Army (March 1966): 57.

²³ Ibid.

²⁴ Nixon, 75.

²⁵ Ibid., 79-80.

²⁶ Melvin R. Laird, People Not Hardware the Highest Defense Priority (Washington, D.C.: American Enterprise Institute, 1980), 1.

²⁷ Gates, 201.

²⁸ Mackubin T. Owens, "Strategy and Resources: Trends in the U.S. Defense Budget," in American Defense Annual, 1995-1996, ed. Williamson Murray (Washington D.C.: Brassey's, 1996), 171.

²⁹ Charles J. Zwick, Chairman, Presidents Commission On Military Compensation (Washington D.C.: U.S. Government Printing Office, 1978), 8.

³⁰ Ibid., 111.

³¹ Ibid.

³² Ibid.

³³ Ibid., 112.

³⁴ Ibid., 113,

³⁵ American Enterprise Institute, How Should the U.S. Meet Its Military Manpower Needs? (Washington, D.C.: American Enterprise Institute, 1980), 2.

³⁶ Ibid., 18.

³⁷ Ibid., 20-21.

³⁸ Ibid., 36.

³⁹ Laird, 12.

⁴⁰ Ibid., 5.

⁴¹ Martin Binkin and Irene Kyriakopoulos, Paying the Modern Military (Washington, D.C.: The Brookings Institution, 1981), 6.

⁴² Department of Defense, Office of Secretary of Defense, Military Compensation Background Papers, 5th ed. (Washington, D.C.: U.S. Government Printing Office, 1996), 36.

⁴³ Ibid.

⁴⁴ Charles C. Moskos, Jr., "From Institution to Occupation: Trends in Military Organizations," Armed Forces and Society 4 (November 1977): 42.

⁴⁵ Charles C. Moskos, Jr., "Institutional/Occupational Trends in Armed Forces: An Update," Armed Forces and Society 12 (Spring, 1986) 379.

⁴⁶ Moskos, "From Institution to Occupation: Trends in Military Organizations," Armed Forces and Society, 43.

⁴⁷ Charles C. Moskos and Frank R. Wood, eds., The Military More Than Just a Job? (Washington, D.C.: Pergamon-Brassey's, 1988), 3.

⁴⁸ Ibid., 7.

⁴⁹ Ibid., 290.

⁵⁰ David R. Segal, quoted in Robert W. Cone, The Trend Toward Rationalization and the Military Profession, 25. (Alexandria, VA: Defense Technical Information Center, 1987), .

⁵¹ Ibid., 27-28.

⁵² Associated Press, "Showdown Appears Certain Over Selective Service," Baltimore Sun. 11 August 1999, sec 1A, p. 3.

⁵³ Jim Garamone, afisnews_sendeer@dtic.mil(Press Service), "All Win With Pay Raise, Pay Table Reforms," 28 September 1999, ; 29 September 1999.

⁵⁴ Ibid.

⁵⁵ William J. Clinton, "Clinton Announcement On Military Pay Increase," 21 December 1998; available from <http://www.usis-israel.org.il/publish/press/whouse/archieve/a998/december/wh21223.htm>; Internet; accessed 15 September 1999.

⁵⁶ James M. Inhofe, "Challenges of Military Readiness," 20 February 1999; available from <http://www.senate.gov/~inhofe/milread.html>; Internet; accessed 1 January 2000, 1.

⁵⁷ Ibid., 2-3.

⁵⁸ William S. Cohen, Annual Report to the President and the Congress, (Washington, D.C.: U.S. Government Printing Office, 1999), 184.

⁵⁹ Ibid.

⁶⁰ Ibid., 111.

⁶¹ Ibid., 110-111.

⁶² Ibid., 111.

⁶³ Ibid., 32-33.

⁶⁴ Rudy de Leon, "Statement Before House Armed Services Committee, Readiness Subcommittee," 25 February 1999; available from <http://www.house.gov/hasc/testimony/106thcongress/99-02-25deleon.htm>; Internet; accessed 18 November 1999. 2.

⁶⁵ Ibid., 5.

⁶⁶ Ibid., 4.

⁶⁷ Moskos, The Military More Than Just a Job?, 21.

⁶⁸ Michael F. Ouellette, "Prepared Statement Before the House Armed Services Committee," 25 February 1999; available from <http://www.house.gov/hasc/testimony/106thcongress/99-02-25ouellette.html>; Internet; accessed 18 November 1999.

⁶⁹ Congress, House, Appropriations Committee, Subcommittee on Defense, FY00 Personnel Issues, 106th Cong., 1st sess., 4 March 1999, 2.

⁷⁰ Ibid., 15-16.

⁷¹ Ibid., 17.

⁷² Loren B. Thompson, "Military Supremacy and How We Keep It," The Officer, November 1999, 31.

⁷³ Ibid., 35.

⁷⁴ Randy Cunningham, "Defense Spending Increases Falling Short," San Diego Union Tribune, 24 February 2000, sec. 2A, p. 4.

⁷⁵ Ibid.

⁷⁶ Associated Press, "Details of Military Poll," 17 October 1999; available from <http://ap.infonautics.com/s/wire/search.cgi?id=&SITE=DCTMS>; Internet; accessed 15 February 2000.

⁷⁷ Cindy Williams, "Our GI's Earn Enough," Washington Post, 12 January 2000, sec 4, p. 4.

⁷⁸ Ibid.

⁷⁹ Michael A. Nelson, "General Nelson's Pay Raise Comparability Letter," 22 January 2000; available from <https://www.troa.org/legislative/activeduty/payletter.asp>; Internet; accessed 25 February 2000.

⁸⁰ Ibid.

⁸¹ Robert L. Bixby, "Testimony Before the House Armed Services Committee, Military Personnel Subcommittee," 25 February 1999; available from

<http://www.concordcoalition.org/news/990225bixbytestimony.html>; Internet; accessed 15 September 1999.

⁸² Ibid.

⁸³ Ibid.

⁸⁴ Joseph J. Collins, "American Military Culture in the 21st Century, Executive Summary," February 2000; available from <http://www.csis.org/pubs/am21.html>; Internet; accessed 10 January 2000.

⁸⁵ Ibid.

⁸⁶ The Retired Officers Association, "Military Pay Raise Gap," no date; available from <http://www.troa.org/Legislative/ActiveDuty/PayGap.asp>; Internet; accessed 1 January 2000.

⁸⁷ Ibid.

⁸⁸ Ibid.

⁸⁹ Ibid.

⁹⁰ Christopher Jehn, "Testimony Before the House Armed Services Committee, Military Personnel Subcommittee," 25 February 1999; available from <http://www.house.gov/hasc/testimony/106thcongress/99-02-25jehn.htm>; Internet; accessed 11 November 1999.

⁹¹ Ibid.

⁹² Ibid.

⁹³ James R. Hosek, Christine E. Peterson and Joanna Z. Heilbrunn, "Is There a Gap Between Military and Civilian Pay?," 1994; available from <http://www.rand.org/publications/RB/RB7502/RB7502.word.html>; Internet; accessed 15 September 1999.

⁹⁴ Ibid.

⁹⁵ Ibid.

⁹⁶ Ibid.

⁹⁷ James R. Hosek, Military Compensation Testimony Presented to the Senate Armed Services Committee Subcommittee on Personnel, Prepared Statement Testimony presented to the 106th Cong. 1st sess. (Santa Monica, CA: RAND, 1999), 3.

⁹⁸ Ibid.

⁹⁹ Ibid., 4.

¹⁰⁰ Whitten Peters, Annual Report to the President and the Congress, (Washington, D.C.: U.S. Government Printing Office, 1999), 211.

¹⁰¹ Richard J. Danzig, Annual Report to the President and the Congress, (Washington, D.C.: U.S. Government Printing Office, 1999), 206.

¹⁰² Richard W. Judy and Carol D'Amico, eds., Workforce 2020, Work and Workers In the 21st Century (Indianapolis, IN: Hudson Institute, 1997), 2.

¹⁰³ Judy, 49.

¹⁰⁴ Michael A. Nelson, "General Nelson's Pay Raise Comparability Letter," 22 January 2000; available from <http://www.troa.org/legislative/activeduty/payletter.asp>; Internet; accessed 22 February 2000.

¹⁰⁵ American Enterprise Institute, 36.

BIBLIOGRAPHY

- Allen, Jodie T. "These Are the Good Old Days." 31 January 2000. Available from <http://www.usnews.com/usnews/issue/000131/econ.htm>. Internet. Accessed 22 February 2000.
- American Enterprise Institute. How Should the U.S. Meet Its Military Manpower Needs?. Washington, D.C.: American Enterprise Institute, 1980.
- Apgar IV, Mahlon. "Why They Leave." Army, (Mar 1966): 54-57.
- Arcari, Paul, Col, USAF (Ret); Col Christopher Giaimo, USAF (Ret); Col William R. Hart, USMC (Ret); Col Frank G. Rohrbough, USAF (Ret) and LCdr Virginia Torsch, USNR. "Military Pay Cap: A Bad Readiness Decision." The Retired Officer Magazine, (April 1983): 12.
- Associated Press. "Showdown Appears Certain Over Selective Service." Baltimore Sun, 11 August 1999, sec. 1A, p. 3.
- Associated Press. "Details of Military Poll." 17 October 1999. Available from <http://ap.infonautics.com/s/wire/search.cgi?id=&SITE=DCTMS>. Internet. Accessed 15 February 2000.
- Binkin, Martin and Irene Kyriakopoulos. Paying the Modern Military. Washington, D.C.: The Brookings Institution, 1981.
- Bixby, Robert L. "Testimony Before the House Armed Services Committee, Military Personnel Subcommittee." 25 February 1999. Available from <http://www.concordcoalition.org/news/990225bixbytestimony.html>. Internet. Accessed 15 September 1999.
- Correll, John T. "The Faith Not Kept". Air Force Magazine, May 1999, 2-4.
- Clinton, William J. "Clinton Announcement On Military Pay Increase." 21 December 1998. Available from <http://www.usis-israel.org.il/publish/press/whouse/archieve/a998/december/wh21223.htm>. Internet. Accessed 15 September 1999.
- Cohen, William S. Annual Report to the President and the Congress, 1999. Washington, D.C.: U.S. Government Printing Office, 1999.
- Collins, Joseph J. "American Military Culture in the 21st Century, Executive Summary." February 2000. Available from <http://www.csis.org/pubs/am21.html>. Internet. Accessed 10 January 2000.
- Cunningham, Randy. "Defense Spending Increases Falling Short." San Diego Union-Tribune, 24 February 2000, sec. 2A, p. 4.
- Daly, John Charles. "How Should the U.S. Meet It's Military Manpower Needs?" American Enterprise Institute Forum. Washington D.C., American Enterprise Institute for Public Policy Research, 6 March 1980.
- Danzig, Richard J. Annual Report to the President and the Congress, 1999. Washington, D.C.: U.S. Government Printing Office, 1999.
- Department of Defense, Office of Secretary of Defense. Military Compensation Background Papers, 5th ed. Washington, D.C.: U.S. Government Printing Office, 1996.

- Garamone, Jim. afisnews_sender@dtic.mil(Press Service). "All Win With Pay Raise, Pay Table Reforms." 28 September 1999, ; 29 September 1999.
- Gates, Thomas S. President's Commission On An All-Volunteer Force. Washington, D.C.: U.S. Government Printing Office, 1970.
- Griffith, Robert K., Jr. Men Wanted for the U.S. Army: America's Experience with an All-Volunteer Army Between the World Wars. Westport, CT: Greenwood Publishing Group, 1982.
- Hosek, James R., Christine E. Peterson and Joanna Z. Heilbrunn. "Is There a Gap Between Military and Civilian Pay?." 1994. Available from <http://www.rand.org/publications/RB/RB7502/RB7502.word.html>. Internet. Accessed 15 September 1999.
- Hosek, James R. Military Compensation Testimony Presented to the Senate Armed Services Committee Subcommittee on Personnel. Prepared Statement Testimony presented to the 106th Cong., 1st sess. Santa Monica, CA: RAND, 1999.
- Inhofe, James M. "Challenges of Military Readiness." 20 February 1999. Available from <http://www.senate.gov/~inhofe/milread.html>. Internet. Accessed 1 January 2000.
- Jehn, Christopher, "Testimony Before the House Armed Services Committee, Military Personnel Subcommittee," 25 February 1999. Available from <http://www.house.gov/hasc/testimony/106thcongress/99-02-25jehn.htm>. Internet. Accessed 11 November 1999.
- Judy, Richard W. and Carol D'Amico, eds. Workforce 2020, Work and Workers In the 21st Century. Indianapolis, IN: Hudson Institute, 1997.
- Kolditz, Thomas, Lieutenant Colonel, USA. member Well-Being Committee. Interview by author, 20 February 2000, Carlisle Barracks, PA.
- Kozaryn, Linda D. afisnews_sender@dtic.mil. "DoD Panel Targets Junior Enlisted Money Woes," 28 October 1999. Defense Press Service, 28 Oct 1999.
- Laird, Melvin R. People Not Hardware the Highest Defense Priority. Washington, D.C.: American Enterprise Institute, 1980.
- Leon, Rudy de. "Statement Before House Armed Services Committee, Readiness Subcommittee." 25 February 1999. Available from <http://www.house.gov/hasc/testimony/106thcongress/99-02-25deleon.htm>. Internet. Accessed 18 November 1999.
- McCain, John M., ed. Going Hollow: The Warnings of the Chiefs of Staff, An Update. Washington, D.C.: Sept ember 1994.
- Moskos, Charles C. and Frank R. Wood, eds. The Military, More Than Just a Job?. Washington, D.C.: Pergamon-Brassey's, 1988.
- Moskos, Charles C. Jr., "From Institution to Occupation: Trends in Military Organizations," Armed Forces and Society 4 (November 1977): 42.
- Moskos, Charles C. Jr., "Institutional/Occupational Trends in Armed Forces: An Update," Armed Forces and Society 12 (Spring, 1986) 379.

- Nelson, Michael A. "General Nelson's Pay Raise Comparability Letter." 22 January 2000. Available from <https://www.troa.org/legislative/activeduty/payletter.asp>. Internet. Accessed 25 February 2000.
- Nixon, Richard M. "The All-Volunteer Armed Force," address given 17 Oct, 1968. Quoted in Marmion, Harry A. Marmion, The Case Against a Volunteer Army, 75. Chicago, IL: Quadrangle Books, 1971.
- Ouellette, Michael F. "Prepared Statement Before the House Armed Services Committee." 25 February 1999. Available from <http://www.house.gov/hasc/testimony/106thcongress/99-02-25ouellette.html>. Internet. Accessed 18 November 1999.
- Owens, Mackubin T. "Strategy and Resources: Trends in the U.S. Defense Budget." in American Defense Annual, 1995-1996, ed. Williamson Murray, 155-181. Washington D.C.: Brassey's, 1996.
- Peters, F. Whitten. Annual Report to the President and the Congress, 1999. Washington, D.C.: U.S. Government Printing Office, 1999.
- President's Commission On Military Compensation. Report of the President's Commission On Military Compensation. Washington D.C.: U.S. Govt Printing Office, Apr 1978.
- Segal, David R. Quoted in Robert W. Cone. The Trend Toward Rationalization and the Military Profession. Alexandria, VA: DTIC, 1987.
- Shelton, Henry H. "A Word From The Chairman." Joint Forces Quarterly 20 (Autumn/Winter 1998-99): 1-5.
- The Retired Officers Association. "Military Pay Raise Gap." no date. Available from <http://www.troa.org/Legislative/ActvieDuty/PayGap.asp>. Internet. Accessed 1 January 2000.
- Thompson, Loren B. "Military Supremacy and How We Keep It." The Officer, November 1999, 29-35.
- U.S. Congress. House. Appropriations Committee. Subcommittee on Defense. FY00 Personnel Issues. 106th Cong., 1st sess., 4 March 1999.
- U.S. Congressional Budget Office. Costs of Manning The Active-Duty Military. Washington D.C.: Congressional Budget Office, May 1980.
- U.S. Commission on National Security/21st Century. New World Coming: American Security In the 21st Century--Phase I Report. Washington D.C.: Sep 15, 1999.
- U.S. General Accounting Office. Military And Federal Civilian Disposable Income Comparisons And Extra Pays Received By Military Personnel. Washington D.C.: U.S. General Accounting Office, May 9, 1984.
- U.S. General Accounting Office. Defense Budget: Trends in Active Military Personnel Compensation Accounts for 1990-97. Washington D.C.: U.S. General Accounting Office, July 1996.
- Williams, Cindy. "Our GIs Earn Enough." Washington Post. 12 January 2000, sec 4, p. 4.
- Wylie, Alex D.L. The Future Of The British Army. London, U.K.: Hugh Rees, LTD., 1917.
- Zwick, Charles J. Report of the President's Commission On Military Compensation. Washington, D.C.: U.S. Government Printing Office, 1978.