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**Indefinite Reenlistment for Senior Petty Officers**

**24 March 2008**

**by**

**Dr. John Enns, Senior Lecturer**

Defense Resource Management Institute

**Naval Postgraduate School**

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# Abstract

The U.S. Navy has been studying a policy of indefinite reenlistment for Senior Petty Officers (Grades E-6 to E-9) for about ten years. This policy requires all sailors with a rank of E-6 to E-9 to reenlist indefinitely, rather than execute reenlistment contracts (the current policy). Their new separation date becomes either the year they are required to separate (their high year of tenure if not promoted) or their retirement date (usually a voluntary choice). Of course, a sailor can request to leave service at any time, which mirrors the officer system.

This study uses three criteria to analyze the new policy: management flexibility, fairness to members and cost. It finds that personnel management in the Navy would be improved because sea billet manning could be increased in critical ratings; that the policy would be equitable after several years (although some current members could be impacted negatively); and, that costs for incentive pay could increase by \$1.4 M annually. A survey of officers at the Naval Postgraduate School (December, 2008) supports the view that indefinite reenlistment would benefit the Navy.

This study also presents an implementation plan for conversion to indefinite reenlistment. A phase-in approach is taken where critical skills (defined as ratings where sea billet manning < 90%) are given the option of conversion at the present time. Those that choose to remain under the current system (reenlistment contracts) could do so until retirement, but if promoted they would be converted to the new system. All other sailors would be required to convert to indefinite reenlistment in FY 2009



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Disclaimer: The views represented in this report are those of the author and do not reflect the official policy position of the Navy, the Department of Defense, or the Federal Government.



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# I. Introduction

The US Navy is considering converting a portion of its enlisted force (E-6 and above) from fixed reenlistment contracts to a system of indefinite reenlistment. Since Congress first approved indefinite reenlistments for enlisted personnel in 1998, at least two studies have found that the Navy would not derive great benefit from such a conversion. A SAG Corporation study (1998) found that, although indefinite reenlistment would reduce the administrative workload involved in the reenlistment process, it would not result in any actual billet reductions. The study concluded that indefinite reenlistment (IR) has limited benefits and substantial implementation costs. Because of the potential long-run effects, the researchers suggested a wait-and-see approach before implementing IR. A 2007 Rand Corporation study, primarily an evaluation of the Army NCO system, also conducted focus group interviews with Navy senior enlisted personnel (Miller et al., 2007, February). Though improvement of NCO morale and increased prestige were two of the reasons for the Army conversion, this investigation concluded that the prestige of petty officers would not be enhanced by indefinite reenlistment. In addition, the senior enlisted personnel described the reenlistment process as an additional screen for quality, something that would be lost with indefinite reenlistment.

The present study analyzes three criteria to assess IR. First, management flexibility is a very important goal for the Navy. In order to meet the demands of the fleet, leadership must ensure that promotion, sea-shore rotation and assignment policies are coordinated with reenlistment procedures to maximize sea manning. These management considerations are examined in Chapter 2. Chapter 3 discusses the cost implications of converting to IR. Leadership must consider balancing the needs of the Navy with fairness to its members; the equity for current members is considered in Chapter 4.

The opinions of naval officers at the Naval Postgraduate School are presented in Chapter 5; in general, their experiences with the Chief Petty Officer



force provide support for conversion to IR. Chapter 6 concludes with a plan for conversion from fixed reenlistments to indefinite reenlistments for grades E-6 and above.



## II. Management Flexibility

The Navy is currently investigating several management changes to improve its levels of readiness and sea manning. The initiatives are rotational crewing and the creation of extra manning pools. The primary advantage of rotational crewing is the ability to maximize the fleet's forward presence while complying with Navy personnel tempo (PERSTEMPO) rules. Additional manning pools are designed to provide quick relief for unplanned gaps in sea billets. Under one scheme, termed sea-centric, 130% manning includes an extra 30% shore-based manning complement that rotates on and off the ship on a fixed schedule. Both these initiatives seem well-suited to supporting operational requirements while complying with the current downsizing in authorized manpower levels.

The major features of the more sea-intensive force are that the Navy will have to get more sea duty out of senior E-6s and E-7s and find ways to quickly fill unplanned losses. This could be done by increasing existing incentive pays. Conversion to indefinite reenlistment would also complement these Navy initiatives by insuring that sailors with critical sea skills do not use the reenlistment contract and shore extension system to avoid sea duty.

### A. Assignments

Deployment scheduling requires that officers and senior enlisted personnel are assigned to key department jobs. To promote good teamwork, the same personnel should remain in these jobs for an entire sea tour. For officers, this is usually not a problem because they are serving indefinite contracts. However, under the current system a Chief Petty Officer's reenlistment contract EAOS (End of Active Obligated Service) date may end before his sea tour. Depending on his or her career choices at this decision point, the sailor may not complete the assigned duty. Under a system of indefinite reenlistment, this problem would be reduced; the acceptance of sea orders would commit a sailor to complete the tour.



## B. Administrative Workload

For grades E-6 and above, two or three reenlistments per sailor could be avoided under an indefinite reenlistment system. There would be manpower savings in the inherent reduction in counseling, paperwork and perhaps SRB procedures. However, any administrative efficiency gained from indefinite reenlistment implementation might be offset by the additional time required for scheduling because a sailor's EAOS date is uncertain. The net result for manpower administration is unknown; it could be that the same number of personnel would be required, simply performing different functions.

## C. Sea Billet Manning

The central focus of the enlisted detailing process is to fill required sea billets (measured by the sea billet manning percentage) on a consistent basis. This process involves working with a number of policies and incentives. Reenlistment contracts are but one such policy; assignment, location, platform type, length of tour, shore extension policies and variety of special pays (bonuses, sea pay and SDIP) must all be incorporated to achieve satisfactory results.

It is beyond the scope of this study to include all of the relevant variables. However, we can measure several of the policies that influence sea billet manning in the E-7 to E-9 grades. The first, and probably most important, is the sea-shore rotation ratio assigned to a rating. The more time sailors are assigned to sea duty, the higher will be the manning percentage for that rating, all other factors held constant. Promotion opportunity to petty officer and Chief Petty Officer is another influence. In addition to the prestige and recognition that accompanies promotion, there is the very real monetary incentive. For example, promotion to E-6 adds about \$6000 to a sailor's paycheck each year, plus an additional amount for housing allowances. Therefore, faster promotion is a very big incentive for a sailor to remain in the Navy and go to sea, and we expect promotion opportunity to be positively



related to manning. Bonuses and special pays have the same effect, but do not add to a sailor's retirement income as does an increase in basic pay.

To determine if there is a relationship between the important contributors to the sea billet manning percentage, a correlation was run using data from the Navy's December 2007 Digital Dashboard and a CNA study of an earlier proposal for STEP (Sea Tour Extension Program).<sup>1</sup> The variables included were SRB level (ZONE B, C), promotion opportunity to grades E-6 and E-7, and sea-shore rotation ratios by rating.

The results show that while all of the variables have the expected positive signs, only sea-shore rotation and promotion opportunity to E-7 have relatively strong correlation coefficients (>+.45) with sea billet manning percentages. A regression of these independent variables (sea-shore rotation and E-7 promotion opportunity) against the sea billet manning percentage yields the following estimated coefficients and statistical significance (t-statistics >1.2) as presented in Table 1. The regression has an R-squared value of .65

**Table 1: Regression Results for Sea Billet Manning Ratio**

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>
Intercept	54.694	16.102	3.396
Sea Shore Ratio	3.8970	3.234	1.204
E7 Promotion Opportunity	0.2191	0.057	3.811

These results suggest that if the Navy is to improve the manning of ships at sea (in the senior grades), leadership must consider increasing the opportunity to

<sup>1</sup> Golding, Heidi L.W. and Henry S. Griffis, Analysis of Proposed Sea Tour Extension Program, CAB 98-129, Center for Naval Analysis, January, 1999.



promote to Chief Petty Officer as an important factor for sailors. A 5 percentage point increase in the opportunity of promotion to E-7 yields a 1.2 percentage point increase in the sea billet manning .



### III.

## Costs

If the introduction of indefinite reenlistment is met with negative reaction by the Chief Petty Officer force, it could negatively impact retention. Such impacts would probably be felt in the years of service immediately following retirement eligibility—i.e., YOS 21 and 22. In FY 2009, there will be about 8500 personnel in these year groups. Assuming that their retention rates fall by 10 percentage points (from an average of 50% to 40%), then about 425 more chiefs would separate in that year.

To offset (partially) this effect in ratings in which sea billet manning is less than 90%, incentive pays could be expanded. For example, if all petty officers reaching 20 years of service were offered Special Duty Incentive Pay (SDIP), then sea billet manning should be no lower than at present. Indeed, if SDIP has had the intended effects, then the manning rates might be higher.<sup>2</sup>

At the current SDIP rates, in the current ratings, the estimated cost for FY2009 is shown in the following Table 2.

**Table 2. Estimated SDIP for 6 Additional Months of Sea Duty: FY 2009**

Grade	SDIP per month	Number of recipients	Estimated Months	Total (M \$)
E-7	\$ 500	1193	6	\$3.58
E-8	\$ 750	313	6	\$1.41
E-9	\$ 750	81	6	\$.36
<b>Total</b>		1587		\$5.35

<sup>2</sup> To date, there has not been a published analysis of the impact of SDIP.



If the introduction of indefinite reenlistment causes a 10 percentage point reduction in the reenlistment rates in years 21 and 22, then an additional 425 chiefs would need to be retained to offset this decline. At an average of \$562 per month (for 6 months), the additional incentive pay would add an additional \$1.4 M to the FY 2009 budget for SDIP.



## IV. Fairness and Equity

Chief Petty Officers are a hard-working group; most have made sacrifices along the way to reach their status. Some are using the current reenlistment and shore extension policies to remain on active duty, but not serve time at sea. To the extent that chiefs expect these policies to continue, an abrupt shift to a system of indefinite reenlistment could have a negative impact on retention. Or put another way: once a Chief Petty Officer has reached retirement eligibility, he or she deserves the opportunity to bargain for the best assignment possible before being forced out of the Navy as a last resort.

However, every Chief who remains on active duty without filling a critical sea billet (or agreeing to participate in an extra manning pool) reduces the promotion opportunity for junior members. This, in turn, reduces the retention and morale of some members—primarily in grade E-6—who might otherwise be highly motivated to seek promotion to Chief Petty Officer.

The issue for the Navy is: “Do we really want to retain our senior enlisted sailors?” Some shore duty is valuable, particularly in the training commands. But as the average life expectancy for Americans increases every year, a greater amount of money is required to pay for military retirees. Any reduction in the number of sailors who remain on active duty for 20 years, as well as a reduction in the number of years a sailor remains on active duty after 20 years, will yield long-run cost savings. If a senior sailor is required to accept a sea-going billet and is not allowed to remain in a shore billet, several things will occur. First, there will be more senior leadership at sea, in billets which are frequently undermanned. Second, the senior sailors will be unable to wait out their last few years on shore waiting for retirement. This in itself could cause a reduction in those who remain on active duty until the 20-year mark and could also reduce the amount of time they remain on active duty after 20 years. Simply stated, if a sailor is forced to work hard up until the 20-year mark, only the best will stay for 20 years—thereby reducing retirement expenditures.



If a rating is not in short supply of sailors to fill sea billets, then conversion to a system of indefinite reenlistment would probably not cause any hardship. Those sailors who rotate off of sea duty into a shore billet, and do not want to return to sea, could simply serve until they become retirement eligible. The problem arises in ratings that are short of the senior grades in sea billets. Determining an equitable transition plan, which meets the Navy's needs and also member expectations, is addressed in the final chapter.



## V. Recommendations of Naval Officers

This chapter summarizes what active duty officers at the Naval Postgraduate School have to say on the subject of indefinite reenlistment.<sup>3</sup> These observations are from a small, self-selected group, so the data cannot be considered scientific samples. Nevertheless, the opinions reflect both valuable personal experiences in a variety of communities, as well as a concern for the future path of the Navy.

A majority of respondents felt that the Navy needs to eliminate the “dead weight” associated with the senior enlisted that choose non-technical jobs as their last tour before retirement. Some senior enlisted members need to be programmed into training billets before they retire. This will maximize the critical skills manpower prior to their retirement from the Navy. Manning ships and filling critical billets is often challenged when senior personnel turn down orders to sea because their contract is too short. Loopholes need to be closed to ensure that shore extensions are not an option when rotations to sea are executed. Critical leadership roles are often gapped due to senior enlisted personnel preparing to retire and extending their shore assignments.

The Navy’s current policy requires enlisted sailors to sign a contract of reenlistment, typically for a period of 4 years. For junior sailors (those under 10 years of total service time), reenlistment is a valuable tool. However, senior enlisted members do not seem to benefit from a contract enlistment. Research has shown that the vast majority of senior sailors would remain in the Navy whether under contract or not. One officer stated that:

quite often though, senior enlisted members become dead-weight, frequently referred to as “ROADS” or Retired On Active Duty Status. It’s not uncommon to hear a senior sailor make a comment such as ‘I can do the last ten years standing on my head.’ Presumably, this is due to the fact that senior sailors

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<sup>3</sup> Sixteen officers participated in a study of indefinite reenlistment as part of the course requirements for GB 4071, Economics and Cost-Benefit Analysis, Fall Quarter, 2008 (Enns, Fall 2008).



are often allowed to accept “easy” shore billets where they wait out their time to retirement. Upon reaching 20 years, many sailors will remain on active duty if allowed to accept another shore rotation but immediately retire if forced to accept a sea-going billet.

Another concern expressed by some officers was the impact of reenlistment contracts on promotion opportunity. A switch to indefinite reenlistment would urge the non-promoting E-6 members to leave, thus opening up promotion opportunity ratings that have been full due to the stagnant top end of the force. If leadership ensures there is opportunity at the top for junior sailors, the Navy could have fresh manpower to tackle the future’s challenges. One officer quoted a flag officer as stating, “the generation gap between our senior enlisted and officers compared to the new graduates of boot camp and officer accession programs is too great. There are new perspectives and fresh ideas arriving in our service that have not yet blended with the old.”

One officer spoke of the “E-6 dilemma” and the impact of indefinite reenlistment:

“The E-6 to E-7 barrier is probably the toughest challenge in any enlisted service member’s career. Those who make Chief Petty Officer are almost without exception a highly motivated, professionally capable group of people. Those who do not make it can still serve to retirement. Unfortunately, for numerous reasons, a lot of E-6’s never cross that barrier and will spend the majority of their career as a First Class Petty Officer. A large percentage of those who fall into this category eventually (rightly or wrongly), accept that they will not make Chief. The natural progression is for morale and motivation to decrease, which leads to a “doing the time to retirement” mentality. The net result is the E-6 ranks being filled with unmotivated, substandard performers. From personal observations, they make up approximately 10-15 percent of the Petty Officer First Class community.

The dilemma pits overall proficiency of the Navy against taking care of a Sailor that usually has 15 years of service at that point. This is basically a “lose-lose” situation because if the Sailor stays until retirement, the Navy as a whole suffers. If the Sailor is discharged for non-grievous reasons (i.e., substandard performance) in favor of overall force proficiency, service members will come to see the Navy reneging on its promise to take care of its Sailors, which leads to lower morale and decreased proficiency. The status quo is to live with the problem and put these service members in low-



priority/visibility jobs (e.g., janitorial supervision). Feasible solutions are difficult to come by. Early retirements with less retirement pay and reserve force integration with retirement benefits at 65 have been discussed. As a manager/leader, this has by far been my toughest challenge.

However, this officer concluded that indefinite reenlistment would do little to solve this problem.

## A. Summary

Almost all officers who responded felt that implementing an assignment-based, indefinite reenlistment policy for Chief Petty Officers would benefit the Navy. The primary effect would be to give senior enlisted detailers more power to manage their particular rating communities. The net result would be more sea duty billets filled. The negotiation process for orders concerning duty location, platform type (e.g., Virginia Class Fast Attack Submarine, F/A-18C Hornet) and length of the tour would still take place. However, oversight must be provided at the detailer level to ensure this increased power is not abused. Also, because of the tight-knit nature of the Chief Petty Officer community, oversight is necessary to ensure service members up for sea duty are only being offered sea duty orders.

For their part, the Chief Petty Officer community does a good job of maintaining job performance standards within their ranks. Under indefinite reenlistment, the combination of mandatory sea duty and severance packages would likely entice a small percentage of service members to separate or retire earlier than they would under the current system. Because the military retirement plan is an “all or nothing” system, there is no incentive for senior enlisted personnel to separate prior to becoming retirement eligible. Offering a severance pay package would entice a number of personnel to leave the Navy. Most likely, those choosing to separate would not be the hard-charging, highly motivated sailors that make the Navy function.



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## VI. Conclusions and Recommendations

This analysis has suggested that a conversion to indefinite reenlistment is in the best interests of the Navy. Senior enlisted detailers would have more power to manage their rating communities. The net results would be a higher percentage of sea billets manned and better promotion opportunity for lower grades, as the senior grades would retain only those sailors willing to accept orders to sea.

### A. Costs

Implementation of an indefinite reenlistment system would not dramatically save money due to the reduction in reenlistment actions in the senior grades. It could increase the costs of retaining sailors, since the numbers reenlisting in years 21 and 22 could fall. If reenlistment rates fall by 10%, then up to \$1.4 M in SDIP could be required to maintain adequate sea manning in grades E-7 to E-9.

### B. Equity for Current Members

To be fair to today's Chief Petty Officers, the current fixed reenlistment system should be phased-out over a period of time. However, the E-6 population should be converted immediately because the members of this group have invested in their community but have not yet reached retirement eligibility. Therefore, they can be relied upon to complete at least 20 years of service, regardless of whether or not they hold a reenlistment contract. Some small percentage of this group may be discouraged by a switch to indefinite reenlistment and may not seek promotion to E-7; however, the effects of this result should be minimal. In addition, all new promotions to E-7, E-8 and E-9 should fall under the indefinite reenlistment system.

To minimize the retention impacts among the pool of senior chiefs, the current crop of E-7 to E-9 sailors should be grandfathered—or given the option of switching to IR. This may result in some “shirking”—i.e., remaining on active duty while using the fixed contract system to avoid sea duty. However, the SDIP program is



designed to encourage sailors back to sea and should help overcome any deficiencies in sea manning. The plan for implementation discussed below shows one way this transition could take place.

### C. Management Flexibility

The Navy's manpower goal is to provide the right numbers of sailors with the right skills to the fleet to meet deployment requirements. The current fixed reenlistment contract system does not support this goal for all ratings because of conflicting policies and expectations of Chief Petty Officers concerning sea and shore duty. A switch to indefinite reenlistment would better support the Navy's goals for filling sea billets. While indefinite reenlistment cannot accomplish this task alone, if initiated in conjunction with other compensation and assignment policies, the system could catalyze better sea manning and more productive sailors. Those sailors (primarily in grade E-6) that desire to serve in shore billets at the end of their careers would then be encouraged to retire when eligible—i.e., as soon after 20 years of service as possible. In addition, increasing the promotion opportunity to Chief Petty Officer (E-7) in selected ratings would help fill billets at sea in those ratings plagued by shortages.

### D. A Plan to Implement IR

Based on the preceding findings, a phase-in strategy for indefinite reenlistment seems appropriate. All E-6s would convert to indefinite reenlistment at the start of FY 2009. Since virtually all individuals in this grade (about 55,000 personnel) are committed to a Navy career but are still ineligible for retirement benefits, there should be little impact on reenlistment rates up to 20 years of service. In addition, all new promotions to the Chief Petty Officer force would fall under IR. All current E-7s, E-8s and E-9s serving in ratings in which sea manning is below 90% (estimated to be about 5,000 personnel) should be grandfathered under the fixed contract system (or given the choice to switch to IR). Managing the conversion



by rating seems appropriate since several other programs use the same technique (i.e. selective reenlistment bonuses and SDIP).

This plan is detailed by Grade and Fiscal Year in the following table. In Table 3, IR means indefinite reenlistment and Contract means fixed reenlistment contract:

**Table 3. Plan for Conversion to Indefinite Reenlistment in FY 2009**

<b>GRADE/ FISCAL YEAR</b>	<b>FY 2009</b>	<b>FY2010</b>	<b>FY2011</b>	<b>FY2012</b>
<b>E-9</b>				
Critical skills*	Contract	Contract	Contract	IR
Non-critical skills	IR	IR	IR	IR
<b>E-8</b>				
Critical skills*	Contract	Contract	IR	IR
Non-critical skills	IR	IR	IR	IR
<b>E-7</b>				
Critical skills*	Contract	IR	IR	IR
Non-critical skills	IR	IR	IR	IR
<b>E-6</b>	IR	IR	IR	IR

Note: \* Critical skills are defined by ratings in which sea billet manning has historically been less than 90%. Ratings currently eligible for Sea Duty Incentive Pay (SDIP) would be one way to identify these skills: AB, ABE, ABF, ABH AO, DC, EM, EN, ET, FC and MM (for selected grades and NECs).

For these ratings, this phase-in approach would insure that no member of today's Chief Petty Officer force would have his/her sea/shore options limited by the new reenlistment policy. Some members of this group would most likely continue to turn down sea duty and remain in a shore billet until their EAOS was reached. But this behavior would decrease over time as the force ages; indeed, by 2012 virtually all E-7 to E-9 personnel on fixed contracts would have separated or been promoted and would have been replaced by individuals on IR.



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## List of References

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# 2003 - 2008 Sponsored Research Topics

## **Acquisition Management**

- Software Requirements for OA
- Managing Services Supply Chain
- Acquiring Combat Capability via Public-Private Partnerships (PPPs)
- Knowledge Value Added (KVA) + Real Options (RO) Applied to Shipyard Planning Processes
- Portfolio Optimization via KVA + RO
- MOSA Contracting Implications
- Strategy for Defense Acquisition Research
- Spiral Development
- BCA: Contractor vs. Organic Growth

## **Contract Management**

- USAF IT Commodity Council
- Contractors in 21st Century Combat Zone
- Joint Contingency Contracting
- Navy Contract Writing Guide
- Commodity Sourcing Strategies
- Past Performance in Source Selection
- USMC Contingency Contracting
- Transforming DoD Contract Closeout
- Model for Optimizing Contingency Contracting Planning and Execution

## **Financial Management**

- PPPs and Government Financing
- Energy Saving Contracts/DoD Mobile Assets
- Capital Budgeting for DoD
- Financing DoD Budget via PPPs
- ROI of Information Warfare Systems
- Acquisitions via leasing: MPS case
- Special Termination Liability in MDAPs



## **Human Resources**

- Learning Management Systems
- Tuition Assistance
- Retention
- Indefinite Reenlistment
- Individual Augmentation

## **Logistics Management**

- R-TOC Aegis Microwave Power Tubes
- Privatization-NOSL/NAWCI
- Army LOG MOD
- PBL (4)
- Contractors Supporting Military Operations
- RFID (4)
- Strategic Sourcing
- ASDS Product Support Analysis
- Analysis of LAV Depot Maintenance
- Diffusion/Variability on Vendor Performance Evaluation
- Optimizing CIWS Lifecycle Support (LCS)

## **Program Management**

- Building Collaborative Capacity
- Knowledge, Responsibilities and Decision Rights in MDAPs
- KVA Applied to Aegis and SSDS
- Business Process Reengineering (BPR) for LCS Mission Module Acquisition
- Terminating Your Own Program
- Collaborative IT Tools Leveraging Competence

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