



# The Military Compensation Conundrum:

Rising Costs, Declining Budgets, and  
a Stressed Force Caught in the Middle

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BIPARTISAN POLICY CENTER

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# *Prologue*

The Bipartisan Policy Center’s Task Force on Defense Personnel, consisting of 26 defense and national security experts, will make recommendations to strengthen U.S. national security by improving and modernizing the way the Department of Defense (DOD) recruits, manages, and retains its people. During this effort, BPC will publish a series of analytical papers examining the strengths and shortcomings of current personnel policies and practices. While the series will primarily focus on personnel systems, this first paper acknowledges the context in which any discussion of defense reform must occur: the current budgetary policies of the federal government. To that end, the below paper outlines the fiscal situation facing the U.S. government, analyzes the challenging dynamics of today’s military compensation models, and demonstrates how the two interact to create obstacles to the meaningful personnel reform that is needed to prepare the nation and military for an unpredictable future security environment.

# *Introduction*

National security requirements should be the rationale for any major decisions impacting the U.S. military. Unfortunately, the Budget Control Act and sequestration are forcing civilian and military leaders to make critical decisions with limited regard for their national security implications. The effect on the military has been profound.

Driven by the need to meet budget targets set independently of strategic considerations, recent reductions in force size and underinvestment in training have combined to adversely impact military service members. Even though service members' compensation has increased amid these cuts, the cumulative burden of budget reductions is causing a deterioration in their capability and well-being. A shrinking military, brought about by budget cuts, places an additional workload on the service members who remain. Additionally, current trends deter those who might be interested in joining the military, which further erodes the ability of the Defense Department to execute its national security mission.

In order to attract and retain high-quality personnel for an all-volunteer force, those who choose to serve must be compensated at a higher level than in a conscript military. Over the last 15 years, Congress and the DOD have made commendable progress in achieving compensation parity with the private sector, but additional troubling indicators of service-member dissatisfaction have not been addressed adequately.

Our analysis of DOD data indicates flat overall service-member satisfaction even as compensation rises. This disconnect between pay and satisfaction suggests that compensation is only one component that factors into service members' overall satisfaction with military life—and their decision to continue serving or recommend it to others. After a certain point, the desire for additional compensation is outweighed by underlying concerns with the military lifestyle.

Evidence examined in this paper suggests non-compensation aspects of personnel policy—such as the number of deployments (operational tempo), influence over future assignments, predictability of activities that take the service member away from home, and viability of spousal employment—play an important role in determining the well-being and, by extension, readiness of the force, but have been overlooked in recent years. Service members who are dissatisfied with the conditions of military service are more likely to leave, negatively impacting retention efforts, which directly degrades military effectiveness.

Unfortunately, as we show below, cuts in the military's personnel end-strength, and to some degree readiness and training, are undermining morale and making it much harder to sustain the force at high levels of quality and effectiveness. Without a broader review of how current DOD policies and budget decisions impact the well-being of service members, the United States risks creating the conditions for a dissatisfied and hollow force with lower morale, declining retention, and diminished recruiting all driving decreased military effectiveness.

Our duty to those who choose to serve and protect our nation cannot be discharged solely by paying them ever more. Policymakers should not consider military personnel as a budget line-item that can be cut without strategic consequences or retained through only monetary means. A more comprehensive approach to military personnel, which understands the relationship of their well-being to our national security, is required.

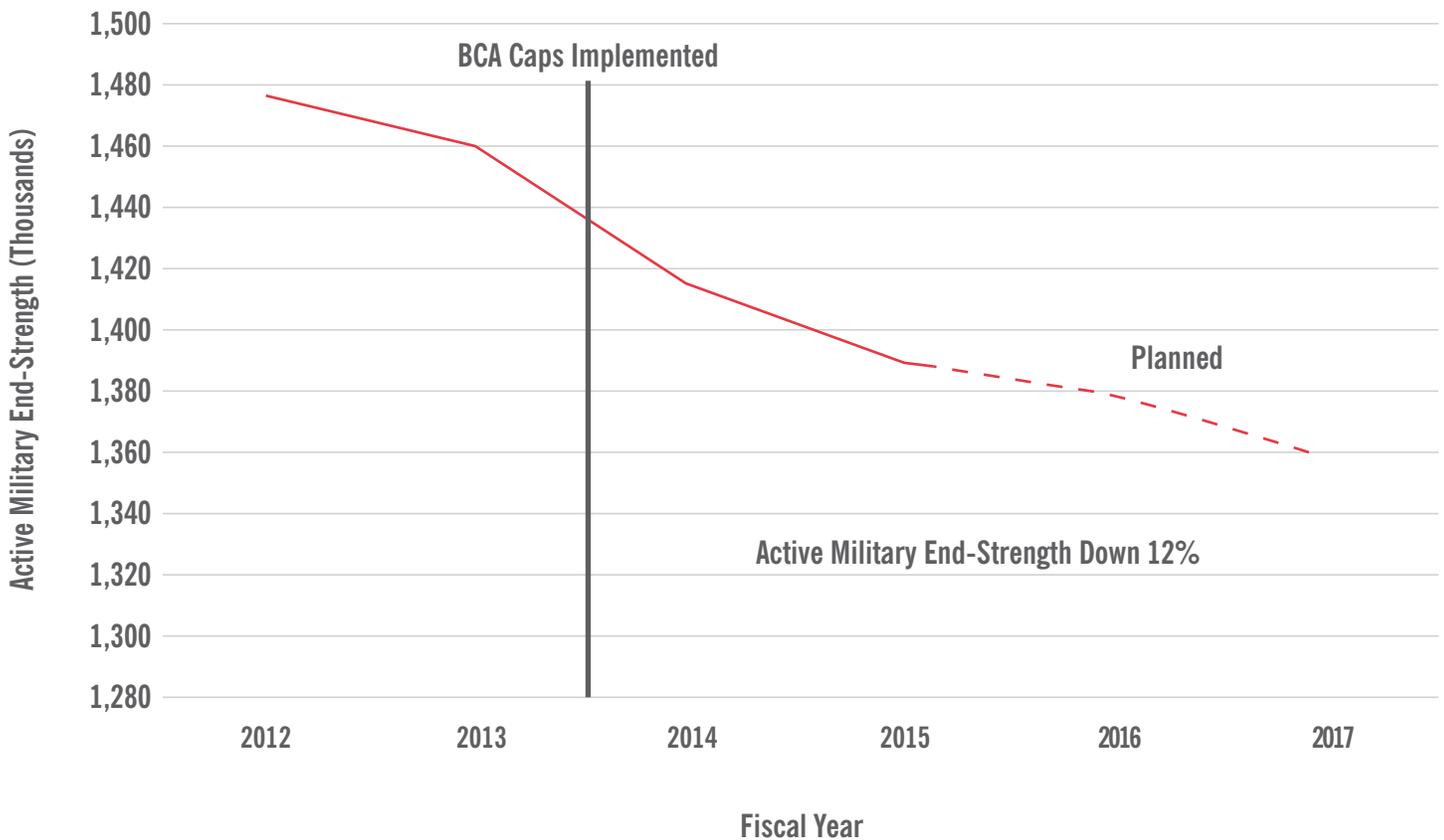
The Task Force on Defense Personnel next year will make recommendations to address these underlying concerns and help strengthen the military as it prepares to confront a complex and unpredictable future.

# The Fiscal Calamity

In 2011, through the Budget Control Act (BCA), Congress and President Obama established caps on annually appropriated spending, which includes most defense activities, with the expectation that these limits would be increased or eliminated if lawmakers were able to come to an agreement to address the nation's long-term fiscal problems by reforming entitlements and the tax code. Policymakers did not achieve a long-term budget agreement, and so these caps, with slight modifications, went into effect.

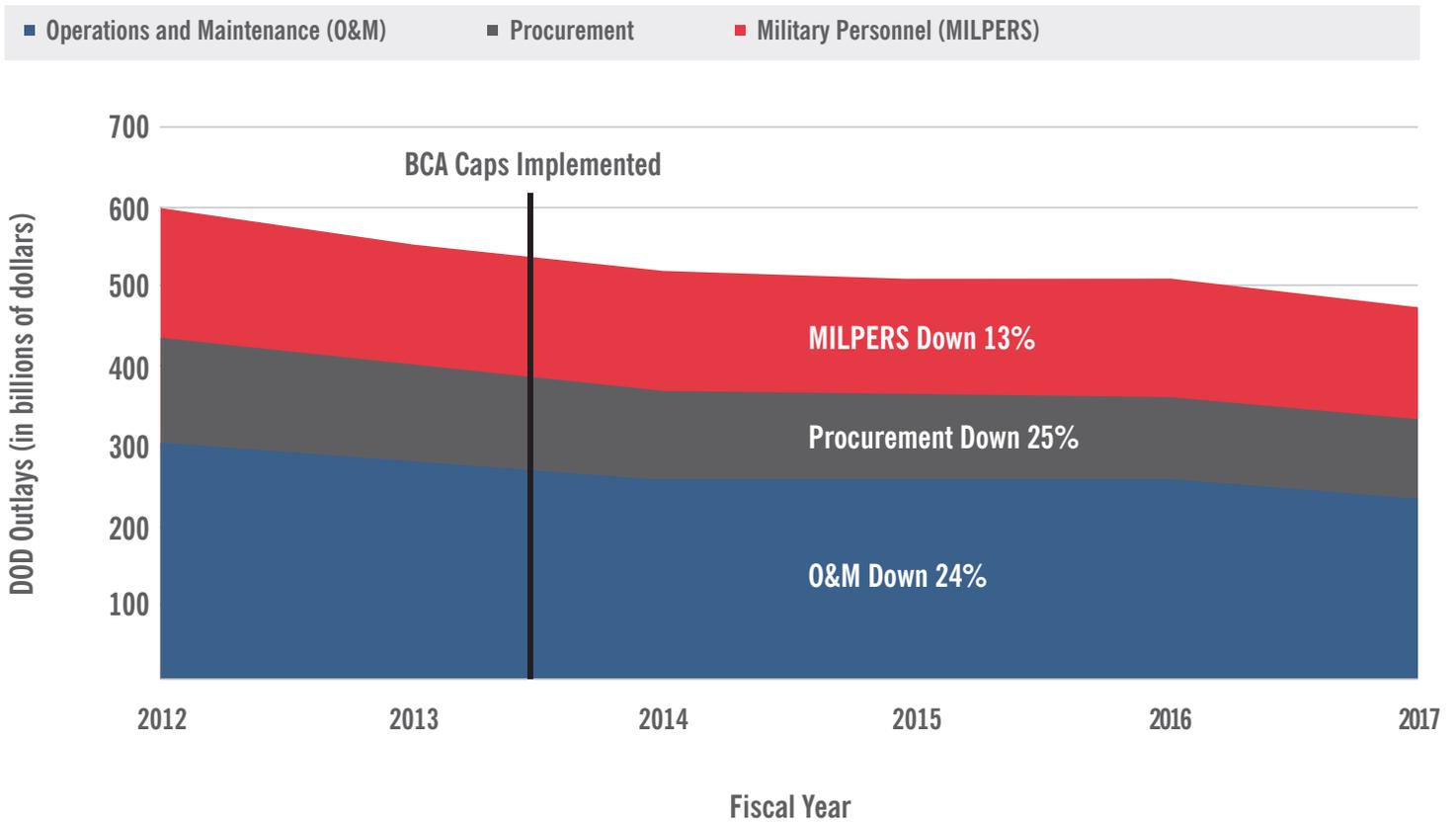
As a result, the defense budget has been squeezed, mostly by budget cuts, but to some degree by the rising costs of military compensation and benefits. In response, DOD leaders have reluctantly cut military end-strength, underfunded readiness by slashing the operations and maintenance account, and reduced procurement in order to ensure that the military is able to both comply with statutory budget caps and adequately compensate service members (see Figure 1 and Figure 2).

Figure 1: Active Military Personnel Cuts Since 2012



Source: FY17 DOD Green Book

**Figure 2: Defense Spending Cuts Since 2012** (FY17 Constant Dollars)

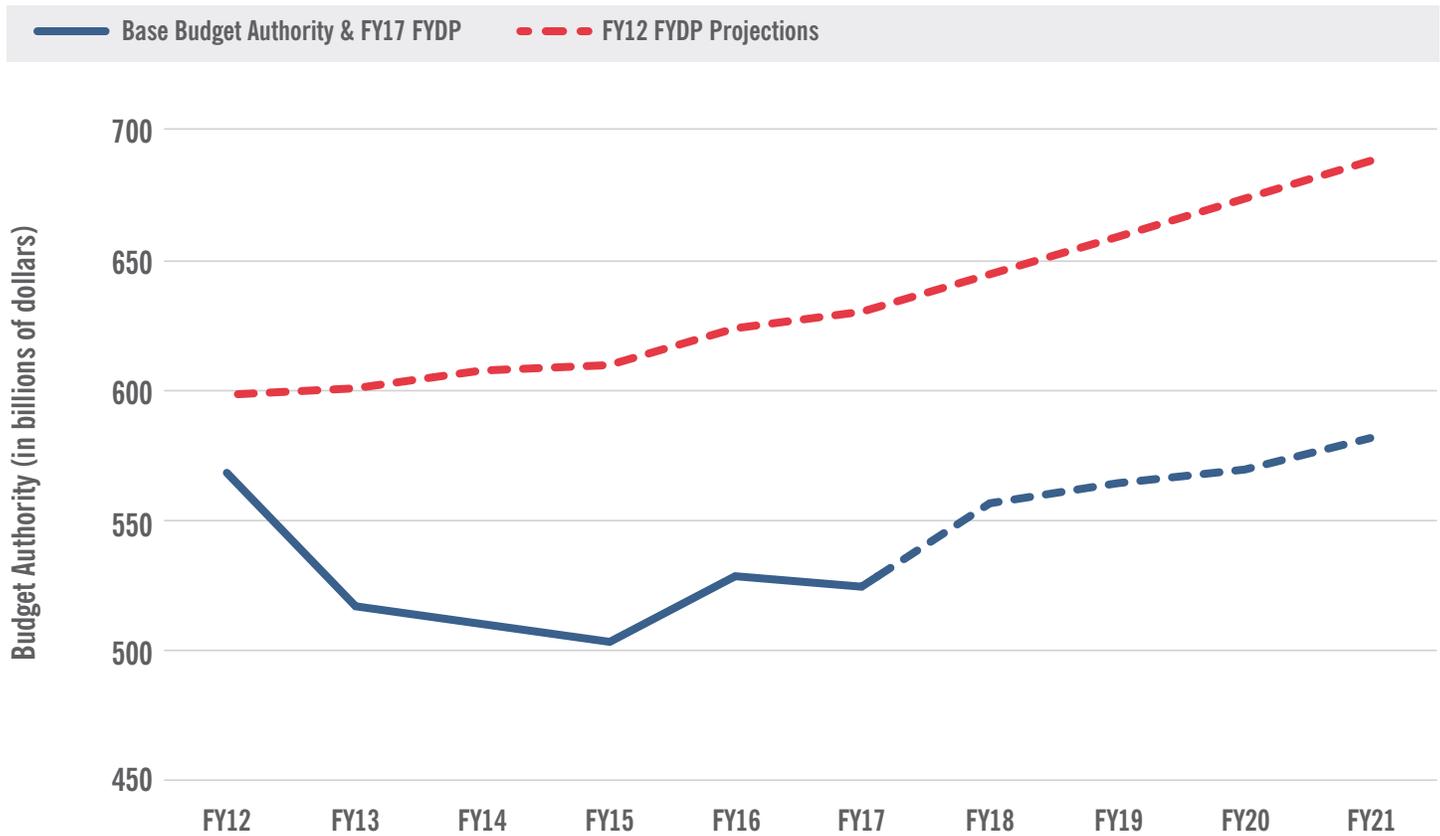


**Note:** Figure includes OCO funding

**Source:** FY17 DOD Green Book

Under current law, by 2021 total defense spending will have been reduced by a cumulative \$911 billion compared to the levels proposed in the fiscal year 2012 Future Years Defense Program (FYDP) (see Figure 3). The 2012 FYDP was the last budget crafted and submitted prior to the Budget Control Act (BCA) of 2011, which installed caps on discretionary spending levels. Because of this, bipartisan national security commissions like the congressionally mandated National Defense Panel have cited the 2012 budget as the minimum required funding baseline for DOD, since it was the last time DOD “engaged in normal defense planning” rather than building a budget in order to fit under predetermined spending caps.<sup>1</sup>

**Figure 3: FY12 FYDP vs. Actual Funding and FY17 FYDP**

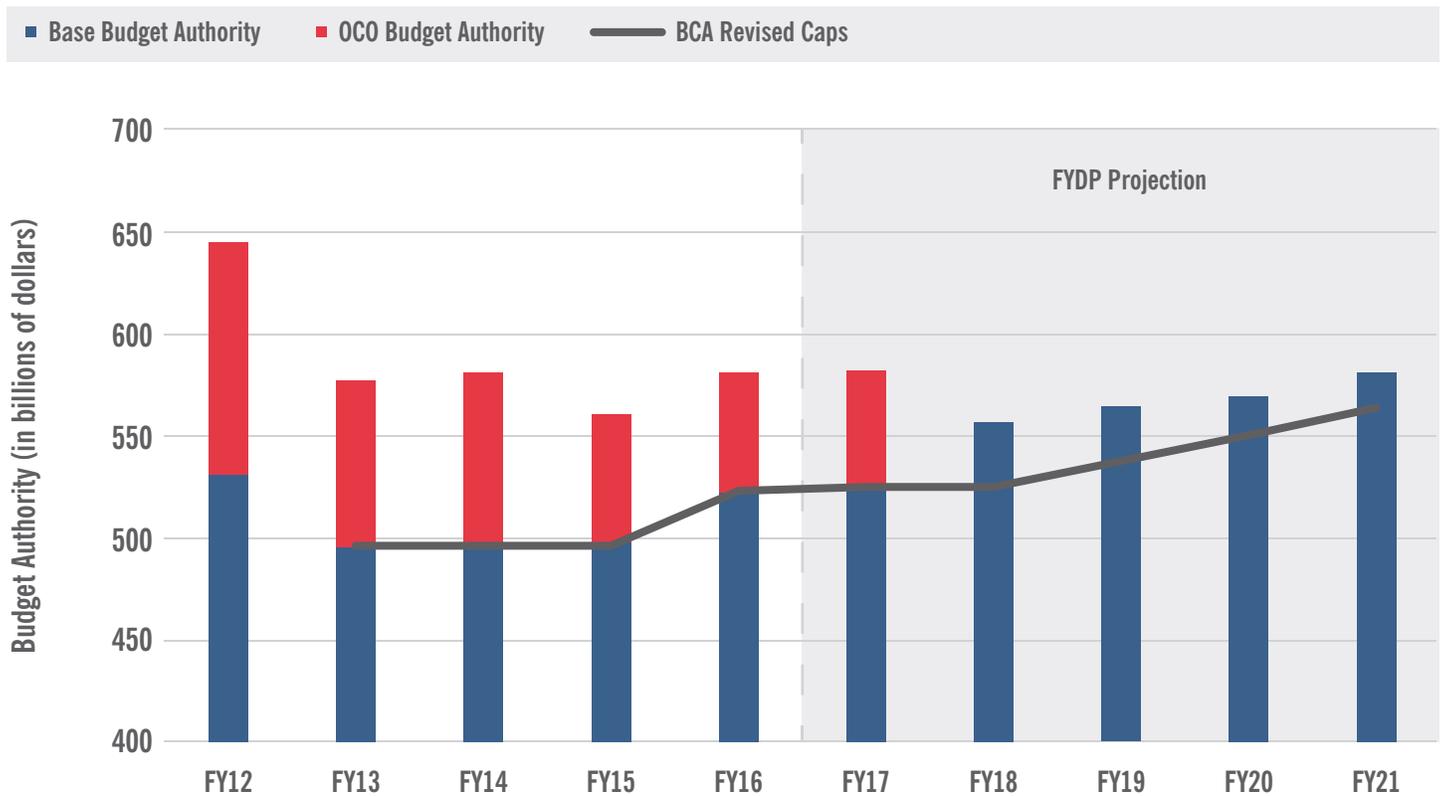


Source: FY17 DOD Green Book & FY12 DOD Green Book

The BCA spending levels are not the result of deliberate national-security planning or detailed analysis of military capability. Rather, the caps were arbitrarily created to motivate policymakers to reach agreement to reduce non-defense-related spending through adjusting entitlement programs and reforming the tax code. Congress has so far been unable to address those other issues, which has resulted in the implementation of the BCA budget caps. The caps have forced DOD discretionary base budget authority to decline by 6 percent, in constant 2016 dollars, between FY2012 and FY2016, from \$573.5 billion to \$535 billion (see Figure 4).

Although Overseas Contingency Operation (OCO) funding—which is supposed to pay for war-fighting costs—is exempt from the spending caps, it too has seen a decline in funding over the last several years, largely due to decreased troop deployments to Iraq and Afghanistan. Between FY2012 and FY2016, OCO funding was almost halved, from \$123 billion to \$60 billion, in constant 2016 dollars.

Figure 4: DOD Budget Authority FY12-21



Source: Green Book & Congressional Research Service Data

## BCA Caps Are Untenable

Leaders from across the political spectrum have called for doing away with the BCA caps, rightly believing that these arbitrarily determined defense spending levels have harmed military readiness.<sup>2</sup> The National Defense Panel noted that BCA caps “have caused significant investment shortfalls in U.S. military readiness and both present and future capabilities.”<sup>3</sup> Congress has passed two Bipartisan Budget Acts (in 2013 and 2015), which have marginally raised the budget caps. These short-term, stop-gap measures have done little either to increase funding or ease the budgetary uncertainty facing DOD.

It is worth noting that the BCA caps are set to increase slightly over the next five years. For the DOD (budget subfunction 051), the estimated caps increase from \$524 billion in 2017 to \$585 billion in 2021. However, these slight increases pale in comparison to the funding DOD was anticipating when it constructed its 2012 FYDP projections, which for fiscal year 2021 amounted to approximately a \$630 billion base defense budget.<sup>4</sup>

# High and Rising Personnel Costs

The very nature of the all-volunteer force requires that service members be better compensated than they were during the days of the draft. Additionally, as the U.S. economy grows, real incomes should grow over time, especially for highly skilled, well-educated workforces like the U.S. military. However, over the past several decades, service-member personnel costs have rapidly grown, which places additional stress on an already-constrained defense budget. These increases have been largely driven by rising health-care costs, retirement costs, and pay-like compensation (which includes base pay and cash allowances). The combination of rising pay and declining overall budgets have spurred defense leaders to reluctantly cut end-strength, resulting in higher operational tempos (OPTEMPO) and stress on the troops who remain; that undermines both recruitment and retention and, ironically, creates the substantial risk that in the future large sums of money will have to be spent to repair both.

## Active Duty

Following years of struggling military recruiting and retention during the '90s, policymakers began taking a strong interest in military compensation. In 2001, military pay was widely regarded as not competitive with private sector salaries, hampering efforts to recruit high-quality military personnel. The 2002 presidentially chartered Quadrennial Review of Military Compensation noted that military pay “has not kept pace with compensation levels in the private sector,” which results in recruiting and retention challenges for a military that is “more highly educated than in the past.”<sup>5</sup> Motivated by this report and new military demands resulting from the Global War on Terror, Congress took action by mounting a concerted effort to raise military pay and benefits.

Between FY2001 and FY2016, DOD’s average cost per active-duty service member increased by 53 percent in inflation-adjusted dollars—from \$74,890 to \$114,614 (see Table A). In addition to base pay raises, most of the

**Table A: Personnel Cost Per Active-Duty Service Member (2016 Dollars)**

	FY2001	FY2016	Percent Change (2001 to 2016)	FY2017
<b>Active-Duty End-Strength</b> <i>(Not including Reservists or National Guard)</i>	1,386,000	1,311,000	-5%	1,301,000
<b>Pay-Like Compensation</b>	\$50,670	\$73,038	44%	\$74,001
<b>Basic Pay</b>	\$33,326	\$40,450	21%	\$41,299
<b>Retirement Costs</b>	\$12,560	\$16,635	32%	\$15,906
<b>Normal Pension Costs</b>	\$12,560	\$12,699	1%	\$12,102
<b>TRICARE For Life</b>	\$0	\$3,93 <sup>6</sup>		\$3,804
<b>Defense Health Program</b>	\$11,661	\$24,940	114%	\$25,979
<b>Total Personnel Costs</b>	<b>\$74,890</b>	<b>\$114,614</b>	<b>53%</b>	<b>\$115,886</b>

Source: BPC Calculations, FY01 Green Book, FY17 Green Book

increases can be attributed to the rising cost of the Defense Health Program (DHP). During this same period, the size of the active-duty force shrank by 5 percent. Upon examination of future defense plans, it appears that the trend of active-duty end-strength reductions is likely to continue. According to the Pentagon's FY2017 budget request, active-duty end-strength will shrink by an additional 4,000 in the next year. Despite this reduction, DOD is requesting a 1 percent increase in active-duty personnel funding compared to FY2016, which amounts to an extra \$1.2 billion for service-member compensation.

## *Pay-like Compensation*

The post-9/11 security environment fundamentally changed how the U.S. military is deployed and, consequently, how service members are compensated. Pay-like compensation, which includes base pay plus cash allowances for housing and subsistence, has increased by 44 percent since 2001 in inflation-adjusted dollars. Though increases in base pay have tapered off in recent years, base pay has still outpaced private-sector wage growth by around 0.4 percentage points annually. The pay increase can be attributed to efforts to solve recruiting and retention problems by simply paying people more. While this is a strategy that can be effective in the short-term, pay raises alone do not address the other underlying concerns that can strongly impact retention.

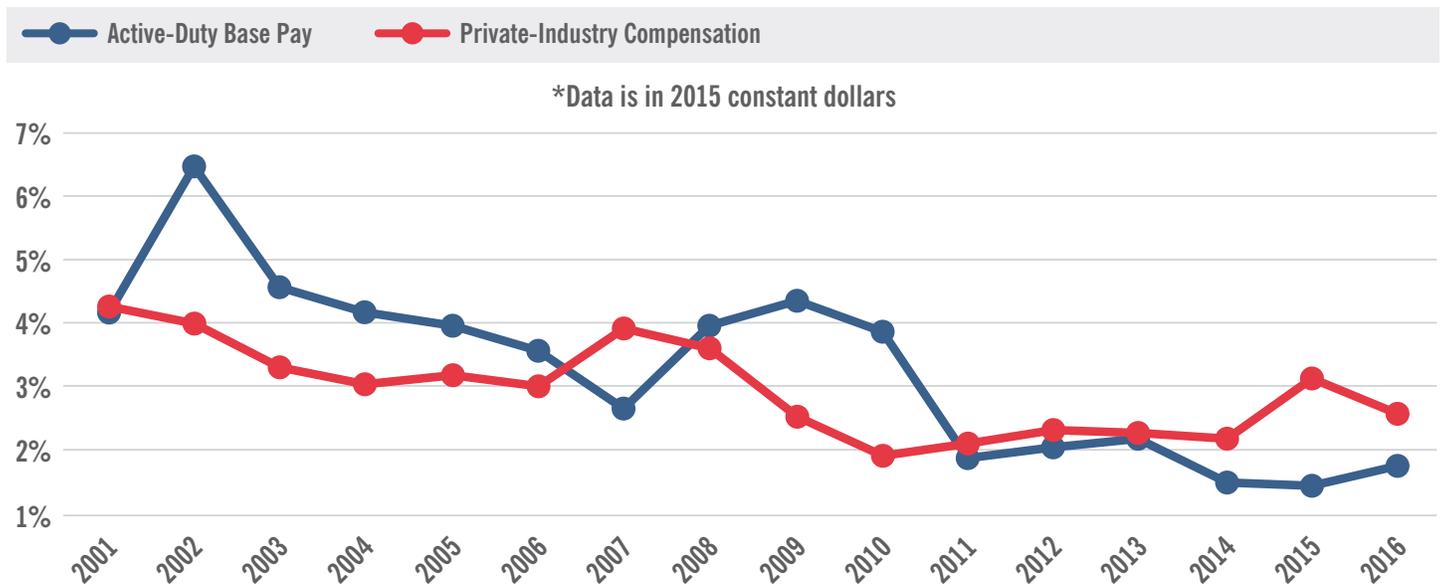
## *Base Pay*

Active-duty base pay varies by rank and tenure, and annual pay raises are linked by law to changes in private-sector compensation, as measured by the Employment Cost Index (ECI), which is calculated by the Bureau of Labor Statistics and measures changes in wages, salaries, and employee benefits. Between 2000 and 2006, annual raises were set at the ECI plus 0.5 percentage points, ensuring that active-duty pay would increase at a greater rate than private-sector compensation. However, the 2004 National Defense Authorization Act (NDAA) scaled this back; from 2006 onward, annual increases in active-duty base pay were made equal to growth in the ECI.<sup>6</sup>

Despite the statutory link between the ECI and base pay, Congress and the president maintain the ability to adjust base pay in any given fiscal year.<sup>7</sup> This is evident in Figure 5, which shows year-on-year percent change in active-duty base pay and the ECI. In the 2000s, policymakers often granted pay raises greater than the ECI, while recently raises have lagged compensation for private-sector workers.

Overall, active-duty base pay has increased by an average rate of 2.8 percent annually since 2001, whereas private-sector compensation has grown by an average of 2.4 percent per year. This higher relative growth in military pay has been driven to a large extent by a few key years in which Congress and the president increased base pay greatly in excess of private-sector compensation, namely in 2002, 2009, and 2010 (see Figure 5). However, since 2011, active-duty pay has grown slower than private-sector compensation, a result of both the BCA—which has cut military spending—as well as improvements in the U.S. economy, resulting in private-sector compensation growth.

**Figure 5: Year-on-Year Percent Change in Active-Duty Base Pay and Private-Industry Compensation**



Source: Bureau of Labor Statistics and DOD Green Book

## Cash Allowances

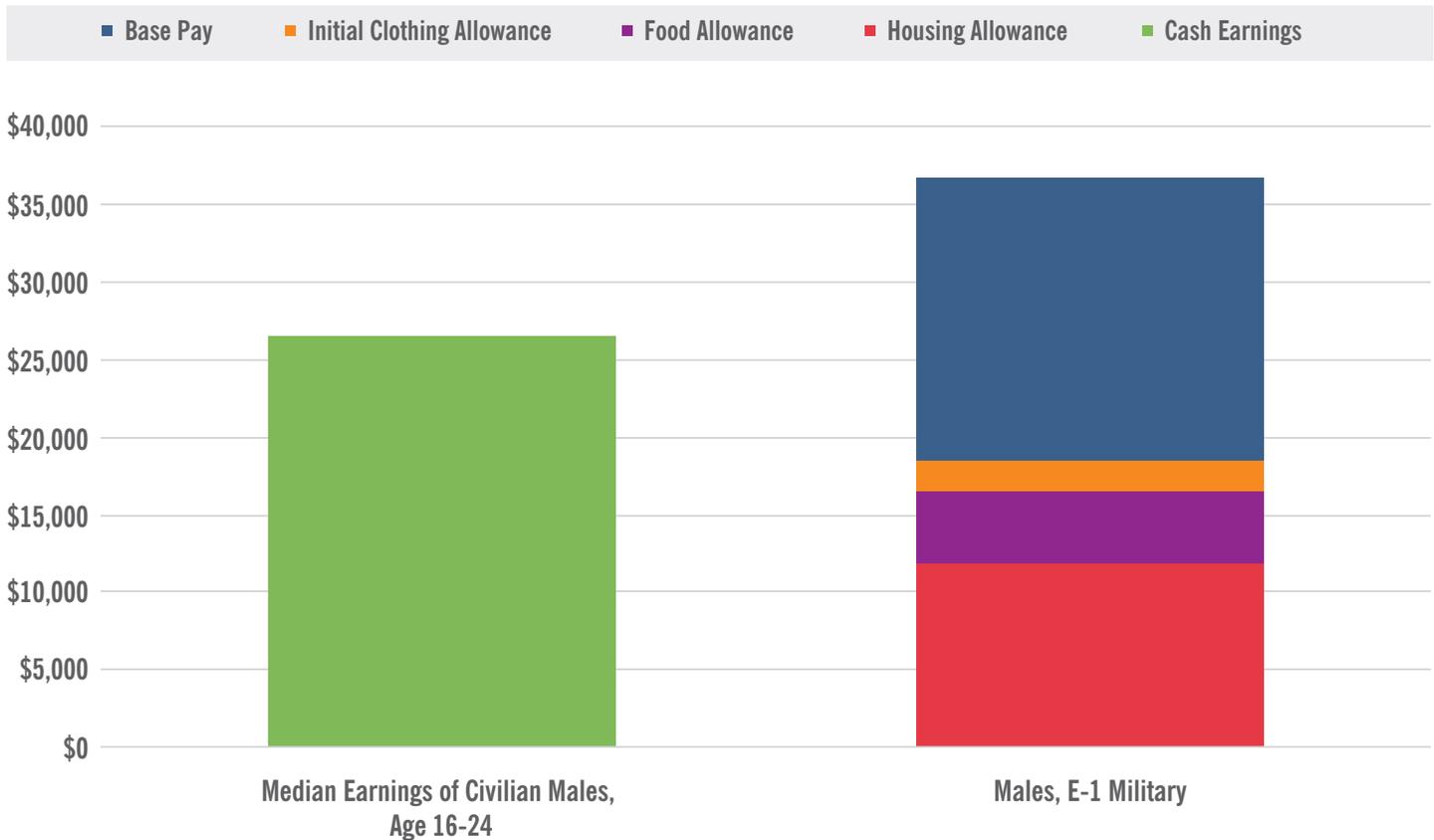
Active-duty service members are entitled to a number of cash allowances in addition to base pay, which is included in the pay-like compensation category of Table A. In general, most service members receive both an initial and annual allowance for clothing, and individuals who do not reside on base are entitled to allowances for both housing and subsistence.<sup>a</sup> Junior enlisted personnel who live on base without dependents receive housing and meals at no charge.

The initial clothing allowance varies for enlisted service members slightly by gender and branch. As of FY2016, the average initial clothing allowance stood at \$1,709 for men and \$1,853 for women. Similarly, the housing allowance depends on geographic location, rank, and dependency status. For an E-1 (the entry-level military rank) with no dependents, for example, the median annual housing allowance in 2016 was \$11,862. The subsistence allowance is currently set at \$368/month for enlisted service members and \$254/month for officers.

Taken together, these allowances add considerably to service member compensation. For example, annual base pay for an E-1 (often an 18-year-old coming out of high school) is set at just \$18,801 for FY 2016, but pay-like compensation exceeds \$35,000 when considering clothing, housing, and subsistence allowances. For comparison, the median annual salary for a 16- to 24-year-old male not in the military currently stands at around \$27,000 (see Figure 6).<sup>8</sup>

<sup>a</sup> In addition, service members can also receive hazard or incentive pay (depending on deployment), as well as higher-education tuition assistance.

**Figure 6: Cash Compensation, Military Compared to Private Sector**



**Source:** Bureau of Labor Statistics and DOD Green Book

Importantly, these allowances are not subject to federal income taxes, providing service members with an additional benefit compared to private-sector cash compensation. In fact, service members often enjoy a variety of tax advantages. Base pay is not subject to federal income taxation during many overseas deployments, for instance, and 17 states provide some form of state income-tax exemptions for military personnel.<sup>9</sup>

This analysis is not meant to imply that service-member compensation should be the same as for private-sector employees with similar education and experience. The comparison offers context for the private-sector employment market to which the military is one alternative. There are numerous factors that complicate a direct comparison with the private sector. Military service is a unique profession, and the private sector offers no direct occupational equivalents for comparison purposes.

## Health Care

Health care has been the fastest growing component of personnel costs in recent years. Per-service-member costs under the Defense Health Program (DHP) have increased by 114 percent since 2001—from \$11,661 to \$24,940, in inflation-adjusted dollars—far outpacing growth in pay-like compensation and retirement benefits, which have increased by 44 percent and 32 percent, respectively (see Table A).

However, these figures likely understate the true cost of the military health-care system, as the DHP does not include the pay and benefits of uniformed health-care personnel. Nor does it include the costs of military construction of health-care facilities (though this is a relatively small expenditure). These costs are included in the Unified Medical Program (UMP). The UMP includes not only health-care management and service-delivery costs, but also those costs associated with military personnel, such as uniformed doctors, construction, building military treatment facilities, and health care for Medicare-eligible retirees (called TRICARE For Life). Table B breaks down these costs, although it excludes TRICARE For Life, which is addressed in the retirement section of this paper. When health-care personnel and construction costs are factored in, per-service-member health-care costs increase from \$24,940 to \$31,701, with total costs standing at over \$41 billion.<sup>10</sup>

**Table B: Unified Medical Program Costs (Excluding TRICARE For Life), FY2016**

Component	Cost Per Active-Duty Service Member	Total Cost (in billions)
Direct Care/Private-Sector Care (Defense Health Program)	\$24,705	\$32.24
Health-Related Military Personnel	\$6,475	\$8.45
Health-Related Military Construction	\$521	\$0.68
<b>Total Costs</b>	<b>\$31,701</b>	<b>\$41.37</b>

Source: DOD statistics and BPC calculations<sup>16</sup>

Rising military health-care costs are the result of a variety of factors. For one, legislators have expanded benefits for members of the National Guard and Reservists in recent years.<sup>11</sup> In 2005, Congress enacted TRICARE Reserve Select (TRS), which broadened eligibility for those who served for at least 90 consecutive days in the period after September 11, 2001. According to the Congressional Budget Office (CBO), enrollment in TRS increased from 35,000 in 2007 to 240,000 by the end of 2011. Even given this TRICARE-enrollment increase among reservists, greater utilization of the reserve component has lower overall costs compared to those of active-duty service members. For example, the majority of reservists receive health-care benefits from another source, such as their own or a spouse's employer, when

they are not activated, and those who enroll in TRICARE Reserve Select pay significant premiums, about \$48 per month for individual coverage and \$211 per month for family coverage.<sup>12</sup> A more significant cost factor is increased utilization of health-care services among those eligible for TRICARE, due largely to the program's lower out-of-pocket costs compared to private-sector health insurance.

Between 2005 and 2015, the private-sector average annual employee contribution to health-insurance premiums almost doubled—from around \$2,700 to \$5,000.<sup>13</sup> Furthermore, around half of employees with workplace coverage are enrolled in a plan with a deductible of \$1,000 or more.<sup>14</sup> These increases have made TRICARE—which does not include a service-member contribution to premiums and features negligible out-of-pocket costs—increasingly attractive for military dependents and working-age retirees (those below age 65), even if they have alternative sources of coverage, such as from an employer. It is worth noting that the wars in Iraq and Afghanistan have had a minimal effect on rising health-care costs. According to CBO, war-related activities represent a very small percentage of the DHP's budget, and the medical care of active-duty personnel comprise a small portion of overall care.<sup>15</sup>

## ***Retirement***

Retirement costs have not grown to the same extent as pay-like compensation or health care in recent years. Though costs have risen by 32 percent since 2001—from \$12,560 to \$16,635 in 2016 constant dollars (see Table A)—these have been almost entirely the result of a 2001 legislative change that expanded health-care benefits for military retirees. Called TRICARE For Life, this program established the Medicare-Eligible Retiree Health Care Fund (MERHCF), which covers prescription drug expenses as well as deductibles, copayments, and coinsurance expenses of Medicare-eligible military retirees. The Department of Defense and other military-related agencies make deposits into MERHCF based on cost-of-care estimates. The MERHCF currently has over \$160 billion in assets for future expenses.<sup>17</sup> In 2016, TRICARE For Life cost \$3,936 per active-duty service member.<sup>18</sup>

Per-service-member normal pension costs have increased by only 1 percent since 2001. However, this figure is incomplete as it does not take into account pension costs that are not included in DOD's budget. For example, some pension costs are funded by mandatory spending from the Treasury and are not part of DOD's annually appropriated spending.<sup>19</sup>

In 2015, Congress and President Obama enacted major reforms to retirement benefits for military service members as part of the NDAA for Fiscal Year 2016.<sup>20</sup> Under the new military retirement system, which will take effect in 2018, new service members will be eligible for DOD contributions to a 401(k)-style retirement savings plan, reaching as high as 5 percent of basic pay for service members with at least two years of service who also contribute 5 percent of their own pay.<sup>21</sup> To offset the cost of these new DOD contributions, the defined benefit pension (for military retirees who serve at least 20 years) will be smaller for service members covered under the new system. The Department will also pay a mid-career retention bonus to maintain the current force profile. The new system is expected to deliver benefits of equal or greater value to individuals, and CBO estimates that the new retirement system could save the DOD \$13.6 billion over the 10-year window from 2016 to 2025.<sup>22</sup>

## *Reserve Component*

The reserve component of the armed forces comprises about 38 percent of DOD's total military end-strength. At a cost of only 9 percent of the department's budget, the reserve component is relatively inexpensive and provides a diverse fighting force that over the last 15 years has proven itself very capable.<sup>23</sup> Indeed, numerous recent studies and reports have recommended increased utilization of the reservists for a variety of critical tasks.<sup>24</sup> Notably, the recent National Commission on the Future of the Army supported increased use of the reserves through "expanded use of multicomponent units and organizations."<sup>25</sup> When not activated, the reserve component is significantly less expensive than their active duty counterparts. However, when reservists are activated, they are eligible for most of the same pay and benefits as the active-duty force.

Reserve service members are paid based on their duty status. In general, when a reservist is activated to federal active duty for more than 30 days, their compensation is essentially identical to active-duty personnel. DOD estimates the cost of an activated reservist at 80-95 percent of an equivalent active-duty service member for a full year.<sup>26</sup> The slight difference in cost is primarily driven by differences in utilization and eligibility for some benefits. Since reserve compensation closely follows the active component, the same factors that led to rapid increases in compensation among the active-duty military also affected compensation in the reserves, although to a slightly lesser extent.

## *Service-Member Satisfaction with Military Life*

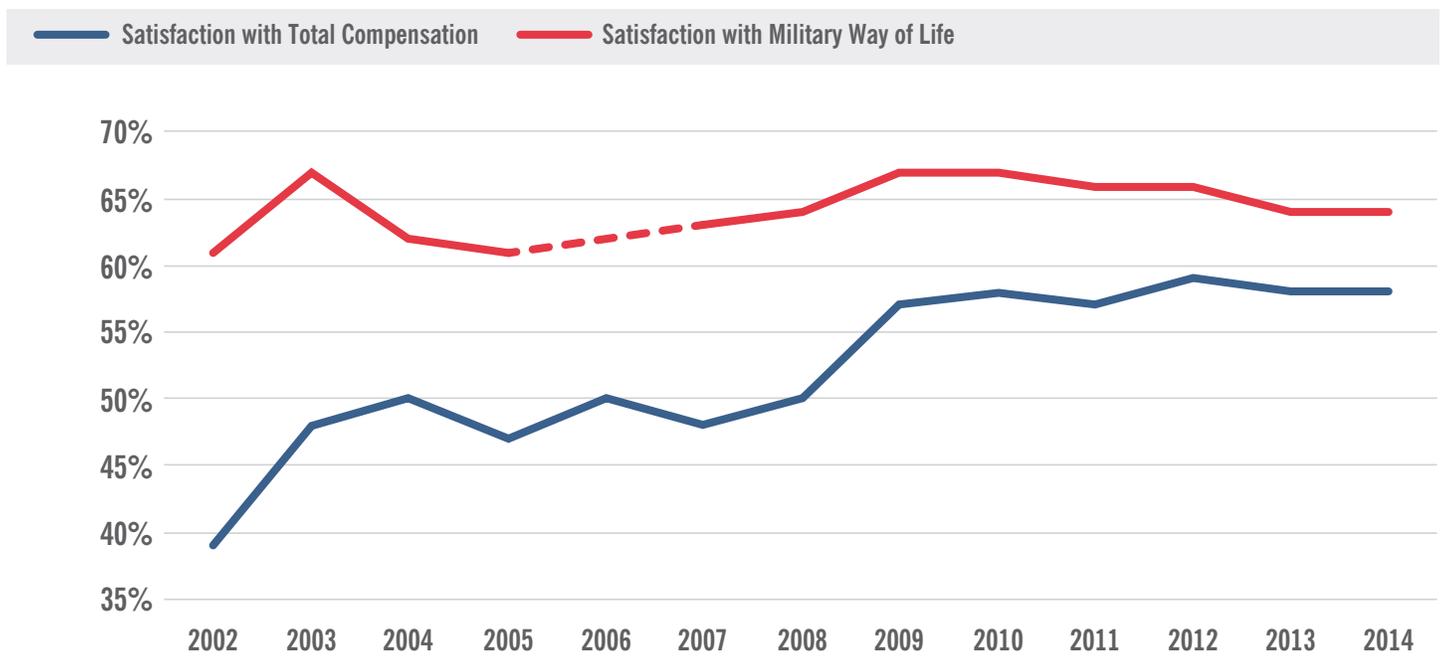
The foundation of U.S. national defense is the people who volunteer to serve the nation in uniform. To achieve the national-security mission, the military must attract, retain, and best utilize high-performing service members, which requires meeting their needs and the needs of their families. If the Defense Department is unable to maintain the morale of its workforce, service members are likely to leave the military early and take with them hard-won combat experience and expensive training investments. Those with low morale who do stay will be less motivated to perform to their utmost ability and could possibly be less effective at their job. Poorly motivated individuals negatively impact unit readiness and limit the capability of the military as a whole. Additionally, service members dissatisfied with military life are less likely to encourage others to enlist, which has an adverse effect on future military recruiting. Therefore, personnel-satisfaction data is an important indicator for policymakers to consider when making decisions impacting the military way of life.

Defense Department leaders recognize how crucial service-member satisfaction is to overall military readiness and have been extensively gathering data on this and other metrics for at least the past 15 years. The Defense Manpower Data Center (DMDC) conducts an annual Status of Forces Survey of Active Duty Members, which surveys over 60,000 active-duty personnel on over 200 questions related to their military experience. Every year since 2001, DOD has asked service members about their level of satisfaction with a variety of factors that impact military lifestyle, such as compensation.

Policymakers have made commendable progress in improving service-member satisfaction with military pay. In 2002, when the Quadrennial Review of Military Compensation stated that military pay had not kept pace with the private sector, only 39 percent of active-duty service members reported satisfaction with their “total compensation” and 42 percent of respondents were dissatisfied. By 2014, the most recent survey available, 58 percent of service members said they were satisfied with their compensation, with only 23 percent dissatisfied.<sup>27</sup> Clearly, this is tremendous progress, and the change in attitudes likely reflects the large pay raises adopted by Congress and two administrations over the last 15 years. Unfortunately, the same cannot be said for other measures of troop satisfaction.

At the same time that service members reported being more satisfied with their compensation, they also reported little change in their overall satisfaction with military life. As detailed in Figure 7, in 2002, 61 percent of active-duty troops were satisfied with “the military way of life.” Yet despite the large increases in military compensation and new benefits like the Post-9/11 GI Bill and TRICARE For Life, by 2014 satisfaction with the military way of life had inched up by only three percentage points to a total of 64 percent of respondents. These data suggest that perhaps higher pay and increased benefits are not the only, or even the most important, factor in overall satisfaction with the military lifestyle.

**Figure 7: Service-Member Satisfaction with Compensation and Overall Military Life**

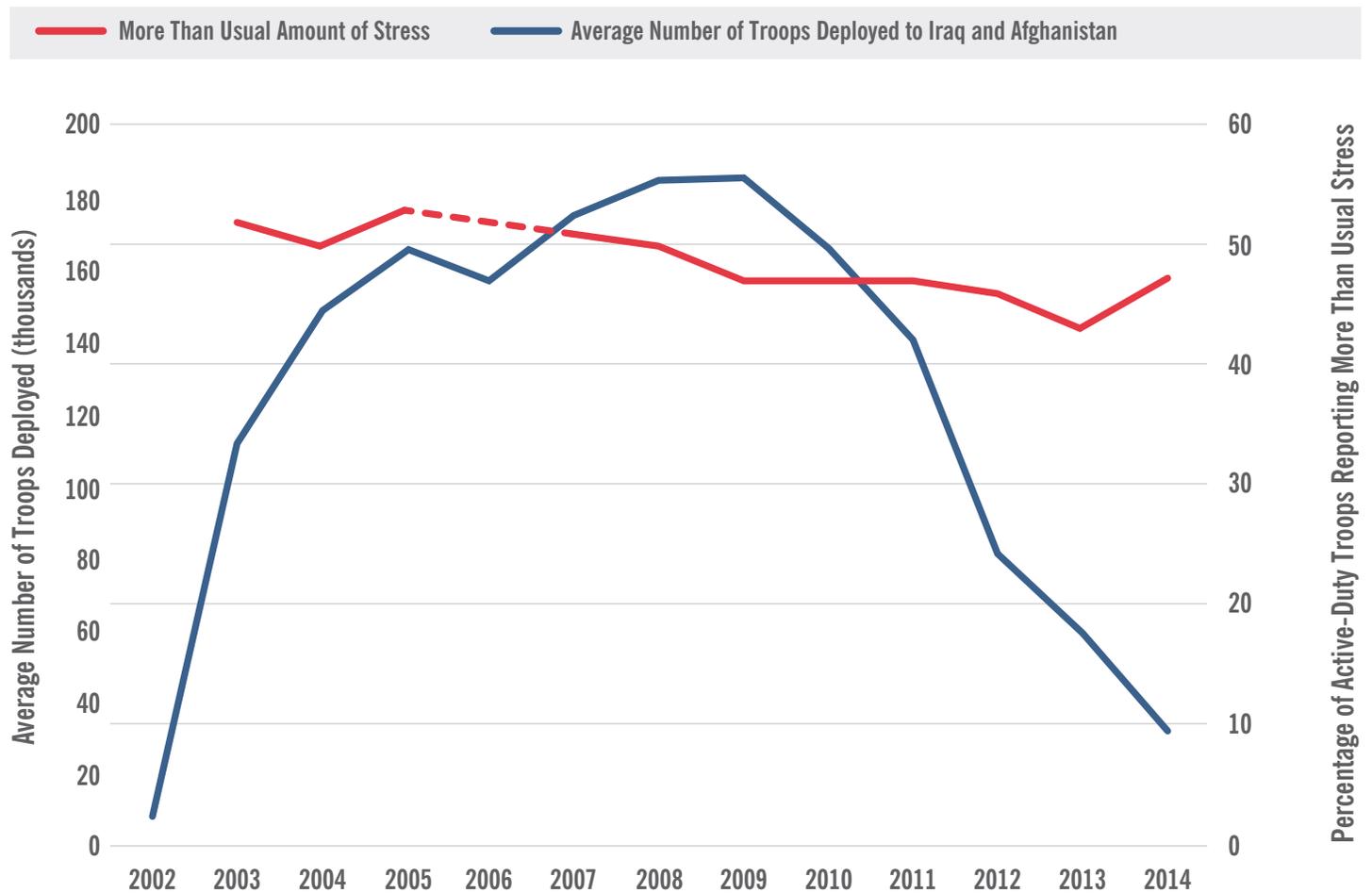


Source: DMDC Annual Status of Forces Survey Data

## A Persistently Stressed Military

As the U.S. military continues to be a force with global responsibilities, the stress level in the force continues to be high. DMDC surveys have reported above-average stress levels within the force since 2003. In 2005, one of the worst years of Operation Iraqi Freedom, 53 percent of service members reported either “more than usual” or “much more than usual” levels of stress in their work life. However, despite large troop withdrawals from Iraq and Afghanistan in the last several years, service members continue to report elevated stress levels. In 2014, 47 percent of active-duty military respondents reported higher-than-usual stress at work (see Figure 8). Additionally, from 2013 to 2014, reported service-member stress levels increased by 4 percentage points. Coinciding with the implementation of BCA defense budget cuts, this trend is indicative of a military that is being asked to do more with less. It is possible that this continued level of stress on the force is one reason overall satisfaction with military life has not increased over the last 15 years.

**Figure 8: Service-Member Stress vs. Troop Deployments**



**Source:** BPC analysis of DMDC Annual Status of Forces Survey Data & CRS data

While DMDC does not clearly show the factors contributing to high stress levels, the 2015 Blue Star Families Military Family Lifestyle Survey cited “employment/work stress, deployments, financial issues/stress, and relocation issues” as the top stressors in the military family.<sup>28</sup> The Blue Star Families survey suggests that general OPTEMPO is a major contributor to overall service-member stress levels. DMDC data supports this claim. Among the 35 percent of respondents who have deployed in the past two years, only 36 percent are satisfied—and 40 percent are dissatisfied—with the amount of personal and family time they have.

Policymakers’ responses to the BCA budget cuts in some ways exacerbate OPTEMPO concerns and create additional stress on the force. As pressure continues to be applied to the DOD budget, the Pentagon has prioritized military compensation and modernization. Service members have not seen any significant cuts to their pay and benefits, and major acquisition programs continue. The area that has most obviously been impacted by the BCA is the military’s active-duty end-strength. The 2017 President’s Budget requests 1.358 million active-duty personnel, which is roughly 7 percent smaller than in 2013.<sup>29</sup> Those troops who remain in uniform are subject to increased demand and experience higher OPTEMPO to make up for the loss of personnel.

Policymakers should be concerned by this trend, as DOD is projecting in the most recent National Military Strategy an “emphasis on maintaining highly ready, forward-deployed forces.”<sup>30</sup> So while deployments to Iraq and Afghanistan have declined, so too has the military’s end-strength, which means that to support “highly ready, forward-deployed forces” the troops that remain will continue to be frequently separated from their homes and families. In other words, while the force is not “broken” yet, there is a growing risk that if current stress levels continue, much less increase, the force will have great difficulty responding to new threats. A force that is allowed to languish will be much harder and more expensive to repair than if it had been properly sustained in the first place.

## *Higher Compensation Alone Is Not the Answer*

Simply paying troops more may not, as a stand-alone strategy, result in higher satisfaction with military life and consequently improved retention and readiness. Other data suggest that factors as varied as spousal employment and work/life balance play an important role in determining the morale of individual service members and their families.

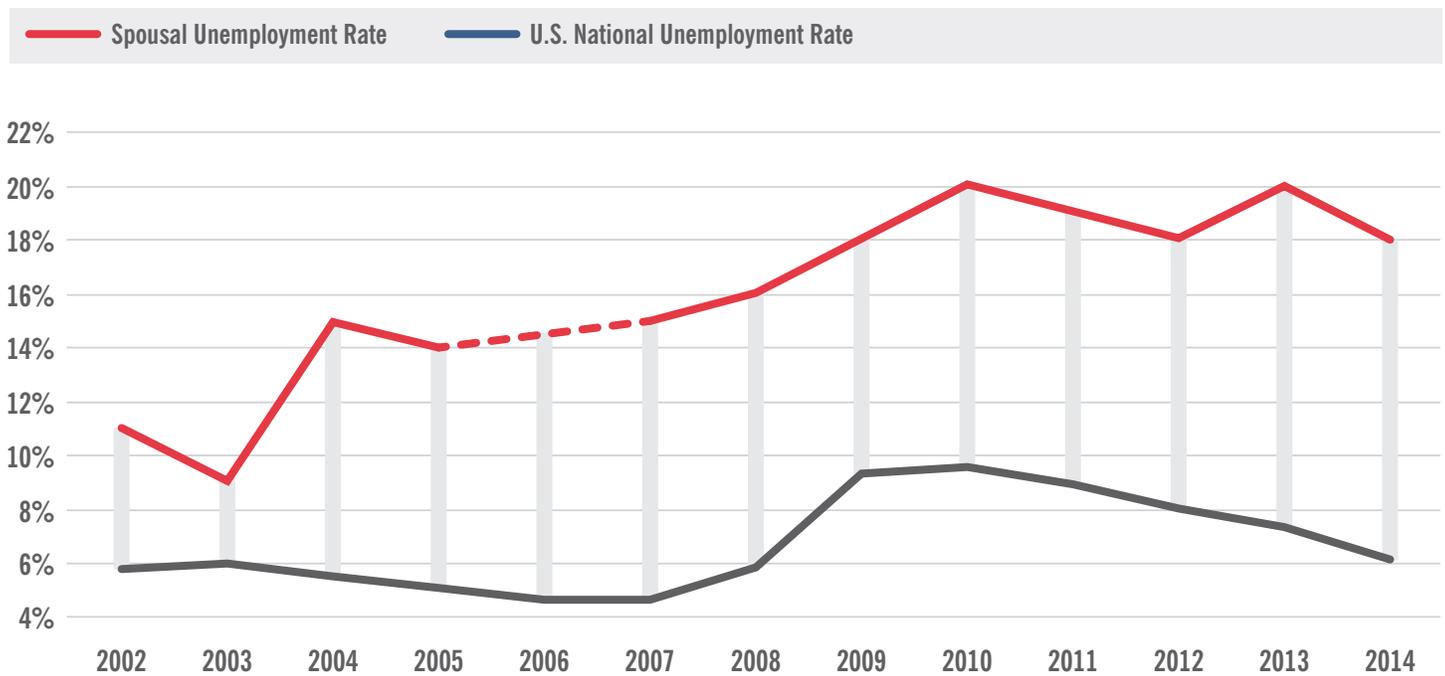
A recent Navy retention study identified that only 17.7 percent of sailors believe morale is “excellent” or “good,” while 42.2 percent believe morale is “marginal” or “poor.”<sup>31</sup> Additionally, the survey indicated the Navy is struggling to maintain a satisfactory work/life balance; 62.3 percent believe work/life balance is not ideal, while only 21.6 percent believe it is ideal. Since family-member satisfaction has an outsized impact on a service member’s decision to remain in uniform, military-family concerns are not trivial for policymakers.

Recent Air Force exit surveys support the Navy’s conclusion that retention is most negatively impacted by non-compensation, military-lifestyle factors. Although the top reason both officers and enlisted Air Force personnel stay in the military relates to compensation and benefits, Airmen decide to leave the military to achieve a better work/life balance, avoid future deployments, and due to low job satisfaction and high job stress. These results suggest that current levels of military compensation are adequate for troop satisfaction, but other reforms must be pursued to respond to underlying service-member concerns that are encouraging some service members, especially pilots, to leave.<sup>32</sup>

In many ways, a military spouse’s satisfaction with military life is as important as that of the service member in uniform. When troops are deployed or away for training, the military spouse must assume increased family responsibilities. Challenges and stress at home negatively impact a service member’s performance abroad. While military families will always be asked to make sacrifices for the nation’s well-being, policymakers should seek out opportunities to improve spousal satisfaction with military life. Spousal employment, which is consistently rated

as a top concern for military families, is one such opportunity.<sup>33</sup> Military spouses have a higher unemployment and underemployment rate than the civilian community, mostly resulting from the unique demands of military life such as frequent moves, extended deployments, and bases located far from major centers of private-sector employment.<sup>34</sup> Between 2002 and 2014, spousal unemployment increased from 11 percent to 18 percent with a significant spike occurring as the war in Iraq reached its peak (see Figure 9). Today, despite reduced troop presence in Iraq and Afghanistan, military OPTEMPO remains high and spousal unemployment continues to be a major challenge. Policies that address these issues may not cost more money but could have an enormous positive impact on military families, leading to improved satisfaction ratings for service members and their families.

**Figure 9: Military Spouses are More Likely to be Unemployed than Other Americans**



**Source:** BPC analysis of DMDC Annual Status of Forces Survey Data & BLS data

Ultimately, many factors contribute to service-member satisfaction with military life. Higher stress levels driven by OPTEMPO and spousal unemployment are merely two examples. Obviously, compensation plays a role in all job-satisfaction questions; however, over the last 15 years, policymakers have largely solved that issue. In order to maintain a force ready and willing to meet future challenges, defense leaders and the Congress must improve stagnant satisfaction with the overall military lifestyle. Providing for the needs of our force will require placing a stronger emphasis on reforming the personnel policies that contribute to top stressors within the military community.

## *Conclusion*

An unfortunate combination of budget cuts and inefficient, outdated personnel policies has resulted in a perpetually stressed force. These problems are exacerbated when defense leaders are forced to make highly impactful decisions without being able to fully consider their national-security ramifications. Military end-strength reductions brought about by the BCA, along with increased demand for U.S. military engagement, means OPTEMPO remains high for the military as a whole. Service members and their families are less satisfied with the military way of life as a result. Troops with low job satisfaction are more likely to leave military service and take with them years of experience and the considerable investments in their training. This damages not just the military but also U.S. national security.

Pay increases and benefits expansions over the last 15 years have boosted military compensation to a level comparable with the private sector. Consequently, most service members are satisfied with their pay and benefits, and compensation continues to factor strongly in retention decisions. An all-volunteer force must be competitively compensated to remain an attractive option for high-quality individuals. Policymakers have rightfully prioritized compensation as an important element in maintaining military strength. However, DOD and congressional leaders have shown less willingness to adequately address the many other factors that contribute to service-member satisfaction and retention. In an era of global military engagement with a smaller force, personnel policies that support and encourage improved quality-of-life for the military can be highly important for future recruiting and retention.

The Task Force on Defense Personnel recognizes that the future strength of the U.S. military relies on its ability to attract highly capable men and women to serve. If current budget and personnel trends impacting the military continue, the United States faces serious risks to its military and to its future national security. The task force will make innovative recommendations to correct these trends and place the military on a firm foundation to ensure the United States maintains its military advantage.

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# *Notes*



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