



# Losing Our Edge:

Pentagon Personnel Reform and the  
Dangers of Inaction

*June 2016*



BIPARTISAN POLICY CENTER

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## **ACKNOWLEDGMENTS**

The task force and BPC staff are grateful to the many individuals who assisted our work. Chris Marvin of Marvin Strategies provided strategic and communications assistance. Mel Levey contributed to this report during his internship at BPC.

This project was made possible, in part, by a grant from the Peter G. Peterson Foundation. The Peterson Foundation’s involvement with this project does not represent endorsement of any options or views presented in the project.

# *Losing Our Edge: Pentagon Personnel Reform and the Dangers of Inaction*

The U.S. armed forces derives its strength from superior technology wielded by a force of dedicated and capable men and women who volunteered to serve their country. To preserve our military advantage — which not only secures the safety of the American people but also underpins an unprecedented rise in global prosperity — we must ensure both of these elements of our military strength remain capable of succeeding against future threats. Despite ongoing efforts to support military and civilian defense personnel, our nation risks failing to recruit, retain, and prepare a force adequate to meet future demands.

While the size of the armed forces and the quality of their equipment are legitimate metrics of their strength, the foundation of the military's power is the quality of the people, both in and out of uniform, who have elected to serve. Military modernization must be pursued not just in terms of hardware but also in terms of talent. The Bipartisan Policy Center established its Task Force on Defense Personnel to identify opportunities to support the recruitment, retention, management, and training of the total force (military and defense civil servants) to better face the demands of a complex future national security environment.

## *Transforming the Force to Meet Future Threats*

Today, the U.S. military faces many diverse challenges. The threat posed by great power competition has returned as China and Russia continue to disrupt international security norms. Rogue states like North Korea and Iran threaten significant swaths of the world through the development of weapons of mass destruction. ISIS and other non-state actors continue to pose a global threat through brutal acts of terrorism. If present challenges are any indication of the future, demands on America's military will continue to increase.

Moreover, those who would seek to disturb global stability are pursuing strategies specifically designed to eliminate the sources of the U.S. military's technological advantage. The democratization of technology means that confrontations with any of these potential adversaries could take place in entirely new domains — cyberspace or space — or require new ways of fighting. Gen. Joseph Dunford, Chairman of the Joint Chiefs of Staff, pointed to the rise of “information operations, cyber activities, space and counterspace, and ballistic missile technology” as having made “the character of war today much more dynamic and complex.”<sup>1</sup>

Maintaining the security environment that has allowed the U.S. — and many other nations — to enjoy relative security and prosperity will exact increasing demands on our military forces, both in the variety of threats they face and the skills required to address those threats. Although recent major strategic national security documents point to rising disorder, instability, and complexity in the future, to date our military has failed to make the changes necessary to succeed in the new security environment. Two critical transformations are needed to enable the force to grow, evolve, and become more capable: the total force has to be redesigned, and it must become more adaptable to a range of threats.

### *Redesign and Reorganize*

*“The Department needs to understand how best to design the force of the future: specifically, how new technologies and capability will change future warfare; how to develop new concepts of operation to prevail in more complex and contested operating environments; and how best to characterize and evaluate key capability investment tradeoffs.” Michèle Flournoy, Former Undersecretary of Defense for Policy<sup>2</sup>*

As threats, actors, and technologies evolve, so too must the military's ability to counter them. And as each of these grows increasingly unpredictable, our force must grow increasingly adaptable. This means that the design of the force — the way it is organized, equipped, and utilized — must be transformed to maximize the military's combat capability.

To enable transformation, defense leaders must think outside the five-sided box that is the Pentagon's historical way of doing business. Future threats will be trans-regional and multi-domain, which will require planning methodologies that extend beyond the traditional boundaries of our current geographic combatant command structure. Additionally, the emergence of domains like cyberspace and the electromagnetic spectrum should force the creation of new military doctrine and strategic plans.<sup>3</sup> The military will require innovative thinkers to adequately respond to these evolving security priorities.

As it looks to attract these innovative thinkers, the Department of Defense (DOD) must consider the appropriate composition and organization of its personnel. It must consider improved utilization of the active and reserve components along with other "whole of government" methods to advance our security interests.

## *Creating an Adaptable Force*

The human component of our national security strategy will take on an even greater importance in the future as technology and evolving threats require different skillsets from our personnel. From the infantry soldier to the Combatant Commander, decisions at all levels will be made faster than ever due to the continued acceleration of information flow and the proliferation of new technologies on the battlefield.

Certain aspects of today's military structure are already experiencing difficulties attracting and building the capabilities required. For example, personnel with cyberspace and special-operations experience are in high demand today and will take on greater importance in the future. Admiral Michael Rogers, Commander of U.S. Cyber Command, has said he is trying to accelerate the nation's cyber defenses but is already "hard pressed to find qualified personnel" for cyber units.<sup>4</sup>

Special Operations Forces (SOF) are uniquely adaptable to changing security landscapes and are cited as an example for the larger force. Adm. Eric Olson, former commander of U.S. Special Operations Command, recommends using "the SOF model to inform whom the conventional U.S. military recruits and how they operate" because SOF "receive language training and excel at working by, with, and through local partners. They're also fierce, highly technological, and reliable warriors."<sup>5</sup> These are precisely the skills that will be in greatest demand when the U.S. military is forced to confront emerging threats.

Creating a force that can succeed in the security environment we described will require attracting and retaining the people — in and out of uniform — skilled and adaptable enough to exploit new technologies and rapidly changing battlefield dynamics for the nation's advantage. There is no more important priority for the department if the United States is to enjoy a future secured by as fine a military as defends the nation today. As Secretary of Defense Ashton Carter highlighted in one of his first speeches as secretary, "It all starts and ends with our people. If we can't continue to attract, inspire, and excite talented young Americans... then nothing else will matter."<sup>6</sup>

# Impediments to Change

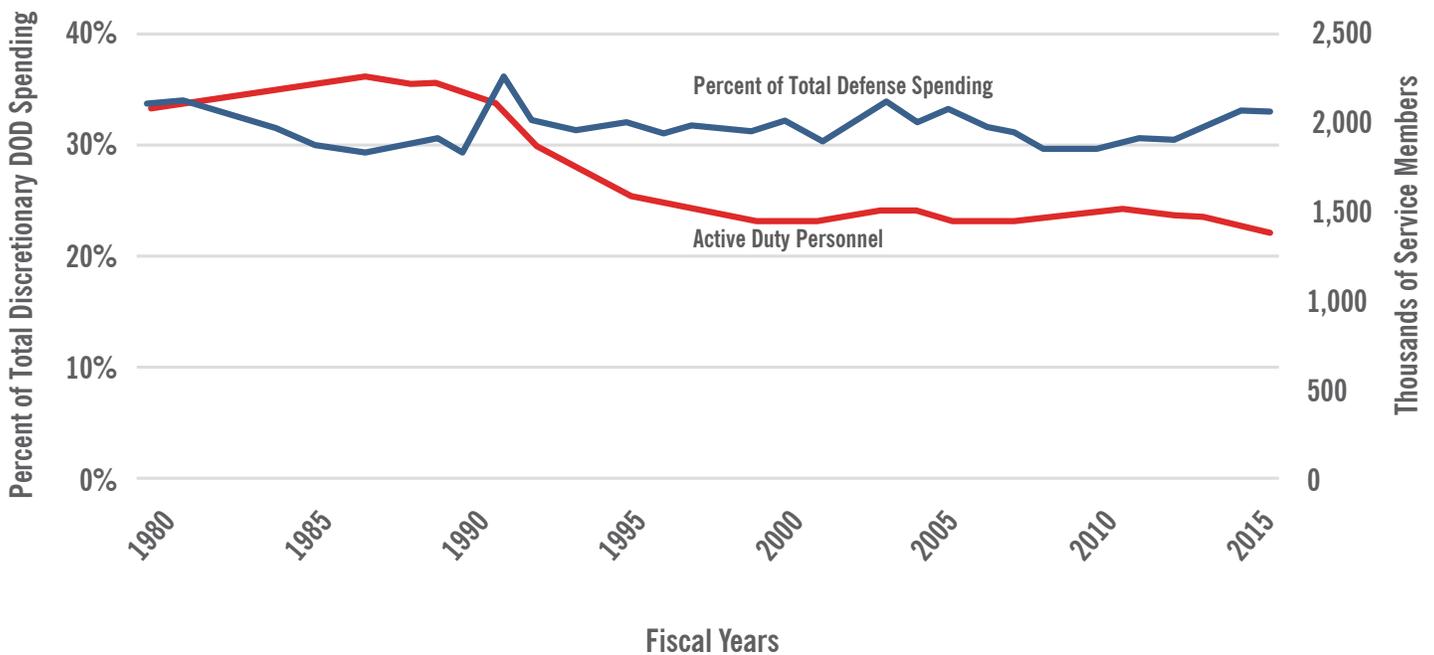
Despite this strategic imperative to transform our force, the military is failing to adequately prepare for the necessary characteristics of the future force. The 2014 National Defense Panel independent assessment of the Quadrennial Defense Review (QDR) identified worrying trends in our total force saying, “We are concerned that the Joint Force envisioned in the QDR may not be robust enough to meet these challenges within an acceptable margin of risk, that under current trend lines, the risk is growing, and that the force will need to grow, evolve, and become more capable if risk is to be reduced.”<sup>7</sup>

## Budget Strains

*“Without proper and predictable funding, no amount of reform or clever reorganization will provide America with a military capable of accomplishing the missions assigned to it.” Robert M. Gates, former Secretary of Defense<sup>8</sup>*

The defense budget continues to present significant challenges for meaningful personnel reform and overall DOD transformation. DOD’s budget is being squeezed from above by the spending caps imposed by the Budget Control Act and squeezed from below by growth in personnel costs. This combination of factors has forced the Pentagon to make an untenable choice between capacity (end-strength) and capability (equipment and technology). Up to this point, DOD planners have prioritized capability by continuing to invest in modernizing equipment while cutting more than 140,000 active and reserve troops since 2010.<sup>9, 10</sup>

### Active-Duty Personnel Costs as a Percentage of Total Defense Spending



Source: BPC Analysis of DOD Figures

The marginal progress made over the last few years to revise the budget caps is not adequate to finance our national security priorities. As a result, DOD has been forced to operate in an uncertain fiscal landscape which leads to inefficiencies and waste. To reverse this trend, DOD must have a sufficient topline budget, consistent funding, and the flexibility to adequately budget for the necessary force to meet projected demand. Capability must be paired with sufficient capacity to maintain the nation's military edge.

Resources available to implement reform have also been limited by growth in military-personnel costs over the last 15 years. Primarily driven by increases in health-care and pay-like compensation, the inflation-adjusted cost of an active-duty service member has increased over 40 percent since 2001. As a percentage of the overall DOD budget, military-personnel spending has remained consistent for the last two decades at around 30 percent. However, over the same period of time, the size of the force has declined by nearly 500,000 troops.<sup>11</sup>

Those reductions in force size threaten the ability of DOD to perform its missions. On the other hand, prioritizing end-strength at the expense of readiness and modernization creates a hollow force that will be slow to respond and exposed to enormous danger when confronted by future threats. To ensure optimal performance from the Pentagon's 2.8 million-person total force (military and civilian), the squeeze placed on the defense budget must be loosened. Absent personnel reform, including an exploration of non-pecuniary career incentives, a reduction-in-force is the only way for DOD to afford its readiness and modernization requirements given current budgetary realities.

## ***A Bureaucracy Designed for the Last War***

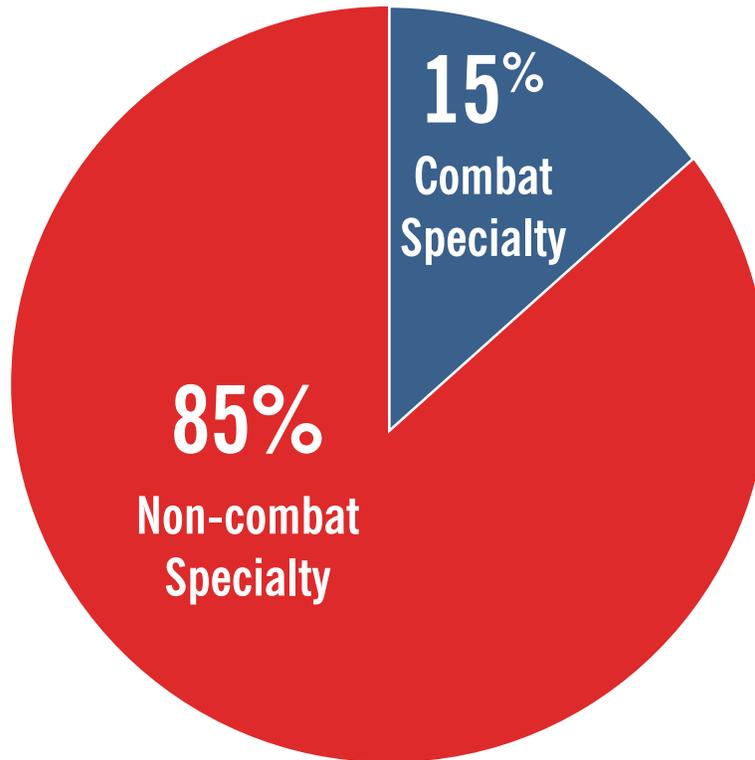
*"We need a Pentagon that can manage the full range of security challenges; rationally allocate resources to priority missions; and collaborate well with other departments, agencies and allies." Dr. Christopher J. Lamb, Deputy Director of the Institute for National Strategic Studies, National Defense University<sup>12</sup>*

Long-held organizational paradigms within the Pentagon are restricting the military's ability to adapt to the evolving security environment. As conflicts increasingly become trans-regional and multi-domain, DOD needs to examine its current structures to increase combat capability and organizational efficiency. To do this, the Pentagon must consider foundational questions, including: What is the appropriate mix of personnel types among active duty, guard, reserve, and civilian? What is the correct size and structure of headquarters organizations? What is the ideal "tooth-to-tail" ratio? How can we better facilitate whole-of-government solutions to security challenges?

The answers to these questions should lead to a structurally stronger national-defense establishment as long-standing bureaucracies and traditional ways of doing business are examined. Current trends have exacerbated DOD inefficiency; the Defense Business Board found that headquarters staffs have grown by 38 percent from 2001 to 2012.<sup>13</sup> Additionally, DOD classifies only 15 percent of the total active-duty force as working in a "combat specialty."<sup>14</sup> This is far too low compared to other militaries around the world that, on average, classify 26 percent of their force as working in combat specialties.<sup>15</sup>

Evolving security challenges demand a more-efficient and agile military. The Pentagon must challenge itself by fundamentally restructuring many of the organizations that have been allowed to grow unchecked over the last 15 years. The standard "across-the-board" approach to cuts and restructuring will not work in this case. A careful and deliberate process should be used to identify areas of excess and reallocate those resources to areas of need.

## Active-Duty Combat vs. Non-Combat Personnel



Source: BPC Analysis of Bureau of Labor Statistics Data

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### *Antiquated Personnel Management*

*“The question is whether our military is able to recruit and retain so many excellent Americans because of its personnel system or in spite of it. I’m concerned that all too often it is the latter.” Sen. John McCain (R-AZ), Chairman of the Senate Armed Services Committee<sup>16</sup>*

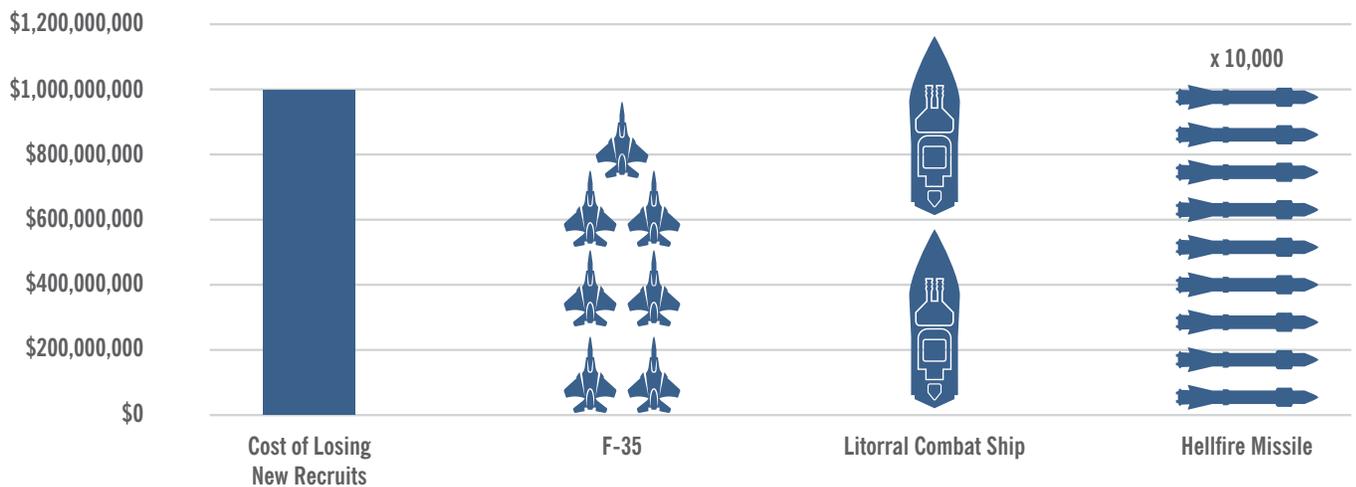
An antiquated personnel-management system limits the Pentagon’s ability to make necessary transformations. Traditional methods of managing the defense workforce are no longer adequate for a new generation of Americans who have different expectations, and many more options, for their professional lives. Fortunately, the mission of national service is still highly motivating for many Americans. While some will make great sacrifices to their personal and professional lives to participate in this mission, as military culture diverges further from civilian lifestyles, fewer will. If this divergence were necessary to achieve our national-security priorities, it would be acceptable, but it is not.

Beginning with recruitment into the service, the Defense Department relies on ineffective metrics and outdated standards. Military recruiting is judged on two metrics: quantity (based on projected end-strength demand) and quality (based on high-school completion and Armed Forces Qualification Test scores).<sup>17</sup> These limited metrics do little to indicate individual aptitude for high-demand military specialties. More-effective quality metrics could determine a recruit’s overall suitability for service as well as ensure recruits are utilized in military specialties where they can be most effective.

Aside from the strategic importance of modernizing the military’s recruiting practices, there is a financial benefit to getting the right people to serve. According to DOD, currently, over 10 percent of recruits fail to successfully complete their first year of service, costing the department over \$1 billion annually.<sup>18</sup> It is unacceptable to waste scarce funds on poor quality recruits who should have been better screened prior to the government investing in their training and equipment. Recruitment, however, is only the first stage of military service. Those who serve longer than a few years in the military often find that it is not conducive to long-term family relationships, or other personal and professional goals, negatively impacting retention in more senior ranks.

Today’s force operates under decades-old, one-size-fits-all, personnel-management systems that equally harm all components of the total force. Instead of ensuring the Pentagon attracts and retains top talent, these systems do just the opposite. A recent Navy study pointed to a historically low “take rate” for retention bonuses within the aviation branch as an indication that military service is losing its appeal to a highly skilled segment of naval officers.<sup>19</sup> As the private sector looks to hire veterans, other branches with marketable military specialties are struggling with similar retention difficulties.

## The Value of One Billion Dollars



Source: BPC Analysis of DOD Figures

While specific data measuring DOD’s ability to retain its highest-performing service members is severely lacking, there are indications within the Pentagon that some of the best are deciding to leave the military early. A 2010 survey of Army officers found that only 6 percent agreed with the statement, “the current military personnel system does a good job retaining the best leaders.”<sup>20</sup>

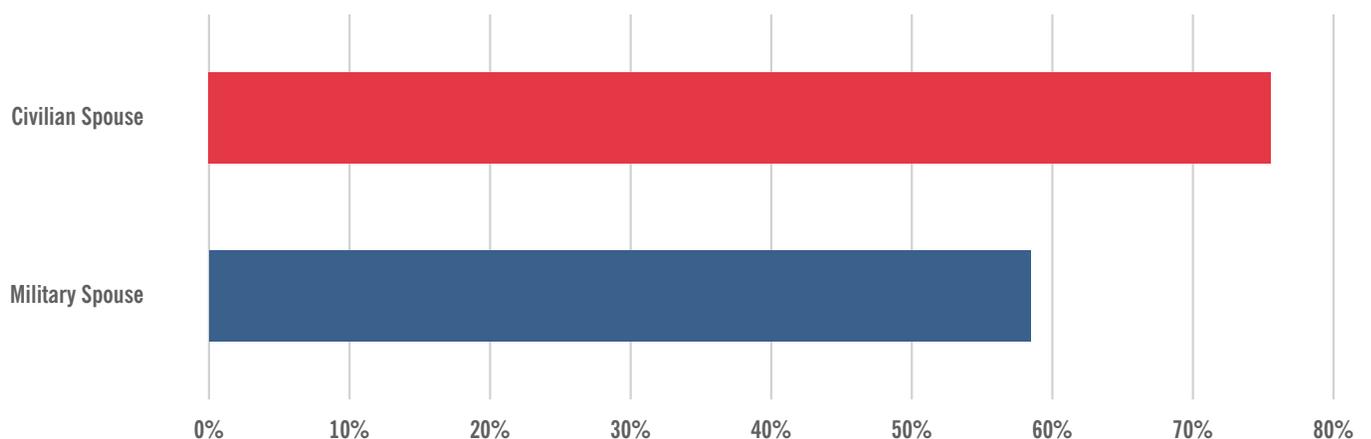
One reason for such poor retention might have to do with the incompatibility of the military lifestyle with the demands of modern professional and family life. Through frequent moves, dependent-driven pay and benefits models, and lack of individual career-planning input, the Pentagon forces military members to live a very different life than their civilian counterparts. This cannot continue if the goal is to draw top talent to military service.

Military workforce policies were designed for a bygone era of single-income households and standard, twenty-year careers. In the United States, more than 60 percent of married couples with children have dual incomes, while only 45 percent of active-duty military spouses are employed.<sup>21, 22</sup> Indeed, RAND Corporation found that 42 percent of military spouses are not in the labor force compared to only 25 percent of an adjusted civilian-spouse comparison group.<sup>23, 24</sup> This dichotomy places a strain on service members who, because of personnel system requirements must often choose between remaining in the military and supporting a spouse’s career. While the military will always place unique demands on those in uniform and their families, DOD must carefully examine whether the demands imposed serve its mission of deterring “war and protecting the security of our country.”<sup>25</sup>

Nor are personnel management issues relegated only to our uniformed service members. Over 740,000 civilian employees work for the Defense Department. Despite performing vital roles in fields like cybersecurity and acquisition program management, relatively little attention is paid to the management of this important component of the total force. Among the 20 percent of DOD civil servants who compose the acquisition workforce, troubling studies link higher performance ratings with lower overall retention.<sup>26</sup> Meanwhile, only 8 percent of the total DOD civilian workforce is under the age of 30, compared to nearly 25 percent in the private sector.<sup>27, 28</sup> When

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## Labor-Force Participation Among Spouses



Source: RAND Corporation

combined with survey results stating only 41 percent of DOD employees feel that their work unit was able to recruit people with the right skills, these statistics suggest a lack of new talent and diversity of thought within the department.<sup>29</sup> The complex and often-slow hiring practices of the federal government dissuade new employees from joining DOD. Indeed, the 80-day federal time-to-hire goal is more than triple the length of time private employers take to fill open jobs.<sup>30</sup> Clearly this system must be reformed so that DOD can attract the fresh talent required to meet the challenges ahead.

## ***Demographics and the Shrinking Talent Pool***

A dwindling pool of eligible and interested prospective military recruits further complicates the Pentagon's ability to build a future force comprised of high-end talent. Military physical fitness standards combined with factors like criminal history, intelligence, and overall interest in military service severely limits who can be targeted by DOD recruiters. In 2013, 71 percent of 17- to 24-year olds did not qualify for service due to medical, substance-abuse, or aptitude factors.<sup>31</sup>

Of the minority of the population eligible for military service, only a very small percent are even interested in joining the ranks. According to the commander of the Army's recruiting command, only about one percent of youth are both "eligible and inclined to have a conversation with us" regarding military service.<sup>32</sup>

Over the last several decades the American population as a whole has struggled with overall health including rising levels of obesity and illicit drug use.<sup>33</sup> The Pentagon must confront these trends as it attempts to build the future force. It is imperative that military service be enticing for the smaller percentage of Americans who are eligible to join. When the recruiting pool is already small, DOD must ensure it does not further limit its reach by imposing unnecessary burdens on service members.

## ***Conclusion***

*"To stay the best, we have to embrace the future. And that has several dimensions. We need a 21st century personnel system to match a 21st century military. We have to be open to a wider world of technology. And we need a sensible long-term budget that does right by our military and our taxpayers." Ashton Carter, Secretary of Defense<sup>34</sup>*

The continued ability of the U.S. military to advance the nation's security interests hinges on the Pentagon's ability to transform and create an adaptable, agile force that is capable of responding to the threats that will present themselves in the evolving security landscape. The Defense Department has long been accused of preparing to fight the previous war; if the military is to be effective in the future, it must prepare now. This means removing the obstacles inhibiting reform and taking important steps to make service, in and out of uniform, an attractive and viable option for the millions of talented Americans who can contribute vital skills for our national defense. As a nation, we owe those who volunteer to protect us a defense establishment that is up to the task of succeeding in the information age.

The millions of active-duty, reserve, civilian, and contractor personnel are the basis for U.S. military capability and capacity. The reforms required to create an innovative, agile, and effective defense organization are not meant as a critique of patriotic Americans currently serving in and out of uniform. If the Defense Department hopes to continue attracting outstanding people, it must target inefficiency and waste as a matter of critical importance to our national security.

The BPC Task Force on Defense Personnel will propose innovative recommendations to address these formidable, but surmountable, challenges.

# Endnotes

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