



## **Defense Personnel Systems:**

The Hidden Threat to a  
High-Performance Force

*February 2017*



BIPARTISAN POLICY CENTER

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## **ACKNOWLEDGMENTS**

This publication was made possible, in part, by a grant from the Peter G. Peterson Foundation. The statements made and views expressed are solely the responsibility of BPC staff. Former BPC staff member Jack Rametta contributed to this report.

# Prologue

The Bipartisan Policy Center's [Task Force on Defense Personnel](#), composed of 25 defense and national security experts, will make recommendations to strengthen U.S. national security by improving and modernizing the way that the Defense Department recruits, manages, and retains its people. During this effort, BPC is publishing a series of analytical papers examining the strengths and shortcomings of current personnel policies and practices. The first paper, [The Military Compensation Conundrum: Rising Costs, Declining Budgets, and a Stressed Force Caught in the Middle](#), explored the context in which any discussion of defense reform must occur—the current budgetary policies of the U.S. government and the challenging dynamics of today's military-compensation models.<sup>1</sup> The second paper, [The Building Blocks of a Ready Military: People, Funding, Tempo](#), addressed the mounting evidence that current personnel policy is degrading military readiness. This paper, third in the series, describes the development of today's defense personnel systems—covering recruitment, promotion, retention, and separation—and argues that these systems are currently struggling to meet national security needs and, if unchanged, will be insufficient to address the challenges of an increasingly complex global-security environment. The final, forthcoming paper, [Health, Health Care, and a High-Performance Force](#), will delve into the challenges of maintaining a medically ready force, a ready medical force, and a sustainable health care benefit for service members, dependents, and military retirees.

# *The Link Between Personnel and National Defense*

People, both in and out of uniform, are essential to the U.S. military's ability to defend the nation and project power around the world. Almost 3 million military personnel and civilian employees work for the Defense Department.<sup>2,3</sup> These men and women are managed using a personnel system that is a complex combination of statute, military policy, culture, and tradition. Over the long history of the nation, lawmakers and the military have established a variety of personnel systems and practices to organize the force. These systems have been modified to reflect the nature of the conflicts the military would be called upon to respond to. Today's personnel systems are based mostly on the needs of the post-World War II military. While this system has been largely successful in furthering a strong U.S. military, it has not been updated to reflect new national security threats or current and future needs of the force. Despite several attempts over the years to update the system, the fundamental characteristics of a "one-size-fits-all" and "up-or-out" military remain largely intact. Now is the time to examine the reasons and rationale behind the present personnel system and assess its ability to meet the needs of the future force and to deliver U.S. national security outcomes. Therefore, this paper examines a brief history of military and defense-civilian personnel management, assesses its performance, and summarizes recent attempts to update the personnel system.

While military and defense-civilian personnel systems serve many purposes and must meet varied goals, a handful of key aspects are especially relevant in the increasingly complex national security environment. To ensure the nation's future national security and military advantage, future Pentagon personnel systems should:

- **Leverage the full spectrum of American society.** The United States is fortunate to have an abundance of talent and experience across its diverse population. The personnel system must serve as a bridge—not a barrier—to accessing this talent, especially hard-to-find or in-demand capabilities. The military must be able to consistently acquire top talent, whether experienced or entry-level, and to retain that talent amid a competitive employment marketplace, even if those individuals do not progress toward command.
- **Adapt to new threats as they arise.** Because future national security needs are uncertain, personnel systems must be able to accommodate changing requirements as commanders' needs shift: more of one skillset, less of another, or entirely different capabilities, such as mastery of new technologies or familiarity with certain languages or cultures. Recently, the perennial answer to unexpected military needs has been use of special-operations forces—which is not an optimal long-term solution. The increasingly complex and unpredictable national security environment will require the rest of the force to develop the personnel capacity and adaptability to confront nontraditional missions.
- **Be financially and culturally sustainable.** In an era of financial constraints, the necessary personnel capabilities must be maintained efficiently, while simultaneously ensuring that service members and defense civilians are competitively compensated and have the best training and equipment available. Just as importantly, personnel systems must also be supportive of the personal lives of service members. If the conditions of military life force service members to choose between their family's well-being and a military career, the family will win and the military will lose access to a critical segment of the talent pool.

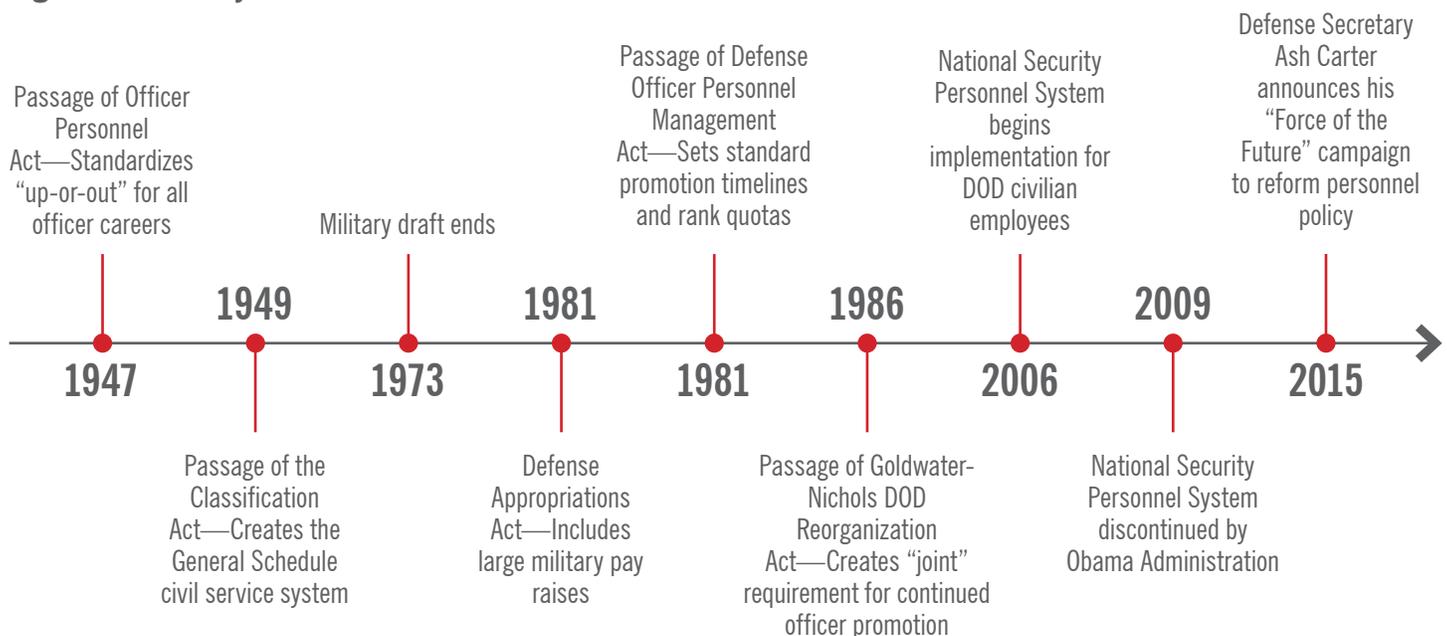
- **Build and maintain technical proficiency.** The skillsets required by the military will only become more technical as the national security environment becomes more complex. Whether developing new capabilities to confront the increasingly difficult challenge of defending the frontiers of space and cyberspace, applying new technologies and greater individual decision-making to existing military roles, building language skills and cultural knowledge, or maintaining expert-level trauma care capabilities, these challenges are fundamentally personnel issues. A personnel system that cannot consistently build and retain these types of capabilities has failed, with profound implications for military readiness and national security.

Military personnel systems have changed before to meet evolving national security needs, and personnel policies and practices must change again to confront today’s and—especially—the future’s challenges. BPC’s Task Force on Defense Personnel will examine these and other issues to make recommendation to improve the military’s disparate personnel systems to ensure the U.S. military is able to attract and retain the talented men and women required for future national security.

## *A Historical Perspective on Today’s Military Personnel System*

Today’s military personnel are managed by a system that was largely established shortly after World War II. Following previous conflicts, such as the Civil War and World War I, the United States did not maintain a large standing military. After the end of World War II, however, political and military leaders recognized a need to maintain a substantial, globally deployed force to confront the growing threat posed by the Soviet Union. This standing military continued to rely on conscripts for much of its manpower, but it also included a professional cohort of officer and enlisted service members who remained on active duty for extended periods. This new dynamic shaped many of the military personnel policies that are still in force today.

**Figure 1: A History of Personnel Reform**



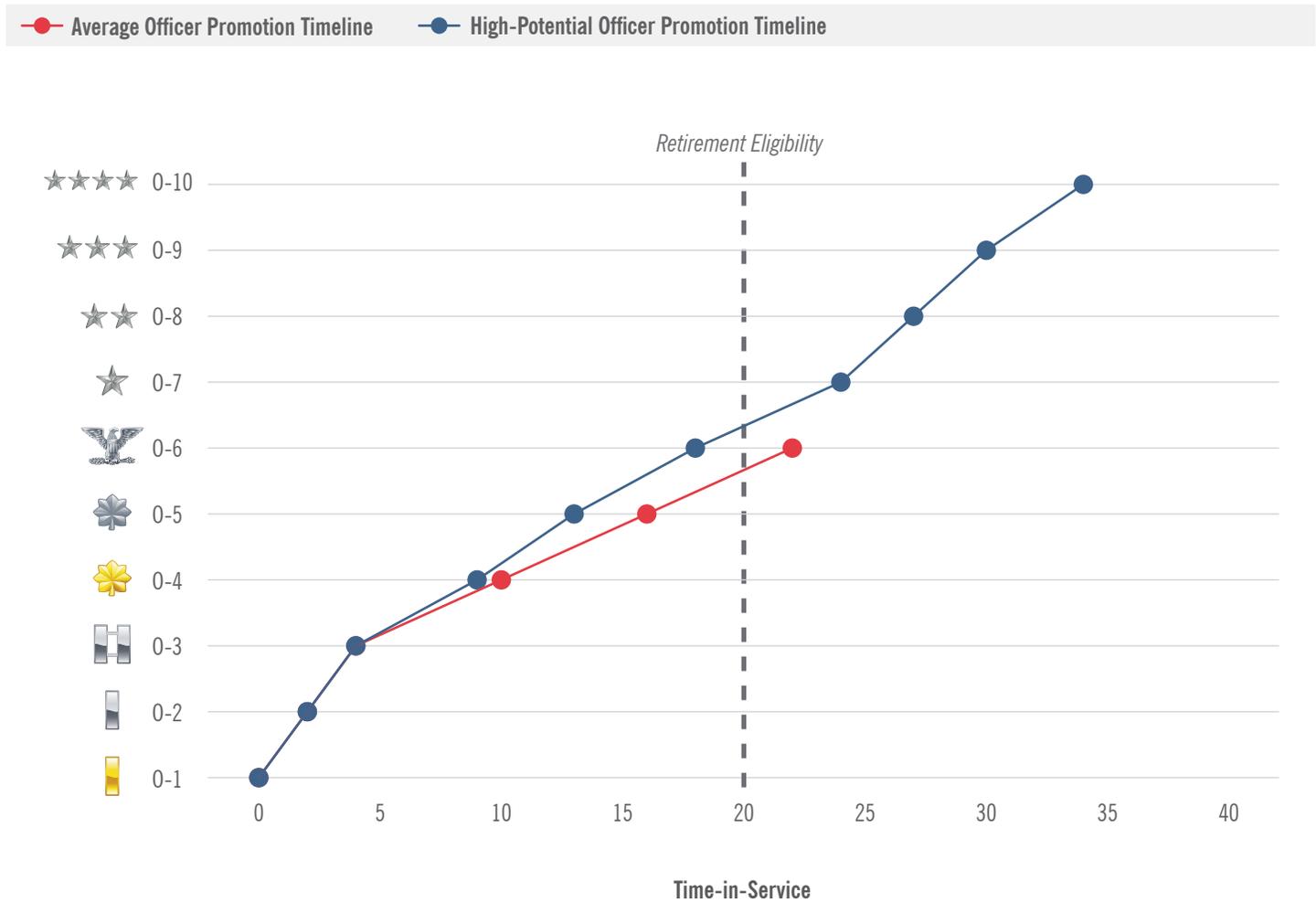
## *Post-World War II Reforms: Uniformity, Youth, and Vigor*

World War II completely changed how the military organized its personnel. Before the war, the United States had fewer than 15,000 active Army officers, while the Navy had approximately 14,000. Following the war, the total force encompassed more than 1.5 million Americans, of whom more than 385,000 were officers.<sup>4</sup> As U.S. national security leaders devised the strategy to rebuild much of Europe and Asia while also countering the threat posed by the Soviet Union, they sought to achieve three major outcomes from the military's new personnel system.

First, lawmakers sought uniform personnel policies among the four services. Previously, the Army and Navy determined their own personnel-management systems. The Navy largely utilized an up-or-out promotion system—meaning that a service member's time at each rank is strictly limited, and service members who are not promoted to the next rank after a predetermined length of time are separated—while the Army operated a seniority-based system in which service members with the longest tenures could remain in assignments indefinitely, limiting opportunities for newer officers. This led to a disjointed set of policies that frustrated congressional leaders as they conducted oversight. In response, lawmakers established greater uniformity throughout the military in general and the personnel system in particular. For example, policymakers created a single Defense Department (then known as the National Military Establishment) in 1947 to replace the War and Navy Department. They also implemented the Uniform Code of Military Justice in 1951. Personnel policy followed suit when Congress debated and passed the Officer Personnel Act in 1947, which standardized personnel management throughout the military.<sup>5</sup>

The second outcome desired by policymakers as they crafted the Officer Personnel Act was an emphasis on a “young and vigorous” officer and enlisted corps. While youth and vigor are not precisely defined in the law, *The Report of the First Quadrennial Review of Military Compensation* stated, “As a result of prior experience wherein promotion stagnation and superannuation of personnel led to military forces with less than the desired efficiency and capabilities, the need for such an emphasis [youth and vigor] is well established and generally recognized.”<sup>6</sup> For the enlisted corps, youth and vigor was guaranteed for a large percentage of the force by conscripting young Americans to serve for short periods of time. For officers, the act standardized an up-or-out promotion system throughout the services. Up-or-out ensured regular turnover in each position so that all officers could gain necessary skills and experience to advance. Then-Army Chief of Staff General Dwight Eisenhower supported the up-or-out system, saying that senior commanders “had to be replaced and gotten out of the way and younger men had to come along and take over the job.”<sup>7</sup> The reform established a standardized career plan for all officers with mandatory retirement for non-general officers after 30 years of service and a voluntary retirement option following 20 years of service.

**Figure 2: The Up-or-Out Officer Promotion Path**



Finally, lawmakers wanted the capability to quickly remobilize the military in case of confrontation with the Soviet Union. This required retaining a larger number of mid-grade officers who would be prepared to command units in the event of a major war. Policymakers believed that enlisted and junior-officer personnel could be quickly trained for war, but more-experienced commanders needed more time to prepare and could not therefore be swiftly recruited during a crisis. Consequently, the military maintained a much higher percentage of officers than it had previously. In 1945, the military had a ratio of approximately 1.3 field-grade officers for every 100 enlisted personnel. Five years later, the ratio stood at 4 to 100.<sup>8</sup>

It is worth noting that even in 1947 some senators objected to the up-or-out personnel system, correctly noting that the retirement system would incentivize many, if not most, officers to retire from military service in their 40s. Senator Guy Cordon (R-OR) stated his concerns bluntly, saying that for those who reach the rank of colonel, the new personnel system “would mean that the average officer, figuring that he received his commission at age 22, would be forced to retire at 52 years of age. This seems to me to be a most wasteful and illogical requirement, particularly for the technical services.” Senator Harry Byrd (D-VA) agreed, saying, “That seems to me mighty early to retire a man, at 52.” Today’s force is more reliant than ever on technical expertise, so these concerns are even more relevant now than they were at the time they were raised.

For enlisted service members, although up-or-out was never mandated by statute, the Defense Department essentially mimicked the officer system for career enlisted personnel policy. Unless enlisted service members continue to promote, their maximum length of service is capped. The enlisted personnel system could easily be modified through administrative policy changes if only the culture would permit it.

## *The Creation of the All-Volunteer Force*

Much of the reforms implemented in the late 1940s survived with minimal modifications until the end of the Vietnam War. The military continued to rely on conscription for a portion of its manpower, while many officers and senior-enlisted personnel were managed by the standardized, up-or-out promotion system. Following an unpopular war, fought using an even-more unpopular draft, the American people demanded a change to the way the military met its manpower needs.

As part of his 1968 campaign, President Richard Nixon promised to end the draft.<sup>9</sup> To study the feasibility of this change, in 1969, Nixon chartered the Advisory Commission on an All-Volunteer Force and appointed former Defense Secretary Thomas Gates as the chairman. In its final report, the Gates Commission recommended canceling the draft and instituting an all-volunteer force. Based on this recommendation, in 1973, President Nixon formally ended conscription and began the transition to a professional military.

While the professionalization of the military was a major change for the country, the end of conscription was not accompanied by substantial changes to military personnel management. Since the draft was used primarily to fill the lowest enlisted ranks for short periods, there was very little need to modify relocation, promotion, or career-management policies. Most draftees had very little opportunity for promotion or relocation from one assignment to another. Career-management policies like up-or-out and one-size-fits-all were primarily designed for officers and those service members who progressed beyond their initial enlistment or service commitment.

Canceling the draft had an especially small impact on the commissioned officer corps, as very few officers entered through conscription. The Gates Commission found that staffing the officer corps “will be somewhat easier than recruiting the enlisted force.”<sup>10</sup> Given that there had been little difficulty recruiting new officers in the past and that the pool of college graduates was large and growing, the commissioners had no reason to seek transformational changes to officer personnel systems.<sup>11</sup>

The end of conscription, however, required significant changes to personnel policies for enlisted service members, mostly related to pay and compensation. Now, the armed forces had to compete against other employers for enlisted talent. To make the military more attractive to prospective recruits, the Gates Commission recommended substantial pay increases across the board. The commission recommended a 50 percent increase in basic pay for newly enlisted service members, along with a 28 percent increase for officers. Ultimately, Congress agreed and approved substantial pay raises for the all-volunteer force over the next decade. Also included were new bonuses for hard-to-fill specialties like submarine duty. Since military talent grew more expensive, many nonmilitary responsibilities, like custodial work, were either contracted out to private companies or filled by new government civilian employees.

The Gates Commission made numerous other personnel-system recommendations that were largely ignored by policymakers. For enlisted service members, the commission recommended more-flexible enlistment terms and expanded choice of military occupational specialty. For both officers and enlisted, the commission recommended examining the possibility of expanding lateral (mid-career) entry for military jobs that had a direct civilian comparison.<sup>12</sup> Although these recommendations were not adopted, the Gates Commission report remains one of the most thorough studies of the military personnel system to date and continues to be relevant.

## ***1980s Reforms: Pay Raises, the Defense Officer Personnel Management Act, and Goldwater-Nichols***

The transition to a professional force was not entirely smooth for the Pentagon. Problems emerged, particularly in recruiting, as the military was forced to compete with the private sector for all of its manpower needs. Robert Pirie, former assistant secretary of defense for manpower, reserve affairs, and logistics, testified to Congress in 1979 that “the Services had difficulty meeting recruiting goals during [Fiscal Year] 1978. . . . [A]s a group they met only 90 percent of their enlistment objectives. . . . [W]e do not yet know whether our recent experience represents merely an isolated deviation from our strong recruitment experiences or whether it signals the beginning of a disturbing trend.”<sup>13</sup> The initial post-conscription pay increases were too small.

To halt the trend and place military recruiting on firmer footing, Congress eventually passed significant additional pay increases as part of the Defense Appropriation Act of 1981. While this and subsequent pay raises would make military service more attractive to new recruits, Congress did little to update the foundation of personnel management within the military, which also affects the appeal of service. Furthermore, these early pay increases started a trend—which continues to this day—where the only solution for military recruiting and retention problems became ever-larger pay increases and recruitment/retention bonuses. As personnel costs continue to rise, defense leaders have been forced to shrink the size of the military in order to afford more-generous compensation packages. RAND economist Richard Cooper testified to Congress that to truly control costs for the professional military, it should change the up-or-out promotion system, thereby “reducing personnel turnover rates.”<sup>14</sup> This advice would go unheeded during the next major review of military-personnel policy.

In 1981, after several years of negotiations, the Defense Officer Personnel Management Act (DOPMA) was enacted. This was the most significant update to officer-personnel systems since the end of World War II. The new law established service-specific constraints on the number of field-grade (O-4 to O-6) officers, standardized promotion timing, and continued the up-or-out system. While DOPMA is a wide-ranging law, RAND Corporation analysts categorized it as “an evolutionary document, extending the existing paradigm (grade controls, promotion opportunity and timing objectives, up-or-out, and consistency across the services) that was established after World War II.”<sup>15</sup> DOPMA did not fundamentally change how the military recruits and retains its people.

Later in the 1980s, another major Pentagon-reform bill, known as the Goldwater-Nichols Department of Defense Reorganization Act, was signed into law. The 1986 legislation represented the most sweeping changes to department organization and management since 1947. Policymakers especially wanted to make the military services work better together as a joint force.

Military parochialism was seen as a contributing factor to failures like the botched hostage-rescue operation in Iran and the lack of success in Vietnam. To facilitate the joint force, Goldwater-Nichols conditioned promotions to general or flag rank on service in a designated joint assignment as a field-grade officer. This provision promoted inter-service experience among the military's most senior leaders.

However, the major reforms ushered in by Goldwater-Nichols were not matched by commensurate reforms to the personnel system. Goldwater-Nichols amplified one-size-fits-all by creating a more-uniform process to promote to the highest ranks. To fit the joint-assignment requirement into the one-size-fits-all, up-or-out personnel system, nearly all officers, regardless of their suitability for or interest in higher rank, must serve in joint assignments. This dynamic is why critics characterize the one-size-fits-all system as “grooming all officers to be chief of staff.”<sup>16</sup> Additionally, since all service members are eligible for full retirement after 20 years of service, the joint requirement must be fulfilled relatively early in an officer's career. Dr. Bernard Rostker, former undersecretary of defense for personnel and readiness, testified to Congress that Goldwater-Nichols “added between four and five years of additional must-have assignments to an already full career” and “came at the cost of having less-experienced uniformed managers of the services.”<sup>17</sup>

Without question, the 1980s-era reforms had many positive impacts. The volunteer military is now competitively compensated, which is a precondition to recruit and retain high-quality personnel. DOPMA facilitates a “youthful, vigorous” officer corps, while Goldwater-Nichols ensures those officers are comfortable working as part of the joint force. However, over 30 years have passed since these major initiatives, and as the nature of conflict continues to evolve, it is crucial that the personnel system adjust to meet current and future needs.

## *The Typical Military Career*

Although individual service members have different assignments and experiences, each military career essentially follows a standard path. Promotions are centrally managed on predetermined timelines. Assignments are made with little regard for individual preference. Compensation is based on time-in-service, and there is little opportunity to be rewarded, financially or otherwise, for exceptional performance. The truly exceptional performers are only able to be promoted a year or two faster than their peers.

## *The Typical Enlisted Career*

The average enlisted service member joins the military at around age 20 (all must enter between the ages of 17 and 42). Over 99 percent in Fiscal Year 2013 have at least a high-school diploma or equivalent educational achievement. Over 6 percent of enlisted service members have a bachelor's degree.<sup>18</sup> Most new enlistees will enter at the pay grade of E-1 (i.e., Private, Seaman Recruit, or Airman Basic). Some enlistees will enter at higher ranks if they completed some higher-education credits or were members of organizations like Boy Scouts, Junior Reserve Officer Training Corps, and Civil Air Patrol.

Pay is governed by the military pay table, which is based on rank and time in service. E-1s with under two years of service earned \$1,566.90 per month in base pay in 2016.<sup>19</sup> Other cash allowances like housing (based on location) and subsistence (\$368.29) are nontaxable and added to the service member's paycheck.

Promotions for enlisted service members vary by service. The Army traditionally promotes enlisted service members more quickly than the Navy or the Air Force. Each service has significant freedom to establish promotion policies for enlisted service members. Congress does not restrict the number of enlisted personnel at a given rank until the grade of E-8 and E-9, which must be "not more than" 2.5 percent and 1.25 percent respectively of the number of active-duty enlisted personnel in each service.

Roughly two-thirds of enlisted service members leave the military after serving six years or less.<sup>20</sup> The average enlisted service member does not come close to serving the 20 years required to receive a retirement pension under the old retirement model (pre-2015). Those who do serve for 20 years or more are eligible for a retirement pension based on the last rank served. Most enlisted personnel who qualify for military retirement benefits will reach the rank of E-6 or higher.

**Figure 3: Active-Duty Enlisted Population**



Source: Defense Manpower Data Center

## The Typical Officer Career

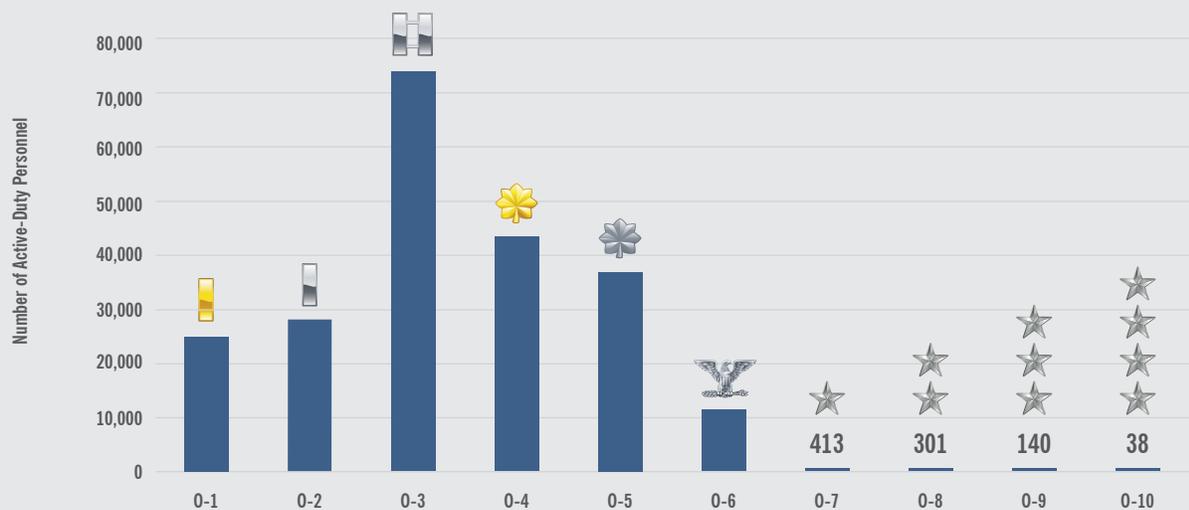
The average commissioned officer joins the military at around age 22. All officers must now have a bachelor's degree, and most will commission following graduation from a civilian university Reserve Officer Training Corps (ROTC) program or service academy. DOPMA stipulates that all officers must be able to “complete 20 years of active commissioned service before his sixty-second birthday.”<sup>21</sup> This provision means that all new active-duty officers must commission by the time they reach age 42, although some services have placed more-restrictive age limitations on officers.

The vast majority of officers begin their career at the grade of O-1 (second lieutenant or ensign). Promotion procedures vary by service, but the timelines determining when an officer is eligible for promotion are standardized throughout the military by DOPMA. Most officers will reach the grade of O-4 (major or lieutenant commander) after around ten years of service. DOPMA requires that officers who are twice not selected for promotion be discharged from active service. However, in recent years, around 90 percent of officers eligible are promoted to O-4, and department policy states that 70 percent of eligible officers should be promoted to O-5 at around 16 years of service.

While officers typically serve for longer careers than enlisted service members, only about half will serve long enough (typically 20 years) to earn a retirement pension.<sup>22</sup> Those officers who separate from active duty prior to reaching 20 years of service are usually unable to reenter the active-duty military later, and those who can return must do so at their prior rank.

There are a few exceptions to the up-or-out promotion system. Officers who possess professional experience and education (currently limited to health care professionals, lawyers, and chaplains) are eligible to enter the military at a higher rank and pay grade.

**Figure 4: Active-Duty Officer Population**



Source: Defense Manpower Data Center

# *Department of Defense Civil Servants*

If the military personnel system errs on the side of up-or-out and lack of expertise due to frequent turnover, the civilian personnel system has the opposite problem. Civilian employees may remain in their positions almost indefinitely—frequently regardless of their level of performance. Where the military has “one-size-fits-all,” defense civilians are managed under more than 60 different personnel systems. There are about 770,000 civilian personnel who are employed by the Defense Department, which means the Pentagon employs more civilians than the uniformed active-duty populations of the Air Force and Navy combined.<sup>23</sup>

## *The General Schedule Personnel System*

Like the military personnel system, the current General Schedule (GS) personnel system dates back to the postwar period and the passage of the Classification Act of 1949. Back then, 70 percent of white-collar civilian positions performed clerical work.<sup>24</sup> Contrast that with today, where many defense civilians work in highly technical professions like cybersecurity, acquisition program management, financial management, science, and engineering. The GS system features a rigid pay schedule based on time in a certain position. The system was designed to ensure fair and equitable pay for employees of the various federal agencies regardless of location. Roughly two-thirds of defense-civilian employees are managed under the GS system. Some civilians are managed by special authorities that allow more merit-based pay and promotion policies. These special authorities are most often found at military-run scientific labs and other highly specialized offices.

The GS system limits advancement opportunities and restricts most merit-based pay raises. Employees who wish to advance in grade (for example, a GS-12 employee who wants to promote to GS-13) typically must compete for the position against other outside applicants. Additionally, the structure of the system results in pay raises being mostly awarded based on longevity rather than performance.

Another issue with the civilian personnel system is the lack of flexibility to hire and fire employees in a timely manner. Since the system’s primary rationale is fairness and impartiality, it is exceedingly difficult to remove low performers. Similarly, the hiring of defense-civilian employees can take several months due to the various checks and filters that must review applications. Unlike most private-sector employers, hiring managers in the federal government are not allowed to review applicant résumés until late in the process; instead, these reviews are handled by automated systems and human-resources personnel. These processes are designed to ensure that various preferences and diversity requirements are met and to promote fair hiring practices. These procedures are well-intentioned, but the result is a lengthy hiring process.

## *The National Security Personnel System*

In 2003, Congress authorized the Defense Department to institute a new civilian personnel-management system for defense civil servants. Called the National Security Personnel System (NSPS), the system was designed to overcome the difficulties of the GS system, which, according to former Undersecretary of Defense for Personnel and Readiness Dr. David Chu, “does not provide the needed flexibility to pay, reward, or assign people appropriately.”<sup>25</sup>

The basic features of NSPS included grouping jobs into broad pay bands, linking increases in compensation to performance, and holding low-performers more accountable through expedited adverse employment actions. Broad pay bands were intended to increase flexibility for managers who would have more discretion in assigning and compensating their employees. New hires could be offered more-competitive salaries, and employees could be quickly reassigned to fill vacancies. Those employees who received low-performance ratings would receive no pay raises of any kind, and the notice period for adverse actions was shortened.

Many of the components of NSPS were tested on smaller segments of defense employees prior to being implemented on the rest of the department. These early trials showed that the system resulted in “performance becoming an increasingly important predictor of pay over time,” and, performance and contribution have “become the strongest predictor of pay,” while “tenure is no longer significant.”<sup>26</sup> Based on this feedback, defense leaders strongly advocated for the authority to implement NSPS for all defense employees. Congress agreed, and NSPS began implementation in mid-2006.

However, despite its promise, NSPS faced strong criticism from federal employee unions. Critics alleged that the new authorities led to employee discrimination and unfairness.<sup>27</sup> Not long after the department released the initial regulations for NSPS, unions filed suit against the Secretary of Defense and the Director of the Office of Personnel Management.<sup>28</sup> Although the courts eventually sided with the Defense Department, bad press continued to malign the new system. Eventually, Congress rolled back the authority to widely implement NSPS. President Barack Obama signed legislation repealing NSPS in 2009.

## *The Problems with Up-or-Out and One-Size-Fits-All Personnel Management*

Criticism of the U.S. military personnel system is not new, but it has become increasingly widespread and prominent. In his remarks at the public launch of BPC’s Task Force on Defense Personnel, Senator John McCain (R-AZ), chairman of the Senate Armed Services Committee, said: “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’s the latter.”<sup>29</sup>

Five years ago, then-Defense Secretary Robert Gates used part of his farewell address at West Point to critique the Pentagon’s personnel policies and practices, which he said was the “greatest challenge facing your Army, and frankly, my main worry,” adding:

*“ How can the Army can break-up the institutional concrete, its bureaucratic rigidity in its assignments and promotion processes, in order to retain, challenge, and inspire its best, brightest, and most battle-tested young officers to lead the service in the future? After the major Afghan troop deployments end in 2014, how do we keep you and those five or ten years older than you in our Army?<sup>30</sup> ”*

These concerns have led to attempts by policymakers—including in the administration and Congress—to reform defense personnel systems (discussed in the next section). But the right solution depends on what problems need to be addressed. The long evolution of personnel systems reflects efforts to solve the problems of those times with the tools, ideas, and experience that were then available. To successfully improve defense personnel policies and practices for the future, reformers must first determine how the current system is failing to meet current needs and whether it is suited for probable future needs.

Defense personnel systems are complex, with many attributes that are customized to the particular needs of an organization that is expected to fight and win wars when called upon. It is also impossible to design a personnel system for today's military from scratch. And while the military is unique, in many respects, the Pentagon still has similar functions and needs to any large organization: the need to attract and retain large numbers of people to a variety of professions (whether soldiers in uniform or civilians in business attire), place them in positions in which they will best contribute to the organization's needs, evaluate their performances, select some for promotions, and part ways with those whose services are no longer needed. Problems exist when these systems—by design or accident, policy or practice—fail to meet these needs in an efficient way. The following are some of the key respects in which these personnel systems fall short.

### **Defense personnel management is typically poorly coordinated and lacking in accountability.**

In an organization as large as the Defense Department, with four services, five broad categories of personnel (active, reserve, guard, civilian, and contractors), and worldwide operations, some complexity and decentralization are unavoidable. But that doesn't excuse practices that don't contribute to the success of the organization. Examples abound:

- The U.S. Army has separate recruiters for each component—active, reserve, and guard—competing with each other for the same applicants, rather than working together to find the best fit for each recruit within the overall needs of the Army. The same holds true for the four different services, which compete against each other for talent.
- The military services have very limited methods to identify which service members have particular skills or abilities (other than those within a military occupational specialty), such as speaking a foreign language or possessing a high-value skill like computer coding.
- No one is responsible for ensuring that the military, as a whole, has sufficient medical personnel who are ready to deliver trauma care services, a critical capability when the military is engaged in battle.<sup>31</sup>

- Uncoordinated personal systems, dispersal of responsibility, and limited information about personnel especially detract from the Pentagon’s ability to preserve key capabilities during a drawdown or reduction-in-force, whether due to operational changes or budget instability.

Greater coordination, better information, and more responsibility invested in those who have the authority to fix problems could substantially improve the performance of existing personnel resources.

## **When unexpected needs arise, defense personnel systems make it difficult or impossible to quickly obtain specialized talent.**

As the national security environment becomes more complex and unpredictable, the chances of an unexpected conflict will rise. This increases the likelihood of a situation developing for which the Pentagon does not have sufficient personnel with the requisite useful skills and experiences, such as technical knowledge, language skills, and cultural experience. The military excels at attracting talent that leaders know they will need a decade in advance, but a system built on recruiting 18- to 24-year-olds and developing them over many years is poorly suited to urgent, unexpected demands for human talent. Mid- or late-career entry into the uniformed services is generally prohibited except for certain occupations—attorneys, health care professionals, and chaplains. Even former active-duty service members who remain in the reserve force are rarely eligible to return to active-duty billets (although they can be called up in their reserve capacities).

## **Nonstandard career paths are discouraged by the promotion system, fostering groupthink.**

Tasked by Pentagon leadership to offer their perspectives on efforts to reform the military personnel system, a group of junior officers might have said it best:

*“ The current mindset places value on a uniform set of experiences and thought. The inability to pursue niche expertise or a broadening opportunity in a different field means that senior decision makers have spent 30-40 years surrounded by people who look, think, and act like they do. Military training provides tried and tested methods for old problems, but new problems likely require new ideas. Diversity of education and experience helps ensure leaders and thinkers have the skills needed to win future conflicts in an increasingly complex world.”<sup>32</sup> ”*

Officers who do not “check certain boxes” are ineligible for promotion, making certain professional detours—such as earning advanced degrees, or private-sector fellowships—high-risk career decisions. Further, certain skills and abilities—such as fluency in a certain language—are not encouraged by the promotion system.<sup>33</sup> Task Force Member, and former commander of U.S. Special Operations Command, Adm. (ret.) Eric Olson has pointed out that the great British Army officer T.E. Lawrence—who earned everlasting fame as “Lawrence of Arabia” from his ability to befriend and embed with Arab fighters to defeat the

Turks in decisive World War I battles—probably wouldn't get past today's U.S. military promotion system, nor would a modern-day "Lawrence of Afghanistan" or "Lawrence of Pakistan."<sup>34</sup> As U.S. forces increasingly advise and partner with other militaries and engage in irregular missions, promotion pathways that discourage less-conventional experience seem increasingly unwise and inappropriate.

## **The promotion system is designed to shift service members toward command positions—even if that is not the best use of an individual's capabilities.**

The up-or-out promotion system is steeped with the expectation that officers will progress toward commanding increasingly larger units during their military careers. Those who don't get promoted to the next level of command are expected to leave. The primary exceptions are warrant officers, who serve as technical specialists and do not supervise others; however, warrant officers have not been embraced by all services or in most areas of specialization. The result is that service members who are highly proficient in very technical fields, such as neurosurgery, cybersecurity, and acquisitions, must eventually leave their practices to take leadership jobs to continue receiving promotions and raises, and even to remain in the military. Certainly, commanders are needed in all of these fields, but some individuals would better serve national security needs by continuing to practice what they are best at, and the military would be better served by having commanders who are selected not because it is their only option to advance but because they have demonstrated interest and ability in leading others. It is especially counterproductive for the military to force highly experienced and proficient specialists into command when it takes them away from practicing in certain areas—such as trauma care—that the military is struggling to maintain.

As anyone inside or outside of the military knows, not everyone is a good manager or leader; in fact, the right combination of qualities that make for good managers are hard to find.<sup>35</sup> Hence, the expectation that everyone in an organization should be on the path to management or command is guaranteed to result in situations where the wrong people are in charge and the technical abilities of some of the most talented employees are lost to the organization. Back when the all-volunteer force was created, up-or-out promotion systems used to be commonplace in private-sector organizations. For the most part, large companies have abandoned those practices, replacing them with compensation systems that allow and encourage high-performing individual contributors—as well as frontline managers—to remain in those roles while receiving promotions and raises. In this respect, the military's up-or-out policy seems to be a legacy that has not been updated to incorporate modern management practices.

## **The placement system fails to match service members to billets that maximize their contributions to the national security mission.**

The assignment system for service members oddly resembles a centrally planned economy. Each service maintains a function that places service members into open billets, occupying the work of thousands of people, both military and civilian, who work in the various service personnel commands. Most commanders have a very limited role in selecting the individuals who will serve underneath them, and service members have very limited input—usually a ranking of their location preferences—into their next assignment. Consequently, the assignment monitors who make the placement decisions have limited information: the billet, the service member’s military personnel record, performance evaluations, and location preferences. Personality, interpersonal skills, personal interests and ambitions, capabilities and experiences that are not reflected in the official record, and personal situations that might influence success in a particular billet or even retention in the military are not considered. Further, the system assumes that the ideal tenure in each billet is only around two to three years. While the military is a top-down organization in which individuals must subsume their own preferences to the needs of the national security mission, it seems unlikely that an inflexible, centrally planned system—operating with limited information about its human resources—would be capable of anything close to optimal personnel assignments.

This problem, which is central to Sec. Gates’s comments on the failures of the military personnel system, has been acknowledged by some military leaders and is the focus of several recent and ongoing efforts at reform. For example, the U.S. Navy operates an Assignment Incentive Pay program, which uses an auction format to award bonuses to hard-to-fill billets. This program actually reduced the cost of filling these positions, and some service members were even placed with bids of zero dollars—meaning that some service members wanted these jobs without any incentive payment, yet the normal personnel system failed to find them. The U.S. Army piloted Green Pages, a job assignment process that allowed for service-member and commander input in matching, and the Army launched a new pilot in late 2016 that will collect detailed information on soldier preferences and background, as well as abilities that are currently unknown to career managers, such as languages spoken.<sup>37</sup> This pilot will inform the development of a new, Army-wide personnel information system.

In addition to matches that result in suboptimal uses of a service member’s skills and abilities, the personnel system regularly creates hardships for the families of service members that are not justified by any national security imperative. An assignment in a location that jeopardizes the ability of a service member’s spouse to maintain employment, or the timing of a move that could adversely affect the needs of a service member’s child are tolerable if required by the mission, but when these decisions seem arbitrary and unrelated to necessity, they only serve to encourage talented service members to separate earlier than planned.

## **While progress has been made, civilian personnel systems are inflexible, slow, and uncompetitive with private-sector practices.**

The civilian hiring process has been subject to widespread criticism for many years. While applicants for private-sector jobs typically submit a cover letter and résumé, a convoluted and arcane federal-government hiring process can seem inscrutable to applicants. The news is not all bad; the Defense Department has improved average time-to-hire from 116 days in Fiscal Year 2010 to 83 days in Fiscal Year 2015.<sup>38</sup> However, civilian personnel processes significantly curb the discretion of managers in hiring, promotion, and removal of employees. A well-intentioned veterans-preference policy has reduced the diversity of background and experience in the civilian employee pool. Younger workers—even those old enough to have earned undergraduate and graduate degrees—are underrepresented within the department. For example, 16 percent of defense civilian employees are between the ages of 25 and 34, compared with 22 percent of employed Americans.<sup>39,40</sup> And only one-third of defense-civilian employees are women, compared with nearly half of civilian employees in cabinet-level agencies other than the Defense Department.<sup>41</sup> In combination, these challenges have dramatically increased the department's reliance upon contractors. Use of contractors, which are typically more expensive than civilian employees, should be based on the needs of the mission or task at hand, not a fix for a flawed and inflexible civilian-employment model.

## ***Modest Proposals to Reform for the Future***

Since the Gates Commission report almost four decades ago, policymakers, military leaders, and experts have proposed ways to reform military personnel systems. While few of these efforts have been implemented, growing concern surrounding the ability of the current personnel system to meet increasingly complex national security needs has motivated lawmakers and the administration to offer a variety of reform proposals.

### ***Force of the Future***

Announced with great fanfare by Defense Secretary Ash Carter in 2015, Force of the Future was the Obama administration's initiative to build “the military and the broader Defense Department that we need to serve and defend our country in the years to come.”<sup>42</sup> Force of the Future was focused squarely on modernizing the personnel systems for managing uniformed service members and the civilian employees who support them. A draft package of proposals included dozens of recommendations as wide-ranging as replacing up-or-out and improving merit pay for civilians.<sup>43</sup>

As the administration's initiative took shape, it received strong criticism on Capitol Hill; many of the proposals cannot be implemented without congressional action. Sen. McCain, chairman of the Senate Armed Services Committee, remarked that “many of these Force of the Future proposals appear to be solutions in search of a problem.”<sup>44</sup> While Carter implemented some administrative changes to modestly improve recruiting, retention, and quality of service, the most fundamental reforms related to the core of military and civilian personnel management have been left undone.

## *2017 National Defense Authorization Act*

Despite Force of the Future's rough reception on Capitol Hill, the legislative branch has attempted to advance some smaller measures that would marginally improve the personnel system. Though many personnel reforms, especially for enlisted troops, can be implemented through administrative action under the secretary of defense's authority, the most foundational reforms for officers and other topics must be achieved through new legislation. McCain stated that he is concerned about personnel reform and that there is a "need to advance bipartisan reforms to the defense personnel system to better support our warfighters and their families."<sup>45</sup>

The Fiscal Year 2017 National Defense Authorization Act (NDAA) bill initially showed strong promise in the area of personnel reform. Several modest provisions were contained in the Senate-passed version of the bill, including: temporarily modifying the officer grade caps that create the "up-or-out" promotion system, expanding lateral-entry authority, and increasing parental leave.<sup>46</sup> While these reforms were not as sweeping as those proposed by the administration as part of Force of the Future, they would have represented a significant shift from the status quo.

Meanwhile, the defense-authorization bill passed by the House of Representatives included far fewer personnel-reform proposals. The House version would have changed certain aspects of the civilian personnel-management system and streamlined military recruiting. Rep. Mac Thornberry (R-TX), chairman of the House Armed Services Committee, has focused on different priorities for personnel reform, with an emphasis on the growing usefulness of special-operations forces and the personnel challenges presented by the rise of cyberwarfare.<sup>47</sup>

A conference committee composed of members of the House and Senate armed services committees was set up to resolve the differences between the Senate- and House-passed versions of the bill. Unfortunately, the conference committee stripped the majority of the Senate's personnel-reform provisions from the final text of the bill. Now signed by the president into law, the final text of the NDAA for Fiscal Year 2017 advances only a few small changes and pilot programs to improve the effectiveness of the current up-or-out personnel system. The fundamental changes advocated by the earlier Senate-passed bill have been left on the table for future consideration.

The door remains open for fundamental reform, and the Joint Explanatory Statement published by the conference committee asked the Defense Department to devote more time to thoroughly studying the issues. On the topic of expanded lateral-entry authority, the conference committee encouraged the Pentagon to "provide detailed information to the Committees on Armed Service of the Senate and of the House of Representatives on how the expanded use of such authorities may be utilized."<sup>48</sup> As it pertains to suspending the officer-grade-strength table, which imposes the up-or-out system, the committee stated that relief from the statutory caps on officers "may allow the secretaries of the military departments to adjust the shape of their officer corps to affect talent management-based promotion systems and more quickly adapt to changing war fighting requirements and available talent supply." But, the conferees cautioned that such authority could result in "bloated senior officer ranks" if not implemented thoughtfully. Therefore, before such authority is provided, the final NDAA requires the secretary of defense to submit a report detailing how the new authority would be used.<sup>49</sup>

# *The Nation Cannot Afford an Inefficient Military-Personnel System*

No large organization is perfect, but the best organizations continuously review and regularly act to improve their policies and practices, especially for managing personnel. While the Defense Department has tried various pilots and is making some limited reforms, these efforts are not sufficient for the challenge. As the first paper in this series showed, despite substantial increases in compensation since 2001, service-member satisfaction with military life has stagnated.<sup>50</sup> Perhaps a better-functioning personnel system would deliver better satisfaction, higher performance, and improved readiness. At any time, and especially given the scarce resources available under the Budget Control Act spending caps, the military should make the best use of all human resources, uniformed and civilian. In spring 2017, the Task Force on Defense Personnel will publish recommendations to address this and other defense-personnel challenges.

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# *Notes*



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