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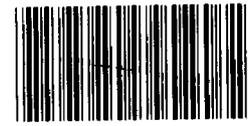
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STATEMENT OF

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BEFORE THE

SUBCOMMITTEE ON MANPOWER AND PERSONNEL
SENATE COMMITTEE ON ARMED SERVICES



115145

ON

[MILITARY PAY RAISES AND OTHER
MANPOWER MANAGEMENT ISSUES]

Mr. Chairman and Members of the Subcommittee:

We appreciate the opportunity to be here to present our views on several important and interrelated issues concerning military compensation and manpower policies. Foremost among these is the appropriateness of the (President's proposed across-the-board pay raises to take effect this year.)

This issue is very much interrelated with other manpower management and compensation issues that we, and others, have addressed over the past several years. These include: (1) instituting a military salary system to replace the antiquated and little understood pay and allowances system, (2) adopting manpower management models tailored to the needs of individual military occupations and structuring military pay on an occupational basis, (3) problems created by requiring the military to manage against

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year-end personnel strength figures, (4) questions of whether the objective enlisted force composition, with its years-of-service and rank/grade distribution, properly state the Services' actual needs to provide the personnel for a cost-effective force, and (5) reforming the retirement system so that it would work for, rather than against, military manpower objectives.)

I recognize that what I have just recited for you is a broad and far-reaching agenda of issues that have been, and continue to need to be, addressed. While my specific focus today is on the proposed across-the-board pay raises, we are concerned that (pay is only part of the problem, and until these management issues are resolved, the military will continue to experience manpower problems regardless of the short-term fixes it tries to apply.) We include the proposed 5.3 percent and 9.1 percent pay raises in the category of short-term fixes.

Across-the-board pay increases

On March 10, 1981, the President submitted to the Congress the Administration's revised fiscal year 1982 budget. The Administration proposed a 5.3 percent pay raise for military personnel in July 1981 in addition to the proposed 9.1 percent October 1981 pay raise included in the prior Administration's budget. These pay increases are on top of an 11.7 percent across-the-board raise which became effective in October 1980. A 5.3 percent pay raise will add \$400 million to the fiscal year 1981 budget and \$1.9 billion to the 1982 budget. The proposed October 1981 raise of 9.1 percent is greater than the 4.8 percent increase proposed for

other Federal workers. The cost of this extra 4.3 percent would add another \$1.6 billion to the 1982 Defense budget. In total, then, the Administration has proposed spending an extra \$3.9 billion for military pay increases during fiscal years 1981 and 1982.

The President's revised budget stated that these across-the-board pay raises are needed to "reduce the outflow of experienced personnel from the Armed Services."

Before reaching any conclusions as to the reasonableness of, or need for, these proposed pay increases, I believe we need to examine more carefully the nature of the manpower problems facing the military and try to define them more specifically. This should enable us to see more clearly whether the proposed across-the-board pay raises will solve the problems or whether some other alternative approaches might be more appropriate. In this regard, I would like to examine with you what (1) the current career force profile looks like and what short- and long-term impact the raises would likely have on the career force, (2) military skills are in short supply and what the likelihood is that across-the-board pay raises will correct skill imbalances, and (3) the civilian and military pay differences are for comparable occupations.

Impact of pay raise on
career force profile

In spite of widespread perceptions about recent trends, the fact is that the active duty enlisted force has been quite stable in size since the beginning of the All-Volunteer Force. In fact, during the 8-year period of the All-Volunteer Force, the military

Services have never been more than 1.5 percent below funded authorized strength levels. As of the end of fiscal year 1980, the Services had 99.9 percent of their authorized strength.

In addition to overall strength levels, the career force has also remained quite stable. Since 1974, the Army career force has increased by over 45,000 soldiers to a level where a record 40 percent of the force has over 4 years of service. The Navy and Marine Corps career force has remained relatively constant, and the Air Force career force has gone down somewhat in absolute terms, but as a percentage of the total enlisted personnel, its career force has also increased.

Therefore, in addition to maintaining a relatively stable end-strength, in aggregate, the career force has also remained quite stable, increasing somewhat both in absolute terms and as a percentage of total enlisted personnel. The career force is important because that is where the skilled technical people are.

As you begin to break apart the components of the career force and look at those with 5 to 12 years of service and those with 13 to 30 years of service, you begin to get a somewhat different picture. Between 1972 and 1979, the number of people with 13 to 30 years of service declined quite sharply to slightly over 270,000. For the most part, this decline was caused by the retirement of those personnel who had 12 or more years of service during the closing years of the Vietnam War. Thus, much of this reduction was a normal process of people leaving the Service after

a full career, rather than for dissatisfaction with pay or other aspects of Service life.

At the same time, however, in the late 1960's and early 1970's, reenlistments among personnel with 5 to 12 years of service declined quite severely. Consequently, what we are seeing now is not necessarily a mass exodus of senior NCO's as would appear on the surface, but rather normal attrition from what is an abnormally small cohort of senior NCO's, the result of low reenlistment rates in the group which had 5 to 12 years of service in the early 1970's. Recognizing that about 85 percent of the people who reach their 13th year of service stay for 20 years to take advantage of the generous retirement benefits and only a few remain in the Service beyond 20 years, we believe that the proposed pay raises would have only marginal impact on keeping more senior NCO's in the Services.

On the other hand, in recent years, from about 1973 through 1979, the number of people with 5 to 12 years of service has gone up rather sharply to about 470,000 in 1979. Assuming that the continuation rates for this group remains at historical levels, we can expect in the future to see a turnaround in the numbers in the 13 to 30 years of service group with surpluses of senior NCO's. This will likely happen whether or not added pay increases are authorized and to the extent that across-the-board pay raises cause people in the 5- to 12-year group to remain, it could exacerbate the future 13- to 30-year manning problem.

Therefore, on an aggregate basis, across-the-board pay raises (would have very little impact on the current 13 to 30 years of service group)-the group receiving the most public attention-- since most of these people will stay until retirement anyway. In contrast, however, (the pay raises would influence more people in the 5- to 12-year group to remain in the Service longer than they otherwise would have, thus increasing the overall size of the career force but likely causing an even greater surplus of senior NCO's in future years than might otherwise result.) Further, we are not at all convinced that (the across-the-board pay raises will influence the right people--those needed to meet specific manning requirements--to remain in the Service.)

Impact of pay raises
on skill shortages

As we have seen, the active duty career force has remained quite stable since 1973 and, on an aggregate basis, is fully manned. So, what exactly are the manpower problems the Defense Department hopes to solve with across-the-board pay raises? Our discussions with Defense officials and analysis of manpower documents indicate that the basic problem is not one of gross numbers, but rather one of skill imbalances--shortages in some skills or occupations and surpluses in others.

Even here, the problems vary from Service-to-Service, from grade-to-grade, and from occupation-to-occupation. However, they can generally be categorized as (1) shortages in skills that are highly marketable in the civilian economy, (2) shortages in skills

that are not marketable in the civilian economy, but which are generally thought of as being unpleasant or unattractive, and (3) skills or occupations which are relatively easy to fill and which are generally in a surplus position.

Each Service has certain skills that are quite technical in nature, require a sizable training investment, and are also highly marketable in the civilian economy--often at salaries which substantially exceed those offered by the Services. For example, a recent Air Force study indicates that it is short over 3,000 E-5's through E-7's in 48 critical skills. These shortages are primarily in "sortie producing" skills--skills which support the flying of aircraft--such as avionics skills, aircraft maintenance, electronics specialists, and communications specialists. Many of these skills are highly marketable in the civilian economy, particularly in the airline, general aviation, and electronics industries. The Navy also has shortages in skills that are highly marketable, such as operation specialists, nuclear technicians, and, to a lesser extent, machinist mates, radar and sonar technicians, and people in the computer operating field. The Army is short of air traffic radar controllers, maintenance mechanics, and other skills of a similar nature which are in demand in the civilian economy. (To retain individuals with these skills will, in our opinion, require a different set of solutions than is required to retain people without marketable skills.) For example, large monetary incentives, far larger than the proposed

across-the-board increases, along with other tailored emoluments, may be needed to keep these people.

Each Service also has shortages in skills which are generally thought of as being unpleasant or unattractive for whatever reason--possibly because of an unpleasant working environment, long family separations, or because it is a skill without any demand in the civilian economy. The Navy, for example, has a shortage of over 500 boiler technicians. While being a boiler technician does not require a heavy training investment, the working environment--in the engine room of a ship--is not generally pleasant, particularly in diesel-powered ships. The Army has had a chronic problem filling its combat arms positions--skills that are both dangerous and without a civilian occupation counterpart. Solutions to these problems will obviously require an innovative set of solutions which may differ substantially from the kinds of incentives needed to keep people with marketable skills.

Finally, there are some skills in all of the Services which are relatively easy to fill and which are generally in a surplus position. These would include administrative clerks and other similar occupations. The Army, for example, has too many material control and accounting specialists, material storage and handling specialists, and behavioral science specialists. Incidentally, one reason people with these types of skills stay in the Services is because they are generally paid more in the Service than their age and occupation counterparts are paid in the private sector. One problem facing the Services, then, (is how to

get the people into the skills where they need them most.)

The answer is obviously not by giving them more money to stay in the skills where there are already surpluses. Rather, other solutions need to be found to correct the skill imbalance problem.

In summary, on an aggregate basis, [each Service is essentially fully manned at their authorized strength levels. However, the mix of skills and grades--which the Services equate to experience--is out of balance with large surpluses in some skills and equally large shortages in others.]

For the most part, each Service has computed these skill shortages based on Defense Department authorized and funded manpower levels. The Navy, however, has taken this computation one step further and cites a 22,000 petty officer shortage based on their desired grade structure in an unconstrained budget environment. There has been, and continues to be, however, some dispute within the Defense Department regarding the reasonableness of the Navy's desired grade structure and, so far, the Defense Department has not seen fit to fund these petty officer positions. Therefore, even if suitable candidates were available, they could not be promoted, and the Navy has limited its annual grade requests to those it can maintain.

If the other Services computed their manpower levels based on desired grade structure in an unconstrained budget environment, as has the Navy, their NCO shortages would no doubt be somewhat greater than current manning documents indicate. [Therefore, aside from the need for better consistency among the Services in citing

their manpower shortage problems, the primary issue here is whether manpower requirements statements by the Defense Department and the various Services accurately reflect their real manpower needs. Does the Navy's criteria more appropriately reflect the true manpower needs and should this criteria be expanded to the other Services, or are the constrained criteria more appropriate and realistic? We believe that this is an important first question which must be resolved before major actions are taken to correct problems that have not yet been well defined.

The issue of the impact of the previous across-the-board pay raise also is still in doubt. Defense officials testified in March 1981 that the 11.7 percent increase effective last October has improved retention rates. Yet, it is too early, if not impossible, to tell how much of this increase can be attributed to the October across-the-board pay raise or how much is attributable to other significant benefit increases which were also provided in October. Furthermore, although overall retention rates may be up, the real question is: did the pay raise help the skill imbalance problem? So far, the Defense Department has not produced evidence to suggest that the October raise contributed to solving this problem in any of the Services. In more specific terms, has the increased retention been among those critically short skills or has it caused response more from those groups already in surplus? We believe that before another substantial across-the-board pay raise is given, Defense also should be required to answer these questions.

The skill imbalance problem is caused by a variety of factors, some of which I have alluded to earlier. However, I would like to mention one factor, which, while not a direct cause of skill imbalances, does exacerbate any skill imbalance problem which might exist. I am referring to the requirement that the military Services manage against a specific year-end strength number. In some instances, the Services reenlist individuals in surplus skill categories simply to meet the year-end strength number if they cannot get a sufficient number of people for skill shortage fields. This practice satisfies the year-end requirement, but it overloads a skill which is already in surplus and uses up positions that should remain available for people with the skills which are in short supply. We believe that, at the very least, a better way would be to manage by average man-years and, even better, would be to manage by average man-years by skill.

Civilian/military pay comparability

Secretary Weinberger has stated that the Administration is committed to restoring pay comparability between military personnel and their civilian counterparts. Comparability is an extremely complex matter, and I will not take the time here to get into all the intricacies of how comparability is computed. However, let me describe briefly what the current situation is in this regard.

The professional, administrative, technical, and clerical index--commonly referred to as the PATC index--of the Bureau of Labor Statistics is used to adjust Federal civilian pay raises,

and pay raises for the military have been linked by law to the pay raises of Federal civilians, except for the October 1980 pay raise. At the beginning of the All-Volunteer Force, regular military compensation (RMC)--the military equivalent to a civilian salary--and the PATC index started at approximately the same point, somewhat above the Consumer Price Index. RMC and Federal civilian pay soon began to drop in relation to the PATC index and continued to drop throughout the 1974 through 1980 time period. The reason for this was a series of pay caps which prevented either Federal civilian or military pay from increasing as much as the PATC index. By 1979, RMC had fallen 8 percent below the level of PATC. However, the October 1980 pay raise of 12.7 percent (including the increase in subsistence allowance) reduced the difference between RMC and the PATC index to about 4 percent.

First, I would like to offer the comment that we are not at all convinced that the PATC index is an appropriate index for linking military pay raises with private sector increases. The PATC survey was specifically designed to provide a basis for setting Federal white-collar salaries and may be somewhat applicable for setting officer salaries. However, most enlisted job specialties encompass blue-collar skills, and, assuming that periodic comparability adjustments continue to be made, the adjustment mechanism for enlisted members should probably be tied to a blue-collar wage index such as is currently used for Federal blue-collar workers.

Nevertheless, since the PATC index is currently being used as the point of comparison between military and private sector salaries, I must point out that comparing RMC to the PATC index is only part of the story. This simple one-to-one comparison for military pay neglects to consider the many other pay and benefit items which increases a military member's take-home pay. These additional monies have grown substantially in number and value in recent years, but particularly with the increases authorized by the 96th Congress. These include:

- Authority to pay a variable housing allowance to Service members living off-base in the continental United States. Service members living off-base at overseas locations receive other housing and cost-of-living allowances.
- A 25-percent increase in aviation career incentive pay and enlisted flight pay.
- A 15-percent increase in sea pay rates.
- Authority to pay reenlistment bonuses to personnel with between 10 and 14 years of service.
- Family separation pay for E-4's and below.
- Authority to increase enlistment bonuses from \$3,000 to \$5,000 and selective reenlistment bonuses from \$15,000 to \$20,000.
- Special pays for physicians.
- Career sea pay for officers and enlisted men.
- Overseas extension pay for members who extend their tour of duty in designated overseas locations.

This is by no means an all inclusive list of the pay and benefit items over and above RMC which are available to qualifying military members and which should be considered when discussing pay comparability. However, the following table, aggregated for all Services will give you an idea as to the importance of these other pays in relation to the cash components of RMC for fiscal year 1982.

	<u>Billions</u>
Basic Pay	\$22.3
Basic Allowance for Quarters	2.7
Subsistence	<u>2.7</u>
Subtotal - Cash Component of RMC	27.7
Other Pays and Allowances	<u>5.0</u>
Total	<u>\$32.7</u>

As you can see, in aggregate, other pay and allowance items represent 18 percent of the cash component of RMC--a substantial amount which should be taken into account when considering the concept of comparability. Even by the Defense Department's own estimates, of the 4 percent difference which existed between RMC and the PATC index after the October 1980 pay raise, perhaps as much as 3 percent was made up, in aggregate, by the other pays. Thus, the real difference between the PATC index and military pay is very small.

Obviously, some individual members receive several of the additional pay items, and some, particularly those at the lower grade levels living in the barracks, may receive none. Unfortunately, the Services do not have data available to give a composite

picture of how many members are receiving which pay items, but our guess is that a very small percentage of Service members, particularly in the career force, receive only RMC.

I have attached to this statement several tables which give a more comprehensive picture of the major additional pay items which Service members receive, the number and percentage of people receiving them, and the range of rates for these additional pays. (See appendix I.)

I have also attached to this statement appendix II which gives some actual examples to illustrate the impact these additional pay and benefit items have on total earnings for both officers and enlisted men. In addition, appendix III shows the estimated pay change for two critical Navy skills as a result of recent pay authorizations. It shows that from fiscal year 1980 to 1981 a Navy E-5 operations specialist received about a 63 percent raise and a submarine nuclear propulsion technician received about a 30-percent pay raise.

Another way to look at comparability is to compare military pay for specific military specialties with comparable civilian occupations. Such a comparison recently done by GAO for 34 occupations showed that most varied considerably from their civilian counterpart--either higher or lower.

What are the alternatives to
an across-the-board pay raise

We agree that the military Services are facing some serious manpower problems that need to be dealt with, but the question is

how to deal with them in the most cost-effective and efficient manner. Some of the problems originated 8 to 10 years ago when reenlistments were at an extremely low level. In our view, it is highly unlikely that across-the-board pay raises will have much impact on the current problems resulting from that period. Further, we do not believe that an across-the-board approach is the best or most efficient way to solve the skill imbalance problems facing the military Services. Not only would such an approach have little positive impact, there is a high risk that it would only serve to make the situation worse in future years.

As I mentioned earlier in my statement, we believe that some fundamental changes are needed in the way military members are managed and paid. Because the proposed 5.3 percent pay raise is the immediate issue facing this committee, I did not address these fundamental changes in detail; however, we believe that until some basic military management concepts change--such as management by skill or occupation--and reforms are instituted with regard to both the pay and retirement systems, this committee and the Defense Department will continue to face the dilemma facing us today.

We fully recognize that fundamental changes will not come easily. Nevertheless, we believe that there are possible ways the military can improve its present manpower situation which would be more effective and less costly than an across-the-board pay raise. The new Army Enlisted Force Management Plan has suggested some ways to help overcome these manpower management problems. These include, among other things, (1) disassociating pay and

grade for certain technical and skill dependent fields, (2) developing a program to selectively retain soldiers with 20-plus years of service in shortage skills, (3) developing a system to facilitate redistribution between Military Occupational Specialties to accommodate changing requirements, (4) using the promotion system as a motivator for reclassification and retention, and (5) using the retirement system to improve retention in critical skills.

In the past and today, promotion is too often viewed as the principal means of compensating an outstanding soldier. This has been to the detriment of the Services and the individual in the senior NCO grade, by promoting the soldier out of his occupational specialty and area of expertise and training investment. For this reason, the Army also plans to investigate decoupling grades alone for compensation and to rely more on performance and investment-based pay. We support these initiatives.

We believe that the key to solving many of the Services' manpower problems is to manage each skill individually and tailor specific solutions to specific problems. In this way, the Services could address shortage problems caused by competition from the private sector and by being unable to keep people in unattractive or unpleasant occupations. Management by skill would also help the Services deal with manpower surpluses where they exist. For example, for those skills which are highly marketable in the private sector, the Services could consider such things as:

--More vigorously pursuing their recruiting outreach programs aimed at enlisting prior Service members already trained

in critical skills. This may require more liberal implementation of the policies concerning bonuses for prior Service members and restoration of rank.

--Increasing the use of tailored pay increases to attract and retain people with critically needed skills.

--Developing specific skill management programs that would include strategically-timed training programs to coincide with reenlistment, a tailored promotion program which would keep people in their skill rather than to promote them out of it, and a benefit package that would be competitive with the industry counterpart.

--Providing sufficient attraction, such as a lucrative bonus or extra-pay contract, to keep senior NCO's in critical skill shortages areas beyond the traditional 20-year retirement point. This may require some job restructuring to put these people, who are now supervisors, back on the production line.

For those skills which are not highly marketable, but which are short because the jobs are undesirable or unattractive, the Services might consider other incentive packages such as:

--Providing variable career track options to encourage people to enlist or reenlist in specific unpleasant occupations. For example, if a person signed up for 2 years in the infantry, he would be given training for the second 2 years in a career of his choice.

--Returning to a policy of selectively providing

"outplacement" training in a civilian occupation for people in military occupations which have no private sector counterpart.

--Making better use of post-service benefits to retain people in unglamorous skills for additional Service.

Those skills which are already in a surplus position should also be vigorously managed because, when the end-strength number is the critical number being managed against, for every skill surplus there must also be a countervailing skill shortage. Some things the Services might consider in this area could include:

--More vigorously pursuing retraining programs for people in surplus skills to get them into jobs where they are needed. This could possibly be made a reenlistment requirement for people who wish to reenlist in noncritical skills.

--Selectively using severance pay and deferred annuities to encourage untrainable people in surplus skills to leave the Service.

--Again, developing specific skill management programs, but for these skills, limit future pay raises until pay in these occupations reflect the pay for these skills in the private economy.

Mr. Chairman, let me say that we are not against pay increases for military members. We believe that each Service member, regardless of skill or occupation, should be afforded a standard of living comparable to that of his or her peers in the

private sector. However, beyond this minimum, we believe that each skill should be managed individually and pay and benefit packages tailored to attract and keep sufficient people to perform these critical jobs. In summary, I would like to paraphrase a recent editorial which appeared in the March 27, 1981, Louisville Courier-Journal, because I believe it very nicely summed up the manpower problems facing the military. The editorial indicated that people are beginning to believe more and more that, rather than across-the-board pay raises, future raises should be tailored to attract and keep people with critical skills. It went on to say that the military has resisted such a move because this would mean that some personnel with critical skills would be paid more than others of the same rank.

As the editorial noted, (rank is vitally important to the military and should not be dismissed lightly. It is one tradition that gives military organizations cohesiveness. However, it is time for the Armed Services to face economic reality. The Services must compete in the job market against industries that are looking for the same kinds of people they are trying to recruit and keep. This will mean that, increasingly, pay raises must be targeted to meet shortages of people with specific skills. Across-the-board pay raises may also occasionally be needed, but, more and more, the Services need to manage their personnel structure and pay policies on an occupation-by-occupation basis.)

Mr. Chairman, this concludes my formal statement. My colleagues and I would be happy to respond to any questions you may have.

Table 1
List of Major Pay Items in Addition to RMC
Air Force - Officers

	<u>Number</u>	<u>Percent of Officer Force</u> 1/	<u>Range of Rates</u> 2/
<u>Number of Officers</u>	101,209	<u>100.0</u>	
<u>Variable Housing Allowance</u>	<u>60,576</u>	<u>59.9</u>	\$629 to \$1,581
<u>Incentive Pays</u>	<u>38,664</u>	<u>38.2</u>	
Flying Duty Crew Members	37,223		\$1,500 to \$3,675
Flying Duty Noncrew Members	1,100		\$1,320
Parachute Jumping	55		\$1,320
Demolition Duty	100		\$1,320
Other Incentive Pays	186		\$1,320
<u>Special Pays</u>	<u>11,367</u>	<u>11.2</u>	
Variable Special Physicians Pay	3,574		\$6,636
Board Certified Pay (Physicians)	1,425		\$2,572
Retention Additional Special Pay (Physicians)	2,864		\$9,221
Incentive Medical Special Pay	500		\$6,844
Dentist Special Pay	1,520		\$2,420
Dentist Continuation Pay	1,088		\$7,879
Optometrist Special Pay	176		\$1,200
Veterinarians	220		\$1,200
<u>Station Allowance, Overseas</u>	<u>28,715</u>	<u>28.4</u>	
Cost-of-Living Overseas Allowance	7,568		\$1,069 to \$2,091
Overseas Housing Allowance	6,785		\$1,029 to \$7,803
Temporary Lodging Allowance	14,362		\$371

NOTE: Footnotes on page 29.

Table 2
List of Major Pay Items in Addition to RMC
Air Force - Enlisted

	<u>Number</u>	<u>Percent of</u> <u>Enlisted Force</u> 1/	<u>Range of</u> <u>Rates</u> 2/
<u>Number of Enlisted</u>	473,985	<u>100.0</u>	
<u>Variable Housing Allowance</u>	<u>171,873</u>	<u>36.3</u>	\$682 to \$1,442
<u>Incentive Pays</u>	<u>13,560</u>	<u>2.9</u>	
Flying Duty Crew Members	9,900		\$732 to \$1,572
Flying Duty Noncrew Members	1,425		\$660
Parachute Jumping	650		\$660
Demolition Duty	1,100		\$660
Other Incentive Pays	485		\$660
<u>Special Pays</u>	<u>86,781</u>	<u>18.3</u>	
Duty at Certain Places	51,300		\$96 to \$270
Diving Duty	3		\$780
Sea Duty	5		\$192
Overseas Extension Pay	1,167		\$600
Proficiency Pay Shortage Specialty	82		\$600 to \$1,200
Proficiency Pay Special Duty Assignment	4,153		\$600 to \$1,200
Reenlistment Bonus (Regular)	2,280		\$500 to \$1,300
Selective Reenlistment Bonus	24,829		\$1,391 to \$16,000
Enlistment Bonus	2,962		\$1,278 to \$5,000
<u>Station Allowance, Overseas</u>	<u>155,012</u>	<u>32.7</u>	
Cost-of-Living	47,385		\$753 to \$1,335
Singles Cost-of-Living	24,933		\$320
Housing Allowance	35,943		\$1,130 to \$2,923
Temporary Lodging Allowance	46,751		\$350

NOTE: Footnotes on page 29.

Table 3
List of Major Pay Items in Addition to RMC
Army - Officers

	<u>Number</u>	<u>Percent of Officer Force</u> 1/	<u>Range of Rates</u> 2/
<u>Number of Officers</u>	<u>99,857</u>	<u>100.0</u>	
<u>Variable Housing Allowance</u>	<u>44,758</u>	<u>44.8</u>	\$342 to \$3,015
<u>Incentive Pays</u>	<u>16,510</u>	<u>16.5</u>	
Flying Duty (Commissioned Officers)	7,908		\$1,500 to \$3,672
Flying Duty (Warrant Officers)	5,533		\$1,500 to \$3,000
Flying Duty - Noncrew Members	265		\$1,320
Parachute Jumping	2,640		\$1,320
Demolition Duty	162		\$1,320
Other Incentive Pays	2		\$1,320
<u>Special Pays</u>	<u>13,454</u>	<u>13.5</u>	
Variable Special Physicians Pay	4,711		\$6,497
Board Certified Pay (Physicians)	2,001		\$2,909
Retention Additional Special Pay (Physicians)	3,372		\$9,297
Dentist Special Pay	1,820		\$2,521
Dentist Continuation Pay	970		\$9,635
Optometrist Special Pay	210		\$1,200
Veterinarians	365		\$1,200
Diving Duty Pay	5		\$1,320
<u>Station Allowance, Overseas</u>	<u>26,308</u>	<u>26.3</u>	
Cost-of-Living	6,641		\$698 to \$2,024
Housing Allowance	7,098		\$761 to \$7,488
Temporary Lodging Allowance	12,569		\$751

NOTE: Footnotes on page 29.

Table 4
List of Major Pay Items in Addition to RMC
Army - Enlisted

	<u>Number</u>	<u>Percent of Enlisted Force 1/</u>	<u>Range of Rates 2/</u>
<u>Number of Enlisted</u>	<u>670,477</u>	<u>100.0</u>	
<u>Variable Housing Allowance</u>	<u>170,835</u>	<u>25.4</u>	\$565 to \$1,199
<u>Incentive Pays</u>	<u>32,525</u>	<u>4.9</u>	
Flying Duty Crew Members	4,220		\$828 to \$1,572
Flying Duty Noncrew Members	2,600		\$660
Parachute Jumping	24,860		\$660
Demolition Duty	803		\$660
Other Incentive Pays	42		\$660
<u>Special Pays</u>	<u>177,201</u>	<u>26.4</u>	
Duty at Certain Places	58,559		\$96 to \$270
Diving Duty Pay	52		\$1,045
Overseas Extension Pay	2,094		\$600
Proficiency Pay	45,802		
Reenlistment Bonus (Regular)	1,118		\$721 to \$920
Selective Reenlistment Bonus	43,104		\$972 to \$16,000
Enlistment Bonus	26,472		\$3,364 to \$5,000
<u>Station Allowance, Overseas</u>	<u>133,815</u>	<u>20.0</u>	
Cost-of-Living	61,303		\$100 to \$903
Housing Allowance	42,235		\$960 to \$2,316
Temporary Lodging Allowance	30,277		\$940

NOTE: Footnotes on page 29.

Table 5
List of Major Pay Items in Addition to RMC
Navy - Officers

	<u>Number</u>	<u>Percent of Officer Force 1/</u>	<u>Range of Rates 2/</u>
<u>Number of Officers</u>	<u>65,654</u>	<u>100.0</u>	
<u>Variable Housing Allowance</u>	<u>43,774</u>	<u>66.7</u>	\$611 to \$3,000
<u>Incentive Pays</u>	<u>28,097</u>	<u>42.8</u>	
Flying Duty (Commissioned Officers)	16,416		\$1,500 to \$3,672
Flying Duty Continuation Pay	6,831		\$5,803 to \$6,123
Flying Duty - Noncrew Members	65		\$1,320
Submarine Duty	3,847		\$1,805 to \$4,987
Parachute Jumping	288		\$1,320
Demolition Duty	320		\$1,320
Flight Deck Duty	270		\$1,320
Other Incentive Pays	60		\$1,320
<u>Special Pays</u>	<u>22,648</u>	<u>34.4</u>	
Variable Physicians Special Pay	3,622		\$5,796
Additional Physician Special Pay	2,639		\$9,310
Board Certified Pay (Physicians)	1,209		\$2,969
Dentist Special Pay	1,599		\$2,674
Dentist Continuation Pay	1,001		\$8,683
Optometrist Special Pay	149		\$1,200
Responsibility Pay	900		\$1,289
Diving Duty Pay	296		\$1,320
Nuclear Officer Incentive Pay	2,628		\$5,277
Career Sea Pay	8,105		\$1,984 to \$3,536
Premium Sea Pay	500		\$1,200
<u>Station Allowance, Overseas</u>	<u>8,755</u>	<u>13.3</u>	
Cost-of-Living Housing Allowance	6,075		\$893
	2,680		\$2,703

NOTE: Footnotes on page 29.

Table 6
List of Major Pay Items in Addition to RMC
Navy - Enlisted

	<u>Number</u>	<u>Percent of</u> <u>Enlisted Force</u> 1/	<u>Range of</u> <u>Rates</u> 2/
<u>Number of Enlisted</u>	476,086	<u>100.0</u>	
<u>Variable Housing Allowance</u>	172,652	<u>36.3</u>	\$741 to \$1,450
<u>Incentive Pays</u>	41,644	<u>8.7</u>	
Flying Duty Crew Members	7,926		\$782 to \$1,572
Flying Duty Noncrew Members	441		\$660
Submarine Duty	24,662		\$659 to \$3,179
Parachute Jumping	780		\$660
Demolition Duty	850		\$660
Flight Deck Duty	6,820		\$660
Other Incentive Pays	165		\$660
<u>Special Pays</u>	180,164	<u>37.8</u>	
Sea Duty, Career	91,085		\$1,021 to \$3,195
Premium Sea Pay	5,917		\$1,200
Duty at Certain Places	25,133		\$96 to \$270
Diving Duty Pay	1,658		\$1,120
Overseas Extension Pay	320		\$600
Proficiency Pay	14,031		\$360 to \$1,800
Reenlistment Bonus	34,635		\$500 to \$20,000
Enlistment Bonus	7,385		\$1,693 to \$5,000
<u>Station Allowance, Overseas</u>	63,509	<u>13.3</u>	
Cost-of-Living	49,218		\$481
Housing Allowance	14,291		\$1,437

NOTE: Footnotes on page 29.

Table 7
List of Major Pay Items in Addition to RMC
Marine Corps - Officers

	<u>Number</u>	<u>Percent of Officer Force 1/</u>	<u>Range of Rates 2/</u>
<u>Number of Officers</u>	<u>18,358</u>	<u>100.0</u>	
<u>Variable Housing Allowance</u>	<u>11,954</u>	<u>65.1</u>	\$657 to \$2,625
<u>Incentive Pays</u>	<u>7,140</u>	<u>38.9</u>	
Flying Duty - Crew Members (Commissioned Officers)	4,797		\$1,500 to \$3,675
Flying Duty - Crew Members (Warrant Officers)	48		\$1,500 to \$3,000
Flying Duty - Noncrew Members	82		\$1,620
Continuation Bonus	2,097		\$5,722
Parachute Jumping	72		\$1,320
Demolition Duty	44		\$1,320
<u>Special Pays</u>	<u>227</u>	<u>1.2</u>	
Diving Duty Pay	36		\$1,320
Career Sea Pay	191		\$3,000
<u>Station Allowance, Overseas</u>	<u>4,217</u>	<u>23.0</u>	
Cost-of-Living Housing Allowance	3,142		\$413 to \$710
Temporary Lodging Allowance	750		\$2,209
	325		\$1,995

NOTE: Footnotes on page 29.

Table 8
List of Major Pay Items in Addition to RMC
Marine Corps - Enlisted

	<u>Number</u>	<u>Percent of Enlisted Force 1/</u>	<u>Range of Rates 2/</u>
<u>Number of Enlisted</u>	<u>171,656</u>	<u>100.0</u>	
<u>Variable Housing Allowance</u>	<u>40,719</u>	<u>23.7</u>	\$806 to \$1,238
<u>Incentive Pays</u>	<u>2,578</u>	<u>1.5</u>	
Flying Duty Crew Members	1,322		\$750 to \$1,563
Flying Duty Noncrew Members	588		\$827
Parachute Jumping	500		\$660
Demolition Duty	168		\$660
<u>Special Pays</u>	<u>43,898</u>	<u>25.6</u>	
Duty at Certain Places	27,026		\$96 to \$2,403
Diving Duty Pay	215		\$780
Overseas Extension Pay	560		\$600
Proficiency Pay	4,098		\$360 to \$1,800
Reenlistment Bonus	8,612		\$1,456 to \$16,000
Enlistment Bonus	3,387		\$3,000 to \$5,000
<u>Station Allowance, Overseas</u>	<u>41,892</u>	<u>24.4</u>	
Cost-of-Living	39,022		\$267 to \$566
Housing Allowance	2,087		\$1,828
Temporary Lodging Allowance	783		\$1,535

NOTE: Footnotes on page 29.

- 1/ Data is not currently available to indicate how many individual Service members are receiving multiple special and incentive pays.
- 2/ Most dollar amounts represent an average amount or range as computed in the Fiscal Year 1982 Service Justification Estimates. However, the maximum bonus amounts are identified for enlistment and reenlistment bonuses.

MILITARY PAY AND BENEFITS
FOR SELECTED RANKS

LIST OF ABBREVIATIONS

ACIP	Aviation career incentive pay
BAQ	Basic allowance for quarters
BAS	Basic allowance for subsistence
BP	Basic pay
COLA	Cost-of-living allowance
CMA	Clothing maintenance allowance
FICA	Government's contribution to social security
MED PAY	Medical pay
Sep. Rat.	Separate rations
SRB	Selective reenlistment bonus
VHA	Variable housing allowance

Service: Air Force

Pay Grade: E-4

Over 4 Years of Service, married, receiving Variable Housing Allowance

Compensation

Cash pay elements

BP	\$8,726
BAQ	2,473
BAS	983
CMA	90
VHA	<u>1,142</u>

Subtotal	\$13,415
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<u>Tax Advantage</u>	837
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Benefits

Retirement <u>1/</u> (Actuarial Evaluation)	\$4,299
Health Care <u>2/</u>	564
Commissary and Exchange <u>3/</u>	139
FICA <u>4/</u>	<u>580</u>

Subtotal	<u>5,582</u>
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Total	<u>\$19,834</u>
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Service: Army

Pay Grade: E-5

Over 4 Years of Service, married, receiving Variable
Housing Allowance

Compensation

Cash pay elements

BP	\$8,971	
BAQ	2,812	
CMA	122	
COLA	1,294	
VHA	1,613	
BAS (Sep. Rat.)	<u>1,324</u>	
Subtotal		\$16,136

<u>Tax Advantage</u>		927
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Benefits

Retirement <u>1/</u> (Actuarial Valuation)	\$4,420	
Health Care <u>2/</u>	869	
Commissary and Exchange <u>3/</u>	139	
FICA <u>4/</u>	<u>597</u>	
Subtotal		<u>6,025</u>
Total		<u>\$23,088</u>

Service: Air Force

Pay Grade: E-6

Years of Service: Over 14, married, receiving Variable
Housing Allowance

Compensation

Cash pay elements

BP	\$12,280
BAQ	3,060
BAS	1,324
VHA	1,411
CMA	90

Subtotal \$18,165

Tax Advantage 1,058

Benefits

Retirement <u>1/</u>	6,050
Health Care <u>2/</u>	1,477
Commissary and Exchange <u>3/</u>	139
FICA <u>4/</u>	817

Subtotal 8,483

Total Compensation and Benefits \$27,706

Service: Air Force

Pay Grade: E-7

Years of Service: Over 18, married, living on post

Compensation

Cash pay elements

BP	\$14,443
BAQ*	3,326
BAS	1,324
CMA	<u>90</u>

Subtotal

\$19,183

Tax Advantage

1,173

Benefits

Retirement <u>1/</u>	\$ 7,116
Health Care <u>2/</u>	1,781
Commissary and Exchange <u>3/</u>	139
FICA <u>4/</u>	<u>960</u>

Subtotal

9,996

Total Compensation
and Benefits

\$30,352

*Estimated value of inkind quarters.

Service: Air Force

Pay Grade: O-3

6 Years of Service

Married, living on post, receiving flight pay

Compensation

Cash pay elements

BP	\$20,304
BAQ*	4,104
BAS	991
ACIP	<u>3,672</u>

Subtotal . \$29,071

Tax Advantage 1,916

Benefits

Retirement <u>1/</u> (Actuarial valuation)	\$10,004
Health Care <u>2/</u>	869
Commissary and Exchange <u>3/</u>	139
FICA <u>4/</u>	<u>1,350</u>

Subtotal 12,362

Total \$43,349

*Living on post estimated value of inkind quarters.

Service: Navy

Pay Grade: O-3

Years of Service: Over 6, married, receiving flight pay and
Variable Housing Allowance

Compensation

Cash pay elements

BP	\$20,304	
BAQ	4,104	
BAS	991	
VHA	376	
Flight pay	<u>3,592</u>	
Subtotal		\$29,367

<u>Tax Advantage</u>		1,916
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Benefits

Retirement <u>1/</u>	10,004	
Health Care <u>2/</u>	869	
Commissary and Exchange <u>3/</u>	139	
FICA <u>4/</u>	<u>1,350</u>	
Subtotal		<u>12,362</u>
Total Compensation and Benefits		\$43,645

Service: Navy

Pay Grade: O-4

Years of Service: Over 14, married, receiving Variable
Housing Allowance

Compensation

Cash pay elements

BP	\$25,704
BAQ	4,565
BAS	991
VHA	<u>1,058</u>

Subtotal	\$32,318
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<u>Tax Advantage</u>	2,444
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Benefits

Retirement <u>1/</u>	12,664
Health Care <u>2/</u>	1,477
Commissary and Exchange <u>3/</u>	139
FICA <u>4/</u>	<u>1,709</u>

Subtotal	<u>15,989</u>
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Total Compensation and Benefits	\$50,751
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Service: Air Force

Pay Grade: O-5

22 Years of Service

Married - 2 Exemptions, receiving medical pay and variable housing allowance

Compensation

Cash pay elements

BP	\$32,969
BAQ	5,116
BAS	991
MED PAY	13,248
VHA	<u>1,882</u>

Subtotal

\$54,206

Tax Advantage

4,161

Benefits

Retirement	
(Actuarial valuation) <u>1/</u>	\$16,244
Health Care <u>2/</u>	869
Commissary and Exchange <u>3/</u>	139
FICA <u>4/</u>	<u>1,975</u>

Subtotal

19,227

Total

\$77,594

Service: Navy

Pay Grade: O-7

Years of Service: Over 27 years of service, married, receiving
Variable Housing Allowance

Compensation

Cash pay elements

BP	\$45,990
BAQ	6,422
BAS	991
VHA	<u>2,957</u>

Subtotal \$56,360

Tax Advantage 6,910

Benefits

Retirement <u>1/</u>	22,659
Hospital Care <u>2/</u>	869
Commissary and Exchange <u>3/</u>	139
FICA <u>4/</u>	<u>1,975</u>

Subtotal 25,642

Total Compensation and Benefits \$88,912

Service: Air Force

Pay Grade: Brigadier General O-7

20 Years of Service

Married (Claiming 2 Exemptions), living on post, receiving flight pay

Compensation

Cash pay elements

BP	\$45,990
BAQ*	6,422
BAS	991
ACIP	2,400
COLA	<u>244</u>

Subtotal \$56,047

Tax Advantage 6,910

Benefits

Retirement 1/ (Actuarial valuation)	\$22,659
Health Care 2/	869
Commissary and Exchange 3/	139
FICA 4/	<u>1,975</u>

Subtotal 25,642

Total \$88,599

*Living on post, estimated value of inkind quarters.

- 1/Normal cost for military retirement is 49.27 percent. Normal cost computation based on economic assumptions that long-term average annual rates of inflation will be 5 percent, pay increases will be 5.5 percent, and the interest rate will be 6 percent.
- 2/Estimate is probably underestimated because the data is not current. Based on actual per capita costs (fiscal year 1973) of \$426.99 per service member and \$230.57 per each dependent, escalated at 32 percent--the increase in total DOD spending for medical operations from fiscal year 1973 to fiscal year 1976.
- 3/Estimate is probably underestimated because the data is not current. Based on per capita costs of appropriated funds for commissary and exchange operations. Per capita costs allocated only to active duty personnel.
- 4/Government's contribution to social security.

PAY CHANGE FOR SAMPLE CRITICAL SKILLS IN NAVY*
 PETTY OFFICER 2D CLASS (E-5) OVER 4 YEARS
 OF SERVICE ASSIGNED NORFOLK
 MARRIED WITH ONE CHILD

	<u>OPERATIONS SPECIALIST</u>		<u>SUBMARINE NUCLEAR PROPULSION</u>	
	<u>FY 80</u>	<u>FY 81</u>	<u>FY 80</u>	<u>FY 81</u>
Basic Pay	\$8031	\$8971	\$8031	\$8971
Quarters	2516	2812	2516	2812
Subsistence	1172	1438	1172	1438
VHA	-	854	-	854
Sea Pay	300	2100	300	2100
Sub Pay	-	-	960	1560
Pro Pay	-	-	1800	1800
Bonus <u>1/</u>	669	4486	4016	4486
Tax Advantage	<u>923</u>	<u>1476</u>	<u>1011</u>	<u>1743</u>
Total	<u>\$13612</u>	<u>\$22136</u>	<u>\$19806</u>	<u>\$25764</u>
Nominal Increase		63%		30%

1/Annualized assuming a reelistment of 3 years

*Estimated calculations.