

**NOT FOR PUBLICATION UNTIL RELEASED BY  
THE SENATE ARMED SERVICES COMMITTEE**

**STATEMENT OF  
VICE ADMIRAL N. R. RYAN, JR., U.S. NAVY  
CHIEF OF NAVAL PERSONNEL  
AND  
DEPUTY CHIEF OF NAVAL OPERATIONS  
(MANPOWER & PERSONNEL)  
BEFORE THE  
SUBCOMMITTEE ON PERSONNEL  
OF THE  
SENATE ARMED SERVICES COMMITTEE  
ON  
ACTIVE AND RESERVE MILITARY AND CIVILIAN PERSONNEL ISSUES IN  
THE DEPARTMENT OF DEFENSE LEGISLATIVE PROPOSAL FOR  
FISCAL YEAR 2002  
18 JULY 2001**

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## Introduction

Chairman Cleland, Ranking Member Hutchinson, and distinguished members of the subcommittee, I appreciate this opportunity to appear before you to discuss active and reserve military and civilian personnel issues in the Department of Defense legislative proposal for Fiscal Year 2002.

Navy's posture, programs and character are shaped by the fact that we are a forward-deployed force, an integral part of the National Military Strategy, providing immediately employable combat power for a broad range of missions in support of national objectives. This on-scene, combat-credible power promotes regional stability, deters aggression, dissuades potential adversaries, and -- if crisis turns into conflict -- provides joint force commanders with available, sustainable, capable forces for combat operations. Every day, naval forces represent sovereign American power in the far reaches of the world's oceans. On any given day, 1/3 of the force -- 1 out of 6 Sailors, 1 out of 3 ships -- is forward deployed in support of the national military strategy. Their value is reflected through command of the seas, ensuring the free flow of trade and resources; sustained combat-ready presence in regions of interest; and assured access to theaters of operation for joint forces when needed. To meet the Nation's and the CINCs' requirements for forward naval forces, while balancing other requirements such as upkeep, some ships and squadrons are homeported overseas, but most are deployed rotationally for periods of about six months. Navy has an inherently expeditionary service culture -- we're either deployed, getting ready to go, or recently home from deployment.

The requirements for forward, rotational naval forces drive the Navy's force structure to a greater extent than any particular warfighting scenario. While those warfighting requirements have remained relatively unchanged, the assets available to meet them have decreased markedly. Our force structure has declined 41 percent over the past decade, from 538 ships in 1991 to 316 today, even while our operational tempo has remained essentially the same. Today, over 30 percent of our ships are forward deployed, compared with only 20 percent in 1992. These forces are fully ready to respond to all taskings and in many respects are more capable than their predecessors. The real impact of reduced force structure is that we no longer have "excess capacity" to commit to important but not urgent commitments, or to provide flexibility and surge capacity.

Upon assuming the helm as Chief of Naval Operations, Admiral Vern Clark committed to keeping our Navy the finest in the world. He made people his top priority because our ability to recruit and retain high caliber Sailors, while providing a high Quality of Service, is paramount to military readiness and combat capability. Admiral Clark places such a high premium on our Navy men and women in recognition of the significant sacrifices they make every day, in service to their country, making our Navy what it is today.

## End Strength

The most important objective in our efforts to establish optimum personnel readiness is providing the fleet with the right Sailor, with the right training, at the right place and time. This has become increasingly challenging as end strength and manning requirements have grown from our FY01 National Defense Authorization Act authorization of 372,642 to our request for a 376,000 FY02 end strength authorization.

Navy's commitment to 3,358 additional end strength in FY02 will allow us to meet expanding Anti-terrorism/Force Protection (AT/FP) requirements, as well as additional readiness and operational demands for ships and squadrons (49 percent of increased strength will be placed in ships and aviation squadrons, 26 percent in AT/FP, and the remaining 25 percent in support of Fleet Readiness and in the Individuals Account for robust training pipelines). Recruiting and retention successes have allowed us to execute strength approaching the one percent statutory flexibility above our FY01 authorized strength. As a result, we will begin FY02 close to 376,000 end strength. This will contribute to continued readiness and manning improvements, including further narrowing of the at-sea enlisted manning gap, which declined from almost 12,000 in 1999, to just over 5,000 in May 2001; nearly a 60 percent reduction in the just two years. This dramatic reduction has led to improved retention (+7 percent) and battlegroup readiness by permitting us to move more Sailors possessing the right training to ships earlier in their pre-deployment cycles. In fact, manning for our FY01 battlegroup deployers has been as much as 3-4 percent greater than our FY00 deployers across the entire deployment cycle. This has fostered improved Quality of Service and allowed for more advanced exercises before heading to forward areas.

We still face long-term personnel challenges stemming from an aggressive '90s drawdown strategy that created imbalances in our force profile. As Navy drew down, we achieved mandatory strength reductions by consciously under-accessing so that we could keep faith with an All-Volunteer Force that had earned our loyalty by committing to Navy careers during the Reagan-era expansion. Those cohorts are now reaching retirement eligibility resulting in a significant exodus of our corporate knowledge base. As we replace these senior, experienced Sailors with new accessions, our aggregate force is getting younger and less experienced. Our FY02 recruiting and retention efforts have focused on slowing down the loss of our experience base and restoring balance to our force profile. To achieve the desired balance, Navy must sustain enhanced retention to shore up our mid-career experience base while continuing to access a steady flow of quality recruits and officers to provide a solid base of future Navy leaders.

We have been largely successful so far this year in retaining Sailors across the pay grade spectrum, which has allowed us to reduce the FY01 accession requirement by almost 10 percent, from a preliminary estimate of 60,000 at this time last year, to 54,020. This has helped restore that experience base of Sailors who might have otherwise left to pursue opportunities in a robust economy. With the help of Congress, we reinvigorated efforts to retain every eligible Sailor by offering new or enhanced officer continuation pays and enlistment/reenlistment bonuses, increases in base pay, and improved

advancement opportunities by beginning to gradually increase the number of Sailors in the top six pay grades. We also expanded E4 and E6 High Year Tenure gates and concentrated efforts on reducing attrition. These targeted efforts are producing desirable results allowing us to establish an FY02 accession mission of 53,000.

Maintaining the end strength and manning gains carries a cost and Navy has committed to financing the retention benefit to keep this momentum going into FY02. We request your support for the FY01 supplemental appropriation and reprogramming and the FY02 President's Budget request for increased end strength and workyears, and continued targeted investment in people programs. Our improved retention is real, yet fragile, and must be sustained to realize long-term success. The experience level of Navy's force profile will continue declining as drawdown cohorts retire, unless we continue prudent steps to mitigate the degrading process as we transition to a more balanced and manageable future force.

## **Compensation**

Improvements in our recruiting and retention efforts are largely a result of strong leadership, mentoring of Sailors through our Center for Career Development and significant pay raises and bold compensation initiatives enacted by the Congress in the last two years. It would, however, be premature to declare victory. Navy remains concerned that much more must be done to enhance the effectiveness of the Total Military Compensation (TMC) package, such as further reducing the pay gap and improving the competitiveness of military compensation with that of the private sector.

### ***Basic Pay***

Recommendations of the Ninth Quadrennial Review of Military Compensation (QRMC) formed the basis for the Department of Defense proposal to adjust basic pay for calendar year 2002. The proposal, which Navy fully supports, simultaneously raises the level of pay across-the-board, by a minimum of five percent, while altering the structure of the pay table, targeting pay raises to mid-grade enlisted members. This will serve to better match their earnings profiles, over a career, with those of comparably educated civilian counterparts, providing incentive for these members to complete a military career. Navy believes this plan will contribute to ongoing efforts to leverage recent recruiting and retention successes and sustain the momentum gained through earlier initiatives. The Navy budget submission includes \$822.4 million for pay raises.

### ***Special and Incentive Pays***

Selective Reenlistment Bonus (SRB). SRB continues to be our most cost-effective and successful retention and force-shaping tool. At this point in the fiscal year, we have experienced about seven percent more reenlistments than at this same point last year. These gains are primarily attributed to SRB reenlistments; therefore, we are committed to maintaining a robust SRB program. We must continue working to increase the number of non-SRB reenlistments. We are meeting this challenge head-on by enhancing fleet retention efforts, providing valuable career information training to counselors and leaders in the

fleet, and by responding to specific needs expressed in fleet feedback. The Navy budget submission includes \$298.9 million for SRB.

Career Sea Pay (CSP). Changes to the fundamental structure of CSP, enacted in the Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001, represent one of those bold compensation initiatives undertaken by Congress last year. Changes in the Act provide the Secretary of the Navy with the flexibility needed to restore the pay's incentive value for duty at sea. Further, they provide the means of ensuring CSP is an effective distribution tool to incentivize Sailors to go to sea, stay at sea, and return to sea.

## **Recruiting**

### ***Enlisted Recruiting***

Thanks to the continued hard work of our recruiters, the application of congressional resources, and initiation of new programs, we achieved our FY00 accession mission. Ninety percent of accessions were High School Diploma Graduates (HSDG) and more than 64 percent scored in the upper half of the Armed Forces Qualification Test (AFQT) (Test Score Category I-III A). Additionally, we substantially improved our occupational mix, achieved a healthy Nuclear Field posture and made significant gains in recruiting into critical ratings. On the Reserve side, we have added 90 recruiters and tripled the advertising budget to \$8 million annually in order to compete in this challenging recruiting environment.

Despite last year's accomplishments, we are not yet positioned for long-term success. FY01 finds us continuing to face record low unemployment, formidable competition with the private sector in attempting to hire talented young Americans and low propensity to enlist. Our most serious challenge is that we have not restored the health of our Delayed Entry Program (DEP) despite our continuing efforts to do so. This has forced recruiters to work on a sub-optimal month-to-month basis, struggling to meet each month's accession goal. This negatively impacts overall productivity and detracts from efforts to improve the long-term health of recruiting.

### ***Innovative Approaches to Recruiting***

Given the requirements and conditions we expect to face over the next several years, we are working to improve our recruiting force and strategies. With strong congressional support, FY00 saw the continuation and establishment of many improvements in the recruiter force, in professional selling skills training, in advertising, enhanced incentives, market-penetration and attrition reduction. Several additional initiatives are currently being considered to help capitalize our recent successes.

Bolstering the Recruiting Force. Our recruiting force is the most important factor in the recruiting formula. We are striving to sustain a recruiting force of 5,000 by bringing in volunteers from the fleet. We are also shifting to a more junior recruiting force. Our analysis indicates a more junior, largely volunteer, force will be most productive. We are improving recruiter selection with our

Recruiter Selection Team (RST) and optimizing geographic distribution of recruiters using analytical methods and market data. This year we expanded Smart Recruiter initiatives by providing vehicles, cellular telephones and laptop computers to virtually all recruiters.

Professional Selling Skills Program. Starting in FY00, Navy Recruiting partnered with a commercial firm with a proven track record to create customized training courses for our entire recruiting force. The new selling methodology is based on the understanding that today's recruit is better informed and has more available options. We anticipate this training will improve productivity, increase the number of DEP referrals and decrease DEP attrition rates. All field recruiters receive initial training during recruiter orientation.

Bluejacket Hometown Area Recruiting Program (HARP). We initiated efforts in January 2000 to augment the existing recruiter force with a Bluejacket HARP. The aim is to significantly increase the quality and quantity of fleet Sailors who return home to assist local recruiters. The entire fleet is helping identify motivated young Sailors, generally on their first tour of duty, to participate in this worthwhile program. With the program in place just over 18 months, we have scheduled over 13,000 participants and are averaging nearly four new referrals per Sailor. Along with specific referrals and contracts attributable to Bluejacket HARP, we are experiencing residual benefits of increasing local Navy presence, introducing recruiters to new sources of recruits, and exposing fleet Sailors to the excitement and satisfaction of recruiting duty.

Motivating the Recruiting Force. Along with augmenting and equipping the recruiting force, we are exploring a variety of industry practices to better motivate recruiters and direct their efforts toward Navy priorities. We are benchmarking civilian sales and recruiting forces for examples of effective incentives.

### ***Enhancing the Appeal***

Throughout this fiscal year, we have offered varying levels and combinations of Enlistment Bonus (EB) and Navy College Fund (NCF), as well as a Loan Repayment Program (LRP). We recently initiated an EB kicker available to applicants based on pre-accession college credit. Initially available only to Nuclear Field recruits, eligibility has been expanded to all EB-eligible recruits. This will assist us in better penetrating the college market and will encourage candidates to continue pursuing education while awaiting entry into the Navy. We are evaluating awarding scholastic loans to individuals who enlist in the Navy and attend up to two semesters of college while in the DEP. Loans would be converted to grants upon successful completion of initial service obligation. This program would be consistent with national aspirations to make college education attainable for all while simultaneously providing Navy with the 21<sup>st</sup> Century talent pool we require.

Our goal is to provide programs that facilitate the pre-service educational aspirations of all qualified candidates and, in combination with in-service training, to provide new recruits with their most efficient path to a college degree. Navy benefits from this approach by improving relations with colleges and high

schools, enhancing Navy's appeal among college-oriented youth, increasing entry level education of new recruits and positioning the United States Navy as an employer of choice. Over time, if enough recruits complete basic education and skills training prior to accession, due to Navy sponsoring and subsidizing such accomplishments, we realize cost savings by shortening training pipelines. The FY02 Navy budget submission includes \$126.4 million for EB and NCF.

Technical Preparation (TechPREP) partnerships and Navy College Assistance Student Headstart (NavyCASH) are designed to accomplish the goal described above and increase our appeal to the college-bound market. With increasing numbers of students choosing to attend college, it is essential to portray Navy as a viable source of higher education, in partnership with colleges and universities.

TechPREP. Navy began forming TechPREP partnerships with community colleges in FY99. Participants earn college credit toward an associate's degree, from a partnering community college, while attending high school, after graduation while in DEP and during Navy's basic and select advanced technical training. We currently have standing agreements with 75 community colleges, four of which are statewide agreements, with many more pending. Several high school students are already participating in these programs.

NavyCASH. Currently limited to Nuclear Field and critical technical ratings, NavyCASH offers selected applicants the opportunity to attend college for up to one year, in a paid status comparable to that of junior enlisted members, prior to entering active service. This exciting program improves the entry-level training of applicants and allows Navy to level-load shipping dates of recruits during the most challenging accession months of February through May.

### ***Expanding Opportunities to Serve***

In today's competitive environment, we must explore all avenues to increase our existing market without sacrificing quality standards for new recruits. We have begun accessing limited numbers of home-schooled applicants as High School Diploma Graduates (HSDGs), increased our accession mission for Prior Service personnel and stepped up our efforts, through re-establishment of a Diversity Programs Office, to improve our penetration of diverse markets.

DEP Enrichment Program. The DEP Enrichment Program, begun in Spring 2000, is designed to enhance the basic skill-level of otherwise qualified candidates before accessing them into the Navy. We identify individuals with high school diplomas and clean police records, but whose test scores fall slightly below those required to qualify for enlistment. DEP Enrichment provides participants with basic skills training and an opportunity to increase their AFQT score to facilitate enlisting in the Navy. These candidates are typically good retention risks based on education credentials and low disciplinary risks. Basic skills training, provided by Education Specialists (federal employees) at Navy Recruiting Districts, affords participants a second chance to prove themselves and go on to serve with distinction. Since Spring FY00, 54 recruits accessed through DEP Enrichment in the five remaining months of the year, 121 accessed

through the first eight months of FY01 and 161 additional applicants are in DEP for the rest of FY01 and FY02.

Diversity Outreach. Navy currently recruits the largest percentage of minority accessions but, given the increasing diversity of the American people, there is room for improvement. Our Diversity Programs Branch is working several exciting initiatives to improve penetration of diverse markets. VIP tours of Navy commands are a popular means of exposing applicants and their influencers to Navy life in order to generate excitement about Navy opportunities. Trips conducted this year have been very well received. The Diversity Programs Branch has also begun college campus blitzes to spread the word of Navy scholarship and job opportunities on traditionally diverse campuses. Navy has established corporate board membership in the National Society of Black Engineers, Society of Hispanic Professional Engineers, and the Society of Mexican American Engineers & Scientists to ensure that minorities possessing technical backgrounds are aware of the many exciting opportunities available in today's Navy.

### ***CNRC Advertising Campaign***

CNRC began fiscal year 2001 with a new advertising agency and a new advertising campaign, "Accelerate Your Life". The core objective is to raise awareness and familiarity of the Navy brand among young adults, age 17 to 24, and drive these prospects to 1-800-USA-NAVY and the NAVY.COM website, thereby, generating the maximum number of qualified leads for field recruiters. The campaign positions Navy as the hands-on adventure that will accelerate recruits to their highest levels of achievement. The centerpiece of the campaign is the "Life Accelerator," an interactive website that matches visitor interests with Navy opportunities. The site debuted in mid-March and has already exceeded FY00 website performance by as much as five times in some areas. The "Life Accelerator" is the first step toward a completely online recruiting process.

Plans for FY02 are to capitalize on the success of the "Accelerate Your Life" campaign with a \$22.8 million media plan that includes, \$12.4 million for television advertising, \$3.6 million for radio advertising, \$3 million for magazine advertising, and \$3 million for Internet advertising. Additionally, NAVY.COM will be frequently refreshed to provide prospective recruits with the most current information available about the Navy Experience.

### ***Officer Recruiting***

Fiscal Year 2001 has been challenging for officer recruiting. We continue to experience significant shortfalls among Civil Engineers, Chaplains, Naval Flight Officers, Orthopedic and General Surgeons, Optometrists, Pharmacists and Health Care Administrators. Specialized skill requirements, civilian market competition for these specialties, and the potential for emergent goal increases, put goal attainment at high risk. Emergent goal requirements are especially challenging because we have no in-year incentives, such as signing bonuses, to offer college graduates or seniors, most of whom are receiving lucrative offers from the private sector and who are carrying significant college debt-load. We have continued to develop long-term recruiting strategies for critical program



success, and recruiting performance in the programs of concern is far exceeding FY00 performance. However, without an accession bonus to facilitate short-term recruiting importance, the nominal time for recovery of a recruiting program remains about two years.

Given the challenges described above, FY01 has still enjoyed several bright spots. The Nuclear Power Officer Candidate (NUPOC) program filled over 100 percent of its submarine and surface officer goals the second consecutive year, having previously failed to achieve goal since FY96. Improved incentives for new accessions and strong resource sponsor support of the recruiting effort have generated a level of momentum projected to sustain a successful NUPOC program in the foreseeable future.

Along with improving marketing materials, we are pressing for individuals in critical specialty fields to participate in our Officer Hometown Area Recruiting Assistance Program (OHARP). Senior leadership of several officer communities is taking an active role in recruiting the talented individuals needed for their respective designators. We are exploring the need for additional accession bonuses and/or loan repayment programs to assist with critical in-year officer accession requirements. We are also reviewing steps to streamline the officer application process by contracting commercial physical examinations and establishing web-based applications, blueprinting and electronic application routing.

## **Retention**

### ***Enlisted Retention***

We have been faced with reversing a downward trend in enlisted retention that was exacerbated by a nearly decade-long drawdown. Through a strategy of improving the balance between recruiting and retention to correct personnel profile imbalances and manning shortages, our retention gains in FY00 have carried over into this fiscal year. With efforts primarily focused on tasking Navy leaders and managers at all levels to reengage in the retention battle, the compensation and Quality of Service initiatives you have supported are critical. Your commitment to improving the lives of Sailors Navy-wide has helped increase aggregate reenlistment rates in FY01 by seven percent over the same time period last year. While short of our long-range steady state goals required to meet anticipated manpower needs, it is a confident step in the right direction. Sustaining this level of improvement is vital to correcting force profile imbalances, reducing gaps at sea and increasing readiness.

Center for Career Development (CCD). The centerpiece of our focus on retention is our Center for Career Development, established just one year ago. CCD funnels energy and resources toward meeting retention challenges and is dedicated to providing the fleet with the necessary tools for enhancing their retention efforts. These tools include enhanced professional training for Navy Career Counselors and Command Retention Teams, Career Decision Fairs for Sailors and their families, and comprehensive, easy-to-use, interactive products using the latest information technology. Since its inception, CCD has visited 33 commands, hosted Career Decision Fairs for more than 5,000 Sailors and their

families, and convinced more than 300 Sailors who were planning to separate upon completion of their obligation to reenlist. Had these Sailors left the Navy as originally planned, we would have spent nearly \$10 million in recruiting and training costs to replace them.

Reenlistments. The Selective Reenlistment Bonus (SRB) program continues to be our most cost-effective and successful retention and force-shaping tool. This year's improved reenlistment performance is primarily the result of a 37 percent gain in SRB reenlistments for first term Sailors and 16 percent gain for career Sailors. We are committed to maintaining a robust SRB program and anticipate comparable gains in FY02. We must also work harder on increasing reenlistment behavior in the non-high tech or critically manned skill groups that are not SRB-eligible. Increased Basic Allowance for Housing (BAH) in FY02, targeted specifically at Sailors in pay grade E4 assigned to sea duty will have a favorable impact on our critical first term population.

Increasing Top Six Pay-grade Authorizations. As a fiscal savings measure during the drawdown, Navy constrained enlisted advancements, limiting the top six enlisted pay-grades (E4 to E9) to not more than 69.9 percent of the force. During this same period, as more labor-intensive legacy ships and aircraft were decommissioned, validated fleet requirements for petty officers in the top six grew to over 75 percent of the force. Widening of the top six inventory-to-requirements gap has resulted in billet mismatches throughout the force, as we task Sailors to perform at levels above their pay grade and compensation. In FY01, Navy leadership began reversing this trend by gradually targeting increases in the top six to meet fleet requirements and maintain healthy advancement opportunity. In FY01, we are growing our top six to 70.6 percent of the force, permitting us to advance 2,000 more Sailors than we otherwise would. We will increase it further, to 71.5 percent, in FY02. Consistent with force requirements and a realistically balanced advancement policy, continued increases to the top six remain integral to Navy's long-term personnel strategy.

### ***Enlisted Attrition***

One out of three Sailors who enter the Navy does not complete the initial four-year service obligation. This is an unacceptable level of return on our recruiting investment and the CNO has set a goal to reduce first term attrition by 25 percent. This means, at the unit level, if last year there were four attrition losses, this year's goal should be three or less.

We are beginning to focus more analytical efforts at the root causes of attrition, and have found that primary contributing factors include recruit quality and poor selection and classification. So, we are continuing to focus on recruiting higher quality young men and women to the extent practical. We are also completely reengineering our recruit selection and classification processes and systems to find better job matches for new recruits. Finally, seeing a recent increase in the number of positive first-day drug screenings at boot camp, we have begun administering non-instrumented drug tests within 24 hours of new recruits departing for Recruit Training.

Beyond entry level and training attrition, we are working aggressively to overcome a pattern of excessive attrition through fleet initiatives targeted primarily at first term Sailors. BEARINGS is a remedial training curriculum targeted at young Sailors who require additional emphasis on life skills that will see them through their Navy careers, and beyond. SECOND CHANCE is aimed at giving young Sailors struggling in their first assignments a fresh start at a new command. Through both programs, we are offering at-risk fleet Sailors every opportunity to successfully complete their initial service obligations.

### ***Officer Retention***

Improving officer retention is critical to meeting manpower requirements and achieving steady-state force structure. Under-accession and over-attrition of junior officer year groups throughout the drawdown, coupled with significant changes in the post-drawdown force structure, mandate officer retention levels significantly above the historical norm. We must continue improving retention to meet officer manning requirements, particularly among the Unrestricted Line communities; i.e., aviation, submarine, surface and special warfare. We are beginning to see positive indicators, largely attributable to Quality of Service improvements and effective special and incentive pays that target specific officer retention problem areas. However, the thriving civilian job market continues to compete directly with retention efforts.

Aviation Career Continuation Pay (ACCP) provides incentives for aviators at all levels to make positive career choices. After four years of decline, naval aviation experienced a 10-percentage point increase in aggregate retention, from 31percent in FY99 to 41percent in FY00. However, increased resignations in FY01 are beginning to reflect in lower aggregate retention rates. At the end of the second quarter of FY01, overall aggregate retention has decreased to 38 percent. Despite the increase in resignations, the aviation bonus program has still had a significant impact on retention and is the leading factor for maintaining aggregate retention rates well above FY99's all time low of 31 percent.

Surface Warfare Officer retention through the ninth year of service, at which time the officer serves as a department head at-sea, has reached its long-term historical level of 26 percent, up from its post-drawdown low of 17 percent for some year groups. This is largely attributable to Quality of Service improvements and FY00 implementation of Surface Warfare Officer Continuation Pay targeted toward department heads serving at sea.

While FY00 submarine officer retention dropped from 30 to 28 percent, and nuclear-trained surface warfare officer retention showed a marginal increase from 18 to 20 percent, there has been a 30 percent increase among officers in the target year groups (1994-96) who have signed multi-year continuation pay contracts since the FY01 Nuclear Officer Incentive Pay rate increase was implemented. Current legislative limits will provide Navy the necessary flexibility to address short-term nuclear officer retention requirements, but the possibility of increased retention challenges resulting from renewed interest in civilian nuclear power generation may necessitate increases to these limits in the out years.

Special Warfare Officer Continuation Pay commenced in Fiscal Year 2000 and contributed to improvements in Special Warfare Officer Retention, which rebounded to 69 and 68 percent, respectively, in FY99 and FY00, from an all time low of 63 percent in FY98. While Special Warfare has the highest URL officer retention requirements (74 percent), SPECWAR retention outlook continues to be positive as a result of Quality of Service improvements and SPECWAR Officer Continuation Pay, which provides higher rates for 3-5 year contracts.

We still have more to do in the current challenging retention climate. Navy must continue to approach the officer retention challenge from a number of different directions, including implementation of initiatives focused on improving Quality of Service, particularly at sea. We must sustain the push to increase aggregate and individual officer community retention to steady-state levels to meet control grade requirements and improve military personnel readiness, thereby providing the experienced warfare officers Navy needs to meet a variety of pressing operational requirements.

### **Individual Personnel Tempo (ITEMPO)**

The National Defense Authorization Acts for Fiscal Years 2000 and 2001 enacted provisions requiring the military services to begin tracking deployment of members on an individual basis, and to provide payments to members who deploy for 401 or more days out of the preceding 730. We are well underway in our effort to collect individual deployment data with more than half a million ITEMPO events posting to our database as of mid-June. We are also diligently engaged in analyzing the overarching implications of ITEMPO on Navy's global operations. We are in the process of reviewing operational scheduling, ship maintenance schedules, employment of communities that experience historically high OPTEMPO, e.g., Seabees, personnel assignment policies, etc. However, ITEMPO's full ramifications are only now becoming clear.

The program is relatively new (we have about eight months of data). Because of its complex properties, the fundamental changes to Navy operations necessary to comply with the legislation have ramifications for Global Navy Force Presence Policy (GNFPP), training and readiness, and personnel assignments. For example, GNFPP dictates the global rotation of aircraft carrier battlegroups and Tomahawk missile coverage in Theaters and requires National Command Authority and Unified CINC approval. This means that the Navy cannot unilaterally change operating schedules and that any changes would have National Security implications.

This legislation, in its current form, presents Navy with a formidable dilemma. About 8,000 Sailors at sea today, for a variety of reasons, have volunteered for back-to-back sea tours. Many prefer to stay on sea duty because remaining in a specific homeport provides stability for their families. Others do so because it enhances advancement opportunity. Still others remain at sea to reap the financial rewards such as entitlement to Career Sea Pay. The personal desires of these members are inconsistent with the intent of ITEMPO legislation, which discourages prolonged at-sea assignments. But, personnel readiness may

be adversely impacted and PCS costs might increase dramatically if we lose our ability to permit Sailors to volunteer for back-to-back sea duty assignments.

We look forward to continuing the current dialogue to find the balance between reducing time away from home while carrying out the rotational nature of naval operations that require Sailors to deploy for extended periods. We are committed to ensuring an outcome that enhances Quality of Service, while permitting Navy to meet operational requirements.

## **Personnel Distribution**

### ***Sailor 21***

Three Sailor 21 initiatives are funded beginning in FY02 through Navy's Future Naval Capability (FNC) science and technology program: selection and classification, distribution and assignment, and personnel planning and policy analysis.

The selection and classification initiative focuses on building technologies to improve the manner and extent to which the skills, abilities, and personality traits of incoming personnel are assessed in order to better match them to job classifications. Objectives are to increase success rates in job performance, service members job satisfaction and, as a result, retention and readiness. FY02 efforts will concentrate on demonstrating innovative job-skill matching technologies.

In FY02, the distribution and assignment initiative will begin development of a marketplace approach for service members to become aware of, and apply for, available assignments. Intelligent technologies will ensure the service member's knowledge and skill profile match the job requirements and, to the extent possible, the location and work environment meet the member's needs and desires and provide career enhancement.

The personnel planning and policy analysis initiative builds an integrated monitoring system so that personnel managers are alerted to changes (e.g., decreased personnel supply, new skill requirements), can observe a family of available response options and their predicted outcomes, and choose the action with the greatest likelihood of success. FY02 efforts concentrate on establishing foundations in predictive measures and effective methods of data integration and simulation.

We are continuing to examine another potential Sailor 21 initiative concerning improvement of recruiter selection and productivity. This would include developing more effective recruiter screening techniques and instruments and tools recruiters could provide to clients with more realistic job previews.

## ***Detailer Communication Program***

The primary objective of the Detailer Communication Program (DCP) is to improve retention by increasing Sailor satisfaction with the detailing process. Detailer/Sailor communication is considered key to reaching this objective. Since initiation of this program in FY00, we have made significant strides towards improving the vital communication link between command retention teams, Sailors and detailers. Our initiative has now transitioned into a full-time program as we continue to institutionalize our gains into permanent and enduring improvements.

In October 1999, we began a contractor-assisted initiative focused on improving customer service in the detailing and assignment process. Survey results indicated improvements could be made to distribution procedures, which in turn would exert a positive impact on retention. In August 2000, four process action teams began executing a three-phased implementation plan for improvements. DCP is accomplishing our strategic communication goals under the following broad themes:

Detailer Training Pipeline. Formal communication training has been put in place to provide all detailers with the skills to more effectively discuss career decisions and implications with Sailors. A two-day communications skills and strategies course was specifically developed for detailing situations. Other recruiter-style selling skills courses are being evaluated to augment this training. Our training improvements have been incorporated into an 8-week course of instruction, which develops detailers into effective and focused communicators.

Detailer Accessibility. Increased detailer accessibility to fleet Sailors is the goal. Changes were made to the phone system to automatically route calls to available detailers, de-emphasizing voice mail. Secondly, civilian assistants were hired to reduce the administrative burden on the detailers and increase their time available to talk with Sailors. The addition of more detailers to the staff is under consideration.

Proactive Detailing. A major thrust of our efforts has been the proactive contact with Sailors before they enter the assignment negotiation window. The intention is to allow the Sailor an opportunity to discuss career options with a detailer and allow the detailer an opportunity to better influence the Sailor's career decision. Early detailer-initiated discussions, directed straight to the Sailor, permit the Sailor to consult with his family and command to optimize the follow-on negotiating process. We have begun contacting Sailors as much as a year prior to their rotation date and use this discussion to shape expectations and uncover needs and desires. To augment this early communication, a message is sent which provides the Sailor with a checklist for preparing for the detailing process. This message is followed by a personal phone call from each Sailor's detailer. Initial reaction to our proactive calling has been quite positive as indicated by follow-up surveys. Sailors and commands have found the early contact to be helpful in preparing for the negotiation window and providing the necessary career counseling that may help retain a Sailor in the Navy.

Detailer Travel. Our detailer travel program has been aggressive as we execute a three-fold increase in visits from last year. The impact a detailer can have with a Sailor in face-to-face communication cannot be underestimated. For FY01 to date, detailers have conducted over 6,800 personal interviews with Sailors during 850 opportunities. Metrics reflect that accelerated travel efforts have contributed to a significant number of wavering Sailors to reenlist.

The way ahead for this program is to continue proactive efforts without losing our focus on Sailors currently in the negotiation window. We are increasing our capacity to communicate with more Sailors by continuing to streamline processes and we are contemplating increasing the number of detailers. Making detailers more available to Sailors and enhancing detailer communications skills are the major focus of this program. An improved training pipeline with emphasis on communication skills, plus earlier contact with Sailors in the detailing process, will enhance retention and increase career opportunities for Sailors.

## **Quality of Service**

### ***Housing/Basic Allowance for Housing (BAH)***

A Sailor's ability to obtain adequate housing for his or her family is a critical factor in our commitment to the Quality of Service of our people. There are a number of ongoing initiatives designed to provide our members with a housing allowance that allows them to find suitable housing in safe neighborhoods. The first step is to reduce the amount of money a Sailor is expected to pay for the rent on a median house. A Sailor's out-of-pocket expense (OOP) is based on a percentage of the national median housing cost, calculated so all members of the same pay-grade and dependency status, regardless of location pay the same absolute dollar amount out-of-pocket. OOP had been set at 15 percent since the inception of the BAH system in 1998, but through your actions, the requirement that BAH be set at levels that produce an OOP was eliminated. As a result, we continue on a path to reduce OOP over the next few years — from the current 15 percent in 2001, to 11.3 percent in 2002, and to zero by 2005.

Another Quality of Service initiative set in motion by the Congress affects our shipboard E4s without dependents. Prior to your efforts last year, there was no authorization for this group of Sailors to receive a housing allowance. Funding for E4 BAH is in the FY02 budget. In October, we plan to implement this authority by allowing E4s with more than four years of service to move off of their ships into barracks (where feasible) or to receive BAH to permit them to reside in the local community. This is the next step in an overall housing plan that will ultimately permit all shipboard Sailors to reside ashore while in homeport. Providing single shipboard Sailors the ability to live ashore is another key element in Navy's retention efforts and "war for talent."

### ***Montgomery GI Bill (MGIB) Enhancements***

Raising the monthly MGIB Program benefit greatly increases the value of the program. An MGIB benefit worth almost \$40,000 in FY04, as included in

H.R. 1291, would certainly serve as an attractive recruiting tool as well as help reduce first-term attrition. It would also substantially reduce out-of-pocket costs for attendance at higher-cost institutions. The changing demographics of the All-Volunteer Force make it abundantly clear that military benefits of the 21<sup>st</sup> century must meet the needs of Sailors *and* their families. As the number of Sailors with dependents increases so, too, does their concern about their ability to pay family educational expenses.

Of equal importance is providing all active duty members an opportunity to participate. Our Veterans Educational Assistance Program (VEAP)-era members serving today have stayed with us over 15 years and deserve at least the same education benefits as those serving one enlistment. The uncertainty of the future viability of VEAP caused many senior leaders to caution active duty members prior to their deciding whether or not to participate and many members ultimately declined to participate.

### ***Permanent Change of Station (PCS) Household Good Prototypes***

Another Quality of Service initiative for Sailors is the Defense Department's transportation reengineering efforts, which include two Household Good improvement programs. The Full Service Move Program (FSMP), and Military Traffic Management Command's (MTMC) Household Goods Reengineering Program are intended to provide value-added benefits to the move experience above and beyond the fare associated with the standard government bill of lading (GBL) service. Benefits for Sailors include full replacement value of damaged goods, personalized service and overall improvement in service.

Navy plans to resume participating in the ongoing Full Service Move Program and Military Traffic Management Command's (MTMC) Household Goods Reengineering Program. Ideally, these programs will help address a longstanding need to improve the quality of household goods moves. Your continued support for these important Quality of Service programs is key to retention efforts as success in this area will alleviate a significant dissatisfier. The FY02 budget includes \$22.5 million for these prototypes.

### ***Fleet And Family Support Program***

Navy Fleet and Family Support Centers. Navy offers a broad array of Quality of Life programs and services through Fleet and Family Service Centers (FFSCs) and Family Advocacy Centers in 67 locations Navy-wide. These essential programs are offered through a variety of mediums to support, teach and facilitate self-sufficiency and family readiness. They include a vast array of assistance from financial counseling and anger/stress management to marital enrichment and parenting education to counseling, intervention and referral for spouse abuse and sexual assault awareness and prevention. FFSCs conducted four million service contacts in FY00, including information and referrals, education and training classes and counseling sessions for individuals and families. The Department's FY02 budget includes \$46.7 million to fund staff and support costs for these programs.



Headquarters Family Support Programs. From our headquarters in Millington, Tennessee, we also offer a variety of family support programs. These include application assistance for transitional compensation for family members subjected to abuse, Exceptional Family Member services to match duty assignments with availability of required health care services, and partnership with CCD and Service School Command to expand the Reverse Sponsor Program. This program ensures that Sailors on short-fused orders are provided sponsors at their first duty station enhancing the likelihood of a positive start to staying Navy.

Sexual Assault Victim Intervention Program (SAVI). Navy's Sexual Assault Victim Intervention (SAVI) program is designed to provide a comprehensive, standardized and victim-sensitive system to prevent and respond to sexual assault in the Navy. It is the only dedicated sexual assault victim intervention program in DOD. It is recognized, nationally, as being an outstanding victim assistance program by the National Association for Victim Assistance and the DOJ Office for Victims of Crime. Sexual assault awareness and prevention education is now incorporated into Navy student curricula and command leadership training, and is a required component of annual General Military Training for all service members.

Spouse Employment Program. The Spouse Employment Program is an essential Quality of Life program. The mobile nature of the military takes Navy families to locations around the world. Frequent family moves make it difficult for spouses to establish meaningful careers and additional financial security for themselves and their families. Too often, spouses sacrifice careers for the sake of their military spouses who serve our Nation. Military spouses are increasingly career orientated (65 percent currently in the workforce) and use of Spouse Employment Assistance is increasing. In 1998, the program provided employment services to 40,000 spouses, and that number steadily increased to 54,635 spouses by 2000. This increase has led to new initiatives that will improve career options for military spouses in their mobile lifestyles.

Personal Financial Management (PFM). Navy's PFM Program will focus on expanding in FY02 with emphasis on training, education and counseling. We have established a life-cycle approach with implementation of a 16-hour "A" school financial training. Plans also include follow-on training during Petty Officer Indoctrination, Leadership Continuum and Senior Enlisted Academy. We also intend to conduct a pilot of the curriculum for midshipman at the U.S. Naval Academy, for future use of the program among Navy's officer corps.

Expansion of the PFM Mobile Training Team's function includes a 50 percent increase in worldwide training of Command Financial Specialists. All course materials used in PFM are under review/rewrite and an interactive web-based PFM training resource will be available on the Navy Learning Network. There are many new programs coming online that will impact Sailors and their families. Mass education will be essential to ensuring Sailor familiarity with provisions of the new Thrift Savings Plan (TSP), Redux reform, Career Service Bonus (CSB) and Family Subsistence Supplemental Allowance (FSSA).

## ***Morale, Welfare and Recreation (MWR) Programs***

MWR programs are vital to CNO's Quality of Service priority. Quality of Service is a combination of "Quality of Work", which means the general work environment in which Sailors operate, and "Quality of Life", which pertains to all support elements that contribute to enhancing Navy life for Sailors and their families. MWR is a key component of the Quality of Life part of this equation. Another of CNO's top priorities is the need to improve alignment, which means delivering what we promise. This not only translates into Navy-wide access to quality programs but requires us to improve the ways in which we communicate what is available to the men and women we serve.

Navy MWR is actively engaged in supporting CNO's manpower priority in a variety of ways:

- ?? We are building a "culture of fitness" within the Navy. We are working to staff and equip fitness facilities, afloat and ashore, to enable Sailors to train to meet the higher physical fitness standards Navy has established in its revised physical readiness program and to enhance the health and readiness of the force.
- ?? We have created and expanded our single Sailor program to create an alcohol-free venue in a "living room" setting that provides a unique range of activities and services most desired by young adults, ages 18 to 25.
- ?? We accommodate the needs of our married Sailors who have children and may need help balancing their military responsibilities with their personal commitments for the care of their children. We provide child development and youth services making it possible for single parents, dual military couples and dual working couples to continue serving as members of the active duty military family.
- ?? We also provide community support services and employment opportunities for spouses Navy-wide. Military family members comprise almost 30 percent of Navy's MWR workforce.

Sailors view support and delivery of MWR programs as a concrete and highly visible symbol of Navy's commitment to maintaining their Quality of Life. We intend to continue aligning our actions to meet the changing needs of Sailors and fulfilling our Quality of Life commitments.

## **Conclusion**

Navy is committed to winning its war for talent. We can do this by capitalizing on Navy leadership's commitment, as well as on innovative recruiting, reenlistment and attrition-reduction programs, and by ensuring a competitive Total Military Compensation (TMC) package. We must continue leveraging recent successes in order to sustain our momentum.

Navy is an "Employer of Choice." Our success thus far is in large part due to the strong support and leadership of the Administration and the Congress. With your continued help, we remain optimistic that we will continue attracting America's highest-caliber youth as we challenge them to "accelerate their lives."