

NOT FOR PUBLICATION UNTIL
RELEASED BY THE SENATE
ARMED SERVICES COMMITTEE

STATEMENT OF

THE HONORABLE

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ASSISTANT SECRETARY OF THE NAVY

(MANPOWER AND RESERVE AFFAIRS)

BEFORE THE

PERSONNEL SUBCOMMITTEE

OF THE

SENATE ARMED SERVICES COMMITTEE

ON

ACTIVE/RESERVE MILITARY & CIVILIAN PERSONNEL PROGRAMS

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Mr. Chairman and distinguished members of the Subcommittee, it is my pleasure to appear before you today to testify on behalf of the outstanding active duty, reserve, civilian, and contractor personnel of our Navy and Marine Corps team. I am pleased to be able to share with you the remarkable progress that the Department has made, since I last testified before you regarding the Department of the Navy's personnel programs, including exciting developments in our transformational efforts to implement the National Security Personnel System (NSPS), modernize the Navy's human resource system, and rebalance our mix of active and reserve forces.

Let me begin by thanking this Committee for the superb support it has consistently provided our personnel over the years, and in particular, during the challenging two and a half years since our Nation was attacked on September 11, 2001. This Committee's support of critical investments in our personnel programs affirms our Nation's commitment to ensuring the highest levels of personnel readiness and mission effectiveness.

My intent today is to highlight several specific issues that are of particular interest rather than listing all of the program areas that fall under the oversight of Manpower and Reserve Affairs. I respectfully refer you to the Department's FY05 Budget submission that contains more specific details on a myriad of manpower issues.

ONE NAVY AND MARINE CORPS TEAM

Secretary England, Admiral Clark, and General Hagee are providing the Department of the Navy and the Naval Services extraordinary leadership during a pivotal time in our Nation's history. I

must also give due credit to our two Service Personnel Chiefs, Lieutenant General Parks and Vice Admiral Hoewing, with whom I have the pleasure of working very closely to plan and execute the excellence that the American people deserve. My job as the Assistant Secretary of the Navy is made considerably easier thanks to their impressive capabilities, forward looking vision, and dedication.

As I speak to you today, our Sailors, Marines, civilians, and contractors are waging the war against terrorism on many fronts, while aggressively transforming the force as we recapitalize the fleet to meet future challenges. These are demanding times for our Services, but I can report to you with great confidence that, with your continued support, the men and women of the Department of the Navy are up to the task and we are succeeding!

The Navy and the Marine Corps exist and operate as one integrated force. We share one common vision as captured in our capstone document, *Naval Power 21*. We are proud of the fact that our people operate as one integrated force without losing the two Services' unique missions, organizations, and heritage. That is why the Department of the Navy has one integrated human capital strategy focused on optimizing and delivering a total force to support our Nation's warfighting capability.

CONTRIBUTIONS OF OUR MEN AND WOMEN IN A GLOBAL WAR ON TERROR

In the Global War on Terrorism, Navy and Marine Corps personnel are valiantly prosecuting the enemy around the globe. Forward deployed and operating on the ground, in the air, on the seas, and under the oceans, they are demonstrating the highest levels of professionalism and heroism.

Last year, over 50 percent of the Navy's fleet and over 70,000 Marines were forward deployed in support of Operation IRAQI FREEDOM I. Post-September 11, 2001, the Marine Corps mobilized over 22,000 reservists, including 3,500 from the Individual Ready Reserve, and the Navy mobilized over 22,000 reservists with a peak of over 12,000 during Operation IRAQI FREEDOM I. Mobilized commissioned naval units included coastal warfare, construction battalion, and aviation communities, while individuals were mobilized primarily from security, intelligence, law enforcement and physical security augmentation units. Today, the Navy has less 2,500 personnel mobilized and the Marines approximately 5,500. Our reserve forces ably demonstrated their ability to surge on short notice and deliver ready, well-trained personnel where they were needed, when they were needed.

Now we are engaged in the re-deployment of Navy and Marine forces in preparation for Operation IRAQI FREEDOM II. Beginning this month, Navy and Marine Corps personnel will deploy in two seven-month rotations, with the initial ground rotation including approximately 25,000 active duty Marines, 2,300 Marine Reservists, 5,000 active duty Navy, and 800 Naval Reservists. We are proud of the contributions they will be making, and we are honored to support them.

INVESTING IN OUR PEOPLE

People are central to the Department of the Navy and the Services. Without our men and women to carry out our mission, our investments in ships, modern weaponry, and warfighting skills would be without purpose. That is why the Department is keenly focused on making investments in people that improve capabilities, readiness, and willingness to serve.

Pay and Benefits

The FY05 budget continues to enhance the competitiveness of military compensation, and includes a basic pay raise for military personnel of 3.5 percent. In accordance with our plan to address the housing needs of our personnel, Basic Allowance for Housing programs have been funded to reduce out-of-pocket expenses from 3.5 percent in FY04 to zero in FY05. These investments help us to compete for talent in the workforce while keeping faith with those we wish to retain.

Supporting Personnel Readiness

Personnel readiness support programs demonstrate the Department's commitment to our people. The Department continues to emphasize and fully fund a wide range of programs to improve the quality of life for our military personnel and their families. In support of the Global War on Terrorism, the Fleet and Family Support Centers and the Marine Corps Community Services continue to address the increasing needs of our deploying service members and their families. These programs cover a wide spectrum of support and community activities, including fitness, recreation, and other community services. In the past year, we have—with a number of partners—actively improved communications between deployed Sailors and Marines and their families at home by distributing free phone cards. We continue to provide affordable, high quality childcare to help relieve members from their worries that can limit their ability to get the job done, and we are expanding our efforts to identify and facilitate spouse employment opportunities. The Department continues to emphasize voluntary education programs as essential elements of individual growth and job performance.

Medical Readiness

The recent experiences of Department of Defense medical systems in Operations IRAQI FREEDOM and ENDURING FREEDOM have become the catalysts for a careful evaluation of the requirements of military medicine looking to the future. It is critical that our Sailors and Marines receive quality medical care in theater and on the job in CONUS to ensure that our military personnel are deployable and mission-capable. To that end, Navy Medicine is aligning in support of the operational Navy, responding to needs arising from high OPTEMPO and growing commitments overseas, while aggressively striving to contain costs. The Department is committed to providing timely access to quality health care for all beneficiaries—active duty, reservists, retirees and family members. Health productivity management is an emerging business strategy that can yield tremendous dividends for the Department by utilizing health interventions that reduce both direct and indirect costs. Disease prevention and personal fitness are key to maintaining a fit and healthy force.

Wisely Managing Force Strengths

We are carefully considering the cost of personnel and actively working to reduce overall manpower expenses by streamlining, enhancing efficiency, and eliminating unneeded work. As technology grows more affordable and the cost of personnel grows more expensive, it is imperative that we move away from labor-intensive work by maximizing the benefits of technology. We will not assign smart, talented people to do mindless drudgery work as we did during the conscription era.

The Navy is reducing active duty and reserve personnel strength in FY05 by decommissioning older ships and replacing manpower-intensive work by leveraging technology more efficiently. The Marine Corps end strength remains steady providing sufficient resources to meet mission requirements, while shifting some work currently performed by Marines to civilians, freeing up more Marines for direct military functions.

The FY05 budget reflects our commitment to our personnel and to the American taxpayers. It is a balanced budget that is in line with fiscal realities and one that can maintain force readiness and operations. Your Subcommittee's support of the Navy budget will further strengthen the Department's ability to ensure current readiness.

WINNING THE CAMPAIGN FOR PEOPLE

Our investments are helping us to win the campaign to attract the highest quality, and retain the best people, to man our forces in the future. Today, our forward deployed units are fully manned. The key challenge will be sustaining the gains we have made and continuing to build upon our successes to attain the highest level of battle readiness.

Recruiting the Force

Fiscal Year 2003 was another outstanding recruiting year for both the Navy and the Marine Corps. Thanks to the dedicated efforts of our recruiters—and, in particular, this Subcommittee's

funding of enlistment incentives and advertising—we were able to attain or exceed our goals for active and reserve, as well as officer and enlisted personnel. The quality of our personnel continues to improve, and the Services remain on track to continuing our successes in FY04.

The Navy attained its annual enlisted recruiting goal for the fifth year in a row, and met both new contracts and accessions goals for the 30th consecutive month. The Navy also succeeded in achieving 40 percent increases in the percentage of recruits with college experience to six percent, and increased the percentage of High School Diploma Graduates from 92 to over 94 percent. The Marine Corps met or exceeded its recruiting goals last year for the eighth year in a row, and quality remains high with over 97 percent of new recruits being High School Diploma Graduates.

Recruiting programs for both the Navy Reserve and the Marine Corps Reserve remain strong, meeting recruiting mission in FY03. In FY03, the Navy consolidated both active duty and reserve force recruiting activities under one command for a total force Navy Recruiting, as a streamlining initiative to enhance force management.

The National Call to Service (NCS) program, initiated this year for the first time, has the potential for further enhancing the Services' personnel strength by attracting a limited number of high quality recruits for shorter active duty enlistment periods in hard to fill ratings or MOS.

The Navy has already written enlistment contracts for NCS since it was made available in mid-January, and intends to write 1,000 contracts this year and another 2,000 in FY05. The first recruits will report for basic training in May. The Marine Corps intends to recruit 175 for the program this year, increasing the goal incrementally until reaching 350 in FY06. We will be

carefully evaluating the results of this program and report back to the Congress as data become available.

Retention of Our Best People

Retaining the best and brightest Sailors and Marines has always been a core objective of the Department of the Navy and key to our continued success in combat. With retention, success tends to breed further success: better retention allows the Services to become more selective, targeting higher quality and specific skills and experiences, thereby facilitating more favorable force shaping. Currently, the Navy is actively maturing its force to operate increasingly complex systems by retaining more of our highly skilled Sailors and maintaining advancement opportunities. The Marine Corps, a youthful force by design, is focused on retaining the highest quality Marines to grow the ranks of our Staff Non-Commissioned Officers whose combat leadership is the basis for much of the Marine Corp's historical success.

In FY03, the Navy exceeded all of its aggregate retention goals for the third year in a row, and reduced first term attrition another 10 percent from FY02 levels. Despite these successes, which have led to the Navy removing 41 ratings from the critically manned ratings list and attaining 95 percent of goal in five other critically manned ratings, we remain keenly focused on addressing the shortfalls that remain.

The Marine Corps succeeded in achieving first-term reenlistment goals for the past nine years and reduced attrition to its lowest level ever. This year, the Marine Corps has already achieved

76 percent of first term retention and 47 percent of second tour and beyond goals only a third of the way into the fiscal year.

Officer retention in both Services is high—the Marine Corps at a nineteen-year high and the Navy showing continued improvement. Despite the current positive trend, we do have problems in certain communities, particularly in the Navy O3-O4 aviation and O4-O6 surface and submarine unrestricted line communities. The Navy plans to continue using special pays to target specific qualifications and skills through continuation pay.

Our experience and research indicates that programs targeted to specific skill shortages, such as the Selective Reenlistment Bonus, continue to have the strongest impact on reenlistments, while helping us to better target specific skills. This Subcommittee's support of continued funding of these important retention and force shaping tools are critical to sustaining our record of retention successes.

NAVAL HUMAN CAPITAL TRANSFORMATION

Transforming human capital management is central to the Department's strategy for optimizing and delivering a total force in support of our Nation's warfighting capability. The success of *Naval Power 21* depends on our ability to produce the right mix of active, reserve, civilian and contractor personnel when and where it is needed, at the right cost, now and in the future.

Changing Workforce Requirements

From 1947 to 1989, our national security efforts were defined by the Cold War. We built and poised naval forces for large-scale, blue water, prolonged warfare operations, and we designed personnel systems based on conscription to maintain large standing forces, favoring mass over agility, redundancy over efficiency, and simplicity over flexibility. Industrial Age business and management processes were effective for building and maintaining these massive forces and surge capacities.

Since the fall of the Berlin Wall in 1989, globalization has shaped a “new world order.” Nations, cultures, businesses, and people have become more accessible and more exposed than ever before. Threats to homeland and international security come from multiple directions in diffused and difficult to predict ways. As a result, the men and women of the Navy and Marine Corps are responding to new requirements, deploying more often, and more quickly, to more places, and conducting more complex tasks than ever before.

As the challenges we face grow more complex and demanding, information technology and modern business processes are required to effectively support the Naval response to the Global War on Terrorism. Accelerated accessibility and abundance of information is enhancing the performance of our warfighters and those who support them.

As a result, the workforce has been evolving, resulting in people learning to operate in knowledge-centric environments; increased career mobility and flexibility; expectations of higher responsiveness from management; and significantly increasing productivity. This requires personnel systems that are agile, flexible, and integrated.

Three Separate Personnel Systems

What we have learned in the Global War on Terrorism is that our human resource systems were not as agile, flexible, and integrated as we needed them to be. The systems did not enable total force management – rather, active duty, reserve, and civilian personnel were managed under separate systems with separate sets of non-complementary and inflexible statutes and rules. We often did not have the ability to easily assign the most effective individuals to do our work and properly balance the skills inventory of the workforce, creating significant inefficiencies.

The President and the Secretary of Defense have given us the mandate for addressing these issues, and Secretary England has made it a top priority for the Department of the Navy. We are striving to implement our vision for human capital management with a modern integrated human resource system that can respond quickly and with ease to support changing mission requirements. We are seizing this historic opportunity to take an important step forward, and I am pleased to share with you what the Department is undertaking to meet this requirement.

Our Philosophy on Human Resource Management

People are our most valuable asset and, when properly supported and managed, critical force multipliers. The Department will lead in the development of a 21st century human resources approach to support our people, leveraging the best technologies, business efficiencies and practices to gain the highest levels of organizational effectiveness.

- We are assessing our core competencies and determining which functions contribute to mission accomplishment. Those activities and functions that are no longer relevant to our core mission will be eliminated.
- Functions that are core to our mission will be sorted into three categories: those that should be done just by civilians; those that may be done by either military or civilians; and those that must be done just by military personnel. As a general rule, we will contract out non-core functions when it is cost-effective to do so. For those functions that can be done by either military or civilians, the National Security Personnel System (NSPS) will provide the flexibility and performance initiatives needed to enhance the assignability of civilians to these military-civilian jobs. In those functions that require military personnel, we will strive for the right balance and leverage reserve component capabilities.

Our Strategy for Naval Human Capital Transformation

The Department's strategy is to modernize our human resource systems into one total force manpower management program that enables flexible, agile, and integrated responses to changing manpower demands. The 21st century total force manpower management program would incorporate state-of-the-art workforce planning and labor-capital assessment tools, an integrated information technology architecture, and flexible policies that allow optimal matching of people and skills to the required work. The "continuum of service" model advocated by Dr. Chu for enabling military personnel to move easily between the active and reserve components is an important step towards enhancing the Department's vision.

In 2003, the Department established the Force Management Oversight Council (FMOC) as the senior policy-making and oversight authority integrating Departmental manpower and personnel policies. Through the FMOC, the Secretariat and the Services are now able to coordinate and align cross-cutting policies and initiatives, and oversee the development of the Department's total force manpower management program.

This year, the Department is implementing three major initiatives for transforming human capital management:

1. Transforming the Civilian Personnel System

Implementation of the National Security Personnel System

We are pleased that the Secretary of Defense, at Secretary England's request, has authorized the Department to be in the first wave of conversions to NSPS. Thanks to the support of Congress in passing NSPS, the Department will have at its disposal much-needed authority to overhaul an outdated and antiquated system of civilian human resource management, and to create a new work culture based on performance instead of entitlement. This new system will provide the flexibility and agility critical to meeting mission readiness requirements, and enable the recruiting and retaining of high performing workers.

Most Department of the Navy civilian employees, with the exception of those specifically excluded by law, will be a part of the first conversion to NSPS. We have established an NSPS Project Management Office, which will work closely with the Department of Defense, to

develop and execute the Department of the Navy's strategy for implementation. The Department intends to facilitate military-to-civilian assignments using streamlined classification and pay banding systems, which will have the effect of properly balancing the workload military and civilian employees and freeing up more warfighters for "the tip of the spear."

2. Transforming the Navy Personnel System

Modernizing Navy's human resource system to support Sea Power 21

The Navy is in the midst of aggressively modernizing its human resource management system to support *Sea Power 21's* transformation strategy. At the heart of the Navy's workforce shaping agenda is its focus on developing and maintaining the right capabilities for the 21st century fleet, not on simply managing to specific numbers of personnel. The goal is to grow and optimize a force with the proper skills mix that can be applied where and when it is needed in support of the Navy's mission.

The FY05 budget request plans for the Navy's end strength to decline to 365,900, reflecting the decommissioning of older manpower-intensive platforms, improved training and employment processes, more efficient infrastructure manning and efficiencies gained through technology, new manning practices, and altering the workforce mix (including military to civilian conversions). A major effort is underway to accurately assess jobs, functions, and workload to aid in the drawing down of active duty end strength.

A variety of initiatives are required for an organization as large and complex as the Navy to effectuate the necessary force shaping. The *Sea Warrior* initiative serves as both the concept and the tool for maximizing personnel readiness by improving the assessment, assignment, training, and education of Sailors. It aligns the skills, experiences, and capabilities of the worker to current and future jobs, and empowers the Sailor to make informed career choices. The Navy is also actively employing optimal manning practices onboard certain vessels to reduce excessive crewing; experimenting with swapping out crews to extend ships' time on station and reduce in-transit sailing time; creating technologically-enabled learning and training programs to increase availability and cut costs; channeling personnel in over-manned ratings to those that are undermanned; and designing Navy systems that require fewer people to operate. One of the Navy's exciting new manning experiments includes USS CORONADO. The CORONADO is the first command ship manned by a mix of Navy and civilian mariner personnel to optimize personnel-function assignments. As Navy designs and deploys new ships, aircraft, and systems, we are paying serious attention to issues of operability and maintainability in the arena of Human Systems Integration to ensure that we can reduce the need for scarce and expensive manpower in the future.

3. Transforming the Reserve Force

Rebalancing the Mix of Active and Reserve Forces

The Department's goal is to ensure that the Services are properly balanced between active and reserve resources to ensure operational readiness for forward presence and surge capabilities.

The Global War on Terrorism tested our surge capabilities for meeting rapid-response

contingencies, and the Services ably applied judicious and prudent use of valuable reserve assets. In the process, the Navy and the Marine Corps proactively took steps to immediately address imbalances that were identified, with particular focus in three areas: enhancement of early responsiveness; resolving stressed career fields; and the employment of innovative reserve management practices. I would like to share with you several examples of what the Services are doing to rebalance the force mix and enhance reserve mobilization.

Navy: Developed a plan for converting 525 vacant, non-hospital corpsman reserve billets to active corpsman billets for assignment to Marine Corps combat units; streamlined and automated the mobilization process; established a new reserve flexible drilling contracts program; combined active and reserve recruiting commands; and developed a new concept that would allow rapid accessing of a limited number of key Selected Reserves through volunteerism. The Navy also rebalanced its Anti-Terrorism/Force Protection inventory in fiscal years 03-04 by adding over 7,200 new active component and over 1,800 reserve component billets.

Marine Corps: Stood up an Air Naval Gunfire Liaison Company in the active component with two more planned for 2004-2005; developed the plan for establishing two additional reserve military police companies and four new reserve Anti-Terrorism/Force Protection companies; created the Intelligence Support Battalion to consolidate command and control of reserve intelligence billets beginning as early as 2005; developed a plan for reassigning 93 active personnel from a reserve component squadron to the active force in 2004; and embedded active component personnel (instructors/inspectors) in all reserve component units.

To further enhance the integration of the Naval Reserve into the Navy mission, the Naval Reserve is undergoing a “redesign” based on a comprehensive study co-sponsored by the former Vice Chief of Naval Operations and myself. We have identified fourteen key points for addressing in the redesign. The three main areas of focus are: Personnel Management; Readiness and Training; and Organizational Alignment. Implementation of the redesign transformation will more fully integrate the Reserves into *Sea Power 21* and reservists into the *Sea Warrior* initiative.

CHALLENGES AHEAD

The Department has a good story to tell but we also acknowledge that this would not be possible without the help that we receive from this Subcommittee and the Congress. We need your continued support for full funding of our manpower and personnel requests, as well as flexibility to properly manage the force. Broad flexible authority to prudently manage our personnel, coupled with sustained funding for the Selective Reenlistment Bonus program and other programs targeted to specific skill shortages are critical tools that enable success. The information and infrastructure programs that support our personnel must also be funded. They will aid us in keeping the momentum going on our transformational efforts to optimize and maximize our human capital in support of *Naval Power 21*.

Diversity as Readiness Issues

The changes that require us to transform are occurring in an environment in which the demographics of the Nation and the force are rapidly shifting. As our people are developed as information-age workers—and we recruit and grow the whole individual—our organizations must be prepared to fully capitalize on their knowledge, experiences, backgrounds, and motivations. Today, the Department of the Navy is maturing in its understanding of human capital and the optimization of people in the workplace. Diversity is not simply a compliance program. We fully appreciate the fact that diversity is truly a readiness issue: we need to maximize our investments in every single individual, and we want our organizations to have the most robust personnel capabilities that can be drawn upon from American society. This means that our organizations, and our leaders, should reflect the broader society, and our people must be given the opportunity to thrive as they make their contributions in service to our Nation.

FULFILLING NAVAL POWER 21

In closing, I am grateful for having this opportunity to share with you the many new developments that are occurring in our Department today. We are successfully conducting our mission, fighting the Global War on Terrorism, and we are aggressively transforming for the future. We have one integrated human capital strategy focused on optimizing and delivering a total force to support our Nation's warfighting capability. Our manpower and personnel programs exist, and are aligned, to support *Naval Power 21*.

President Bush may have described our situation best, when in December 2001 he said: "What's different today is our sense of urgency – the need to build this future force while fighting a

present war. It's like overhauling an engine while you're going at 80 miles an hour. Yet we have no other choice.”

The Department of the Navy has the right sense of urgency and we are moving full speed ahead!