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OFFICE OF THE SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

#86

August 6, 1981

MEMORANDUM FOR THE SECRETARY OF DEFENSE  
MEMBERS OF THE DEFENSE RESOURCES BOARD

SUBJECT: Manpower Issue Book (BK-6)

Attached is the final version of the Manpower Issue Book, developed after reviewing the Service POMs and your written comments to the preliminary draft Issue Book.

We have attempted to resolve as many contentious points as possible on the issues, and to incorporate those formal and informal comments that seemed appropriate. Significant changes from the first draft are highlighted by double vertical lines in the margin. A complete set of the comments received on drafts of these issues is also included.

In my cover letter to the draft Issue Books I mentioned that classified sections of the Defense Guidance had appeared in the Washington Post and requested your cooperation in protecting the draft Issue Books from improper disclosure. Nonetheless, it is my understanding that a Congressman had possession of a copy of Conventional Forces Book III on July 23, one day after internal publication. Let me urge you as strongly as I possibly can to restrict and control the distribution of this final book. These are internal working documents which will be used by the Secretary to make important decisions on the DoD FY83-87 program. After decision by the President, it is appropriate that Congress - and the public - then take their crack at it. Until then however, we ought to be able to discuss all important alternatives internally and frankly before the final decisions are made. The Secretary and Deputy Secretary of Defense are determined that these illegal and highly damaging leaks must cease, even at the expense of foregoing full participation in the making of major defense decisions.

The DRB is scheduled to meet on August 14, 1981 to discuss and decide these issues.

Vincent P.

Vincent Puritano  
The Executive Secretary  
to The Defense Resources Board

Attachment

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BOOK 6 - MANPOWER

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>	<u>Tab</u>
I. Introduction	1	A
II. Major Manpower Issues		
A. Military Manpower	3	B
B. Civilian End Strength	21	C
C. Medical Programs	29	D
D. Facilities (Living and Working Conditions)	36	E
E. Defense Family Housing	38	F
III. Comments on Draft Issue		
Army		G
Navy		H
Air Force		I
JCS		J
USDR&E		K
Comptroller		L
DPA&E		M
DLA		N
DCA		O
OMB		P

Page determined to be Unclassified  
Reviewed Chief, RDD, WHS  
IAW EO 13526, Section 3.5  
Date: FEB 05 2016

## MANPOWER ISSUES

### INTRODUCTION

#### Defense Guidance Highlights

The Defense Guidance states that the provision of sufficient numbers of trained military and civilians is our foremost manpower planning goal. It states that military manpower may become our most constrained resource and that we must take action to assure the success of the AVF. Provision of pay comparability, maintenance of quality of life programs, and substitution of reserves and civilians for active military are identified as ways to maintain the AVF.

The Defense Guidance states that adequately manning current forces should take precedence over force expansion and that Service accessions programs should recognize the coming decline in the supply of high school graduates. To offset this decline the Services are directed: (1) to attempt to reduce their end strength by converting functions to civilian or contract and by seeking base consolidations; (2) to improve retention and reduce attrition; and (3) to emphasize recruiting prior service personnel and women.

The Defense Guidance also emphasizes the full manning of Guard and Reserve forces and the incorporation of civilians into peacetime and wartime planning. Although the Military Departments are told to program enough civilians to do necessary work, they are also directed to emphasize contracting out and other efficiencies in order to reduce the need for civilians.

#### Major Manpower Issues

The POMs propose increasing active duty military end strength by 230 thousand (11 percent) between FY 1981-1987. Analysis indicates that the Navy and Marine Corps can meet their goals if recent success in recruiting and retention continues. The Air Force program is sustainable since Air Force has increased its female accession and retention program and improved first-term attrition relative to the POM. The Army program is likely to produce a shortfall in enlisted end strength of 80 thousand by FY 1987. Improvements in force management to capitalize on recent retention successes can eliminate the Army shortfalls through FY 1984. Changes necessary to meet the shortfall, in FY 1985 and beyond, will be addressed by the Manpower Task Force.

Another major issue is the adequacy of Reserve and mobilization manpower programs. The POMs show shortfalls by FY 1987 of around 80 thousand in the Selected Reserve, and over 130 thousand in the IRR. The issue paper identifies ways to correct these shortfalls.

Page determined to be Unclassified  
Reviewed Chief, RDD, WHS  
IAW EO 13526, Section 3.5  
Date: FEB 05 2016

There are two major issues involving DoD civilians. The first is the conflict between the need for more civilians to do essential work and the decreasing OMB ceiling. It is possible to meet the OMB ceiling in FY 1986 through an ambitious contracting program and major investments in labor saving equipment. The only way to reach the OMB ceiling prior to FY 1986 is to make major cuts in Service and Agency programs.

The second issue addresses the use of civilians to reduce the need for non-prior service, male high school graduate accessions. Every service has large numbers of jobs that could be converted to civilian without threatening the Service mission or their rotation and mobilization bases. Employing civilians in jobs now held by military people would reduce recruiting requirements and could greatly enhance the viability of the AVF.

The issue on Living and Working Conditions is a combination of the Defense Family Housing Issue and the Military Construction Issue from Book 5. The intent of this change is to respond to Secretary Weinberger's concerns and to focus attention on questions of living and working conditions in Europe, the United States and the rest of the world. Selection of any of the alternatives will lead to changes in the family housing and the repair and replacement programs.

The Defense Family Housing issue that was prepared by the Army is also included. This issue paper provides more detail on the family housing problem. The DRB may choose to select one of the alternatives in the Living and Working Conditions issue paper (both alternatives provides additional funds for family housing) or it may choose to select one of the issues in the Defense Family Housing issue paper.

The final issue addresses three medical programs: (1) expansion of CHAMPUS benefits to include dental care for dependents of active duty members; (2) closing the Uniformed Services University of the Health Sciences and elimination of the Armed Forces Health Professions Scholarship Program as sources of military physicians; and (3) charging a nominal fee for outpatient visits to military medical facilities.

All of these issue papers have undergone major revisions since originally published. The issue on Military Compensation has been deleted and will be addressed by the Manpower Task Force. Only the Living and Working Conditions issue paper is new. The changes in the other papers reflect attempts to respond to comments, to take account of changes in the Service programs, and to focus the issue papers more directly on DRB concerns.

Page determined to be Unclassified  
Reviewed Chief, RDD, WHS  
IAW EO 13526, Section 3.5  
Date: FEB 0 5 2016

## MILITARY MANPOWER

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Reviewed Chief, RDD, WHS  
IAW EO 13526, Section 3.5  
Date: FEB 05 2016

### Issue

Have the Service programs provided appropriate resources to satisfy both peacetime and mobilization manpower requirements?

### Background

The issue paper addresses three aspects of military manpower: (A) Active duty manpower; (B) Unit strengths in the Selected Reserve; and (C) Pretrained mobilization manpower. This paper does not address the validity of Service-stated manpower requirements. Program and force level decisions in other issue papers could change those requirements, in turn affecting the analysis of this paper. The analysis of Army manpower program is based upon the submission of July 23, 1981.

The OMB has recommended that this paper include an alternative holding military manpower strength at FY 82 approved levels "until requested increases can be validated." This did not prove to be a practical alternative because military strength requirements are derived from force structure. Force structure issues are addressed in Books 2 and 3, Strategic Nuclear and General Purpose Forces. Questions of manpower requirements for specific programs can and will be addressed during the budget review.

### A. Active Duty Manpower

The Services have programmed active duty end-strengths to increase by 230,000 (11 percent) between FY 81 and FY 87. Of this increase, almost 200,000 are programmed as additions to the enlisted end-strengths.

#### Programmed Officer and Enlisted End-Strength (000)

	<u>FY 81</u>	<u>FY 82</u>	<u>FY 83</u>	<u>FY 85</u>	<u>FY 87</u>	<u>Change</u> <u>FY 81-87</u>	
						<u>000</u>	<u>%</u>
Army	778	786	786	812	852	74	10
Navy	540	559	587	610	620	80	15
Air Force	569	582	605	622	634	65	11
Marine Corps	191	192	195	199	202	11	6
DoD Total	2078	2119	2173	2243	2308	230	11

The programmed end-strength is the largest in our peacetime history. By FY 87 it will result in larger US active duty military forces than at any time since FY 72, or at any time since the inception of the All Volunteer Force.

MRA&L staff analysis concludes that the Navy and Marine Corps can sustain the manpower programs that they have proposed. The Air Force program is sustainable provided that the Air Force increases its female accession and retention program and improves first-term attrition. The Army's manpower program is neither sustainable nor balanced.

# 1. Army Active Duty Manpower

The Army active duty manpower program relies very heavily on recruiting a larger number of high quality male high school graduates.

Staff analysis indicates that the Army will be unable to recruit those numbers of high quality enlistments. The staff alternative proposed below ensures that Army meets current Congressional quality constraints throughout the program years.

Army has made several decisions in its manpower program which increase its demand for new recruits. These include:

- Programming force-wide retention rates which are lower than could be expected and sustained in light of recent compensation improvements.
- Depressing retention rates specifically to control entry into the career force of those recruits who were accepted into the Army under the misnormed entrance examinations.
- Reducing the number of prior service enlistments from 18 thousand in FY 81 to 13 thousand in FY 82-84, after which time the number increases to 18 thousand again.
- Creating high turnover and high demand for new recruits by expanding the share of two-year enlistments, and by offering enhanced educational benefits to these two-year enlistees.
- Programming first-term attrition during the FY 82-84 period at levels slightly higher than experienced in FY 80 and programmed for FY 81. This appears to reflect a worsening in first-term attrition performance in spite of substantial improvements in pay and benefits, and in spite of higher quality recruits now being enlisted.

The combined effect of these decisions is to increase total NPS demand by 83 thousand (13 percent) during the program period.

The Army states that it can achieve these requirements given:

- A 14.3 percent pay raise in October, 1981, and pay comparability thereafter.
- Additional bonus funds and higher maximum bonus award levels beginning in FY 82. (\$80 million is funded in the DoD contingency.)
- Enhanced educational benefits (so-called Ultra-VEAP), including expansion of these benefits to two-year enlistees, beginning in FY 82. (These are not funded by Army.)
- Additional recruiters (250) and advertising resources (\$10 million) beginning in FY 82. (These are funded in the Army program.)

The Army states that these conditions are both necessary and sufficient to achieve the proposed manpower program. However, MRA&L staff analysis concludes that these additional bonuses and benefits in combination are not necessary in the early part of the program years, and that they may not be sufficient by the latter part of the FYDP period given the structure of the entire Army program. These results are presented in the Evaluation of Alternatives.

## 2. Air Force Active Duty Manpower

The "for comment" draft of this issue paper raised the problem of whether the Air Force program was achievable given Air Force quality preferences. The major issues were the impact of the reduction of female accessions and the increase in first-term attrition, which the Air Force had programmed. The Air Force has now reexamined its program assumptions in the light of recent data on female accession requirements and retention behavior, and concluded it can support programming for increased accessions and retention during the program years. We expect these changes to result in Air Force female enlisted and officer end-strengths growing from 63 thousand in FY 81 to over 70 thousand in FY 87. In addition, the Air Force now expects to improve its first-term attrition rate over the POM years. As a result of these Air Force changes, we now are confident that the Air Force does not overstate its ability to recruit high quality male accessions, and that the Air Force manpower program is executable as revised. The Air Force has concurred in these changes.

## Alternatives

Alternative 1a: The POM. This is the Army's 15 June submission. The Army manpower program was withdrawn by the Secretary of the Army in a letter to the Secretary of Defense dated 15 June.

Alternative 1b: This is the POM including the alternative manpower program that Army submitted to the Secretary of Defense on 23 July.

Alternative 2: (MRA&L) This alternative programs no-cost force management improvements to moderate the Army's demand for new recruits. It increases prior service accessions to 18 thousand per year in FY 83-84, improves retention and attrition rates to reflect the higher quality of incoming recruits and improved pay and benefits. This alternative yields an executable Army manpower program in the near years, but leaves small end-strength shortfalls in FY 85-87. This gap could be closed with all or some of the following: a modest enlistment bonus increase, an educational incentives program, increased female accessions, civilianization, or further career force increases. The small size of the shortfall, and the fact that it does not occur until FY 85, allows a decision to be deferred until more information is available on the effects of recent compensation increases, on the educational test program, and on the findings of the Military Manpower Task Force.

## Evaluation of Alternatives

Alternative 1a: The manpower portion of the original Army POM was withdrawn by the Secretary of the Army on the day it was submitted. (See Tab A.) It is not a live option for consideration, but it is included (as an accounting convention) as the baseline against which the cost and manpower changes of the other alternatives are measured.

Alternative 1b: The resubmitted Army program is not executable for the following reasons:

- (1) Manpower supply is inadequate within the Congressionally-established quality constraints for the Army. The following table compares the number of high quality recruits implied by the Army program, the minimum number of high quality recruits required by the Army program to meet Congressional guidance and sustain end-strength requirements, and the staff estimate of the achievable number of high quality recruits if the Army program fully funded the VEAP and Ultra-VEAP programs.

### Male High School Diploma Graduate Mental Category I-III

	<u>FY83</u>	<u>FY84</u>	<u>FY85</u>	<u>FY86</u>	<u>FY87</u>
Army Program	53	56	56	56	55
Minimum Requirement to	50	48	55	55	55
Achieve Program					
OSD Estimated Achievable	52	50	48	48	48

- (2) Supply is further constrained (though retention is improved) because educational benefits (VEAP and Ultra-VEAP) are not funded in the program.
- (3) Substantial reprogramming (\$1.2 billion) is required in the FY 82-87 period. Details as to the reprogramming action have not been provided by the Army.

Analysis suggests the following shortfalls in sustainable enlisted end-strength will result from this alternative as funded:

### Army Enlisted End-Strength (000)

	<u>FY82</u>	<u>FY83</u>	<u>FY84</u>	<u>FY85</u>	<u>FY86</u>	<u>FY87</u>
Program	680.1	678.8	680.8	700.4	715.9	733.7
Sustainable	680.1	666.2	661.0	657.9	653.4	653.6
Shortfall	-	12.6	19.8	42.5	62.5	80.1

Even if this alternative were completely funded (adding around \$1 billion during the program years for VEAP and Ultra-VEAP), it still would not yield an executable manpower program:

Page determined to be Unclassified  
Reviewed Chief, RDD, WHS  
IAW EO 13526, Section 3.5  
Date: FEB 05 2016



- (1) The proposed educational benefits program would not eliminate the shortfall.
- (2) Lower retention that results from educational benefits would partially offset the effect of the increased supply.
- (3) The reduction in career retention fails to build the base for further Army end-strength increases beyond FY 87.

As a result, end-strength shortfalls, even with the additional funds, are still substantial:

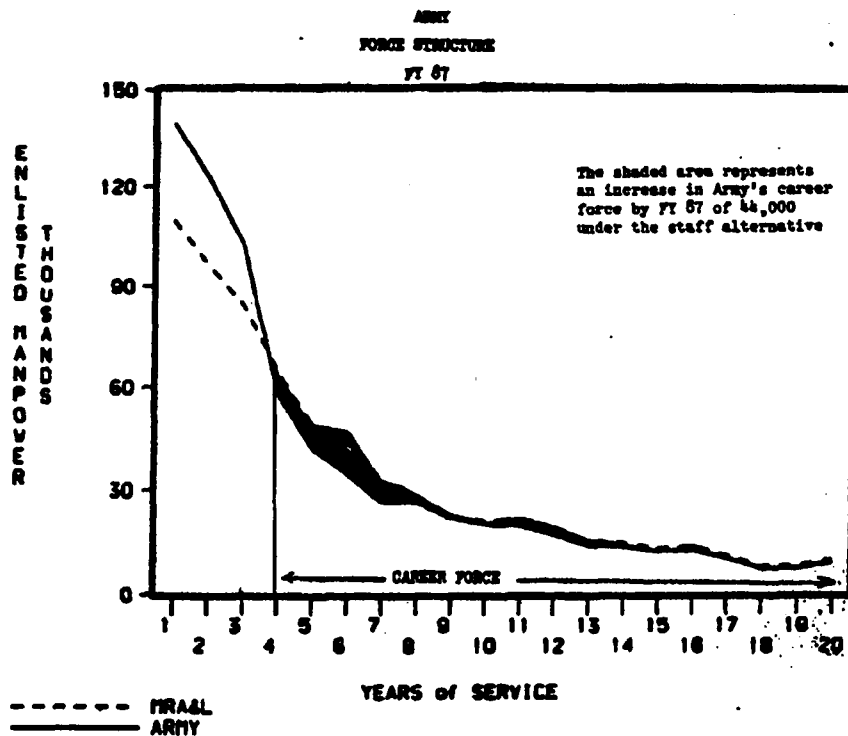
Army Enlisted End-Strength (000)

	<u>FY82</u>	<u>FY83</u>	<u>FY84</u>	<u>FY85</u>	<u>FY86</u>	<u>FY87</u>
Program	680.1	678.8	680.8	700.4	715.9	733.7
Sustainable	680.1	674.0	670.8	670.1	666.8	667.0
Shortfall	-	4.8	10.0	30.3	49.1	66.7

Alternative 2: The MRA&L staff alternative allows the Army to achieve its programmed end-strength in FY 83-84 with a combination of no-cost force management improvements. The major thrust of the staff proposal is to reduce Army's demand for new recruits by increasing its career content. This is done by: programming higher retention rates force-wide through the FYDP, (though allowing lower first-term retention rates through FY 84 to control for the misnormed cohorts); maintaining prior service accessions at the FY 80-81 level; and programming gradual reductions in first-term attrition during FY 83-84.

The Army programmed force-wide retention fails to account fully for the compensation initiatives of the 96th Congress and the anticipated gains from a 1 October 81 across-the-board pay raise of 14.3%. In this way, Army does not let its career content grow as much as it could and thereby increases its demand for NPS accessions by around 83 thousand over the program years. These demands cannot be met with currently programmed resources. In addition, a specific Army program to implement its more selective retention policy has yet to be developed.

Alternative 2 builds Army's career force by programming higher retention rates throughout the force at the level suggested by analysis to be sustainable. It allows Army to be more selective during FY 82-84 in retaining those recruits who entered the force as the result of the misnormed ASVAB test between FY 76-80, but returns to the higher achievable first-term retention rates in FY 85 and thereafter. The result is a career force that is larger than what the Army would achieve (if its program were executable). The biggest part of this increased career content is in the 4 to 8 years of service groups. The Army career force grows from 42 percent of the enlisted force in FY 81 to 48 percent by FY 87. The career structure of the Army program and the staff alternative are portrayed graphically in the following figure.



The staff alternative career force in the Army is desirable for the following reasons:

- Based on improved retention, the career content is sustainable according to OSD analysis. As the graph shows, the staff alternative builds the second term force strength during the FYDP, thus building the base for the expanded career force which the Army will require as its enlisted end-strength builds to 1.1 million by FY 97.
- It provides the Army an experience base to support the many new complex weapon systems which will be entering service in the FYDP period.

This combination of force management changes will reduce the Army's enlisted end-strength shortfall as follows:

	<u>Army Enlisted Shortfall (000)</u>				
	<u>FY83</u>	<u>FY84</u>	<u>FY85</u>	<u>FY86</u>	<u>FY87</u>
Alternative 1b: Army	12.6	19.9	42.5	62.5	80.1
Alternative 2: MRA&L	-	-	9.3	16.8	24.2

Page determined to be Unclassified  
Reviewed Chief, RDD, WUS  
IAW ED 13526, Section 3.5  
Date: FEB 05 2016

The remaining shortfall does not occur until FY 85, and amounts to only a 3 percent shortfall by FY 87. The outyear shortfall can be eliminated with some combination of: increased career content; increased recruiting incentives, particularly enlistment bonuses and/or educational benefits; changes in quality of recruits; or changes in prior service accessions, enlistment of female recruits, or civilianization.

The staff recommendation is to defer the decision regarding the specific solutions to solve these outyear problems. These solutions could cost up to \$2 billion a year, depending on the mix of incentives. An appropriate forum for this evaluation is the Presidential Task Force on Military Manpower. The Army has specifically endorsed this solution in its comments on the draft of this issue paper. The following sections describe the choices that the Task Force might consider.

Career Content. By increasing first-term retention rates, and retention rates in general throughout the entire enlisted force, the Army can increase its career content and correspondingly reduce its demand for new accessions. Career servicemembers are more stable and productive, though their cost is higher due to higher pay grades and greater likelihood of drawing retirement benefits after service.

Bonuses vs. Pay Raises. Bonuses are more efficient in recruitment than raises in pay because pay raises would go to every servicemember, whereas bonuses can be directed at only those skills in which additional recruitment is required. Also, bonus levels can be reduced as the manning situation improves, whereas pay cannot. Since bonus levels may be reaching their political limits, it may be desirable to begin emphasizing special or incentive pays for the difficult-to-recruit skills in lieu of larger enlistment bonuses. The cost would be comparable, and the special pay rates can be adjusted to meet demand.

Educational Benefits vs. Enlistment Bonuses. An enlistment bonus which provides the same incentive to enlist as Ultra-VEAP will be a less costly program. The benefits of Ultra-VEAP are paid to the recruit only in future periods, while the enlistment bonus is received immediately. Because individuals tend to value current benefits more highly than deferred benefits, higher levels of educational benefits are necessary to provide the same enlistment incentive as a bonus. Hence, a dollar's worth of enlistment bonus will provide a greater enlistment incentive than a dollar's worth of educational benefits.

The principal argument in support of an educational incentive program such as Ultra-VEAP is that it appeals to a segment of the youth market that would not enlist for a bonus. We have at present very limited evidence for that argument, but we expect a more definitive answer when the data from the current test program becomes available this Fall. However, educational benefits will have a negative impact on retention as individuals leave the Service to take advantage of the benefit which induced them to enter.

Analysis indicates that offering the Ultra-VEAP to two-year enlistees significantly reduces the effectiveness of the Ultra-VEAP in reducing the Army end-strength shortfall. According to staff analysis, by programming Ultra-VEAP for 15 thousand two-year enlistees per year beginning in FY 82, the Army has added approximately 8 thousand to its enlisted end-strength shortfall by FY 87, compared to offering it only to three-year and four-year enlistees. However, it creates a corresponding increase in the IRR manpower pool beginning in FY 84.

Quality. Congress has directed that at least 65 percent of Army male NPS accessions be high school graduates and that, beginning in FY 83, no more than 20 percent in each Service score in Category IV. This compares with a 25 percent restriction on low-scoring recruits in effect for each Service during FY 82. This more restrictive Category IV constraint (given Army's programmed rates of attrition and retention) would cost the Department an average of 200 million dollars per year if bonuses were used to attract the additional high quality recruits. If educational benefits, pay, or other incentives were used to recruit these personnel, these costs would be from 40 to 1000 percent greater. Alternatively, a 25% Category IV constraint combined with the force management changes in Alternative 2 would eliminate the remaining shortfalls through FY 87.

Prior Service Accessions. According to current programs, the Services will continue to rely on the prior service market for roughly 8 to 10 percent of their total accession demand. Because of their previous military experience, prior service accessions are often direct additions to the career force. As a result, they have lower attrition rates and probably higher productivity than NPS recruits. Presently and throughout the program years, there are an estimated 500 thousand military veterans that may be eligible for reenlistment as prior service accessions.

Female NPS Accessions. The number of enlisted women has grown dramatically since the beginning of the All Volunteer Force: from 32 thousand in FY 72 (or 1.6 percent of enlisted strength) to 154 thousand halfway through FY 81 (or 8.6 percent of enlisted strength). By FY 87, enlisted female end-strengths are programmed to increase to 182 thousand (about 9.2 percent of enlisted strength). Though the Department of Defense recruits a far smaller share of the female youth market (2.4 percent in FY 80) than of the corresponding male market (14.4 percent), entrance quality and subsequent promotion patterns are roughly the same between male and female recruits at the margin.

The Army and the Military Manpower Task Force are currently reviewing the utilization of women in both traditional and non-traditional skills. It may be possible to increase the proportion of women beyond even the currently programmed growth, and if so this increase will further reduce the pressure on the male high school graduate market.

Civilianization. Civilianization is a term used to denote either the replacement of military spaces with civilians or with contractor employees. OSD has identified a large number of military spaces that could be civilianized. Generally, civilianization can be expected to produce short-term budget costs, but long-term economic savings. This issue, and the related issue of civilian space ceilings, are discussed in more detail in the Civilian End-Strength issue paper.

## B. Selected Reserve Unit Strength

### Background

Program guidance requires that the Selected Reserve structure be fully-manned by FY 86. Only the Marine Corps Reserve meets this guidance. The other components fail to achieve a trained strength in units which equals the wartime structure requirement. Other elements of the Selected Reserve (trainees, Individual Mobilization Augmentees, and full-time personnel who do not deploy with the unit upon mobilization) should not be counted against the wartime structure requirement.

A separate issue deals with the determination of Reserve requirements rather than achieving stated requirements. Due to funding constraints and other manning priorities, the Navy has not programmed the Selected Reserve structure requirements established by the Navy Manpower Mobilization System (NAMMOS). Congress continues to support higher Navy authorizations than requested.

The table on the next page shows the programmed shortfall for each Reserve component. The Service programs increase unit strengths in the Selected Reserve from 860 thousand to 995 thousand between FY 82-87 (16 percent). However, a shortfall of 85 thousand (8 percent) still remains by FY 87, compared to the FY 82 shortfall of 186 thousand (18 percent). Wartime requirements themselves grow by 35 thousand (3 percent) during this period. The alternative proposes elimination of this shortfall by FY 86.

### Alternatives

Alternative 1: The POM. This alternative (except in the case of the Marine Corps) fails to meet program guidance that all Selected Reserve components be fully-manned by FY 86.

Alternative 2: This alternative recognizes the NAMMOS process as the basis for determining the Naval Reserve force structure requirement. In addition, for all Reserve Components, only the number of trained personnel assigned to units will be credited toward fulfilling wartime structure requirements.

Page determined to be Unclassified  
 Reviewed Chief, RDD, WNS  
 IAW EO 13526, Section 3.5  
 Date:

FEB 05 2016

SELECTED RESERVE TRAINED IN UNIT STRENGTHS (000)

	<u>FY82</u>	<u>FY83</u>	<u>FY84</u>	<u>FY85</u>	<u>FY86</u>	<u>FY87</u>	<u>Change</u> <u>FY82-87</u>	
							\$	\$
<u>Army National Guard</u>								
Objective	445.7	447.6	448.4	449.6	450.3	452.7	7.0	1.6
Program	364.4	374.7	385.4	394.9	400.4	406.6	42.2	11.6
Shortfall	81.3	72.9	63.0	54.7	49.9	46.1	-	-
<u>Army Reserve</u>								
Objective	285.8	287.4	290.1	295.0	298.5	303.0	17.2	6.0
Program	215.5	228.4	239.9	253.4	267.0	279.4	63.9	29.7
Shortfall	70.3	59.0	50.2	41.6	31.5	23.6	-	-
<u>Navy Reserve</u>								
Objective	119.9	118.3	116.1	113.4	114.2	113.0	-6.9	-5.8
Program	94.0	93.5	95.6	97.0	100.1	103.1	9.1	9.7
Shortfall	25.9	24.8	20.5	16.4	14.1	9.9	-	-
<u>Marine Corps Reserve</u>								
Objective	40.3	40.3	40.3	40.9	41.1	41.3	1.0	2.5
Program	37.5	38.7	39.9	40.9	41.1	41.3	3.8	10.1
Shortfall	2.8	1.6	0.4	-	-	-	-	-
<u>Air National Guard</u>								
Objective	100.9	102.8	104.0	104.6	105.8	106.9	6.0	5.9
Program	95.8	98.3	99.8	100.4	101.4	102.9	7.1	7.4
Shortfall	5.1	4.5	4.2	4.2	4.4	4.0	-	-
<u>Air Force Reserve</u>								
Objective	52.8	54.7	56.8	60.0	61.6	63.2	10.4	19.7
Program	51.8	53.6	55.6	58.0	60.4	61.9	10.1	19.5
Shortfall	1.0	1.1	1.2	2.0	1.2	1.3	-	-
<u>Total Reserve Shortfall</u>	186.4	163.9	139.5	118.9	101.1	84.9	-	-

This alternative improves mobilization readiness by increasing Selected Reserve recruiting and training budgets to man all Selected Reserve units to their full wartime structure not later than FY 86. This alternative is consistent with Air Force Reserve and Air National Guard comments to provide gradual strength increases for each component. Structural requirements for these components are met in FY 86-87.

#### Evaluation of Alternatives

Alternative 1: This alternative requires no change to the Services' Selected Reserve programs. Total Selected Reserve strength would continue below requirements. Delaying the improvement of Selected Reserve manning contributes significantly to the continued vulnerability of the Total Force.

Alternative 2: This alternative provides for fully-manned deployable unit strengths in all Reserve Components by end FY 86. To achieve full manning for the Army National Guard, Army Reserve, and Navy Reserve, expansion of the training base is required. Air National Guard and Air Force Reserve increases can be accomplished by the end of FY 86 without expansion of the training base.

Recent past performance indicates that the Services can, if funded, meet the strength objectives set forth in this alternative. Over the four-year period FY 83-86, Army Guard will need a net gain of 86 thousand and Army Reserve 83 thousand personnel. Army Guard and Reserve strength increased 37,700 in FY 80 and 24,000 in the first half of FY 81. Thus, continuation of the policies and incentives now in force would provide the capability to increase strength by 42 thousand in each of the four years. Required increases in the other components are considerably below Army needs and should be attainable in the years indicated.

Note: In the Army's revised manpower program, an additional option was submitted which would increase Selected Reserve end-strengths. This option exacerbates the pretrained manpower shortage. MRA&L staff recommends rejection of Army's additional option in favor of the staff alternative which meets Defense guidance with a cost-effective strength ramp.

#### C. MOBILIZATION MANPOWER

##### Background

The Army POM does not contain any new initiatives to eliminate the shortfall of pretrained individual manpower needed during the first months of mobilization, before draftees could be trained. The Army is currently short about 250,000 pretrained individuals. Last year the Army and OSD expected the shortfall to be reduced to about 111,000 by FY 86. The reduction would be realized by increases in Selected Reserve strength and by IRR strength initiatives. This year the Army expects the shortfall to decrease to about 133,000 by FY 87. This represents about 6% of the total wartime manpower requirement, but about 33% of the wartime need for all enlisted

combat skills. The Army estimates assumed the continuation of the Individual Ready Reserve reenlistment bonus. However, the authority for this bonus was not approved at the Joint Conference meeting on the FY 82 DOD Authorization Bill. It is assumed, therefore, that the bonus authority will expire on 30 September 81. If this bonus is not restored, it is estimated that the Army's shortfall will increase to about 200,000 by FY 87.

Earlier this year the Army indicated in testimony to Congress that the pretrained manpower shortfall is one of its major problems. The Reserve Forces Policy Board and selected members of Congress have advocated conscription for the Individual Ready Reserve to solve this major problem.

### Alternatives

Alternative 1: The POM. The Army POM shows a greater shortfall in pretrained individual manpower for FY 87 than was programmed for FY 86 in last year's POM. The Army continues to deplore these shortfalls in Congressional testimony, yet neither the original nor the revised Army manpower program provides any new initiatives to resolve this problem.

Alternative 2: This alternative directs two new AVF initiatives to resolve the critical skill shortfalls that would occur within the first 60 days of a major war in Europe. The two initiatives are:

-- A well-structured program for enlistment of young men directly into the IRR. This program, predicated on the basis that it would be inappropriate to resort to a peacetime draft for this trained manpower pool, would recruit 15,000 enlistees per year in infantry, armor, artillery, and combat engineer specialties.

-- An over-manning of Selected Reserve units in critical skills with emphasis on combat and medical skills beginning with 12,400 soldiers in FY 83 and growing to 37,800 by FY 87.

### Additional End-Strength (000)

	<u>FY 83</u>	<u>FY 84</u>	<u>FY 85</u>	<u>FY 86</u>	<u>FY 87</u>
Selected Reserve	12.4	26.6	35.3	37.4	37.8
IRR	15.0	30.0	45.0	60.0	75.0
Total	27.4	56.6	80.3	97.4	112.8

Page determined to be Unclassified  
Reviewed Chief, RDD, WHS  
IAW EO 13526, Section 3.5  
Date: FEB 05 2016



### Evaluation of Alternatives

Alternative 1: This alternative, if approved, could be viewed as a serious failure of the AVF. Unless the program is revised to reduce the mobilization manpower shortfall, those who advocate a return to conscription could argue that: (1) the Administration has allowed the mobilization manpower problem to get worse, (2) the Administration has no program to solve the shortfall, and (3) conscription for the IRR is the only available solution. Others may argue that additional resources should not be allocated to this problem since the Army program provides materiel sustainability for only 60 days and the aggregate pretrained manpower shortfall does not occur until after that time. However, the aggregate shortfall calculations mask significant shortfalls in the combat skills that would occur during the first 60 days of war. The Army estimates that it will be short by M+60 about 100,000 enlisted people in combat skills by end FY 87. Moreover, the possible termination of the IRR reenlistment bonus by the Congress will worsen this problem.

Alternative 2: This alternative provides funds for a direct enlistment program in the combat arms for the Army IRR that would increase IRR strength by 15,000 each year beginning in FY 83. This program may also benefit active and Selected Reserve recruiting, if at the end of training, qualified enlistees would be allowed to transfer to the active Army or Selected Reserve. The remainder would spend their six-year obligation in the IRR with two periods of required refresher training. This alternative provides a modest enlistment bonus of \$500.

A 1979 test of this program revealed that most of those who enlisted would not have done so if this shorter option had not been available; therefore, it appears this program will open up a new pool of prospective enlistees who have been previously unwilling to enlist.

This alternative also provides funding to allow the Army to program Selected Reserve strengths 2% above authorized levels in critical skills in FY 83, 4% above in FY 84, and 5% above in FY 85-87. Combined with direct enlistment, this alternative would reduce the Army pretrained manpower shortfall by 27,000 in FY 83 and by 112,000 by FY 87. Approximately 85,000 of this FY 87 increase would be in combat skills. Although an aggregate shortfall would still exist after M+60 days, this alternative would almost eliminate the Army's combat skill shortfall expected during the first 60 days of a major war in FY 87.

An increase in the number of military and civilian personnel assigned to the Army training base may be necessary. However, this cannot be determined at this time because of end strength changes made by the Army to its POM. If an increase is necessary, about 300 spaces will be needed to train 15,000 accessions in the combat arms skills.

#### D. SUMMARY

This section summarizes the alternatives discussed above, and describes the interrelationships among the staff alternatives.

##### Alternatives for the DRB

Alternative 1: The POM. This includes the Service programs in active duty manpower (including Army's revised manpower program), the Selected Reserve, and mobilization manpower. This paper points out that:

- (a) Army's active duty enlisted manpower program is non-executable. Even with the \$1 billion above TOA which Army fails to fund in its program, a manpower shortfall of 5,000 appears in FY 83, and grows to 67,000 by FY 87.
- (b) Selected Reserve Components (with the exception of the Marine Corps) fail to meet guidance to program fully-manned strengths by FY 86. Instead, a combined shortfall of around 85,000 is programmed by FY 87. In addition, the Navy has not programmed strength in accordance with its requirements-determination model.
- (c) Serious shortfalls are also programmed to continue in Army's pretrained mobilization manpower. The current program shows a shortfall in FY 87 that is nearly 20% greater than the shortfall programmed in last year's POM for FY 86. The Army proposes no program nor any funds to address this problem.

Alternative 2: This alternative is a combination of staff alternatives in each of the three issue areas.

- (a) To solve Army's enlisted shortfalls in FY 83-84, the staff alternative directs Army to undertake no-cost force-management improvements. These are designed to capture some of the sustainable career force growth which Army is capable of achieving under current policy, thereby lessening Army's demand for new recruits. This alternative recommends that decisions on expensive long-term programs aimed at increasing the supply of new recruits to the Army be deferred pending better information as to market behavior during FY 81-84, and pending recommendations of the Military Manpower Task Force.
- (b) This alternative approves a change in the statement of Naval wartime structure requirements and provides for fully-manned deployable unit strengths in all Reserve components by end FY 86. To achieve this alternative, a more vigorous recruiting program for the Selected Reserve is required; market studies conclude that supply trends are favorable.
- (c) This portion of the alternative directs the Army to establish a well-structured direct enlistment program of 15,000 enlistees per year in the combat arms skills. This also provides additional recruiting and training funds

to allow the Army to program Selected Reserve strengths above authorized levels in critical skills.

The staff has developed its alternatives as an integrated program to enlist and retain the manpower the Department will need in time of war. The emphasis of the staff recommendation is to improve the manning of our Selected Reserve units and the IRR with major increases in funding for recruitment and training. The solution on the active side is achieved with force management improvements in the short term. Longer-term decisions affecting the supply of active duty manpower in the outyears are deferred to the Presidentially appointed Military Manpower Task Force.

The following table indicates the growth in reserve and mobilization manpower programs relative to the growth in the active duty branches under the staff alternative.

Growth in End-Strength, FY 81-87

	<u>POM</u>	<u>Added to POM by Staff Alternative</u>	<u>Total</u>	<u>%</u>
Active Duty	230	-	230	11
Selected Reserve	160	123	283	34
IRR	166	75	241	57

The staff alternative recognizes that increasing accession levels for active and reserve components during the FYDP will place a greater demand on the pool of available manpower. This is not expected to compound the manpower supply situation because active duty and reserves tend to attract different groups of potential recruits. However, the staff alternative for the active duty Army may tighten the market for reserve and mobilization manpower. Increased prior service accessions on the active duty side will take some personnel out of the Reserves, raising the demand for Reserve manpower. At the same time, increased active duty retention means fewer losses, thus restricting the supply of personnel for the Reserves and the IRR. Sufficient funds are added in the staff alternative for reserve recruiting programs to compensate for these effects and still achieve major improvements in reserve manning and readiness by FY 87.

To integrate completely the staff alternatives, one area requiring further study is the training base. Personnel turnover is reduced in the staff alternatives relative to the Service programs, but accession levels for active and reserve manpower are increased significantly. The combined effects on the training base capability are under review by OSD and the Services.

The staff alternatives are integrated into a program that puts its emphasis on the reserves and our mobilization manpower. It is an achievable program which will provide a steady manpower growth in the total force during the FYDP.

Page determined to be Unclassified

Reviewed Chief, RDD, WHS  
IAW EO 13526, Section 3.5

Date: FEB 0 5 2016

Cost and Manpower Changes Relative to the POM

Cost (FYDP \$ Millions) and Manpower (000)

Cost Changes	<u>FY83</u>	<u>FY84</u>	<u>FY85</u>	<u>FY86</u>	<u>FY87</u>	<u>FY83-87</u>
Alternative 1	-	-	-	-	-	-
1b	+38.0	+74.0	+184.0	+291.0	+363.0	+950.0
Alternative 2a	-	-	-	-	-	-
2b	+204.0	+351.0	+421.0	+454.0	+278.0	+1708.0
2c	+146.8	+168.5	+198.2	+171.3	+182.3	+867.1
Total						
Alternative 2	+350.8	+519.5	+619.2	+625.3	+460.3	+2575.1

Manpower Changes

Alternative 1a	-	-	-	-	-	-
1b	-	-	+12.2	-9.6	-18.1	N/A
Alternative 2a	-	-	+2.9	-26.4	-42.3	N/A
2b	+25.8	+50.9	+74.2	+101.1	+84.9	N/A
2c	+27.4	+56.6	+80.3	+97.4	+112.8	N/A
Total						
Alternative 2	+53.2	+107.5	+157.4	+172.1	+155.4	N/A

Alternative 1a is the original POM.  
 Alternative 1b includes Army's revised program.  
 Alternative 2 combines the staff alternatives:  
     (a) Active duty Army  
     (b) Selected Reserves  
     (c) Mobilization Manpower

Page determined to be Unclassified  
 Reviewed Chief, RDD, WHS  
 IAW EO 13526, Section 3.5  
 Date: FEB 05 2016



SECRETARY OF THE ARMY  
WASHINGTON

T A B A

15 June 1981

MEMORANDUM FOR SECRETARY OF DEFENSE

SUBJECT: Review of the Manpower Program FY83-87

The Army's FY83-87 Program Objective Memorandum (POM) reflects a significant departure from the past in terms of manpower and force structure. The central focus is to build a new Army that will provide a more global focus, increased strategic deployability and tactical mobility, and a greater combat capability. Key to attainment of that Army is found in our manpower program that increases the active Army and strength to approximately 870,000, brings the National Guard and Army Reserve to 97% and 100% of wartime strength, respectively, and increases the Individual Ready Reserve by over 80,000 from FY83 to FY87.

The POM does not currently contain sufficient resources to achieve the manpower growth that we need. The fundamental focus during our review of the manpower program should be on the important questions of what is the best way and the best timing to achieve the significant increase in end strength the Army needs. As we developed our POM we addressed three alternatives that meet that objective. Specifics on costing of these alternatives can be provided rapidly after the deliberations have been concluded.

Our initial alternatives for achieving the growth in end strength included:

- o Achieving the required growth with expansion of the all volunteer program by capitalizing on recent improvements in recruiting.
- o Achieving growth through retention by capitalizing on recent retention trends along with a modest increase in recruiting; i.e., emphasis on expanding the career force.
- o The initiation of a National Service Program beginning in FY85.

The debate on the pros and cons for each alternative has been going on for some time. Because substantial and painful trade-offs are required, the impacts on modernization, sustainability, maintenance of facilities and the quality of the force are all significant.

Page determined to be Unclassified  
Reviewed Chief, RDD, WHS  
IAW EO 13526, Section 3.5  
Date: FEB 05 2016

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SUBJECT: Review of the Manpower Program FY83-87

T A B A (2 of 2)

I have now set aside the national service approach as being unacceptable at this time.

Analysis of recent trends in total Army recruiting and retention has shown the potential for the required growth in all components. The optimum alternative will probably be a combination of both recruiting and retention. We must resist the temptation to adopt a retention policy that subordinates the effectiveness of the career force. Consideration of recruiting must be sensitive to economic conditions, statute requirements, as well as the total DoD manpower requirements. Additionally, the requirement for the Army to have an attractive educational incentive package and an "equalizer" which insures that the Army is competitive in the market is also critical.

I am convinced that now is the time to expand the Army's capabilities, and the POM shows the direction we must head. Our summer review will decide the ultimate policy issues regarding how and when the Army is expanded. Proposed resource allocations can be realigned at that time. I would ask that our POM review process focus clearly on the policy issues involved in your overall manpower decisions and leave the mechanics of proper costing to the follow-on budget process after the decisions have been made.

  
John O. Marsh, Jr.

Page determined to be Unclassified  
Reviewed Chief, RDD, WHS  
IAW EO 13526, Section 3.5  
Date: FEB 05 2016

## CIVILIAN END STRENGTH

### Issue

How many civilians should DoD employ?

### Background

The Administration has established conflicting goals for DoD. It seeks to increase defense capability, but it wants to reduce federal employment. The first goal causes an increase in force structure to carry out national policy. The second requires a reduction in the number of civilians supporting this increased structure. The resulting problem is shown in Table One.

TABLE ONE

THE CIVILIAN MANPOWER PROBLEM  
(000's of Direct Hire Employees)

	<u>FY 1982</u>	<u>FY 1983</u>	<u>FY 1984</u>	<u>FY 1985</u>	<u>FY 1986</u>	<u>FY 1987</u>
POMs <sup>1/</sup>	936	971	973	977	979	982
OMB Ceiling	<u>936</u>	<u>936</u>	<u>930</u>	<u>924</u>	<u>918</u>	<u>912</u> <sup>2/</sup>
OVERAGE	0	35	43	53	61	70

<sup>1/</sup> In addition to the increases shown, the Army has not included the additional civilians required to support programmed increases in force structure and military end strength -- 10,900 in FY 1985, 20,900 in FY 1986, and 32,200 in FY 1987.

<sup>2/</sup> No ceiling provided in FY 1987. Assumed 912.

This dilemma is complicated by the problem of acquiring and retaining military personnel. Many support jobs being performed by military could be done by civilians (in-house or contract). Substitution of civilians for military would reduce the need for military, reduce the pressure on the all volunteer force and save money. However, a civilianization program would worsen the OMB ceiling problem.

#### A. Alternatives to Meet OMB Ceilings

There are two primary ways to reduce civilian employment levels while getting necessary work done: contracting and labor saving capital investment.

Page determined to be Unclassified  
Reviewed Chief, RDD, WHS  
IAW EO 13526, Section 3.5  
Date: FEB 0 5 2010

1. Contracting Commercial Industrial Activities

The DoD contracting program requires that private contractors be allowed to compete for non-military essential commercial or industrial activities. This program reduces DoD employment levels and saves about \$4,000 per position. The POMs assume that 17,000 spaces will be contracted between FY 1983 and 1987. We estimate that over 40,000 additional civilian positions may be saved over the POM years by contracting. The services, agencies and JCS have expressed doubt that such an ambitious contracting program can be achieved. The achievement of this program assumes the contracting process will be stimulated by strong DoD leadership, by the removal of some Congressional notification and reporting requirements, by the development of a more abbreviated cost study procedure, and by the preparation of standardized statements of work.

2. Labor Saving Investment

Based on past experience, we can expect to save 20 jobs for each million dollar investment in labor saving equipment. Full realization of the manpower savings lags the investment by an average of two years. The backlog of FY 1982 proposals for productivity improvement investments is five times greater than the funding programmed for FY 1983.

3. Conclusion

Investment in labor saving equipment and a vigorous contracting program could bring the civilian end strength to the OMB ceiling in FY 1986 as shown in Table Two.

TABLE TWO

POTENTIAL REDUCTIONS IN CIVILIAN END STRENGTH  
 (000's)

	<u>FY 1983</u>	<u>FY 1984</u>	<u>FY 1985</u>	<u>FY 1986</u>	<u>FY 1987</u>
POM over OMB ceiling	35	44	53	61	70
Additional Contracting	-7	-15	-23	-33	-43
Labor Saving Investment	—	-6	-16	-28	-39
Remaining Overage	28	23	14	0	-12

B. Conversion of Military to Civilian

All services program growth in military strength. The Army programs a significant increase in accessions of non-prior-service men. In order to meet the requirement for more people without jeopardizing the all volunteer force and without inordinate cost, the



department must minimize the demand for active duty men. One way to reduce that demand is to use more civilians in functions that do not involve direct confrontation with the enemy and that do not support the overseas rotation or mobilization bases.

The staff has identified about 170,000 positions in seven functional areas that could be converted. These are shown in Table Three. The table is intended to show areas where significant conversion is possible. Actual conversions would come from the total service population at the discretion of each service.

Page determined to be Unclassified  
Reviewed Chief, RDD, WNS  
IAW EO 13526, Section 3.5  
Date: FEB 05 2016

TABLE THREE  
CONVERSION POTENTIAL BY SERVICE  
(000's)

	<u>ARMY</u>	<u>NAVY</u>	<u>AIR FORCE</u>	<u>TOTAL</u>
Commercial Industrial Activities		6.0	39.0 <sup>1/</sup>	45.0
Overseas Base Support	21.7		25.0	46.7
Rotation Base	17.0		10.0	27.0
Fixed Site Communications	9.0	2.6	12.4	24.0
Air Force Maintenance			6.5	6.5
Navy Support		10.0		10.0
Navy Ship Conversions		<u>10.9</u>		<u>10.9</u>
TOTAL	47.7	29.5	92.9	170.1

1/ The Air Force believes the conversion potential is only 26,000.

The Army supports the civilianization concept, although it prefers to retain the military spaces to enhance the readiness of the force structure. Its support is conditioned on the assumption that these civilians will be provided in addition to the civilians in the Army POM and that they will be protected from arbitrary cuts. The Air Force and Navy oppose civilianization because they believe: (1) that they and the Army will be able to meet their military manpower goals without civilianization; (2) that civilianization will incur budget costs; (3) that a loss of capability might result; (4) that civilians possessing requisite skills may not be available at reasonable cost; and (5) that reductions in Navy and Air Force end strength will not help the Army meet its accession program.

While it is true that conversions will likely entail limited initial budget costs to the service involved, there will be immediate economic savings to the federal government when accrued retirement costs are considered. In addition, there will be long term budget savings. This is particularly true when military spaces are converted

to white collar GS spaces instead of the relatively more expensive blue collar wage grade spaces. Conversion of 1,000 E-4 spaces to GS-5 in FY 1983, for example, would entail budget costs of about \$3.5 million in FY 1983 and budget savings of about \$4.6 million by FY 1985. The economic savings would be \$6.5 million in FY 1983 and \$10 million in FY 1985.

SUMMARY OF POM RESOURCES  
Dollars and Manpower

	<u>FY 1983</u>	<u>FY 1984</u>	<u>FY 1985</u>	<u>FY 1986</u>	<u>FY 1987</u>
<u>Dollars (FYDP \$ Millions)</u>					
TOTAL	26,900	28,700	30,600	32,800	34,900
<u>Civilian Manpower (000's)</u>					
Army	396.0	399.9	404.7	411.0	412.9
Navy	322.2	317.7	314.8	309.4	308.4
Air Force	256.6	261.1	263.5	265.3	264.9
Defense Agencies	85.2	85.5	85.6	86.4	89.2
TOTAL	1,060.0	1,064.2	1,068.5	1,072.2	1,075.5

Alternatives

1. (POM) Increase civilian employment by 35,000 in FY 1983 and by 46,000 in FY 1987. Obtain increases in OMB ceilings each POM year.

2A. (Staff) Implement labor saving investment and contracting strategies to achieve OMB ceiling levels in FY 1986. Obtain increases in FY 1983-1985 ceiling levels.

2B. (OMB) Implement labor saving investment and contracting strategies to achieve OMB ceiling levels in FY 1986. Impose limits on civilian employment for each military department and defense agency to achieve OMB ceiling limits in FY 1983-1985.

3A. (Staff) Implement labor saving investment and contracting strategies to minimize civilian employment as in 2A. Convert 20,000 Army, 7,000 Navy and 20,000 Air Force positions from active duty military to civilians. Obtain ceiling increases for these additional civilians.

3B. (Staff) Implement labor saving investment and contracting strategies to minimize civilian employment as in 2A. Convert 25,000 Army, 14,000 Navy, and 40,000 Air Force positions from active duty military to civilian. Obtain ceiling increases for these additional civilians.

Page determined to be Unclassified  
Reviewed Chief, RDD, WHS  
IAW EO 13526, Section 3.5  
Date: FEB 05 2018

## Evaluation of Alternatives

Alternative 1: The service programs grow in military and civilian end strength to support their improved capability. The Army adequately mans the RDF force, but the remaining active component units are manned at about 90 percent of wartime required levels. Although direct hire civilian strength is programmed to increase 34,600 over the POM years, the Army POM does not include 42,000 additional civilians needed to support the increase in force structure and military end strength. The Army programs 2,000 military to civilian conversions in FY 1983 and 4,000 over the POM years, but does not program any contracting after FY 1983.

The Air Force adequately mans the force, but continues to rely on active military manpower for many jobs that could be performed by civilians. For example, 50 percent of the Air Force clerical personnel are military vice 38 percent and 33 percent for the Army and Navy. The Air Force programs 2,000 military to civilian conversions but no contracting.

The Navy adequately mans the force and programs 9,300 civilian and 2,000 military positions for contracting during the period. An additional 3,300 civilian savings are programmed from conversion of an aircraft rework facility in FY 1985. All services program active duty men for duties that can be done by active duty women or civilians.

Alternative 2A: This alternative requires the services to implement aggressive labor saving investment and contracting programs. It achieves the OMB manpower ceiling in FY 1986. Choice of this option requires an increase in the FY 1983-FY 1985 ceilings. It changes our current policy that allows field commanders to re-apply assets freed by labor saving devices. The JCS and the services warn that these goals may not be achievable.

Alternative 2B: This alternative supports the Administration's goal to reduce the federal workforce in addition to the aggressive labor saving investment and contracting out programs in Alternative 2A. This alternative would allocate an arbitrary reduction to the services and agencies for the years FY 1983 through FY 1985. The likely effect of a large cut in FY 1983 is that important work, like equipment and facility maintenance, will go undone and the progress we made in FY 1982 toward returning combat troops to train with their units will be reversed.

Alternative 3A: This alternative directs the same aggressive labor saving investment and contracting out programs as in Alternative 2A. It offsets these reductions in civilian end strength with increases for a civilian conversion program. It requires that DoD obtain relief from the OMB ceiling and that converted positions be protected from cuts in subsequent years. This alternative would

Page determined to be Unclassified  
Reviewed Chief, RDD, WHS  
IAW EO 13526, Section 3.5  
Date: FEB 05 2016

solve most of the anticipated Army shortfall. It would reduce growth in Navy and Air Force end strength. The Air Force conversion would allow the Air Force to reduce its male non prior service accession level to correspond more closely with the decline in the supply. Since accession problems are not anticipated until FY 1985, the conversion plan assumes limited conversions in FY 1983 and 1984 and significantly larger conversions in FY 1985-1987.

Alternative 3B: This alternative is the same as Alternative 3A except that it directs a larger conversion program. This alternative would solve the anticipated Army shortfall and would eliminate the proposed increase in Air Force enlisted end strength.

It should be noted that the costs shown for the last four alternatives could be reduced by a less aggressive labor savings investment program. This would require increases to the civilian ceiling.

Page determined to be Unclassified  
Reviewed Chief, RDD, WHS  
IAW EO 13526, Section 3.5  
Date: FEB 05 2016

COST AND MANPOWER CHANGES RELATIVE TO POM

Costs (FYDP \$ Millions) and Manpower (000)  
FY 1983 FY 1984 FY 1985 FY 1986 FY 1987 FY 1983-1987

Cost Changes

Alternative 1	-	-	-	-	-	
Alternative 2A						
Contracting	-13.4	-43.2	-76.4	-113.2	-153.2	-399.4
Labor Saving						
Investment	<u>454.0</u>	<u>484.0</u>	<u>231.0</u>	<u>-44.0</u>	<u>-335.0</u>	<u>790.0</u>
TOTAL	440.6	440.8	154.6	-157.2	-488.2	390.6
Alternative 2B						
Contracting and						
Ceilings	-277.0	-522.2	-419.3	-240.7	-153.2	-1,612.4
Labor Saving						
Investment	<u>454.0</u>	<u>484.0</u>	<u>231.0</u>	<u>-44.0</u>	<u>-335.0</u>	<u>790.0</u>
TOTAL	177.0	-38.2	-188.3	-284.7	-488.2	-822.4
Alternative 3A						
Contracting and						
Conversion	-13.4	-48.9	-62.1	-68.8	-107.9	-301.1
Labor Saving						
Investment	<u>454.0</u>	<u>484.0</u>	<u>231.0</u>	<u>-44.0</u>	<u>-335.0</u>	<u>790.0</u>
TOTAL	440.6	435.1	168.9	-112.8	-442.9	488.9
Alternative 3B						
Contracting and						
Conversion	-13.1	-38.1	-60.3	-56.5	-41.8	-209.8
Labor Saving						
Investing	<u>454.0</u>	<u>484.0</u>	<u>231.0</u>	<u>-44.0</u>	<u>-335.0</u>	<u>790.0</u>
TOTAL	440.9	445.9	170.7	-100.5	-376.8	580.2
Effect of con-						
verting seven						
ships						
Navy	0	+90.1	-31.4	-135.1	-102.0	-178.4

Page determined to be Unclassified  
Reviewed Chaf, RDD, WNS  
IAW EO 13526, Section 3.5  
Date:

FEB 0 5 2016

REVISED MANPOWER (000)

	<u>FY 1983</u>	<u>FY 1984</u>	<u>FY 1985</u>	<u>FY 1986</u>	<u>FY 1987</u>
<u>Military Manpower Changes</u>					
Alternative 1	-	-	-	-	-
Alternative 2A	-	-	-	-	-
Alternative 2B	-	-	-	-	-
Alternative 3A	-2.8	-8.4	-22.8	-39.6	-56.4
Alternative 3B	-5.5	-14.4	-37.2	-66.0	-94.8
Effect of converting seven ships (both alternatives). Ad- ditive to above numbers. Navy	-	-1.9	-5.0	-6.1	-6.2
<u>Civilian Manpower Changes</u>					
Alternative 1	-	-	-	-	-
Alternative 2A	-6.7	-20.9	-39.3	-61.3	-82.3
Alternative 2B	-35.0	-44.0	-53.0	-61.3	-82.3
Alternative 3A	-4.4	-13.9	-20.3	-28.3	-35.3
Alternative 3B	-2.4	-8.9	-8.3	-6.3	-3.3
Effect of converting seven ships (both alternatives). Ad- ditive to above numbers. Navy	0	.6	1.3	2.4	2.5

Page determined to be Unclassified  
Reviewed Chief, RDD, WNS  
IAW EO 13526, Section 3.5  
Date: FEB 0 5 2016

## Medical Programs

### Issue

Should benefits under the Civilian Health and Medical Programs of the Uniformed Services (CHAMPUS) be expanded? Should the Armed Forces Health Professions Scholarship Program (AFHPSP) and the Uniformed Services University of the Health Sciences (USUHS) continue to be sources of military physicians? Should DoD institute a nominal fee for outpatient visits?

### Background

#### CHAMPUS -

The administration and the Congress have been considering for the past two years a dental bill for dependents of active duty members. Such a bill would enhance the attractiveness of military service in an all-volunteer environment by making CHAMPUS more competitive with health plans offered by civilian employers. The Department's proposed dental bill was recently disapproved by OMB pending completion of the Defense Manpower Task Force study of the entire military manpower situation. There are, however, several similar bills before the Congress. If a bill were to be passed this year, the FY 83 estimated cost would be \$225M. The HASC approved a change in reimbursement methodology which will, if passed, require \$11.5M in FY 1983. It appears reasonable to include in the Defense program under legislative contingencies the resources to fund these items.

In addition, OCHAMPUS has proposed three benefit change proposals aimed at the active duty force. These proposals are estimated at \$96.3M in FY 1983. Specific items are: (1) elimination of deductibles for outpatient care for dependents of active duty members (\$57.4M), (2) elimination of co-insurance for outpatient care for dependents of active duty (\$18.3M), and (3) eye examinations for active duty dependents (\$20.6M).

#### AFHPSP and USUHS -

Maintaining an adequate number of physicians on active duty is a national security issue in regard to DoD's ability to respond to readiness requirements. AFHPSP and USUHS are programs to provide the majority of military physicians in the foreseeable future.

The University was established in 1972 by Public Law 92-246 with the mission to provide high quality career dedicated military physicians and is complemented by AFHPSP and the Services' physician recruiting programs. The University has grown from the matriculation of its first class of 32 students in 1976 to an incoming

class of 156 in FY 81 and is designed to provide a cadre of 25 percent of the total force requirement in the outyears. A previous attempt to close the University in 1977 resulted in the HASC providing guidance (HASC Report 95-22, Need for Continuation of the Uniformed Services University of the Health Sciences, dated 15 June 1977) that "before deciding to terminate a military activity authorized and funded by the Congress, the Secretary of Defense should submit to the Armed Services Committee of the House of Representatives and the Senate a detailed justification for his decision."

The AFHPSP was established to provide a source of physicians required by the Services. It is projected that over the next five years the Program will provide approximately 65 percent of military physician accessions.

OMB recommends immediate termination of these programs on the basis that the new special pay program for physicians and a possible national oversupply of physicians after the mid-1980s will insure an adequate supply of volunteers for the armed forces. In addition, OMB states that an AFHPSP physician costs \$20,000 more per year than a volunteer for four years of obligated service and that for USUHS participants the cost is \$35,000 more.

DoD strongly disagrees with these OMB issues based on the following:

- (1) The present mix of accession programs (AFHPSP, USUHS, and volunteers) provides a dependable, steady input of physicians. This mix of programs will not be severely crippled by variants in national mood or international events which could limit DoD's ability to obtain physicians through voluntary recruitment.
- (2) A national surplus of physicians after the mid-80s is predicated on the HHS-sponsored GMENAC study. Additional findings of the study indicate that increases in physician population do not necessarily influence:
  - (a) Where a physician chooses to practice or,
  - (b) The specialty training he chooses.

The first finding impacts on the number of physicians who voluntarily choose to practice in the armed forces. Historically, the availability of physician volunteers has been affected by events other than national supply. In regard to the second finding, despite increases in the number of military physicians, there are still serious specialty mix problems and wholesale recruiting merely to attain authorized strengths has forced the acceptance of non-specialists (and older and foreign-trained physicians).



The services have found that the most effective way to improve specialty distribution is to influence residency training undertaken by AFHPSP and USUHS participants.

- (3) A recent DoD analysis which simulated the termination of the scholarship program indicates that, even with an intensive volunteer recruiting program (which ignores specialty mix), there would be a major shortfall of military physicians commencing in FY 87.
- (4) In regard to cost, DoD data indicates that the annual cost per obligated year is approximately \$15,000 for AFHPSP participants, rather than the OMB figure of \$20,000. Most USUHS graduates, whose obligated service payback is seven years (not counting additional GME training) are expected to remain in uniform in excess of 20 years. Thus, the cost for either program would be proportionately reduced for each additional year the officer remains on active duty beyond his obligated service.
- (5) The new medical officer special pay legislation went into effect on July 1, 1980. The purpose of improving the special pay program was not to supplant AFHPSP and USUHS but to complement them as the final link in a series of measures initiated by Congress in 1972 to enhance recruitment and retention of physicians for the armed forces. DoD is required to furnish a report on the special pay legislation to Congress by September 1982, and every two years thereafter, commenting on the effectiveness of the program and recommending possible improvements. Data collection procedures have been established but it will not be possible to provide a quantified evaluation until September 1982.

Because of the above reasons, DoD recommends that the USUHS and AFHPSP still be utilized as sources for armed forces physicians.

#### Fee for outpatient visits -

The OMB proposal to impose a fee for outpatient visits is based on the Rand Report R2167, dated February 1978. This report maintains that the lack of any kind of cost for outpatient medical services wastes medical resources because of the incidence of nuisance visits. In addition, the lack of a fee creates a disparity between the in-house system (which is free) and the CHAMPUS system where the same beneficiaries must share the cost of the same kind of service. A nominal fee of \$3.00 per outpatient visit is suggested. The proposed fee would be charged to all eligible beneficiaries other than active duty personnel. Based on this criteria, there was a total of 24,739,238 outpatient visits in DoD facilities worldwide in FY 1980. At \$3.00 per visit, this represents \$74,217,714.

The OSD position is a \$3.00 surcharge should be imposed. However, those dependents of active duty personnel with chronic diseases (an example is a patient requiring kidney dialysis) would be exempt for those visits for treatment of the chronic condition. DoD experience indicates that approximately 10 percent of all visits to a primary outpatient care clinic results in a visit to a second clinic (cardiology, dermatology, rheumatology, etc.) on the same day and that approximately 10 percent of active duty personnel dependents have chronic diseases. Accordingly, outpatient visits are reduced by 3,849,996 visits. Total revenues are then reduced to \$62,667,726. This methodology assumes a per diem charge similar to the policy for civilians overseas rather than a strict per visit charge.

The cost of additional personnel to administer this program would offset these potential savings by \$25,235,008. This is based on a Service-stated requirement for 1,888 personnel (387--Navy, 1,062--Army, 439--Air Force at 470 DoD medical treatment facilities worldwide) at an average cost of \$15,000 (GS-4, step 4). Additional costs to administer the program totals \$9.2M and is based on \$8.2M for facility modification and furnishings in the first year and \$1.0M for annual recurring costs.

The amount of savings generated by reduced visits and persons choosing in-house services over CHAMPUS have to be determined.

	<u>FY 83</u>	<u>FY 84</u>	<u>FY 85</u>	<u>FY 86</u>	<u>FY 87</u>
CHAMPUS POM Resources (\$000)	1,235,100	1,393,400	1,575,700	1,819,800	2,115,400
USUHS POM Resources (\$000)	35,930	38,528	41,115	45,015	50,011
AFHPSP POM Resources (\$000)	81,371	84,163	87,893	90,281	91,659

Fee for outpatient visits--No resources in the POMs

#### Alternatives

- Alternative 1 - Continue current programs as presented in POM submissions.
- Alternative 2 - Maintain CHAMPUS at current (POM) level. Terminate reliance on the USUHS and AFHPSP as primary sources to satisfy military physician needs and impose a \$3.00 outpatient visit surcharge on all eligible beneficiaries other than active duty personnel.
- Alternative 3 - Continue to rely on the USUHS and AFHPSP as primary sources for military physicians, however, reduce the AFHPSP scholarships (5 percent) commencing in FY 86 if possible oversupply of physicians materializes; add resources to CHAMPUS to provide funds for a change in calculating reimbursements to providers. Impose a \$3.00 outpatient visit surcharge.

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Alternative 4 - Alternative 3 plus provide funds for CHAMPUS for a dental bill for dependents of active duty personnel.

Alternative 5 - Alternative 4, however, adds funds for CHAMPUS for new legislation to increase benefits for active duty dependents and do not impose a \$3.00 outpatient fee.

#### Evaluation of Alternatives

Alternative 1 - Maintaining CHAMPUS benefits at the current level does nothing to enhance recruitment and retention to sustain an all-volunteer force. Reliance on the USUHS and AFHPSP assures the Services of a prime source of physicians to meet the requirements of the force structure to cope with emergency situations short of war and the transition to a full mobilization posture.

Alternative 2 - The termination of the USUHS and AFHPSP as sources of physicians and depending on the volunteer program may save money for the government but would not guarantee the physicians required for coping with emergency situations short of war or for the transition to a mobilization posture. The imposition of an outpatient service charge may reduce visits, provide the government with additional resources but further erodes the benefits and compensation to Service members, their families, and retired Service members.

Alternative 3 - Continued reliance on the USUHS and AFHPSP may be more costly to the government than Alternative 2 but will assure the availability of the required number of physicians. The reduction of AFHPSP scholarships in the program years provides an opportunity to fully evaluate the adequacy of the supply of physicians. No additional resources are required and reduces POM resources in the outyears. The additional funds to CHAMPUS (FY 83--\$11.5M) are more costly to the government than Alternative 2 but increase beneficiary satisfaction by increasing the amount payable by CHAMPUS. This increase can be funded from revenues collected for the outpatient fee.

Alternative 4 - The addition of funds for CHAMPUS dental care for active duty dependents is costlier to the government (FY 83--\$225M) than Alternative 3 but further enhances recruitment and retention for active duty families. This increase can be partially financed from outpatient fee revenues.

Alternative 5 - This provides the greatest benefits to the eligible beneficiary but is the most expensive to the government (total CHAMPUS enhancements in FY 83--\$332.8). The additional benefits (elimination of deductibles and co-insurance for outpatient care and adding eye examinations for active duty dependents) places CHAMPUS on a par with the in-house medical system. The outpatient fee proposal is excluded from this alternative since it is not compatible with elimination of deductions and co-insurance in CHAMPUS. The reduction of AFHPSP scholarships in the program years provides the opportunity to fully evaluate the adequacy of the supply of physicians.

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IAW EO 13526, Section 3.5  
Date: FEB 0 5 2016

**Cost and Manpower Changes Relative to POM**

**Costs (FYDP \$Millions) and Manpower (000)**  
FY83      FY84      FY85      FY86      FY87      FY83-87

**Cost Changes**

Alternative 1	--	--	--	--	--	--
Alternative 2 <sup>1/</sup>	-54.5	-94.8	-130.3	-168.8	-175.2	-623.6
Alternative 3 <sup>1/</sup>	-13.8	-21.3	-20.6	-21.0	-21.3	-98.0
Alternative 4 <sup>1/</sup>	211.2	217.7	231.5	243.7	256.6	1,160.7
Alternative 5	332.8	353.5	372.9	390.4	409.1	1,858.7

**Manpower Changes**

Alternative 1	--	--	--	--	--	N/A
Alternative 2 <sup>2/</sup>	1.7	1.0	1.0	1.0	1.0	N/A
Alternative 3	1.9	1.9	1.9	1.9	1.9	N/A
Alternative 4	1.9	1.9	1.9	1.9	1.9	N/A
Alternative 5	--	--	--	--	--	N/A

<sup>1/</sup> Cost changes from surcharge are based on the assumption that funds generated will be treated as reimbursements thereby reducing POM TOA.

<sup>2/</sup> Considers loss of USUHS personnel and addition of personnel to process \$3.00 outpatient fee.

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## FACILITIES

### (Living and Working Conditions)

#### Issue

Should the POMs be augmented to improve living and working conditions of U.S. military personnel?

#### Background

Many military personnel work and live in crowded and run down buildings -- the result of years of failure to budget enough money for maintenance and replacement. The situation is particularly bad for Army troops in Europe, where many live in old decrepit barracks, and work in mud.

At the same time, a shortage of 20,000 family housing units causes senior enlisted people posted to Europe to wait a year or more for family quarters. As a result many choose to leave service rather than accept duty in Europe. Many who accept a European assignment choose a 2-year unaccompanied tour in preference to a 3-year accompanied tour with one year spent waiting for government quarters. The 2-year unaccompanied tour hurts readiness, and often leads individuals to face personal tragedy such as alcoholism or broken marriages.

The Air Force and Navy POMs provide steadily improving facilities over the POM years. The Army POM provides substantially more for maintenance and construction funds in 1983 than in prior years. However, even the enhanced funding will improve conditions for 1985 (as measured by reduced backlog) by only about 13% compared to 1981 levels. The Army POM then makes substantial improvements in the backlog in 1986 and 1987.

Funding for dependent school buildings is inadequate throughout the POM period. Without additional funding the generally poor condition of dependent schools will not improve.

At issue is whether it is satisfactory to wait until 1986 to plan on further improvements in Army living and working conditions in Europe.

#### Alternatives

Alternative 1 (POM): Reduces Army's Europe repair and replacement backlog by 13% (improvement from current levels) through 1985, with a further reduction of 9% in 1986 and 15% more in 1987. Adds 9000 family housing units (new construction and leased) in Europe, an increase of 14% over 1982 levels.

Alternative 2: Adds 1.3 billion for family housing in Europe to build 6000 new units and to reduce maintenance backlog to a 6-month level. Eliminates the Army backlog of maintenance and repair of barracks and work places in Europe faster than the POM. Adds \$215M to improve dependent schools in Europe.

Alternative 3: This alternative adds an additional \$2.5 billion over the 5-years to improve living and working conditions worldwide.

### Evaluation of Alternatives

Funding for fixing and replacing Army living and working facilities in Europe is shown below:

	<u>Funding (\$Millions)</u>									
	<u>POM</u>									
	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
Alternative 1	450	570	470	580	1030	1140	1370	1530	1920	2540
Alternatives 2 & 3	----- (same) -----					1510	1780	2020	2210	2540

Even with the Army's greatly increased emphasis on conditions in Europe, progress, as measured by reduced backlog of needed work, is slow:

	<u>Backlog (\$Millions)</u>						
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
Alternative 1	9800	9420	9190	8910	8550	7820	6610
Alternatives 2 & 3	-- (same) --		8820	8130	7280	6260	5050

Alternative 3 would reduce the worldwide backlog of all Services. It adds to Alternative 2 \$1.86 billion to acquire 14,000 family housing units and to eliminate the family housing maintenance and improvements backlog, \$145M to reduce the Army maintenance and repair backlog to levels directed by Congress, \$177M to the Navy and \$215M to the Air Force to cover perceived underfunding of utility accounts; \$136M to the Navy for coal and solid fuel conversions; and \$10M for relocation of the Armed Forces Radio and Television Services studios.

### Costs and Manpower Changes Relative to POM

	<u>Costs (FYDP \$Millions) and Manpower</u>					
	<u>FY83</u>	<u>FY84</u>	<u>FY85</u>	<u>FY86</u>	<u>FY87</u>	<u>FY83-87</u>
<u>Cost Changes</u>						
Alternative 1	--	--	--	--	--	--
Alternative 2	+366	+412	+ 492	+287	+ 3	+1560
Alternative 3	+856	+971	+1160	+958	+115	+4060
<u>Civilian Manpower Changes</u>						
Alternative 1	--	--	--	--	--	--
Alternatives 2 & 3	+650	+650	--	--	--	--

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DEFENSE FAMILY HOUSING

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Issue

Is the family housing program adequately funded to meet service requirements and to protect the Government's investment in family housing facilities?

Background

Included in Defense strategy to meet the threat are service force structure increases. Such increases will be reflected in larger end strengths derived from higher accession and greater retention rates. This growth, particularly in career force content, will result in more service families and a requirement for additional family housing, exacerbating the existing problem of meeting the housing requirements of the current end strength.

Where civilian communities are unable to accommodate service family housing needs, Government provided housing-in-kind is offered as part of the service entitlement system. The worldwide current inventory is 415,731 units, of which 17,152 are leased. An additional 8561 units have been authorized for construction by the Congress through FY82. The projected shortfall over the POM period as identified by the components is 33,855 units (Table 1). The current (end FY81) backlog of maintenance is \$1.697B. The current (end FY81) backlog of improvements is \$1.548B. Projected backlogs over the POM period are shown in Table 2.

TABLE 1

FAMILY HOUSING UNIT PROJECTED SHORTFALL FY83-87  
(FY82 \$ Millions)

	Projected Shortfall Beginning FY83		Satisfied By POM*		Projected Shortfall End FY87	
	UNITS	\$	UNITS	\$	UNITS	\$
ARMY	18494	1420.0	8880	336.0	9614	1084.0
NAVY	14237	1515.7	6172	657.1	8065	858.6
USMC	2631	279.8	1065	113.3	1566	166.5
AIR FORCE	15650	1565.0	1201	120.0	14450	1445.0
DEFENSE AGENCIES	200	4.0	40	0.8	160	3.2
TOTAL	51212	4784.5	17357	1227.2	33855	3557.3

\*By construction or leasing

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TABLE 2

**FAMILY HOUSING MAINTENANCE AND IMPROVEMENTS BACKLOG FY83-87  
(FY82 \$ Millions)**

	Projected Backlog Beginning FY83		Satisfied By POM		Projected Backlog End FY87	
	MAINT	IMPR	MAINT	IMPR	MAINT	IMPR
ARMY	457.0	592.0	25.0	173.0	432.0	419.0
NAVY	340.0	380.7	281.0	240.0	59.0	140.7
USMC	100.0	63.2	100.0	27.6	0	35.6
AIR FORCE	<u>800.0</u>	<u>402.0</u>	<u>579.0</u>	<u>322.0</u>	<u>221.0</u>	<u>80.0</u>
TOTAL	1,697.0	1,437.9	985.0	762.6	712.0	675.3

**NOTE:** Tables 1 and 2 are presented to provide a grasp of the magnitude of the family housing problem. While there are factors, such as the Variable Housing Allowance (VHA), which when fully evaluated could cause some change in the requirements totals, their aggregate impact would not appreciably change the size of the problem.

Past underfunding in family housing has led to a condition today where thousands of service families are forced into involuntary separation or live in inadequately maintained government quarters. Fiscal guidance did not permit funding an adequate family housing acquisition program. Compounding the housing problem, in previous years the inflation rates directed for use were well below those experienced. This, coupled with unfavorable foreign currency exchange rates (24 percent of family housing is in foreign countries) and underestimated fuel price increases (utilities are 70 percent of operating costs), resulted in diverting resources from maintenance and improvements.

The current fiscal guidance is insufficient to adequately attack the resultant deferred maintenance and improvement backlogs. Further it reduces the projected shortfall of required units by only 34% (\$1.23B). The fiscal guidance provided for POM development is adequate to cover costs of operating family housing (paying utility bills, making lease payments, providing annual maintenance and repairs), accomplishing some maintenance backlog reduction and constructing a portion of the new housing required to support new missions such as the National Training Center (NTC), the Ground Launched Cruise Missile (GLCM), the Airborne Warning and Control System (AWACS) and the Trident submarine.

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Many Members of Congress have expressed concern at the existing state of the military family's living environment. Indications are that Congressional reductions to the FY82 budget request will not be as severe as those experienced in FY80 and FY81.

FAMILY HOUSING RESOURCES FUNDED IN POM (\$M)

	<u>FY 83</u>	<u>FY 83-87</u>
ARMY	914.0	5535.9
NAVY	646.0	4050.1
USMC	139.5	840.6
AIR FORCE	925.2	5444.9
DEFENSE AGENCIES	<u>18.7</u>	<u>109.4</u>
TOTAL	2643.4	15980.9

Alternatives

- Alternative 1 POM
- Alternative 2 This alternative provides funds over the POM period to reduce the backlog of maintenance to a manageable level and to eliminate the presently defined backlog of improvements.
- Alternative 3 This alternative provides funds for backlog reduction as in Alternative 2 and funds new construction for new missions, leasing and/or construction in overseas locations and new construction at specified small installations in CONUS.
- Alternative 4 This alternative funds Alternative 3 and additional new construction for two new Army divisions, for selected CONUS Air Force bases and for major Army divisional posts.
- Alternative 5 This alternative funds the total requirements identified by the components over the POM years.

Evaluation of Alternatives

- Alternative 1 This alternative (POM) undermines Defense readiness by providing inadequate support to the service family. Although the basic costs of ownership (\$14.0B), some new construction (\$889M) and some improvements (\$1.0B) are resourced, the total housing shortfall, especially overseas, is not significantly reduced nor is the backlog of maintenance.

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- Alternative 2 This alternative funds the POM and additionally attacks the backlogs of maintenance and improvement. This will protect the sizeable US investment in housing inventory (\$34.0B replacement value) and improve living conditions for those assigned to quarters. This alternative reduces the backlog of maintenance to a manageable 6 month level and eliminates the presently defined improvements backlog. This alternative costs \$185M in FY83 and \$1157M over FY83-87.
- Alternative 3 This alternative builds on Alternative 2 by adding funds for new construction. Specific programs targeted for additional new construction include the Army's West Coast Corps and the Air Force's GLCM and AMACS. Also, funds are directed to leasing/constructing new housing in support of forward deployed forces (especially Germany). Lastly, housing units are constructed at several small CONUS installations with severe housing shortages. Benefits accruing under Alternative 3 include reduction of the maintenance backlog to a manageable 6 month level, elimination of the improvements backlog, and lowering of the housing shortfall level. Costs are \$400M in FY83 and \$2362M over FY83-87.
- Alternative 4 This alternative builds on Alternative 3 by adding additional funds for new construction. It provides housing for two new Army divisions, housing for selected CONUS Air Force bases and housing for major Army divisional posts. Benefits include reduction of the maintenance backlog to a manageable 6 month level, elimination of the improvements backlog and further lowering of the housing shortfall level. Costs are \$488M in FY83 and \$3170M over FY83-87.
- Alternative 5 This alternative builds on Alternative 4 by including resources to meet all requirements identified by the components for the POM years. This alternative would: reduce the identified family housing shortfall; reduce the maintenance backlog to manageable 6 month level within three years; eliminate the improvements backlog; and implement necessary programs for quarters modernization as directed in Defense Guidance. Costs are \$746M in FY83 and \$3964M over FY83-87.

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Cost and Manpower Changes Relative to POM

	<u>Costs</u> <u>FY83</u>	<u>(FYDP \$ Millions)</u> <u>FY84</u>	<u>and</u> <u>FY85</u>	<u>Manpower</u> <u>FY86</u>	<u>FY87</u>	<u>FY83-87</u>
<u>Cost Changes</u>						
Alternative 1	-	-	-	-	-	-
Alternative 2	+184.8	+207.1	+230.8	+255.0	+279.5	+1157.2
Alternative 3	+399.8	+481.1	+559.8	+430.0	+491.5	+2362.2
Alternative 4	+487.8	+565.1	+723.8	+761.0	+632.5	+3170.2
Alternative 5	+745.8	+778.1	+862.8	+838.0	+739.5	+3964.2
	<u>FY83</u>	<u>FY84</u>	<u>FY85</u>	<u>FY86</u>	<u>FY87</u>	<u>FY83-87</u>
<u>Manpower Changes</u>						
Alternative 1	-	-	-	-	-	-
Alternative 2	-	-	-	-	-	-
Alternative 3	-	-	-	-	-	-
Alternative 4	-	-	-	-	-	-
Alternatige 5	-	-	-	-	-	-

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DEPARTMENT OF THE ARMY  
OFFICE OF THE CHIEF OF STAFF  
WASHINGTON, D.C. 20310

30 JUL 1981

MEMORANDUM FOR MR. VINCE PURITANO, THE EXECUTIVE SECRETARY TO THE DEFENSE  
RESOURCES BOARD

SUBJECT: Response to Draft Manpower Issue Book

1. The Draft Manpower Issue Book has been reviewed, and comments are provided below.

2. A summary of the Army's revised manpower program was forwarded to the Secretary of Defense on 23 July 1981. There are two major factors that must be considered in response to the issues raised in the Manpower Book. The first centers on the fact that the Army has proposed a significant increase in its force structure; the concept is to build a larger Army with expanded combat capability and a more global focus. Before manpower programs can be properly evaluated, a decision is required on the crucial force structure issue. The second is the fact that the Presidentially-established Military Manpower Task Force will review many of the same issues that are being raised in the Manpower Issue Book; until the results of this task force are available, debate on specific manpower policies and objectives cannot be brought to a logical conclusion.

3. The discussion of the force structure issue by the DRB is both proper and timely. However, the relationship between the policy issues raised in the Manpower Book and the charter of the Military Manpower Task Force is not clear. It is envisioned that the issues raised in this book are also major taskings of the Task Force and would include:

- a. Achievable End Strengths for Active and Reserve Forces.
- b. Career Force size and expansion.
- c. Female strengths.
- d. Prior Service.
- e. Attrition of first term force.

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SUBJECT: Response to Draft Manpower Issue Book

30 JUL 1991

- f. Mobilization manpower.
- g. Compensation adjustments.
- h. Educational incentives.
- i. Bonus levels for recruiting and retention.


Additionally, the Army views the tone of the manpower issues as being unnecessarily negative with respect to the potential to increase the manpower supply providing appropriate resources are made available.

4. On the civilian issue, it is extremely important that an agreement be reached with OMB before attempting to adjust civilian manpower programs. Army readiness has benefited significantly by the recent addition of civilians to the program. The Army strongly supports the improvements to the borrowed military manpower problem, maintenance of equipment and facilities, and logistical functions that are occurring as a result of civilian increases. Further, the Army would support the concept of civilian substitution and reallocate the released force structure to other high priority missions. Assurances are needed to preserve the civilian end strength provided for this purpose. The Army does not support the concept of civilianization with a corresponding reduction in military end strength. Additionally, the complex relationships between civilian and military manpower must also be considered by the Military Manpower Task Force.

5. The Army has a critical requirement for additional Family Housing funding, both to maintain the current inventory and to acquire new units. Sufficient quantities of adequate, well-maintained family housing units conforming with contemporary US standards must be available to our military families, particularly in Europe and Korea. The Army supports providing the maximum additional resources to this program.

6. Additional specific comments on the Manpower Issue Book have been included at Inclosures 1 through 5.

5 Incl  
as

  
JAMES M. LEE  
Lieutenant General, GS  
Director of the Army Staff

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**COMMENTS ON  
MANPOWER ISSUE BOOK**

**MILITARY COMPENSATION**

**OSD ISSUE/POSITION:**

This issue proposes that military strength requirements be satisfied by selected changes in the compensation system rather than by increases in current compensation levels.

**ARMY POSITION:**

The Army supports Alternative I.

**DISCUSSION:**

At the inception of the All Volunteer Force, it was recognized that military pay had to achieve and retain rough comparability with pay levels of the private sector in order for the Services to compete for entry level and experienced personnel. Unfortunately, such was not the case. Four pay caps and two pay allocations caused soldier compensation to lag behind civilian occupations with comparable work requirements.

Efforts must be directed toward ensuring that the military pay system aligns pay with service member excellence, experience, and level of responsibility. The goal is to achieve a stable and predictable compensation system complemented by the flexibility of special and incentive pays and bonuses in order to respond in dynamic manpower markets.

There is a delicate balance between soldier compensation and recruiting and retention success. It is crucial that this relationship be noted and that any modification of the pay system fully recognize this interface. Although pay alone will not achieve the attraction and retention of the quality force being sought, inequities in compensation can tend to frustrate the desired manning of the force.

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Date: FEB 05 2016

**COMMENTS ON  
DRAFT MANPOWER ISSUE BOOK**

**MILITARY MANPOWER**

**OSD ISSUE/  
POSITION:**

The revised Army POM has not been submitted but preliminary indications are that without shifting of resources, the Army is programmed to have a shortfall of 133 thousand in the IER in FY 87 and a shortage of 1200 nurses at M+10 through FY 87.

**ARMY  
POSITION:**

The Army supports the POM as revised in letter to Secretary Weinberger dated 23 July 1981.

**DISCUSSION:**

1. Active military manpower will be addressed upon receipt of OSD analysis of revised POM.
2. To attempt to execute the proposed alternative without additional TOA and end strength would cause disruption to the balance of the program. Additional TOA and end strength would be applied towards the Army Nurse Corps and pretrained manpower sustainability. The IER direct enlistment program without incentives was proven unsuccessful in the FY 79 test, 429 enlistments vis-a-vis a goal of 1500 the bulk of which were lower mental categories and a few HSDG, and is therefore not supported by the Army. In addition, any increase over the current programmed strengths will require the training base to be expanded to include military and civilian and strength.

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COMMENTS ON  
DRAFT MANPOWER ISSUE BOOK  
CIVILIAN END STRENGTH

**OSD ISSUE/POSITION:**

How many civilians should the department (Army) employ? This issue proposes methods of meeting conflicting Administration guidance to seek increased defense capability while simultaneously reducing federal employment. The first goal increases force structure and military end strength; the second reduces the number of federal civilian employees supporting the increased defense capability.

**ARMY POSITION:**

The Army supports the civilian end strengths in the FY 83-87 POM. Were adequate TOA and ES provided Army would employ 478K civilians by FY 87. This reflects the Army's total civilian requirement to support the increased force structure and the shortfall created by fiscal constraints as indicated in the POM.

**DISCUSSION:**

1. The following actions can be initiated to either reduce total civilian end strength requirements (478K) or increase the effectiveness of programed end strength (413K) in the POM by permitting the accomplishment of additional workload within the programed end strength.

- o Contracting Commercial Industrial Activities - While the Army agrees that additional contracting efforts will result in saving over time, the Army believes it imprudent to program ES and TOA reductions based on over optimistic cost study estimates in lieu of firm cost study plans.

- o Labor Saving Investments - Army believes it can, if provided sufficient funding, reduce the need for civilian employees over time by labor saving capital investments.

2. Army supports the concept of civilianization to avert possible problems with military end strength executability but prefers civilian substitution as the only means to provide military end strength support to substantially increase force readiness over the program years provided: The Administration and Congressional support is obtained to retain and maintain the currently programed civilian end strength; the implementation is phased into the program, not earlier than FY 84, based upon the results of detailed analysis; OSD will provide adjustments to TOA, ES and grade ceilings to reflect actual implementation; to insure equitable implementation, OSD will direct programs and agencies, over which Army has no direct control, to participate; and, areas of exemption identified in ASA(M&RA) memo dtd 26 June 1981 will not be converted.

APPROVED BY: MG W. L. WEBB  
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