

## Ensuring Quality People in Defense

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The U.S. military and civilian personnel systems represent a remarkable contrast in effectiveness. The overall military system, based on the foundation of the All Volunteer Force (AVF), has been a success by nearly every measure. On the other hand, the civil service system has to be judged a failure in its ability to adjust to changing requirements and encourage the innovation and continuous improvement needed by the Department of Defense (DOD).

There have been major efforts to reform each system in recent decades. The military reform that began in the 1970s, which included more than just the AVF, was a radical departure from a force supported by conscription. Despite serious early difficulties and a continuing need for adjustment, it has delivered high-quality people, both officers and enlisted. In contrast, the somewhat more recent legislative changes of the civil service rules embodied in the Civil Service Reform Act of 1978 (CSRA), have been largely unsuccessful. The changes that were expected to evolve from the legislation have not materialized.

The successes of military reform offer lessons for new civil service reform proposals. We begin this chapter, therefore, with a brief analysis of how the military made the All Volunteer Force a success, how it significantly integrated minorities and women, how it improved its professional competence, and how it reshaped itself with the end of the Cold War. We offer four lessons learned from the military's success. They should help the military devise policies to meet its new challenges, which we analyze in detail. We then draw on these lessons to develop our civil service reform proposal, which follows the AVF review.

## *Military Personnel: A Case of Successful Management*

The history of military personnel management over the last three decades is instructive, both for the problems encountered and the solutions adopted, and how these contributed to the contemporary success of America's armed forces. The same history also reveals some weaknesses, creating challenges for a new administration as it seeks to sustain this success.

A generation ago, the U.S. military emerged from Vietnam a nearly shattered and largely discredited institution. Lieutenant Calley's crimes epitomized the breakdown of the military personnel system: an unprepared officer placed in a position of responsibility with disastrous results. The low quality of military personnel led Congress in 1980 to enact mandatory minimum recruiting quality goals in law: it was a desperate measure, born of intense frustration. The military's ranks were torn by racial tension and even race riots.<sup>1</sup>

A generation later, the military personnel system has produced what is unquestionably one of the finest militaries in history, widely admired at home and abroad.<sup>2</sup> It built a successful All Volunteer Force (an innovation the military at first resisted), achieved a degree of racial and gender integration that is the envy of civil society (despite lingering problems), reached a level of professional competence that leads civilian recruiters to seek its personnel, and reshaped itself successfully when the Cold War ended.<sup>3</sup>

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1. See, for example, Sheril Mershon and Steven Schlossman, *Foxholes and Color Lines* (Baltimore: Johns Hopkins, 1998), p. 322; and Charles C. Moskos, "Success Story: Blacks in the Military," *Atlantic Monthly*, May 1986.

2. A Gallup poll periodically asks a cross-section of Americans about their confidence in American institutions. The military currently ranks highest, with 64 percent of respondents in June 2000 saying they have "a great deal" or "quite a lot" of confidence, the highest ranking for any American institution. In 1981, the low point for the military in this series of polls, that figure was just 50 percent. See <[gallup.com/poll/releases/pr000710.asp](http://gallup.com/poll/releases/pr000710.asp)> (downloaded July 10, 2000).

3. See, for example, Edwin Dorn, "Sustaining the Volunteer Force," in J. Eric Fredland, et al., eds., *Professionals on the Front Line: Two Decades of the All-Volunteer Force* (Washington, D.C.: Brassey's, 1996), p. 20.

### THE ALL VOLUNTEER FORCE

The All Volunteer Force (AVF) constituted a major policy experiment. It was born of the Nixon administration's need to deal with the increasing unpopularity of the Vietnam War, specifically the unpopularity of conscription,<sup>4</sup> and the changing demographics of American society: the baby boomers' arrival at draft age meant that there were many more eligible youth than the military needed. At the time, Britain was the only significant military power that used volunteers to staff its ranks, and its military was much smaller.<sup>5</sup> While economists were convinced that, in theory, a volunteer force could work, no one knew in practice exactly how to structure the incentives to guarantee success. The initiative was opposed by most senior military leaders.<sup>6</sup> While the Air Force had long relied on volunteers (as had the Navy and Marine Corps to a lesser extent), these were largely "induced volunteers" fleeing the draft. Moreover, however attractive the concept may have appeared in peacetime, there was grave doubt about its viability in war.<sup>7</sup>

The early years of the AVF were rocky indeed. Statistics on quality trends for Army enlistees provide the standard gauge of success, especially for the Army, since the Army is the largest service and generally viewed as having the least attractive conditions of service. As Table 8-1 indicates, quality levels dropped sharply in the early years

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4. See Walter Y. Oi, "Historical Perspectives on the All-Volunteer Force," Fredland, et al., *Professionals on the Front Line*, pp. 42–47.

5. *Report of the President's Commission on an All-Volunteer Force* (Gates Commission) (Washington, D.C.: U.S. Government Printing Office [U.S. GPO], 1970), p. 169. In the 1970s, the UK's active military numbered about 300,000, or 0.55 percent of its 56.7 million population. In comparison, the active U.S. military numbered over 2 million, about 0.94 percent of the U.S. population. See, for example, International Institute for Strategic Studies (IISS), *The Military Balance, 1970* (Oxford: Oxford University Press, 1971).

6. At the start of the Reagan administration in 1981, some military leaders urged the Secretary of Defense to return to conscription. For a flavor of how the early AVF was perceived, see John B. Kelley, ed., *The All-Volunteer Force and American Society* (Charlottesville: University Press of Virginia, 1978).

7. The Gates Commission "recommended a stand-by draft which can be put into effect promptly if circumstances require mobilization of large numbers of men." Gates Commission Report, p. 11.

**Table 8-1. Quality Indicators for Active Enlistees without Prior Service (Percent of Total Enlistees)**

	FY 1973	FY 1980	FY 1992	FY 1999
High School Diploma Graduate, Army	58%	52%	99%	93%
Upper Aptitude Score (AFQT I-III A), All Services	58%	49%	75%	66%
Lower Aptitude Score (AFQT IV), All Services	13%	9%	0.2%	0.9%

NOTES: AFQT = Armed Forces Qualification Test. AFQT I corresponds to the 93rd to 99th percentiles of the distribution, AFQT II, the 65th to 92nd; AFQT III A, the 50th to 64th; and AFQT IV, the 10th to 30th percentiles. Individuals scoring below AFQT IV are not permitted to enlist.

SOURCES: <dticaw.dtic.mil/prhome/poprep98/html>; and Secretary of Defense, *Annual Report to the President and the Congress 2000* (Washington, D.C.: U.S. Government Printing Office, 2000), p. 107.

of the AVF, reaching a nadir in the late 1970s, prompting Congress to direct minimum quality goals in law.

Apart from the expected difficulties of implementing a revolutionary personnel concept, the early difficulties of the AVF reflected one significant policy error and one significant technical mistake. The technical mistake was mis-norming the shift to a new Armed Forces Qualification Test (AFQT) in FY 1976, with the result that actual quality was substantially below measured quality.<sup>8</sup> (Policymakers ignored, to their regret, the complaints of sergeants that recruit quality was declining: a lesson for present and future decision-makers.)

8. The mis-norming reflected a numerical error at the low end of the scale; it was not discovered until the end of the decade. As a result, the military thought it was accepting 5 percent of its personnel from those with AFQT IV scores (the lowest acceptable ranking), when in fact during 1977–79 over one-quarter of all active recruits with no prior service were AFQT IV. This was far above the statutory ceiling of 20 percent. See Gary R. Nelson, “The Supply and Quality of First-Term Enlistees Under the All Volunteer Force,” in William Bowman, et al., eds., *The All-Volunteer Force After a Decade* (Washington, D.C.: Pergamon-Brassey’s, 1986), pp. 31–32.

The policy error came about because of the overall federal fiscal strategy of limiting federal pay raises in the face of high inflation, rather than trying to limit the military pay bill. That is, the focus should have been on the labor costs of DOD, which are the product of the number and level of personnel on the payroll, as well as all elements of compensation, not just basic pay. (More on this issue below.)

Congress overrode the executive branch's military pay raise recommendations in 1980.<sup>9</sup> Subsequent Secretaries of Defense have generally paid much closer attention to the military pay raise, although the Office of Management and Budget (OMB) has often sought to limit it for broad budgetary reasons. OMB frequently also insists on equal military and civil service raises, a policy choice for which there may be good political rationale, but little analytic justification. The payoff for a sustained policy of matching competing civilian compensation can be seen in the last two columns of Table 8-1: quality levels in the 1990s have far exceeded the wildest hopes of the 1970s (with the high point reached in 1992, versus the low in 1980), and have been sustained through two conflicts (the Persian Gulf War and Kosovo).<sup>10</sup>

## RACIAL INTEGRATION

President Truman's order desegregating the Armed Services marked the start of what is now a fifty-year effort to integrate minorities into the fabric of military society. Racial challenges still confront the military, as evidenced by a recent widely reported survey.<sup>11</sup> But in contrast

9. The FY 1980 Defense Authorization Act provided an 11.7 percent pay raise, substantially more than was recommended by the president. For FY 1981, the Congress voted a military pay increase of 14.3 percent.

10. The actual story is more complex. The success of pay increases in restoring the health of the AVF was also helped by the lag in civilian wage growth for those with just a high school diploma. See James R. Hosek, et al., *A Civilian Wage Index for Defense Manpower*, R-4190-FMP (Santa Monica, Calif.: RAND, 1992); and James R. Hosek, et al., *Military Pay Gaps and Caps*, MR-368-P&R (Santa Monica, Calif.: RAND, 1994).

11. 1997 Armed Forces Equal Opportunity Survey. Overall, 61 percent of respondents said race relations at their installations were good to a "large to very large extent" — but only 39 percent of blacks felt that way (versus 68 percent of whites, 53 percent of Hispanics). When asked to compare social conditions in the military with civil society (e.g., freedom from harassment),

**Table 8-2. Minority Active Duty Officers (percent of total in grades, 1987 and 1997)**

	1987	1997
Minority Officers in Field Grades (0-4 through 0-6)	7.2%	12.3%
Minority Officers in Flag Grades (0-7 through 0-10)	4.7%	7.0%

SOURCES: Office of the Under Secretary of Defense for Personnel and Readiness, "Career Progression of Minority and Women Officers," Table 2-5, 1998; Office of Workforce Information, "Demographic Data Report: 1998," Table 2.

to civil society, minorities now hold a significant fraction of the military's supervisory positions (0-4 through 0-6, major through colonel in Army, Air Force, and Marine parlance, roughly the equivalent of GS-11 through GS-15), including a growing fraction of the most senior positions (flag rank; see Table 8-2). The number of minorities holding senior positions in the military even compares favorably to DOD's civilian employees (see Figure 8-1), long known for its good record, relative to American society as a whole, in this regard.

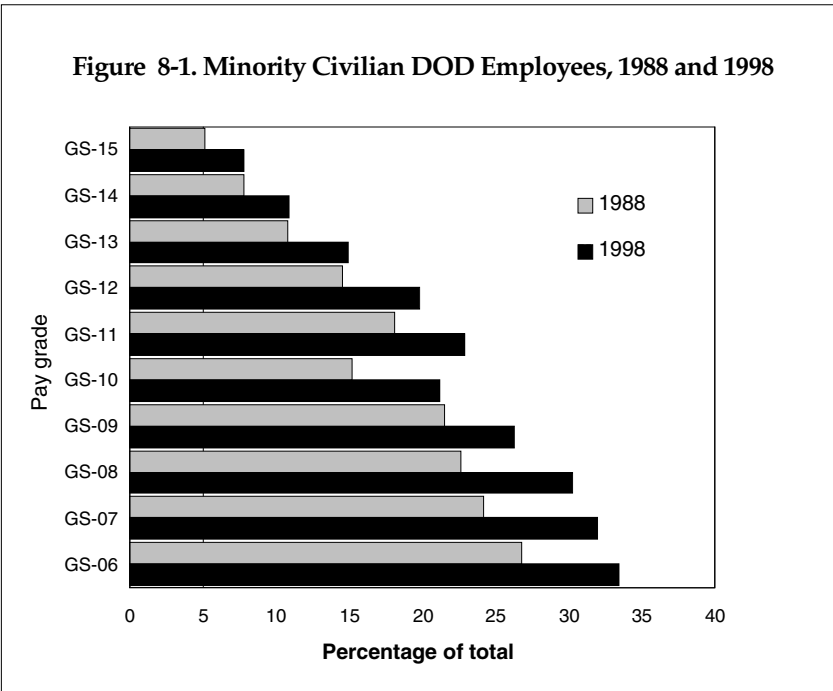
This result is not an accident; it reflects steady attention to equal promotion opportunity, and even more important, to preparation for promotion through equal access to training and career-building assignments.

**GENDER INTEGRATION**

The military services began the significant integration of women only within the last generation, at the direction of the nation's political authorities.<sup>12</sup> Not only have the services been pursuing this objective for a much shorter period of time than racial integration, but in some ways it is a more challenging requirement, reflecting a pervasive re-

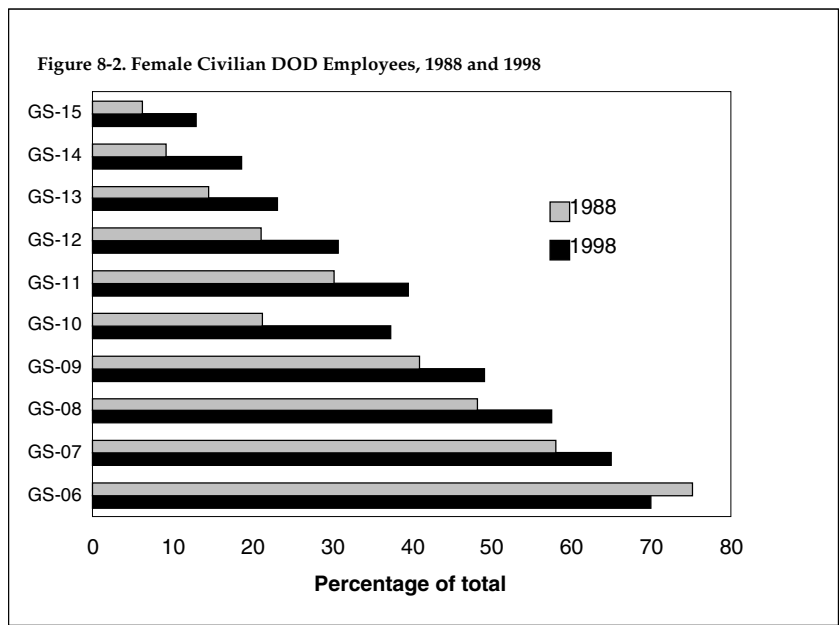
an overwhelming majority of respondents in every racial group viewed the military as equal to or better than civilian life. See Defense Manpower Data Center, *Armed Forces Equal Opportunity Survey*, 1997, <<http://dicaw.dtic.mil.prhome/eo96exsum.html>>.

12. See, for example, Jeanne Holm, *Women in the Military* (Novato, Calif.: Presidio Press, 1992).



luctance in American society to see women participate in combat (a reluctance that is sometimes expressed in law). This complicates women’s promotion chances, since senior rank disproportionately accrues to those who choose operational careers.

Nonetheless, the progress of women is significant, as measured by the increasing proportion of women — 11.8% in 1997, compared to 6.1% in 1987 — in the field grades (0-4 through 0-6). It lags the record for DOD’s civilian employees (see Figure 8-2), but is far ahead of such male-dominated civilian professional fields as orthopedic surgeons (3 percent) and cardiac surgeons (2 percent). Like the progress for racial minorities, this outcome reflects the political commitment and attention of the nation’s leaders. It also reflects the fact that military personnel are managed as a system: military leaders gradually opened a wider set of occupational opportunities to women, and ensured they received a share of the early-career opportunities that eventually lead to senior leadership, such as attendance at the military academies and the military’s professional schools that are so important to career advancement.



**PROFESSIONAL COMPETENCE**

Part of the “system management” of military leaders and their development is the emphasis on training. This includes both general training for individuals, such as by the War Colleges and the non-commissioned officer leadership training programs, and specific training including training for particular job skills, including those of officers, of which perhaps one of the most notable is the Navy’s nuclear-power training.

Beyond the training that it provides to individuals, the modern American military spends a significant portion of its time in crew and unit training. Indeed, this is viewed as so important to military readiness that military leaders have objected when political authorities have assigned “non-military” missions such as drug interdiction that are perceived as interfering with these preparations.

While the military member may express his or her preferences for individual training, assignments are governed by centrally established policies that seek to prepare individuals for increasingly responsible positions. Thus, training is expressly linked to career progression. For officers and the more senior non-commissioned offi-



**Table 8-3. Military Personnel Holding College Degrees (Percent of Total)**

	1973	1980	1990	1999
Commissioned Officers	87	95	96	98
Enlisted (4 years)	2	2	2	3
Enlisted (2 years*)	8	8	11	13

SOURCE: Department of Defense, *Selected Manpower Statistics, Fiscal Years 1981 and 1999* (Washington, D.C.: Washington Headquarters Service), Table 2-18 (both years).

\* NOTE: Includes all enlisted with two or more years of college, regardless of whether a formal degree was received.

cers (NCOs), that career progression includes service in the “right” variety of line and staff positions to prepare them for senior responsibilities. These are monitored by the central personnel managers of the military services.<sup>13</sup> In effect, military service is a career-long preparation for senior responsibilities, and only those who successfully complete the earlier stages are likely to be competitive.

The military sets entry standards for the start of this competition, by asking that enlistees be high school diploma graduates (or that they be ready to complete their general equivalency diploma [GED] quickly), and in recent decades by effectively requiring that officers have college degrees. (See Table 8-3.) In fact, a growing proportion of enlisted personnel hold college degrees, typically completed while in service, and many officers complete graduate degrees during their military careers. The result is a military whose professional competence is widely admired both at home and abroad. Military personnel, who typically “retire” in their forties, are easily able to secure attractive civilian jobs at the completion of their military careers. The payoff in national security terms is equally impressive: from a strictly military perspective, there is no doubt about the competence of American performance in the Persian Gulf War of 1990–91 and in the recent Kosovo conflict.

13. See Maren Leed, *Keeping the Warfighting Edge: An Empirical Analysis of Army Officers’ Tactical Experience over the 1990s*, DB-307-A (Santa Monica, Calif.: RAND, 2000).

## FORCE SHAPING

The management of military personnel extends well beyond decisions about recruitment and training. Since the unhappy discovery at the start of World War II that the U.S. military (especially the Army) lacked the youthful, motivated leaders it needed for the successful prosecution of war, the military has made shaping the force a pre-eminent personnel policy goal.

The shape each service aims to have resembles a pyramid. Most, if not all, personnel enter at junior levels, and progress through posts of increasing difficulty, gaining valuable experience and training. Only the most promising are permitted to move to the next level. The military uses an “up-or-out” promotion system to enforce these choices. Originally applied to officers, the up-or-out philosophy has been extended, in the last generation, to the enlisted force.

The end of the Cold War presented the military services with a significant challenge to their shaping policies, because the entire pyramid had to be trimmed. The last such significant trimming, at the end of the Vietnam War, was widely seen as clumsy and unnecessarily harsh. In the spirit of the AVF, the military services chose to meet this new challenge in an intellectually consistent way: by relying on positive incentives. In effect, the military adopted policies in which it paid people to leave, through both “buyouts” (lump-sum payments and limited annuities for those not yet eligible to retire), and early retirement opportunities.

## THE SOURCES OF SUCCESS

The successes of military personnel management over the last generation offer four potential explanations for success and lessons to learn from this experience.

First, in each area a clear, measurable set of objectives was set such as quality standards for enlistees and promotion equity for minorities. Equally important, these objectives were accepted (indeed, sometimes directed) by the political leadership of DOD. The leadership received regular reports on success in meeting these objectives — or the lack thereof — and took action accordingly.

Second, military personnel outcomes were seen to be the product of a system, and attention was focused on management of the system.

Third, quantitative analysis was employed widely and aggressively, to try to understand the relationships between causes and effects. Equally important, policymakers were focused on outcomes, not inputs, and they were willing to use experiments to test, evaluate, and adjust policies.

Fourth, policymakers came to understand early that incentives — bonuses, compensation, promotion opportunity, and the like — rather than “rules and regulations” would be the main instruments to achieve the outcomes they desired. They also understood that rules and regulations might have to be changed or reshaped to produce the incentives they needed.

### *Critical Challenges for a New Administration in Managing Military Personnel*

The management paradigm for military personnel, like any other, also has its weaknesses. Two in particular relate directly to the future challenges confronting the military personnel system.

First, the system is ultimately a market, and market conditions change. However, the mechanisms to monitor those changes are weak and imperfect, leading to an unfortunate lag between changes in conditions and changes in policy. This can be seen in both the failure during the 1970s mis-norming episode to pick up promptly on the sergeants’ complaint about enlistee quality, and the more recent lag in linking what appears to be a secular decline in recruiter productivity (resulting in recruiting shortfalls in three of the four services in recent years) with changes in the educational and career aspirations of young Americans (which we discuss further in the next section).

Second, notwithstanding its analytic emphasis, the military personnel system retains a healthy respect for tradition. While this can be constructive in restraining the impulse to make sudden, poorly-thought-out changes, it can also inhibit innovation and can even blind decision-makers as to what is actually driving results. An excellent example is the complaint of policymakers about the high rate of marriage and family formation among junior enlisted personnel; many are poorly prepared for these responsibilities, which creates difficulties for the military personnel system. Analysts explain that this outcome is encouraged by retaining a system in which compen-

sation at the junior end of the scale is strongly affected by marital status rather than productivity, one of the surviving traditions of the military compension system.<sup>14</sup>

### THREE CHALLENGES FOR A NEW ADMINISTRATION

Three critical military personnel challenges will face a new administration. The first is managing the compensation system well. Military compensation accounts for over a quarter of the defense budget, yet it is widely viewed as manageable only at the margin. It certainly is not regarded as it would be in a business, where attention to keeping the total compensation bill under thoughtful control is one of management's most important responsibilities. Quite the contrary: reflecting both the tradition-bound nature of the structure of military compensation, and the bitter lesson of the 1970s mismanagement of military pay changes, policymakers have allowed a "bidding war" to develop among competing political factions regarding military compensation. This resulted in an inefficient and costly change in the retirement program in 1999, and a disproportionate share of that year's pay increase being awarded on an across-the-board rather than targeted basis.<sup>15</sup> It has likewise led in 2000 to proposals for significant and expensive changes in health benefits for military retirees.

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14. John Cadigan reports that 23 percent of military males 18–24 are married (16 percent have children), versus 17 percent (13 percent with children) for a similarly educated civilian age cohort (all figures are for 1999). These differences become more pronounced in the mid to late twenties, and approximately 80 percent of military males of age 30 are married, versus approximately 60 percent for civilians. The differences in the percentage with children are even more striking (about 70 percent, versus about 35 percent for an educationally matched cohort at age 30). See John Cadigan, "Demographics of Enlisted Personnel," paper presented at the Western Economic Association, Vancouver, July 2000. For an analysis of how the compensation system might produce these results, see David W. Flueck and Jeffrey S. Zax, "Marriage, Divorce, Income, and Military Marriage Incentives," Discussion Papers in Economics No. 95-4 (Boulder, Colo.: Department of Economics, University of Colorado, 1995).

15. For a discussion of alternative compensation policies, see Beth Asch and James Hosek, *Military Compensation: Trends and Policy Options*, DB-273-OSD (Santa Monica, Calif.: RAND, 1999).

Within a constrained military budget, inefficient compensation changes will rob the country of its ability to modernize the military for the twenty-first century. Thus, managing military compensation more thoughtfully is essential to the military transformation so widely recommended. (It is even more urgently needed for civil service compensation, which we discuss below.)

The second challenge is thinking about “quality of life” from a systems perspective, focused on the ultimate results we wish to achieve, as opposed to the traditionalist perspective that now too often characterizes policy, with its focus on entitlements derived from historical practice. An example is family housing. The military services are struggling to rejuvenate the stock of family housing built over a generation ago, convinced that it is essential to quality of life and thus to successful recruiting and retention. However, recent survey research confirms that military personnel like military housing because it is cheap, not because it is part of a community that creates “quality of life.”<sup>16</sup> If so, DOD might be better off getting out of the housing business altogether, perhaps instead encouraging home ownership (the goal of most Americans, reflected in the fact that two-thirds own their own homes). Indeed, military families often complain that they are denied the chance to participate in this element of the American dream. Could such a change be reconciled with the current practice of moving military families frequently? Could we favorably affect recruiting and retention with such a change? This is largely uncharted territory that a new administration must begin mapping.

The third challenge for a new administration in managing human resources, including military personnel, is recognizing, understanding, and responding thoughtfully to the significant demographic changes sweeping through American society. These include the dramatic increase in labor force participation of women, with its implications for the ability to move military families easily, and the consequent effect on career satisfaction and retention. Another is the rapid increase in the share of the population of Hispanic origin, with its implications for the issue of minority representation, especially if, as seems to be the case, there exist differential patterns of behavior

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16. See Richard Buddin, et al., *An Evaluation of Housing Options for Military Families*, MR-1020-OSD (Santa Monica, Calif.: RAND, 1999).

regarding such issues as the timing of high school completion. If high school completion reflects cultural factors rather than individual traits, the lack of a diploma may not be as negative an indicator as it once was, and the military could reconsider its standard. Indeed, the Army is now experimenting with revised standards in its “GED Plus” program, for just this reason.

Perhaps the most significant demographic change involves the increasing educational aspirations of young Americans. It has been building for some years, but its implications have only recently been widely recognized, and even more recently acted upon. These changing aspirations presumably reflect the greater earnings gains accruing to college graduates in recent years, and the relatively flat earnings trend for those who have only completed high school. The result is a significant shift in the proportion of young Americans attending college. Whereas in 1973 a bit less than half of all young Americans sought to go on to college after finishing high school, that proportion has now reached 66 percent. Put the other way around, only one-third of American youth today look principally to the job market rather than post-secondary education right after graduating from high school.<sup>17</sup> Yet that is the population at which the military enlisted recruiting effort is targeted. It should therefore be no surprise that recruiter productivity in the 1990s seems unable to recover to its 1980s level, despite sizeable additions of resources over the last several years.<sup>18</sup> The market has changed, and military recruiting must change with it.

Such change has begun: both the Army and the Navy have begun programs that allow enlisted personnel to pursue a college degree while in service, and the Army has launched a program to help pay for junior college education before an enlistee comes on active duty (“College First”).<sup>19</sup> Only time will tell how successful these efforts will

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17. See U.S. National Center for Education Statistics, *The Digest of Educational Statistics 1999* (Washington, D.C.: U.S. GPO, May 2000), chap. 3.

18. Investment per recruit has increased 60 percent since 1994.

19. See, for example, “What We are Looking For,” remarks delivered by the Honorable Louis Caldera, Secretary of the Army, to the Army University Access Online Industry Day Forum, Reagan International Trade Center, August 2, 2000. Under the College First program, the Army pays a recruit to attend junior college (or two years of college) before entering active duty

be in cracking the “college market” to recruit young people who desire a post-secondary education.

It is likely that the implications of the secular change in college attendance are more profound than first attempts to deal with it recognize. Ultimately, it may require reconsidering what military careers look like, and even perhaps the distinction between officers and enlisted. Such a change is potentially more profound than the transition to an all volunteer force, and one whose management will require great sophistication and wisdom on the part of a new administration.<sup>20</sup>

### *Recommended Courses of Action*

For each of these challenges, we recommend specific courses of action to the new administration.

#### BASE COMPENSATION ON MILITARY NEEDS

Over the last thirty years, policymakers have overlaid a variety of bonuses on the underlying compensation system, in an effort to secure the recruiting and retention results they need. But they have not changed its underlying character, a “one-size-fits-all” approach whose results are often more affected by the social circumstances of the individual (e.g., housing allowances based on family size) than by the needs of the service, or by any principle that rewards productivity and effectiveness. It is time to consider a targeted compensation system that emphasizes the individual’s contribution, and the personnel needs of DOD. Recent decisions to target pay increases on particular grades, rather than simply increasing all pay by the same share, are consistent with this course of action. But the Department has been unwilling to reallocate compensation funds from accounts with low payoff to those that are more critical, as a recent controversy over the

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(earlier programs, such as the GI Bill, were only available after at least some service was completed).

20. Retiring Marine Corps General Anthony Zinni, Commander-in-Chief, United States Central Command, has said: “The rank structure is holding [non-commissioned officers] back, despite the fact that their educational attainments ... have far outstripped the structure. This needs to be fixed.” Transcript of Robert McCormick Tribune Foundation, U.S. Naval Institute Address, March 2000.

restructuring of housing allowances demonstrates.<sup>21</sup> Nor has the Department been willing to tackle a fundamental overhaul of the system. Such an overhaul might go so far as to make the various allowances that are now strongly influenced by family status, such as housing and subsistence, part of the individual's "salary," and then base salary on the value of the individual to the military, as bonuses now are, rather than on the individual's family situation.

#### TAKE A SYSTEMS APPROACH TO QUALITY OF LIFE

Direct provision of services such as housing and grocery stores is often the norm in the military's efforts to assure its members' "quality of life." The system originated in the nineteenth century, when markets in areas where the American military was stationed were often inadequate. This history has led to a confusion between means and ends. The means historically was the direct provision of services, but the end is the satisfaction of the military member. Moreover, the environment around most military installations has changed dramatically: in almost no part of the United States are civilian markets now inadequate for the services a military family might want. Quality-of-life policy should focus on assisting families in using those markets, which in some cases may be as simple as putting the money in their pockets and letting them decide how to spend it, rather than acting as if DOD knows what they want. Such policy should take a systems view, in which we constantly remind ourselves that the ultimate objective is attracting and retaining the people DOD needs, and enhancing their productivity. Pursuing such a policy would better focus DOD quality-of-life efforts, which now consist of establishing and running programs, with all the obvious opportunities for bureaucratic growth, rather than concentrating on determining what makes a difference to recruiting and retention, with a concentration on measuring and producing results.

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21. In the past year, DOD tried to reallocate housing allowance funds from low-cost to high-cost areas, in an effort to deal better with geographic variations in the cost of living, but reversed itself in response to protests from families in low-cost areas (despite "save pay" provisions that maintained allowances for recipients). See Tom Philpott, "Housing Allowance Equity Ends," *The Sun Link*, March 2000.



## STRUCTURE PERSONNEL POLICIES CONSISTENT WITH LONG-RUN DEMOGRAPHIC CHANGES

The demographic changes affecting military recruiting and retention are so profound in their implications that it may be time to begin rethinking what a military career looks like. Two changes in particular merit consideration. First, at present the enlisted and officer communities follow essentially separate career paths. Few enlisted people become officers, yet that is where the rewards to a full college education lie. More paths should be opened to allow the most promising enlisted to move to warrant or commissioned status, reflecting their growing educational achievements.

Second, the military services now frequently move personnel among geographic locations, to effect job changes. “Homesteading” — staying in one geographic location for a substantial portion of one’s career — is generally frowned upon. This is less so in the case of the Navy, as much of its fleet is concentrated in just two locations, Norfolk and San Diego; to some extent the same is true of the Marine Corps. With more spouses working, frequent moves are obviously a disruptive career pattern, and have long been an issue regarding the stability of schooling for the family’s children. As it thinks about its basing structure for the twenty-first century, the DOD should consider how the Navy model might be adapted to the circumstances of the other services. This could have a profound impact on the decisions about base closure and realignment that are expected to confront a new administration.<sup>22</sup>

### *Civilian Personnel: The Need for Reform*

The most fundamental changes in the DOD’s human resources system are needed in the policies and practices of the civil service, because they are so out of touch with current and future requirements. No one understands the current deficiency better than the civil servants themselves. In a recent survey of federal executives, they said that:

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22. For a discussion of how family factors affect service decisions by military personnel, see Gary L. Bowen and Dennis K. Orthner, eds., *The Organization Family* (New York: Praeger, 1989).

the most important leadership attributes in the future will be adaptability and flexibility when faced with change, being accountable for results and visionary and strategic thinking. This is in marked contrast to the practice that government career executives have traditionally obtained their positions through technical expertise. In the future, say respondents, technical expertise is the least important of ten leadership attributes listed in the survey.<sup>23</sup>

The civil service system was fashioned over one hundred years ago to eliminate the so-called spoils system. It was designed as a centralized, rule-based system in order to ensure that personnel selection and promotion were based on merit. It assured continuity from administration to administration through employment security and advancement tied to seniority.

However, the current civil service system has not been consistent with the realities of the federal workplace for some time. Many adjustments to rules and procedures have been made over the years to meet changing needs. As a consequence, the system has become a patchwork, as agencies throughout the government, including the Department of Defense and the intelligence community, have received administrative and legislative relief to accommodate their special personnel needs. Some agencies, including the Federal Aviation Administration and the postal service, have opted out of the civil service system entirely.

The current system is out of touch with the labor market that supplies its people; it inhibits professional development and innovation by its workforce; and it is incapable of responding to the changing needs of the DOD. The system stresses protections in hiring and progression based largely on seniority and experience rather than on performance. This, in turn, puts a particular emphasis on promoting and encouraging people with relatively narrow technical skills rather than those with broad-based management and related experience. It encourages the use of expertise rather than judgment, and rewards specialization rather than broad management skills. These limitations are further compounded by the fact that both internal and external candidates are eligible for jobs but usually are required already to

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23. Results of the Governmental Leadership Survey, a 1999 survey of federal executives, by the Price Waterhouse Cooper Endowment for the Business of Government.

have the necessary knowledge, skills, and abilities to be competitive for those jobs. In addition, the civilian's rank inheres in his or her position, rather than in the individual. These factors contribute to the failure to see personnel outcomes as the product of a system, and therefore focus on the management of the system. In contrast, the military system views enhancements in skill and education as appropriate improvements to members of a certain grade and thus an integral part of their career development.

Recruiting and retention have become more difficult because of the changes in the civilian labor market. One of the great strengths of the American economy is its highly efficient labor market, as evident in the current economic expansion. The traditional post-World War II practice, by which corporations hired people for the full length of their careers, is no longer the norm for new entrants to the workforce. Newer generations of workers have less corporate loyalty, and rely more on their own professional skills and capabilities. The challenge of the work and the environment in which it is performed are increasingly important to professional workers, relative to compensation.<sup>24</sup> As a result, the traditional civil service career has become less attractive to new generations of workers, and the trend will worsen over time.

While there are many highly able and innovative civil servants in the Department of Defense, they often must make much of their progress by figuring out how to get around the various rules and limitations that they confront day by day. The system should be redesigned to encourage professional growth, innovation, and initiative. As the DOD faces numerous requirements for change, it cannot be effective unless it can manage its workforce as a key asset in its overall management system.

The rigidity of the system is a major inhibitor of adjusting to new requirements.

[A] basic fact about the existing civil service system [is that] no one truly understands the system and its complex rules; if no one understands its first principles, then the principles cannot guide the system's operations; and if the system cannot guide its operations, there is little alternative but to resort to an *ad-hocracy* that pushes the government

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24. These preferences appear to be particularly prevalent in technical occupations in both the private and public sectors.

and its operations even farther away from the purposes the civil service was created to serve.<sup>25</sup>

Thus major problems can be seen in many specific difficulties with the current system:

- inflexible appointment rules that make it difficult for federal agencies to match their workers to their needs in a timely fashion;
- rigid job classification standards that frustrate various agencies in exercising judgment when evaluating candidates, especially during college recruitment;
- a complex, arcane job-classification system that encourages and rewards narrow technical specialization and thus inhibits innovation;
- formula compensation rules that reward years of service and longevity, and greatly limit the ability of the government to adopt performance-based incentives;
- accountability rules that have led to an unduly cautious “zero defects” mentality (for both military and civilian); and
- rules governing reductions in force that require a chain reaction of five or six separate special personnel actions before an involuntary separation can be obtained, with the consequence that it is those who are most mobile who are the ones most likely to leave.

The current system is not consistent with the original model of civil service reform nor with the 1978 Civil Service Reform Act (CSRA). Rather it is a fractured, balkanized system that makes it difficult to make necessary adjustments to the new reality, as we know all too well: one of us was deeply involved in the passage of the CSRA of 1978, and worked with the current system two decades later as Deputy Secretary. We are in no doubt that the system needs a complete overhaul.

The new administration should reexamine the purposes of the civil service. The traditional image of federal public servants manag-

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25. Donald F. Kettl, Patricia W. Ingraham, Ronald P. Sanders, and Constance Homer, *Civil Service Reform: Building a Government that Works* (Washington, D.C.: Brookings Institution Press, 1996), p. 33.

ing programs with direct public contact is but a small part of the total activity. Government does not operate most of its programs, but rather provides funding for others to do so: today over 96 percent of all government funds are passed on in the form of transfer payments to individuals, contracts with companies for goods or services, grants to state and local governments, and the like. The Department of Defense is no exception. The role of the federal civil service is to ensure that the public work that is to be done is done properly, with the proper organizational arrangement and with appropriate management oversight, whether public or private, federal, state, or local. The measure of merit is whether the management of the program meets the needs of the customer. In the DOD, the “customers” are those who conduct joint military operations.

The DOD has to have a workforce that will be a creative force in changing the character of the Department to meet the new challenges discussed elsewhere in this book. Civil servants must be given the incentives and latitude to act as change agents for the DOD. The Department cannot effectively meet its many new challenges until it has overcome the limitations that keep it from shaping the workforce as necessary to effect organizational change.

In other words, execution consistent with the vision requires that the DOD have direct management responsibility for the workforce. The DOD must specify the goals and objectives necessary to create a civil service that meets its needs. The Commission on Roles and Missions of the Armed Forces identified the attributes of a successful DOD in the future:

- responsiveness to requirements over time, sometimes rapidly;
- reliability in delivering predictable, consistent performance;
- cooperation and trust, the *sine qua non* of unified operations;
- innovation in new weapons organization and operational concepts;
- competition directed toward constructive solutions to complex problems; and

- efficiency in the use of resources.<sup>26</sup>

The private sector's organizational innovations that are applicable to the DOD, discussed by Michael J. Lippitz, Sean O'Keefe, and John P. White in Chapter 7, are also of value in this regard:

- focus on core mission and developing corresponding core competencies;
- focus on delivering customer value;
- incentives based on measured performance; and
- accountability for results.

The goal is not civil service reform for its own sake, but the creation of an overall personnel management system that is adaptive to new requirements, responsive in meeting unforeseen needs, integrated with the other management and decision-making processes, and innovative in solving problems. At the same time the system must continue to uphold its fundamental standards of integrity, loyalty, and professionalism, including merit-system principles, prohibitions on certain practices, and restraints on political activities.<sup>27</sup> The quality of the DOD's civilian workforce is at stake, and that quality is one of the pillars of civilian control of the military.

The implementation of a modern human resources management system that meets the needs of the DOD requires that the Department in general and mission managers in particular have extensive authorities as well as obligations. The system must be integrated with other DOD systems and must also be continually adjustable to meet changing needs. It might be possible to create such a capability within the current civil service system, but all experience indicates the contrary. The reform effort of the late 1970s is instructive. The CSRA failed to effect major changes, especially in encouraging initiative by civil servants. Scholars have made the argument that CSRA failed because it was not comprehensive enough, although it repre-

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26. The Commission on Roles and Missions of the Armed Forces, *Directions for Defense* (Washington, D.C.: U.S. GPO, 1995), p. ES-2.

27. For a discussion of this issue, see the recent study conducted by the National Academy of Public Administration for the Department of the Navy.

sented the broadest and most important set of changes in decades.<sup>28</sup> Recently some experts have called for a major overhaul of the entire system.<sup>29</sup> Such massive reform is highly unlikely, because it is generally seen as having a low priority; it lacks political appeal (it is boring and has a narrow constituency); the congressional committees responsible for it are weak; and it is subject to conflicting interests across the government.

Reform will not be possible without strong leadership from both the executive and legislative branches. There is a compelling case for the new Secretary of Defense and the new House and Senate Armed Services Committees to accept leadership responsibility to bring about a system based in the DOD rather than the Office of Personnel Management, so that DOD has an integrated human resources management system — active and reserve military and civilian — to implement the broader reform agenda. This approach would give civil service reform high priority, because it would be sponsored by one of the new administration's strongest departments; would increase its political appeal, because it would be tied directly to military performance; would shift the legislative responsibility to strong congressional committees; and would allow the reforms to be tailored to real, compelling needs.

We suggest eight criteria for constructing this new DOD-based civil service system. These criteria are consistent with the overarching objectives identified earlier, namely: responsiveness to the larger market environment, upgrading the quality and performance of the DOD's civilian workforce, and allowing management to integrate the personnel system with its other management systems. The new system must:

- be attractive to high-performing, flexible people, both specialists and generalists;
- provide flexibility in careers that allow people to enter the civil service at various levels and more than once in their careers;
- provide civil servants with opportunities for growth and rewarding experiences by providing a system of rotation to build a broad

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28. Patricia Ingraham, *The Promise and Paradox of Civil Service Reform* (Pittsburgh: University of Pittsburgh Press, 1992).

29. Kettl, Ingraham, et al., *Civil Service Reform*.

experience base, including experiences in the private sector and career education programs;

- hold civil servants accountable for their performance by providing tough but fair measurements of that performance;
- provide incentives that encourage that work be done where it is most effectively performed for the Department, whether it be in the public sector or the private sector;
- fully integrate the civil service system with the other management systems and guidelines of the Department, including the Planning Programming, and Budgeting System (PPBS), the Government Performance and Results Act (GPRA), Total Force Planning (i.e., both active and reserve forces), and the Federal Acquisition Regulations;
- provide flexibility in the rules and structure of the civil service system so that it can be adjusted as needed to meet new requirements, while at the same time protecting the public interest and the overall integrity of the system; and
- encourage strong leadership by career officials and political appointees in promoting the effectiveness and fairness of the system.

The structure of the new system can be guided in part by the lessons learned from the success of the All Volunteer Force discussed earlier in this chapter: measurable objectives should be established wherever possible; civil service outcomes should be seen as the product of a system, with attention focused on managing the system; quantitative analysis should be employed broadly and aggressively to understand the relationship between causes and effects; and policymakers should focus on the use of incentives as the main instruments for achieving desired outcomes.

Key elements of the National Security Reform Act of 1986 (the Goldwater-Nichols Act) are also instructive guides to creating a new civil service system. The legislation allocates clear lines of authority and responsibility, for example, between the services and the regional commanders-in-chief; provides extensive annual reporting, particularly by the Secretary of Defense and Chairman of the Joint Chiefs of Staff; and stipulates education and experience requirements for promotion to flag and general officer. In other words, it calls for clear



lines of authority and responsibility, regular reporting, and performance incentives.

Negative lessons should be heeded as well. One example is found in the joint assignment requirement for eligibility for promotion to flag and general officer. While it has markedly improved the quality of joint-duty officers, particularly the staff of the Joint Chiefs of Staff, the list of specific billets that receive credit for being “joint” has not been systematically upgraded, nor has it had its anomalies removed. As a result, the legitimacy of the joint-billet requirement has been eroded over time. The specification of such requirements must have a built-in mechanism for adjusting to change.

#### REFORM PROPOSAL

The reforms proposed would require new legislation. First and foremost, amendments to Title X and Title V of the U.S. Code would be necessary, to transfer the authority for managing the DOD’s civilian workforce from the Office of Personnel Management to the Secretary of Defense. This change would permit the Secretary to establish policies to meet changing DOD requirements, as the Defense Science Board called for in its 1999 report:

The Department of Defense should develop civilian force-shaping tools that are appropriate for the twenty-first century. These tools will build on many ongoing initiatives within the Department and must continuously evolve in response to changing needs to be effective in the long run. Overall, however, for the Secretary to manage the DOD workforce as it should be — as a total, integrated force — and develop needed force-shaping tools, the Department needs to have appropriate management over the entire civilian workforce.<sup>30</sup>

Developing and passing such legislation requires strong leadership from the executive branch and a close working relationship between the Secretary of Defense and the Congress. This working relationship must be on-going, because not every requirement can be anticipated in the initial legislation. The new law should explicitly give the DOD more management latitude to make adjustments over

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30. The Defense Science Board Task Force, *Human Resources Strategy* (Washington, D.C.: U.S. Department of Defense, Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics, February 2000), p. 45.

time for continuous improvement. The *quid pro quo* for such latitude would be specific, visible measures of merit and a regular reporting relationship with the Congress regarding the performance of the system.

The legislation would charge the Secretary with managing the civilian workforce. He or she would be required to establish civilian personnel policy rules and procedures for the entire Department of Defense. An early, necessary step would be a thorough, complete audit of the DOD's human resources needs including military, civil servant, and contractor personnel.

It is surprising but true that today we know very little about the overall performance of the civilian workforce. What we do know is principally anecdotal. "The OPM has not kept careful records (of recruitment and retention problems) since the late 1980s, and other data are fragmentary at best."<sup>31</sup> The lack of good and timely government manpower statistics reflects the ineffectiveness of the current workforce management system. Even rudimentary planning is impossible without basic information.

This review would be a major undertaking and would reveal numerous needs or redundancies that are not apparent today. The challenge will be to make it universal, complete, and objective, avoiding the tendency of manpower "requirements" to become inflated through the bureaucratic process of specification.<sup>32</sup>

The Secretary should be required to present to Congress a comprehensive, objective assessment of the implementation of the reforms at the end of the third and fifth years after enactment. These reports would identify progress made to date, plans and timetables for future progress, key measures of effectiveness, and proposed further changes in policy and law.

The Secretary should also be charged with developing a set of performance measures and related standards that would allow the Department, the Congress, and the public to track progress with respect to the implementation and operation of this new system. These metrics would be used in annual reports from the Secretary, beginning in the fourth year after enactment.

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31. Kettl, Ingraham, et al., *Civil Service Reform*, p. 15.

32. The DOD is completing a new occupational database that should facilitate the review.

The legislation should provide for a permanent independent advisory council, composed of members from the public and private sectors, to monitor the ongoing state of public service in the DOD and to make recommendations for such improvements as they think desirable.<sup>33</sup> The council would be drawn from people with deep experience in the management of large, complex organizations as well as human resources experts and retired civil servants. It should be required to comment on the Secretary's reports to the Congress and to issue its own findings and recommendations, but its principal responsibilities would be assist the DOD, on a regular basis, in its implementation of the legislation.

These general guiding principles of the reform legislation draw upon the lesson learned from the AVF experience, the Goldwater-Nichols legislation, and other proposals made over the years such as those presented by the Volcker Commission in 1989.<sup>34</sup> They emphasize close cooperation with the Congress, broadened authority for the Secretary, regular public reporting, established metrics, managing the system as a system, and continuous improvement. These attributes are important to effecting change, and also to preserving the integrity of a merit-based civil service system.

Other changes are also needed to correct specific deficiencies in the current system, in such areas as hiring flexibility, compensation, performance standards, training, and career flexibility.

#### HIRING FLEXIBILITY

New legislation should include special hiring authority that would allow the Department flexibility in tailoring its job offerings to meet the demands of the marketplace.<sup>35</sup> There is some urgency to this need, because the DOD's civilian workforce is aging. Due to downsizing, "DOD now has about 75 percent fewer employees in the 20–29 year age group than it did in 1989 [and] nearly 50 percent fewer employees in their 30s, while the number in their 50s has remained con-

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33. Report of the National Commission on Public Service (Volcker Commission), *Leadership for America: Rebuilding the Public Service* (1989), p. 95.

34. Volcker Commission, *Leadership for America*.

35. Defense Science Board Task Force, *Human Resources Strategy*.

stant.” Moreover, “The median age of this workforce has risen from 41 in 1989 to 46 in 1999.”<sup>36</sup>

This means that we need to tailor the key characteristics of these positions to the characteristics and needs of the available workforce. This requires an emphasis on flexible pay; portable pensions (both ways); contracts for limited periods of government service; demonstration projects; and easy entry, exit, and re-entry into the civilian government workforce. The civilian labor-market trend toward increasing the use of contingent workers (temporary, part-time, limited term, or contract) tied to specific projects should also be accommodated.

At the entry level, the Department should be encouraged to expand its programs for recruiting and attracting interns into the federal service. At the upper level, Executive Order 12834 should be rescinded so that post-employment restrictions under the law are reduced from five years to one year, in order to increase the attractiveness of government work to senior professional and technical workers.

#### COMPENSATION

The Department should be given the authority and the ability to adjust white-collar compensation by region, skill, and experience to compete with civilian job opportunities, given that civilian pay “differs by occupation and by localities characterized by widely differing living costs and labor market pressures.”<sup>37</sup>

The legislation should allow other forms of compensation flexibility in response to specific needs. The DSB Task Force on Human Resources noted that:

Specific DOD units have undertaken some interesting and effective pilot programs to modernize human resource management, and demonstrations for science and technology personnel are underway at a number of laboratories, for example, to test new initiatives.... Initiatives being tested in the laboratory experiments include pay and staffing initiatives such as broadbanding, pay for performance, accelerated

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36. Defense Science Board Task Force, *Human Resources Strategy*, pp. 37, 28.

37. Volcker Commission, *Leadership for America*, Recommendation No. 11.

hiring, modified term appointments, and probation and reduction-in-force modifications.<sup>38</sup>

The Secretary should have the authority to tailor pilot programs and then to make changes based on the lessons learned.

#### PERFORMANCE STANDARDS

The performance standards that are now used in contracting government goods and services should be adopted for much of the civil service workforce. The new civil service would include an emphasis on management of various organizational forms, because the work would be done within the most efficacious structure, whether public or private. A logical extension of this emphasis is to require similar contractual forms and terms for both public and private activities. Government organizations that provide goods and services should be governed by contracts, just as private firms are. The performance measures should be visible and reportable, in order to improve results and encourage competition through performance comparisons across organizations. Workers' rewards should be tied more effectively to individual and/or group performance measures, which would facilitate comparing the performance of public and private enterprises.

Implementation of such a system will be very difficult, given the traditional reward structure of the civil service and the failure of even the modest changes proposed by the 1978 Civil Service Reform Act. But there is ample experience, successful and otherwise, in the management of such systems in the private sector, state governments, and other nations, including Australia and New Zealand; these lessons should be applied.

#### TRAINING

The Department has done an inadequate job of providing training and educational opportunities for its career civil-service workforce.

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38. "Broadbanding" refers to establishing pay bands within occupational groups that are based on recognized career ladders. Effective broadbanding provides managers with more flexibility for progressive compensation within pay bands, based on personnel performance. It also requires them to be more selective in promotion and salary increases. Defense Science Board Task Force, *Human Resources Strategy*, p. 39.

This limitation stems in part from the practice of tying rank to a position, rather than to the person. This should be changed, and the change should be accompanied by a modified up-or-out system for some portions of the workforce (including the Executive Corps proposed below). It would have to be supported by legislative changes in the grade structure, to accommodate personnel progression, and in the retirement system, to assure fair and timely annuities for those who do not continue to progress.

The Department should also implement the DSB recommendation to develop “a comprehensive professional development and career management program for scientific, management, [and] administrative fields.” A cornerstone of the program should be the planned expansion of the Defense Leadership and Management Program (DLAMP) to develop managers and leaders with broad-based experience for the future.<sup>39</sup> DLAMP should be complemented by increased civilian participation in university academic programs and the DOD’s various professional military education programs. The military schools should be encouraged to expand their curricula to enhance professional capabilities that affect close civil servant–military cooperation. As with the military service programs, the civil service programs should have a competitive aspect with respect to entry, and participants should receive performance evaluations. The programs should be managed systematically to provide a progression of broader and deeper experience as professionals grow in their careers.

#### CAREER FLEXIBILITY

The new system should embody career flexibility in many different forms. It should stress the ability of civil servants to grow in their careers through a rich variety of experiences, including assignments at various positions throughout the DOD. Promotion at the senior levels would require successful experience in various DOD organizations as well as at least one assignment outside the Department, even outside the government.

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39. DLAMP participants must obtain successfully: a rotational assignment of at least twelve months, a senior-level course in professional military education, and a minimum of ten advanced graduate-level college courses.

### A NEW EXECUTIVE CORPS

Our final proposal would be for new legislation to create an Executive Corps comprising senior civil servants (GS-14 and above) and political appointees.<sup>40</sup> The corps would be the principal civilian instrument for changing the DOD: these are the people the Secretary would rely upon to assist him or her in implementing the reform agenda. The Executive Corps would have its own mission and rules, and the emphases for its members would be on integrity, merit, professionalism, continuity, flexibility, and management skills. The major objectives of the corps would be to:

- embody the key attributes of public service;
- provide policy and professional continuity;
- direct policy implementation;
- conduct professional program management and oversight;
- measure and provide feedback on program performance; and
- assure that program execution is done at the right level with the most appropriate institutions, public or private.

The corps would be staffed competitively through internal promotion and lateral entry. Promotion would be based on merit, and pay would be tied to performance. Rotation, professional education, and professional growth would be prerequisites for expanded responsibilities, promotion, and other indicators of success. Failure to progress would result in early retirement. In other words, it would have the general attributes discussed above for the reformed civil service, but with more rigorous entry requirements, higher standards of performance, and broader obligations for innovation, initiative, and responsiveness.

### *Conclusion*

There will continue to be a great deal of change in the world around us, including changes in the threat, U.S. policy objectives, technology, and geopolitical relationships. We must adjust to a new, evolving world and an uncertain future. The other chapters in this book dis-

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40. Kettl, Ingraham, et al., *Civil Service Reform*.

cuss change and adjustments that the Department of Defense and the broader national security community should make. Understandably, there will be institutional resistance to the kinds of changes that we are recommending. The resistance will be hard to overcome because the message — that fundamental, dynamic, institutional change is required — is so difficult to accept. This is particularly true in a successful organization such as the DOD.

However, it is not enough to change organizations and operating procedures. The institutional structure in which people operate must also be changed. That requires rethinking the objectives of both the uniformed military and the civil service human resource systems. Improvements to these systems are a critical foundation for the other reforms discussed in this book. The DOD's people are the vehicles for these changes. They must be prepared to work within institutional arrangements that encourage innovation, initiative, and adaptation. The civil service system, like the military personnel system, needs to be integrated into DOD's decision making processes, in order to implement management decisions effectively. Only if such fundamental changes are made will the U.S. defense structure continue to make the best possible use of its most important asset — its people.