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COMMISSION ON THE NATIONAL
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**STATEMENT OF
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DEPUTY CHIEF OF NAVY PERSONNEL
AND
COMMANDER NAVY PERSONNEL COMMAND
BEFORE THE
COMMISSION ON THE NATIONAL GUARD AND RESERVES
ON
TOTAL FORCE MANAGEMENT
21 JUNE 2007**

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Chairman Punaro, distinguished members of the commission, thank you for the opportunity to speak today about Navy's Total Force.

The one constant in our world today is change. The post-9/11 security environment has extended Navy missions to include both traditional and non-traditional operations. In addition to our core missions we are responding to multifaceted security challenges related to the Global War on Terror (GWOT). We find ourselves working with familiar allies, former adversaries, and an expanding set of global partners.

In the past year, 51,943 active component (AC) officers, 293,818 AC enlisted, 12,740 reserve component (RC) officers, 56,647 RC enlisted, and 174,416 civilians in our Navy helped bring certainty to an uncertain world. Among their many diverse accomplishments, our Navy Total Force has –

- put “boots on the ground” in support of combat operations in Iraq and Afghanistan.
- delivered food and shelter to earthquake victims in Pakistan.
- fought piracy and participated in Theater Security Operations in the Horn of Africa
- provided medical care and comfort to citizens in Indonesia, Malaysia, Bangladesh and the Philippines
- protected the seas and seized illegal drugs in the Caribbean
- provided a formidable deterrent to Iran in the Persian Gulf
- flew combat sorties in Operations Enduring Freedom and Iraqi Freedom
- provided security for oil platforms, and
- conducted civil affairs missions in Afghanistan.

The men and women of Navy's Total Force – active and reserve Sailors, civilian federal employees and contractors – ARE the United States Navy. In 2006, this nation and the world asked much of the United States Navy -- and Navy answered that call. Our challenge today is to sustain core capabilities and readiness while simultaneously building the future Fleet and developing a Navy workforce capable of operating, fighting and leading in a variety of challenging environments. Our goal is to ensure naval power and influence can be applied at or from the sea, across the littorals, and ashore, wherever and whenever required.

Rapidly expanding requirements posed by the Nation's maritime strategy demand a more capable, versatile and diverse Navy workforce, possessing the wide array of knowledge, skills and abilities required to deliver critical warfighting capability to the Joint force.

We recognize that this requires a profound change in the way we do business – that the recruiting, personnel management, training and compensation systems of the past will not deliver the workforce of the future.

Recruiting and retention strategies that were effective during the Cold War, when we had a robust labor market, will not sustain us during this long war when there is a shrinking talent pool and decreased propensity to join the military. Major demographic shifts, reflecting an influx of new immigrants and growth in minority populations, will require that we focus on the talent resident in the diversity of our population and how we gain access to that talent. To the degree that we represent our nation, we are a far stronger, more relevant Navy Total Force.

A stronger economy, with low unemployment and positive economic growth, means there will be greatly increased competition for the best talent in our nation. Recruiting the Total Force will become even more challenging with slower overall population growth and an aging workforce.

The dynamics of retention have shifted from long-term commitments to a new generation, most of whom expect to change employers, jobs and careers several times in their working life, and are clearly motivated differently than previous generations. They have more choices than ever before, and are more technologically savvy. They expect innovative and flexible compensation policies, a commitment to continuing education and professional development opportunities.

Our Basic Pay Table that was first conceived in 1922 and an officer personnel management system codified in the late 1970's. Our current military retirement compensation principles were essentially established in 1870 based upon a voluntary retirement of officers at 30 years of service and fixed retirement pay at 75 percent of the officer's base pay. Perhaps it is time to re-examine existing compensation policies with an eye towards establishing a construct that is competitive, fair, flexible, and sufficiently responsive to an ever-changing operational and market-based environment.

As we build the Navy of the future and prepare our people to answer the challenges of our dynamic, dangerous world, we must continue to improve our Total Force readiness, stabilize our workforce, and develop policies that bring forth the promise of our people, ensuring full development of their personal and professional capabilities.

NAVY TOTAL FORCE READINESS

We are a maritime nation. Throughout American history, naval forces have played a key role in fighting wars, defending freedom of the seas, and providing a formidable deterrent to aggression. Our Navy is the world's preeminent sea power. We are always ready and able - anytime, anywhere.

America's all-volunteer force (AVF) has been an overwhelming success. This force has proven to be successful not only during peacetime, but also during sustained periods of conflict. Our Navy Total Force serves because they want to serve. Young Americans are choosing military service, even during these trying and uncertain times. We are attracting better educated and more highly-skilled recruits far more representative of the diversity of our great nation than at the end of the Vietnam-era draft. And, the Sailors we need are "staying Navy."

If 2006, Navy achieved 104 percent of our AC enlisted retention goal and 99 percent of AC officer end strength goal. We also met 100 percent of our AC enlisted recruiting goal, 88 percent of our AC officer accession goal, 87 percent of our RC enlisted recruiting goal and 56 percent of our RC officer accession goal. For the first eight months of FY07, we have achieved 100 percent of our year to date AC enlisted recruiting goal, 73 percent of our annual officer accession goal, 94 percent of our year to date RC enlisted recruiting goal, and 30 percent of our annual officer accession goal.

A significant factor in missing RC recruiting goal is that skill sets of Sailors leaving the Active Component (AC) do not always match Navy Reserve prior-service accession requirements. This is clearly evident in the limited number of AC personnel transitioning to RC career fields most needed in support of GWOT. Navy is analyzing the dynamics of RC recruiting and has implemented several initiatives to improve our performance in this area. We have:

- established a Fleet-to-NOSC (Navy Operational Support Center) program that streamlines the process for enlisting into the RC Sailors separating from the AC.
- added flexibility in New Accession Training (NAT) and Prior Service mission to meet critical skill requirements and accelerate RC personnel through the training pipeline.
- implemented a pilot to retrain prior AC Sailors in skill sets required for RC GWOT support.
- revitalized the direct procurement enlistment program to take advantage of acquired civilian skills, which offers entry into the RC at advanced pay grade commensurate with experience.
- expanded incentives for both officer and enlisted programs.
- increased the number of officer recruiters by 22 personnel.
- Increased recruiting advertising resourcing.

Based on current projections, we are cautiously optimistic that these initiatives will contribute to achieving RC enlisted recruiting goal this year; however, we do not anticipate meeting the RC officer recruiting goal.

DoD uses attrition rates, rather than reenlistment/continuation rates, for reserve components because only a small portion of the reserve population is eligible for reenlistment/continuation during a given year (since they have the option of finishing contract in the IRR). Accordingly, in 2000, DoD established a requirement for RC annual attrition targets to represent the maximum number of losses deemed acceptable in a given fiscal year. Attrition is computed by dividing total losses for a fiscal year by average personnel strength for that year. Navy Reserve attrition rates (loss from pay status) have decreased by more than 2% for enlisted personnel and nearly 5% for officers compared to the historical average. The latest attrition rates (calculated as a 12-month rolling average) reflect an improving trend and Navy Reserve is expected to meet planned attrition levels for FY07. The most recent attrition data is below:

Attrition (loss from pay as of 1 May 07)

	Historical	Goal	Achieved
Enlisted	30.4%	22.0%	27.4%
Officer	19.2%	15.7%	14.4%

Navy has initiated a number of measures to further reduce attrition. We have:

- implemented reenlistment bonuses for up to six years of obligated service.
- expanded use of reenlistment bonuses by permitting SELRES, approved for a change of rating into a more critical skill set, to reenlist early with a bonus.
- Added an RC module to the ARGUS Survey to measure retention signals at career milestones.

- Implemented a Recruiting Enlisted Selective Conversion Reenlistment – Reserves (RESCORE – R) bonus which offers greater incentive for Navy and Other Service veterans (NAVET/OSVET) to convert and affiliate in undermanned ratings.
- Initiated an upgrade to the Navy Standard Integrated Personnel System (NSIPS) to capture specific loss data, such as, reasons for transferring to IRR).

Active-Reserve Force Integration

Navy continues to make significant strides in achieving a true Total Force through Active-Reserve Integration. ARI aligns active and reserve component units to achieve unity of command. It leverages both budgetary and administrative efficiencies, and ensures that the full weight of the Navy resources and capabilities are under the authority of a single commander.

Strength planners and community managers, both active and reserve, are being collocated and are implementing the same business rules and models to manage our Navy's manpower from a Total Force perspective. Active and Reserve Regions have been aligned under the five CONUS Navy Region Commanders and Naval District Washington, to improve communications and provide mutual support, optimizing our resources and making them more accessible across the Navy.

Navy Reserve Centers have been redesignated as Navy Operational Support Centers (NOSCs). Their mission is to meet the requirements of the Fleet and Combatant Commanders by providing integrated operational support to supported Navy and Joint commands world-wide.

Global War on Terror-Centric Communities

While we met individual recruiting and retention goals for most ratings and designators in the active and reserve components, our engagement in the long war has increased operational tempo (OPTEMPO) and clearly stressed the readiness of GWOT-centric communities. These communities include: Naval Construction Force (SEABEES), Naval Special Warfare (NSW) and Naval Special Operations (NSO) (SEALs, EOD, SWCC), and our Health Professionals. We have been, and continue to be, concerned about the long-term strength and health of these communities. We have identified programs to help address the challenges, and we are optimistic about meeting future commitments.

Naval Construction Force

Our SEABEE force is in very high demand and continues to be under considerable stress due to the increased number and length of operational commitments. Despite this challenge, the Naval Construction Force (NCF) sets the example in volunteerism, as evidenced by higher-than-planned reenlistment and retention rates, and high volunteer rates for multiple OIF/OEF tours. On average, 18 percent of the NCF RC forces going into OIF/OEF have volunteered for a second or third mobilization to theater. The latest approved RC SEABEE rotation into OIF had a 39 percent volunteer rate for a second or greater deployment.

Navy deployed 8 active and 12 reserve Naval Mobile Construction Battalions (NMCB), with their associated regiments (2 active and 4 reserve). To meet GWOT requirements, there are two NMCBs in OIF, one in OEF, one in PACOM, and one with a nominal presence in EUCOM. This is a Total Force deployment of both active duty and reserve NMCB's.

We have identified the need to expand the number of battalions and enhance our reserve mobilization plans. As a result, for 2007, Navy added a ninth AC NMCB. We are also pursuing a detailed, phased remobilization plan for use by the RC NMCB in FY09. We believe this integrated deployment plan for the NCF is sustainable through FY14.

Naval Special Warfare and Special Operations

Our NSW and NSO communities not only face the pressures of high OPTEMPO, but their unique skill sets are critical in the Global War on Terror. These communities, particularly the SEAL community, have been directed to expand their capabilities and force structure. The high caliber recruit required by these communities creates significant challenges to meet the demand signal without sacrificing our extremely high quality standards. The health of the NSW/NSO communities is critical to Navy's success in the GWOT, thereby requiring us to place special emphasis on recruiting and retaining these highly specialized warriors.

In 2006, NSW/NSO attained just 55 percent of a QDR based increased goal (37% Explosive Ordnance Disposal (EOD), 59% SEAL, 65% percent Special Warfare Combat Crewman (SWCC) and 46 percent Diver.) Consequently, Navy conducted a top down review of business practices for recruiting among special communities. Overseen by both the Chief of Naval Personnel and the senior SEAL flag officer in the Navy, scores of changes were made in FY06 to improve results. As a result, Navy has significantly improved both the quantity and quality of NSW/NSO candidates in FY07. Thus far in FY07, Navy has achieved 105% of the SEAL enlisted accession requirement, 100% of female and 53% of EOD goal, 64% of SWCC goal and 62% of the Navy Diver goal.

Some of the measures taken to improve recruiting in the NSW/NSO communities are: Navy doubled the size of the recruiting force whose primary mission is NSW/NSO accession. We increased Enlistment Bonuses for each of the communities: \$40K (SEAL), \$25K (SWCC), \$40K (EOD), and \$35K (Diver). SEAL Motivators have been assigned for all 26 Navy Recruiting Districts (NRD) to test and mentor potential NSW/NSO applicants. Each NRD designated a military member to assist SEAL Motivators in supporting applicants.

In 2007, we have taken additional steps to enhance NSW/NSO recruiting efforts. Six selected NRDs have designated one recruiter per zone for NSW/NSO leads identification. This designation realigns 52 recruiters from other recruiting efforts. We are also piloting a NSW/NSO recruit division at Recruit Training Command to increase camaraderie, improve RTC Physical Screening Test (PST) pass rate, and reduce program attrition.

A SEAL Working Group (SWG) has been established to address current and future SEAL readiness. The SWG, headed by Navy's senior SEAL officer and CNP, has streamlined the approval process to initiate timely changes required in these vital communities. We believe that

lessons from this effort will apply to other Navy communities. The unique skill sets in the NSW/NSO communities demand intensive training of exceptionally bright, physically fit and mentally tough individuals. We make a significant investment in training these operators and must utilize every available incentive tool to retain them and capitalize on that investment.

As of December 2006, we had retained 79% of EOD, SEAL, SWCC, and Diver Sailors in Zone A (17 months to 6 years of service), 82% in Zone B (6 to 10 years of service) and 89% in Zone C (10 to 14 years of service). With increases in some retention incentives, we have seen some improvement in these numbers for 2007, (SEAL Zone A - 94%, Zone B - 89% and Zone C - 89%). While these numbers are above Navy averages, the significant increased demand for NSW/NSO skills sets require continued attention to these communities.

Health Professionals

We continue to miss end strength targets for our health professional communities resulting in shortages in critical wartime medical subspecialties. Generally, medical professionals do not consider the military for employment. Civilian medical professional salaries are still more lucrative than military pay and continue to outpace the offer of financial incentives (bonuses and loans) to our target market. Excessive education debt load is a major concern for medical professionals who turn to low-interest education loans, outside the military. Other challenges include concerns over excessive deployments/mobilization, especially in meeting RC goals, and fear over the potential loss of private practices.

In FY06, Navy achieved 75 percent of AC medical specialty mission, a 17 percent improvement over FY05. We anticipate further improvement to 78 percent, in FY07. In FY06, we achieved 45 percent of RC medical specialty mission, which represented a 27 percent decline from the previous year, and we project attaining 45 percent again in FY07.

In FY06, we achieved 70 percent of AC Medical Corps (MC) accession goal, 75 percent of Dental Corps (DC) goal, 83 percent of Medical Services Corps (MSC) goal, and 92 percent of Nurse Corps (NC) goal. For FY07 we anticipate attaining 62 percent MC, 74 percent DC, 96 percent MSC and 100 percent of NC goals. The Health Professions Scholarship Program (HPSP), the student pipeline for the majority of Navy physicians and dentists, continues to present challenges. In FY06, we attained just 66 percent of MC HPSP and 76 percent of DC HPSP goals. Our projections suggest that both will decline in FY07, with MC HPSP attaining just 60 percent and DC HPSP attaining 67 percent of goal. To address this persistent shortfall, the FY08 Defense Authorization Request included, and I am pleased to note that both the House and Senate have adopted, a provision to authorize an accession bonus of up to \$20 thousand to offer to potential HPSP applicants. Once enacted and implemented, we will carefully monitor the impact of this incentive to determine whether further enhancements are necessary to consistently meet our HPSP objectives.

In FY06, we met 24 percent of RC MC accession goal, 46 percent of DC goal, 29 percent of MSC goal, and 85 percent of NC goal. While we are projecting improvement in FY07 in both the MC (33 percent) and MSC (30 percent), we anticipate a decline in both DC (29 percent) and NC (76 percent) goal attainment.

We are much more optimistic with our recruiting efforts of Hospital Corpsman (HM). We met 99 percent of AC enlisted HM recruiting goal and 94 percent of RC enlisted HM recruiting goal. From January 2006 to January 2007, we retained 52 percent of HM Sailors in Zone A, 55 percent in Zone B, and 84 percent in Zone C. HM is slightly below overall Navy retention rates for Zone B but is increasing. The other two HM Zones are either at or exceed overall Navy retention rates and exceed goal.

This past year, Navy implemented numerous incentives for health professionals, including tuition assistance, bonuses, financial aid incentives, and loan repayment programs. Our Medical, Dental, and MSC (Optometry) Health Professional Scholarship Program (HPSP) provides full tuition, books and a monthly stipend to students. Navy's Financial Assistance Program (FAP) provides medical/dental residents a monthly stipend and an annual grant.

Five year AC retention rates stand at 75 percent for MC, 51 percent for DC, 83 percent for MSC, and 65 percent for NC. Retention beyond the first career decision point is a significant challenge for the Dental Corps. More than 70 percent of Dental Officers leave the Navy at this point. Navy has funded, and is about to implement, a Critical Skills Retention Bonus (CSRB) for General Dental Officers with three to eight years of service. This two-year \$40K bonus is expected to address this challenge. With enhancements included in the FY07 National Defense Authorization Act (NDAA), we are contemplating implementation of future Dental Corps Accession Bonus increases. The FY06 NDAA authorized oral surgeons a \$25K per year Incentive Special Pay (ISP), which 69 out of 70 eligible Oral Surgeons accepted in August 2006. For RC, oral surgeons have been and will remain eligible for an up to \$50K Loan Repayment Program (LRP), a Critical Wartime Specialty (CWS) special pay of \$20K per year for up to 3 years and a stipend during residency of \$1319 per month. Navy is currently contemplating a recommendation to authorize a \$60,000 four-year Critical Skills Retention Bonus (CSRB) to abate a shortage of Clinical Psychologists within our mental health system. RC Clinical Psychologists have been added to the CWS eligibility list for FY08 and will receive the above benefits for affiliation.

Navy currently provides bonuses for the Nurse Corps Direct Accession (DA) Program at \$15K for a three-year obligation, and \$25K for a four-year obligation. Navy has combined the three-year accession bonus with the Health Professional Loan Repayment Program (HPLRP), which offers \$32K for a two-year commitment, creating an extremely successful incentive package. Combined with a three-year accession bonus, the officer incurs a combined active duty obligation of five years. We anticipate that Nurse Corps will meet its direct accession goal for the first time in four years. We provide a \$30K - \$60K sign-on bonus and/or affiliation bonus for specific medical/dental specialties. For RC, certain NC subspecialties have been and will remain eligible for an up to \$50K Loan Repayment Program (LRP), a Critical Wartime Specialty (CWS) special pay of \$10K per year for up to 3 years and a stipend during residency of \$1319 per month.

Incentive enhancements enacted in the FY07 NDAA, coupled with an increase of over \$21M in medical special and incentive pays between FY06 and FY07 are expected to contribute in a significant way to attainment of medical recruiting and retention goals.

Language, Regional Expertise and Culture

Because the GWOT is truly global and stretches far beyond Iraq and Afghanistan, Navy continues to focus significant effort on transforming and enhancing our expertise in foreign language, regional expertise and cultural awareness.

Navy implemented a Language, Regional Expertise and Culture (LREC) strategy that galvanizes and aligns related efforts across the Navy Total Force. We surveyed existing language proficiency within the workforce, increased bonuses for language competencies, initiated a focused effort in heritage recruiting, established a new Foreign Area Officer (FAO) community, and implemented training and education programs in regional issues.

Navy conducted a foreign language census of the workforce, which yielded over 138,000 assessments of proficiency in over 250 different languages, many in GWOT-related dialects and many at the native-level skill. To systematically capture foreign language proficiency in the future, Navy began mandatory foreign language screening at military accession points.

Navy has tripled foreign language bonus rates (up to \$1,000 per month for more than one language) and extended eligibility for the Foreign Language Proficiency Bonus (FLPB) beyond Navy career linguists (e.g., cryptologists and FAOs) to include any Sailor, AC or RC, with fluency in critical languages. Since June 2006, Navy FLPB applications have grown almost 200 percent, with approximately 3,000 payments made each month, and increasing at a rate of roughly 200 per month.

A forward leaning FAO community was established within the Restricted Line, accessing an initial cadre of 74 FAOs. We plan to access 50 officers a year with a goal of maturing the FAO community to 400 officers by 2015. We are currently exploring development of an RC FAO program and are in the early stages of defining the RC FAO requirement. We will realign and redistribute existing PEP billets, as feasible, to accommodate new and changing international relationships with existing and emerging partners.

Individual Augmentation

Many communities of our Navy Total Force, beside the GWOT-centric communities, are supporting the GWOT. As of this month, we have deployed or mobilized 51,429 Sailors (13,519 AC and 37,910 RC) as Individual Augmentees (IAs) since the beginning of Operation Enduring Freedom. Almost 75 percent of IAs are employed using their core Navy competencies such as, electronic warfare, airlift support, cargo handling, maritime security, medical support, explosives engineering, construction.

Under the umbrella of Task Force Individual Augmentation (TFIA), a collaborative effort involving Fleet and major headquarters commanders, we have made significant progress improving notification, processing, deployment support, and recognition of duty for IAs. We increased average notification time from less than 30 days to over 60 days. Navy leveraged Active/Reserve Integration (ARI) efforts by processing all active duty Sailors on IA tours through one of four Navy Mobilization Processing Sites (NMPS). We established an

Expeditionary Combat Readiness Center within the Naval Expeditionary Combat Command to serve as a primary interface with IAs and their families. Navy is ensuring Sailors serving on IA remain competitive for advancement by providing specialty credit for IA tours, points toward advancement, and flexibility in exam taking.

We will continue efforts to enhance predictability and stability for IAs and their families. Our goal is to do everything we can to enable them to plan - professionally and personally - for these tours. Navy will give priority for follow-on assignments, preclude back-to-back deployments and increase geographic stability. We are developing options for shifting the sourcing of all joint warfighting requirements into mainstream detailing processes, providing transparency, and ensuring longer “lead times” to improve Sailor readiness and family preparedness.

Sailor Readiness and Family Preparedness

Sustaining combat readiness – Fleet readiness – now and in the future, starts with our Sailors and their families. We remain committed to ensuring that Sailors are physically, mentally and professionally prepared to fulfill their missions, and that their families are prepared for the challenges associated with lengthy separations. As members of the Navy community, our family members are entitled to quality programs and resources to support them and meet their needs while their loved ones are deployed.

Navy continues our emphasis on Sailor readiness and family preparedness through targeted efforts in fitness, education and professional development, financial management training, support to disabled and injured Sailors, and child and youth programs.

Fitness

Navy established new fitness standards, training and support. Improved remedial programs assist Sailors in meeting new physical fitness assessment standards. We introduced state of the art fitness equipment and support services to all Navy afloat commands, as well as sites ashore in the 5th Fleet Area of Responsibility. In the future, all Navy Fitness Centers will establish programs and services to increase physical activity and nutrition awareness for our Total Force.

Education and Professional Development

The Advanced Education Voucher (AEV) program was implemented to provide off-duty educational opportunities and financial assistance to senior enlisted personnel (E7-E9) on active duty, to include RC - Full Time Support personnel, in pursuit of Navy-relevant post-secondary degrees. We increased the number of semester credit hours of advanced education available through the Tuition Assistance (TA) program, and continue paying up to \$250 per semester hour.

Financial Management Training

With the help of Congressionally-supported regulation, we are protecting Sailors and their families from predatory lending practices through an aggressive plan to improve financial literacy. Our personal financial management career life-cycle training continuum was revamped.

Accredited financial counselors are now positioned at all Fleet and Family Support Centers. A series of communications and advocacy campaigns will heighten awareness of predatory lending at all levels of leadership. Senior Navy leadership will continually monitor trends and partner with key financial organizations to improve the financial literacy of Sailors and their families. We will work closely with the other Services, OSD staff, FDIC, FTC, and other regulatory agencies to develop and implement regulations for predatory lending restrictions enacted in the John Warner National Defense Authorization Act for Fiscal Year 2007.

Support to Injured Sailors

Through our SAFE HARBOR Program, Navy provided severely injured Sailors timely access to available resources and support. We offered pre/post separation case management and deployment health assessments. Navy coordinated benefits with the Departments of Veterans Affairs and Labor, and other service providers. The Task Force Navy Family Functional Plan, based on lessons learned from the aftermath of hurricanes Katrina and Rita, enhances our response capabilities for future catastrophic events.

Child and Youth Programs

We are offering quality child and youth care programs to Navy families, which meet or exceed the national accreditation standards, and satisfy 69 percent of the potential need for child and youth program spaces. Given the additional spaces achieved by Congressional-sponsored Military Construction (MILCON) projects and other OSD sponsored facilities, the Navy will achieve 71 percent of the potential need for child and youth program spaces in 2007. The positive impact of these programs is reflected in the stabilization of Navy's divorce rates, declining rates of alcohol and drug abuse, as well as a lowering of the number of substantiated cases of spouse or child abuse.

SIZING, SHAPING AND STABILIZING THE NAVY TOTAL FORCE

For several years, our focus was on sizing the force – ensuring we had the right number of billets, and *filling* every billet with a Sailor. Today, we are focusing on shaping and stabilizing the force – ensuring we have the right *fit* between the knowledge, skills and abilities required by a billet and those possessed by the Sailor filling that billet, and ensuring we can easily adjust either based on changes in warfighting requirements.

The goal of sizing the force is to determine the right *number of billets* required to meet current and future warfighting requirements. The goal of shaping the force is to ensure we have the right *type of individual* available in our workforce to fill those billets. The goal of stabilizing the force is to have a personnel management system that can proactively respond to changes in warfighting requirements.

Sizing the Total Force

After the initial post-9/11 workforce surge, Navy started reducing end-strength in a controlled manner commensurate with reductions in force structure and our infrastructure. We were reducing manpower in conjunction with a decrease in the number of ships and aircraft. We were focused on reducing the number of people in each component of the Total Force.

In 2006, Navy shifted from this platform-based manpower determination approach to capability-based personnel management. Based on extensive analysis of the current and future warfighting needs, we forecasted that the AC manpower required to provide the necessary capabilities is approximately 322,000 for a force structure of 313 ships and approximately 3,800 aircraft. As a result, we are now “exiting the glide slope”; that is, we are planning to stabilize the Navy AC workforce around 322,000 by FY13.

Our analysis also allowed us to evaluate the quality of *fit* between the work that needed to be done and the skill sets of the Sailors assigned to do that work. In some cases, we identified work currently performed by Sailors that could be done more efficiently by employing new technologies, decommissioning manpower-intensive platforms, improving training or work processes, or altering the mix of military, civilian and contractor resources.

As we move toward an AC workforce of approximately 322,000 in FY13, we will decrease AC strength by approximately 14 percent between 2003 and 2008. During that same period, we will have decreased the size of the SELRES by 23 percent, from 87,800 in 2003, to 67,800 in 2008. It is extremely important to note, however, that during this reduction, the overall cost of our manpower will rise by almost seven percent. Not only will accessing and retaining our Sailors be generally more expensive, but, as skill requirements increase, the cost to train, educate and retain them will increase, as well. It is imperative that our force be effective and cost-efficient as we “exit the glide slope.” We can not afford – operationally or fiscally – anything less.

Shaping the Total Force

In order to shape an appropriately skilled AC workforce sized at 322,000 and a RC workforce of 67,800 SELRES personnel, Navy must utilize all force-shaping tools at our disposal. We must also look for new strategies such as DOPMA grade-relief and innovative compensation programs. We need to apply both small adjustments and major course corrections in order to shape our force into a smaller, more effective and cost-efficient Total Force.

Rating Merger

Navy reviewed its ratings (i.e., job specialties) to ensure we provide the Fleet with the right skill mix and reduce redundancies. Since 2003, the total number of enlisted ratings has been reduced from 81 to 77. Twelve ratings were disestablished through mergers that better reflect Sailors’ skill sets and duties performed. Eight ratings were established to align ratings to changing technology and emerging skill sets.

Rating Conversion

Perform to Serve (PTS) is a rating conversion program that permits Sailors in overmanned ratings to switch to other ratings that are undermanned. The goal is to align our Navy personnel inventory and skill sets through a centrally managed reenlistment program, and to instill competition in the retention process. Since inception four years ago, more than 6,400 Sailors have been guided to undermanned ratings, and more than 98,800 have been approved for in-rate reenlistment.

MIL-CIV Conversion

Conversion of military billets, not focused on inherently military work, to civilian billets enhances our ability to align military personnel to warfighting functions. This year, we will target non-warfighting functions previously staffed and performed by military personnel, for conversion. We will transfer some commissioned U.S. vessels to Military Sealift Command (civilian mariners). Our focus will be on mil-civ conversions for medical and legal services, aviation support and maintenance, training support, and headquarters administrative functions.

Law and Regulation

DOPMA and the Goldwater/Nichols Act, both conceived and enacted in the Cold-war era, make it difficult to efficiently align our personnel to current and projected force structure requirements. Navy has become a far more joint and senior force, reduced in size, but with increased warfighting capability. As Navy end strength stabilizes, the need for more senior and experienced officers will continue to increase. Navy is currently operating at, or very near, statutory control-grade limits across the board and, consequently, is suppressing billet grades through the programming and budgeting process in order to comply with DOPMA constraints. In FY08, Navy is seeking relief from current control-grade limits to enable us to properly man our billet structure while providing a reasonable amount of flexibility to respond to continually emerging external control grade requirements.

Incentives

The Assignment Incentive Pay (AIP) continues to be an effective market-based incentive to elicit volunteers for difficult-to-fill jobs in critical, but less desirable locations. Navy recoded approximately 8,800 billets from a non-monetary incentive (overseas shore duty with sea duty credit) to a normal shore tour with a monetary incentive.

Sea Duty Incentive Pay (SDIP) will soon be implemented as a pilot program to incentivize enlisted Sailors in sea-intensive ratings to volunteer for longer sea duty. Sailors will either extend their current sea assignments, or curtail their shore assignments to return to sea duty. SDIP is aimed at increasing assignment flexibility in support of Navy's move toward a more sea-centric force.

Retention Shaping Tools

Selective Reenlistment Bonus (SRB), our primary retention tool, allows us to optimize the Navy workforce by targeting personnel with precise, in-demand skills and experience to reenlist. Navy's maximum SRB payment is currently set at \$75,000, allowing sufficient flexibility to increase the bonus ceiling as retention needs dictate over the next several years. This cap increase has been extremely valuable in retaining experienced nuclear-trained personnel and SEALs.

Stabilizing the Total Force

In the past year we have seen remarkable developments in the global security environment. It is clear that the security challenges of this century will be multifaceted and wide-ranging. If we are to respond to this rapidly-changing environment, we must have a capability-based personnel management system that is proactive, agile and cost-efficient. Such a system will allow a stabilized force that can rapidly adjust to new requirements. A key to establishing this system is a single, centralized analytical construct that is Navy-wide and balances warfighting requirements, personnel and costs.

In 2006, the Navy's Manpower, Personnel, Training and Education (MPT&E) Domain became the Single Manpower Resource Sponsor. The OPNAV N1 organization became the single point of responsibility for oversight of resourcing and manning all Navy, active and reserve, end strength. This consolidation of planning, programming, budgeting and execution authority places all Navy billets and positions into a single analytical framework. Having centralized authority and accountability enables Navy leadership to look across the entire Service to identify and prioritize the work to be performed in delivering warfighting capability. Our analytical framework links people to work, work to platforms, and platforms to capabilities resulting in far better ability to fit our people directly to warfighting capability.

In 2007, as the Single Manpower Resource Sponsor, OPNAV N1 has assumed a more robust assessment responsibility through close liaison with Resource Sponsors, Appropriation Sponsors and the warfighting Enterprises through all phases of the Planning, Programming, Budgeting and Execution System (PPBES) process. We are expanding our focus beyond military personnel to include the Navy's civilian workforce as well.

The transition from *FILL* – a Sailor in every billet - to *FIT* – the right person (military, civilian or contractor) in the right position - is just the beginning. Navy has developed strategies and action plans to enable sustainment of the changes we have made to-date, and carry us through to match the rapidly changing demands sure to come.

STRATEGIES FOR THE FUTURE NAVY WORKFORCE

Sometimes we still think of the 21st century as the future. It is not. It is today. Sailors, Navy civilians and contractors who will respond to uncertain future missions are entering the workforce and Navy today. What we do today – the decisions we make – will dictate our situation tomorrow, and determine what we are capable of in the future.

To inform, guide and ensure these decisions enable us to sustain the ready, stable Navy workforce we need in the future, we have defined a number of strategies and action plans to transform the Navy Total Force. These strategies address: the long term vision of Navy MPT&E; leveraging the diversity of our Total Force; integrating education and training across Navy; better preparing and positioning the Navy to support Joint missions, and further integrating our active and reserve military force.

Strategy for Our People

To sustain a stable Total Force, we must transform into a capability-driven, competency-based, diverse, Total Force that is agile, effective and cost-efficient.

In 2006, we developed the MPT&E Strategic Vision. This vision sets the course along which Navy's Total Force management will evolve over the next 10 years. It describes our environment of uncertainty and changing operations, a more competitive marketplace and rising fiscal constraints. It defines six strategic goals that, when achieved, will enable us to be responsive and effective in the future.



Our six strategic goals for 2016 are:

- *An Effective Total Force.* Workforce components – active and reserve Sailors, federal civil employees, and contractors – will be viewed as one, integrated team that supports required warfighting capability.
- *Capability-driven.* Navy workforce requirements will be based on current and future joint warfighting needs as dictated by the national defense strategy.
- *Competency-based.* Navy work and workforce will be defined, described and managed by the knowledge, skills, and abilities that enable performance required for mission accomplishment.

- *Competitive in the marketplace.* We will continuously revise and update our policies and practices to deliver necessary and comprehensive pay and compensation structures such as life-long learning, career choice and improved family support.
- *Diverse.* We will have a culture of inclusion that encourages and enables all Sailors and civilians to reach their full professional and personal potential.
- *Agile and cost effective.* We will deliver additional capability from a smaller, yet increasingly talented, educated and integrated workforce.

In 2007, we intend to define specific approaches and action plans to achieve our six strategic goals. We will develop roadmaps that define the specific tasks and activities that must be undertaken to ensure we are making decisions that move us forward toward our vision. These roadmaps will include precise objectives that enable measurement and accountability.

Diversity Campaign Plan

Diversity is a strategic imperative for our Navy. Our diversity program leverages the different characteristics and attributes of individual Sailors and civilians. It enhances the contribution of our diverse force to mission readiness.

We defined the Navy's Diversity Campaign Plan. This plan consists of three Phases: Phase I – Assessment; Phase II – Decisive Action, and Phase III – Sustainment and Accountability. Phases I and II are complete. We are now in Phase III.

The goals of this plan are to (1) institutionalize a culture that values and fully leverages the unique attributes of the Navy's workforce, (2) attract and retain the best talent of our nation, and (3) provide opportunity for all to succeed and advance.

In Phase I, we took a fix – to get a Navy-wide snapshot of where we are in diversity, specifically looking at how recruiting, retention, and promotion practices have resulted in current demographics. As a result, five focus areas were identified for further analysis and action: Accountability; Outreach; Mentoring; Training, and Communication. Our focus was on operationalizing diversity as a frontline issue by involving all Navy leadership in the effort. We attempted to understand why we have diversity shortfalls in some communities, ratings and occupations, and how we can best improve and sustain representation in those areas.

During Phase II, we performed root cause analysis and implemented decisive corrective actions to institute enduring change. We identified diverse affinity groups and other organizations that Navy would engage or increase engagement with to institute an outreach regimen and build a sustained engagement strategy. A mentoring program was conceived that is formalized but voluntary for mentors and protégées and incorporates one-on-one group and peer-to-peer mentoring. An overarching communication strategy was prepared to deliver a coherent and consistent message to the force.

In Phase III, we are committed to sustainment and accountability. Our focus is on continuing and enduring actions which are critical to our long term success. Navy will communicate a coordinated and consistent strategic diversity message. There will be CNO

Enterprise/Community accountability reviews, which will improve outreach – moving from episodic to sustained engagement. We will launch a service-wide mentoring program, and ingrain diversity throughout the learning continuum, empowering our leadership Navy-wide to reinforce the strategic imperative of diversity in today's Navy.

Navy Education Strategy

Developing a Total Force that is ready at anytime, to go anywhere, starts with education. Education provides the foundation for development and enhancement of the critical thinking skills necessary to confront uncertainty, and adapt and respond quickly and decisively. Education is a strategic investment for Navy's Total Force. It provides preparation for enduring missions that are well-known, plus yet-to-emerge missions we know are certain to come.

In 2006, the Navy conducted a study that sought to establish a requirements and career progression framework and lay the groundwork for an education strategy within that framework. The study included intensive discussions with Navy leaders, unintended consequence analysis of prospective education initiatives, and a literature review and exploratory data analysis.

In 2007, the Navy will conduct a follow-on study that includes extensive data gathering, model building, and data analysis. The goal is to develop a comprehensive Navy Education Strategy that: supports the Navy Total Force, enhances warfighting proficiency; strengthens joint, multi-national and interagency operations; addresses enduring, emergent and future requirements, and exploits learning strategies and best practices.

Path to Jointness

The Navy is committed to developing Joint leaders – both in the officer and senior enlisted communities. We are pursuing a “Path to Jointness” that will improve how we plan, prepare and assign Navy leadership talent to Joint positions in a way that maximizes the Navy's contribution to Joint, interagency, and multi-national coalition partners.

In 2006, we made significant progress on the policy initiatives linking career progression and assignment with the Chairman's Vision. We defined the professional military education (PME) requirements for the ranks of E-1 through O-8 across the entire active and reserve military forces. Navy has revised the process to select and assign officers who have clearly demonstrated the potential to assume positions of strategic and operational leadership of staff responsibilities as appropriate to their grade in Navy, Joint, interagency and multi-national billets. The Navy now requires completion of Intermediate PME, including JMPE Phase I for selection to URL O-5 Command by FY09 screen boards (which are actually held in FY08).

In 2007, we intend to continue our efforts on the “Path to Jointness” by expanding our efforts to the Total Force, and monitoring our policy and process changes to ensure compliance and effectiveness. We will expand our efforts by providing the appropriate PME to the entire active and reserve Total Force, and ensuring graduates are tracked and assigned to billets that exploit their education and accelerate their development as Joint leaders. Our effectiveness will be tracked by the number and percentage of PME graduates assigned to career milestone billets.

We have set a requirement for 100 percent fill of Navy resident student billets at all Joint, Service, and foreign war colleges.

Further Total Force Joint achievements have been made possible through statutory changes provided by NDAA 2007. Development of the Joint Qualification System (JQS), an experience based system, provides a Total Force path for attaining Joint qualification through traditional Joint duty assignment or by accumulating an equivalent level of experience, education, and training over the course of a career.

A significant aspect of the JQS is that it expands joint experience beyond the traditional Joint Duty Assignment List and is open to reserve officers. This expansion now makes it possible for both active and reserve officers to capture Joint experience, education, and training outside traditional joint duty assignment positions. We are actively engaged with the Chairman's staff to continue expansion of traditional and non-traditional Joint education opportunities for the Total Force.

CONCLUSION

The United States Navy has become a true total force, fully integrating active and reserve component personnel to efficiently and effectively execute Navy's current and emerging missions in an uncertain and constantly changing world. We are recruiting and retaining the best and brightest talent our nation has to offer. Our Sailors active and reserve, supported by our federal civilian and contract personnel, and bolstered by their dedicated families, are physically and mentally prepared. We have sized and shaped our force based on current and projected warfighting requirements. We are building a more flexible personnel management system that can rapidly respond to the ever-changing security environment. Our strategies for the future are defined and executing.

Navy has a proud history of accomplishing its maritime core missions- forward presence, crisis response, sea control and power projection. This past year, our Total Force not only lived up to, but surpassed, this standard, accomplishing our traditional missions, as well as supporting the non-traditional missions of the long war - counterinsurgency, counterterrorism, civil-military operations and nation-building. We also provided desperately needed humanitarian assistance around the globe.

The challenge before us is the uncertain world. We do not know which of these missions we may be called upon to perform in the future. The nation needs a strong Navy – with unmatched capability, global reach, persistence presence, agility and unequalled lethality. Our Navy's Total Force must be ready today and in the future to respond whenever, wherever we are called upon to do so. That is our heritage, that is our tradition and that is exactly what we will do.