

**NOT FOR PUBLICATION UNTIL RELEASED BY  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

**STATEMENT OF  
VICE ADMIRAL JOHN C. HARVEY, JR., U.S. NAVY  
CHIEF OF NAVAL PERSONNEL  
AND  
DEPUTY CHIEF OF NAVAL OPERATIONS  
(MANPOWER, PERSONNEL, TRAINING & EDUCATION)  
BEFORE THE  
SUBCOMMITTEE ON MILITARY PERSONNEL  
OF THE  
HOUSE ARMED SERVICES COMMITTEE  
ON  
RECRUITING, RETENTION, COMPENSATION AND END STRENGTH OVERVIEW**

**6 APRIL 2006**

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# United States Navy Biography

**Vice Admiral John C. Harvey, Jr.**  
**Chief of Naval Personnel**  
**Deputy Chief of Naval Operations**  
**(Manpower, Personnel, Training & Education)**



Vice Admiral Harvey was born and raised in Baltimore, Md. He received his commission from the U.S. Naval Academy in 1973 and immediately commenced training in the Navy's Nuclear Propulsion program.

Vice Adm. Harvey has served at sea in *USS Enterprise* (CVN 65), *USS Bainbridge* (CGN25), *USS McInerney* (FFG 8), as Reactor Officer in *USS Nimitz* (CVN 68), and as Executive Officer in *USS Long Beach* (CGN 9). He commanded *USS David R Ray* (DD 971), *USS Cape St. George* (CG 71) and Cruiser-Destroyer Group Eight/*Theodore Roosevelt* Strike Group. Vice Adm. Harvey has deployed to the North and South Atlantic; the Mediterranean, Baltic and Red Seas; the Western Pacific, Indian Ocean, and

the Arabian Gulf.

Ashore, Vice Adm. Harvey has served at the Bureau of Naval Personnel (two tours), as the Senior Military Assistant to the Under Secretary of Defense (Policy), as Director, Total Force Programming and Manpower Management Division (OPNAV N12), and as Deputy for Warfare Integration (OPNAV N7F).

On 22 November 2005, Vice Adm. Harvey assumed duties as the Navy's 54th Chief of Naval Personnel. He serves concurrently as the Deputy Chief of Naval Operations (Manpower, Personnel, Training & Education).

Education: Phillips Exeter Academy, 1969  
U. S. Naval Academy, BS in Political Science, 1973  
John F. Kennedy School of Government, Harvard University, MA in Public Administration, 1988.

## **I. Introduction – A Changing World**

Chairman McHugh, Representative Snyder, distinguished members of the Military Personnel Subcommittee, thank you for providing me with this opportunity to appear before you today.

Our Navy is adapting rapidly to the new challenge of a very changed world. We are transforming from the largely blue water force of the Cold War to a much more broadly and jointly engaged force. Our Sailors today are pursuing everywhere the enemy in the Global War on Terror (GWOT). While we man the ships and aircraft of a matchless Fleet in every one of the world's oceans, we are also fighting on the mountaintops of Afghanistan, in the deserts of Iraq, in the Horn of Africa and increasingly near shore, on rivers and inland waterways. We can also be found providing humanitarian relief to Tsunami victims in Indonesia and Southeast Asia, earthquake victims in Pakistan, mudslide victims in the Philippines, and to flood victims on our own Gulf Coast. The pace of our missions has changed. We no longer operate under a peacetime tempo, but rather with a wartime sense of urgency. Our enemies are not predictable – they rely on surprise, confusion and uncertainty. We can no longer be reactive to threats, but must be proactive and focused on capabilities we can apply to rapidly changing situations. We must be combat ready – every day.

Navy operations are requiring us to get the most we can out of our available resources – to deliver ever-increasing capability from an increasingly talented and educated force. At the same time, our market for this talent is changing - getting more competitive. The increasing pace of technological change, globalization, and demographic changes will significantly impact the pool of talent from which we draw the Navy's workforce. We will need to successfully compete in a more dynamic labor market, with a smaller, more diversified population.

To meet Navy workforce demands in the 21<sup>st</sup> century, we must take a broader view – we must take a Total Navy approach. To be successful in delivering the Navy workforce of the 21<sup>st</sup> century and beyond we must start planning now. We are positioning ourselves to deliver a more responsive Navy workforce with new skills, improved training and better preparation to increasingly deliver a wide range of capabilities precisely where needed. Navy is meeting the dynamic national defense needs by creating a Strategy for Our People that addresses the Total Navy workforce – active, reserve, civil service, and contractors, and is capability-based – i.e., defined by the work and workforce required to carry out Navy and joint missions. We are building this long-term strategy through integration, collaboration, and coordination of all the Manpower, Personnel, Training and Education (MPT&E) Enterprise. We are capitalizing on Navy's Enterprise approach, and using our initial efforts as the Single Manpower Resource Sponsor as a launching point for our new capabilities-based approach. We will deliver this strategy by significantly changing the way we do business, and implementing new Sea Warrior systems that enable more flexible and responsive development and deployment of the Total Navy workforce. Underlying the capability-based approach, and necessary to support our new Sea Warrior systems, is a newly merged Manpower, Personnel, Training and Education Enterprise.

**Strategy for Our People.** The Strategy for Our People provides the guidance to assess, train, distribute and develop our manpower to become a mission-focused force that meets the war

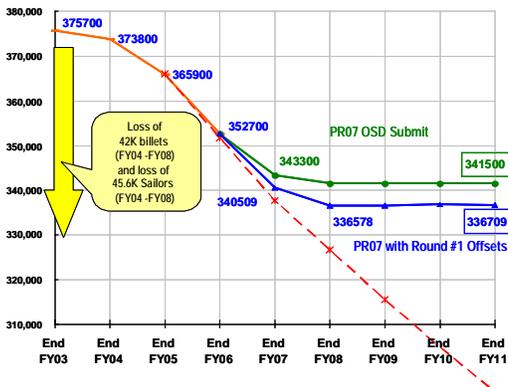
fighting requirements of the Navy. It gives us a roadmap – with objectives, desired effects and specific tasking that, when executed, will transform the MPT&E domain. The goal is to be postured better to determine, based on DoD and DoN strategic guidance and operational needs, the future force – capabilities, number, size and mix. The goal of a transformed MPT&E is to define and deliver the required Navy workforce capabilities at best value in an uncertain future. Specifically, a transformed MPT&E domain will deliver:

- *A Workforce Responsive To The Joint Mission:* Based on national defense strategies. Derived from, and responsive to, the needs of joint warfighters as described in DoD guidance.
- *A Total Navy:* Address the Total Navy – active and reserve military, civil service and contractor. Provide for a flexible mix of manpower options to meet war-fighting needs while managing risk.
- *Cost Effectiveness:* This ability to balance across the total workforce permits the Navy to deliver its future workforce at best value, within fiscal constraints and realities.

**Single Manpower Resource Sponsor.** One of the first steps in moving toward a new approach for MPT&E was to review the “glideslope.” Previous estimations of current and future manpower needs focused on identifying the lowest possible execution end-strength limit – determining the right number for the current mission. It was based on managing “the numbers.” As we move to a capabilities-based approach, we will focus on determining the right workforce (number, skills and mix) based on current and future missions – based on an analysis of the work and work management, balanced with cost and operational risk. We examined and analyzed the Navy’s shipbuilding and aircraft procurement plans. We reviewed the Quadrennial Defense Review (QDR) and understand its implications on Navy missions and force structure. We have explored sea/shore rotation options. We understand and now incorporate these drivers into the definition and development of our workforce requirements and compensation needs. Figure 1 describes the past and future approaches.

# Past and Future Strategies For Manpower

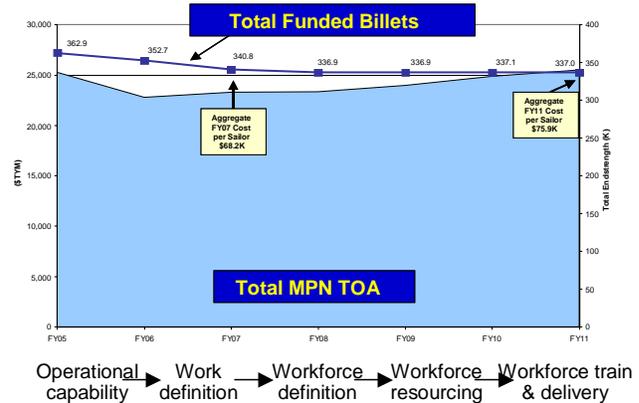
## PAST



Analysis based on **end-strength**

- Little relationship to capabilities
- End-strength constrained
- Resource driven
- Risk not understood
- Not supported analytically

## FUTURE



Analysis based on **work management**

- Capabilities-based
- Flexible and responsive
- Cost effective
- Mitigates risk
- Analytically supported

Figure 1

Future definitions of MPT&E requirements and resource needs will be based on significant collaboration with the Navy Enterprises, which use DoD and DoN strategic guidance to define their war-fighting capabilities and, subsequently, their workforce needs. The Enterprise construct gives us a good start in gaining understanding of missions, requirements, and capabilities. Using current billet baselines, we will validate the Enterprise domains and the associated work using a value chain assessment. The Navy Enterprises will be asked to define new capability requirements and asked where we can take risk or divest functions and workload, allowing the Navy to identify “puts and takes” (billets needed and offsets). From this information we can build forward-looking, capability-based, affordable demand plans for recruiting, retention and training.

**Sea Warrior.** Sea Warrior evolved over several years from three separate efforts to transform the manpower, personnel and training domains (Figure 2). These separate efforts were merged into a single program, and the projects integrated to provide cohesive, coordinated products. Sea Warrior comprises the training, education and career-management systems that provide for the growth and development of our people and enhance their contribution to joint war-fighting

ability. Sea Warrior delivers to Sailors greater control over career management and enables them to take a more active role in furthering their careers through education and training opportunities. The goal is to create a Navy in which all personnel – active, reserve, civil service and contractors – are optimally accessed, trained and assigned so they can contribute their fullest to mission accomplishment.

This year we deliver the initial functionality of Sea Warrior (known as Spiral 1). Sea Warrior Spiral 1 fiscal year 2006 deliverables consist of four systems that provide our Sailors with better information to plan their Navy careers. *My Course* provides an individualized roadmap of the training needed to meet the requirements of a desired position. *Life-Long Learning* is the longer-term view of meeting the Sailor's professional & personal education and training goals. *Certifications & Qualifications*, along with the *Five Vector Model Advancement Index*, provide Sailors online assistance to bridge navy and civilian credentialing, as well as additional career planning tools.

## Sea Warrior Progression To Support Navy Strategy

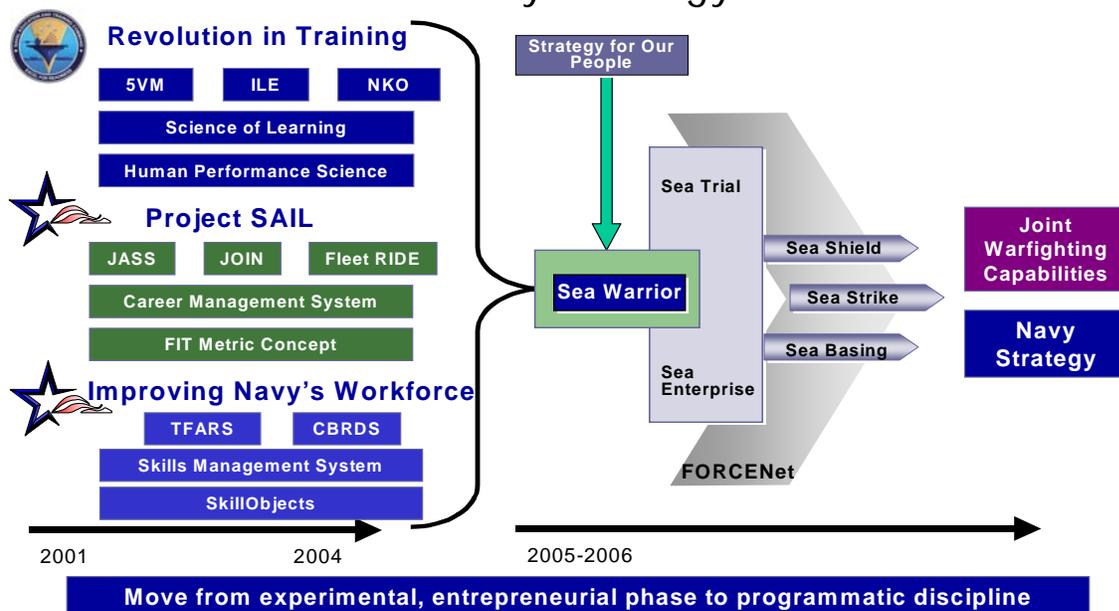


Figure 2

## II. Changing Demand Signals ... New And Non-Traditional Missions

**Expeditionary Combat Command.** We established the Navy Expeditionary Combat Command (NECC) in recognition of the need to establish combat capability in the non-blue water regions adjacent to the littoral. Some of these new missions (such as Riverine Warfare and Civil Affairs) will be enduring while others (such as Detainee Operations) may be transitory in nature. NECC will provide the oversight of the unique training and equipping these challenging missions will require.

**Individual Augmentations (Iraq, Afghanistan, Horn of Africa).** The Navy has been proactive in assuming non-traditional missions in order to take maximum advantage of the superb capabilities inherent in our force. As a result, Navy augmentation to ground forces in the CENTCOM Area Of Responsibility has grown from approximately 2000 in December 2003 to over 10,000 today. Navy is leaning forward to assume even more combat, combat support and combat service support missions. For Sailors in today's Navy it is not a question of whether they will do an augmentation tour but when.

**Increased Interaction with Global Partners and Allies.** Given the changes in the strategic landscape since 9/11, the diversity of post-Cold War cultures we now interact with, and the unique security challenges of the 21<sup>st</sup> Century, our success depends in large part on our ability to understand both adversaries and partners around the globe. Development and improvement of our foreign language skills, regional expertise, and awareness of foreign cultures is essential to conducting successful operations.

Accordingly, Navy is developing a Language, Regional Expertise and Culture (LREC) Strategy tailored to our mission. This strategy acknowledges language skill and regional expertise as key warfare enablers and provides overarching guidance for their development in the force. A core element of this effort is the reinvigoration of Navy's Foreign Area Officer (FAO) Program. FAOs are a professional cadre of officers with regional expertise and language skills who provide support to Fleets, Component Commanders, Combatant Commanders and Joint Staffs. We are also closely examining Navy's Personnel Exchange Program (PEP) with the intent of better distributing PEP members according to Navy Component Commander regional engagement strategies to enhance interoperability and mutual understanding with emerging partner nations.

### **III. Changing Market**

As Navy's technology becomes increasingly sophisticated and the world in which we deploy becomes increasingly complex, we need more capable and better-educated Sailors. To enlist the very high quality recruits necessary for today's Navy, we are competing head to head with business in a robust economy to attract the best and brightest of America's youth.

### **IV. Size and Shape of the Force**

**Recruiting and Retaining the Right Force.** Our future Navy must be shaped to best support the GWOT while still preserving our ability to prevail in major combat operations. Our force must be sized properly and shaped to meet the uncertain and dynamic security environment.

#### **One Force**

Navy has worked aggressively to integrate our active and reserve components into a single, seamless force which will support a more operational and flexible unit structure. Together, as one team, we are providing all of the capabilities and skills required by Navy. Our experienced Navy Reservists augment the active force with the right numbers of personnel, in the right skills and at the right time to meet mission demands. For example, we directly integrate our Fleet

Replacement Units (FRU) with active component units. The FRU supports the Fleet Response Plan by providing Reserve Component (RC) Sailors who are already trained to operate the same equipment and thus enables a smooth transition to mobilization and or deployment. We also reduce training costs by having all Sailors train on the same equipment. Over 38 percent of Construction Battalion (Seabees) personnel deployed to Iraq are reservists and 791 Expeditionary Logistics Support Force Sailors are filling a vital combat service support role as customs inspectors. A detachment from Helicopter Combat Support Special Squadron FIVE is providing direct support to ground forces engaging the enemy.

Reserve Sailors are also contributing to operational support while on drills (IDT), annual training (AT), active duty for training (ADT), and active duty for special work (ADSW). During the past year, these Sailors provided over 15,000 man-years of support to the Fleet. This support is the equivalent of 18 Naval Construction Battalions or two Carrier Battle Groups.

**Active Component End Strength.** Navy has reduced active end strength steadily since 2003 using a controlled, measured approach to shape and balance the skill mix within the force to maximize war-fighting readiness. Several initiatives have played a key role in allowing us to reduce active military manpower. These initiatives include optimal manning and substitution of civilian personnel in certain formerly military positions. We continuously assess the optimal mix of military manpower, procurement, and operations and maintenance required in light of evolving technology, missions, and Navy war-fighting capabilities. We are positioning ourselves to take on new or increased roles in mission areas such as riverine operations, Naval Expeditionary Security Force and special operations; we have focused significant efforts to recruit the right individuals, significantly reduce post-enlistment attrition, and retain highly qualified and motivated Sailors. The Fiscal Year 2007 President’s Budget supports, and the Defense Authorization Request seeks, a Navy active duty strength authorization of 340,700. (Figure 3)

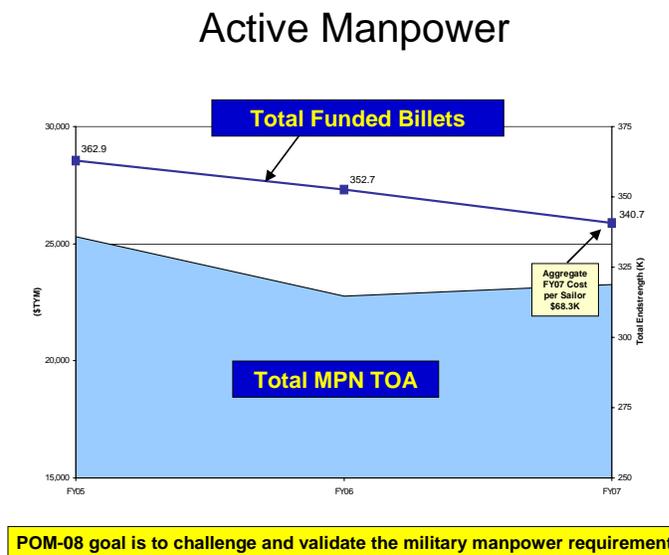


Figure 3

**Reserve Component End Strength Request.** The Navy Reserve Zero-Based Review identified those capabilities best provided by Reserve Component (RC) members to support Navy missions on a periodic and predictable basis. Accordingly, Reserve Component end strength for Fiscal Year 2007 is requested to be 71,300. (Figure 4)

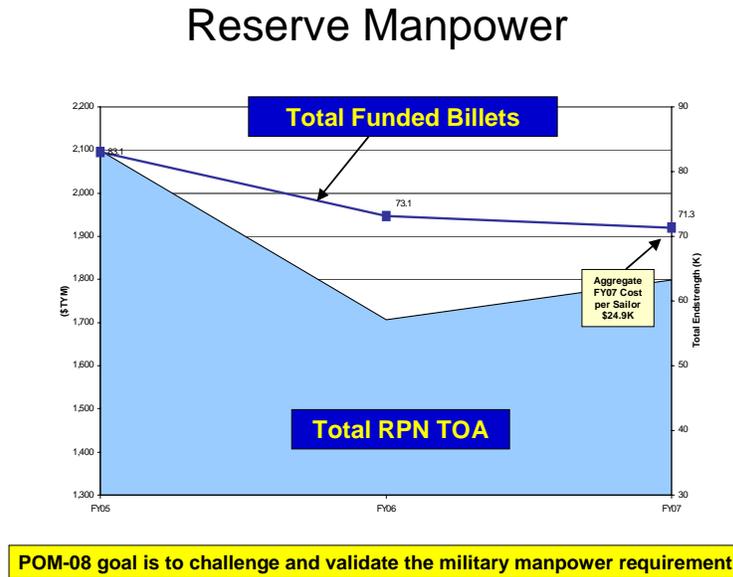


Figure 4

**Achieving the Right Force Mix.** Three components are key to achieving and affording the right force mix within the end-strength numbers requested. First - recruiting the numbers and quality of personnel to fully man needed skill sets; second - retaining personnel whose skill sets and experience are in demand; and third - incentivizing the voluntary separation of personnel whose skill sets are in excess or for which a need is no longer foreseen.

**Conversion of Military Positions to Civilian Performance.** Navy is intent on shaping our workforce so the military can focus on military work. Conversion of former military positions to civilian positions allows us to better align the military personnel to war-fighting functions. The programmed conversions target non war-fighting functions previously staffed and performed by military personnel. Programmed conversions include: transfer of USS vessels to Military Sealift Command (civilian mariners); medical; legal services; training support; and headquarters administrative functions.

## V. Recruiting

**Active Enlisted Navy Recruiting.** With the judicious application of recruiting incentives authorized by Congress, Fiscal Year 2005 marked the seventh consecutive year we achieved overall active duty accession mission. It is very important to note that we met our active duty accession goal while maintaining high recruit quality standards.

We have been successful in our active enlisted recruiting. Over the last five years, the quality of Navy accessions has increased significantly. In 2001, 90 percent of accessions were High School Diploma Graduates (HSDG), 63.3 percent scored in the Test Score Categories (TSC) I-III A, and 4.7 percent had some college. In Fiscal Year 2005, we met 100 percent of our active enlisted accession goal, with 95 percent HSDG and 70 percent in TSC I to III A. Eleven percent of accessions had some college. In addition to overall quality goals, we met TSC I-III A goals for all diversity groups for the first time in history and increased the TSC I-III A percentage of every diversity group over the previous year. This improved quality has contributed to reductions in first-term attrition and changes in training regimen that reduced training time and improved Fleet readiness. Our emphasis on quality continues.

It is becoming increasingly clear that we are competing in a far more challenging environment where unemployment is predicted to continue at low levels and where we are experiencing a significantly reduced propensity for America's youth to enlist in the Armed Forces. Future active and reserve recruiting success will require continued and perhaps enhanced authority for tools such as Enlistment Bonuses.

We continue to fall short of goals in recruiting for certain highly demanding and specialized communities, specifically Special Operations (SPECOPS) and Naval Special Warfare (SPECWAR). These special programs, with some of the most demanding training in the world, require exceptionally bright and physically fit individuals. The health of these communities is very important to the Navy's success in the Global War on Terror and requires us to place special emphasis both on recruiting and on Fleet accessions. As a Navy we have taken the following measures to improve the enlisted SEAL and Special Warfare Combatant Crewman (SWCC) manning from their 83 percent and 79 percent levels (respectively):

- Established a SEAL Rating program which will ship recruits directly to Basic Underwater Demolition School after Recruit Training Command (RTC) Basic Training.
- Established a SEAL recruiting goal for each Navy Recruiting District (NRD).
- Designated a SEAL coordinator in each NRD to monitor all SEAL recruits in the Delayed Entry Program (DEP). In the near future we will also hire former Special Warfare and Special Operations personnel as contractors to assist districts in selection, testing, education and mentoring of new recruits for Naval Special Warfare programs.
- Directed Commander Navy Recruiting Command NRDs to administer the Physical Standards Test prior to shipping the recruiting with a SEAL Challenge contract to RTC by March 2006.

Similar initiatives have also been implemented to address shortfalls in our very demanding programs for enlisted Explosive Ordnance Disposal and Fleet Diver communities.

Another area of great challenge for us is Reserve Enlisted Recruiting.



## Recruiting Degree of Difficulty (reduced total accessions misleading)

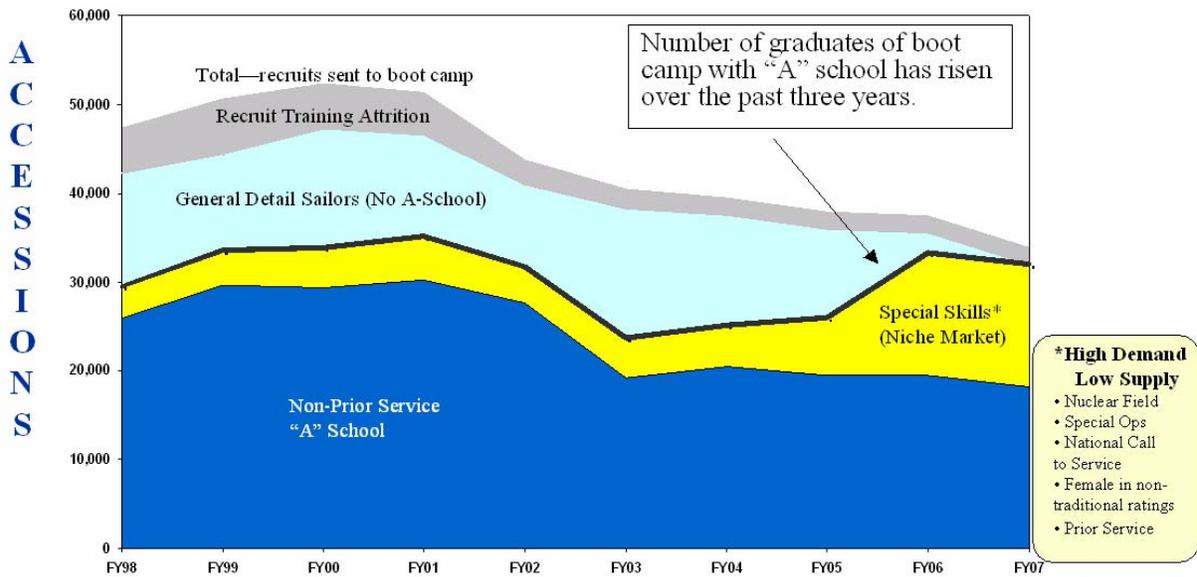


Figure 5

**Reserve Enlisted Recruiting.** Recruiting for the Navy Reserve is fundamentally different from recruiting for active duty. Whereas for most active duty recruits the Navy will provide the first real job and the start of a career, those entering the Navy Reserve are either continuing service after leaving active duty or enlisting for a part-time commitment.

In Fiscal Year 2005 Navy only achieved 85 percent of goal for Reserve enlisted recruits. While Fiscal Year 2006 attainment is ahead of the pace from Fiscal Year 2005, we are still not on track to make goal for this year. Much of the shortfall for Fiscal Year 2005 and Fiscal Year 2006 was in those ratings which directly support GWOT. These ratings include Seabees, Hospital Corpsmen, Master at Arms and Information Specialists. These ratings are particularly challenging to fill because Sailors with prior naval service primarily populate them. The issue here is two-fold. First, is high active duty retention and the consequently low supply of eligible recruits with the specific rating experience. Second, some Sailors in these ratings saw high operational tempo (OPTEMPO) during their active service and are now hesitant to join the Reserves and face the possibility of further mobilization.

To address our reserve recruiting challenges and to promote continued success in recruiting the active force, Navy initiated a process in Fiscal Year 2003 that is leading us to a single recruiting

force and command responsible for supplying all our manpower needs. We have now nearly completed the consolidation of active and reserve infrastructure and recruiting forces. In the near future, the six reserve area commands that oversaw reserve recruiting and two of the four active regions will be closed, leaving two regions in charge of both active and reserve recruiting. We have determined the most efficient design for the recruiting infrastructure and the headquarters workforce and will reduce the number of Navy Recruiting Districts (NRDs) conducting mission operations. Through the 2005 Base Realignment and Closure process, five NRDs are slated for closure, with their territory being realigned to the remaining 26 districts. Our recruiting command realignment will be complete by June 2006.

We are also increasing the amount of enlistment bonuses for both prior service and non-prior service Reserve accessions. Congress raised the legislative cap from \$10K to \$20K for this important program that will be key to enhancing the attractiveness of service in the Reserves for those currently in our targeted ratings.

Other measures being taken to address our Reserve recruiting shortfall include implementation of expanded authorities provided by Congress in the Fiscal Year 2006 NDAA. These include: authority to pay Reserve Affiliation Bonuses in lump sum, enhanced high-priority unit assignment pay; and increases in the amount of the Reserve Montgomery G.I. Bill. Navy is also applying force-shaping tools to attract non-rated Reserve Sailors to undermanned ratings.

**National Call to Service.** Another measure being taken to address our accession shortfall in the Navy reserve is our increased use of the National Call to Service Act enacted by Congress in the Fiscal Year 2003 NDAA. This program, which combines service in the active and reserve components, is enjoying considerable success and is helping to mitigate some of the prior-service shortage in ratings that are critical to the prosecution of GWOT. Under this program, a recruit enlists for an active duty commitment of 15 months after training. At the end of the commitment, the individual can either extend on active duty or commit to two years of drilling in the Selected Reserve. Navy has been particularly aggressive in recruiting Masters at Arms and Hospital Corpsmen for this program and the first of those recruited will begin drilling in the Reserves this year. Navy's success in attracting recruits for this program is growing steadily. We took in 998 recruits in 13 ratings in Fiscal Year 2004, 1866 recruits in 23 ratings in Fiscal Year 2005 and this year we have a goal of 2340 recruits in 45 different ratings.

**Continuum of Service.** The direct link between active duty commitment and Reserve commitment in National Call to Service is a model worth emulating. We are developing the concept of a continuum of service with a transition at the end of active duty obligation to drilling with the Selected Reserve. By beginning the recruiting process while the Sailor is still on active duty, we significantly improve our chances of follow on affiliation with the Reserves.

**New Enlisted Recruiting Initiatives.** An area where our focus on quality is evident is our increasing emphasis on education. Additional education after high school is almost a requirement for success today. The market's desire for college education creates competition for the best and brightest, but also provides an opportunity for the Navy to capitalize on the many education benefits we offer. Navy is working this issue by targeting more recruits who already have college and by expanding programs that will help our Sailors to further their education. In

order to attract a broader, brighter and more diverse market of applicants, Navy is implementing a number of new recruiting initiatives:

**College First.** To meet the desire of America's youth for college education, as well as to prepare our recruits to meet Navy's increasingly demanding performance requirements, Navy has implemented the College First Program that was authorized by the Fiscal Year 2005 National Defense Authorization Act. Qualified recruits, who have committed to join the Navy and are in our Delayed Entry Program, can now start college and receive a stipend from the Navy. This program will help them earn credits toward a degree and should also result in lower attrition from the recruiting and recruit training pipelines.

**Enlisted Bonus Cap Increase in Fiscal Year 2006.** The importance of meeting SPECOPS/SPECWAR goals with our current very high tempo of operations cannot be overemphasized. These programs are exceptionally challenging and require special incentives to attract the right people. Congress raised the Enlistment Bonus cap from \$20,000 to \$40,000 and this will significantly improve our ability to attract the best recruits to these very demanding programs.

**Improving Diversity.** The Navy diversity strategy is aimed at creating and maintaining our Navy as a team whose people are treated with dignity and respect, are encouraged to lead, and feel empowered to reach their full potential. The changing composition of the American workforce, with increased participation by women and minorities, will have significant impact upon the military. The changing demographics over the next two decades mean that we must work now to establish processes and programs to ensure that we have access to the full range of talent in our Nation. Navy has embarked on a force-wide diversity campaign plan to improve diversity up, down and across our organization. Specific initiatives are aligned under four focus areas of recruiting, growth and development, organizational alignment and communications. The intent of the plan is to operationalize diversity as a frontline issue by involving all Navy leadership and their commands in this effort, rather than delegating the issue to the Manpower, Personnel, Training and Education Organization. We are attempting 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. We also want to leverage our current diversity and build a culture which values "diversity of thought" at all levels. There are many initiatives tied to this effort. Nationwide "Navy Weeks" will increase our community outreach, to highlight Navy opportunities to potential recruits and to get the Navy message to a larger segment of the population. Recruiting Command is energizing programs to partner and network with diverse Centers of Influence to provide exposure to specific communities we are attempting to attract. We are improving our growth and development processes so we can ensure all of our Sailors and civilians are growing equally and effectively and to maximize their talents in support of our mission. Diversity efforts are aimed at improving our retention processes so we can retain the top quality talent in whom we have invested. Lastly, we are continuing to stress in our communications that a diverse organization is a more effective organization, essential to current and future readiness. Executing the diversity strategy will be a long-term process; we are taking big steps each year as we streamline and improve all of the efforts that help us leverage our diverse Total Navy.

**“Heritage Recruiting.”** The increased involvement in Nation building, development, and humanitarian relief efforts requires Sailors with additional skill sets. The ability to speak other languages and understand cultural norms and values is very important. Navy Recruiting is partnering with other Service Recruiting Commands to gather data on potential markets for heritage language speakers to supplement those traditionally assigned to intelligence gathering communities and other ratings likely to have contact with indigenous people.

To expand foreign language and cultural expertise capability and capacity in the Total Navy, particularly in areas considered strategic, the Navy is implementing language-related accession and heritage-community recruiting goals. Tapping the strength of the nation’s rich diversity, the Heritage Language Program (HLP) is designed to recruit native-level speakers of languages and dialects deemed critical to the GWOT. To the extent practical, we will place these valuable assets in occupational specialties where their languages and dialects can be employed.

**Increased Recruiting of Women for Technical Ratings.** Representation of women in the Navy is important across all ratings to ensure women have appropriate promotion and leadership opportunities. Since Fiscal Year 2004, CNO Guidance has driven Navy Recruiting to increase the number of women entering non-traditional and sea intensive ratings. Initiatives to support this effort include increasing the number of female recruiters and developing better marketing plans.

**Active Duty Officer Recruiting.**

Navy fills its active duty officer ranks from several sources, including the Naval Academy, Naval Reserve Officer Training Corps (NROTC), Officer Candidate School (OCS) and Officer Indoctrination School (OIS).

Navy Recruiting Command has the mission for the latter three. Navy attained 84 percent of active duty officer goals in Fiscal Year 2005 with shortages mostly in Medical Programs. The latter continue to be very challenging to recruit for because of high levels of compensation in the private sector and because of demographic shifts among new medical professionals towards higher numbers of women and older students with families. Both groups have a lower propensity for military service.

**Reserve Officer Recruiting.** The primary market for Reserve Officers is Navy Veterans. This limits the size of the market, particularly in an era when active duty retention is very high. Consequently, Navy has not met its Reserve Officer Recruiting Goal since Fiscal Year 2002. For Medical Programs, the same market and compensation issues challenging active duty recruiting inhibit the ability to meet reserve mission. There are additional objections which must be overcome; doctors with private practices are concerned that a prolonged recall to active duty will cause them to lose patients and the compensation and benefits the Navy offers do not always offset the perceived risk to their practices.

**Compensation Strategy.** The compensation strategy must complement and be aligned with the Strategy for Our People and all associated sub-strategies (recruiting / accessions, training and education, distribution, etc.). In an All-Volunteer Force environment the primary function of the compensation strategy must be to incentivize Sailors to choose the behavior desired to meet the

Navy's current and future needs. Our ability to attract and retain quality people is directly related to our ability to promote voluntarism in a challenging and dynamic environment. It follows the system must be market-based – flexible and responsive enough to address both expected and unexpected changes.

To be an “Employer of Choice” in an All-Volunteer Force environment means compensation must effectively function, i.e., compete, against the backdrop of the broader national (and often global) economy. The compensation policies that support this strategy must be rational and holistic, encompassing both tangible and intangible forms of compensation. They should support a system that is competitive, equitable, flexible, and sufficiently responsive to be effective in an ever changing operational and market environment. Sound implementation of the strategy will ensure cost-efficient stewardship of the commitments made by our personnel and the American taxpayers.

*Overall*, today's military compensation does succeed and is *generally* competitive in the market place. It is a product not of deliberate design, but rather more than two hundred years of evolution. Since pays and entitlements are founded in statute and implemented through DoD-wide policy and regulation, change often comes slowly and incrementally. The current compensation system is best characterized as evolutionary, not revolutionary.

The men and women who serve are with us not through the coercion of conscription, but through voluntary decisions to enter and remain in military service. It is the innate ability, training, experience and motivation of our men and women that are the primary reasons for the Navy's superb capabilities. The compensation offered to both active and reserve members, coupled with patriotism and the willingness to serve, are the most important factors affecting our ability to attract and retain qualified people.

## **VI. Force Shaping and Retention.**

The elements necessary to achieve a properly sized and manned force are retaining personnel whose skill sets and experience are in demand and incentivizing the separation of personnel whose skill sets are in excess or for which a need is no longer foreseen. Our goal is to build a Manpower, Personnel, Training, and Education Organization that can deliver the right Sailor; with the right skills, experience, and training; to the right place, at the right time, for the best value. Achieving this goal requires a robust array of force shaping tools to carry out efficient force realignment within fiscal constraints and to remain an “Employer of Choice” in a dynamic, competitive marketplace. Congress's support has resulted in improving, enhancing, and adding to our force shaping tool kit. Improvements to Selective Reenlistment Bonus (SRB), Assignment Incentive Pay (AIP), nuclear officer bonuses, and Reserve Component Bonuses are all appreciated. Authority enacted by the Congress in the Fiscal Year 06 NDAA which provided incentives for targeted voluntary separations was an especially welcome addition to our toolkit.

Navy has employed a very carefully controlled, measured approach to the use of the above listed authorities. We use these force shaping authorities sparingly and as precision tools rather than as blunt force instruments. We also employ a progressive and cost effective approach when determining which “tools” to use:

- Retaining personnel in the skills we need,
- Shifting personnel from overmanned to undermanned skills through retraining and conversion,
- Transferring from Navy's active component to valid reserve component requirements, and
- Encouraging Inter-service transfers.

Under no circumstance should we retain personnel in overmanned skills if it were feasible and cost-effective to move them into undermanned skills. To do so would be poor stewardship of taxpayer dollars and would force Navy to endure gaps in undermanned skills to remain within authorized aggregate strength levels, adversely impacting our readiness. Retraining and converting personnel from overmanned skills to undermanned skills is our primary approach for retaining experienced personnel while simultaneously improving the balance of the force. We are finding significant savings -- and, indeed, significant efficiencies -- right now by better aligning our personnel skill and experience mix with current Fleet requirements.

In some cases, retraining and conversion are neither feasible nor cost-effective. Only after exhausting all logical retention options do we then consider encouraging Sailors whose experience levels and skills are "in excess" to voluntarily separate from the service. To accomplish the latter, Navy has employed available force shaping tools to the fullest extent practicable: approving waivers for portions of minimum active duty service requirements; authorizing one-year waivers of the requirement to serve three years in pay grades O-5 and O-6 to be eligible to retire; employing our Perform to Serve program for enlisted members in their first term; authorizing Sailors who have made the decision to voluntarily leave the Navy to do so slightly ahead of the end of their current enlistments; and establishing High Year Tenure (HYT) limits.

**Perform to Serve.** Three years ago, Navy introduced the Perform-to-Serve Program to align our Navy personnel inventory and skill sets by means of a centrally managed reenlistment program and to instill competition in the retention process. Perform-to-Serve encourages Sailors to reenlist in ratings that offer more advancement opportunity. Perform-to-Serve features a centralized reenlistment and extension reservation system, which gives Sailors other avenues to pursue success. Designed primarily with Fleet input and to meet Fleet readiness needs, Perform-to-Serve offers first-term Sailors in ratings with stalled advancement opportunity the chance to reenlist and retrain for conversion to a rating where advancement opportunity is better and in which the Fleet most needs skilled people. We have already used existing authorities and our Perform-to-Serve program to preserve the specialties, skill sets and expertise needed to continue the proper shaping of the force. Since inception, more than 3,300 Sailors have been guided to undermanned ratings, and more than 52,000 have been approved for in-rate reenlistment. Our Perform-to-Serve and early transition programs are part of our deliberate, controlled, and responsible force-shaping strategy.

**Navy Success in Retaining and Utilizing the Right People/Skills.** Retaining the best and brightest Sailors has always been a Navy core objective and key to mission success. We retain the right people by offering rewarding opportunities for professional growth, development, and leadership. Navy has experienced significant reenlistment improvement since a 20-year low in Fiscal Year 1999, reaching a peak at the end of Fiscal Year 2003.

Targeted special pays continue to have the strongest impact on reenlistments. Maintaining Selective Reenlistment Bonus funding is essential to sustained retention of critical skills. One specific area of challenge is Zone B retention (a category comprised of Sailors with between 6 and 10 years service) in technically oriented ratings. Congress raised the legislative cap from \$60K to \$90K for Zone B, allowing selected ratings to increase their Selective Reenlistment Bonus multiples to target shortfalls.

**Reduced Undesirable Attrition.** Since 1999, we have made significant reductions in enlisted attrition. Specifically, we reduced Zone A attrition by nearly 37 percent (Zone A is comprised of Sailors who have served for up to 6 years). We've also reduced attrition in Zones B (6-10 years) and C (10-15 years) by more than 50 percent.

This past year, leaders throughout our Navy successfully attacked the number one cause for Zone A attrition: illegal drug use. Despite a nine percent increase in Navy-wide drug use testing, the number of individuals who tested and turned up positive has decreased by 20 percent since 2003. The result is that attrition due to illegal drug use is no longer the leading cause for enlisted attrition. Current leading contributors to attrition are fraudulent enlistments into the Navy and medical disqualifications. We are exploring ways to reduce attrition in these areas as well. With enlisted attrition near all time lows, we are benefiting from the highest quality workforce the Navy has ever had.

**Assignment Incentive Pay (AIP).** An integral part of our "Strategy for our People," Navy's AIP program is enhancing combat readiness by permitting market forces to efficiently distribute Sailors where they are most needed. The success of AIP in attracting volunteers to difficult-to-fill geographic locations and jobs has led to the progressive elimination of non-monetary, but nonetheless costly, incentives such as awarding sea duty credit for assignment to hard-to-fill overseas shore duty billets. The result has been a growth in the available population of Sailors eligible for assignment to sea duty without a concurrent increase in end strength. Navy will ultimately be able to allocate almost 10,000 additional Sailors to sea duty who would previously have been locked into a shore duty assignment following an overseas tour of duty ashore. This will provide future readiness benefits in the form of better at-sea manning and a more efficient use of Sailors' acquired Fleet experience. More importantly, challenging duty assignments can be filled without forced assignments.

The numbers of applications for AIP continue to grow as this adaptable and highly flexible authority allows us to address unique assignment and distribution challenges in a market-based manner by emphasizing and rewarding volunteerism. Today, 18-months after implementation of Navy's AIP program, its success is unequivocal. The "fill rate" of AIP jobs is almost ten percent higher than the Navy-wide rate, while the average bid since inception is \$362 per month.

Perhaps there is no better example of the success of AIP and its ability to leverage volunteerism and the forces of the market place than its use in 2005 to respond to an emergent GWOT requirement. In early May 2005, 259 Master-at-Arms Sailors were needed to report to the Detainee Operations Detachment in Guantanamo Bay, Cuba for 12-month unaccompanied tours. By mid-May, Navy assignment officers had only been able to recruit 42 volunteers. AIP was subsequently implemented to attract volunteers to these assignments; 223 Sailors volunteered

with AIP as an incentive in just a 6-day assignment window. Of those, 40 of the 42 Sailors who had previously volunteered based on receiving non-monetary “sea duty credit” toward a future ship-board tour, opted instead to bid for a billet with AIP and forego the non-monetary (and ultimately more expensive to the Navy) sea duty credit.

The AIP bid system is also currently used to incentivize extensions among personnel in designated continuity billets in dependent-restricted Bahrain and to attract volunteers for subsequent longer 18-month assignments. Bahrain is also the location of the first Navy application of AIP for officer assignments. Its use there will afford us an opportunity to evaluate the impact of market-based incentives in addressing future officer manning and distribution challenges.

With Congressional support, we now have the authority to make lump-sum AIP payments, and an expanded payment cap of \$3,000 per month that allows us to set and adjust the incentive to best match the nature of the assignment and the available labor pool. This expanded authority will significantly improve our ability to apply a valuable assignment tool to manning challenges and emergent requirements arising from the Global War on Terror.

**Selective Reenlistment Bonuses (SRB).** Selective Reenlistment Bonus is without question our most successful and effective retention and force-shaping tool. It enables us to retain the right number of high quality Sailors with the right skills and experience. While we have enjoyed much success in our retention efforts of recent years, we must not presume we can rest on these accomplishments or surrender to the notion that the tools, which made such successes possible, are no longer needed. SRB authority is sometimes questioned because of the funding required to support it. Selective Reenlistment Bonus directly supports Navy’s emerging Strategy for Our People and enables us to selectively retain the Sailors we need as we transform to a lean, high-tech, high capability, mission-centric force. More importantly, SRB affords Navy the ability to compete in a domestic labor market that is increasingly demanding of skilled, technically proficient, highly trainable and adaptable personnel.

The Navy is at a crucial juncture in the transformation of our workforce. In the future we will recruit fewer generalists, and instead seek a predominantly technical and more experienced force. To that end, our SRB strategy has shifted from targeting general skill sets in zones A and B (17 months to ten years) to focusing on specific skill sets across all zones (17 months to 14 years). Navy Enlisted Community Managers (ECMs) have applied increasing levels of analytical rigor to predicting and monitoring reenlistment requirements at a very granular skill level and by individual years of service [also called Length of Service (LOS) Cells]. By monitoring actual reenlistment behavior in comparison to requirements, the ECMs review clear and unambiguous data flagging SRB performance and pointing to areas meriting increase or decrease. This ensures precious SRB dollars are applied only when and where needed based on requirements and outcome.

Congress raised the SRB cap from \$60,000 to \$90,000; we will ensure award level increases are applied in a prudent and fiscally responsible manner. This cap increase will initially allow us to adequately incentivize experienced nuclear-trained personnel to reenlist. We will later apply it to other skills as retention trends dictate. We save over \$100,000 in training costs and retain ten to

fourteen years of invaluable nuclear power plant experience for each one of these individuals SRB allows us to reenlist. Navy-wide, we also cannot laterally hire experienced technicians as Oracle or Microsoft can, but must grow from recruits and retain as journeymen from an internal labor market. Failure to fully fund the SRB program would create a long-term degradation in readiness. Congress' continued support for this vital program is necessary; we need fully funded SRB at the President's Fiscal Year 2007 requested budget levels of \$179.7 million for anniversary payments and \$159.8 million for new payments.

**Targeted Separation Incentives.** With the enactment of the fiscal year 2006 National Defense Authorization Act, Congress provided a targeted voluntary separation incentive to help shape our force in the short-term while allowing us to maintain a positive tone that will not detract from recruiting and retention of talented professionals over the long-term. The addition of this authority goes a long way to filling the previously existing gap in our force-shaping toolkit, i.e., the lack of incentives to selectively target voluntary separations. Voluntary Separation Pay (VSP), while limited in its application through December 2008 to officers with more than 6 but less than 12 years of service, enhances our ability to properly shape the force, aids us in reducing officer excesses and ultimately saves the taxpayer money. We are aggressively working to field this new tool and reap the readiness benefits of its use.

While we undertake to employ the current authority, we will also examine the efficacy of expanding the application of the authority across the entire career continuum, extending the date of expiration of VSP; and restoring the authority to employ enhanced selective early retirements. Navy is carefully examining these expansions because we are acutely aware that different communities and skill fields have varying force shaping needs at varying times. Our ultimate goal is to ensure we have at our disposal the ability to retain in our ranks those personnel we need, while permitting us to stimulate voluntary separation of those no longer filling valid requirements.

With the continuing support from Congress – and reliance on the talents of America's men and women who choose to serve – Navy will continue to build a force that is properly sized, balanced, and priced for tomorrow.

**Foreign Language Proficiency Bonus (FLPB).** To incentivize the identification, development and sustainment of proficiency in foreign languages, especially those considered strategic, we will award FLPB to the Total Navy (active, reserve and civilians) to the maximum extent allowable by law and consistent with current DoD policies. Navy instructions relative to FLPB are being updated to reflect both higher award levels and expanded eligibility.

## **VII. Officer Community Management**

The Officer Community is trained and prepared to continue leading Navy Forces in support of the Global War on Terror. We are experiencing improved retention rates across most Officer communities. This is attributable to the highly effective special and incentive pays enacted by Congress. These bonuses are essential to our ability to recruit and retain our officers.

### **Special Operations (SPECOPS).**

At perhaps no other time in our Navy's history have the skills of our Special Operations officers and technicians played such a vital role in mission accomplishment. Since the events of September 11, 2001, the demand for their skills in Explosive Ordnance Disposal (EOD) Anti-terrorism and Force Protection has skyrocketed. Our Officer accessions are aligned to fill our EOD Detachment Officer in Charge demands and require approximately 38 officers per year (Fiscal Year 06/07) accessed through a variety of sources including direct accessions as well as lateral transfers. Retention of SPECOPS officers is measured by the continuation of officers serving in years 6 through 11 of commissioned service. In Fiscal Year 2005, we retained 48 percent of our senior Lieutenants and control grade officers, two percent shortfall from the goal. To address this shortfall we recently implemented a Critical Skill Retention Bonus (CSRB) of up to \$75 thousand to improve retention of EOD Lieutenants. Our Special Operations community is heavily involved in providing the operational and tactical leadership to our newly established Riverine Forces, the Naval Expeditionary Combat Command (NECC) and the Joint IED Defeat Organization (JIEDDO).

**Naval Special Warfare Officer Community.** The Naval Special Warfare Officer (NSW) Community is manned at 95 percent of assigned billets. SEAL Officer accessions are currently averaging five applicants for every opening and new accessions are on track to meet increasing Officer Department Head requirement (SEAL Platoon commander) at the sixth year of commissioned service (YCS 6). The community now requires 34 department heads per year (76 percent retention rate across 6-11 YCS) based on increased growth in pay grades O-4 thru O-6. Fiscal Year 2005 retention was 62 percent. Nonetheless, we currently face a number of manpower and personnel challenges at the O-4 and O-5 level. NSW currently has a shortage of 50 LCDRs and 8 CDRs. These shortages primarily result from the effects of Navy downsizing of all Officer accessions in the early 1990s. The Navy has used Naval Special Warfare (SPECWAR) Officer Continuation Pay since 1999 to successfully retain officers with 6-14 Years of Commissioned Service (YOCS). The Navy is evaluating options for closing the remaining gaps.

**Seabee and Civil Engineer Corps.** Seabee and Civil Engineer Corps communities are healthy and fully engaged in supporting GWOT operational requirements. In the aggregate the Seabee Community is 95 percent manned and the Civil Engineer Corps is 98 percent manned. Current Seabee attrition, retention and reenlistment behavior are trending in line with or better than average Navy levels while the Civil Engineer Corps has seen an increase in attrition. We continue to predict and forecast that additional incentive pays may be necessary to sustain current retention and reenlistment behavior based upon the current high OPTEMPO endured by our Seabees and Civil Engineer Corps officers. The Naval Construction Force Reserve Seabees and Civil Engineer Corps officers have experienced significant manning shortages and accession challenges. Reserve Seabee accessions have significantly missed goals for the past three years. The health of our reserve component Seabees, Civil Engineer Corps and Naval Construction Force (NCF) is imperative to the Navy's GWOT support. The Navy Manpower, Personnel and Training (MPTE) Enterprise is working on this challenge and has developed plans to guide this focused effort.

Next I'd like to discuss selected other officer communities:

**Surface Warfare Officer (SWO) Community.** The Surface Warfare community's initial accession plan is designed to yield sufficient officers to meet the demand for department heads with about 7 years of cumulative service; in Fiscal Year 2006 we will bring in approximately 750 new Surface Warfare Officers. This year, Navy implemented a Junior Surface Warfare Critical Skills Retention Bonus (CSRB) to help meet community requirements for trained and experienced Department Heads (currently 275 per year). This program, in conjunction with the Surface Warfare Officer's Continuation Pay (SWOCP), targets Officers reaching their first retention decision milestone and has been a very successful tool to persuade them to remain on active duty through completion of mid-grade Department Head tours. The community is generally well-manned now except for a shortage of control grade officers. That shortage is being remedied with the help of a CSRB authorized by Congress. Continued CSRB support is key to long-term retention and proper shaping of this community.

**Submarine Warfare Officer Community.** As a direct result of improved junior officer retention, accession requirements have been reduced from 440 to 346 between Fiscal Year 2004 and Fiscal Year 2006. Although overall accession goals have been met for the past six years, significant challenges remain in recruiting high quality candidates into this technically demanding warfare community. The 5-year average retention rate for submarine junior officers has improved from 29 percent in Fiscal Year 2000 to 39 percent in Fiscal Year 2006 as a direct result of targeted Nuclear Officer Incentive Pay (NOIP) and Continuation Pay (COPAY) rate increases authorized since Fiscal Year 2001. Despite these significant improvements, retention has only fully met requirements once in the past six years. Nuclear Officer Incentive Pay (NOIP) has proven to be an extremely effective tool over its more than 35-year history and is largely responsible for improving submarine officer retention. NOIP is widely viewed as DoD's model retention incentive program. It remains the surest, most cost-effective means of sustaining required retention and meeting Fleet readiness requirements for high-quality, highly-trained officers.

**Aviation Community.** The Fiscal Year 2006 requirement for pilots and Naval Flight Officers is 380. This reduction from previous years is due to reduced training attrition and fleet requirements. Fiscal Year 2005 aviation retention was 47.8 percent through Department Head tours (at 12 years of commissioned service), a slight decrease from fiscal year 2004 but still well above the historical average of 40 percent. Retention has started to rise through the first quarter of Fiscal Year 2006 and currently stands at 51.8 percent. The excellent aviation retention figures can be attributed in large part to five consecutive years of Congressional authorization for Aviation Career Continuation Pay (ACCP). Aviation Career Continuation Pay continues to be our most efficient and cost-effective tool for stimulating retention behavior to meet current and future requirements and overall manning challenges.

**Medical Communities.** Navy Medicine has been actively executing military-to-civilian conversions in Fiscal Year 2005, as directed by the Office of the Secretary of Defense. In addition, many of our medical personnel are directly involved in the GWOT, and we are faced with several challenges in recruiting and retention. Specific community issues are as follows:

**Medical Corps.** As of December 2005, the Medical Corps dipped below endstrength targets for the first time since 1998, with acute shortages in subspecialties critical to support wartime

requirements and hospital operations. On the recruiting side, the Health Professions Scholarship Program (HPSP), the primary student pipeline for medical corps officers, made 84 percent of goal during Fiscal Year 2004 and only made 56 percent of goal in Fiscal Year 2005. Early indications are Fiscal Year 2006 attainment will again fall far short of goal; Navy is considering an initiative for an HPSP accession bonus to attract applicants. Decreased accessions have not been able to make up for increased loss rates in retention among all specialties. Increased medical special pay rates have been offered for Fiscal Year 2006 but do not seem to be having a significant impact on increasing retention at this point.

**Dental Corps.** Dental Corps is significantly under endstrength in the range of 5-13 years commissioned service. Dental accessions continue to be problematic. Retention rates for Dental Corps officers, reaching the end of their initial obligation, have steadily declined over the past eight years. The Dental Corps is projected to lose 144 officers in fiscal year 2006, or 13 percent of the dental force. Residency training opportunities and significant increases in the Fiscal Year 2006 Dental Officer Multi-year Retention Bonus (DOMRB) are being used to try to retain dental officers for long-term service. We are considering establishing a Critical Skills Retention Bonus (CSRB), under existing statutory authority, to help reduce junior officer losses after completion of their initial obligation. This initiative has been submitted and funding is available for this CSRB.

**Medical Service Corps.** The Medical Service Corps accesses to vacancies in subspecialties and direct accessions are market-driven. Last year the Medical Service Corps fell short of their direct accession goal by 30 percent, directly impacting ability to meet current mission requirements. Retention of specialized professionals such as Clinical Psychologists, Pharmacists and Podiatrists has been the greatest challenge. Licensed Clinical Psychologists have experienced an increasingly heavy OPTEMPO and the resulting loss rates are significant. The Health Professions Loan Repayment Program has been implemented as an accession and retention tool to attract and retain critical specialties with some success. Additionally, the community is requesting authority for Critical Skills Retention Bonuses to retain officers in critically undermanned specialties.

**Nurse Corps.** National nursing shortages and competition with other services have resulted in shortfalls in Navy Nurse Corps accessions over the last two years. To counter this, in 2006 we have increased levels for both the Nurse Accession Bonus and the Nurse Candidate Program. Retention of Nurse Corps officers also poses a significant challenge. Retention rates after initial obligation range from 60-72 percent and decrease even further beyond 5 years of service. The Health Professions Loan Repayment Program is being used to attract and retain Nurse Corps officers and is drawing significant interest. The Nurse Corps community is also studying options for a Critical Skills Retention Bonus in specific surgical subspecialties.

**Joint Leader Development & Management.** The priority accorded to the future Joint force will be one of the key and essential elements in our future national security calculus. The development of joint leaders for that force is vital to its ability to operate across the range of military operations in support of this Nation's strategic objectives.

To this end, the Navy seeks to develop fully qualified and inherently joint leaders in its officer and senior enlisted communities that are skilled joint war-fighters and strategically minded, critical thinkers. We will plan for, prepare, and assign high quality officer and senior enlisted personnel to Joint billets to enhance Joint war-fighting readiness. We will develop leaders with professional qualifications and competencies needed in the Joint environment to achieve their full potential, so that key decision makers seek out Navy Joint war-fighters as trusted advisors and key staff members who can effectively articulate the role of the maritime component in the design and execution of campaigns.

The Navy is fully committed to the Chairman of the Joint Chiefs of Staff *Vision for Joint Officer Development*. To effectively realize this vision, we are moving out decisively. In one instance, we have modified the centuries-old career path of one of our largest war-fighting communities to provide additional time for Joint Leader Development. We have formulated policy initiatives that link career progression and assignment within the Navy to the Chairman's *Vision* and the CNO's Professional Military Education (PME) Continuum. These initiatives:

- Establish the PME requirements for E-1 through O-8.
- Provide appropriate PME to the entire AC/RC force.
- Ensure PME graduates are closely tracked and assigned to billets that exploit their education and accelerate their development as Joint leaders.
- Assess policy effectiveness by tracking number and percentage of PME graduates assigned to career milestone billets.
- Formalize selection board processes for PME opportunities.
- Require 100% fill of Navy resident student billets at all Joint, Service and foreign war colleges in Fiscal Year 06 and beyond with an annual report to CNO on implementation of this policy.

In addition, we have instituted management control actions that:

- Optimize the “fit” within this “fill” by revising the Navy's process to select and assign officers who have clearly demonstrated the potential to assume positions of strategic and operational leadership or staff responsibilities as appropriate to their grade in Navy, Joint, interagency and multinational billets.
  - Only order those officers who, by the time they attend resident intermediate level PME programs, have met those community gates, appropriate to their grade, required for Unrestricted Line (URL) command selection.
  - In the case of URL officers, only order those Commanders and Captains to resident senior level PME programs who, by the time they attend resident senior PME programs, have successfully completed a URL Commander Command; have been screened for such a command; or, for the transitional period of 2005-2009, are still eligible for screening for such a command and are considered by their community leadership as having strong potential to do so.
  - In the case of Restricted Line/STAFF officers, only order those officers to resident intermediate and senior level PME programs whom the leadership of their respective community's assess as likely to assume key milestone positions.

- Require the completion of Intermediate PME, including JPME Phase I, for selection to URL O5 command by the Fiscal Year 09 screen boards that are held in Fiscal Year 08

Navy is making measurable progress in creating a pool of well-qualified personnel who are fully qualified and inherently joint leaders suitable for joint command and staff responsibilities. Navy acknowledges a responsibility to produce skilled joint leaders, tested in their Service's specific roles, missions and capabilities; and we are aggressively executing this responsibility.

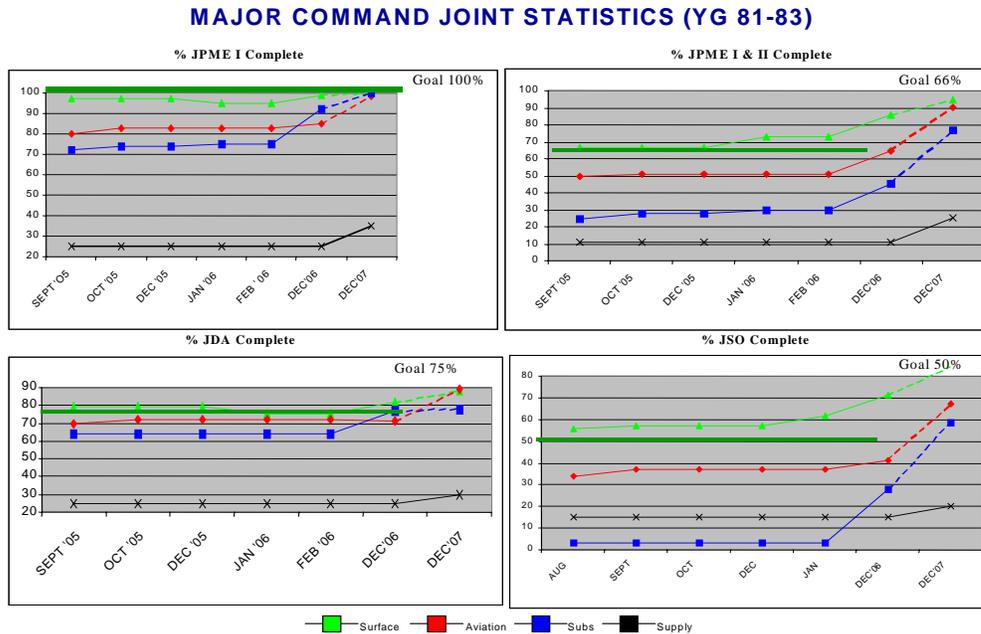


Figure 6

**Civilian Community Management.** National Security Personnel System will provide new civil service rules for the over 700,000 DoD civilian workers. It will strengthen our ability to accomplish the mission in an ever-changing national security environment. NSPS accelerates the Department's efforts to create a Total Force, operating as one cohesive unit, with each performing the work most suitable to their skills. DoN needs a human resources system that appropriately recognizes and rewards employee performance and the contributions they make to the DoD mission. NSPS will give us better tools to attract and retain the best employees.

### VIII. Professional Military Education

Education is a key enabler in developing the competencies, professional knowledge and critical thinking skills to deliver combat-ready naval forces to meet joint war-fighting requirements of the Navy. In July 2004, we established the Professional Military Education (PME) Continuum to provide the framework for life-long learning that enables mission accomplishment and provides for personal and professional development. The continuum integrates Advanced Education (beyond the secondary level), Navy-specific Professional Military Education (NPME),

Joint Professional Military Education (JPME) and Leadership Development. It is focused on ensuring future leaders have the knowledge base to think through uncertainty; drive innovation; fully exploit advanced technologies, systems and platforms; understand the culture, environment and language of the battle space; conduct operations as a coherently joint force; and practice effects-based thinking and operations. It applies to all Sailors. Specific education opportunities to provide learning solutions sequenced to meet growing and changing roles and requirements throughout a career are being phased in across multiple years.

We are sharpening our focus on requirements linked to competencies and capabilities to better prepare more capable Sailors for joint war-fighting. We are also focused on integrating education achievements into a career development system to ensure the ability to plan and track growth and to measure competency attainment.

**Flexible Learning Options.** Internet or computer-based delivery of course material remains an important focus of our effort to make educational material readily available to all of our people both ashore and afloat. The Naval Postgraduate School, Naval War College, and Center for Naval Leadership are endeavoring to increase non-resident opportunities to enable education anytime, anywhere to accommodate busy careers that do not always allow time for resident education. Naval Postgraduate School distance learning options include select degree programs; non-degree certificate programs that provide a concentrated focus in a specific field, for example: Space Systems, Information Systems and Operations, and Anti-Submarine Warfare; and individual courses. Naval War College is employing web-enabled, CD-ROM and Fleet Concentration Area Seminar programs to provide maritime focused Joint Professional Military Education at a distance. Naval War College JPME courses have been embedded into many of the degree programs at Naval Postgraduate School. The Center for Naval Leadership continues to develop on-line opportunities for all Sailors to complete Leadership Education as a part of their career development. Our content is dynamic and reflects the most current leadership theories and principles.

While we continue to promote non-resident learning opportunities for our force, our Fiscal Year 2007 budget also requests funds to allow us to increase the number of officers we will send in-residence to Naval Postgraduate School for technical, analytical and regional area studies programs. The latter supports our Foreign Area Officer program, which promotes graduate degrees in regional area studies.

The Navy College Program continues to provide opportunities for Sailors to earn college degrees while on active duty. Partnerships with colleges and universities leverage academic credit recommended for Navy training and experience and offer rating related associate and bachelors degrees through distance learning. The Navy College Program for Afloat College Education makes it possible for Sailors to pursue courses at sea and in remote locations at no tuition cost to themselves.

**Joint Professional Military Education.** In the Fiscal Year 2007 budget, we expand resident service college opportunities to enhance Navy's ability to provide unique and complementary war-fighting from the sea to Joint Force Commanders. The expansion enables Navy to ensure the appropriate service composition requirements for certification of senior service college

instruction of Joint Professional Military Education Phase II as authorized by the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005. Additionally, the expansion supports the Navy's new requirement for completion of Joint Professional Military Education Phase I for Unrestricted Line Officer Commander Command beginning with Command Screen Boards in 2008.

**Culture of Effects-Based Thinkers.** In keeping with *The Strategy for Our People*, we are in the process of moving towards a capabilities-based and competency-focused learning continuum whose education programs will result in measurable mission capability while enabling personal and professional development. A key area we are addressing is the development of a culture of effects-based thinkers and operators who evaluate effect as a measure of execution by focusing on desired outcomes and root causes, measuring results, and making appropriate adjustments. Updated Naval Postgraduate School, Naval War College and executive learning program curricula provide essential learning building blocks while we continue to expand and sequence course offerings to ensure a full continuum of the appropriate learning.

## **IX. Additional Transformational Initiatives**

The key to our operational prowess is a properly defined, trained, educated and ready force. Since 2000, the Navy has embarked on a number of transformational initiatives designed to fundamentally change the way we think about and act to develop and deliver the personnel component of war fighting. From the earliest phases of capability definition and system design, through training and education, to continuous performance improvement, Navy is changing the way it addresses manpower, personnel, training and education.

**Systems Engineering, Acquisition and Personnel Integration (SEAPRINT):** SEAPRINT includes specific program management controls and a technical process designed to ensure that human considerations are addressed adequately and in a timely manner during the definition of war fighting capabilities and development of weapons systems. SEAPRINT integrates the transformational MPT&E initiatives into the acquisition process to create a proactive environment where manpower, personnel and training concerns are drivers vice consequences.

**Science of Learning (SL).** The science of learning will transform the Navy's training and education environments by applying the latest advances in technology and educational psychology to the learning process. It will move Navy training and education from a "lecture, listen, learn" format to a more active learning process through which Sailors will receive feedback necessary to improve their performance.

**Integrated Learning Environment (ILE).** The Integrated Learning Environment is the means by which we will provide individually tailored, high quality learning and electronic performance aids in order to allow the best fit between the worker and the work to be performed.

**Human Performance Improvement.** A "systems approach", Human Performance Improvement is a cyclical model that defines organizational and individual performance requirements, establishes how best to achieve this performance, develops the necessary tools or products to enable this performance, implements the solution set, and provides feedback based

on an evaluation of the outcomes. Human Performance Improvement may be described best as a systematic method for finding cost-effective ways to enable people to perform their jobs better by focusing on selecting the right interventions based on root cause and true requirements.

## **X. Sailor Quality of Life**

Commitment to personal and family readiness is fundamental to sustaining a combat-ready naval force. Our success in the nation's defense depends on the entire Navy community – active, reserve, civilian and their families. The frequent deployments of our highly mobile force places considerable stress upon our Sailors and their families. Our deployed service members characteristically enjoy high morale and pride. They value the opportunity to use their training in real world missions and realize a sense of accomplishment that contributes to positive attitudes and is reflected in their decisions to reenlist in the Navy. At the same time, however, the family separation and high operating tempo place great stress upon them and their families. Our challenge is clear. We must provide effective, responsive programs and services to our Sailors and their families to mitigate the negative factors.

**Predatory Lending.** An issue that is becoming a significant concern to Navy leadership: Navy leadership is very concerned over the serious problem of predatory lending practices and the impact on financial and personal readiness of Sailors and families. Predatory lending occurs when a lender takes unfair advantage of a borrower through deception, fraud or loans containing extremely high interest rates or fees. Our junior Sailors and families are particularly vulnerable when they find themselves short of money between paydays to pay essential expenses such as rent, groceries, utility bills, unexpected expenses and car payments. In our research we have found personal predatory loans with interest rates as high as 2146 percent, 1288 percent and 782 percent.

The use of these “bridge” loans, with exorbitant interest rates, leads to a downward cycle of more borrowing and increased indebtedness. Not only does it result in continued financial hardship and damage to credit but it also seriously impacts unit morale and personal and family readiness. The CNO has challenged leadership to develop and aggressively implement a plan to improve consumer education and personal financial counseling for military personnel in order to increase awareness of the practice and its risks and to assist in recovery for those who have fallen into this downward financial spiral.

State laws vary widely in their oversight and control of commercial lending practices. This is a complicated challenge to personal readiness that deserves the attention of a diverse group of experts including financial industry professionals, legislators and state government officials. We seek your support in encouraging a coalition of leadership in government, the commercial sector, nonprofit agencies and the military services to curtail and constrain predatory lending practices. I am prepared to partner with the Congress in seeking means to effectively address this serious problem.

**Task Force Navy Family.** The lives of more than 88,000 Navy personnel, retirees and immediate family members were severely disrupted by Hurricanes Katrina and Rita. Task Force Navy Family leveraged existing agencies and local community support centers to assist our

personnel. While we still have cases outstanding, we have transitioned the Task Force to Commander, Navy Installations Command for follow-up. This effort to respond to the crisis in “our own backyard” has been a reminder of the importance we place on the family and has also provided several lessons learned we could employ in case of future catastrophic events.

**Personal and Family Readiness Initiative.** Commander, Navy Installations Command and I recently established a Personal and Family Readiness Program Board of Directors. Actionable issues are identified, analyzed by a Family Readiness Program Advisory Council and implemented by the Board of Directors. I am enthusiastic about the significant opportunity to identify real needs and workable solutions to improve quality of service and life issues for our Navy family.

**Child Development and Youth Programs.** Sailors and their families continue to rank the need for Child and Youth Programs (CYP) very high. This program is now an integral support system for mission readiness and deployments. To help meet the demand, multiple delivery systems are offered to include child development centers, child development homes, child development group homes, school-age care, and resource and referral to licensed civilian community childcare programs. To meet the needs of shift workers and watch standers, we piloted several programs; including the addition of around-the-clock in-home care providers, as well as two new child development group homes. Following the success of those pilot programs, we are expanding those initiatives at several additional sites.

The DoD goal is to provide CYP spaces to meet 80 percent of the potential need for ages 0 to 12 by Fiscal Year 2007. The Navy potential need has been calculated as 65,858 spaces. Navy CYP achieved 69 percent of that potential need in Fiscal Year 2005 and with added spaces will reach 71 percent in Fiscal Year 2006. The CYP waiting list in Fiscal Year 2005 was 7,908, up 19 percent since Fiscal Year 2003. The new Youth Program DOD Instruction directs the implementation of performance standards and eventual DoD certification similar to the current requirements for children under 12. This requirement will add to the overall future funding requirements for Navy CYP. Also, in Fiscal Year 2005, we achieved 100 percent DoD certification and 96 percent accreditation of our child development centers by the National Association for the Education of Young Children (NAEYC). Our objective for Fiscal Year 2006 is to ensure all Navy child development centers and school age care programs are accredited. This tells our Navy families their children are receiving top quality care that equals or exceeds the highest national standards.

**Caring for Our People.** Navy maintains a long-standing and proud tradition of “taking care of our own” by providing prompt and compassionate care to Sailors and their families in times of crisis. In the past, we have measured our success by how quickly we could certify benefits and entitlements and by how expeditiously we could transport families to the bedsides of their seriously ill or injured Sailors. These traditional metrics, while still important, are insufficient and do not fully address what our families need and deserve. Through careful research and collaboration with the Veterans Administration, Social Security Administration and the other Services, we have identified additional areas of focus. We have set ourselves goals to improve our casualty reporting process and to provide better and more personal oversight of casualty

cases. We also endeavor to maintain our benefits certification efficiency and to improve case management effectiveness.

**Traumatic Servicemembers' Group Life Insurance (T-SGLI).** We are extremely grateful for your efforts in enacting the T-SGLI which is essential to our ability to provide appropriate and well-deserved support for our severely injured personnel. Navy implemented T-SGLI in December 2005, and it is providing much needed financial support to our wounded heroes and their families as they deal with expenses incurred during convalescence.

**Safe Harbor Program.** This past summer, Navy established the “Safe Harbor” program, designed to have senior staff personally visit and assist our seriously injured Sailors and their families. Our commitment is to a seamless transition from arrival at a CONUS medical treatment facility, throughout medical treatment, and then in subsequent rehabilitation and recovery. Since instituting this program, we have contacted every Sailor who has been seriously injured since 9/11. Twenty-six of them asked to have their names placed on our active follow up list and are periodically contacted. When Hurricane Katrina struck, we identified and contacted all seriously injured Sailors who were residents in the affected area to offer them assistance and attend to their needs and those of their families. Since then, we have established a toll free number and set up a website to further speed access to information and facilitate contact with our program office personnel. We are committed to maintaining personal links with our seriously injured Sailors, sustaining effective follow up programs and doing everything in our power to advance the quality of their care and the support to their families.

**Care of All Returning Sailors and their Families.** Navy has long been in the business of preparing Sailors and family members with pre, mid and post deployment briefings and services. In view of the recent research on the needs of our returning service members and their families, as well as CNO’s commitment to personal and family readiness, we have fine tuned those programs and services to ease return from deployment or mobilization. We have met increased demand for our Return and Reunion programs in which Fleet and Family Support Center teams embark upon returning ships, in transit, to provide educational briefings, workshops and consultation for our personnel. These programs focus on re-establishment of personal and family relationships, understanding behavioral and developmental stages of children, effective parenting strategies and financial management. Command leaders are trained to identify post-deployment stress symptoms and refer personnel for treatment.

**Sexual Assault Victim Intervention (SAVI).** Sexual assault prevention, victim assistance and treatment are top priority efforts throughout the Navy. Our SAVI program has been recognized as a model for over a decade. We enforce a zero tolerance policy while continually striving to improve support for victims.

Navy contributed significantly to the work of the DoD Care for Victims of Sexual Assault Task Force and fully supports enhancements enacted in the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005. This past year, we aggressively implemented DoD’s policy changes based on Task Force recommendations. This required the SAVI program to transition from a program management to case management approach. Toward that end, the Navy has almost doubled the number of installation Sexual Assault Response Coordinators

(SARCs), ensured 24/7 victim advocate response capability both afloat and ashore, and implemented confidential reporting procedures and monthly case management review to ensure that all responders and systems are acting in coordination and that all available support to the victim is being provided.

With respect to training, the Navy adopted revised training and education definitions; trained all SARCs and their supervisors, trained select Criminal Investigators, Judge Advocates and Chaplains on the new requirements, reengineered Navy victim advocate training, upgraded General Military and Accession training, and improved reporting and leadership awareness. To evaluate the effectiveness of our sexual assault awareness and prevention efforts, Navy conducted two polls in 2004 and 2005. Compared to baseline, the 2005 poll results indicated increased awareness of SAVI programs and services, 90% of personnel given sexual assault training in the past 12 months, and very high understanding that sexual assault is a crime and which behaviors constitute sexual assault. At least three-quarters of members surveyed also expressed general confidence in their command leadership by reporting that sexual assault was not tolerated at their command and that they would report sexual assault to Navy authorities.

**Transition Assistance Management Program (TAMP).** The Navy Transition Assistance Management Program (TAMP) coordinates post-military employment assistance workshops, veterans' benefit seminars, and disability entitlements briefings at 65 shore-based sites worldwide and aboard ships at sea. These specialized classes assist our Sailors and their family members as they prepare to transition to civilian life or formulate decisions to remain on active duty. In Fiscal Year 2005, we expanded Veterans' Affairs benefit counseling to our deployed personnel operating in Navy Region Southwest Asia and developed a web-based training curriculum for Command Career Counselors to improve pre-separation counseling. We also implemented Military life-cycle career development seminars for first-term and mid-career Sailors and placed increased emphasis on developing and providing assistance to our demobilizing reserve component and war-wounded Sailors.

**Culture of Fitness – Fit for Duty, Fit for Life – Cornerstone of Personal Health and Readiness.** The Navy Fitness program provides members of the Navy community ready access to high quality fitness programs, equipment, and facilities dedicated to meeting their total fitness needs. MWR maintains 145 fitness centers, more than 200 indoor basketball courts, over 300 racquetball courts, 150 swimming pools, and thousands of outdoor sports facilities, including softball/football/soccer fields, tennis/volleyball courts and running tracks. MWR fitness incorporates all elements of personal and group fitness activities such as cardio and weight training, intramural (team and individual) sports, group exercise (e.g., aerobics, step, martial arts, yoga) classes, personal training, group and individual fitness testing and programming, aquatic activities, swimming, and special events (e.g., runs, tri/biathlons, track meets, swim meets). In Fiscal Year 2005, Navy MWR centrally funded and procured over 868 pieces of fitness equipment for 54 Operational Support Centers. This action completed an initiative that outfitted all 134 Navy Reserve Centers with fitness equipment to enable personnel to maintain proper fitness levels and adopt healthy lifestyle changes.

**MWR Fleet Readiness.** The MWR Fleet Readiness Program remains the cornerstone of MWR. We continue to use a variety of funding and equipment initiatives to ensure that the Fleet has the

MWR support it needs. We used allocations and supplemental funding to enhance our fitness and recreation support to deployed forces at sea and ashore. In Fiscal Year 2005, we began expanding our Civilian Afloat Program that provides recreation and fitness professionals, who live and work onboard our aircraft carriers, amphibious assault ships and submarine tenders, to enhance shipboard habitability and promote positive use of off duty time. Feedback from the Fleet remains very positive as reflected in customer surveys and reports from commanding officers.

We also developed and conducted an Importance-Performance Program Assessment to measure the overall effectiveness of the Fleet Readiness Program by providing an understanding of what Sailors perceive to be the most and least important components of service delivery and service performance. Over 10,000 Sailors participated in this valuable program assessment for Afloat Recreation, Fitness and Liberty programs. This data will serve as our baseline in establishing various performance metrics as we move forward with our "Focus on the Fleet" initiatives.

The top rated MWR program and service for Fleet Sailors over the past several years remains access to electronic mail (e-mail) and Internet connectivity. The Library Multimedia Resource Center (LMRC) on each ship is the delivery point for this service. We completed the total Fleet LMRC replacement and upgrade in Fiscal Year 2005 with the purchase and distribution of an additional 1,950 laptops and other related equipments.

**Navy Movie Program.** The Navy Movie program supports one of the most popular recreational activities for active duty personnel and their families, with attendance figures of 2.7 million patrons ashore and 23 million viewing hours afloat. We distributed 192 movie titles to 800 Navy Fleet and shore sites, Marine Corps, Coast Guard, National Oceanic and Atmospheric Administration, Military Sealift Command, and Department of State locations. This consisted of 150,000 videotapes, 5,500 35mm prints, 30 early tape releases to forward-deployed ships, and 30 first-run features to CONUS base theaters, two weeks after the U.S. premiere. The Navy Movie program conducted 13 free sneak previews at CONUS base theaters, attended by 110,000 Sailors and family members. The movie program continues to evolve to stay current with technology changes. In a cooperative effort with the Naval Media Center, we have established digital format requirements to replace analog tapes, and will begin deploying them later this year.

## **XI. Conclusion**

As we reshape and adapt the U.S. Navy to defeat emerging threats, we continue to be the predominant naval force in the world. At the very heart of our Navy, people, active and reserve, military and civilian, remain our greatest strength and the most fundamental element of our readiness and success. They, and their families, are making daily sacrifices to protect this Nation and to prosecute the Global War on Terror. These patriotic and professional Americans continue to perform brilliantly and you have every reason to be proud of them.

We often think of the 21st century as the future. It is not. It is today. The Sailors, civil servants and contractors who will support joint missions in the future are entering the workforce and Navy today. What we do today -- the decisions we make, the constraints we live under -- will determine what we are capable of in the future.

If we are to succeed in defining, developing and delivering the workforce required in the future, we must examine today's practices and make necessary changes now. For example, in order to continue to respond effectively to new and increased mission areas, we will analyze our manpower requirements to determine if we need to move to a different officer/enlisted mix or a more senior mix within the officer or enlisted structure. This analysis will include evaluating and analyzing the impact of current Defense Officer Personnel Management Act (DOPMA) control grade ceilings and considering the need for relief from these constraints.

We will continue to look at our compensation strategy to ensure it is the right compensation strategy for 2020-2025 given our changing demographics. A compensation system for that timeframe must acknowledge that our future lies with the All Volunteer Force, and must therefore emphasize volunteerism. We must shift our focus to competency, performance and skill-based compensation and away from longevity and rank. We need to refocus away from deferred compensation and instead optimize the current compensation in a manner that creates a "push" to a full career (as opposed to the current cliff-vested retirement's "pull" to full career). Major bonus programs should remain separate and intact in the near term (e.g. SRB, EB, community-specific bonuses) with a long-term eye toward rational consolidation into a select number of broad, flexible authorities applied with agility in response to "market conditions."

We must devise "on ramps and off ramps" to facilitate smooth transition between active duty, reserve duty and civil service. We need to compensate the total workforce we want in peace & wartime. Our future compensation strategy must incentivize voluntary acquisition and effective utilization of skills/competencies for a diverse workforce, while enhancing service flexibility and discretion vis-à-vis statutory ceilings to provide room for future growth ahead of the power curve in a rapidly changing environment. Such a system must also incentivize voluntary transitions/separation of careerists and support the Service's ability to pilot and demonstrate new business practices.

We are grateful for your commitment to the men and women of the U.S. Navy and to the programs that make them the premier maritime fighting force and sustains them and their families. On behalf of all Navy Sailors and civil servants, and their families, I thank the Congress for continuing and unwavering support.