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THE DIRECTOR OF SELECTIVE SERVICE
Washington, D.C. 20435

October 23, 1982

MEMORANDUM FOR Mr. Richard Hauser, Esq., The White House

Subj: Military Manpower Task Force

In accordance with our telephone conversation this date, transmitted herewith are copies of the Military Manpower Task Force transcripts of proceedings for the following dates:

30 October 1981
30 November 1981
29 January 1982
10 March 1982
12 April 1982
1 October 1982

Retained → *Jim Reynolds*

In addition, I have included a copy of the Task Force Report, which was made to the President on Monday, 18 October 1982.

As we discussed, the sensitivity of these documents is such that release thereof should be made only with the express authority of Mr. Meese or Secretary Weinberger.

Please advise in the event I can be of further assistance.


Thomas K. Furnage

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MILITARY MANPOWER TASK FORCE

The Pentagon
Arlington, Virginia

April 12, 1982
4:05 p.m.

1 MEMBERS OF THE TASK FORCE:

2 CASPAR WEINBERGER (Chairman)
Secretary of Defense

3 EDWIN MEESE
4 Counselor to the President

5 BILL NISKANAN
Council of Economic Advisers

6 BUD MCFARLANE
7 National Security Council

8 HARRY WALTERS
9 Assistant Secretary of the Army

10 VERN ORR
Secretary of the Air Force

11 MAJOR GENERAL TOM TURNAGE
12 Director, Selective Service System

13 GENERAL JONES
Chairman, Joint Chiefs of Staff

14 JOHN HERRINGTON
15 Assistant Secretary of the Navy

16 ED HARPER
Office of Policy Development

17 BILL SCHNEIDER
18 Office of Management and Budget

19 OTHER PARTICIPANTS:

20 LARRY KORB
Assistant Secretary of Defense

21 IRV GREENBERG
22 OSD

23 TOM STANNERS
Office of Management and Budget

24
25

P R O C E E D I N G S

1
2 CHAIRMAN WEINBERGER: All right. We have a
3 reasonably short agenda today, and I'm sorry to have missed
4 last week, being away on what Evans Novak calls my interminable
5 trips, but we have a very happy result at least so all is well
6 I'm sure.

7 This is now the seventh meeting, and we are going
8 to consider today a number of suggestions for the final
9 report, and we have a couple of major items. One are the
10 methods of adjusting military pay, and the other is what we
11 are going to do with the registration problems and compliance
12 with those, and some facts and figures on the status of that
13 situation now, how many are unregistered and whether or not we
14 are getting increasing numbers or what the situation is,
15 whether it is stabilized and what we are going to do about the
16 ones that have not yet registered, but we do have first the
17 problem of one of the major open issues which is the mechanisms
18 for adjusting military pay, and this is pretty important
19 because for many years this was shamefully low and caused all
20 kinds of morale problems and problems in connection with
21 recruiting and retention and training and everything else, so
22 if you would open that up.

23 Let me announce that Secretary Marsh was unable to
24 make this revised meeting because he had already been nailed
25 into a speech at Princeton which he thought important to make

1 in view of the vital nature of the young people to military
2 manpower, so I agreed to his choice of priorities.

3 SECRETARY ORR: I made the same speech to the same
4 group up there six weeks ago, and Ed Meese's son Scott came
5 along with nineteen others. My audience was twenty, so they
6 are not really heavy on the military.

7 CHAIRMAN WEINBERGER: They are further north!

8 DR. KORB: As the Chairman mentioned, this is what
9 we will be doing today, finishing the discussion of the open
10 issues, the first on military pay adjustment and draft
11 registration compliance. I will brief the joint service group
12 comments. Bill Schneider will brief OMB's comments on this
13 issue, and General Turnage will talk about draft registration
14 compliance. Once we have done that, we will go over the out-
15 line of the report to the President based upon what we
16 discussed in here plus the suggestions that were submitted to
17 us over the past month by all the people here.

18 We do appreciate that, and then the procedures for
19 preparing and reviewing the final report. Okay. Now very
20 quickly to run down--you may remember we touched on this as
21 we have gone through some of the issues, but I thought I would
22 briefly go over the existing system of how we adjust military
23 pay.

24 Starting in 1967, they had the principle of
25 comparability for all government workers. The Rivers amendment

1 put on this, and this is important, to tie the military to
2 civilian. There was no mechanism for directly adjusting
3 military pay, and what it did was it tied it to what we called
4 RMC or regular military compensation which includes not only
5 base pay but quarters allowance subsistence plus a tax advantage.
6 In a sense this gave the military about 25 percent more than
7 what the Civil Service got because this was what was con-
8 sidered over and above the base pay.

9 They knocked off the 25 percent in 1974, and they
10 spread the increase among basic pay, BAS and BAO. That law
11 is still in effect today. What happens is you have the PATC
12 survey, results submitted to the pay agent. The pay agent
13 makes a recommendation to the President, and then the President
14 sends the pay agent Plan A or offers an alternative and sends
15 it to Congress. If Congress vetos his alternative, the pay
16 agent's plan is accepted.

17 For the last two years what we have had is a system
18 where because of the problems we had in particularly retention,
19 this law has been suspended and military pay has been decoupled
20 from Civil Service pay. For example, last year it was 14.3
21 percent for military people and 5 percent for civilians.

22 (Showing slides) Now over the last decade since
23 this system had been in effect or since the creation of the
24 all-volunteer force, you had a couple of situations where pay
25 was capped. In other words, the pay agent's recommendation

1 was not accepted and you had a situation where pay for
2 military people because it was tied to Civil Service people
3 fell back, behind what the PATC survey said and then, of course
4 in the last two years it has caught back up, and 14, three
5 was calculated to bring us back to the PATC in 1972 adjusted
6 for inflation.

7 MR. MEESE: Who is the pay agent?

8 MR. STANNERS: The Director of OP, Secretary of
9 Labor, and Director of OMB.

10 DR. KORB: We paid a price during the period where
11 military pay fell behind what was happening in the private
12 sector, and all of the services experienced certain problems.
13 The Army lost some combat arms, NCO's, and the retention rate
14 in the combat arms fell down to 50 percent.

15 The Air Force had trouble with pilots and maintenance
16 supervisors. The Navy had pilots and petty officer shortages,
17 and the Marine Corps had pilots and, loss of pilots and
18 experienced enlisted people.

19 Now as you know, we have been over this a couple of
20 times. This has left us with a situation where despite the
21 fact that we are beginning to cut into this over the last year
22 or so under the President's and Secretary of Defense's
23 leadership, we still have certain shortages, both officer and
24 enlisted, and as the joint service group pointed out, the
25 replacement cost is about \$6 billion, which their point is that

1 you may have saved some money with the pay caps, but the
2 replacement cost is going to be very, very high.

3 Now people have talked about the fact that we have
4 an 8 percent pay raise in our budget this year and that is what
5 we estimate what will be the increase of wages in the private
6 sector. That is what we estimated at the beginning of the year.
7 Of course, since inflation, the President is doing such a good
8 job, is maybe a little bit different, but this is what they
9 estimate. Now as OMB will brief here, they are talking about
10 maybe only giving 5 percent and use the 3 percent for
11 differential pay.

12 Now the model used by the joint service group
13 estimates that if you do that, that the cumulative loss in
14 the career force over the next five years, that is assuming
15 you never make it up, is close to 50,000 people which means you
16 are going to need about 87,000 more recruits to make up for
17 that particular loss since you have to bring more people in to
18 get them to the five-year point.

19 Now the joint service group feels that what we need
20 now is to link pay with the wage change mechanism that will
21 permit the military to retain rough pay comparability and if
22 we do this and lock it in, then we will not have the problems
23 that plagued us in the past and so what they did was to go out
24 and look for a number of mechanisms.

25 CHAIRMAN WEINBERGER: Are those previous ones, Larry,

1 established by reasonably accurate methods do you think?

2 DR. KORB: The PATC was.

3 CHAIRMAN WEINBERGER: Those losses that you were
4 figuring there?

5 DR. KORB: Yes. That is the same model we used for
6 evaluating all of the impacts of changes in pay and bonuses.
7 OMB's figures are pretty close to that. They are going to
8 give you a little bit different twist on it, but that is the
9 model that we used whenever anybody says if you want 1 percent
10 more in May or change this bonus or if the economy does this,
11 what will happen, but they are the models now.

12 CHAIRMAN WEINBERGER: Sure, but they are the most
13 accurate that we have developed for measuring losses in the
14 event pay doesn't come up to the 8 percent?

15 DR. KORB: That is correct. Now they went out and
16 they looked for an index, and basically they came up, used
17 these criteria. They wanted something that was equitable
18 really to the military member and to the taxpayer, plus was
19 understandable, predictable, and stable. This is what they
20 wanted and they looked at something like 12 different indices,
21 and they came down really to a choice between two potential
22 ones, and that is the PATC which we have now, and a new index
23 which was started in 1975 which is the Employment Cost Index
24 which is the equivalent of the CPI in terms of wages, and they
25 looked at those two and they felt, as you will see here, the

1 ECI was a much more comprehensive index. They surveyed many
2 more people and occupations, and the PATC is more slanted
3 toward white collar whereas a lot of military people are in
4 blue collar jobs, so they went ahead and they selected the
5 ECI. This is a little bit more specific information on the
6 ECI, and I guess the key thing here is it covers 70 percent of
7 the military skills, and that it is a reliable index.

8 So their recommendation is that the Task Force
9 recommend to the President that we initiate legislation to
10 implement the ECI, and this would provide that stability,
11 fairness, and equitableness for military people from here on.

12 Are there any questions? This is the joint service
13 group made up of all of the four armed services, and this is
14 what they have recommended to the Task Force.

15 MR. MEESE: Did they go back and apply this survey
16 to the data that was available in any of the past years to
17 compare what the result would have been if you had this formula?

18 DR. KORB: In fact we did that. You may remember at
19 the last meeting we showed what would have happened in the
20 past, and their feeling was that military people would have
21 made out a little bit better than the PATC. It is a little
22 bit because that is blue collar and they increased faster than
23 white collar--not significant. In other words, we estimate
24 the PATC will be about seven, six, the ECI 8.2, so it was a
25 .6 percentage point differential.

1 Okay. If there are no questions, I will turn the
2 podium over to Bill Schneider who will give you the OMB view
3 on this.

4 CHAIRMAN WEINBERGER: Nothing but fairness!

5 MR. SCHNEIDER: Thank you, Mr. Chairman. As Larry
6 implied, OMB has some reservations about the approach that the
7 DOD took on military pay adjustments, especially the problem
8 of the flexibility in the automatic linkage of the single
9 service index and in the past, and as said, these indices that
10 have been, single indices that have been used have not really
11 been particularly useful. If I can get the first slide I can
12 show you the illustrations of this.

13 (Showing slides) Since '67, military pay has been
14 tied by law to increases in the General Schedule which in turn
15 are tied to the PATC index, but more often than not, these
16 linkages just haven't been sustained in actual practice, as
17 the slide indicates. GS increases have fallen below the PATC
18 in ten out of the fifteen years covered, and have been only
19 above the PATC in three of the fifteen years, and have been the
20 same twice, only '67 and 1980, and this automatic link has been
21 preempted in most years by either an Executive Branch decision
22 or Congressional decision or whatever, so the linkage is not
23 a very perfect one.

24 The second slide, it shows in each year that the
25 automatic linkages were preempted. It was argued the pay raise

1 required by the linkage was inappropriate and for any one of
2 the following reasons. The pay raise as required by the index
3 was more than was needed to recruit or retain qualified people,
4 and it was more than needed to match private sector pay or
5 benefit levels, more than needed to keep up with private sector
6 pay changes since '72 or some other reference period, or more
7 than the country could afford.

8 In any case, this has really been shown to be sort
9 of an imperfect way of doing things, so that is the notion of
10 using a single index, so go to Slide 4.

11 We have an alternative approach which we think might
12 work better. That is, we could achieve the ends sought by the
13 Administration in terms of its recruitment and retention
14 objectives but in a perhaps more effective and lower cost
15 manner.

16 The basic idea would be to permit the military pay
17 increase each year to be varied within a specific range. The
18 floor for this military pay increase would be the General
19 Schedule pay increase, and the ceiling would be the increase,
20 whichever is the largest among one of three indexes, the PATC
21 or the PATC/AWS survey or the ECI index, whichever is the
22 highest. You can see the band of discretion that would exist
23 if we had this system in operation during the past few years.

24 The criteria for deciding where in the band to locate
25 the pay raise would be based on past and projected recruiting

1 and retention performance or funding required for bonuses or
2 other differential assignments which seem to be very firm ways
3 as far as meeting recruitment and retention objectives, and
4 also, or let's say a particular means for meeting shortfalls in
5 specific critical skill and assignment areas, and it would also
6 be, the decision would be made based upon the funding required
7 for a-proved benefit adjustments and the relationship between
8 military and civilian pay benefit levels and costs.

9 In other words, the basic idea is that by using
10 multiple indices it gives the President a range of alternatives
11 and generally more discretion that might enable him to not only
12 more effectively meet military requirements but also have
13 better control over the costs of benefit packages.

14 I won't go into more detail on how we could implement
15 this, but let's go into some specifics at this point. Slide
16 6 compares the adjustments to military pay and benefit
17 programs included in the President's '83 budget, with an
18 alternative set of adjustments that we may ask the President to
19 consider.

20 Basically the 5 percent alternative would trade off
21 a smaller across-the-board pay and benefits increase for a
22 larger Fiscal '83 bonus award for critical career skills in all
23 services and for Army, high-quality recruits.

24 The principal manning problems identified in the
25 earlier Task Force meetings, these reflect the principal

1 problems that we had and the ones we expect over the next few
2 years and what is displayed in Chart 6 simply suggests that
3 there is a potential savings on the order of a billion dollars
4 doing it this way, and the balance of my discussion will be
5 associated with a set of arguments that suggest that we can
6 maintain the recruitment and retention objectives at lower costs
7 with this kind of a scheme.

8 Go to Slide 7, please--just let me go over a point
9 that was in this chart that was raised because the services
10 have argued frequently, and to good effect I think, the notion
11 that previous pay raises have only restored parity with the
12 PATC index. The notion of when parity is restored really
13 requires a judicious choice of the base period as most
14 comparisons do, January of 1972, and it also requires for that
15 assertion to be sustained that the variable housing allowance
16 is excluded from the consideration. If you include the VHA
17 in the definition of regular military compensation as the law
18 now requires, then selecting the base period either two months
19 earlier or later than is proposed in that, in the comparison
20 of January, '72, suggests that military pay raises have in
21 fact clearly outstripped PATC indexes, PATC increases rather.

22 This would hold true even under circumstances of a
23 5 percent pay increase which is discussed in that OMB
24 alternative.

25 Now that being the case, or at least being arguable,

1 that the pay increases that we have done are certainly not
2 worse than the PATC index, and a good argument can be made
3 for the fact that they have been done better than the pay
4 increases.

5 Let's just go to a couple of points about the effect
6 of this, and we will go to Slide 8, please. It might be
7 informative first to start with this well-publicized assertion
8 that relative decline in military pay in the late seventies
9 led to a substantial attrition in career personnel. As the
10 slide indicates, the enlisted career force, those with more
11 than five years of service, was actually larger in 1979 than
12 it was in 1974 by about--I'm sorry. I have them misnumbered.
13 Slide 9--the black line is for 1974 and the dotted line is
14 '79, so it suggests that while we certainly had a problem in
15 some areas, the situation was not quite as bleak as has been
16 argued.

17 While the Air Force lost about 28,000 careerists,
18 the Navy and Marine Corps showed some modest gains and the
19 Army career force actually grew by about 38,000. If the
20 focus had been on skilled groups, and those service groups
21 within the career force whose retention rates and numbers
22 declined, it is clear that less publicized gains in other
23 areas offset those losses, and as we learned in the previous
24 paper presented to the Task Force, many of the career losses in
25 the 1970's were not due to pay policy but simply an abnormally

1 large Korean War cohort that finally reached retirement age.

2 Now just to get back to the final point of this
3 latter point of the briefing which was to look at the current
4 manning situation, the pay gains of the last two years and
5 other factors as well have substantially increased first term
6 and career re-enlistment rates as well as enlisted recruit
7 quality.

8 The Army has announced they have stopped recruiting
9 young men and women without high school degrees altogether--
10 a very dramatic change from the situation of only a few years
11 ago. All of the services except the Air Force are currently
12 over strength or are offering earlier release opportunities to
13 their personnel. Out-year projections also suggest that a
14 5 percent increase will permit the Defense Department to meet
15 its program strength requirement, experience needs, and
16 recruit quality objectives for enlisted by the end of the
17 planning period, and, I think this is sort of the punchline,
18 which is the last chart, Chart 10. As you can see, in terms
19 of total end strength and the enlisted force of 1,947,000,
20 with the 8 percent pay increase, the force is oversubscribed,
21 but that is also true even with the 5 percent increase.

22 Similarly, this is the case with respect to the
23 career force. You have on the order of a hundred and some
24 thousand above the program requirement in the career force,
25 with an 8 percent pay increase, but you still very handily

1 meet the objective again with the same model that the Defense
2 Department is using, with a 5 percent increase, and with
3 respect to that critical area of high quality recruits, i.e.,
4 male high school graduates, the objectives are met even, and
5 this seems anomalous to beint able to do as well with 5
6 percent or do better with 5 percent than 8 percent because
7 in the OMB proposal, we more extensively use bonuses which
8 makes it possible to target in on the high-quality recruits
9 area and hence do somewhat better in the procurement of
10 personnel of this sort, so I think in terms of the circum-
11 stances we face that this kind of pay adjustment mechanism
12 might be a useful one to consider and one I think we can meet
13 our objectives without needing to spend an additional
14 billion--end of message.

15 CHAIRMAN WEINBERGER: Do you challenge the basic
16 assumptions that there would be major losses in both the
17 recruiting and retention if the cut were made down to 5,
18 not necessarily the specific figures we used, but major loss?

19 MR. SCHNEIDER: I think if we went from 8 to 5 and
20 didn't have some sort of targeting and bonus system, yes, I
21 think there would be losses, but I think that if we had a
22 well-designed scheme of bonuses, all of the evidence suggests
23 that bonuses are very efficient means of recruiting and
24 retaining people, and as a consequence, I think that if we
25 went down to 5 percent with the targeting scheme that has been

1 suggested, that we could sustain our objectives.

2 CHAIRMAN WEINBERGER: What would be the dollar
3 savings?

4 MR. SCHNEIDER: About a billion dollars.

5 CHAIRMAN WEINBERGER: With a bonus system?

6 MR. SCHNEIDER: Yes. That would include the cost
7 of the bonus.

8 Are there other questions?

9 MR. HARPER: What is the impact of the level of
10 unemployment in the general economy on the retention?

11 MR. SCHNEIDER: Well, it has been hard to tell
12 because we have had good and bad recruiting years, in times
13 of fairly healthy civilian economy as well as a bleak one.

14 I think the picture has generally dramatically
15 changed because of the way this Administration has made
16 military service a so much more respectable line of work, that
17 a lot of the experience that we had during the seventies
18 might not be entirely relevant to that experience, and given
19 that the statistics on pay comparability are such that we are
20 doing fairly well in that regard, I think as long as the
21 Administration and the Congress will sustain that, I don't
22 think there will be such wild swings and feast and famine
23 depending on economic conditions.

24 DR. KORB: Let me make a couple of points here which
25 I think need to be made. Both models come up with the same

1 conclusions, but if we have more people, we can be more
2 selective.

3 We are trying to make up--we lowered our enlistment
4 standards, unfortunately, before we came into office. There
5 are a lot of people that we would really like to get out, so
6 if what you say is correct, we can be more selective which I
7 think is going to help us.

8 The other thing is the career force is increasing
9 in terms of E-5 to E-9. We will be promoting people very
10 fast to fill that, so if things work the way we would like,
11 and with the 8 percent, we will be able to slow down and get
12 more experience.

13 The other thing is, and this goes to Ed Harper's
14 question, we don't know the effects of the economy, and so
15 what we are saying is our approach provides us with a margin
16 of safety because if the economy turns around and we begin to
17 run into problems, then we are right back where we started
18 from, and if you lose a person at the eight or ten year point,
19 it takes you a long time to make up for that.

20 The final thing is much of it with military people
21 is a matter of perception. If they think they are being
22 treated fairly, that is almost more important than whether in
23 fact they are, and if there is a feeling that eight is the
24 right number based upon what the President's pay agent might
25 say, to go away from that, it can create perceptual problems.

1 They can say here we go again. We are back to the experience
2 of the seventies. That is pretty tough to work into the
3 model.

4 MR. SCHNEIDER: Yes. That is a little hard, as you
5 say, to quantify it, but I think the important thing is that
6 we have seen that certain military occupations are over-
7 subscribed and others are very much starved for personnel, and
8 if we had a policy that treated people equitably as far as
9 the basic level of compensation but then sought additional
10 compensation through a system of bonuses that we could meet
11 our objectives, albeit at somewhat less cost, and I wouldn't
12 argue that it would be nice to have a margin of safety for
13 uncertainty, but I think that the Congress has been relatively
14 responsive on military compensation, and if we found we were
15 getting into difficulty with respect to military compensation
16 because of the change in the effect of the economy on it, we
17 could always come back later and ask for it.

18 SECRETARY ORR: I would like to make a few comments.
19 You and I both sat where OMB is, so I am not unmindful of the
20 need to cut. There is just a few things I would like to
21 mention.

22 One, obviously in the OMB modeling it includes a
23 variable housing allowance, but as a practical matter, that
24 affects 35 percent of the force. The other 65 percent who
25 live on bases have the assumption that their housing becomes

1 more valuable simply because the economy is expanding, but
2 it is not always true that the guy who is living in a 20-man
3 dorm or the person who has a bunk on a ship necessarily thinks
4 his housing has got more valuable simply because of the
5 variable housing allowance has gone up, and I suspect, Bill,
6 you also include the overseas costs which are driven by the
7 exchange. Usually that is true when you have the cost of
8 living that is thrown in.

9 MR. SCHNEIDER: That is not included in these
10 figures.

11 SECRETARY ORR: The next thing to mention is that
12 it is true that you can alter these figures a good bit by your
13 base. There was a reason why January, '72 was the base. In
14 other words, in November of '71, the system was still working
15 so slow that it was producing 1970 results for pay, and so
16 they got a pay increase in November of '71. They got another
17 big one in '72, in January, which was designed to bring the
18 military only nine months behind. In other words, January,
19 '72 gave them the pay increase from the survey of March of '71.
20 Then if you go to March of '72, you are treating the military
21 pay as though it led to civilian. It is in March that the
22 civilian pay is upgraded by the PATC so that you can establish
23 a given figure depending on what your base is and if you use
24 March of '72, you are making the assumption that the military
25 pay in January preceded the civilian pay whereas in actual

1 fact it always lags somewhere, at a minimum of nine months.

2 Now I don't think any one of us who are interested
3 in the governor's program wants to spend more money by a
4 dollar than we can afford not to. I don't know what the ECI
5 is going to be and neither does anybody else. Ideally what
6 I would like to see, they will come out June 30th with their
7 survey through March 31st which will be normally the last
8 figure that we will have. It would be better if just before
9 the pay raise went in there were a mechanism to say we will
10 use, for instance, the ECI of September 30th which would give
11 us at least June. I have got a certain inkling that that is
12 going to be tapering off just because of the recession and
13 the kind of contracts you are getting out of the automobile
14 dealers.

15 I am told that the ECI could be speeded about 15
16 days if it were an urgent matter; in other words, that we
17 could get on September 15th instead of September 30th a figure
18 that begins June 30th which would be the latest possible
19 figure you can use, if it were possible to write a mechanism
20 that it would be the ECI as of June 30th, and possibly get
21 that through Congress, maybe even with limit not above eight,
22 not below seven, or whatever we think the margin is going to
23 be.

24 The last point I would like to make is at least for
25 us, and I think to maybe a little lesser degree the other

1 services, the cost of retraining is just fantastic. The
2 minimum pilot today costs us \$500,000, and the fighter pilot
3 costs us approximately a million, two to retrain, and a point
4 in pay is around \$350 million. In other words, your three
5 points from five to eight takes roughly a billion, so you are
6 running somewhere between 350 and 400 million, the savings,
7 and it is intangible. The savings that you get from lack of,
8 fleeing out of the system of your trained people are easily
9 made up in just a thousand pilots that you save.

10 Now granted you don't save any pilots because you
11 pay an E-3 8 percent instead of 5 percent, but I would fully
12 agree with Larry. There is a big perception that we finally
13 got the pay up now where the people are very happy, feel the
14 morale is tremendously high, and I have deep concern that if
15 we start now to say well, we are going to tinker with it,
16 the perception is going to be just as we always thought, you're
17 right. I would rather if we could go for the very later
18 figure on ECI and say we will peg it, but we will wait until
19 September 15th and ride with whatever it is, and I think it
20 will be below eight.

21 MR. SCHNEIDER: The data that we used is saying
22 that we get the same results that you get, and we certainly
23 want to retain all the pilots. It is just that you can get
24 it at lower cost by using these techniques. I can't say
25 that you and Larry are wrong about the intangibles of whether

1 people feel that they are being abused or manipulated in some
2 way if pay increases 5 percent rather than 8 percent, but
3 based on the evidence that we have, it suggests that we will
4 do just as well with a skillful application of bonuses and a
5 5 percent increase as well as with 8 percent, so it is an
6 opportunity, and I would say not only--although we are mainly
7 discussing '83, you could get introduction of this kind of
8 approach going into the '84 and beyond as a way of making best
9 use of your military compensation dollars so that we can buy
10 as much of the defense program as we can possibly squeeze
11 out of the money allocated.

12 CHAIRMAN WEINBERGER: Did I understand you to say
13 that if we used your system we would come out with higher than
14 the 5 percent, that the 5 percent was picked for fiscal reasons?
15 Didn't you say that if you used your flexible system you
16 might come out even higher than the 8 percent?

17 MR. SCHNEIDER: Yes. That was with respect to the
18 retention of or the recruitment of skilled or the high-
19 quality recruits to the Army, the high-school graduates.

20 The reason for that anomaly was that with the 5
21 percent program, it also involved a system of bonuses which
22 was more effective at targeting in on that particular audience,
23 namely, the male high-school graduate, whereas with the 8
24 percent that was spread across the board, and as a consequence,
25 you don't pick up that particular group because you are not

1 targeting in on it.

2 CHAIRMAN WEINBERGER: Do you have any feeling that
3 your proposal would cause us to lose more of the non-targeted
4 group?

5 MR. SCHNEIDER: Yes. You would probably lose some
6 of those, but these are in areas where they tend to be over-
7 subscribed, and we have shortages in other areas so that you
8 would be able to more efficiently spread around your military
9 compensation dollar to make sure you have a skill mix.

10 CHAIRMAN WEINBERGER: You don't think we have to
11 spend any more for additional recruiting to make up the ones
12 we lost?

13 MR. SCHNEIDER: No, because my understanding is that
14 you have excesses in those categories where you would stand to
15 lose some, but by the scheme that we are proposing you would
16 be able to meet your shortages more effectively.

17 CHAIRMAN WEINBERGER: All right.

18 SECRETARY ORR: If I understand correctly, you are
19 saying there is a high and a low, but you immediately go to
20 the low? In other words, the high would be the greatest of
21 the three not to exceed the highest of the three services,
22 but in order to save the billion, you go to the floor?

23 MR. SCHNEIDER: Five percent was arbitrary.

24 SECRETARY ORR: That is the civilian increase?

25 MR. SCHNEIDER: That is civilian increase, but the

1 general scheme we were proposing is let's say not lock in on
2 one index. Let's set a scheme up where the floor is the GS
3 increase and the ceiling is the highest of one of the three
4 alternative indexes. Then the President through the pay agent
5 would be able to have a zone of discretion where he could pick
6 for any number of policy reasons, pick out the level of
7 increase that he thought would most effectively meet his ends,
8 and that seemed to me to be a scheme that would be better
9 from the perspective of the President than would be locking
10 in on a single index.

11 SECRETARY ORR: I understand that, and that is very
12 clear, but for your illustration you automatically assumed
13 you would lock in on the low?

14 MR. SCHNEIDER: We locked in on the GS floor.

15 SECRETARY ORR: That is the floor.

16 MR. SCHNEIDER: If you went to--the closer you got
17 to 8 percent, the less you would save.

18 MR. MEESE: Bill, when you say that would be the
19 range, would you then adjust it by grade, by category, or would
20 this be across the board?

21 MR. SCHNEIDER: You could do it either way. That
22 is, you could pick the number and do it across the board, or
23 you could adopt a scheme such as we have proposed of using
24 some of the increase for bonuses which I think is just a
25 technical matter, and I think Larry would agree that bonuses

1 are an efficient way of picking up manpower, more efficient
2 than across-the-board increases.

3 MR. MEESE: I mean, for example, suppose you decided
4 that you needed to keep captains and lieutenants and you
5 didn't need to keep colonels and generals. You could then do
6 it that way?

7 MR. SCHNEIDER: That's right.

8 MR. MEESE: Or by MOS skill?

9 MR. SCHNEIDER: Any sort of differential scheme that
10 you wish--length of service, occupational category, anything.

11 DR. KORB: You have to be careful. Some requires
12 law. Some Cap has the authority to do. Some would require a
13 change to the law. The targeting by pay grade, we now have
14 permission to go plus or minus 25 percent. When you get into
15 particular skills within a pay grade, unless you are giving it
16 just as a bonus, you can't do it without changing the law.

17 CHAIRMAN WEINBERGER: Are there questions?

18 MR. WALTERS: I have a comment I would like to make.
19 The fact that the Army has an increase of 38,000 in the career
20 force is indicated in your chart to be a positive trend.

21 I have got to tell you the Army started about in
22 the low forties in the career force orientation, and the
23 optimum is 50 percent, and eventually the Army reached 50
24 percent when we had the pay increase, and the pay increase had
25 a definite perceptive value on the Army.

1 The signal that we would send if we did not ask for
2 the 8 percent to the Army would be that we are not intending
3 to continue our progress in the pay increase area and that
4 perception has a definitive value on the career force
5 orientation and bonuses may or may not have any value in
6 that area. Bonuses haven't proven very effective to keep a
7 man in from one skill to another.

8 MR. SCHNEIDER: Okay.

9 CHAIRMAN WEINBERGER: Thanks very much, Bill.

10 MR. SCHNEIDER: Thank you, Mr. Chairman.

11 CHAIRMAN WEINBERGER: What is the pleasure of the
12 Committee on this item? Shall we prepare an alternate draft
13 for the final report and take a paper ballot or does anybody
14 wish to have a ballot passed out today or are the merits of
15 the Defense case so obvious that there is no further dis-
16 cussion or what?

17 DR. KORB: Is there any further discussion on this
18 point? Obviously I stated the Defense case, and we believe
19 strongly in it.

20 CHAIRMAN WEINBERGER: If we didn't have a percentage
21 end strength, Bill, on yours, and we went in the middle of
22 that band, what would you get this year?

23 MR. SCHNEIDER: Do you have an idea of the
24 distribution?

25 MR. STANNERS: You mean in terms of when, the middle?

1 CHAIRMAN WEINBERGER: As I understood it, Bill, with
2 the variable system, it gives you a band, and you could go
3 somewhere in the middle of that band.

4 MR. STANNERS: You would make a choice within that
5 band. The average of the band would probably be about seven
6 because the others are all about eight, and GS five.

7 CHAIRMAN WEINBERGER: You would be perhaps 1 percent
8 under instead of a 5 percent if you used that system. The
9 band gives you a degree of flexibility, but ultimately you
10 have got to decide where in the band you are going to go.

11 MR. SCHNEIDER: Right, but you do have an alternative.

12 CHAIRMAN WEINBERGER: We have one other factor, of
13 course, and that is that rightly or wrongly and inevitably
14 the original budget having been submitted at five, at eight,
15 it has been very widely publicized, and there would be a
16 somewhat unfortunate morale effect of any sharp reductions
17 in that at this stage of the game, totally aside from what we
18 do in the future. I think we have to grind that element into
19 it here.

20 The other thing is I think if you are going to--we
21 don't really have a model for testing how many you would
22 lose if you applied your special bonus system.

23 MR. SCHNEIDER: Yes. DOD has a model that can
24 identify any effect you want to test, and it is only as good
25 as the model.

1 DR. KORB: Bill's point is going to give more to the
2 area where you have problems. The point that Vern and Harry
3 were making is that that might help in the short term, but if
4 the perception is out there that you are monkeying around
5 with our pay system, then you get people making long-term
6 career plans who decide not to stay in even with the bonuses,
7 and by the time we find out about it, we are back in this.

8 CHAIRMAN WEINBERGER: The point I am going to make
9 is if you reach a result at which you are going to lose some
10 significant number, you have got to add back in the recruit-
11 ment costs.

12 DR. KORB: And the training costs.

13 CHAIRMAN WEINBERGER: And the training costs, and
14 one of the things that we have been most pleased about in
15 1981 has been the retention and the decisions by a lot of
16 the career people, the career field grade, company grade
17 officers, to stay as opposed to leave which was quite a drain
18 as you saw from the earlier chart.

19 MR. MEESE: Really you have two issues. The first
20 issue is which of three pay compensation systems you want to
21 present, ECI or the OMB range.

22 The second question is if you assume the OMB model,
23 where then do you want to fix it on the scale.

24 CHAIRMAN WEINBERGER: In a particular year; let me
25 suggest then, and we can do anything anybody, the majority

1 wants to do, let me suggest that we send around some alternative
2 choices as we send around the draft for the final report, and
3 we can then indicate in the final report what the majority of
4 the Committee, of the Task Force, found and what--any
5 significant dissenting points ought to be included briefly in
6 the final report.

7 MR. HARPER: May I make one last comment on this?
8 There was a reference to monkeying around with the pay system.
9 My experience in the private sector has been when we have in
10 various companies paid bonuses or recognized differentials
11 for night work, hazardous work, things like that, I don't
12 think people regarded those as monkeying around. They
13 recognized that the work was harder or involved some special
14 skill or something like that, and came to expect that, want
15 that, and migrated into those skills if that economic
16 incentive was what they were looking for, and thus I guess I
17 am not sure that monkeying around with the pay system is a
18 fair characterization.

19 In fact, it is an attempt to reward those skills
20 and occupations which are most in demand by the services and
21 which we place our highest priorities on maintaining.

22 CHAIRMAN WEINBERGER: I think that is certainly
23 correct.

24 The other problem, however, is that there are a
25 great many people, many more who are not in those special

1 categories of need, and if they start significant departure,
2 why then you have got to get them back or you have got to
3 get them one way or another, and so while the perception would
4 be that we are rewarding not so much skilled work or not so
5 much good work as we are rewarding people who happen to be
6 needed, needed specialists, and those people generally are
7 far fewer than the majority who would be involved, so you
8 might have some perception--you don't really know who is going
9 to be affected by what, and I think we all have some if not
10 suspicions, at least concerns as to how accurate the models
11 are, but I think the basic situation is at the moment, there
12 is a quite contended perception of things having finally
13 caught up in '81 and '82 and 88 percent was the suggestion,
14 and it was understood to be approved by the President, and
15 now if something changes about that, I think it is going to
16 have some adverse effect for the longer range. Again,
17 certainty and consistency are pretty big factors in that.

18 MR. NISKANEN: Larry, do you question the numbers
19 on Slide 10, that the 5 percent pay raise with the bonus
20 package is sufficient to achieve the desired end strength
21 in Fiscal Year '87? The numbers show that you do not recruit
22 as many, but there is still 20,000 in total end strength, and
23 quite a bit more than that in the career force above the
24 program requirement.

25 DR. KORB: Yes. A couple of things--that assumes

1 that you don't have any changes in the economy. That is one
2 thing.

3 The other is that doesn't deal with the quality of
4 the people there. We have no doubt that we can promote people
5 with minimum requirements. What we are trying to do is
6 increase the quality of the force because we started with a
7 situation where because of a misnorm test, for example, we
8 took a great many more Category 4's than we thought we were
9 taking, and we are trying to overcome that right now.

10 In terms of macrolevel, no, it doesn't. Those
11 numbers are essentially correct.

12 CHAIRMAN WEINBERGER: Any other questions? All
13 right. Then let's include this in the final report, and
14 General Turnage, do you want to talk to us about the problems
15 of enforcement and what do we do?

16 GENERAL TURNAGE: Mr. Chairman, before I start with
17 the charts, please allow me to give a brief summarization of
18 how we got where we are, and perhaps the rest of it will be
19 more meaningful.

20 After Afghanistan on January the 23rd, 1980,
21 President Carter made the announcement that we would rein-
22 stitute registration. That fact notwithstanding, it didn't
23 occur until July of 1980, and there over a two-week period
24 we had the registration of all people who were born in 1960
25 and 1961. Then the second increment of registration occurred

1 in January of 1981, and that was for people who were born in
2 1962. Concurrently, starting 1 January 1981 we started the
3 first continuous registration of those people who were born
4 in 1963. That turned out historically to be the most
5 contentious year, and notwithstanding the fact that previously
6 continuous registration hadn't been an issue with us, in this
7 particular instance it turned out to be, and so I think the
8 first chart here discusses recent results. Then we will go
9 into the options on compliance and penalties and the law.

10 (Showing slides) The first chart here gives the
11 vagaries which the system responds to. Along the bottom here
12 we will notice that we used four-week increment, and excepting
13 in one case, and this is a two-week increment here where we
14 make the transition to 1982, and the reason for that, Mr.
15 Chairman, is because we receive input from Post Offices on a
16 four-week basis, all 35,000 of them. In this case, we started
17 off in March of 1981 and the responses continued to diminish
18 until it was determined to be 61 percent of registration at
19 this particular point in time.

20 When that occurred, about the 25th of June the
21 Supreme Court decision was announced where it was announced
22 that the Congress had the right to cause a registration of
23 males only.

24 Secondly, on the 20th of July the "New York Times"
25 article came out and stated that Selective Service had sent

1 the first 123 names to Justice for those people who had
2 failed to register, and this was the so-called passive
3 enforcement system where somebody had reported their neighbor's
4 son had failed to do that.

5 The third thing that happened, this is where the 10th
6 of August is where we had the list of registrants posted in
7 the various Post Offices, judicial districts in the country,
8 and then we sent out on the 17th of August about a million
9 point two postcard mailings. It is difficult to quantify how
10 each of these factors affected it, but it went from 61 percent
11 and jumped all the way up to the third of September we had a
12 79 percent response for the '63 age group. Then it continued
13 to diminish after that time, and it did so until at the end
14 of the year we were back down to 71 percent again, and that
15 was affected by some other factors.

16 For example, there was the announcement in the
17 newspaper that there was a 50/50 chance that the registration
18 would be continued. There was the deferral of further Justice
19 Department action in December while we were waiting for
20 the President's decision.

21 Then on the 7th of January the President announced
22 that we would continue registration, and we then gave a grace
23 period through the 28th of February, and I should suggest now
24 through April fourth we have run clear off the chart there.
25 Since the grace period we have got something like 850,000

1 registrations.

2 This shows where we stand right now with the
3 registration. The '60 and '61 are as indicated, '62, and then
4 '73 is almost up to two or the other years, not withstanding
5 the fact that it was the one that caused us the most trouble
6 along the line.

7 There are two caveats I think that it is only fair
8 to point out here. One, there is a current GAO report due to
9 be released some time in the next few weeks which indicates
10 that we may be off a percent or so based on figures for Guam
11 and Puerto Rico of the numbers of eligibles.

12 The second thing even in your travels last year,
13 last week, that there was an announcement in the paper that
14 the Census may have understated the black male population last
15 year by something like 2 million people. We don't know what
16 percentage of that relates to the age structure that we are
17 concerned with now, but in any event, there may be some minor
18 adjustment of these figures, but in essence, we think that
19 these figures are sound ones, and this is once again as of
20 April fourth. I got some preliminary figures this morning,
21 and the overall figure for all years now is just slightly
22 better than 94 percent.

23 At the last meeting of the Task Force, sir, which
24 you missed, we talked about some options. We talked about
25 continuing the status quo and based on the best guesstimate

1 that could come out of the system, we talked about increasing
2 the publicity and we know that the system is responsible to
3 the public awareness or the publicity angle which would
4 account for about \$700,000, and then we talked about active
5 identification using different sources. One was the federal
6 data, and when we speak of federal data, we are really talking
7 about three or four increments. We talk about the use of
8 Social Security account numbers which was authorized by the
9 Congress in December of last year. We are talking about the
10 use of Internal Revenue Service computer data to get current
11 addresses of people who, the age group that we are concerned
12 with, and we are speaking of matching files against OSD
13 computer tables which show people that are in the service as
14 well as those of the Coast Guard, and we figure that we can
15 get somewhere between 95 and 98 percent of that.

16 That particular option was approved at the last
17 meeting, and we started the implementation of it with one
18 exception. Mr. Meese stated that instead of ^{spending} sending the
19 \$900,000 to work with Social Security for the use of their
20 files, he would appeal to their patriotism and it has worked
21 wonders. They turned out, confirming their patriotic spirit,
22 to me, except ~~you~~^I have to tell ~~them~~^{you}, they asked for how long?

23 MR. MEESE: How long they should be patriotic?

24 GENERAL TURNAGE: So right now we are actually in
25 the process of working with the Social Security system for the

1 matching of the system, and we can't get on with it to the
2 extent we want to until we get the backlog in our own data
3 center caught up. We expect that to be about 1 May.

4 CHAIRMAN WEINBERGER: Do we have any statutory
5 prohibitions against using any of the federal data?

6 GENERAL TURNAGE: No, sir, not to our knowledge,
7 now because as I say, the Congress gave that authority in its
8 authorization bill in December.

9 CHAIRMAN WEINBERGER: For everything?

10 GENERAL TURNAGE: For Social Security specifically
11 for Selective Service.

12 CHAIRMAN WEINBERGER: What about Census?

13 GENERAL TURNAGE: Oh, historically it has been so,
14 and there is no problem with that, sir.

15 MR. MEESE: You can't get individual names off
16 Census.

17 CHAIRMAN WEINBERGER: I meant for enforcement
18 purposes.

19 MR. MEESE: You can get IRS and Social Security.

20 CHAIRMAN WEINBERGER: So the estimated compliance,
21 that is the total compliance with a rise to 98 percent if
22 you could get federal data?

23 GENERAL TURNAGE: That is what we estimate, and we
24 have left a data here, a factor here, Mr. Chairman, simply
25 because the Census data we find is not that definitive. For

1 example, at one time when they had the first 1981 registration
2 period, they came up with what they thought was 95 percent
3 compliance, and then a few weeks later Census said we made a
4 mistake in our estimate, and it affected our data by 4 percent,
5 so it dropped it back down to 91 percent, so we think it is
6 necessary for accuracy to have some kind of latitude here, but
7 with what we are doing right now we think we are going to get
8 somewhere between 95 and 98 because overall now we are at
9 94 actually.

10 CHAIRMAN WEINBERGER: What about non-federal then?

11 GENERAL TURNAGE: Well, in this case here, we have
12 to pay for those files that we use from the civilian sources,
13 and secondly, we only used those where we find that we are not
14 getting the degree of coverage that we think is necessary from
15 the Social Security files.

16 CHAIRMAN WEINBERGER: What are you using?

17 GENERAL TURNAGE: We think in terms of license,
18 driver's license figures, and some states will provide that to
19 us, and some states won't.

20 CHAIRMAN WEINBERGER: What about the best of all?

21 GENERAL TURNAGE: Social Security?

22 CHAIRMAN WEINBERGER: Birth certificates.

23 MR. NISKANEN: They don't identify location.

24 CHAIRMAN WEINBERGER: They are required in almost
25 every state and they have such simple data as date of birth.

1 GENERAL TURNAGE: I am embarrassed to tell you I
2 can't answer it, but I will have it for you soon.

3 CHAIRMAN WEINBERGER: If you could get that, it
4 would seem to me you could drop everything else because
5 everything else is a piece of that. I don't know of any
6 state that doesn't require birth certificates.

7 MR. GREENBERG: It is the question of being
8 computerized that is critical.

9 CHAIRMAN WEINBERGER: There may be some that don't
10 have it, but you have got pretty good data by year.

11 GENERAL TURNAGE: I don't know, but let me pursue it.
12 I will find the answer to that, but in any event, something
13 else that has become a very profound issue in recent weeks
14 has been this business of withholding federal benefits, and
15 I should suggest that we looked into that, and at first blush,
16 we had the impression that the numbers involved were not
17 sufficiently significant to justify the administrative follow-
18 up that would be necessary in order to determine it.

19 However, now we find out that by age group, 18, 19
20 and 20, those that we are particularly interested in, we have
21 something like a million, 100,000 involved in that. For
22 example, we looked at the areas of federal employment,
23 Unemployment Compensation, VA dependent benefits, Social
24 Security survivor benefits, CETA program, and student loan and
25 grant program.

1 CHAIRMAN WEINBERGER: This is something the state
2 Senator from New York has been pushing.

3 DR. KORB: John Markey.

4 CHAIRMAN WEINBERGER: He is very anxious that we
5 withhold benefits and presumably would be willing to
6 cooperate by withholding New York benefits.

7 MR. MEESE: You could have a line on each of the
8 applications--have you registered for the draft? And if they
9 put no, then you withhold their benefits. If they put yes,
10 then you get a few that have done it fraudulently, you can
11 kick them off their benefits and prosecute them.

12 GENERAL TURNAGE: Some Congressman has a bill in
13 the Congress now relating to this fact. Senator Hayakawa
14 called last week. He is interested in withholding all
15 educational benefits which is substantial. You are talking
16 in terms of something like 600,000.

17 MR. MEESE: Just having that question on there
18 might make them think twice.

19 GENERAL TURNAGE: Where we stand now, the current
20 law specifies maximum penalty on the basis of discussion that
21 we had with Lowell Jensen of Justice and Mr. Meese, particularly
22 to keep out the off again, on again psychological aspect of
23 the program, to get on with it. We are hopeful that there
24 won't be any change in this situation for the foreseeable
25 future, once again simply because of the impact of trying to

1 get the program going back on track.

2 We have had several proposed changes to include
3 the Aspin, the Solomon, and I suggested the Hayakawa, and
4 others. At the last meeting while we considered this, I
5 think this has been deferred at least for the time being.

6 What I would hope that the Task Force would
7 consider is the possibility of retaining this for at least
8 the time being so that once again there won't be any
9 turbulence in the implementation of it, and then possibly the
10 adding on of one of these denial of benefits provisions which
11 would once again it seems to me deny benefits for those who
12 fail to accept responsibility.

13 CHAIRMAN WEINBERGER: How many are now subject to
14 prosecution?

15 GENERAL TURNAGE: Something just a little less than
16 half a million, sir.

17 CHAIRMAN WEINBERGER: And it is not going down, II
18 take it, in total numbers?

19 GENERAL TURNAGE: Yes, sir.

20 CHAIRMAN WEINBERGER: It is?

21 GENERAL TURNAGE: At the end of December it was
22 over a million.

23 CHAIRMAN WEINBERGER: Over a million?

24 GENERAL TURNAGE: Yes, sir.

25 CHAIRMAN WEINBERGER: Would you think it will

1 continue to go down or is this the hard core so to speak?

2 GENERAL TURNAGE: I just think absolutely. It is
3 going to go down. What will happen is this. When we get
4 the matches and then get the names and identify those who are
5 possible non-registrants, the first act we take in concert
6 with Justice is send these people letters. Based on the
7 experience factor we have had heretofore, automatically we
8 get over 50 percent of those who comply right away, so in
9 speaking with Mr. Smith and with Lowell Jensen and the rest
10 of them, we have a hunch that is the first key. It is the
11 identification of the guy who did it, and then go with that.

12 In the second blush, we will go with the second
13 letter, more strongly worded, saying you had your chance. The
14 third thing, the thing goes to Justice. Now we have some of
15 those that are holding at Justice right now waiting until we
16 can clense the data bank.

17 CHAIRMAN WEINBERGER: Have we had any prosecutions?

18 GENERAL TURNAGE: The minute that we determine
19 precisely whether they didn't register during the grace period
20 we spoke about, they are the ones that Justice will go after.
21 We think a few cases will get the word out that we mean
22 business and we think we are going to have all kinds of
23 business.

24 CHAIRMAN WEINBERGER: You are at roughly average
25 now 94 percent compliance?

1 GENERAL TURNAGE: Yes, sir.

2 CHAIRMAN WEINBERGER: But the 1964 class is almost
3 100 percent?

4 GENERAL TURNAGE: Yes, sir. What happens is that
5 we think that when all of the advertising and the impact was
6 going on, some of these young men we know registered before
7 they had to register so that figure changes every time we
8 get an input from the Post Office because we take a pro-
9 portionate share of the '64 population and keep adjusting that.

10 CHAIRMAN WEINBERGER: I see, so what we have now
11 are backlogs of people who didn't register when either there
12 was some uncertainty or when they felt there was some con-
13 fusion or one thing and another, and that has been sharply
14 reduced but there still are about a half a million, some of
15 them dating back quite a ways?

16 GENERAL TURNAGE: To Sixty.

17 CHAIRMAN WEINBERGER: Is there a statute of limitation
18 problem?

19 GENERAL TURNAGE: No, sir.

20 MR. MEESE: When they register, do they get any
21 notification of their registration having been received?

22 GENERAL TURNAGE: Yes, sir. Within 90 to 120 days
23 we send them a letter. This letter contains two things. It
24 contains all the data that we received from the original
25 registration card and would say confirm this, and if it isn't

1 right, send it back in this envelope we provide for any
2 korrections.

3 In addition, if they had no corrections, then we say
4 in the event you have a change of address anywhere in the
5 next year, then send this to us so in fact there is a piece
6 of paper, and it is in their hands, and many times we get it
7 back confirming.

8 MR. MEESE: Does that have a number?

9 GENERAL TURNAGE: Yes, sir. It has a number on it.
10 For example, we get many inquiries these days from mothers
11 and fathers who don't know whether or not their youngster has
12 registered and they say we want to confirm this. We go to our
13 files, we give the number, and it satisfies them.

14 MR. MEESE: So that for federal benefits you could
15 actually ask for their registration?

16 GENERAL TURNAGE: For the number, and while they
17 don't have the old draft card per se, they have got in effect
18 a letter they could show or show a number.

19 SECRETARY ORR: You don't give them a card to carry
20 in their wallet?

21 GENERAL TURNAGE: No, sir, we don't.

22 CHAIRMAN WEINBERGER: Is the failure to supply the
23 new address subject to penalty?

24 GENERAL TURNAGE: It is also a felony. We think
25 that is overkill. However, once again, we think that part of

1 the problem with the system as we assess it has been the
2 changes and perceptions for change, so we would like to leave
3 it alone for the time being.

4 CHAIRMAN WEINBERGER: All right. Any other
5 questions?

6 MR. HERRINGTON: When is the first felony
7 prosecution planned?

8 MR. MEESE: You won't be here!

9 GENERAL TURNAGE: You should be on Phil Donahue,
10 John! No. I think it is going to be some time in June or
11 July, and once again, the individuals who already were in
12 the Justice files where some investigation has been made,
13 when we determine that they didn't register during the grace
14 period, we will notify Justice of that and those will be the
15 guys that we go after first, so we hope in June or July.

16 MR. HERRINGTON: I may be out of sync with Ed on
17 this. My feeling is, that felony prosecutions at this time
18 may have an awful lot to do with the anti-nuclear movement.
19 I think we ought to proceed really cautiously on this
20 particular point. This would be a real rallying point.

21 I am not in principle against felony prosecutions
22 for this.

23 GENERAL TURNAGE: Let me suggest something if I
24 understand it correctly, and this is the Justice Department,
25 based on what we heard, one, the fine is five years or \$10,000

1 or both. However, Justice is not obligated to give that
2 kind of sentence. They could conceivably even suspend the
3 sentence, give part of it or either or both or gradations of it.
4 I am not an attorney, but that is my understanding.

5 MR. MEESE: The only problem is that it must be a
6 felony sentence, and they don't have a waffler, so it would
7 be a felony sentence.

8 MR. HERRINGTON: I think the cases should be quiet,
9 and pick the right jurisdiction so you don't end up in New
10 York or Chicago and end up in Omaha or somewhere like that
11 for your first few trials.

12 CHAIRMAN WEINBERGER: Not the District of Columbia.

13 GENERAL TURNAGE: There can't be any selective
14 prosecution, but I understand there is prosecutorial dis-
15 cretion, and I have got some names.

16 CHAIRMAN WEINBERGER: Actually that is somewhat out
17 of our hands because we could make recommendations if we
18 wished to do so about urging Justice to exercise this dis-
19 cretion in view of current situations and all, but we can't
20 interpose ourselves on them since a felony has been committed
21 or at least we have reason to believe it has, and so on.

22 There is an intent to prove in each case, and they
23 will have to get a pretty correct case of intent, but with
24 the recovery being so rapid following the President's
25 announcement and all, that is pretty significant, but the

1 backlog, if you leave the backlog, you have got the other
2 half of it because a lot of perception then was that the way
3 to beat the system was not to have complied in the first place
4 and all the good people complying now may start to feel
5 unhappy.

6 All right. Are there questions? Thank you very
7 much.

8 Then we have got now the question of what do we do
9 about the report?

10 DR. KORB: I will go very quickly through what will
11 be in the report and show you the procedures. Jim, let's go
12 with No. 11, please.

13 (Showing slides) This will give you an overview of
14 what we will have in the report. What it is is the things we
15 discussed here plus incorporating the changes that were
16 suggested to us.

17 Our first item on sustaining the active force, we
18 say we can do it. There is going to be some problems with it,
19 and if we take the correct actions, we think we could handle
20 it, and of course, this is the point we discussed today. It
21 is important to maintain the competitiveness of military pay.

22 The big question overall is Congressional quality
23 controls which for the Army drop again in 1983. We will take
24 a look at the enlisted career force. We will talk about the
25 fact that the percentage has been increasing, but there is

1 less experience now. Current re-enlistment rates are good.
2 We are still going to have some problems in the highly skilled
3 areas, and this is the point that Bill made and we all agree
4 that targeted bonuses and differential pay are important to
5 retain those particular people.

6 NCO and petty officer shortage will be the subject
7 of a separate paper. We discussed it here. All the services
8 except the Navy will eliminate them very soon. The Navy will
9 be out by 1990, and this was an OMB suggestion that the OSD
10 should examine the criteria. There was some discussion about
11 since the criteria are different for all the services, that
12 may be part of the reason we can't get a handle on the issue.

13 The next one, please--educational--I'm sorry--skill
14 imbalances in the career force; again, we have some skills
15 that have too many, some not enough. We have the tools here,
16 the pay, retraining, the promotion rates and it will be our
17 job here to monitor the progress, to get people out of skills
18 where you have too many into skills where you don't have
19 enough.

20 The next one on educational benefits, the suggestion
21 was made to continue at least through '83 the VEAP plus the
22 kickers. We shouldn't stop there. We should consider other
23 educational programs for future years.

24 SECRETARY ORR: Larry, could we, and this is in
25 keeping with Cap's permission, could we consider in this the

1 availability of services to have different educational
2 benefits? Now granted they do now with the VEAP and the
3 Army, but the long-term benefits of the GI Bill which might
4 be different among the services--

5 DR. KORB: We can put that in for future years, yes.
6 You and I have spoken about it.

7 The next one is on women in the military. We
8 agreed with the service plans and the percentage will grow
9 slightly. The numbers will increase, and the Army will remain
10 level until it completes this major study that it is working
11 on.

12 CHAIRMAN WEINBERGER: We have to make quite clear
13 those are not quotas.

14 DR. KORB: These are what the services said they
15 were going to do.

16 CHAIRMAN WEINBERGER: If we have 161,100 applicants,
17 we aren't going to turn them down. That has got to be very
18 clear.

19 DR. KORB: This is the target. This is what they
20 are aiming for.

21 MR. MEESE: Going back to the education thing, I
22 thought Ed Harper had a very good idea in the letter he sent
23 in that we would at least consider suggesting eliminating
24 civilian educational benefits entirely unless there is some
25 national service purpose connected with them, and I think

1 at least that belongs in as something that should be con-
2 sidered by the Administration. Why should you pay kids'
3 college if they are not providing any service?

4 CHAIRMAN WEINBERGER: We used basically that approach
5 with specialties like medical education. If you are going to
6 get a medical education, you have got to get some service,
7 a certain amount of time, and there would seem to be a great
8 deal of logic in that.

9 DR. KORB: You will get another paper on national
10 service, too, later on. Go to the discipline one--this has
11 been a subject we spoke about, the military discipline, and
12 we will show that they have been declining since Vietnam,
13 basically the same for the draft area and the volunteer force.

14 We do have a problem of drug and alcohol abuse,
15 particularly in the junior grades, and we will show the efforts
16 the services are making now to control it.

17 The next one is on living and working conditions,
18 and here the fact is that these affect whether people stay in
19 as much as the pay. We show the backlog in the DOD plan to
20 eliminate it over a ten-year period, cut it in half by five
21 years, and it is a worldwide backlog.

22 MR. MEESE: On that, I think it might be helpful
23 to talk about the overseas living problems, particularly in
24 Europe, and suggest that I believe we have agreements with
25 those countries in which they are supposed to assist in this,

1 do we not?

2 CHAIRMAN WEINBERGER: Well, we do.

3 GENERAL JONES: Not on living conditions.

4 CHAIRMAN WEINBERGER: Whatever agreement we have is
5 not being adhered to very well. It is a matter of the
6 availability of housing, which is very bad.

7 MR. MEESE: Can we do anything?

8 CHAIRMAN WEINBERGER: We could certainly note the
9 importance of it. It is one of our biggest retention and
10 morale problems, particularly as I say in Germany and Central
11 Europe. I think we should.

12 DR. KORB: Okay. Characteristics of the military
13 personnel--here I think the point is we want to show the
14 President that a lot of these things that appear in places
15 like Jack Anderson, that it is unfair to the people and to
16 the volunteer force, that the fact is that as we showed here
17 the people are as good, in fact better, than the population
18 at large, and point out the problem here, the fact that we
19 may have a little bit higher percentage of blacks, parti-
20 cularly in the Army. The solution is worse than the problem.
21 You would have to have some sort of quotas.

22 CHAIRMAN WEINBERGER: Yes. I certainly want to
23 handle this extremely carefully because it seems to me that
24 it isn't all that high a proportion. It is a few percentage
25 points above the national average, but I don't think that is

1 all a bad thing, to be perfectly frank. These are people who
2 are doing the most important work you can have done in many
3 ways in a democracy, and they are people who want to do it,
4 and there is some assumption here that you always get in the
5 committees that because of this slight difference in
6 percentages that you are recruiting a lot of untrainable
7 people, and I find it particularly demeaning and wrong, and
8 it is usually used by people who want the draft and who are
9 saying that in effect we are never going to get the quality of
10 people we need, et cetera, et cetera, and I think we ought
11 to bang it pretty hard.

12 MR. SCHNEIDER: There is also a charge made on the
13 representation issue that blacks are disproportionately
14 represented in combat arms skills, especially in the Army.

15 DR. KORB: Actually it is not true. It is the
16 same percentage in combat arms and in the Army in general.
17 That will be discussed.

18 CHAIRMAN WEINBERGER: But nobody is being drafted,
19 forced to do this, and if more people of one particular
20 category by a very small percentage ask for combat arms or
21 go into combat arms, why that is greatly to their credit I
22 think rather than anything else, but I think we ought to try
23 and hit this because you are getting it in subtle ways. You
24 are getting it in very direct ways in a lot of hearings.

25 DR. KORB: The next one is on sustaining the Reserve.

1 We talk about the fact that we are making up the losses we
2 experience. In fact, we have made them up as of now, and we
3 intend to grow the Guard and Reserve. It is important to
4 maintain recruiting incentive for the Guard as well as the
5 Reserve, and this is the point Mrs. Meese suggested we also
6 point out to the President it is not just manpower but it is
7 equipment and training deficiencies for the Guard and Reserve.
8 It does you no good to have the people if they don't have
9 the equipment and the training.

10 Okay. We have not only selected Reserve, but the
11 individual manpower for mobilization, talk about the things
12 that are before the Congress now that the Secretary has
13 approved to cut down the shortage, some of the steps that the
14 Army is taking over strength, direct enlistment, and that it
15 is going to take us until the end of the decade to eliminate
16 this particular problem because we put the legislation in to
17 step up the MSO's. We only put in the people who are coming
18 in after the date of the legislation.

19 MR. MEESE: What is an MSO?

20 DR. KORB: Military Service Obligation; the next
21 one on Selective Service registration--

22 CHAIRMAN WEINBERGER: There is another MSO, too--
23 military specialty.

24 MR. SCHNEIDER: That is MOS.

25 CHAIRMAN WEINBERGER: I knew I had seen them all

1 arranged in one way or another!

2 DR. KORB: Selective Service registration--this is
3 what we have already given to the President, the bulk of
4 this, and here is what we discussed today. This would be
5 the options here.

6 CHAIRMAN WEINBERGER: I think we ought to at this
7 point be sure we have Tom Turnage's charts. They are quite
8 impressive with the way the thing jumps, and they ought to
9 be included in the report itself.

10 DR. KORB: The next on on civilian manpower, these
11 are the things that we will recommend. This was discussed
12 about eliminating the ceiling, cost savings by contracting,
13 and this again is suggested by several people--encourage
14 investment in plant and equipment modernization to increase
15 productivity.

16 On the pay mechanism, we talked about that today.
17 The current law and the two options which the Secretary has
18 we will get a chance to explore.

19 CHAIRMAN WEINBERGER: In situations like this,
20 alternate pages of the report would be submitted and people
21 could just indicate which they prefer.

22 DR. KORB: The next one on national service and
23 draft options, this is an information paper, and I underlined
24 that. We didn't consider it, but since a lot of these are
25 being discussed and have been introduced into Congress, we

1 laid down the prototypes and we do not recommend anything
2 other than volunteer force at this particular time.

3 CHAIRMAN WEINBERGER: Our friends across the river
4 call it non-capable.

5 DR. KORB: Those are the things in outline that we
6 will have. Here is the procedure for preparing the final
7 report. The first draft, we plan to have it revised by the
8 action level people. These are your action people who have
9 assisted us as we have gone through drafting up the papers
10 that have formed the basis for our discussions.

11 After we get the comments, we will send the second
12 draft to the working group and the Task Force for written
13 comments, and then at the call of the Chairman, we will
14 decide whether in fact we need another meeting to resolve any
15 differences.

16 CHAIRMAN WEINBERGER: Either we will get enough
17 general concurrence in the comments on the second draft which
18 will form the basis of the third draft, or if there is a
19 desire, we can have a meeting to consider the third draft
20 and adopt it formally in a meeting context.

21 What is the timetable on this?

22 DR. KORB: Well, again, it is going to depend on
23 how quickly we get the things back.

24 CHAIRMAN WEINBERGER: When you say first draft
25 review by the action level people--

1 DR. KORB: That is going on right now, the actual
2 writing, and then it depends on how quickly we get the
3 comments back.

4 CHAIRMAN WEINBERGER: I think we ought to shoot for
5 before the end of May.

6 DR. KORB: Okay.

7 SECRETARY ORR: I think it would be very helpful
8 for those of us that are supposed to approve the final and
9 third draft if we had the written comments which emanate from
10 the second draft so in looking at it, we will see what the
11 Army, OMB and everybody else had.

12 DR. KORB: Just like we did today, we furnished
13 you everybody's input to this thing.

14 CHAIRMAN WEINBERGER: All right. Any other
15 comments?

16 MR. MEESE: One thing--I think we ought to really
17 hit hard the things that are wrong and not just kind of have
18 them footnoted. For example, the shortage of petty officers
19 in the Navy is I think something that ought to be clearly
20 pointed out, the shortage of the IRR in the Army which is a
21 major problem, so that it doesn't look like we are trying to
22 whitewash this thing.

23 CHAIRMAN WEINBERGER: I agree with that. I think
24 the plans for getting well ought to be there. Otherwise it
25 is used as an excuse for turning down ships and things like

1 that, that are a vital part of the whole plan.

2 MR. NISKANEN: On most of those we have to be
3 careful. They are using different standards for judging
4 shortages in the Navy where you are using very demanding
5 standards, so the numbers really aren't comparable--in the
6 IRR. There is basically no way to solve that quickly because
7 you just have to wait until people go through the whole system.

8 MR. MEESE: Well, that is true, but we ought to
9 recognize that in mobilization planning. They aren't going to
10 be there.

11 MR. NISKANEN: That's right. It is a fact of life,
12 but it isn't solving the problem in the near term.

13 DR. KORB: I think you will find that presents,
14 warts and all, a balanced view. I want to thank the Committee
15 for their endurance and patience. I think we have gone over
16 several hundred slides.

17 GENERAL JONES: I want to make a comment. There is
18 a more fundamental problem that I wouldn't recommend we keep
19 the Task Force alive for, but the point that Vern was making
20 is that we spend much more, at least from my experience, than
21 other nations on training, retraining people, and the
22 turbulence is far greater in our military than in most
23 militaries.

24 In my experience in dealing with let's say Air
25 Forces where they might have had people on airplanes six and

1 eight years, and we would be lucky if we had them on for two
2 years, and you have to narrow the specialty when people are
3 there so it takes more people, and it takes the training
4 guys, and somehow in the longer term if we can address this
5 problem not only of getting the adequate numbers, but getting
6 enough stability and leadership in the technical area, and
7 there are some things that are incentives to stay in that are
8 also incentives to get out.

9 A sharp enlisted person who comes in can make E-9,
10 the top rank, in fifteen years. Then the rest of his career
11 he has no progression, and job progression is very limited
12 once you get the rank, the responsibility, and you really hit
13 a point where at 22 years there is great attractiveness to
14 get out, the very best ones, and then go to a second career
15 and get a second retirement, and I am not for doing away with
16 20 year retirement, but I am saying that there are funda-
17 mentals of many of our brightest attracted to stay in a certain
18 period; but then they get out which creates a turbulence
19 in the leadership, whether it is officer or enlisted, which
20 has compounding effects and turbulence in the technical
21 people.

22 This is something we ought to work on, and I am
23 not proposing the Task Force continue to work on it. We
24 ought to recognize that maybe our standard of career mix
25 versus first termers is not rich enough. It is getting

1 richer. A few of these other factors in other nations I
2 believe they have worked out very well.

3 MR. MEESE: This points up that we really have not
4 looked at the retirement program, including the retirement
5 compensation.

6 DR. KORB: We have a paper. I didn't go over it.
7 It was an information paper that reviewed, summarized all the
8 changes, where we are on it, which will be part of the report.

9 MR. NISKANEN: But there are no options, no
10 considerations.

11 DR. KORB: No, because you have got certain things
12 before the Congress right now.

13 CHAIRMAN WEINBERGER: It is a very special sort of
14 issue, and I think you could make an argument that it really
15 is not so much a manpower issue as it is a part of the whole
16 basic retirement consideration of the government. If has a
17 manpower aspect in the retention. If it is viewed as being
18 tampered with or monkeyed around with as we were talking
19 about earlier, then it could become a manpower issue. I
20 think it is a question as to whether it really is one.

21 MR. MEESE: I guess the part of it I was thinking
22 about is where we now have incentives for people in the
23 categories you are talking about, Dave, in the officer corps,
24 to retire because they can get a better deal on the outside
25 than they can the inside because of the vagaries of the way

1 the retirement system happens to have performed over the last
2 ten years.

3 GENERAL JONES: I share Cap's view that what has
4 happened in the past at retirement there has been a total
5 image in military of being something they are going to take
6 something away and it has created great instability and
7 nervousness. If you ever look at it, it ought to be on how
8 to enhance career opportunities, not talking about pay people
9 more, but how to provide greater incentives for people to
10 make the military a continuing career rather than a two-
11 thirds career, and therefore, bringing up retirement in
12 isolation probably would cause more downside than upside.
13 The whole thing ought to be thought through maybe outside the
14 Task Force.

15 MR. HERRINGTON: Isn't that a little bit of an
16 argument for bringing it into total consideration of military
17 manpower?

18 GENERAL JONES: It has a relationship to manpower.
19 It has a relationship to the rest of the retirement system.

20 MR. NISKANEN: And critically the grade structure;
21 I see no reason to continue the Task Force, but there are some
22 issues which shouldn't be, we shouldn't drop.

23 CHAIRMAN WEINBERGER: There is no way of studying
24 any one problem without opening up so many others. It is
25 pretty hard to do that, but let us see what our report looks

1 like and what are the comments on it. We can try to make our
2 report as comprehensive and as useful as we can.

3 MR. MEESE: There is a retirement study going on,
4 or there has been?

5 DR. KORB: No, sir. In the Task Force we gave a
6 summary of what has happened to the retirement system. All
7 of the studies that have been done pointed out the legislation
8 that is before Congress now that affect the retirement system.
9 Next we have a quadrennial review of military pay which must
10 be done by 1983 by law. That is what we are getting up right
11 now.

12 MR. MEESE: I wonder if we couldn't at least include
13 in the report the comment that there are changes underway or
14 proposed by military retirement, and that one of the concerns
15 of the Task Force is that the retirement be handled in a way
16 that it does not provide an incentive for people to leave
17 the service but rather it should be handled in a way which
18 would provide incentives for people to stay on in the top,
19 non-com and top officer grades.

20 CHAIRMAN WEINBERGER: And it utilizes these enormous
21 skills. I made this point many times with General Jones and
22 others that I just hate to sign people out at 53 and 54 and
23 55 at the height of their power, and yet I understand all the
24 arguments underneath it, too, but it is a big problem. There
25 is no question about it, and it certainly should be examined

1 from the point of view of retaining for the government these
2 very skilled services by some sort of inducement as opposed
3 to just whether we are going to take away some of the existing
4 retirement.

5 All right. Many thanks, and we will see what the
6 final report looks like.

7 (Whereupon, at 5:32 p.m., the meeting was
8 adjourned.)

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REPORTER'S CERTIFICATE

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3 DOCKET NUMBER:

4 CASE TITLE: MILITARY MANPOWER TASK FORCE

5 HEARING DATE: April 12, 1982

6 LOCATION: Arlington, Virginia
7

8 I hereby certify that the proceedings and evidence
9 herein are contained fully and accurately on the tapes and
10 notes reported by me at the hearing in the above case before
11 the U.S. Department of Defense, Military Manpower Task Force,
12 and that this is a true and correct transcript of the same.
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15

16 Date: April 14, 1982
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