

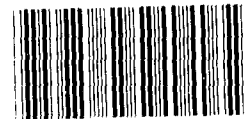
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Briefing Report to the Chairman  
Committee on the Budget  
House of Representatives

June 1986

# MILITARY COMPENSATION

## Comparisons With Civilian Compensation and Related Issues



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UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

NATIONAL SECURITY AND  
INTERNATIONAL AFFAIRS DIVISION

June 5, 1986

B-222990

The Honorable William H. Gray, III  
Chairman, House Budget Committee  
United States House of Representatives

Dear Mr. Chairman:

The enclosed briefing report is in response to your request that we compare military and private-sector compensation. As confirmed with you on December 23, 1985, the scope of our work included

- (1) comparing the compensation and benefits of military and private-sector personnel of the same age and levels of education and work experience,
- (2) analyzing how compensation increases have historically correlated with the military's overall ability to meet manpower requirements, and
- (3) analyzing how differences between military and private-sector compensation have affected the military's ability to attract and retain needed manpower in a small sample of occupations.

In order to provide additional perspective on the complexity and costs of the military compensation system, we also are providing information on all the individual pays, allowances, and benefits received by members of the military services.

EXACT COMPENSATION COMPARISONS  
ARE NOT POSSIBLE

No data exists which would allow an exact comparison of military and private-sector compensation for personnel with the same levels of work experience. However, using available data bases we were able to generally compare military compensation with compensation for all civilian workers who were employed full time during calendar year 1984 (the most recent data available) and were of the same age, level of education, and sex.

Using the statutory definition of Regular Military Compensation--basic pay, nontaxable allowances for quarters and subsistence, and their tax advantages--and adding in special and

incentive pays, we compared military compensation with the compensation of civilian workers reported in the Current Population Survey, conducted for the Bureau of Labor Statistics.

Military compensation exceeded the compensation of all civilian workers in the vast majority of our specific comparisons. The two groups were most similar in terms of cash compensation for male high school graduates--where military compensation was 10 percent higher than civilian compensation. The male high school graduate enlisted force constitutes 78 percent of the military group represented in our analysis.

We also found that military fringe benefits were considerably more generous than civilian benefits. Military fringe benefits exceeded civilian benefits largely because of the greater value of military retirement. Military manpower managers view retirement as a force-management tool and as a basis for starting a second career. (Military retirement is received at a relatively young age--typically starting around age 40.) Because of the perceived generosity of military retirement benefits and their large budgetary costs, the Congress is currently debating whether to lower them.

While our comparisons provide a frame of reference for evaluating military compensation, they may not be a sufficient guide for determining appropriate military pay levels. Military compensation could be higher because service members (1) may be in a different mix of occupations, (2) may have greater responsibilities than their civilian counterparts, and (3) have had a continuous work history, whereas civilian workers may be underemployed or have experienced periods of unemployment. In addition, it may be necessary to enhance military compensation by a factor--frequently referred to as the "X-factor"--to compensate for those disadvantages of service life (e.g., exposure to danger, liability for duty at all times without extra pay, and frequent moves making it more difficult for spouses to establish careers at one location) which outweigh certain advantages (e.g. greater job security, adventure, travel, opportunity to learn a trade). The "X-factor" can be an important consideration in an individual's decision to join or stay in the military.

Furthermore, it should be pointed out that, while the results of our analysis are generally similar to those reported in other studies using the same "age-earnings" approach, they differ in some respects from the results in studies based on an "occupational-matching" approach. Using the latter approach, we and the Department of Defense have matched some military and

civilian occupations and found civilian compensation to be generally higher. However, only a few occupations were matched, and most of them were computer-related or other highly skilled occupations, for which pay in the private-sector tends to be above average.

THE MILITARY HAS MET  
ITS MANPOWER NEEDS

Since the end of the 1970s, the military services have significantly improved their ability to recruit and retain quality personnel. While increases in compensation have undoubtedly contributed to this success, other factors have also played an important role. These factors include (1) improved post-service educational benefits, (2) more recruiting resources and better recruiting management, and (3) improvements in the procedures used to select new recruits. Also, civilian unemployment and improved public opinion of the military are major contributors.

We looked at the Army's ability to retain personnel in several of the occupations where we had matched military and civilian jobs. We found that the Army was able to meet its manpower requirements even where military compensation (not including fringe benefits) was lower than civilian compensation. Apparently, the impact of other factors--the unique aspects of military life, military fringe benefits, Army management efforts such as moving people of different abilities into shortage occupations, or conditions external to the military, such as unemployment--offset the impact of any pay differentials for these jobs.

We conducted our work between January and April 1986 in accordance with generally accepted government auditing standards. We discussed our findings with DOD officials and their comments have been considered in finalizing the report.

Appendix I of this report contains detailed information on our methodology and its limitations, as well as a summary of our results, and a comparison with results of other studies. Appendix II presents data on the relationship between pay and the military's ability to meet manpower requirements. Appendix III presents information on the effect of wage gaps on the Army's ability to manage a limited number of occupations. Appendix IV presents information on specific elements of military compensation, the number of service members receiving them, their average value, and the total cost of military personnel for the same time frame as our compensation comparisons.

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We are sending copies of this report to the Chairmen of the Senate Budget Committee, the House and Senate Appropriations and Armed Services Committees, and the House Government Operations and Senate Governmental Affairs Committees. We are also sending copies to the Secretaries of Defense, the Army, the Navy, and the Air Force; the Director of the Office of Management and Budget; and other interested parties.

If you have any questions, please call Mr. Martin M Ferber, Associate Director for Manpower, Reserve Affairs and Logistics, at 275-5140.

Sincerely yours,



Frank C. Conahan  
Director

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## Abbreviations

AFQT Armed Forces Qualification Test  
BAQ Basic Allowance for Quarters  
CPS Current Population Survey  
DMDC Defense Manpower Data Center  
DOD Department of Defense  
ECI Employment Cost Index  
MOS Military Occupation Specialty  
NPS Non-Prior Service  
OSD Office of the Secretary of Defense

METHODOLOGY AND RESULTS  
OF COMPENSATION COMPARISONS

This appendix describes (1) the methodology we used to analyze military and civilian compensation and (2) the results of our analyses. It also compares our results with those of other studies which used the same age-earnings methodology and with studies which used an occupation-matching methodology.

METHODOLOGY

We compared the compensation of all military and all civilian workers who were employed full time in calendar year 1984 and were of the same sex, educational attainment, and age. We obtained military compensation data from the DOD personnel and pay data base maintained by the Defense Manpower Data Center (DMDC). We extracted nationwide compensation data from the Current Population Survey (CPS), which is conducted by the Bureau of the Census for the Bureau of Labor Statistics. The CPS is a monthly survey of the population, using a scientifically selected sample of households representative of the civilian non-institutionalized population of the United States. CPS compensation data is obtained from personal interviews of about 60,000 households.

Data Bases

Our military data base includes only those service members who received a full basic allowance for quarters. We excluded military personnel who lived in government-provided housing because DOD has no fair market rental values for government-provided housing and so, as a matter of standard practice, uses only cash allowances to compute estimates of military compensation. The taxable pay (the sum of basic, special, and incentive pays) for those in our data base is within 1 percent of the taxable pay for the universe of service members they represent. We also asked DMDC to include in our data base only those service members who had been in the military for a full year in order to be consistent with the CPS data.

Table I.1 shows, by sex and level of educational attainment, the number and percent of military and civilian personnel represented by our compensation comparisons. The military numbers represent (1) all enlisted service members aged 19 to 44 who are high school graduates and were in the service for a full year in 1984, and (2) all members of the officer corps who are college graduates aged 23 to 44 in the service for a full year in 1984. The nationwide numbers represent the population to which the CPS sample estimates are projected and who have the same characteristics as the military personnel in our compari-

sons. While we refer to the CPS sample as "civilian" personnel, it does include some military members (about 1 percent). The composition of the remainder of the sample is 82 percent private-sector employees, 4 percent federal employees, and 13 percent state and local government employees.

Table I.1: Number and Percent of Personnel Represented in Compensation Comparisons

	<u>High school graduates</u>		<u>College graduates</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
Military	1,269,450	134,270	207,470	22,508
Percent of total military personnel <sup>1</sup>	78	8	13	1
Civilian	16,218,745	11,967,973	7,700,840	4,425,288
Percent of total civilian workers <sup>1</sup>	40	30	19	11

Although the CPS was the best source of available income data, for our comparisons it had certain limitations:

- The respondents may not have had accurate information or may have been unwilling to report it.
- CPS data does not indicate how long individuals have been in the labor force or whether their work experience has been interrupted.

#### Definition of Compensation

<sup>1</sup> We define "military cash compensation" as Regular Military Compensation--the combination of basic pay, nontaxable cash allowances for quarters and subsistence (including the variable housing allowance) and the imputed tax advantage (calculated by DOD) for those service members receiving cash allowances--plus special and incentive pays.

<sup>1</sup>Total military personnel consists of enlisted high school graduates ages 19 to 44 and officer college graduates ages 23 to 44 who were in the service through calendar year 1984. Total civilian workforce consists of high school and college graduates ages 19 to 44 and 23 to 44, respectively, who worked year-round at full-time jobs in 1984.

We did not include the value of enlistment and reenlistment bonuses in our definition of military cash compensation because we did not have sufficient time to collect the necessary information. For fiscal year 1987, DOD is requesting authority to award \$892 million in bonuses. Military bonuses are about 2.8 percent of basic pay. Private-sector bonuses average about .3 percent of salary, according to a study by the U.S. Chamber of Commerce.<sup>2</sup>

We define civilian cash compensation as wages and salaries reported in the March 1985 CPS income supplement, the most recent available data, which was collected on full-time employees working throughout calendar year 1984.

Total compensation for both the military and civilians is defined as the sum of cash compensation and benefits.

#### Method Used To Value Benefits

Because of time constraints, we used the same benefit-valuation methodology that the Office of the Secretary of Defense (OSD) used in preparing a July 1985 report for the Senate Appropriations Committee--A Comparative Study of Total Compensation for Selected Military and Civilian Occupations. The OSD benefit-valuation methodology is based on what the employer pays to provide the benefits, as opposed to the value perceived or estimated by the recipient. Employer costs are based on industry surveys, standard practice, or special studies.

Benefits included were health insurance (both employee and family), life insurance (including military death gratuity), disability income continuation (short-term, long-term, and workers' compensation), survivors' benefits, and retirement pay. OSD included the value of discount shopping for the military, but this was not included for civilians because of its extremely low cost, on the average, to private-sector employers. The employer cost of social security was excluded in determining both military and civilian benefits.

A standard military benefit package was developed for the military population with full participation assumed for each member and the entire family when appropriate. The valuation of the civilian benefit package was based upon the probability of participation and the related employer cost for the various plan conditions.

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<sup>2</sup>U.S. Chamber of Commerce, Employee Benefits--1983, Washington, D.C., Dec. 1984.

Detailed calculations were necessary to value benefits. While different formulas were used for each benefit, OSD's technique--determining employer cost--was the same for all of the benefits except for military health care. Retirement and health insurance constitute most of the dollar value of the benefits, so the procedures used to calculate the value of these benefits are described below as an illustration of how the other benefits were valued.

Pension or retirement plan benefits were costed on the basis of the percent of salary which would need to be set aside in order to fully fund an annuity to cover retirement costs. These percentages were determined by the DOD Actuary for military retirement and by Hay Associates for private-sector retirement. Those percentages are

- for the military, 40 percent of basic military compensation as the government cost for the retirement pay (including disability retirement and survivor benefits);
- for civilians, 20 percent of salary as the employer cost for such plans as pension, savings and thrift, stock purchase, and 401 (K), available for deferred income benefits.

OSD computed both the military and civilian health benefits using the 1984 cost of providing Blue Cross/Blue Shield high-option coverage. The civilian health benefit was computed based on probabilities of participation and the military benefit was based on full participation.

The OSD report notes that its benefit-valuation methodology is subject to certain limitations and caveats, the most important of which for our purposes is that average values were selected for benefits which may be representative but not specifically applicable to the age and educational groups we analyzed. For example, a greater proportion of college graduates remain in service long enough to retire than do high school graduates, so the employer cost of college graduate benefits is proportionately higher. No data exists which would have allowed us to value benefits based on age and education.

#### COMPARISONS OF COMPENSATION

The results of our analysis are summarized separately for high school and college graduates in the series of charts in figures I.1 and I.2, and detailed comparisons are provided in tables I.2 through I.5. The charts show that in every comparison--except for cash compensation of male high school graduates at certain ages--military cash compensation, benefits,

and total compensation were higher than those of all civilian workers. The differences were larger for females, as opposed to males, and college graduates, as opposed to high school graduates.

Three points should be kept in mind when reviewing these charts. First, in our data base the military college graduates were members of the officer corps and high school graduates were in the enlisted ranks, although in practice today there are a very small number of exceptions to this classification. Second, the military male high school graduates, whose cash compensation is closest to civilian workers, constituted 78 percent of the military population represented in our analysis. And third, because of sampling errors in the CPS estimates of civilian compensation, it is more appropriate to focus on trends in our comparisons or overall results than on comparisons for any specific age group.

The overall results of our comparisons can be seen at the bottoms of tables I.2 through I.5. The bottoms of those tables show the average of military as a percent of civilian cash compensation, benefits, and total compensation. These averages are weighted by the number of military at each age. The grand totals at the bottom of table I.5 are weighted by the number of military at each age, sex, and level of education. These grand totals show that, on average, military cash compensation is 15 percent higher, benefits are 57 percent higher,<sup>3</sup> and total compensation is 27 percent higher than respective figures for civilians.

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<sup>3</sup>When the effects of the differences between military and civilian retirement are removed from the benefit comparisons, little difference remains between the two groups. Almost no difference remains when the effects of both retirement and health insurance are removed.

Figure I.1: High School Graduate Compensation and Benefits Comparisons

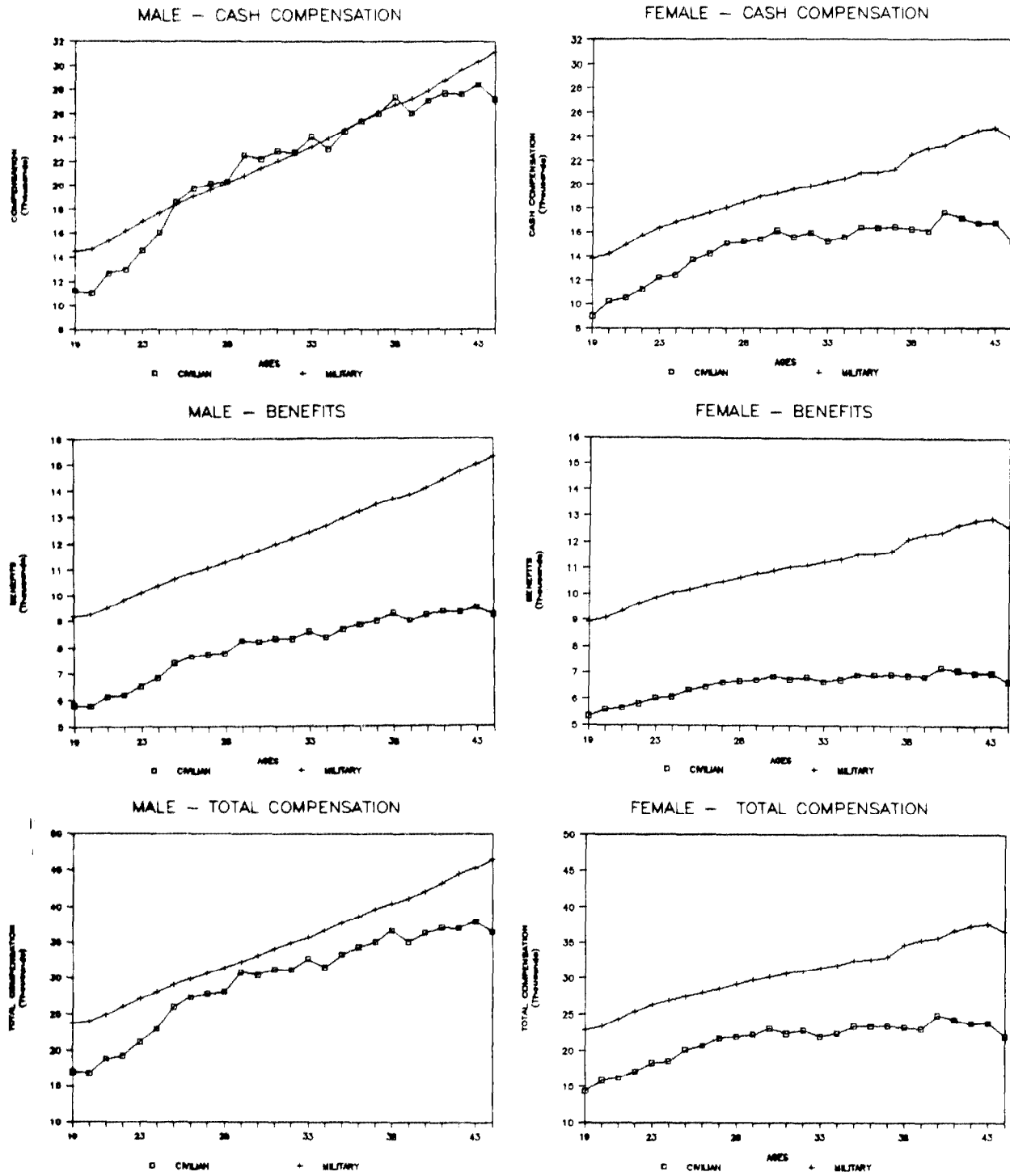


Figure I.2: College Graduate Compensation and Benefits Comparisons

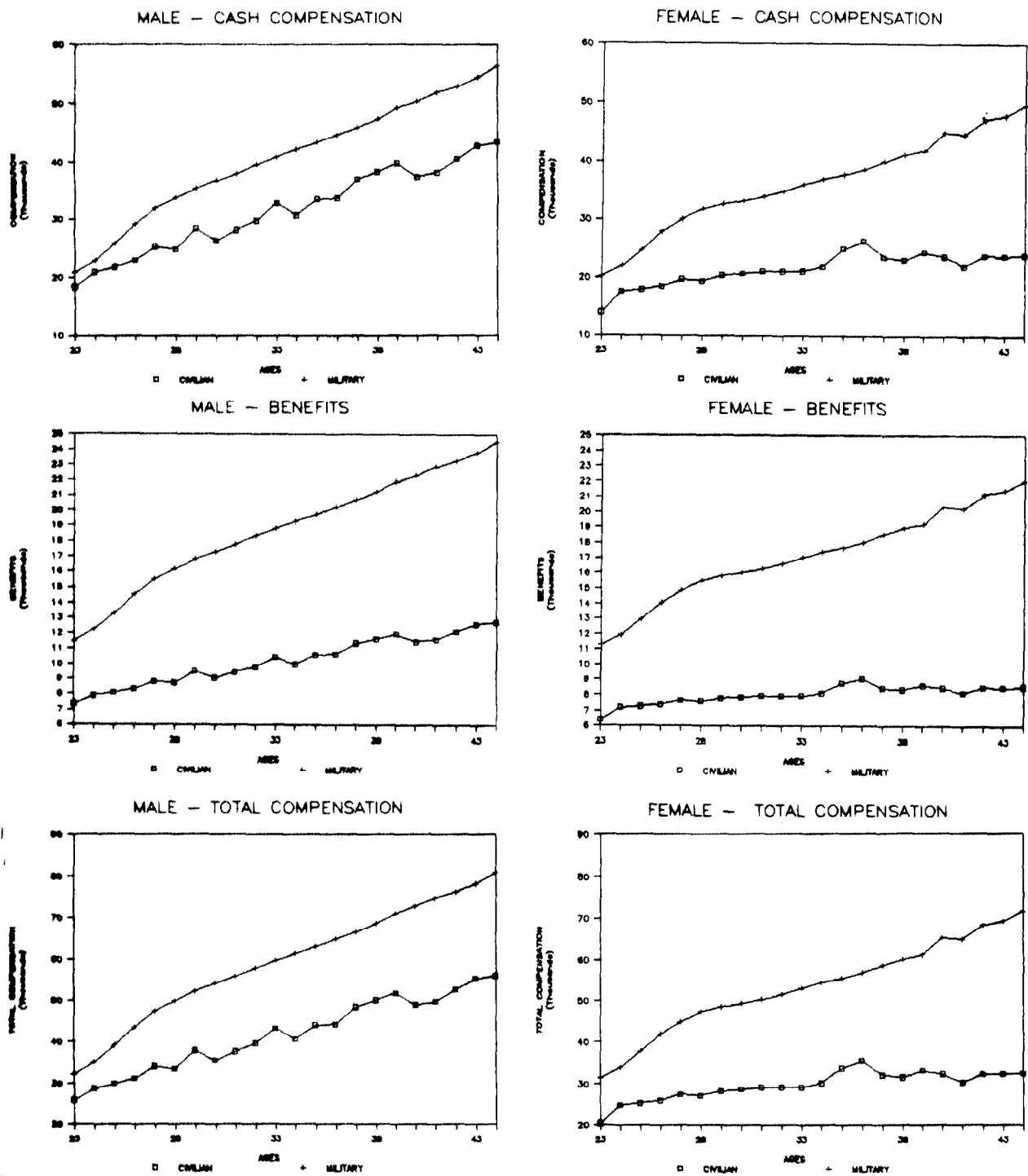




Table I.2: Male High School Cash Compensation, Benefits, and Total Compensation

Age	Number of military	Cash compensation			Benefits			Total compensation		
		Military	Civilian	Military as % of civilian	Military	Civilian	Military as % of civilian	Military	Civilian	Military as % of civilian
19	53790	\$14,483	\$11,262	129%	\$9,187	\$5,820	158%	\$23,670	\$17,082	139%
20	110704	\$14,673	\$11,092	132%	\$9,257	\$5,784	160%	\$23,930	\$16,876	142%
21	128705	\$15,349	\$12,673	121%	\$9,504	\$6,123	155%	\$24,853	\$18,796	132%
22	116860	\$16,212	\$13,009	125%	\$9,819	\$6,195	159%	\$26,031	\$19,204	136%
23	103004	\$16,988	\$14,581	117%	\$10,103	\$6,532	155%	\$27,091	\$21,113	128%
24	89894	\$17,709	\$16,043	110%	\$10,367	\$6,846	151%	\$28,076	\$22,889	123%
25	77035	\$18,405	\$18,596	99%	\$10,621	\$7,393	144%	\$29,026	\$25,989	112%
26	67165	\$19,014	\$19,721	96%	\$10,844	\$7,634	142%	\$29,858	\$27,355	109%
27	59595	\$19,596	\$20,089	98%	\$11,056	\$7,713	143%	\$30,652	\$27,802	110%
28	52253	\$20,173	\$20,291	99%	\$11,267	\$7,757	145%	\$31,440	\$28,048	112%
29	46482	\$20,771	\$22,571	92%	\$11,487	\$8,246	139%	\$32,262	\$30,817	105%
30	42693	\$21,418	\$22,254	96%	\$11,723	\$8,180	143%	\$33,141	\$30,434	109%
31	39013	\$22,068	\$22,885	96%	\$11,960	\$8,316	144%	\$34,028	\$31,201	109%
32	36480	\$22,680	\$22,827	99%	\$12,184	\$8,303	147%	\$34,864	\$31,130	112%
33	33041	\$23,267	\$24,120	96%	\$12,398	\$8,581	144%	\$35,665	\$32,701	109%
34	30468	\$23,975	\$23,104	104%	\$12,657	\$8,363	151%	\$36,632	\$31,467	116%
35	31188	\$24,725	\$24,582	101%	\$12,932	\$8,686	149%	\$37,657	\$33,268	113%
36	31191	\$25,453	\$25,415	100%	\$13,199	\$8,865	149%	\$38,652	\$34,280	113%
37	30720	\$26,166	\$26,032	101%	\$13,459	\$8,997	150%	\$39,625	\$35,029	113%
38	24787	\$26,738	\$27,356	98%	\$13,668	\$9,282	147%	\$40,406	\$36,638	110%
39	16452	\$27,233	\$26,074	104%	\$13,849	\$9,006	154%	\$41,082	\$35,080	117%
40	13971	\$27,901	\$27,106	103%	\$14,096	\$9,247	152%	\$41,997	\$36,353	116%
41	11686	\$28,812	\$27,722	104%	\$14,429	\$9,380	154%	\$43,241	\$37,102	117%
42	9669	\$29,698	\$27,632	107%	\$14,753	\$9,361	158%	\$44,451	\$36,993	120%
43	7095	\$30,333	\$28,432	107%	\$14,985	\$9,533	157%	\$45,318	\$37,965	119%
44	5509	\$31,201	\$27,218	115%	\$15,302	\$9,272	165%	\$46,503	\$36,490	127%
WEIGHTED AVERAGE -										
MILITARY AS % OF CIVILIAN				110%			151%			122%

Table 1.3: Female High School Graduate Cash Compensation, Benefits, and Total Compensation

Age	Number of military	Cash compensation			Benefits			Total compensation		
		Military	Civilian	Military as % of civilian	Military	Civilian	Military as % of civilian	Military	Civilian	Military as % of civilian
19	4922	\$13,804	\$9,023	153%	\$8,939	\$5,340	167%	\$22,743	\$14,363	158%
20	11056	\$14,212	\$10,268	138%	\$9,088	\$5,607	162%	\$23,300	\$15,875	147%
21	14506	\$14,940	\$10,533	142%	\$9,354	\$5,664	165%	\$24,294	\$16,197	150%
22	14983	\$15,727	\$11,284	139%	\$9,642	\$5,825	166%	\$25,369	\$17,109	148%
23	14378	\$16,354	\$12,264	133%	\$9,871	\$6,035	164%	\$26,225	\$18,299	143%
24	12665	\$16,836	\$12,448	135%	\$10,047	\$6,075	165%	\$26,883	\$18,523	145%
25	11011	\$17,249	\$13,723	126%	\$10,198	\$6,348	161%	\$27,447	\$20,071	137%
26	8969	\$17,620	\$14,198	124%	\$10,334	\$6,450	160%	\$27,954	\$20,648	135%
27	7891	\$18,040	\$15,048	120%	\$10,488	\$6,632	158%	\$28,528	\$21,680	132%
28	6749	\$18,492	\$15,217	122%	\$10,653	\$6,668	160%	\$29,145	\$21,885	133%
29	5743	\$18,920	\$15,407	123%	\$10,809	\$6,709	161%	\$29,729	\$22,116	134%
30	4857	\$19,235	\$16,146	119%	\$10,925	\$6,870	159%	\$30,160	\$23,016	131%
31	3912	\$19,567	\$15,538	126%	\$11,046	\$6,739	164%	\$30,613	\$22,277	137%
32	3195	\$19,831	\$15,955	124%	\$11,142	\$6,829	163%	\$30,973	\$22,784	136%
33	2523	\$20,179	\$15,199	133%	\$11,270	\$6,666	169%	\$31,449	\$21,865	144%
34	1927	\$20,430	\$15,572	131%	\$11,361	\$6,746	168%	\$31,791	\$22,318	142%
35	1445	\$20,967	\$16,383	128%	\$11,559	\$6,924	167%	\$32,526	\$23,307	140%
36	1092	\$20,972	\$16,346	128%	\$11,560	\$6,916	167%	\$32,532	\$23,262	140%
37	870	\$21,289	\$16,428	130%	\$11,676	\$6,934	168%	\$32,965	\$23,362	141%
38	564	\$22,516	\$16,260	138%	\$12,125	\$6,898	176%	\$34,641	\$23,158	150%
39	337	\$22,985	\$16,074	143%	\$12,296	\$6,858	179%	\$35,281	\$22,932	154%
40	236	\$23,195	\$17,607	132%	\$12,375	\$7,200	172%	\$35,570	\$24,807	143%
41	185	\$23,958	\$17,122	140%	\$12,654	\$7,095	178%	\$36,612	\$24,217	151%
42	109	\$24,470	\$16,723	146%	\$12,841	\$7,009	183%	\$37,311	\$23,732	157%
43	89	\$24,670	\$16,727	147%	\$12,914	\$7,010	184%	\$37,584	\$23,737	158%
44	56	\$23,855	\$15,219	157%	\$12,617	\$6,685	189%	\$36,472	\$21,904	167%
WEIGHTED AVERAGE -										
MILITARY AS % OF CIVILIAN				132%			163%			142%

Table 1.4: Male College Cash Compensation, Benefits, and Total Compensation

Age	Number of military	Cash compensation			Benefits			Total compensation			
		Military	Civilian	Military as % of civilian	Military	Civilian	Military as % of civilian	Military	Civilian	Military as % of civilian	
23	5659	\$20,791	\$18,405	113%	\$11,493	\$7,352	156%	\$32,284	\$25,757	125%	
24	9314	\$22,790	\$20,805	110%	\$12,224	\$7,867	155%	\$35,014	\$28,672	122%	
25	10768	\$25,750	\$21,750	118%	\$13,306	\$8,070	165%	\$39,056	\$29,820	131%	
26	11226	\$29,023	\$22,855	127%	\$14,503	\$8,306	175%	\$43,526	\$31,161	140%	
27	12212	\$31,785	\$25,218	126%	\$15,512	\$8,813	176%	\$47,297	\$34,031	139%	
28	12259	\$33,567	\$24,741	136%	\$16,164	\$8,711	186%	\$49,731	\$33,452	149%	
29	11623	\$35,333	\$28,412	124%	\$16,809	\$9,498	177%	\$52,142	\$37,910	138%	
30	11305	\$36,701	\$26,334	139%	\$17,309	\$9,056	191%	\$54,010	\$35,390	153%	
31	10661	\$38,029	\$28,125	135%	\$17,795	\$9,440	189%	\$55,824	\$37,565	149%	
32	10280	\$39,541	\$29,757	133%	\$18,348	\$9,790	187%	\$57,889	\$39,547	146%	
33	9693	\$40,882	\$32,754	125%	\$18,838	\$10,433	181%	\$59,720	\$43,187	138%	
34	9386	\$42,161	\$30,672	137%	\$19,305	\$9,987	193%	\$61,466	\$40,659	151%	
35	9935	\$43,345	\$33,404	130%	\$19,739	\$10,581	187%	\$63,084	\$43,985	143%	
36	10414	\$44,672	\$33,586	133%	\$20,224	\$10,620	190%	\$64,896	\$44,206	147%	
37	11341	\$45,934	\$36,962	124%	\$20,686	\$11,345	182%	\$66,620	\$48,307	138%	
38	10820	\$47,434	\$38,307	124%	\$21,234	\$11,634	183%	\$68,668	\$49,941	137%	
39	8230	\$49,208	\$39,711	124%	\$21,882	\$11,936	183%	\$71,090	\$51,647	138%	
40	8171	\$50,432	\$37,398	135%	\$22,332	\$11,466	195%	\$72,764	\$48,864	149%	
41	8079	\$51,893	\$38,048	136%	\$22,866	\$11,606	197%	\$74,759	\$49,654	151%	
42	6700	\$52,952	\$40,476	131%	\$23,253	\$12,129	192%	\$76,205	\$52,605	145%	
43	4974	\$54,404	\$42,753	127%	\$23,784	\$12,620	188%	\$78,188	\$55,373	141%	
44	4420	\$56,375	\$43,334	130%	\$24,505	\$12,745	192%	\$80,880	\$56,079	144%	
WEIGHTED AVERAGE - MILITARY AS % OF CIVILIAN				128%				182%	142%		

Table 1.5: Female College Graduate Cash Compensation, Benefits, and Total Compensation

Age	Number of military	Cash compensation			Benefits			Total compensation			
		Military	Civilian	Military as % of civilian	Military	Civilian	Military as % of civilian	Military	Civilian	Military as % of civilian	
23	902	\$20,193	\$13,976	144%	\$11,275	\$6,402	176%	\$31,468	\$20,378	154%	
24	1446	\$21,914	\$17,553	125%	\$11,904	\$7,169	166%	\$33,818	\$24,722	137%	
25	1706	\$24,685	\$17,933	138%	\$12,917	\$7,251	178%	\$37,602	\$25,184	149%	
26	1862	\$27,764	\$18,472	150%	\$14,042	\$7,367	191%	\$41,806	\$25,839	162%	
27	1815	\$29,951	\$19,702	152%	\$14,842	\$7,630	195%	\$44,793	\$27,332	164%	
28	1846	\$31,642	\$19,410	163%	\$15,460	\$7,568	204%	\$47,102	\$26,978	175%	
29	1760	\$32,528	\$20,381	160%	\$15,784	\$7,776	203%	\$48,312	\$28,157	172%	
30	1654	\$33,155	\$20,728	160%	\$16,013	\$7,853	204%	\$49,168	\$28,581	172%	
31	1590	\$33,815	\$21,093	160%	\$16,254	\$7,931	205%	\$50,069	\$29,024	173%	
32	1418	\$34,724	\$21,063	165%	\$16,587	\$7,925	209%	\$51,311	\$28,988	177%	
33	1141	\$35,925	\$21,073	170%	\$16,989	\$7,927	214%	\$52,914	\$29,000	182%	
34	1029	\$36,911	\$21,957	168%	\$17,386	\$8,117	214%	\$54,297	\$30,074	181%	
35	895	\$37,652	\$24,920	151%	\$17,658	\$8,758	202%	\$55,310	\$33,678	164%	
36	768	\$38,607	\$26,313	147%	\$18,007	\$9,058	199%	\$56,614	\$35,371	160%	
37	668	\$39,970	\$23,572	170%	\$18,505	\$8,469	219%	\$58,475	\$32,041	183%	
38	541	\$41,121	\$23,060	178%	\$18,926	\$8,359	226%	\$60,047	\$31,419	191%	
39	353	\$41,847	\$24,442	171%	\$19,192	\$8,656	222%	\$61,039	\$33,098	184%	
40	297	\$44,948	\$23,721	189%	\$20,327	\$8,518	239%	\$65,275	\$32,239	202%	
41	264	\$44,602	\$22,081	202%	\$20,201	\$8,164	247%	\$64,803	\$30,245	214%	
42	218	\$47,113	\$23,797	198%	\$21,119	\$8,534	247%	\$68,232	\$32,331	211%	
43	186	\$47,848	\$23,762	201%	\$21,387	\$8,527	251%	\$69,235	\$32,289	214%	
44	149	\$49,656	\$23,902	208%	\$22,048	\$8,557	258%	\$71,704	\$32,459	221%	
WEIGHTED AVERAGE - MILITARY AS % OF CIVILIAN				157%				201%	169%		
GRAND TOTAL WEIGHTED AVERAGE - MILITARY AS % OF CIVILIAN				115%				157%	127%		

PREVIOUS COMPENSATION COMPARISONS

The results of our comparisons of military and civilian compensation are generally similar to results others have obtained using the same "age-earnings" procedure. Our results are different, however, from those obtained using an "occupational-matching" procedure, which has tended to be used on higher skilled occupations where private-sector workers earn above-average amounts. The age-earnings procedure focuses on matching individual characteristics--such as age, sex, and educational levels--typically related to the wages people earn. Then, comparisons are made of wages paid to matched individuals. In contrast, the occupation-matching procedure focuses on matching duties, responsibilities, and work performed by individuals who may have different characteristics. Then, comparisons are made based on wages paid in the matched jobs.

For its February 1970 report, the President's Commission on an All-Volunteer Armed Force used the age-earnings procedure to compare military and civilian compensation.<sup>4</sup> In commenting on its choice of the age-earnings procedure over the occupation-matching procedure, the Commission observed that

- education and years of experience or age are objective characteristics that can be measured with reasonable accuracy, whereas deciding what civilian position is comparable to operating a submarine sonar or to firing a mortar is a subjective exercise fraught with difficulties;
- by choosing two qualities (age and education) which are related to significant differences in civilian earnings, military pay is related to civilian alternatives which influence military career decisions; and
- individual career decisions, while partly influenced by compensation in particular positions, are also influenced by advancement opportunities, which are reflected in age-earnings profiles.

The President's Commission compared total military compensation using 1970 pay rates with total civilian compensation, as estimated by the CPS. The Commission defined "total compensation" for the military the same as we did expect that it included bonuses.

The analysis of the President's Commission differed from our analysis in two other important respects. First, it compared military compensation with the compensation for a group of

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<sup>4</sup>Thomas Gates (Chairman), The Report of the President's Commission on an All-Volunteer Armed Force, Washington, D.C., Feb. 1970.

civilians with higher levels of education than those of the military group. Enlisted compensation was compared to compensation of male high school graduates when about 25 percent of the enlisted force had not completed high school. Also, officer compensation was compared to college graduate compensation when 30 percent of the officers were not college graduates. These types of comparisons were done to eliminate any possible differences in personnel quality favoring the military as a result of its selection procedures or individuals selecting themselves out of the military. (The Commission, however, presented several reasonable arguments to support its contention that no significant differences in average quality probably existed between the military and private-sector groups being compared.) This feature of the study would have reduced the relative advantage of military compensation when comparing like educational backgrounds.

The second important respect in which the study of the President's Commission differed from this one is that it compared military years of service with civilians ages assumed to be equivalent. To the extent that ages were not equivalent, this feature of the study probably increased the relative advantage of military compensation. For example, the Commission assumed that enlisted personnel with one year of service were equivalent to 19-year-old high school graduates. However, data provided by the Selective Service System shows that, at the height of the Vietnam War buildup in 1966, slightly more 20-year-olds than 19-year-olds were inducted--and thus in their first year of service.

The President's Commission reported that compensation for enlisted men with less than 5 years of service was less than civilian compensation. With 5 or more years of service, enlisted compensation was higher. Compensation for officers with 1 or 2 years of service was somewhat lower than civilian compensation, but was higher after that point.

In October 1979, the Deputy Assistant Secretary of Defense for Military Personnel Policy issued an internal staff study on military pay adequacy which included an analysis of military and civilian earnings, also using the age-earnings procedure. This analysis compared Regular Military Compensation (defined at that time as basic pay, basic allowance for quarters and subsistence, and the tax advantage) with civilian income from all sources as provided by Census reports on male high school and college graduates.

The pay adequacy study compared compensation in a broad range of age groups. It reported that the civilian college graduate-military officer comparison showed "the military officer median [compensation] is generally above the civilian median

by about 20 percent across the board." The comparison of civilian and military enlisted high school graduates showed that enlisted compensation was 6 to 12 percent behind civilian compensation.

The studies using an occupational-matching approach generally found that military compensation was lower than civilian compensation. One of these studies was done by the Office of the Secretary of Defense for the Senate Appropriations Committee.<sup>5</sup> It matched 22 enlisted and private-sector occupations. The report on that study states that total military compensation--Regular Military Compensation (RMC) plus special and incentive pays, bonuses, and fringe benefits--was higher than total civilian compensation in only 3 of 7 comparisons at the apprentice level (about 1.5 years of military service), in 8 of 18 comparisons at the journeymen level (about 6.4 years of service), and in 1 of 2 master-level comparisons (about 15.8 years of service).

In the study we are currently completing for the Senate Armed Services Committee, we matched 52 military enlisted and civilian occupations and then compared RMC plus reenlistment bonuses to private-sector compensation as reported by various federal wage-survey authorities. We did not include military special and incentive pays, initial enlistment bonuses, or fringe benefits in our analysis. We found that military compensation--as we defined it--exceeded civilian wages in only 3 of the 52 occupations.

We believe that findings of the two occupational-matching studies are of limited usefulness in terms of determining appropriate military compensation levels for the following reasons:

- Matches were made for a limited number of military occupations which were not randomly selected so findings can not be generalized to the military as a whole.
- The civilian occupations which were matched were generally computer-related or other highly skilled occupations, for which compensation in the private-sector is above average.
- In the end, there are military occupations for which no comparable civilian occupations exist.

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<sup>5</sup>A Comparative Study of Total Compensation for Selected Military and Civilian Occupations, a study prepared for the Office of the Secretary of Defense (Director of Compensation), Fairfax, Va.: Computer Based Systems, Inc., July 1985.

RELATIONSHIP BETWEEN PAY AND MILITARY ABILITY  
TO MEET MANPOWER REQUIREMENTS

The military services experienced difficulties in meeting manpower requirements during the late 1970s. Military leaders frequently cite the experience of those years as the state to which military manning will deteriorate if military-pay increases are not kept at least roughly comparable to private-sector pay increases. However, several other factors, such as the following, contributed to the dramatic reversal in military recruiting and retention rates since 1980:

- lower unemployment rate,
- improved educational benefits for military recruits,
- improved management of the recruiting function and more resources allocated for recruiting,
- correction of an error in norming the selection test, which had resulted in excessive numbers of low-aptitude recruits in the late 1970s, and
- favorable public opinion toward the military.

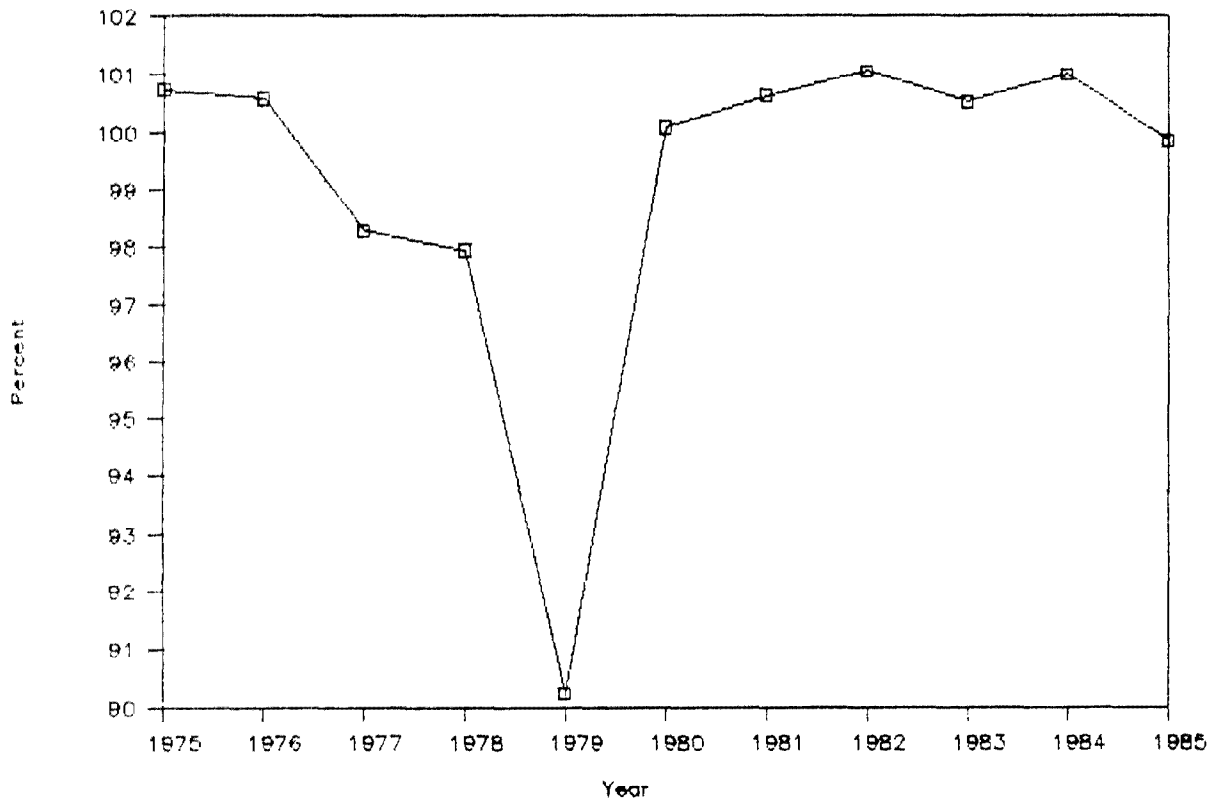
Complex relationships exist among the factors affecting enlistment and reenlistment behavior. As a result, we were unable in the time available for this study to collect and analyze all the data required to assess the relative importance of pay to the military's ability to attract and retain the personnel it needs. However, we were able to collect data which we believe provides a perspective on the military's successes in manning the volunteer force and on some of the factors commonly thought to have contributed to those successes.



DOD ACCESSES CLOSE TO  
100 PERCENT OF GOAL

Figure II.1 shows that DOD reached over 97 percent of its Non-Prior Service (NPS) accession goal from 1975 to 1978. NPS accessions, however, declined to about 90 percent of goal in 1979. Since then, NPS accessions have been constant at approximately 100 percent of goal.

Figure II.1: Percent by Which DOD Met Its Accession Goals From  
1975 to 1985

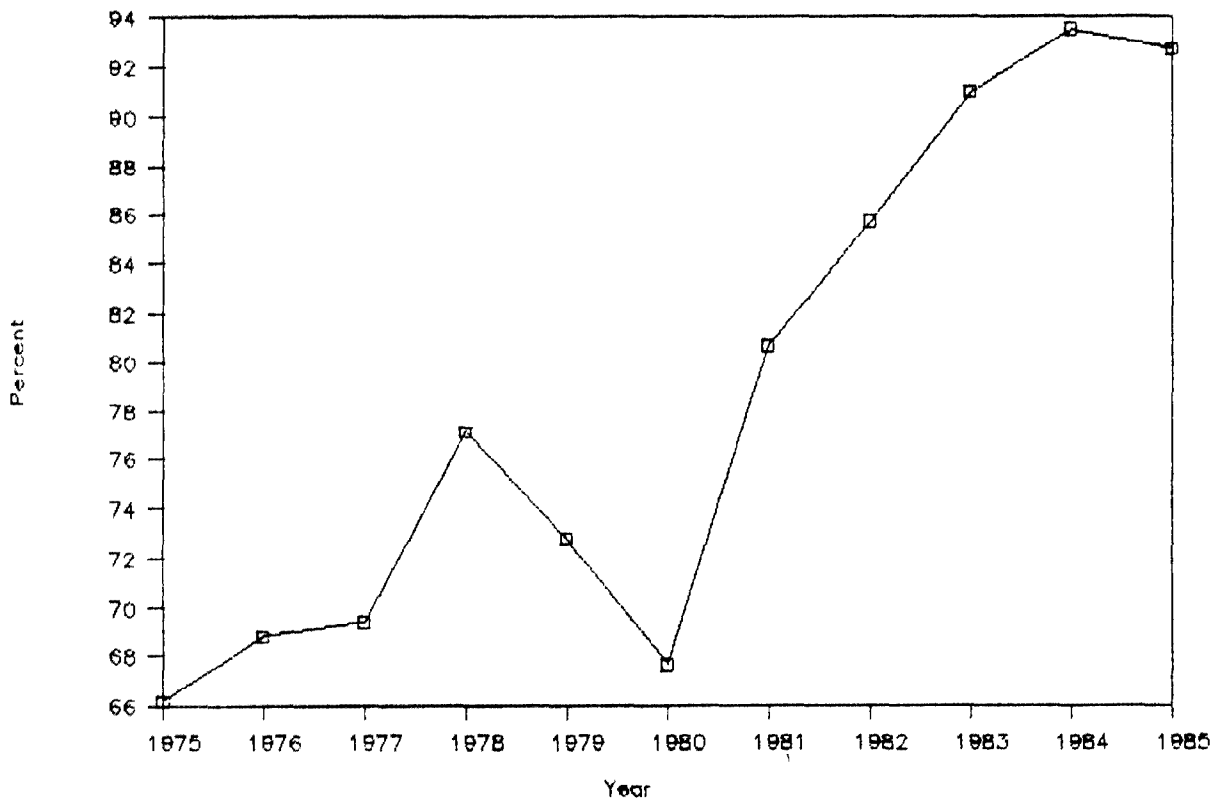


DRAMATIC RISE IN  
HIGH SCHOOL GRADUATE ACCESSIONS

DOD places a high premium on a high school diploma because it indicates an individual's ability to adapt to the military environment. For example, high school graduates are half as likely as non-graduates to leave the service before completing their first 3 years.

As shown in figure II.2, the percent of DOD NPS accessions who were high school graduates increased from 1980 to 1984. In 1980, approximately 68 percent of DOD NPS accessions were high school graduates. From the low point in 1980, the percent of high school graduate accessions rose dramatically to approximately 93 percent in 1984 and 1985.

Figure II.2: Percent of DOD NPS Accessions Who Were High School Graduates From 1975 Through 1985

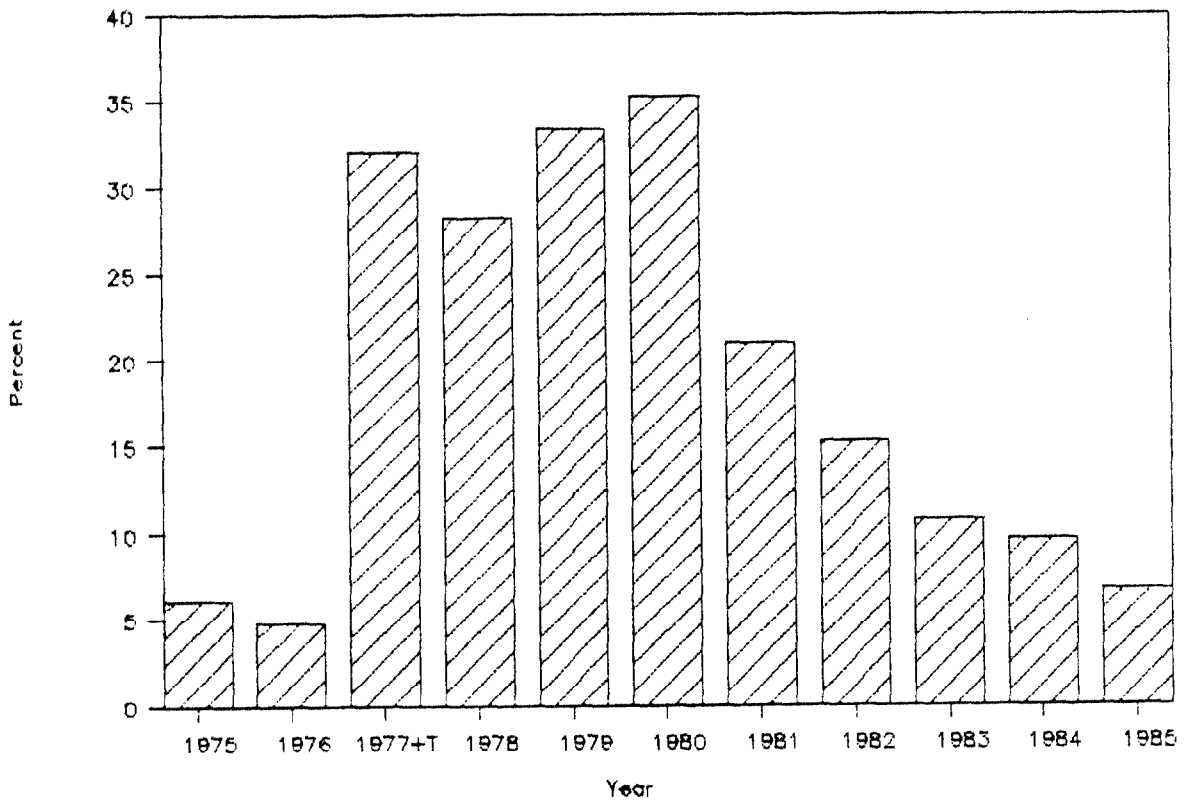


DECLINING CATEGORY  
IV ACCESSIONS

DOD considers the Armed Forces Qualification Test (AFQT)--a part of the initial selection test--a good predictor of success in military training. It has found category IV accessions--the lowest-scoring individuals acceptable for service--to be below average in trainability. Individuals in this category are in the 10th through the 30th percentile of mental ability, as measured in a nationwide, scientific sample conducted in 1980.

The NPS accessions in category IV peaked in 1980 at over 35 percent, as shown in figure II.3, and have declined dramatically from that point to a low of 7 percent. Recruiting statistics for the late 1970s are often cited as the state to which manpower will revert if military pay does not stay comparable to private-sector pay.

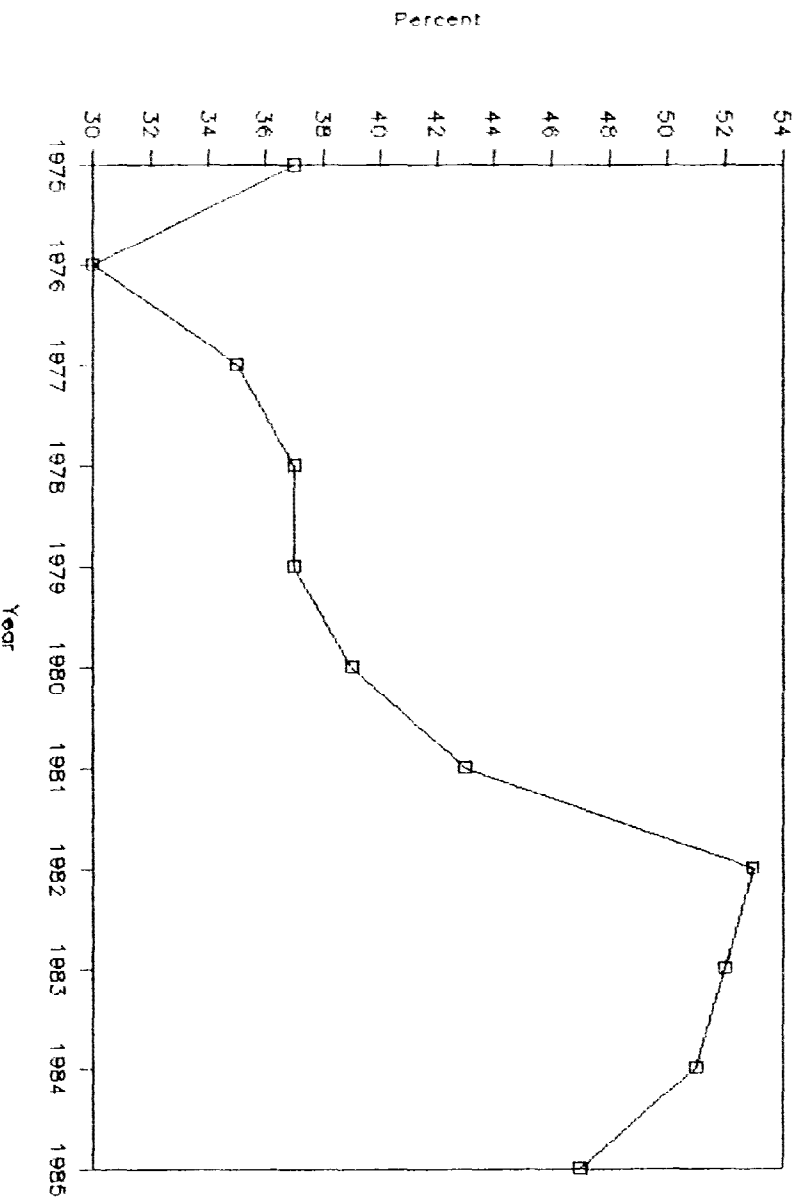
Figure II.3: Percent of DOD NPS Accessions That Were in AFQT  
Category IV From 1975 Through 1985



FIRST-TERM REENLISTMENT  
RATES ARE HIGH

Figure II.4 shows that the first-term reenlistment rate rose steadily from 30 percent in 1976 to 53 percent in 1982. By 1985, the rate had dropped to 47 percent--perhaps due to management actions designed to reduce reenlistments because of pressures on end-strength ceilings. Studies show that bonuses tend to increase reenlistment rates.

Figure II.4: DOD First-Term Reenlistment Rates From 1975 Through 1985



DOD'S RECRUITING PROGRAM  
SHOWS IMPROVEMENTS

DOD's recruiting improvements can be partially attributed to the increase in recruiting resources and the improved quality of the recruiting program. Figure II.5 shows that the number of active force enlisted recruiters rose from 11,424 in 1976 to 14,603 in 1982, a 28-percent increase. In 1983, however, the number of recruiters dropped to 13,757, but has been on the rise since then. Active force enlisted recruiting resources, not including enlistment bonuses, have risen steadily over the years, from approximately \$376 million in 1976 to approximately \$908 million in 1985, as shown in figure II.6.

Figure II.5: DOD Active Force Enlisted Recruiters From 1975 Through 1985

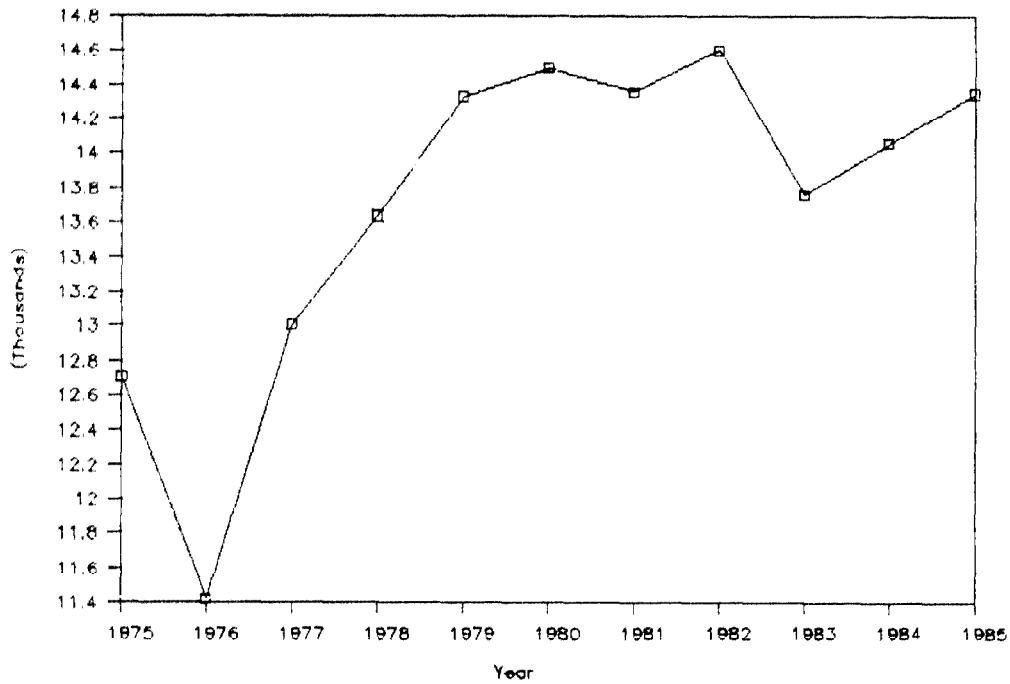
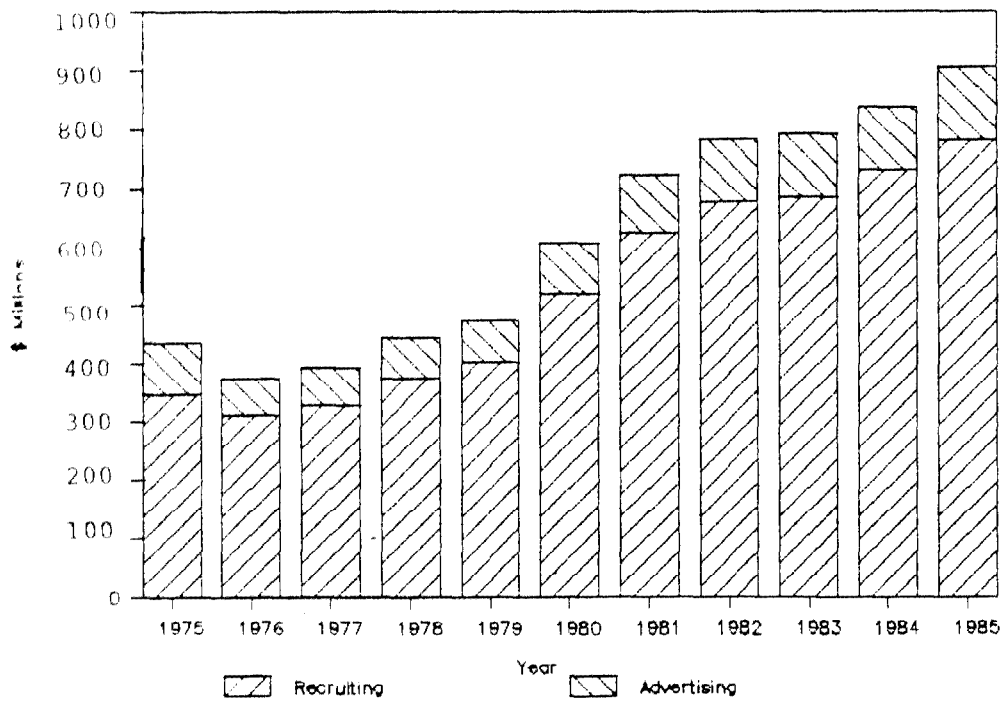


Figure II.6: DOD Active Force Enlisted Recruiting and Advertising Resources From 1975 Through 1985

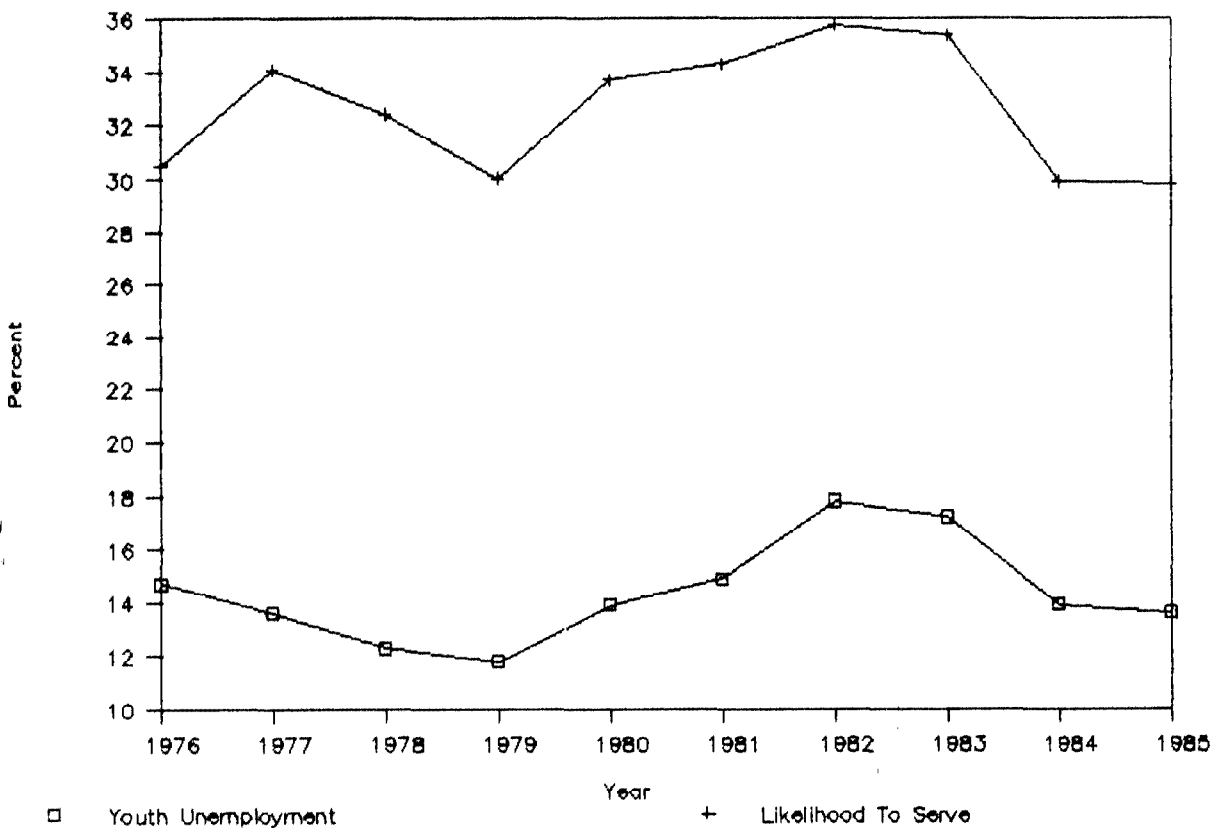


YOUNG MALES' OPINION OF JOINING MILITARY  
CLOSELY PARALLELS YOUTH UNEMPLOYMENT RATE

DOD annually surveys youth attitudes toward military service. As shown in figure II.7, the rate at which young males report on these surveys that they will definitely or probably join the military closely parallels the total youth unemployment rate. When youth unemployment reached a low of 11.8 percent in 1979, young males who reported that they were likely to serve dropped to 30 percent. Conversely, in 1982, as youth unemployment reached a high of 17.8 percent, young males reporting likelihood to serve peaked at 35.8 percent.

Since 1982, both rates have been declining. Since President Reagan's budget estimates for overall unemployment predict a drop from 7.5 percent in 1985 to 6 percent by 1989, it is probable that the number of young males reporting that they are likely to serve will also drop.

Figure II.7: Young Males Who Reported an Inclination to Serve  
Versus Youth Unemployment Rate From 1976 to 1985



ANALYSIS OF THE EFFECTS OF MILITARY AND  
CIVILIAN COMPENSATION DIFFERENCES ON ARMY MANNING

In order to gain some perspective on the effects of military and civilian compensation differences on the military's ability to man specific occupations, we collected and analyzed additional information on a sample of occupations matched during a study we are currently doing for the Senate Armed Services Committee. Due to time constraints, we limited our additional analysis to 19 Army military occupational specialties (MOSS) with high or low compensation differentials relative to matched civilian occupations. We attempted to determine whether the size of the differentials was related to manning levels, reenlistment rates, and the bonus history for these 19 specialties.

For the Senate Armed Services Committee study, we matched a small number of military occupations--4 percent of the enlisted force--with civilian occupations and compared their compensation for similar skill levels, experience, and responsibilities. For this small percentage, our comparisons showed that the compensation for most military occupations is lower and that the compensation difference varies widely. However, the positions we were able to match were mostly in computer-related or other highly skilled occupations--occupations for which compensation in the civilian sector tends to be above average. Furthermore, these comparisons did not include fringe benefits, an important aspect of compensation, which we show on pages 12-18 to be greater for the military.

The results of our additional analysis are summarized in table III.1, which shows for each MOS matched to a civilian occupation (1) military compensation as a percent of civilian compensation; (2) fill rate--the level to which the Army has filled its manning requirements as of the end of fiscal year 1985; (3) whether bonuses were being used to meet manning requirements; (4) current reenlistment rates;<sup>6</sup> and (5) the current experience level in the MOSS.

The results of the additional analyses are limited in several respects. First, since there are approximately 350 Army specialties, the results of our analysis cannot be generalized to the other 331 specialties. Second, our analysis generally focused on the Army's experiences in manning the 19 specialties at a particular point in time, so a causal relationship between compensation differentials and Army manning success cannot be

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<sup>6</sup>Reenlistment rates are computed by the Army for three time periods--first term, second term, and third term or career.



drawn. Third, we did not assess the amount of effort expended by the Army to man these specialties. And fourth, we did not assess the extent to which civilian unemployment levels in these specialties, or other potentially relevant factors, may have contributed to the Army's ability to man them.

Although one would expect that the differences between military and civilian compensation would have a pronounced effect on military retention, it is not clear that they do from data we have collected on our sample--although past studies have found a relationship between compensation and recruiting and retention. For example, table III.1 seems, at first glance, to indicate that both large and small compensation differentials have little, if any, effect on reenlistment and experience levels. Factors other than compensation differentials--the unique aspects of military life, the fringe-benefit package offered to service members, Army management efforts to overcome any effects of the compensation differences by moving people of different abilities into shortage occupations, or such conditions external to the military as unemployment--may more than offset any influence of the pay differentials, thereby accounting for the Army's ability to meet its manning needs.

Table III.1: Comparison of Civilian and Army Compensation and Selected Information on Army Occupations

Civilian occupation	MOS match	Military compensation as percent of civilian compensation	Fill rate <sup>a</sup> (percent)	Current enlistment bonus <sup>b</sup> (X-if yes)	Current SRB <sup>c</sup> (X-if yes)	Current reenlistment rate <sup>d</sup> (percent)			Years of experience in MOS <sup>e</sup> (percent)		
						1st	2nd	3rd	<3	3-10	10+
Electronic technician I <sup>f</sup>	21L	81	116			39	75	96	31	37	32
	24H	81	99			46	63	100	47	25	28
	24J	81	135			33	89	100	50	35	15
	26L <sup>g</sup>	81	128			-	-	-	-	-	-
Warehouseman	76J	80	100			55	66	78	34	42	24
	76V	80	94	X		56	73	91	38	48	14
	76X	80	100	X		36	83	100	33	40	27
Air traffic controller I <sup>h</sup>	93H	75	116			24	59	91	32	44	24
Maintenance mechanic vehicle-W	63W	68	98	X	X	65	72	100	66	33	1
Maintenance mechanic vehicle-A	63H	66	99	X		50	80	98	31	43	26
Maintenance machinist	44E	66	102			28	77	96	40	32	28
Electronics mechanic	35L	59	133			33	25	50	43	52	5
	35M	59	74		X	14	75	0	53	44	3
	35R	59	68		X	63	100	0	51	48	1
Maintenance electrician	51R	58	88			19	50	i	42	58	1
Aircraft mechanic	67G	54	134			39	69	87	35	33	32
	67H	54	94			63	77	100	58	32	10
	67N	54	123			38	77	93	47	36	17
	68B	54	90		X	54	70	100	48	41	11

<sup>a</sup>Army ability to meet manning requirement as of the end of fiscal year 1985.

<sup>b</sup>Enlistment bonus as of January 1986.

<sup>c</sup>Selective reenlistment bonus as of January 1986.

<sup>d</sup>Current reenlistment rate at first, second, and third decision points. Rates are as of November 1985 to January 1986.

<sup>e</sup>Current Experience in MOS—number and percent of enlistees in less than 3 years, 3 to 10 years, and more than 10 years. Figures are as of January to February 1986.

<sup>f</sup>Only pay level I is shown for electronic technician. Pay differential for level II is 73 percent and for level III, 75 percent.

<sup>g</sup>Recent data on reenlistment rate and years of experience not available because this MOS has been phased out to MOS 32Z and 29M.

<sup>h</sup>Only pay level I is shown for air traffic controller, pay differential for level II is 57 percent, and for level III, 55 percent.

<sup>i</sup>At the third reenlistment term, enlistees move to 51H.

MILITARY PAYS, ALLOWANCES,  
AND BENEFITS

Military compensation is a complex system of over 40 different pays and allowances, plus a multitude of supplemental benefits. Military total compensation is generally categorized into three components: (1) regular military compensation, (2) special and incentive pays, and (3) supplemental allowances and benefits.

The major elements of the military compensation system and the estimated cost of each for fiscal year 1985--the fiscal year for which our compensation comparisons were done--are shown in table V.1. The major elements reflect DOD and Veterans Administration budget items, as well as items which do not appear as separate lines in the President's budget submissions.

SPECIAL AND INCENTIVE PAYS

Tables IV.2 through IV.5 list all the special and incentive pays military members are eligible to receive. The tables also provide a listing of the compensation elements in terms of their dollar amount or range per service member, the number of service members receiving them, and their total cost for fiscal year 1985.

Table IV.1: Estimated Cost of Military Personnel  
for Fiscal Year 1985

<u>Element</u>	<u>Amount</u> <u>(millions)</u>	<u>Percentage</u>
<b>Regular military compensation</b>		
Basic pay	\$30,039.4	36.6
Housing, cash and in-kind <sup>a</sup>	7,360.5	9.0
Subsistence, cash and in-kind	3,416.4	4.2
Tax advantage <sup>b</sup>	2,496.0	3.0
Total	<u>\$43,312.3</u>	<u>52.8</u>
<b>Special and incentive pays</b>	\$1,728.7	2.1
<b>Benefits</b>		
Retirement <sup>c</sup>	\$15,230.1	18.6
Other benefits <sup>d</sup>	21,758.6	26.5
Total	<u>\$36,988.7</u>	<u>45.1</u>
Grand Total	<u>\$82,029.7</u>	<u>100.0</u>

<sup>a</sup>Includes basic allowance for quarters and variable housing allowance. Also includes maintenance but not construction costs for government-provided housing. The fair market-rental value of government-provided housing would be a more accurate representation of the compensation value of this component of regular military compensation and would very likely increase it substantially, but such data is unavailable.

<sup>b</sup>The "tax advantage" is shown in the federal budget as a tax expenditure," but is not included in the defense budget, or in the federal budget as an outlay.

<sup>c</sup>Accrual costs for funding the retirement of military personnel currently on active duty.

<sup>d</sup>Includes medical care, employer's social security contribution, commissaries and exchanges, survivors' benefits, terminal leave payments, unemployment compensation, separation pay, overseas cost of living allowances, family separation allowances, clothing maintenance allowances, and death gratuities. Although it includes payments by the Veterans Administration (VA) for veterans' compensation and educational benefits, it does not include payments for home-loan assistance, mortgage insurance, and burial. Outlays by the VA constitute about 63 percent of the total benefits cost. No data is available to determine accrual costs.

Table IV.2: Data on Incentive Pays for Fiscal Year 1985

	<u>Annual range of benefits</u>	<u>Average annual payment</u>	<u>No. of individuals</u>	<u>Cost (thousands)</u>
<u>Flying duty related pays</u>				
Aviation career incentive pay	\$1,500 to \$4,800	\$3,375	77,503	\$261,546
Flying duty crew member (enlisted pay)	\$996 to \$1,572	1,280	23,072	29,538
Aviation officer continuation bonus	up to \$6,000	6,000	4,600	27,628
Flying duty non-crew member				
Officers	\$1,320	1,320	1,112	1,469
Enlisted	\$ 996	996	5,486	5,465
Total				<u>6,934</u>
Air weapon control officer	\$1,500 to \$4,200	2,880	674	1,941
<u>Other incentive pays</u>				
Submarine duty pay				
Officers	\$1,560 to \$5,280	3,420	5,622	19,225
Warrant Officers	\$2,100 to \$3,180	3,180	199	633
Enlisted	\$660 to \$3,180	1,627	32,899	53,540
Total				<u>73,398</u>
Parachute duty				
Officers	\$1,320	\$1,320	3,999	5,279
Enlisted	996	996	32,001	31,873
Total				<u>37,152</u>
Flight deck duty pay				
Officers	\$1,320	1,320	900	1,188
Enlisted	996	996	13,546	13,492
Total				<u>14,680</u>
Demolition duty pay				
Officers	\$1,320	1,320	578	764
Enlisted	996	996	3,499	3,484
Total				<u>\$4,248</u>

	<u>Annual range of benefits</u>	<u>Average annual payment</u>	<u>No. of individuals</u>	<u>Cost (thousands)</u>
High and low pressure/ thermal stress experiment/accelera- tion and deceleration subject hazardous pay				
Officers	\$1,320	1,320	292	\$386
Enlisted	996	996	721	718
Total				<u>1,104</u>
 Toxic fuel handler pay				
Officers	\$1,320	1,320	83	110
Enlisted	996	996	850	846
Total				<u>\$956</u>

Note: All special and incentive pays are taxable, except hostile-fire pay which is not. Military members may not receive more than two incentive pays at any one time (37 U.S.C., ch. 5).

Table IV.3: Data on Special Pays for Fiscal Year 1985

	<u>Annual range of benefits</u>	<u>Average annual payment</u>	<u>No. of individuals</u>	<u>Cost (thousands)</u>
<u>Health professional pays</u>				
Physician, additional retention pay	up to \$10,000	\$9,285	9,723	\$90,281
Variable physician pay	up to \$10,000	6,575	12,992	85,424
Dentist, continuation pay	4 months' basic pay for each additional year of service	7,815	3,495	27,315
Board-certified physicians' pay	up to \$5,000	2,673	5,692	15,212
Dentist special pay	\$1,200 to \$4,200	2,686	5,099	13,697
Medical incentive physician pay	up to \$8,000	-	-	12,295
Optometrist pay	\$1,200	1,200	552	663
Veterinarian pay	\$1,200	1,200	470	564
<u>Other special pays</u>				
Selective reenlistment bonus	up to \$30,000	2,119	246,499 <sup>a</sup>	522,373
Career sea pay				
Officers	\$1,800 to \$3,720	2,432	6,242	15,180
Warrant Officers	\$1,560 to \$3,720	3,196	996	3,183
Enlisted	\$600 to \$4,920	1,776	116,675	207,213
Total				<u>\$225,576</u>
Selective enlistment pay	up to \$8,000	2,719	49,123	133,580
Proficiency pay	\$660 to \$3,300	1,592	37,295	59,377
Premium sea pay	\$1,200	1,200	21,076	25,291
Duty-at-certain-places pay	\$96 to \$270	176	122,151	21,463
Nuclear career annual incentive pay	up to \$6,000	5,148	2,933	15,099

	<u>Annual range of benefits</u>	<u>Average annual payment</u>	<u>No. of individuals</u>	<u>Cost (thousands)</u>
Diving duty pay				
Officers	up to \$2,400	\$2,291	1,094	\$ 2,506
Enlisted	up to \$3,600	1,833	4,664	8,549
Total				<u>\$11,055</u>
Continuation bonus for engineering or scientific skills	\$3,000 for each additional year	2,660	1,803	4,796
Overseas extension pay	\$600	600	4,888	2,932
Responsibility pay	\$600 to \$1,800	1,316	916	1,205
Nuclear career accession pay	up to \$6,000	3,000	380	1,140
Personal money allowance	\$500 to \$4,000	969	159	154
Hostile fire pay	\$780 (nontaxable)	780	69	53

Note: Although military members may not receive more than two incentive pays at any one time, there is no limitation on the number of special pays they may receive if they are eligible.

<sup>a</sup>Includes new and anniversary payments.



Table IV.4: Data on Supplemental Allowances and Benefits for Fiscal Year 1985

	<u>Annual range of benefits</u>	<u>Average annual payment</u>	<u>No. of individuals</u>	<u>Cost (thousands)</u>
Nondisability retirement pay	\$1,000 to approx. \$70,000 <sup>a</sup>	\$11,778	1,215,810	\$14,319.6 <sup>b</sup>
Veterans' disability pensions	\$792 to \$15,540	3,693	2,243,000	8,282.5
Pensions for non-service-connected disability	varies due to other income offset provisions	3,568	710,600	2,535.4
Dependency and indemnity Compensation	\$5,712 to \$15,660 <sup>c</sup>	5,735	339,100	1,944.9
Disability retirement pay	\$1,000 to approx. \$70,000	9,760	138,734	1,354.1
GI Bill	less than \$1,000 to more than \$6,100 <sup>d</sup>	2,069	368,490	762.5 <sup>e</sup>
Survivor benefit plans	less than \$1,200 to approx. \$24,000	5,187	94,548	490.4
Terminal leave				
Officers	varies	3,205	20,592	66.0
Enlisted	varies	677	291,083	197.1
Total				<u>\$263.1</u>
Clothing maintenance allowance				
Basic	\$65 to \$112	85	648,822	55.1
Standard	\$94 to \$158	118	999,625	118.1
				<u>\$173.2</u>
Overseas cost of living allowances				
Officers	varies	1,388	20,301	28.2
Enlisted	varies	743	143,965	107.0
Total				<u>\$135.2</u>
Separation pay				
Officers	up to \$30,000	28,711	1,839	52.8
Enlisted	varies	4,702	8,868	41.7
				<u>\$94.5</u>
Veterans education assistance program (VEAP)	N/A	295	42,305	79.9 <sup>f</sup>

	<u>Annual range of benefits</u>	<u>Average annual payment</u>	<u>No. of individuals</u>	<u>Cost (thousands)</u>
Family separation allowance				
Officers	varies	\$ 565	12,204	\$ 6.9
Enlisted	varies	458	109,435	50.1
Total				<u>\$57.0</u>
Army college fund			40,142	54.09
Death gratuity	\$ 3,000	\$3,000	2,192	\$ 6.6

Note: Supplemental benefits are nontaxable, except for nondisability retired pay, separation pay, and terminal leave pay.

<sup>a</sup>The \$70,000 would be for a four star admiral or general who retired with 30 or more years of service in the early 1970s and benefited from COLA adjustments which no longer exist.

<sup>b</sup>Outlays for current retirees as opposed to accrual costs for current service members.

<sup>c</sup>Rates increased in December 1984.

<sup>d</sup>Range of benefits varies depending on number of dependents and whether student is full time.

<sup>e</sup>Reflects Fiscal Year 1985 costs through June 1985.

<sup>f</sup>Reflects Fiscal Year 1985 costs through August 1985.

<sup>g</sup>Reflects Fiscal Year 1985 costs through July 1985.

Table IV.5: Total Cost Estimates of Supplemental Allowances and Benefits With Comments

	<u>Cost (millions)</u>	<u>Comments</u>
Medical care	\$3,881.9	Hospital and clinic operations and maintenance and personnel costs as well as costs associated with the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS).
Employers' contribution to Social Security	2,108.6	Rate paid: 7.05 percent of basic pay up to \$39,600 in 1985.
Commissary stores	620.6	According to DOD estimates, service members can save about 25 percent over prevailing prices.
Unemployment compensation insurance	162.9	
Exchanges	105.4	According to DOD estimates, service members can save about 23 percent over prevailing prices.

In addition to the above types of compensation, military members also receive the following supplemental benefits, for which estimates are not readily available:

- annual leave (30 calendar days),
- burial costs,
- burial in national cemeteries,
- enlisted aids for admirals and generals,
- home loan assistance,
- morale, welfare, and recreational facilities (such as clubs, auto shops, photo shops, sports facilities, arts and crafts, bowling, theatres, golf courses, day-care centers, riding stables, and family camping facilities),
- mortgage insurance,
- noncontributory social security wage credits,
- preference in federal employment,
- professional education and training,
- sick leave,
- space available travel, and
- state income tax advantage on nontaxable allowances (imputed non-cash benefit).

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