

KEEP A WEATHER EYE ON THE HORIZON

A Navy Officer Retention Study

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“The Admirals back in Washington had so many pressures on them, so many diversions, they forgot their primary job is to make sure that the Fleet is ready to go with highly trained and motivated Sailors. The problem particularly manifests itself when the budget is way down.”

ADM THOMAS B. HAYWARD, 21st Chief of Naval Operations, recalling the post-Vietnam War drawdown¹

Situation in Brief

The U.S. Navy is about to face its most challenging officer retention problem in more than two decades. Pivotal factors include:

- *Continued high operational tempo after a decade of unusually long deployments*
- *Loss of “combat” mentality; plummeting morale and esprit de corps*
- *Significantly improved, and improving, economic trend lines*
- *Perception that operational command is not valued – and increasingly administrative*
- *Outflow of Boomers from workflow and influx of Millennials*
- *Erosion of trust in senior leadership*

This study takes an in-depth look at factors significantly impacting officer retention, compares them with historic retention downturns, evaluates Fortune 500 approaches for retaining talent, and provides actionable recommendations to enable us to outrun the approaching storm.

The U.S. Navy has a looming officer retention problem. More than a decade of prolonged, high operational tempo and ever-increasing deployment lengths have fostered a sustained weariness at the deckplate. A rapidly improving economy and erosion of trust in senior leadership, coupled with continued uncertainty about the future, mean the U.S. Navy could be facing its most significant retention crisis since the end of the Vietnam War.

Unlike previous cycles of low retention, the one looming before us appears poised to challenge retention at all levels. Junior officer retention in 2013 was tough and is forecast to become tougher. It marked the worst year in history for the special warfare community, with record numbers of lieutenant’s declining to stay for the next pay grade. The aviation community had a department head bonus “take rate” of 36% – well below the 45% target needed to ensure community health – most recently manifesting itself by a shortfall in the number of strike-fighter and electronic warfare aviators required for the department head screen board. The surface warfare community is also seeing an uptick in lieutenants leaving at their first opportunity, driving a historically low retention rate of around 35% even lower, indicating that a significant amount of talent in the surface warfare community walks out the door immediately following their first shore tour. This trend in the junior officer ranks is particularly troubling. While officers at, or beyond, the 20-year mark have a retirement option, junior officers do not. In many cases they’ve invested six to 10 years of their life to a career field they’re now willing to leave, determined that the pastures are greener outside of naval service.

Our retention of post-command commanders is also falling. A developing trend in naval aviation is representative of a larger problem facing most communities. In fiscal year 2010, seven naval aviation commanders retired immediately following completion of their command

tours, a number that nearly doubled to 13 in 2011, before jumping to 20 in 2012. Additionally, a survey of 25 prospective executive officers revealed that no fewer than 70 percent were already preparing for their next career, in the process of earning their transport pilot licenses, preparing their resumes for the civilian workforce, or shopping for graduate schools. Worse, this trend is not limited to naval aviation. Checks with other community managers show a similar disturbing trend, with increasing numbers of promising surface warfare and special warfare officers leaving at the 20-year mark. These officers are tired of the time away from home, the high operational tempo, and the perceived erosion of autonomy in commander command.

Unfortunately, the fact that a growing number of quality officers have already left the service or are planning to head for the doors seems to be going undetected by senior leadership. The Budget Control Act and subsequent sequestration, Strategic Choices and Management Review, rebalance to the Asia-Pacific, battles over the Littoral Combat Ship and Joint Strike Fighter, rise of Air-Sea Battle, civilian furloughs, and the increasing number of commanding officer firings are just a few of the significant issues (and distractors) that senior leadership has had to contend with since 2011. Despite all these, retention is poised to once again develop into the significant issue that it has historically become during past military drawdowns.

My premise is that retention problems tend to be cyclical in nature and, therefore, largely predictable based on knowable factors. Unfortunately, the ability of senior leadership to proactively address the looming exodus is made more difficult because of Congressional pressure to control spending and because of an overreliance on “post facto” metrics that, by their very nature, are only useful after several years of falling retention rates. Senior leaders within the U.S. Navy, with the cooperation of the Department of Defense and Congress, should take swift action through the use of targeted incentives and policy changes to help ensure the best, brightest, and most talented Naval Officers are retained for continued naval service and to ensure the “wholeness” of Navy Manpower.

The Situation

A four-star Admiral speaking at the January 2014 Surface Navy Association conference commented that “we don’t have a retention problem”, sparking many in the audience to wonder about the quality of his staff’s fact checking. The reality is, however, that his comments were largely correct – if you define retention as the ability to simply fill the number of required job billets with a body. This outlines one of the biggest problems with Navy manpower management: Our manning system tends to focus heavily on the *quantitative* needs of the service at the expense of retaining the right officers – the ones with *qualitative* skills like sustained performance in Fleet operations, advanced education, and preferred skill sets.

Conversely, perhaps the Admiral is correct – while larger numbers of officers are leaving at all levels, we may be retaining the exact type of people we need to ensure the future health of the officer corps. Naval service requires skill sets and a resiliency significantly different from many jobs found in the private sector, and the officers that elect to stay might be exactly what the service needs. Either way, falling retention means lower selectivity – in effect, constraining the Navy’s ability to choose its future leaders from the pool of officers remaining in service. The Navy, unlike its private sector counterparts, cannot hire department heads, commanding officers, or senior officers from outside the service – we promote from within. We need high retention rates to ensure the health of the service. Unfortunately, lower rates are here and are likely to worsen in the next few years.

In fact, officer retention is at a tipping point where events from our past, present, and anticipated near-term future are coalescing to negatively impact retention. In short order, we will begin losing a large number of officers with more than a decade of operational wartime experience, and they'll be taking their expertise and lessons learned with them. Even worse, although qualifications can be replaced, experience cannot. While this trend is also likely to impact our enlisted ranks, the emphasis in this paper is on our officer corps because of the significant negative impact plummeting junior-, mid-, and senior-grade officer retention can have on the enlisted members within their commands.

The primary factors leading to the pending departure of officers follows, separated into past, present, and future categories. Research includes news reports, internal Navy documents, Center for Naval Analyses (CNA) manpower studies, and Fortune 500 initiatives used to retain the best, brightest, and most talented. Research also relies heavily on primary source information pulled from informal and small group interviews conducted with more than 200 naval officers from the surface, submarine, aviation, SEAL, and EOD communities – ranging from the newest Ensigns to Rear Admirals – since July 2011. We must act swiftly. *While our response to falling retention rates may be constrained, the global demand for the talent that we're competing for is not.*

Factors from our PAST affecting retention:

1. Sustained high operational tempo (OPTEMPO)

Between 1987 and 1999, the average deployment length was approximately 180 days.² The average deployment length has continued to creep steadily upwards since the attacks on September 11, 2001. By the end of fiscal year 2013 the average carrier strike group was at sea for more than 8 months at a time, ballistic missile capable surface combatants for 8 - 9 months, and submarines for 6 ½ months. Drastic examples of extended OPTEMPO abound, such as the 2012 and 2013 *Stennis* Carrier Strike Group deployments, which combined for a total of 15 ½ months at sea with only a short 5 ½ month respite in-between and, more recently, the *Eisenhower* Carrier Strike Group which deployed for 10 ½ months with a brief 2 month break in-between. According to the Navy Times, 2013 marked the fourth highest year for OPTEMPO since the Navy began tracking this statistic – 2012 was the highest year.³

Current day OPTEMPO generally reflects a similar situation within the U.S. Navy pre-1986. Prior to 1986 ships were at sea for approximately six months before rotating back to the U.S. for a nine-month maintenance and resupply period. This period of high OPTEMPO *without a corresponding crisis (see following section)* resulted in rapidly declining reenlistment and officer retention rates. In response, Admiral James D. Watkins, the 22nd Chief of Naval Operations, and then-Secretary of the Navy John Lehman moved to a new schedule which continued the six month deployment period but subsequently brought the carrier strike groups home for 12 to 14 months, reducing operations and maintenance costs while increasing retention and quality of life for Sailors.⁴ Of note, the U.S. Navy had 14 aircraft carriers at the time.

All respondents – junior and senior alike – cite unreliable cruise schedules and consistently long deployments (> 7 months) as factors affecting their decision-making regarding continued naval service. In short, sustained high operational tempo is perceived as placing an incredibly large burden on servicemembers.

2. A conflict we can believe in

Increased patriotism following the attacks on September 11th, 2001 resulted in a measurable rise in retention that extended into both the officer and enlisted ranks. The retention rates for surface warfare and submarine officers reaching their first minimum service requirement rose from a pre-9/11 level of 27% and 32%, respectively, to a post-9/11 level of 33% and 43%. The increase in surface warfare officer retention was short-lived, however, while submarine retention remained elevated until mid-2004. Likewise, retention for naval pilots reaching their first minimum service requirement was 31% pre-9/11 but rose steadily to 53% by mid-2004 before once again beginning to drop off. Officers serving in special operations and special warfare billets also mirror this trend, with retention increasing 200-300% following 9/11. Most Restricted Line careers demonstrate varying levels of increased retention immediately following 9/11, and enlisted retention rates also mirror this larger trend, with Zone A, B, and E reenlistment rates showing the most significant increases.⁵

In general, a belief in the importance of their unit's mission is critically important to those surveyed for this white paper and is a significant factor positively impacting retention. Most cited patriotism, the opportunity to serve their country, esprit de corps, and a desire to be a part of "something larger than them" when deciding to join the U.S. Navy, and whether or not this need is met is important when making the decision to remain in uniform.

3. A global economy in distress

The global financial crisis that began in August 2007 and continued into 2008 also played a large role in elevating retention rates across all pay grades, not just those reaching their initial minimum service requirement during this period. A December 2013 Center for Naval Analyses report illustrates a general trend of increasing retention following 2008. Several career paths, notably surface warfare, submarines, special warfare, special operations, and medical staff have shown a marked correction back to low retention rates since 2011, as the global economy stabilized and the national press corps furthered the perception of improving domestic economic factors.

Of those surveyed, the global economic downturn and stock market crash in 2008, coupled with negative economic messaging in the years immediately following, convinced many to remain in uniform rather than brave a difficult civilian hiring environment.

4. Revocation of critical skills bonuses for senior officers (O-5 and above)

The revocation of critical skills bonuses for senior officers is a significant driver for our impending officer retention crisis. Without a bonus and associated service obligation to keep these senior officers in place following their O-5 command tours, many will be retirement eligible within a year of their change of command. Aviation specific metrics, as previously mentioned, are startling. In 2010, seven post-command Commanders retired immediately following completion of their command tour, a number that increased to 13 in 2011, before jumping to 20 in 2012 – roughly 15% of the commanding officers screened annually.

As of February 2014, 22 sitting commanding officers have already communicated their intent to leave naval service immediately following their command tour. PERS-43 also tracks the number of aviation commanding officers that are in a command tour without being held to follow on orders by a critical skills bonus: 58.4% of current commanding officers are not held to a follow-on service obligation, increasing to 100% of commanding officers by 2016.⁶ Without a

bonus and associated service obligation, these commanding officers can walk immediately following their command tours. This trend is also being repeated in the special warfare community – this year marked a 500% increase in the number of post-command commanders retiring at the 20-year mark.

In a traditional sense, it is understandable the bonus was withdrawn, as retention remained high following the 2007 worldwide economic crisis – why pay more to retain someone when they are willing to stay for a lower salary? Unfortunately, this creates a “pay inversion”, with lower ranking officers – with far less responsibility – making more than their commanding officers, sending a negative signal regarding the value of the commanding officer position.

Another problem is that bonuses lag retention problems by several years and require several time-consuming steps to correct the issue. First, the service needs to observe lower than average retention, and then make a request for bonus reinstatement that has to be sent uphill and approved, before the bonus can finally be implemented. Requests to reinstate critical skills bonuses for senior officers have been raised in recent years but have been slow to gain traction with civilian leadership due to a requirement for metrics demonstrating need. Unfortunately, metrics lag the problem and also suffer from another flaw: They only track the *quantity* of officers staying, not necessarily the *quality* of those staying. As *Figure 1* indicates, the critical skills bonus for senior aviators was actually withdrawn when it was needed most – the last year it was offered was FY11 – concurrent with a marked increase in post-command retirements. This bonus, along with the short-term critical skills bonus for surface warfare commanding officers, was withdrawn three years ago as part of a response to the Budget Control Act of 2011.

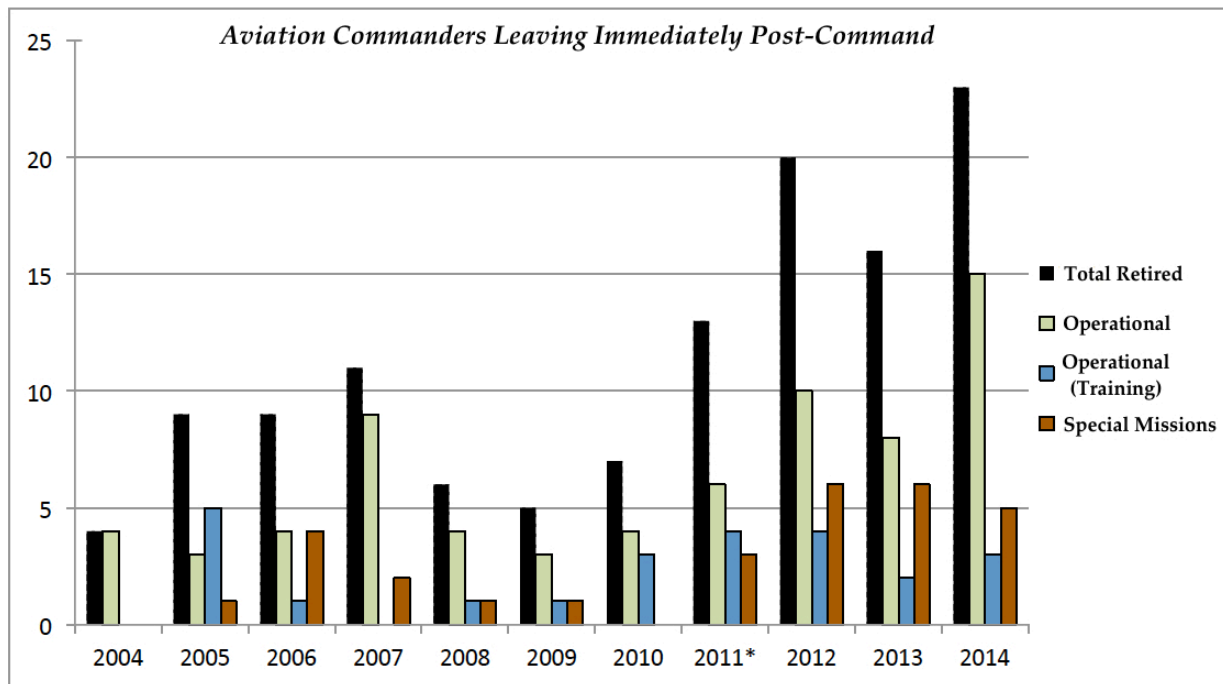


Figure 1. Number of Aviation Post-command Commanders leaving Naval Service immediately following command tour.⁷

Factors PRESENTLY affecting retention:

1. Withdrawal from crisis operations (e.g. Iraq, Afghanistan, Libya)

In the previous section, a servicemember's belief in the mission and a perception of high quality of work was a significant factor positively impacting retention.⁸ In support, a 2004 CNA study examining the effect of personnel tempo (PERSTEMPO) on retention noted that Sailors who deployed longer than eight months in support of Desert Storm/Desert Shield did not suffer decreases in reenlistment rates. The reason? "The morale-boosting effect of participating in national crises offset the hardships."⁹

The drawdown of real-world operations in the Middle East, as well as worldwide, has removed one of the most powerful factors keeping quality officers in the Navy. Accordingly, the subsequent factors that follow will have outsized effects, since they will not be offset by morale-building participation in national crises. Withdrawing from crisis operations is good for the nation's overall well being, but it causes our best and brightest to look for the next challenge to tackle – which may very well be out of uniform and in the civilian sector. Our current increased OPTEMPO, and the absence of a national crisis to justify the added effort, is a powerful contributor to decreasing retention.

2. The perception of a rapidly improving economy and retirement of Baby Boomers

Press coverage of the national economy has rapidly changed in tone over the past six months, transitioning from the 2012 election cycle (negativity and perceived economic stagnation) to a sharp uptick in corporate and consumer sentiment following the recent 2013 holiday retail season. The past six months has also seen the passage of several large Congressional spending bills, a largely uncontested debt ceiling extension, proclamations of growing U.S. "energy independence", shrinking unemployment, stabilization of global markets, and a growth in U.S. gross domestic product. These are all signs of an improving economy and job market that continues to trend positively.

Unfortunately, this external message of an improving national economy comes at exactly the same time that senior military leadership is testifying about significant budget shortfalls. This juxtaposition leads the servicemember to conclude that while the future looks bright for employment outside of the service, the military is likely to remain in its present (and painful) period of budgetary contraction and downsizing.

Further impacting the national labor market is the ongoing retirement of millions of Baby Boomers. Defined as being born in the post-World War II period of 1946-1964, the first Baby Boomers started reaching 65 years of age in 2011.¹⁰ An increased requirement for skilled labor will accelerate as Boomers exit the workforce, creating additional demand for quality Sailors currently serving in uniform. In particular, recruitment efforts by civilian employers are likely to increase to keep pace with the workforce demands of a recovering U.S. economy.

While only a singular data point, *Figure 2* provides another leading indicator of the effect of an improving economy on a waning desire to serve in the military. All U.S. service academies experienced significant growth in applications from 2006 – 2013. The U.S. Naval Academy, in particular, recorded the largest number of applicants, growing from 10,747 applicants in 2006 to a record 20,601 in 2012. The following year, however, the number of applicants to the U.S. Naval Academy fell by 14% to 17,819. While inconclusive, this could reflect the beginning of a

return to historic norms for the number of applications and an early indicator of decreased interest in military service, for new accessions as well as those currently serving in uniform.

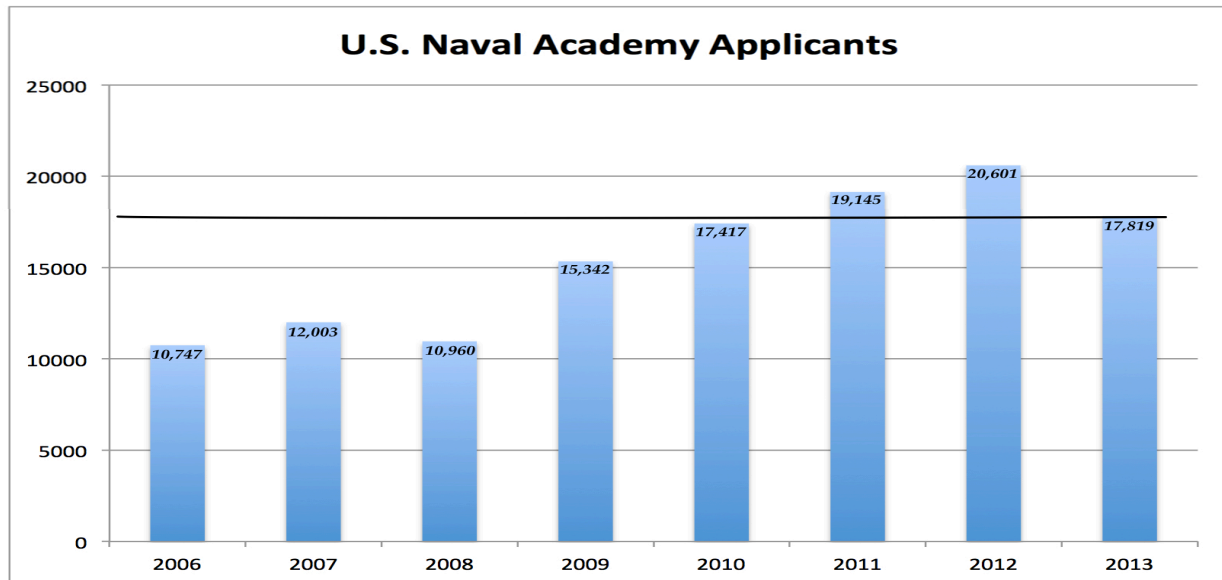


Figure 2. Number of applications for admission to the U.S. Naval Academy (2006 – 2013).¹¹

3. Influx of Millennials

Numerous studies have been conducted that evaluate the differences between significant workplace demographics, most notably between Baby Boomers (1946-1964), Generation X (1965-1980), and Millennials (1981-1995). One of the most concise is a recently concluded study jointly conducted by PricewaterhouseCoopers, University of Southern California, and London Business School. This 2011-2012 joint study collected data from more than 40,000 respondents, including a set of 13,150 PricewaterhouseCoopers employees (9,120 Millennials and 4,030 non-Millennials) at the same point in their career. Some notable differences between Millennials and their Non-Millennial counterparts include:¹²

- Millennial employees are unconvinced that excessive work demands are worth the sacrifices to their personal life.
- Millennials say that creating a strong cohesive, team-oriented culture at work and providing opportunities for interesting work—including assignments around the world—are important to their workplace happiness, even more so than their non-Millennial counterparts.
- While the same basic drivers of retention exist for both Millennials and non-Millennials, their relative importance varies, with Millennials placing a greater emphasis on being supported and appreciated.

Addressing retention, the report notes “Generational differences do exist among Millennials and non-Millennials, and should be taken into account by organizations that include employees from both groups. For example, Millennials are more likely to leave if their needs for support, appreciation and flexibility are not met, while non-Millennials are more likely to leave if they feel they are not being paid competitively, or due to a perceived lack of development opportunities.”¹³ This has alarming implications for senior leadership, since the traditional top-

down approach and differences in generational perspectives are likely to hinder cross-generational communication.

Another concern is the Millennial's perspective on employment, which takes a more "transactional approach" than that exhibited by Baby Boomer or Generation X officers. In general, this younger generation is not emotionally invested or tied down by 4-8 years of naval service. Instead, Millennials are more willing to vote with their feet if they feel their needs aren't being met, forcing the service to adapt or subsequently fall victim to a lack of talent as disenfranchised servicemembers leave – reducing the talent pool that will produce our future senior leaders.

Note: Millennials place significant value on post-baccalaureate education, a milestone not readily available to certain operational officer career paths. Of significance, the Post-9/11 Montgomery G.I. Bill, with its generous benefits package, inadvertently provides an incentive and a ready-made pathway to leave naval service in order to pursue education.

4. Risk Aversion and a Shift Towards Centralization of Command Authority

This topic was difficult for respondents to put into words but was cited by a vast majority of those dissatisfied with their current naval service. In short, this is a perceived removal of decision making from operational commanders, constituting a shift from a leadership-centric Navy to a service more focused on risk-mitigation and metrics.

Many respondents cited what they perceive as a continuing service-wide "zero-defect mentality" – bolstered by a growing number of commanding officers relieved for cause; an increasing reliance on quantitative metrics which may or may not correspond to actual mission capability; and loss of strategic direction which provides clarity to subordinates. Other examples cited include: Loss of aviation esprit de corps due to flight suit standardization, implementation of the surface warfare community's overbearing examination process for command, and a climate of ever-increasing administrative functions (which, ironically, was compounded by the Reduction of Administrative Distractions initiative).

Another example is a recent shift within the Navy to eradicate behavior that is, by its very nature, ineradicable. As Rear Admiral Ted Carter's *Task Force Resilient* team discovered in 2013, there is a substantial opportunity cost involved when trying to do so. The team noted most efforts to eradicate suicide had a very discernable price point that, once exceeded, provided little or no additional benefit. Put simply, there is no dollar amount that can be spent, or amount of training that can be conducted, that will completely eradicate complex issues such as suicide, sexual assault, or commanding officer reliefs for cause – yet we continue to expend immense resources in this pursuit. Sailors are bombarded with annual online training, general military training, and safety stand-downs – all in an effort to combat problems that will never be defeated. The perception is that these efforts are not undertaken because they are incredibly effective, but rather because of significant political and public oversight.

Respondents also note that senior leaders seem too eager to lay accountability for fixing problems at the feet of mid-level leaders without providing the commensurate authority needed to enact change, and while failing to accept the risk and provide the backing needed to support subordinates. This shift has been captured in several surveys and was recently highlighted during the U.S. Naval Institute's 2014 West Conference, where a panel focused on retention cited a recent survey of Surface Warfare Officers decrying the decreasing quality of senior leadership.¹⁴ Sailors continue to cite the over-focus on social issues by senior leadership – above

and beyond discussions on warfighting – a fact that demoralizes junior and mid-grade officers alike.

The British Navy faced a similar shift from leadership-focused ship command to administrative efficiency-focused ship command between 1805 and 1916 with disastrous results. In Admiral Nelson's navy at Trafalgar, the fleet used only a handful of signals to prepare for battle, relying on the competence, leadership ability and personal relationships of the commanders to fight when they engaged the enemy. In Admiral Jellicoe's navy at Jutland, command positions were assigned based on an officer's ability to rapidly and flawlessly execute a myriad of detailed signals promulgated from a central command authority. The British scored a messy but decisive victory over the Spanish fleet at Trafalgar, but were tidily routed by the Germans at Jutland.¹⁵

Ultimately, the reduction of decision-making at the commanding officer level is perceived as creating a more risk-averse climate than the generations preceding it.¹⁶ Several community managers cite the erosion of independent decision-making in command and the perception of risk aversion as a significant detractor when discussing the reasons for falling junior officer retention rates.

5. *Erosion of trust in senior leadership*

"People are our most important asset." This statement was routinely brought up when officers discussed an erosion of trust in senior leadership and its impact on retention. The period following passage of the Budget Control Act of 2011 and subsequent sequestration has eroded the belief that senior leadership takes care of its servicemembers and civilian shipmates. People may be our most important asset, but the *perception* is that policies and recent actions are inconsistent with personnel quality of life, quality of work, and readiness.

One only has to study the history of OPNAV personnel and operational tempo instructions since their original introduction in 1985 to realize that leadership isn't shy about redefining standards when it is unable to meet them.¹⁷ Admiral James Watkins, Chief of Naval Operations, laid out the personnel tempo concept in October 1985 to address the hollow force and retention concerns following the Vietnam War. Further codified in 1990, personnel tempo was part of a "deliberate process to balance support of national objectives with reasonable operating conditions for our naval personnel, and maintain the professionalism associated with going to sea while providing a reasonable home life."¹⁸ Three key metrics became the expectation for employment of U.S. Navy forces: 1) Maximum deployment length of six months, 2) Minimum turn around ratio of 2.0:1, and 3) Minimum 50% time in homeport for a unit over a 5-year period. Unfortunately, successive revisions of Navy instructions have extended the cruise length to eight months and reduced the turn around ratio to 1.0:1, resulting in an expectation that a unit might only enjoy eight months of time in homeport following eight months at sea.

Beyond the redefined operational tempo/personnel tempo standards, the 2011 Enlisted Retention Board is perhaps the single largest perceived breach of trust, followed by a well-publicized reaction in the Fleet. 2,946 midcareer enlisted Sailors were discharged to manage 31 over-manned ratings, followed almost immediately by an announcement indicating a need for more Sailors. Despite being two mutually exclusive events, the Fleet largely perceived this action as a gross mismanagement of Navy manpower. The Navy's manpower management tool, Perform to Serve (PTS), was also run through the mud because of its role in force shaping, prompting a substantive change to "PTS 3-2-1" before being superficially rebranded as "Career Navigator" in an effort to address Sailor resentment.

Other examples include the forced administrative furloughs of Navy civilians for 11 days (later reduced to six days by Secretary Hagel), comments by senior leadership that “we have to show the pain” when reducing base and installation services, saving money by shifting promotion zones and delaying officer promotions by a year, and recent “attacks” on the military pay, compensation, and pension system.¹⁹

The perceived erosion of trust in senior leadership is an incredibly powerful factor negatively affecting retention. In many cases the perceived decline in trust is most likely exacerbated by the 24-hour news cycle; increased use of social media and availability of near real-time “fact checking”; and a senior leadership cadre forced to balance strategic communications between showing the pain of sequestration to Congress, while communicating the value of naval service to sailors.

Factors in our FUTURE affecting retention:

1. Reduction in operational funding

Unlike our sister services, the Navy is not designed to be a garrison force. Since the War of 1812 it has been tasked with securing America’s interests abroad while providing defense in depth for the continental United States. This need to be “where it matters, when it matters” ensures that the service will continue to prioritize deployments overseas to assist in deterring aggression while assuring our allies of America’s commitment. Unfortunately, the recent decrease in resources hasn’t been met with a corresponding decrease in requirements for overseas presence.

The fear is that recent reductions in operations and maintenance accounts will further reduce funding necessary for steaming days and flight hours. While the Navy’s forward-deployed naval forces have largely escaped the axe, many units homeported in the United States have spent increasingly lengthy periods at sea, only without the commensurate level of operations experienced during the preceding 10-year period. In short, sailors are expecting to work harder and deploy longer but with less training and fewer resources; and with no clear purpose justifying the increased output other than “forward presence”.

The School of Aviation Safety in Pensacola, FL offers a five-day safety course for prospective commanding officers. One course, designed to pass along the results of recent aviation unit culture workshop surveys, notes that the most consistent survey result is the following: “Based upon our current manning/ assets, my unit is overcommitted.” In this case, the survey item is ranked 47 of 47 by all three squadrons sampled, determined by a significant statistical margin to be the most worrying negative trend. This particular survey item is followed closely by “Fatigue due to current operational commitments is degrading performance.” A pre-command O-5 taking the course summed up this factor nicely by saying that in the near-term we are likely to experience “[An] increase in fatigue, an increase in collateral duties, with a corresponding decrease in morale.”

2. Fear of a stagnating or a decreasing quality of life

Unlike previous retention downturns of the 1970s and 1990s, today’s servicemembers are compensated very well. A 2011 report from the Congressional Research Service notes that:

In the nearly 10 years since the terrorist attacks of September 11, 2001, basic pay has increased nominally by nearly 35% (figure not adjusted for inflation). This figure does not include other increases in allowances, bonuses, or incentives. The cumulative effect is that most analysts now agree that the average annual cost per servicemember exceeds \$100,000.²⁰

Despite tangible increases to quality of life for servicemembers – pay and benefits – the previously mentioned “*Erosion of trust in senior leadership*” section has officers and enlisted alike nervous about future impacts to the workforce. The current perception is that pay and benefits are likely to stagnate or decrease in the near future, negatively impacting retention. Secretary Hagel’s February 24, 2014 announcement regarding military pay and benefits is likely to perpetuate this fear, further fueled by media headlines like “DoD budget seeks cuts in BAH, commissary, Tricare benefits” and “Hagel to recommend deep cuts to military pay, benefits.”²¹

3. Continued operational uncertainty and high operational tempo

A vast number of officers polled respond that continued long deployment lengths and continued uncertainty in cruise schedules have them planning to leave naval service within the next 2-5 years. Claiming to provide the stability and predictability sailors are looking for, The Navy’s Optimized Fleet Response Plan (O-FRP) was publically unveiled at the 2014 Surface Navy Association symposium. Re-aligning surface combats with their associated carrier strike groups will increase predictability ... *for force planners*. Unfortunately, early discussions at the deckplate suggest that O-FRP is being met with significant skepticism. Several issues exist: First, cruise lengths have been extended to a minimum of eight months. While shorter than some recent at-sea deployments, it still marks a 33% increase in deployment length from the six month standard set in 1986 and carried forward until recent years.

Second, O-FRP is purported to signal a shift from the Navy’s “demand-based” response to global force management needs of recent years to a “supply-based” system, but the slides and language used during the unveiling tell a different story.²² In particular is the inclusion of the “X-Factor”, or the 14-month surge and sustainment period that follows the planned eight-month deployment. If the last 10 years are any indication, the U.S. Navy can expect to surge during the 14-month sustainment period. As briefed at the Surface Navy Association, this period will permit additional time at sea based on funding levels or national interests – a fact likely to undercut the promised predictability of a true supply-based system.

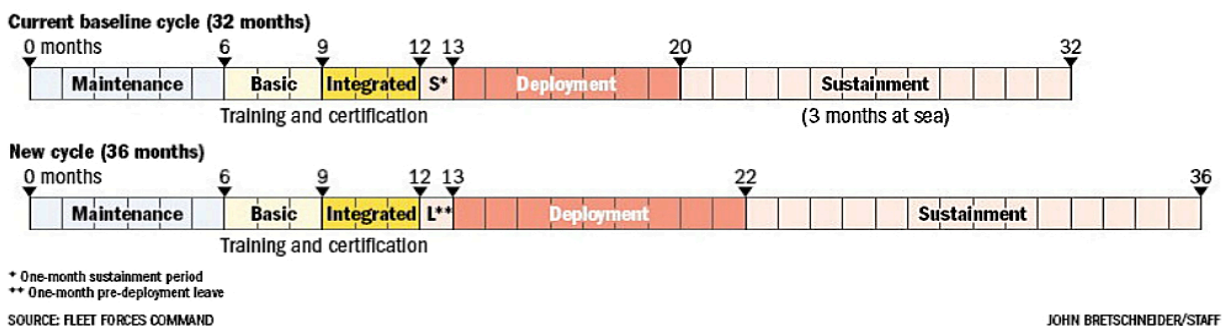


Figure 3. Comparison of current 32-month FRTP compared to proposed 36-month Optimized Fleet Response Plan.²³

Third, representatives from Navy Personnel Command and Chief of Naval Operations staff state that despite O-FRP's early public unveiling, the majority of work underpinning the new deployment cycle remains to be completed. Additionally, a new breach of trust issue may have been created since nine-month (and possibly longer) cruise lengths are predicted to persist for at least two more years.

James Carville captured national sentiment during the 1992 Presidential election when he declared, "It's the economy, stupid." For the Navy, operational tempo, unusually long deployments, and uncertainly regarding family separations are likely to remain the most significant near-term issues.

4. Longest and largest commercial airline hiring spree (aviation specific)

Although a Naval Aviation-specific factor, the forecast hiring spree in commercial aviation will rapidly begin to impact retention, much as it did during the 1990s. Many commercial pilots were furloughed following 9/11 and hiring has remained relatively stagnant for the past five years, creating a pent up demand for new hires. Another challenge is the upcoming August 1, 2014 Federal Aviation Administration rule change which will significantly bias Air Transport Pilot licenses towards military pilots. The following captures the bias, since pilots with military experience need far fewer hours (funded by government experience) than their non-military counterparts:

- With military experience = 750 hours (*average JO at MSR will have necessary hours*)
- w/o military experience but with a 4-yr aviation college = 1,000 hours
- w/o military experience but with a 2-yr aviation college = 1,250 hours
- w/o military experience and with non-structured education = 1,500 hours

Additional retention pressures include the 2007 changes to the mandatory retirement age for pilots, which increased the retirement age for a commercial pilot from 60 to 65 and delayed large numbers of retirements until 2013. Based on this change and overall worldwide demand, a recent estimate cited by Foreign Policy claims that 50,000 pilots or more will be needed to satisfy demand through 2024.²⁴ This compounds the looming challenge for retaining the best, brightest, and most talented fixed-wing pilots, who are already impacted by the retention factors previously explored.

Opportunities to Outrun the Storm: Recommendations

Trend Lines

Recommendations for changes to policy include the following:

- *Align “Stay Navy” Messaging Across Leadership*
- *Incentivize officers to remain for operational command opportunities*
- *Refocus operational command on operational employment and leadership... not administrivia*
- *Improve access to, and quality of, Navy enterprise resources*
- *Modify statutory and administrative selection boards*
- *Emphasize importance of unit-level morale and esprit de corps*

1. Enable Commanding Officers to Better Communicate with Sailors (Align Navy Messaging)

In today’s 24/7 media environment – where sailors are bombarded with information – it’s more important than ever for our “Stay Navy” message to be aligned across all levels, or we risk eroding trust and confidence because of conflicting information. This requires senior leadership to determine desired strategic end states, construction of appropriate messages, and the sharing of that message across all levels. There are several ways we can improve our “Stay Navy” message to better inform the Fleet and aid retention:

First, expand on existing products. The Navy is a geographically dispersed organization, which makes the timely sharing of information critically important. Senior leadership receives near weekly Chief of Naval Information talking points, helping ensure that admirals and senior executive service members are “on message” regarding forecasted areas of interest. Why not tailor a version for officers that are in command? Pushing a tailored version of the Chief of Naval Information’s current talking points to unit leadership will arm deckplate leaders with the “whys” behind current decision-making, providing access to relevant and timely background information. The commanding officer, or officer in charge, can subsequently tailor this information to share the importance of their mission with the Sailors they lead – necessary when conveying that our Sailors serve with a purpose. This product should include quarterly updates regarding programs that directly impact sailors, including information on changes to Career Navigator and 21st Century Sailor.

Second, public affairs officers at the type commander level should provide relevant community talking points to the commanding officers and officers in charge. This, along with the aforementioned Chief of Naval Information talking points, will help ensure that deckplate leaders are informed about their communities “hot button” topics. “I don’t know” is one of the worst answers a leader can respond with – even worse is when leaders make up a response on the fly that does not correspond with the truth.

It is critically important that deckplate leaders be pushed this information rather than be required to “pull” information as it becomes necessary. The intent is to help leaders at all levels remain informed so that they can speak intelligently and with one voice. Asking leaders – who are already task saturated – to create their own talking points as needed risks perpetuating incorrect or misleading messages.

Third, messaging needs to reflect retention realities (“stay Navy”) and provide facts to sailors now that relative budget stability has returned. The past few years of budget impacts, and the messages that went along with them, created a belief that the U.S. Navy is in a state of consistent decline. Communication with the Fleet needs to once again emphasize the “good news” of naval service, especially important in light of predictive signals of falling retention. It is important that sailors, and the nation, recognize the importance of the U.S. Navy’s mission. The impact of the U.S. Navy’s overseas presence for global stability, including the rebalance to the Asia-Pacific, is a perfect vehicle for this message. Leaders should emphasize the tangible benefits of naval service: Service to the nation, the incredible quality of the men and women they serve beside, and the reality that in many cases, the public sector has no job that can compare to what they do in uniform. While leadership understands this to be true, these facts are not clearly discussed or understood by officers and enlisted approaching their first minimum service requirement milestone.

2. Revocation of Deputy Secretary of Defense National Security Waiver of 8 October 2001

Long deployments, extended time away from home, and uncertainty in cruise schedules are significant negative drivers of retention. The 2000 National Defense Authorization Act (NDAA) provided for payment of high-deployment per diem to servicemembers who exceeded 250 days away from home over a 365-day period. This change was intended to force commanders “to be faced with the dilemma of spending dollars on readiness issues or on high-deployment per diem” for servicemembers, with the first payments to begin on November 5, 2001.²⁵ The 2002 NDAA further stipulated that these payments were to be made from each service’s operations and maintenance accounts, further reinforcing the difficult choices originally intended by the payment of high-deployment per diem. The original 2000 NDAA also included a waiver process during times of high-deployment rates necessary in the national security interests of the United States.²⁶ This waiver was enacted by then-Assistant Secretary of Defense Paul Wolfowitz on October 8, 2001, prior to any high-deployment per diem payments, and remains in effect today, 13 years later.

Revocation of this waiver is overdue. The dismantling of Al Qaeda, the withdrawal of forces from Iraq and Afghanistan, and the change to a steady-state effort in the war on terror has significantly reduced the requirement for high operational tempo due to national security interests. Removing this waiver will place our sailor’s consistent concern – high operational tempo – front and center, requiring payments for excessive time away from homeport. These payments will emphasize the importance of our sailor’s mission, compensate sailors for their service beyond Congressionally mandated limits, and will bring U.S. Navy decision making in alignment with current operational realities. The U.S. Navy should recommend revocation to Acting Deputy Secretary of Defense Christine Fox or her likely successor, Robert Work.

3. Reinstitute Critical Skills Bonuses for Surface Warfare and Aviation Commanding Officers

One of the most important aspects of Navy culture is the near reverence placed on operational command. To wit: “A vital part of developing our total force strategy and maintaining combat readiness is to provide appropriate incentives to retain skilled personnel for critical [community] enterprise billets.”²⁷ This statement, pulled from the last surface warfare message with a command bonus, sums up the importance of reinstating a critical skills bonus for surface warfare and aviation officers serving in operational command. This critical skills bonus should be reinstated as a 3-yr, \$15,000/yr bonus beginning when the commanding officer assumes command. This program would cost \$3.2M annually – \$1.4M to

fund 90 commanders selected for surface warfare command and \$1.8M to fund 130 officers selected for naval aviation command.²⁸

The critical skills bonus for commanding officers is an important lever for retaining quality officers for subsequent tours, while clearly communicating the value of O-5 command. *First*, restoration of the bonus will correct the current pay inversion – where department heads under long-term continuation pay contracts make more than the commanding officers that lead them. Junior personnel look up their chain of command for tangible signals regarding the value of their future service, and want to see that command is something to aspire to – hard to prove when department heads make more than their executive officer and commanding officer counterparts.

Second, the bonus, beginning once the officer “fleets up” from executive officer, will incentivize retention for a full tour following command. Current timing enables a substantial number of officers to retire shortly following their command tour at the 20-year mark. Retention of these officers for a follow on tour will bring them closer to selection for Captain, which in turn increases their incentive to remain for two more tours (to attain High-3 status for retirement as a Navy Captain, which traditionally occurs after approximately 26 years of cumulative service).

Third, the bonus – available after approximately 17-18 years of cumulative service – will provide an additional incentive for junior officers and department heads to remain beyond their minimum service requirement. Keeping our best, brightest, and most talented in the service for their entire career ultimately improves the pool of candidates available for major command. Losing this talent and experience reduces selectivity in administrative and statutory boards, impacting the quality of officers available for promotion to Flag rank.

Most importantly, the critical skills retention bonus for operational commanders should remain in place *regardless of fiscal climate or retention statistics*. This provides a consistent message to junior and senior personnel alike regarding the importance of operational command. Understandably, all expenses deserve scrutiny during a period of declining budgets – but the U.S. Navy doesn’t save much going after critical skills bonuses, a small cost driver that provides a significant return on investment. Instead, command bonus fluctuations create a substantial negative perception about the value (or lack thereof) of the O-5 command position. A consistent command screen bonus will convey to all officers, and Millennials in particular, that this position is highly sought after and valued.

4. Move Milestone-screened Individuals to the Top of the Lineal Number List for Year Group

Individuals should be moved to the top of the lineal number list for their year group once they are selected for their next major career milestone. Under the current system, officers remain in the same relative lineal ordering with officers who fail to screen for the next major milestone, a situation exacerbated by the recent shift to small monthly promotion zones (another cost savings measure). In this current situation, an officer can fail to select for the next milestone but still promote at the beginning of a fiscal year, while their contemporary, who screened for the milestone, promotes nearly a year later, in September.

Placing officers who screen for the next major milestone – department head, command, major command, etc. – at the front of the lineal list reinforces the importance of continued performance, with accelerated promotion opportunity and the higher pay associated with

advancement. Officers would retain the same lineal number position relative to their screened peer group and simply move to the front of the list compared to their non-screened peers.

5. Align Unrestricted Line Statutory with Restricted Line Board Selection Method

The recent increase in selectivity – promoting fewer officers to the next rank – at statutory boards has significantly constricted the pool of officers considered for selection to their next major milestone by community administrative boards. In effect, this significantly reduces a community’s ability to select the officers it feels are best suited for continued progression, since the statutory board has already made the largest cut.

This divergence between the statutory and administrative screen boards can be partially resolved by altering the unrestricted line officer statutory board to operate in a similar fashion as those conducted for restricted line communities. The restricted line communities conduct separate boards, where it becomes much easier to compare “apples to apples.” Conversely, the unrestricted line board screens all communities – surface, subsurface, aviation, special warfare, and special operations - simultaneously. This results in a large pool of officers with disparate backgrounds and community needs being looked at simultaneously, with one top-line target for the number of officers to be screened to the next rank.

Instead, the unrestricted line officers considered for promotion should be evaluated in separate tanks like the restricted line communities – once again allowing a comparison of apples to apples. Surface warfare officers will compete for their next rank against their peers, as will the officers of each unrestricted line community. Board composition will remain the same as it has in recent years, and the overall process will remain unchanged and in alignment with Title 10. The only change is that each community of unrestricted line officers will be screened against their community peers, rather than as one large pool. This process will help facilitate the selection of each community’s best and most fully qualified to be passed to the subsequent administrative boards. In short, the pool of unrestricted line officers will simply be subdivided into five tanks within the board: surface warfare, aviation, submarines, special warfare, and special operations.

6. Refocus Efforts to Remove Administrative Distractions for Commands

Admiral Jonathan Greenert, Chief of Naval Operations, wrote in a May 21, 2013 memo to Admiral John Richardson, “I have been made aware, from the chain of command and from direct feedback from the fleet, that we are spending too much time performing administrative tasks, or perhaps completing duplicative or competing requirements ... which keep all of us from being effective — that prevent us from keeping ‘warfighting first’.” This memo instructed Admiral Richardson to stand up a task force dedicated to the reduction of administrative distractions so sailors and commands could place greater emphasis on warfighting. The effort was then handed to Rear Admiral Herman Shelanski, who later stated “our goal is to give back to our warfighters, and includes everyone from the CO to the deckplate leaders, more time to focus on the things they need to do.”²⁹

Unfortunately, little progress appears to have been made regarding the most common distractors, which may simply be an inability to appropriately communicate the team’s success back to the fleet. The best source of information should be the Reduction of Administrative Distractions website which, unfortunately, provides little useful information to the person who visits looking for additional insight. Accessing proposed ideas and the subsequent results

requires the creation of a username and password. If a user decides to sign up for yet another Navy website, they can access the site, only to be greeted by little usable information. An entire cycle of feedback has been completed but there is little to indicate the actions that the Navy is taking to reduce the administrative burdens. Worse, the only collection of ideas available to a sailor is a list of 15 “top submissions” which include some good ideas, but not necessarily ones designed to reduce administrative distractions.

The Reduction of Administrative Distractions team is in a position to significantly impact the morale of the fleet, but to do so the team needs to redirect their efforts to the *reduction* of administrative distractions, not adding more into the Navy. Look at the annual training requirements for sailors and units. What training can have its periodicity extended? What can be eliminated altogether? Which instructions are duplicitous and can be removed? Focus on the high-level requirements that directly impact units and sailors, then make a publicly accessible portal to the website to detail the actions being taken, the estimated timeline to complete, and the current status. If anything, this will communicate the importance of sailor feedback and demonstrate the Navy is willing to hold itself accountable. Failure to do so risks perpetuating the current fleet perception that the program is largely academic: All hype with little real change.

7. Unify Major Personnel Websites and Make Progress Reports Publicly Accessible

While consistently cited as a way to reduce administrative distractions, the unification of major personnel websites is important enough to warrant its own section. Sailors, and in particular Millennials, have been surrounded by technology for most of their lives. They tend to be computer savvy and seem to have an innate understanding of electronic social media. The sorry state of most U.S. Navy websites, therefore, serves as an indicator of a service in disrepair. How can even the smallest of civilian startups portray an impressive digital face to the world while the U.S. Navy seems to struggle, providing websites that appear to have been designed in the 1990s?

It will become increasingly important to unify and update enterprise websites and data portals as more Millennial sailors replace their departing Baby Boomers and Generation X counterparts. Decrepit websites, inappropriately coded and notorious for hogging bandwidth, must be replaced by enterprise solutions that have a clean, impressive look; use bandwidth smartly; and provide simplified access to the tools sailors use most often. The technology has long existed to enable all sailors to forgo username and password combinations, to be replaced by mandatory common access card accessibility.

Unifying the most important websites into a single common access card enabled portal is a relatively easy and inexpensive proposition. Combining websites will provide sailors with a single resource, further reducing security breaches. Direct observation of sailors will show how insecurely they store their multiple 16-digit, random character passwords – in a notebook, taped to the desk, in their personal cell phone – especially when the passwords change quarterly with no repeats allowed. Conceptually, these arcane rules result in a more computationally secure information technology system, but in actuality the result is a less secure system.

Providing a single enterprise solution will also allow the Navy to direct precious resources – people, time, and money – to the upkeep of one resource rather than the dozens that currently exist. Sailor could be provided with a card reader the size of a small pack of gum, enabling access to email and other accounts while traveling or away from their unit.

Publicly accessible sites say a lot about the state of the U.S. Navy. Clean, clear, and impressive websites are a hallmark of a technologically savvy service and will help recruit from America's best and brightest. Similarly, internal Navy websites with the same characteristics will boost Sailor productivity and aid retention.

8. Remove Examination Requirements for Unrestricted Line Command

Nothing has sent shockwaves through the junior officer ranks in recent years like the publishing of a new instruction regarding qualifications for command. A direct response by the Chief of Naval Operations to the rising number of commanding officer firings, the new qualifications have measurably reduced the desire to pursue command and have many junior officers questioning the "harassment package" that comes with a Navy career. In fact, according to statistics relayed from an officer on the Chief of Naval Operations staff, a majority of the officers taking the surface warfare officer exam in 2013 failed at least one section. Another surface warfare officer serving in the Surface Warfare Requirements office noted that a significant number of post department head officers with an "early promote" fitness report – the officers traditionally destined for command – declined to take the exam, thereby effectively refusing command.

While senior leadership might consider the command qualification exam an appropriate response to commanding officer firings, evidence indicates that the exam has limited return on investment. One surface warfare officer recently noted that there are 2,500 pages of required reading to prepare for the exam, reading which has taken the place of warfighting training during his current deployment. After preparing for the exam, he will have to travel from his forward deployed ship back to Newport, RI, to take the exam – a 45-hour trip for an exam that, according to recent statistics, will not accurately assess his ability to command in the first place.

The U.S. Navy has effectively produced quality commanding officers throughout its 239-year history. Officers are screened for command potential throughout their entire career, receiving fitness reports at least annually, and are typically board selected for at least one major career milestone prior to their command screen board, for example, as a department head. "Everyone passes" examinations, like the one administered at the Command Leadership School in Newport, are pro forma and provide little value other than ensuring students have at least a cursory knowledge of course material.

Instead of placing yet another administrative burden on officers, one with an especially negative downside regarding retention of our best and brightest, we should focus on ensuring the system currently in place works. Reporting seniors must provide an accurate accounting of an officer's abilities, as well as an assessment of potential for positions of increased responsibility. Boards must continue to objectively select the best and most fully qualified officers using a process that is firm, fair, and consistent. Most importantly, senior officers must be willing to acknowledge that the relief of commanding officers is to be expected and is an indicator that the system is working. Put another way, something is likely very wrong with standards or with our reporting system if no officers selected for command are ever relieved.

The Navy is unique amongst the services in its desire to publicly account for commanding officer reliefs. This tactic is designed to engender the trust of Congress and the American public, and only works successfully when senior leaders are willing to defend the system it represents, rather than passing along another undue burden to those below them. It is too expensive – using too many precious resources while diminishing "Warfighting First" – to achieve a zero defect rate... but we *can* hold those who fail fully accountable for their actions.

9. Incentivize Education Opportunities Within Career Paths

The Navy must find a way to provide greater educational opportunities to its warfighters. The CNO's Diversity Vision puts it best, stating the Navy needs sailors "diverse in background, experience, and ideas" to reach our full potential as a warfighting force. Common sense would indicate officers with advanced education outside of their warfare specialty have a better propensity for original thought, leveraging their education for the betterment of the service.³⁰ Excessively standardized career paths don't promote the outside thinking needed to support the continued intellectual health of the service.

Unfortunately, there are no easy answers here. The Navy needs to reevaluate the relative importance of advanced education and life-long learning, and shift its culture accordingly. Recently established programs, like the Naval Postgraduate School's Executive Masters of Business Administration or Naval War College's nonresident professional military education, are examples of opportunities available to officers on a shore duty rotation. If advanced education is truly important, we must incentivize its attainment while also providing the opportunity for officers to pursue within their career path, rather than on their own time. Some career paths, however, permit little time for an officer to pursue an advanced degree without potential adverse impact to career progression.

A recent example from the Aviation Commanding Officer Training Course in Pensacola, FL, is indicative of the Navy's position. One class provided to the prospective executive officers emphasized the importance of their junior officers pursuing advanced degrees. When asked what was more important, a joint job or an advanced degree, the answer was the joint job. As the discussion continued it became clear that education actually played a very small role in improving advancement potential for an officer – operational experience, job performance, and timing were paramount. The civilian providing the lecture ultimately admitted that any job with a competitive fitness report would likely outshine the advanced degree. Unlike other services, the focus on observed, operational excellence has long been the dominant performance trait promoted in the Navy. It will take massive effort and creativity to augment this paradigm with an education complement, but the benefit is worth the cost.

Millennials place a high premium on advanced education, especially an in-residence degree from a civilian institution. To aid retention of the best, brightest, and most talented, each community should allow an opportunity sometime prior to command for the attainment of advanced education. Greater availability of post-baccalaureate education will likely improve retention and increase skill set diversity within Navy leadership.

10. Rethink approach to mandatory annual training (e.g., information assurance)

We must be judicious with our already precious resources during this period of declining budgets and high operational tempo – our people, time, and money. One of the most villainized training requirements is annual Navy Knowledge Online training, which includes courses on information assurance, anti-terrorism and force protection, and human trafficking in persons, among others.

The burden of this training can be greatly reduced. For example, sailors new to the Navy would need to complete their initial training, but refresher training could occur every 3-5 years rather than annually. More than a million man-hours could be returned to the Navy when carried across the multiple courses performed annually.

11. Invest additional funding to Facility Sustainment, Restoration, and Maintenance

Additional funding in this area has the potential to return outsized returns on investment for two reasons. First, the state of our facilities has a significant psychological effect on the sailor's perception of the fleet and plays a part in deciding whether to remain in the Navy or seek employment elsewhere. Second, families are especially sensitive to the quality of, and access to, base facilities – and families tend to have a significant say in a servicemember's decision to stay Navy.

12. Improve Access to Leading Retention Indicators

A significant challenge is gaining access to leading indicators that can provide advance warning of falling retention. A recent community-wide survey conducted by the Navy Personnel Research, Studies, and Technology group on behalf of Naval Aviation, which polled 8,265 aviators regarding retention, is a step in the right direction. While some of the questions were unwieldy, the survey has the potential to provide insights into retention drivers, enabling senior leadership to enact timely changes. Today's technology makes directly accessing sailor feedback easier than ever. Best of all, if command culture workshops and command climate surveys are any indication, sailors are likely to provide unvarnished feedback regarding their experience in the Navy and what will, or won't, incentivize them to stay.

It will also be important to bring commanding officers into the conversation, as they have an intimate connection with the individuals they lead. Senior leadership should solicit their feedback to enfranchise and team-build ("we value CO input on a critical issue"), which will provide near real-time anecdotal feedback. This information should be requested informally, otherwise it risks becoming yet another administrative burden to be borne by the unit.

Access to leading indicators will be important for shaping retention efforts. Most important will be the willingness of senior leaders to take bold, proactive action based on the information they receive.

13. Incorporate personnel tempo counter into Leave and Earnings Statement (LES)

The 2000 Defense Authorization Act mandated that services begin tracking individual deployments, otherwise known as personnel tempo. The Army started providing this counter on a soldier's leave and earnings statement in late 2001, before removing the counter following 9/11.

With the Navy already tracking personnel tempo, providing this number on the leave and earnings statement makes perfect sense. Informing each sailor of their time away from home will provide credibility to the Navy's efforts to reduce operational tempo, enable each sailor to crosscheck their personnel tempo number for accuracy, and possibly debunk "high time" myths.

14. Reinstitute Uniform Wear Diversity for Commands

Unit esprit de corps is an incredibly powerful tool that can aid the retention of our best, brightest, and most talented. As one commanding officer put it best, "Everyone likes to be a part of a winning team." Unfortunately, senior leaders lost credibility by making a change that had no discernable effect other than to make cosmetic changes to highly valued uniform

components. As one officer put it, “Why make a change to something that is trivial to many, but held very dearly by those it affects most?”

Senior leaders should reconsider relaxing regulations concerning uniform wear, such as the reinstatement of command ball caps for surface warfare commands and the use of colored t-shirts and shoulder patches on flight suits for naval aviation – to include their wear off base. A February 18, 2014 message from Vice Adm David Buss, Commander Naval Air Forces, allows the wear of additional shoulder patches off base and colored t-shirts on base. This is a welcome change that many junior officers have fought to restore over the course of several years. Since the Navy Uniform Board is internal to the Navy, and is chaired by Vice Adm William Moran, Chief of Naval Personnel, the opportunity exists to push this to its logical conclusion: Allowing the wear of colored t-shirts off base. This will remove the necessity for a majority of officers to change shirts once they arrive at, and depart from, the squadron.

This is just one specific example among the many available to each warfare community. While broad in nature, this recommendation should *not* be perceived as decreasing professionalism or relaxing uniform standards. Rather, it is intended to provide commanding officers greater latitude in building a command climate based on excellence and individuality – both traditional hallmarks of successful Navy units.

Summary

"History does not repeat itself, but it does rhyme."

Mark Twain, author

Recent signs within the U.S. Navy, coupled with external factors, indicate a looming officer retention problem is on the horizon. More than a decade of prolonged, high operational tempo, ever-increasing deployment lengths, a rapidly improving economy, and erosion of trust in senior leadership, coupled with continued uncertainty about the future, means the U.S. Navy could be facing its most significant retention crisis since the end of the Vietnam War.

In fact, officer retention is at a tipping point where events from our past, present, and anticipated near-term future are coalescing to negatively impact retention. In short order, we will begin losing a large number of officers with more than a decade of operational wartime experience, and they'll be taking their expertise and lessons learned with them. While their qualifications can be replaced, their experience cannot. This trend is also likely to impact our enlisted ranks because of the significant negative impact plummeting junior-, mid-, and senior-grade officer retention can have on the enlisted members within their commands.

Lessons from Fortune 500 companies are telling. The most successful organizations realize that you cannot simply enter into a bidding war to keep talent – there is always a competitor willing to offer more money. Instead, the most successful companies focus heavily on intangibles, such as work that challenges and stimulates an individual, opportunities to pursue advanced education or personal interests, and perks that demonstrate an individual's worth to the company. The successful companies invest significant time and energy on studies to more fully understand what Millennials need and want, and then tailor their efforts to develop esprit de corps and a sense of personal fulfillment. The recommendations in this paper follow a similar trend, focusing most heavily on the opportunities under the direct purview of senior leadership – some of which are easily enacted with low associated costs.

We must act swiftly. We must stop reacting belatedly to trailing indicators and act proactively based on leading indicators and readily identifiable factors derived from two years worth of fleet input and officer interviews.

We are competing with global demand to retain our best, brightest, and most talented officers – and we cannot afford to simply let them walk away.

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Footnotes

¹ Admiral Thomas Hayward Oral History, Interview #7, 6/7/02, p329.

² Heidi Golding and Henry Griffis. *Increased PERSTEMPO, Retention, and Navy Policy*. July 2003. CNA Report D008040.A2/Final

³ 8-month Deployments Become the New Norm, Navy Times, accessed January 30, 2014. <http://www.navytimes.com/article/20131202/NEWS/312020005/8-month-deployments-become-new-norm->

⁴ Navy Plans to Reduce Time Carriers Are Overseas, Richard Halloran, New York Times, April 30, 1985.

⁵ Navy Officer and Enlisted Retention: Historic Rates Through End of FY13, CNA, Dec 2013.

⁶ PERS-43 Officer Distribution Update slideshow, 14 August 2013.

⁷ Updated PCC Retirement Accounting, PERS-43, dated 09 January 2014

Fiscal Year	Total Loss	OP Loss	OP-T Loss	SM Loss
2004	4	4	0	0
2005	9	3	5	1
2006	9	4	1	4
2007	11	9	0	2
2008	6	4	1	1
2009	5	3	1	1
2010	7	4	3	0
2011*	13	6	4	3
2012	20	10	4	6
2013	16	8	2	6
2014	23	15	3	5

⁸ A term used frequently by Admiral Jonathan Greenert, the current Chief of Naval Operations. In his equation, a service member's perception of overall quality of service is based on two key metrics: perceived quality of work and quality of life. Quality of work includes skill set training, belief in their mission, and having the right training and tools to perform their assigned role. Quality of life includes pay and compensation, benefits from military service, health care, housing, operational tempo, and a myriad of other intangibles that impact a service member.

⁹ How Has PERSTEMPO's Effect on Reenlistments Changed Since the 1986 Navy Policy?", 2004 CNA Report.

¹⁰ "The Older Population: 2010". U.S. Census Bureau. November 2011. Retrieved February 11, 2014.

¹¹ Application numbers pulled from U.S. Naval Academy produced reports on the Classes of 2010 through 2017.

¹² PwC's NextGen: A global generational study, pwc, University of Southern California, London Business School, p8-9.

¹³ Ibid., 11-13.

¹⁴ Mr. Naegele opening remarks, "Best of the Best: What Will It Take To Keep Them?" panel, 2014 West Conference.

¹⁵ Many thanks to Commander Ryan Stoddard for providing this stellar example.

¹⁶ Also see Secretary Lehman's article circa 2011.

¹⁷ Based on a review of OPNAVINSTs 3000.13A thru 3000.13D, as well as OPNAVINST 3000.15.

¹⁸ Department of the Navy, OPNAVINST 3000.13B.

¹⁹ As evidenced by the media response following the Department of Defense's release of its annual budget on March 4, 2014.

²⁰ CRS Report RL33446, Military Pay and Benefits: Key Questions and Answers, by Charles A. Henning.

²¹ As headlined in Military Times and CBS News.

²² "Optimizing the Fleet Response Plan", ADM Bill Gortney, 15 January 2014, p. 6.

²³ "Pay Hikes for Sea Duty", Sam Fellman and Mark D. Faram, Navy Times, January 27, 2014, p. 14.

²⁴ Gordon Lubold, "Air Force Warns: We Could Run Out of Pilots", http://www.foreignpolicy.com/posts/2013/12/26/air_force_warns_we_could_run_out_of_pilots, retrieved on March 6, 2014.

²⁵ LtCol Donald A. Bartholemew, *PERSTEMPO Legislation: War on Terrorism and Beyond*, U.S. Army War College, Carlisle, PA, 2002, pg. 4.

²⁶ Fiscal Year 2000 National Defense Authorization Act.

²⁷ *FY-10 Surface Warfare Officer Critical Skills Bonus Programs*, NAVADMIN 084/10, 09 MAR 2010.

²⁸ Estimated based on numbers of commanders screened for operational command during FY15 Surface Warfare and FY14 Aviation Command screen boards.

²⁹ Navy Looks to Remove Administrative Burdens From Fleet, June 7, 2013, http://www.navy.mil/submit/display.asp?story_id=74702

³⁰ Carefully stated as "advanced education" vice "advanced degree", since education can come from additional sources other than in-residence at a degree-granting institution.