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ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

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23 JAN 1976

MANPOWER AND
RESERVE AFFAIRS

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MEMORANDUM FOR THE SECRETARY OF DEFENSE

SUBJECT: Department of Defense Response to Representative Murtha's
Inquiry on the Compensation Costs of Full Mobilization -
ACTION MEMORANDUM

Purpose: To reply to Representative Murtha's letter on the subject
of compensation policy and the costs to be expected during a potential
full mobilization of World War II magnitude.

Issue: To articulate the compensation policy of the Department of
Defense during periods of mobilization. This has not been discussed
publicly in the past under an all-volunteer force concept.

Background: Representative Murtha notes that under the current
"volunteer pay rates", a World War II-level of manpower for a full
mobilization would raise the costs of military personnel to \$150 billion.
He opines that they would be "impossible to bear". The underlying
issue is the validity of the theory underlying Public Law 92-129, which
raised the pay of military personnel, principally lower grade personnel,
to generally competitive levels and placed the draft on a standby basis.
In short, Representative Murtha questions the wisdom of our current
compensation system on the basis of cost, and asks whether the
Department of Defense really intends to implement it in the case of
a large mobilization.

DoD currently considers future mobilization requirements at a level of
3.0 to 3.5 million men, to be met by callup of the reserve forces, to
be most reasonable. No World War II-level mobilization is anticipated
under these scenarios. DoD plans to pay all personnel on the same
basis. This would involve personnel compensation costs of \$40 to \$46
billion. The proposed letter at Tab A replies in this vein. Recommend
signature. More extensive background with options potentially available
are at Tab B.



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Special Sensitivity: The answer to this inquiry will highlight an aspect of compensation policy during future mobilization that has received no emphasis since the enactment of Public Law 92-129 in 1971.

Coordinations: OASD(Comptroller) Mr. Terence McClary

Terence McClary
15 JAN 1976

OASD(LA) Mr. Richard Fryklund

Richard Fryklund
16 JAN 1976

Prepared by PETER K. OGLOBLIN, x42142

Wm K. Brehm

William K. Brehm

Attachments (2)

Tab A - Proposed letter

Tab B - Background paper



Tom

THE SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

JAN 28 1976

Honorable John P. Murtha
House of Representatives
Washington, D.C. 20515

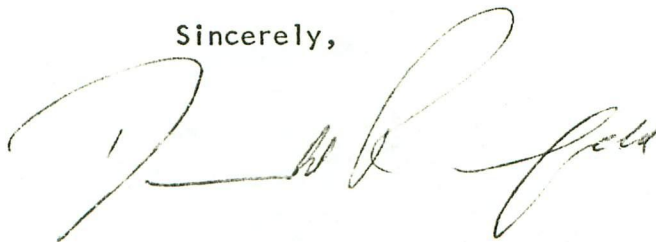
Dear Congressman Murtha:

This is in response to your letter of December 18, 1975 on the subject of military compensation in a full-scale, World War II-type mobilization. In general, military personnel costs have become a bigger part of the Defense budget, and particularly so since the enactment of Public Law 92-129, the Military Selective Service Act (of 1971), which raised military compensation to competitive levels. This result was recognized by both the Executive and Legislative branches at the time of passage of this legislation. The Report of the Committee on Armed Services to the House of Representatives observes that "if significant reductions are to be achieved in defense expenditures in future years, there must necessarily be future reductions in both military and civilian manpower." Some reductions have occurred and are continuing; for example, military manpower has decreased 29% since enactment of Public Law 92-129.

The Department of Defense is continuously reviewing contingency plans which envisage various levels of mobilization. The levels of mobilization would involve augmentation of the active duty force by the Reserve components, and should it be necessary to carry out mobilization plans, compensation for members of the armed forces would be based on existing law. As you know, under Public Law 92-129, the Congress would have to take affirmative action to authorize any future draft and Congress could, if it so desired, take action at that time on military compensation. In this connection, a Quadrennial Review of Military Compensation may result in proposed changes for Congressional consideration.

Your interest in military compensation and the Defense budget is appreciated.

Sincerely,



VOLUNTEER FORCE COMPENSATION AND MOBILIZATION

The Gates Commission articulated a policy that military personnel should be paid at levels necessary to meet manpower requirements, and dependence on the draft should be abandoned. This policy was developed in the first year of the Nixon Administration. It was a period of steadily decreasing national support for American participation in the Vietnam War, with protests mounting especially among students and other youth groups that were eligible for selective service. Under the circumstances, more attention was devoted to measures to achieve an all-volunteer force (and simultaneously stop drafting young men) than to issues of how to fight a future war. After all, major U. S. forces were still in Vietnam; President Nixon had only announced plans for withdrawal of these forces in his November, 1969, "Vietnamization Policy" pronouncement during the course of the Gates Study. Planning for future wars was not a popular subject to discuss with Congress or the public at the time. In the emotional atmosphere prevailing, the Gate's Commission established the following points:

- o Concription is a tax on those conscripted,
- o It is an inequitous and regressive tax,
- o It is associated with artificially low compensation levels,
- o The effect of all of the above helps the rest of society avoid paying its fair share of taxes to support the war, and thus throws an undue burden on the able-bodied young male conscript, and
- o It hides the true cost of the war.

To remedy these faults, the Gates Commission recommended raising compensation to levels sufficient to attract a peacetime volunteer force, thereby negating the need to draft, and then using the reserve components as the primary manpower augmentation pool. Should all of these steps prove insufficient for a given national emergency, then the stand-by draft could be activated but only with the specific approval of Congress.



The Gates recommendations received wide support, and Congress followed the Gates philosophy in enacting Public Law 92-129, The Military Selective Service Act (of 1971). That Act established the "competitive" military compensation system in being today, as well as establishing the existing draft policy. But no deep analysis was given to compensation in a major mobilization.

The compensation costs of various sized forces, assuming a Vietnam peak grade distribution, are as follows:

| <u>Force Size</u> (In Millions) | <u>Cost</u> (In \$ Billions) |
|------------------------------------|---------------------------------|
| 2.1 | 31 |
| 3 | 40 |
| 3.5 | 46 |
| 12 | 150 |

If the active duty force plus a reserve component augmentation is not adequate for some future mobilization, Congress will have to authorize activation of the draft. If conscription is the method for ensuring adequate manpower for the armed forces, then it no longer becomes necessary to be competitive with the labor market; compensation becomes a product of political values and political forces, not market competition. In this political environment, there appear to be four compensation policy choices:

1. Continue to pay the competitive market level for the reasons put forward by the Gates Commission.
2. Pay less than the market level, i. e., follow the traditional American policy. Most foreign countries follow this policy; its virtue is lower Defense budget costs.
3. Pay more than the market level on the grounds that a minority of the population is sacrificing more than its potential earnings; this minority is putting its life on the line for the good of the whole; hence the rest of society should ensure that it is economically well off. No country has adopted this policy, so far as is known.



4. Develop dual pay scales, with the regular forces receiving competitive market level pay, while reservists and draftees on active duty are paid at much lower levels. This is the practice of a number of foreign countries, and clearly the motive is economy and lower Defense budget costs.

The recommended course of action is the first choice -- retain the Gates Commission philosophy and pay members at the market level.

In the event that it is desired to explore these options further, the Quadrennial Review of Military Compensation is examining the first two of these options, but is not considering the third and fourth on the grounds that these are not serious choices at this time.

