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Military Pay and Benefits: Backbone of the All-Volunteer Force

Issue: Competitive military pay and benefits are essential to recruiting and retaining an all-volunteer force. However, some claim our servicemembers and retirees are paid too much.

Background: The National Defense Strategy (NDS) acknowledges “an increasingly complex and global security environment characterized by overt challenges to the free and open international order and the re-emergence of long term, strategic competition between nations.”

A focus outlined in the strategy is to build a more lethal force to preserve peace through strength and win America’s wars. To that end, the strategy states “recruiting, developing and retaining a high-quality military force is essential for warfighting success.”

The challenge is clear: We need our nation’s best, and we must compete with companies who have flexible schedules, telework, and varying compensation options – competitive factors military recruiters do not have. And with over 50% of parents discouraging military service along with a dwindling pool of qualified, eligible individuals who would even consider military service, it is vital we maintain compensation and benefits to have a chance at these recruits (see chart on reverse).

FY 2023 PAY RAISE – 4.6%

The military pay raise, which applies to all eight of our uniformed services, has been determined by law per the annual Employment Cost Index (ECI). However, the president or Congress can adjust this figure under certain conditions, such as a national emergency or serious economic conditions affecting the general welfare, or via the legislative process. Between 2014 and 2016, the president reduced the pay raise citing serious economic conditions, leaving a cumulative 2.6% shortfall which remains to this day.

Any reduction in this year’s pay raise would have the following effects:

- **On Recruiting:** Word of a reduced raise may get the attention of recruits who are still weighing their options with private-sector competitors luring our nation’s top talent away from service.
- **On Retention:** Servicemembers may see a lower raise as a slight to their selfless contributions and continued loyalty to the mission. Trading a portion of their pay to fund other programs disincentivizes retention – most people won’t stay in uniform if they are not appreciated, or if barriers to service become unacceptable. Of further concern, the Blended Retirement System (BRS) requires servicemembers to fund a portion of their retirement, so a reduced pay raise likely would lead to diminished savings toward retirement.
- **On Retirement:** Servicemembers approaching retirement will feel the sting for the rest of their lives. When pay raises fall, they take final retirement pay down with them, along with Survivor Benefit Plan annuities for a surviving family member.

THE CHALLENGE

We must dispel the false narrative of “out of control” personnel costs. Per DoD’s own data, these costs remain at or below one-third of the DoD budget, where they’ve been for more than four decades (see chart on reverse).

A reduced pay raise would be very shortsighted and leave DoD and other agencies to spend even more money to incentivize recruitment and retention. Some legislators are considering adjusting the current pay tables to increase pay at the junior ranks. This approach may be beneficial in the short term, but if Congress intends on paying for such adjustments by reducing the 4.6% overall raise, it will have a negative effect on the entire force.

MOAA’s Position: Support a minimum 4.6% pay raise across all ranks per the ECI.

Congress, we need your help

- Pass the 4.6% pay raise for FY 2023 per the Employment Cost Index.

MOAA Contact

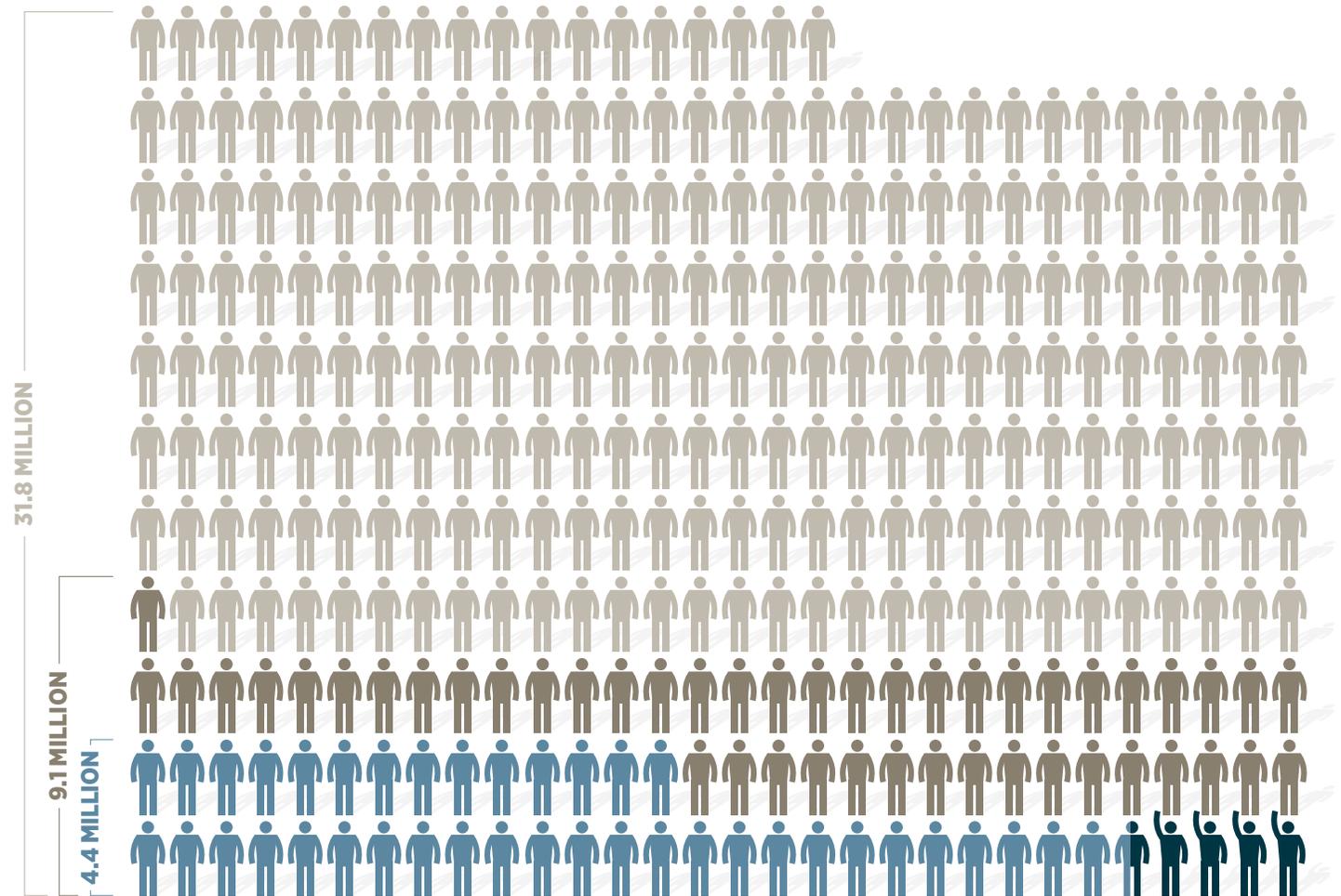
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SHRINKING POOL OF RECRUITS – AN ANNUAL PROBLEM

Service chiefs face an uphill climb when trying to find qualified recruits. The factors are many, but the numbers are concerning: Of the nation’s 31.8 million 17-to-24-year-olds, only 9.1 million meet the initial requirements to join the military. Of those, only 4.4 million meet academic requirements. The most difficult factor remains one’s propensity to serve in the military: With a large majority of those 4.4 million looking elsewhere, we only see about 465,000 individuals with a propensity to serve. Recruiters need about half of these individuals to join, but these are same people corporate America wants on their payroll to ensure their success.

Bottom Line: We must ensure military pay and benefits stack up if recruiters are to have a chance



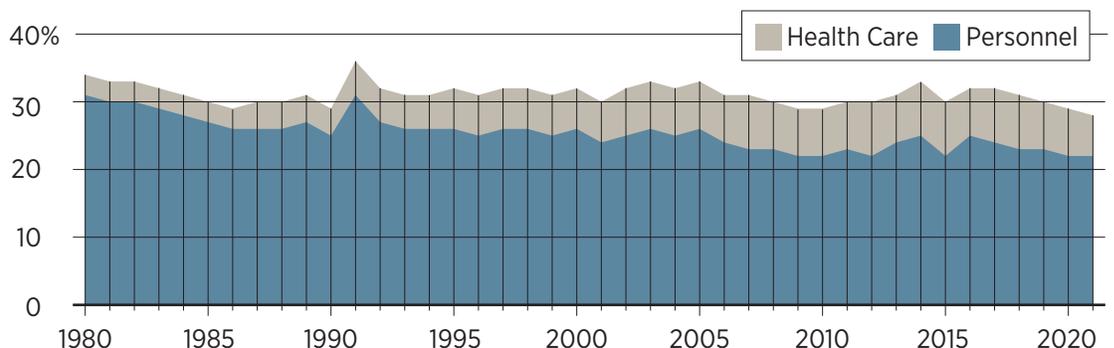
Note: Ten states account for nearly one half of all active duty and reserve members in the military, in order: CA, TX, VA, NC, FL, GA, WA, SC, NY, and CO. The least represented regions are the northern Midwest and Northeast states.

SOURCES: DOD, DOD DEFENSE MANPOWER DATA CENTER; NATIONAL COMMISSION ON MILITARY, NATIONAL, AND PUBLIC SERVICE; THE ARMY MARKETING RESEARCH GROUP

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PERSONNEL COSTS AS PERCENTAGE OF DoD BUDGET

For decades, on average, less than one-third of the defense budget (under subtotal of “DoD-Military”) went to military personnel and health care costs.



SOURCES: OMB WEBSITE HISTORICAL TABLES 3.2 & 15.1

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