STATEMENT OF
VICE ADMIRAL GERALD L. HOEWING, U. S. NAVY
CHIEF OF NAVAL PERSONNEL
AND
DEPUTY CHIEF OF NAVAL OPERATIONS
(MANPOWER & PERSONNEL)
BEFORE THE
PERSONNEL SUBCOMMITTEE
OF THE
SENATE ARMED SERVICES COMMITTEE
ON
ACTIVE AND RESERVE MILITARY AND CIVILIAN PERSONNEL PROGRAMS
IN REVIEW OF THE
DEFENSE AUTHORIZATION REQUEST FOR FISCAL YEAR 2004
11 MARCH 2003
INTRODUCTION

Mr. Chairman, and distinguished members of this subcommittee, I am deeply honored to have been chosen last year to take the helm as the 53rd Chief of Naval Personnel, a career opportunity that permits me the honor of leading a team of consummate professionals responsible for providing direct support to Sailors and civil servants world-wide who, together, comprise the most formidable force in the history of naval warfare.

I also want to express my sincere gratitude for the outstanding support Congress, especially this subcommittee, continues to show for all military personnel and their families during this unprecedented time in our Nation’s history.

Two years ago the Chief of Naval Operations (CNO) established manpower as his number one priority. As a direct result of this commitment, we commenced the war against terrorism in a very high state of readiness. As I speak to you today, over 380,000 active duty and 156,000 Reserve personnel are participating in preserving freedom and ensuring our Nation’s security as volunteers in the world’s premier Navy – your Navy! Nearly 70,000 of those active duty Sailors are currently forward deployed on over 150 ships and submarines in direct support of the War on Terror bolstered by a dedicated cadre
of approximately 8,000 mobilized Naval Reservists, among the finest to ever serve.

The pay raises, both across the board and targeted; enhancements to special and incentive pays, especially career sea pay; efforts to improve housing and reduce out-of-pocket housing expenses; the authorization to participate in the Thrift Savings Plan and improvements in medical care and retirement reforms are among the most significant factors that have helped us attract and retain the Sailors we need today, many of whom will form the core of tomorrow’s Navy leadership. As a result of these and other accomplishments, battle groups deploying to execute the nation’s global objectives are better manned than at any time in recent history – departing homeport at or above 99% manned.

The FY04 Navy Military Personnel budget request of $ 25.7 billion (Active $23.6B/Reserve $2.1B) seeks to continue building momentum as we pursue our Vision as the world’s most powerful maritime force, of becoming the premiere military and governmental institution, attracting and retaining the nation’s most talented, service-seeking men and women.
Past Year Achievements

Last year the Chief of Naval Operations challenged us to improve retention, reduce attrition, and create an environment that offers opportunities, encourages participation, and promotes personal and professional growth. We have met that challenge – recruiting, training, and retaining a more qualified and educated workforce – but these successes are about more than numbers. They are about real people being encouraged to succeed by real leaders who appreciate their service and their commitment to our nation.

- **Recruiting.** In FY02, recruiters met all accession requirements every month throughout the year. As of February 2003, Navy Recruiting Command met all accession requirements for 19 straight months. The FY03 beginning of year Delayed Entry Program was at the highest level (54%) since record keeping began in 1980, and the quality is very good. Last year we accessed 92% high school graduates (up from 90%), and nearly 6% of new recruits had some college education prior to joining.

- **Retention.** Record reenlistment rates allowed us to retain vital fleet experience. In FY02 Zone A (0-6 years of service) reenlistment was 58.7%; Zone B (6 to 10 years of service) reenlistment was 74.5%; and Zone C (11 to 14 years of service) reenlistment was 87.4%. Improved retention reduced at-sea manning shortfalls by more than 36% last year.
and reduced our FY02 recruiting goal from 54,000 to 46,150; saving precious recruiting resources.

- **Attrition.** Here too, the trend is positive. In 2002, we reduced Zone A attrition by over 23%. Also, Recruit Training Command (RTC) drug losses declined more than 27%, largely due to drug testing within 24 hours prior to shipping to RTC.

- **Advancement.** Last year, advancement opportunities were 20.1% for E-5, 19.3% for E-6, 26.7% for E-7, and 13% for E-8. Through careful management of Top Six (E-4 to E-9) growth, high year tenure, retirements, and reenlistment rates, we anticipate advancement opportunity will remain stable through FY07 as we work toward a more senior force. Toward that end, in FY02 we increased the overall number of E-4 to E-9s in our Navy by 2.5% to 71.4%, heading toward 73.3% in FY04 and ultimately 75.5% by FY07.

As impressive as these gains are, there are still areas where we can do better, and we will. The challenge comes in prioritizing resources and implementing programs and initiatives, many of them truly transformational, which will ensure our Vision is achieved and sustained. I recently conveyed my 2003 guidance to my team of professionals that comprise the manpower and personnel directorate of the Chief of Naval Operations staff and each of our
integral field activities, following a *Navy Military Personnel Strategy* we
developed last year. Among the more significant challenges facing Navy
Manpower this year are:

- **Shaping our Inventory Profiles.** We must maintain a balanced inventory of 
  qualified people to meet Fleet needs as well as ensure the proper levels of 
  experience at sea and ashore.

- **Satisfying the demands of an All-Volunteer Navy in the 21st Century.** We 
  must apply our concepts for Sailor advocacy and Distribution Transformation.

- **Determining Total Force Requirements.** We must balance our inventory of 
  people with valid billet requirements, reduce the overhead in officer and 
  enlisted personnel accounts, and validate proper active/reserve/civilian/
  contractor work force mix.

- **Growing a more Experienced and Technical Force.** We must enrich our 
  current force knowledge and experience levels to meet the demands of our 
  advanced combat systems.

- **Providing Meaningful Work.** We must adopt alternative strategies to 
  positively influence our levels of general sailors assigned to meet non-
  technical requirements.

Our FY04 budget request fully supports these objectives and every 
member of my Personnel team clearly understands their role in supporting Navy's
bottom line of delivering combat capability, whenever required, anywhere in the world. That capability starts and ends with a fully trained force of highly educated Sailors. As we move forward, we carry with us a simple strategic principle that we internalized last year:

“Mission First, Sailors Always”

This principle means that we evaluate our plans and actions against two complimentary criteria:

- Does this meet mission needs?
- Does this meet Sailors’ needs?

A VISION FOR THE FUTURE

I mentioned that there is much that remains to be done. I'd like to share with you my vision of where Navy's manpower and personnel programs are headed over the next few years.

As part of the CNO’s Sea Power 21 initiative, we are developing and implementing a program, called "Sea Warrior". This web-based, human resource management system reflects an unprecedented commitment to the growth and development of our people. It serves as a foundation of war-fighting effectiveness by ensuring that Sailors with the right skills are in the right place at the right time. Sea Warrior will develop naval professionals who are highly
skilled, powerfully motivated, and optimally employed for mission success.

Historically, our ships have relied on large crews to accomplish their missions. Future all-volunteer service members will be employing new combat capabilities and platforms that feature dramatic advancements in technology and reductions in crew size. The crews of modern warships will be streamlined teams of operational, engineering, and information technology experts who collectively operate some of the most complex systems in the world. As optimal manning policies and new platforms further reduce crew size, we will increasingly need Sailors who are highly educated and expertly trained. Introducing our people to a life-long continuum of learning will be key to achieving this vision.

Within the next few years, I want Sailors and their families to be able to easily access an enhanced wide range of professional information to assist them in making better career decisions. We will have in place a process by which advancements will be achieved through a performance-based system, and enlisted members will be detailed in a manner similar to how our officers are currently detailed. The ratings in which Sailors serve will be fully manned, and personnel readiness for all deploying units will be at the highest levels.

Unrestricted line officer’s career paths will better train, educate and develop them to meet operational requirements and lead our Sailors. And our
officer corps will fully represent the talents of our society, as we penetrate and access a greater share of the college-graduate minority market and retain those officers at a rate on par with all others.

Our Sailors and officers serving at sea will be supported ashore by a leaner, more efficient manpower team that is optimally manned for mission success. New IT solutions will provide more information to Sailors and civilians and provide leaders with more accurate, real-time data upon which to make better manpower, personnel, and financial decisions all yielding improved combat effectiveness. People will also be an integral factor in the acquisition process, as investment decisions will consider life-cycle manpower costs in our acquisition programs. Families will have an increasingly more active role in our Navy as their direct inputs are used to produce a continuum of new family related initiatives. Spouse employment will be an even greater element of the Sailor assignment process. When a leader says, "We recruit a Sailor, but we retain a family," every Sailor and family member will nod their head in agreement.

I foresee our Sailors being supported by a dedicated civilian community that has been developed through our ability to recruit top-notch people to serve in a structured program that provides superb training and education, personal development and pathways to success. We will integrate the civilian leaders of
this talented group, members of the Senior Executive Service, with their
uniformed flag officer counterparts, to take better advantage of their collective
knowledge, skills and abilities.

Within the next three years, our personnel strategy will be fully
transformed into an effective human resources strategy that ensures the readiness
of tomorrow's integrated force structure. Fusing currently segregated manpower,
personnel, and training processes into a single integrated human resources (HR)
philosophy will allow us to more acutely focus on the clear relationships between
Navy's work (manpower) and our Sailors (personnel and training). The
transformational HR process will build and enhance these relationships through
integration of positions, knowledge, skills, abilities, tools (KSAT), and personnel
competencies. Ultimately, the HR integration will allow Navy to frame
manpower requirements, as well as recruit, distribute, train, and professionally
develop our Sailors based on a common competency network.

Many of the items I’ve just mentioned are already close to realization. As
I stated earlier, the focus of these initiatives will be a tangible improvement in
combat readiness and mission execution. Improvements in the recruiting,
manpower, and personnel business will further reduce gaps at sea, gain
efficiencies necessary to fund valid requirements and give every commanding
officer, afloat and ashore, the talent needed to carry out any assigned mission.

A FRAMEWORK FOR TODAY

Shaping the Force: In FY03, we are executing approximately 3,900 in strength higher than authorized - consistent with our need to fill Anti-Terrorism/Force Protection (AT/FP) and readiness requirements, yet well within the +3% authority provided by Congress. Our end strength request for FY04 reflects a reduction in strength (1900 active and 2,044 reserve) that is largely the result of the manning delta associated with planned decommissioning/desestabilishment of older ships and squadrons. For the reserves, we have decommissioned one F/A-18 squadron to conform with the Navy/USMC TACAIR integration/reduction plan and have taken cuts in Seabee and medical personnel in order to rebalance the active/reserve mix. We have embarked upon various efforts to help improve manpower efficiency and reduce future manpower requirements. This year, as we continuously evaluate our evolving strength requirements, we will seize upon the opportunity to shape the force, improve overall quality and enhance the skill mix. The result will be increased mission readiness and better advancement opportunity across all ratings.

- Meeting the Recruiting Challenge. As previously stated, our FY02 recruiting efforts were unprecedented and this success has continued through the beginning
months of 2003. Although recruiting has benefited somewhat from current economic conditions, the positive results of the recruiting effort can be attributed to a professional recruiting force, properly supported to achieve their mission objectives.

FY02 marked the fourth consecutive year in which Navy met its enlisted accession mission, including a string of 18 consecutive months (through January 2003) in which Navy attained new contract objective -- a feat the Navy has not accomplished in at least two decades. Meeting new contract objective is important because it builds the number of recruits in the Delayed Entry Program (DEP) to a level that provides a higher probability of long term recruiting success.

**Improving Quality.** This strong DEP position, far better than it has been in the recent past, has given Navy a strategic opportunity to improve recruit quality. Our data indicates that a higher quality recruit is less likely to attrite in the first term of enlistment. A higher quality recruit is also better suited for today’s highly technical Navy that requires Sailors to develop and maintain increasingly complex skill sets through higher levels of education and a broader range of training. In this context, we measure recruit quality by:

- the percentage of High School Diploma Graduates (HSDGs),
- the percentage scoring in the upper half of the Armed Forces
Qualification Test (AFQT),

- the number enlisting with college credits and
- the number requiring waivers of standards.

Nearly 92 percent of FY02 accessions were HSDGs, a significant improvement over the DoD minimum of 90 percent achieved in FY01. We are confident that we can continue this trend and have established a stretch goal of 94 percent in FY03 - which we are on track to achieve. We have also increased the percentage of recruits who scored in the top half of the AFQT from 63 percent, in FY01, to 65 percent, in FY02. We shipped nearly 2,500 applicants with college experience in FY02, and the percent of non-prior service recruits with college experience improved from 4.5 percent, in FY01, to 5.6 percent, in FY02. To find the most cost-effective ways to attract these high quality recruits, we are exploring college-market penetration pilots as well as increased enlistment incentives specifically targeted to attract applicants with college experience. We have also tightened waiver standards. On a case-by-case basis, we approve waivers for high-quality individuals who have minor inconsistencies with Navy enlistment standards in areas such as physical standards, age, and number of dependents. The number of recruits requiring waivers dropped to just 17.8 percent in FY02.
**Officer Recruiting.** FY02 was also a very successful year for officer recruiting. We met all requirements in the Nuclear Officer, Unrestricted and Restricted Line and Staff communities. Among healthcare providers, Medical and Nurse Corps met their respective goals, while the Dental Corps and several Medical Service Corps specialties narrowly missed their requirements. Overall, this represented a significant improvement over the previous year.

We have already met FY03 requirements for pilots, surface warfare officers (conventional and nuclear), SEAL and Explosive Ordnance Disposal officers, aviation maintenance duty officers, oceanographers, intelligence officers, public affairs officers and supply corps officers. We still have some work to do to find the required number of Naval reactor nuclear power instructors, Medical Corps, Dental Corps, and Medical Service Corps officers.

**Diversity.** At the start of FY03, Navy Recruiting committed to making officer diversity recruiting a top priority, another example of how recent recruiting success has allowed us to focus on more than just the numbers.

Navy's FY02 enlisted accession cohort generally matched the diversity of the American population. However, FY02 officer new contracts statistics fall short of minority representation among those Americans receiving Bachelor's Degrees.
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<th>African American</th>
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<tr>
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<td>16-24 yr old data</td>
<td>15.1%</td>
<td>15.2%</td>
<td>5.2%</td>
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<tr>
<td>(2000 census)</td>
<td></td>
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<tr>
<td>FY02 Officer New Contracts</td>
<td>5.1%</td>
<td>4.8%</td>
<td>8.0%</td>
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<tr>
<td>Bachelor Degrees in the</td>
<td>5.6%</td>
<td>5.8%</td>
<td>13.4%</td>
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<td>Engineering Field</td>
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<td>(2000 Digest of Education</td>
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<td>Statistics)</td>
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We are aggressively pursuing new strategies and policies to aid our diversity recruiting goals. Instructors at Navy Recruiting Orientation Unit (NROU) are now presenting diversity programs briefings to all recruiters attending training, and we are emphasizing the importance of diversity throughout curriculum courses. Additionally, the NROU National Training Team (NTT) has incorporated diversity into the Command Inspection Checklist to ensure that each Naval Recruiting District implements a systemic approach to diversity planning and production.
Campbell-Ewald of Detroit, MI, our strategic partner in advertising and marketing, is also increasing its focus on diversity. Agency representatives are currently conducting research to identify any misperceptions among minority communities about Navy service. The results of these research studies will help shape and direct future marketing and advertising efforts designed to target minority recruits and their influencers.

Statistical evidence demonstrates that increased focus on diversity is producing results. A comparison of new contract percentages attained through the first quarter of FY03 to the entire 2002 fiscal year reflects improvements in all areas.

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<td><strong>FY03 1st Quarter Officer New Contracts</strong></td>
<td>6.8%</td>
<td>5.0%</td>
<td>11.1%</td>
</tr>
<tr>
<td><strong>FY02 Officer New Contracts</strong></td>
<td>5.1%</td>
<td>4.8%</td>
<td>8.0%</td>
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Advertising. Navy's "Accelerate Your Life" advertising campaign was rolled out approximately two years ago and has been an unquestionable success, winning over 38 competitive awards spanning the entire spectrum of the advertising and marketing field. The campaign communicates Navy as a hands-on adventure that will accelerate one's life to the highest level of achievement. Its objectives have included building awareness and consideration of the Navy as a career option and generating leads for recruiter follow-up. During the campaign's second year, the strategy has continued to focus on media channels and creative solutions targeted at the 18-24 year-old audience.

The centerpiece of our campaign is the Interactive Life Accelerator found on the NAVY.COM web site. During the 2002 International Web Awards Best Of Industry Awards competition, the site took home Best Of Show and Best Of Government Agency Web Awards. This prestigious recognition placed NAVY.COM among the best in the world in a competition featuring 3600 entries from 19 countries. The site enables individuals to indicate their likes and dislikes, and then translates their interests into a range of possibilities for a rewarding Navy career. Leads are captured and sent directly to the National Advertising Leads Tracking System, providing recruiters with timely and invaluable prospect information. Since its launch in March 2001, over 540,000 people have logged on to the Life Accelerator with 85% completing the assessment. Many recruiters
report prospects walking into recruiting offices with Life Accelerator results in hand. Today, the NAVY.COM web site averages over 24,500 visitors per day.

The advertising campaign is a key tool in increasing Navy’s ability to attract recruits from both the college and the high quality diversity markets. For example, in recent months, we tested an accredited junior college marketing course centered on Navy recruiting. The test clearly showed this approach to be extremely helpful to recruiters’ efforts to engage with junior college students and their influencers. We have also completed specific research in attracting African Americans who score in the top half of the AFQT, and the resulting advertising is in development for release in late spring or early summer. Finally, Navy’s recognition of rapid growth in the Hispanic community has led to measured research resulting in messages that recognize the community’s unique language, culture and areas of interest within Navy.

The success of our recruiting efforts, coupled with outstanding retention has allowed us to make some strategic reductions in both our advertising budget and the number of recruiters we have in the field. The FY04 budget request for recruiting advertising is $87.9 million, essentially the same as the FY03 advertising budget. I feel comfortable with what amounts to a reduction in real buying power, but have asked recruiting command to closely watch for any
indication of a change in our overall recruiting success as we try to attract approximately 43,900 accessions in FY04.

**National Call to Service.** One final subject that falls under the category of recruiting is the National Call to Service (NCS) program. Navy is proactively engaged with the Office of the Secretary of Defense in developing NCS policies as we prepare to make this option available to those entering into an enlistment contract in FY04. As currently envisioned, NCS will be made available to approximately 450 of the FY04 accession mission across a variety of ratings. To qualify, participants must have no prior military service; meet existing physical, aptitude, and moral standards for enlistment; and be both a HSDG, possibly with some college, and score in the top half of the AFQT. Navy plans to make the program available to ratings that will best facilitate meeting out-year SELRES accession requirements.

**- Retention.** As important as new recruits are to our organization, we invest a great deal of resources in each Sailor's personal and professional development. It is imperative that we receive optimal return on that significant investment in people. Upon assuming his assignment as our Chief of Naval Operations in 1999, Admiral Vern Clark challenged Navy leadership to retain our best and brightest Sailors in order to achieve Navy’s long-term personnel readiness success. In
fact, he made it his Number 1 priority! Increased retention results in reduced training costs, fewer recruiting requirements and, most importantly, improved mission readiness. The greatest challenge to retention is attrition - Sailors lost to the Service before fulfilling their service obligation. Historically, 10-15 percent attrition rates were the norm among initial-term Sailors. With renewed vigor, we are providing our people compelling reasons to stay early in their service, developing and mentoring every Sailor with an eye for potential productive performance, and providing them every opportunity to succeed. And we have been successful in this endeavor. For example, in Zone “A”, attrition declined by 23% in FY02 alone. This means that we retained around 4700 Sailors with less than six years of service who would have been previously lost to our rolls. In the first quarter of FY03, we have already seen another 11% reduction in Zone “A” attrition, to 7.6%. Our vision is to cultivate a Navy-wide personnel climate that offers plentiful opportunities, encourages participation and is conducive to personal and professional growth.

**Center for Career Development (CCD).** Admiral Clark brought with him a new vision and directed establishment of a Center for Career Development to focus on improving retention and reducing attrition. Enhanced professional training for command retention teams and Navy Career Counselors, Career Decision Fairs (CDFs) for Sailors and their families, and comprehensive, user-
friendly, interactive products using the latest information technology are helping
Sailors and their families to make informed decisions. Statistics show that the
Stay Navy web site is becoming increasingly more relevant as it accrued over
889,000 visitors during CY02. Direct involvement of the CCD staff with
command-level leadership continues to be the key to maintaining focus and
shaping Navy’s retention culture.

Reenlistments. Proactive and personalized leadership involvement, as
well as across-the-board and targeted compensation initiatives, additional career
choices and availability of quality career information have resulted in historically
high numbers of Sailors deciding to stay Navy. While overall reenlistment rate
improvements have been modest over the past two years, the trend continues to be
positive as we are on track to attain FY03 Retention Targets.

Selected Reenlistment Bonus (SRB). Although substantial
improvements in the quality of service have been obtained through items such as
pay raises and housing allowance increases, the most important reenlistment tool
we have is the SRB program. This force shaping tool allows us to pay bonuses to
specific Sailors in return for an extension of time on active duty. Through
constant and precise management of this program, bonuses are targeted to specific
skill sets, taking into account overall retention of all members within that specific
skill and the cost-benefit of replacing an existing service member with a new recruit. The FY04 budget request for SRB new payments is $192M, which should cover approximately 18,000 reenlistments. This year’s submission also includes a request to raise the maximum bonus award ceiling by $30,000 to allow much needed maneuvering room for our future efforts to retain the Navy’s most critical and highly trained Sailors.

As a result of our enhanced retention and reduced attrition, we have achieved a relatively stable end-strength. This affords us the opportunity to concentrate on "shaping the force" in order to ensure Navy has Sailors with requisite skills who are properly placed, enhancing not only our daily mission accomplishment but also ultimately our overall combat readiness.

**Perform To Serve.** "Mission First, Sailors Always" is the concept behind the "Perform to Serve" (PTS) initiative. The Navy must balance its skill inventory with its billet requirements to optimize Fleet readiness. PTS will strive to accomplish this while simultaneously providing increased promotion opportunity and professional growth for today’s Sailors. A significant improvement in reenlistments and reduced attrition, coupled with recruiting success, has presented us with an opportunity to improve the skill mix of our force. With PTS, we are centralizing reenlistment authority using a fully automated system that will align
Navy requirements and personnel by providing sailors with reenlistment options. While the majority of sailors will be granted reenlistment authority within their current rating, others will be guided to convert to undermanned ratings. In those cases requiring conversion, Sailors will be provided formalized training to ensure success in their new rating.

**Lateral Conversion Bonus.** The FY04 submission also includes a request to establish a new Lateral Conversion Bonus authority. Where PTS is focused at rating conversions at the end of a member’s initial obligation, the lateral conversion bonus would be targeted at encouraging non-EAOS, career Sailors (second term and beyond) to convert to undermanned ratings. These types of conversions would help us retain valued experience while avoiding additional costs incurred by recruiting and training a new service member.

**Active Reserve Force Mix.** Another important element of force shaping concerns the overall active and reserve force mix. The CNO has initiated a major review to examine the desired active and reserve mix for the future, specifically addressing potential shortfalls and high demand-low density unit demands. To date, the major area of change in active/reserve force mix has been with Anti-terrorism/Force Protection personnel. To complement the 1,888 active members being converted into Master At Arms (MA) ratings (with a future goal of growing
the MA force to approximately 9,000), the Reserve force is growing an additional
3,085 MA’s in order to meet the requirements of higher threat conditions.
Additionally, newly established Active Component Security Force assets are
being created to provide a unit/point defense capability to the Fleet, a mission
previously filled by Naval Reserve NCW forces. Integration of the Active Mobile
Security force with existing Naval Reserve Coastal Warfare forces is underway.

TRANSFORMING SAILOR CAREER MANAGEMENT

Sea Warrior Project. Borrowing the name from CNO’s overall concept for
personnel development within the Sea Power 21 initiative, the Sea Warrior project
is the key enabler that drives the systematic transformation of our current
Manpower, Personnel and Training (MPT) Strategy to meet changing missions
and workforce environments. It is a web-based, comprehensive, career
management system, which incorporates current and future human resource
products, including Task Force Excel (Excellence Through Education and
Learning), Project SAIL (Sailor Advocacy through Interactive Leadership), and
Improving Navy's Workforce, exploiting advanced technology and best business
practices, to enable rapid sequential prototype development. A synchronization
plan for an end-to-end transformation of Navy's Human Resource system began in
July 2002 through a formal partnership between the OPNAV manpower and
personnel directorate, Commander Naval Reserve Force, and the Naval Education
and Training Center, with collaboration of Navy Personnel Development Command, SYSCOM, Fleet representatives and Community Managers.

Just last week, we demonstrated the first Sea Warrior prototype, Career Management System (CMS), to the Chief of Naval Operations. CMS is a web enabled single entry point into a self-service information-rich environment. The system employs a market place approach incorporating dynamically applied monetary and non-monetary incentives to place the right Sailor in the right billet at the right time with the right motivation, resulting in an increase to combat/mission readiness.

We will continue refining milestones, focusing vital resources and leveraging investments in world-class information technology to realize the combined benefits of new technology and business best practices.

- Distribution. “Sailor Advocacy” aptly captures the fundamental philosophical change that we have injected into the distribution process. For example, seeking to give Sailors a stronger voice and greater control over their career decisions, we have fully implemented the “Team Detailing” program by establishing Command Teaming Coordinators who facilitate coordination between each command and Navy Personnel Command throughout an individual’s detailing process. This
results, systematically, in better pairing of every Sailor with the right job. We are convinced that the pay off for Navy will be improved manning, an even more motivated force and increased readiness.

- **Assignment Incentive Pay.** We are just about ready to implement our new Assignment Incentive Pay (AIP) program that was authorized last year. AIP is intended to help attract qualified volunteers to difficult-to-fill jobs. Our initial pilot will be focused overseas in Naples and Sigonella, Italy and Misawa, Japan and will be structured in a format that will allow the market to drive the applicable level of financial incentivization (within established controls).

- **"Noble Eagle" Sailor Advocacy Team: Improved Mobilization.** Through our Noble Eagle Sailor Advocacy (NESA) team at Navy Personnel Command we are managing mobilized reserve personnel more professionally through inter-active career counseling and assistance. This team provides professional career management advice and assistance to mobilized members, and assists order writers through a database that reflects current career choices and preferences of mobilized members. We have also standardized and streamlined our mobilization and demobilization processing through the development of a new, web-based, Navy-Marine Corps Mobilization Processing System (NMCMPS), leveraging an existing and proven Marine Corps system and adapting it for use throughout DON.
POSITIVE NAVY EXPERIENCE

Sailor Satisfaction. The Navy is a positive lifestyle, which also becomes a lifetime influencer. Every Sailor, and former Sailor, as well as their families, are potential Navy recruiters. Our sea service is challenging, and deployments away from loved ones are never easy. We must make the naval experience a rewarding one—a period of time in which Sailors and their families embrace the Navy as an essential element of their identities. We must provide services that minimize the stress on them during deployments, enhancing their Quality of Life (QOL) when at home, and making the transition between the two less stressful.

The FY04 budget request includes $473 million to continue Pay Table Reform for both active and reserves. Sailors will receive an average 4.1% increase in Basic Pay with some rates receiving slightly more, others slightly less (2% for E1s to 6.25% for E9s). The budget also includes $210M to fund increased BAH rates and reduce out-of-pocket housing expenses to 3.5%.

- Personnel Tempo (PERSTEMPO). FY00 legislation established the PERSTEMPO program, the intent of which was for Services to improve the quality of life and retention of their service members by reducing/eliminating excessive deployments. Since implementation, we have been carefully managing
our Sailors time away from home, closely monitoring deployment periods consistent with operational requirements.

Although suspended by OSD following 11 September 2001, Navy has continued to track and report the deployments of its members throughout the national security waiver timeline. The following table provides detailed Navy (active and reserve) PERSTEMPO data based on including PERSTEMPO days accumulated during the suspension period (Included), as well as eliminating those days (Eliminated).

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<td>25,873</td>
<td>51,707</td>
<td>24,943</td>
<td>44,104</td>
<td>110,881</td>
<td>223,421</td>
<td>492,161</td>
<td>11,232</td>
<td>268,740</td>
</tr>
<tr>
<td>Eliminated</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>-</td>
<td>-</td>
<td>2,702</td>
<td>16,099</td>
<td>44,740</td>
</tr>
</tbody>
</table>

Data as of 10 JAN 2003

We strongly support the FY04 alternative legislative proposal that would replace the current PERSTEMPO HDPD of $100 per day, with a progressive, monthly high deployment allowance of up to $1000. The revised payment schedule fairly compensates members for both excessively frequent and excessively long deployments. The inclusion of both a “frequency piece” and a “duration piece” for the proposed high-deployment allowance is more reflective of Sailor hardships produced by “burdensome” deployments, especially since extended deployments often occur suddenly, in response to a crisis or war fighting necessity.
- **Fleet and Family Support Center Programs.** Navy Fleet and Family Support Centers (FFSCs) exist to provide services that facilitate fleet, force and family readiness. The primary mission is to assist commands in achieving operational readiness, superior performance, member retention and an optimal quality of life for service members and their families. Navy operates 55 FFSCs, providing services at 67 service delivery sites throughout the United States and nine foreign countries. A new Navy-wide marketing campaign that emphasizes specific programs and services is expected to steadily increase command, Sailor and family knowledge and use of services.

- **Morale, Welfare and Recreation (MWR).** Navy MWR continues to provide a wide array of recreation, social and community support activities at U.S. Navy facilities, worldwide. Our mission is to provide quality support and recreational services that contribute to the retention, readiness, mental, physical, and emotional well being of our Sailors. The estimated FY04 funding of $843M (includes non-appropriated and appropriated funds) will provide active duty, reserve and retired Navy personnel and their families with sports and physical fitness activities, outdoor recreation, value-priced tickets to entertainment and tours, and a variety of food and beverage services. Child development and youth programs provide safe, affordable, quality childcare for over 44,000 children of Navy families. In an effort to meet the demands of our mission, to include
increased shift work, changing schedules, and deployments, the Navy has
instituted a 24/7 childcare pilot in Norfolk and Pearl Harbor. Under this pilot
project, childcare will be provided after hours and on weekends. MWR has been
very active in supporting Sailors and their families and has focused its efforts in
four key areas:

- support for deployed and isolated forces;
- child development and youth programs;
- the Navy Movie program; and
- entertainment/special events.

In the past year, Navy MWR has continued its rich tradition of offering
Sailors and their families exceptional opportunities. We:

- Hired and assigned civilian Afloat Recreation and Fitness Specialists in major
  fleet units to provide state of the art programs and availability of fitness and
  recreation gear in deploying ships.
- Increased live entertainment opportunities for afloat forward-deployed
  personnel by 60%.
- Provided every Sailor a free phone card permitting Sailors to stay in touch over
  the holidays with loved ones back home.
- Initiated a "sneak preview" program allowing Sailors and their families to
  advance-screen major motion pictures. Provided early release videotaped
movies to ships in the Persian Gulf and Mediterranean Sea. Created "Theater-in-a-Box", a self-contained unit that takes videotapes, screens, and players direct to the front lines.

- Offered contests and special events through the “Saluting Sailors and their Families Program” in appreciation of the sacrifices of Navy personnel.
- Developed extended-hour childcare programs to help families cope with long hours and night shift work.

All these programs are aimed at improving the readiness and quality of life of our Sailors and their families to meet the challenges they face every day. MWR is also a major contributor to retention by making the Navy lifestyle attractive to both married and single Sailors. MWR's focus on readiness and retention will become even more important in the years ahead. As Navy deals with the challenges of allocating limited resources, MWR will continue to show its value as a vital tool in helping retain the best Sailors and keeping them, and their families, physically and mentally fit.

- **Family Advocacy.** The Navy Family Advocacy Program (FAP) functions within Navy Fleet and Family Support Centers. This organizational structure provides maximum coordination of efforts at the installation level for families who are at risk of family violence and decreases the stigma associated with
seeking professional assistance. As such, the Navy provides a continuum of
response to troubled families that is in keeping with recommendations in the Fort
Bragg Epidemiological Report.

Navy FAP is also working closely with the Department of Defense and
Service FAP Counterparts on implementation of Defense Task Force on Domestic
Violence (DTFDV) recommendations. Navy FAP is increasing and formalizing
partnerships in communities where Navy installations are located to increase
access to services not provided by the military and to ensure seamless community
coordination when responding to alleged family violence. Further, FAP has
increased efforts to market the full range of prevention and intervention services
available to Sailors and their families, which includes publicizing resources for
domestic violence victims seeking information and confidential support. Navy
FAP has also moved forward on Task Force recommendations pertaining to
increased awareness, education and training.

- **Spouse Employment Assistance Program.** The Spouse Employment
Assistance Program (SEAP) has made great strides in continuing to reach out to
spouses seeking help in training and employment opportunities. Over 99,000
spouse contacts occurred at our 67 sites in FY02, and we intend to help even more
spouses by increasing the number of contacts to over 100,000 in FY03. We also
engaged with the world’s leading employment agency, Adecco to provide temporary and full-time employment and training for our spouses. Building partnerships will be our watchword this year as SEAP explores agreements with industry leaders and conducts forums on a local and national level to encourage mobile careers. Other initiatives include assisting spouses in updating professional credentials to meet state requirements, collaborating with detailers during the assignment process, and advising them of the potential for spouse employment in the assignment areas being considered.

TECHNOLOGY-BASED HUMAN RESOURCE SYSTEM

Human Resource Computer Programs. In concert with our deployment of a comprehensive Total Force Management Strategy, we have developed a supporting information technology strategy. Information technology is the essential enabler that must be employed quickly, efficiently and smartly to carry out the Total Force strategy, improve quality of service for Sailors, and achieve CNO's Sea Warrior vision. Much of the existing Navy Manpower and Personnel information systems infrastructure consists of a patchwork of stove-piped systems, some more than 25 years old, with duplicative collection and storage of data. These legacy systems are difficult to maintain, resistant to change, and expensive to operate. They hinder decision-making and represent a significant and unnecessary obstacle to our transformation efforts. If we hope to transform our
Force Management processes in order to provide our Sailors with the interactive web-based tools and training they need, we must first transform our information infrastructure.

- **Single Integrated Human Resource Strategy (SIHRS).** SIHRS is our vision and strategy for this transformation. It was developed in response to recommendations of the Recruiting, Retention, Training, and Assignment (RRTA) working group of the Revolution in Business Affairs (RBA), which found that many Manpower and Personnel functional problems result directly from systemic problems in the IT infrastructure. Designed to break down legacy stovepipes and respond to those systemic problems, the strategy is composed of essentially three parts: modernization of field collection systems, development of a single authoritative data source, and the reengineering and/or migration of applications to this authoritative data source. The vision/goal is single data entry to a single authoritative data source; icon driven access to integrated applications; self-service, wherever it makes sense; and broad access to data at all levels, from Sailors and their families to Commands and Headquarters. We have developed this strategy and we are working systematically to transform the Manpower and Personnel business and achieve the single integrated IT capability through business process reengineering, technology insertion, and by leveraging DoD and DoN enterprise initiatives. Implementation of this strategy will allow us to
streamline internal practices and provide unprecedented access for all of our customers. This access will dramatically reduce routine administrative requirements at headquarters and increase the quality of time spent focusing on communication and practices that result in providing the Fleet motivated, dedicated and combat ready Sailors. The Navy Human Resources Board of Directors (NHRBOD) has adopted SIHRS as the "Way Ahead".

- **Navy Standard Integrated Personnel System (NSIPS).** NSIPS is the Navy’s initiative to consolidate active and reserve field personnel data collection systems into a single integrated personnel system. NSIPS has already deployed worldwide at 103 Personnel Support Activities or Detachments, 278 Reserve Centers, and 178 ships serving Navy active and reserve forces. This month, the web version of NSIPS will begin incremental deployment. When fully deployed (first quarter 2004), web NSIPS will allow approximately 600,000 users (with a projected daily user rate of 60,000 to 75,000 users) to access their personnel records. The Electronic Service Record (ESR) is being fully integrated into the web-enabled version of NSIPS. This initiative completely automates the service record and provides full electronic forms, viewing, and updates via NSIPS, providing a virtually paperless Field Service Record. ESR is scheduled for deployment in May 03. NSIPS is scheduled for final Milestone Decision this month, which will provide full Pay and Personnel functionality.
- **The Defense Integrated Military Human Resources System (DIMHRS).**

DIMHRS (Personnel and Pay) is a joint services program to provide a single, fully integrated, military personnel and pay system for all military components. DIMHRS goal is to provide the military services and their components the capability to effectively manage personnel across the full operational spectrum—during peacetime and war, through mobilization and demobilization capturing accurate and timely data throughout. DIMHRS will collect, store, pass, process, and report personnel and pay data for all Active, Reserve, Guard, and Retired personnel. It will provide Joint Commanders with access to accurate and timely data on the number, characteristics, location, and status of all deployed personnel.

With the new system, actions such as changing personnel location, personnel status and unit assignment updates for a member of any Service or component could be accomplished by a servicing technician from any other Service or component. DIMHRS' scope encompasses core functionality required by all Services and any Service-specific functionality required to turn off their legacy systems.

Navy fully supports DIMHRS program objectives and considers it to be the Navy HR system of the future. DIMHRS will provide core personnel and pay functionality and a common Enterprise Resource Planning software platform, PeopleSoft Human Capital Management (HCM), for integration across Navy HR
functions. A governing principle of our IT strategy is to leverage the infrastructure to accelerate the transformation of Navy HR. This strategy capitalizes on DIMHRS enterprise software to extend industry best practices to Navy functions outside the scope of DIMHRS. To that end, we are currently engaged in data cleansing, Business Process Reengineering and prototyping to align our processes with the DIMHRS enterprise COTS processes. When fully developed, the PeopleSoft enterprise solution will enable Sailors to access their personal information, track their training and manage their career paths from their home, ship, or base-all through a web browser.

Over the past year, I have been engaged in a collaborative effort with PEO-IT, SPAWAR, SPAWAR Information Technology Center, Naval Reserve Force, Navy Personnel Command, and the Naval Education and Training Command to develop a plan to accelerate SIHRS, and the migration to a single integrated capability. The cornerstone of SIHRS, and the focus of the migration planning, is an architecture that provides a single authoritative source for all Manpower and Personnel data. The SIHRS migration strategy developed by this partnership will capitalize on existing acquisition programs and ease the Navy’s transition to DIMHRS. DIMHRS current schedule calls for the replacement of Navy personnel systems by FY07. In the interim, we will use NSIPS and the Electronic Military Personnel Records System (EMPRS), the Navy's personnel
records repository, as the staging ground for the transition to DIMHRS. This migration strategy will position Navy Manpower and Personnel systems to transition to DIMHRS and allow us to work toward a single authoritative data source as the IT foundation for Sea Warrior in advance of DIMHRS availability. Consistent with CNO's direction, it will consolidate and reduce the number of legacy systems from 78 to 9 modernized systems.

- **Web-Enabled Systems.** Improved communications capability and web-enabling technology offer the opportunity to radically improve customer service and access to Navy HR data for headquarters, commands, individual sailors and Navy families. Industry has shown both the direction and the potential gains from enterprise adoption of web technology and data consolidation. As Task Force Web's Capstone Document notes, "while their [industry's] line of business processes such as manufacturing and supplier relations have been deeply affected, the true revolution is in administrative processes." Broad access to data is a key enabler for the Sea Warrior cultural change. The combination of NMCI and Task Force Web are establishing the foundation for Navy's goal of integrated and transformational data exchange and a web-based business and operations capability.
Navy's Task Force Web project team has cited our Task Force Web Team for its progress toward web-enablement. Six BUPERS applications have migrated to the Navy's pilot portal, an additional nineteen applications have achieved a basic level of web accessibility. These web applications are making available the information needed by sailors to track, manage and make decisions about their careers, and moving us toward a sailor-centric career management process. Sailors are able to access their physical readiness test scores, performance summary records and promotion lists online, keep up-to-date on retention and distribution programs and incentives, and view and apply for jobs via the Web. In addition, the BUPERS Online Media Modernization initiative, a collaborative effort between BUPERS and the SPAWAR Information Technology Center (SITC), has converted over 95% of all paper-based personnel, distribution, and manpower reports produced by mainframe systems to online access. The reports, which previously were available only in hard copy, represent an annual volume of 800 million lines of print. Currently, we have deployed a web-based Mobilization Tracking System with a centralized order writing capability for deployment at headquarters and Naval Reserve Activities. The system will replace a paper-based, manpower-intensive process and allow end to-end tracking of recalled/mobilized reservists as they move through mobilization and demobilization processes.
SUMMARY

I have informed my team that vision without execution is a recipe for disappointment; and that our number one customer is the Combatant Commander requiring combat capability when requested, anywhere in the world. Our Navy Sea Warriors deliver that combat capability. Our FY04 budget request fully supports our personnel policies and programs and will help to improve operational readiness and ensure mission success.

I look forward to the challenges that lie ahead, working with Navy and Defense leadership, under the direction of our Commander-in-Chief and with guidance and support from the Congress. The challenges are many, but the potential for success abounds. Together -- we must win; America and the free world are counting on it; and, they deserve nothing less than our total commitment.