

# Antifragile Air Force

## Building Talent for the High-End Fight

JOSEPH C. HOECHERL

DAVID SCHULKER

ZACHARY T. HORNBERGER

MATTHEW WALSH

The US Air Force’s approach to retention and pay creates an expensive force that undercompensates those performing many of its most critical skills. Also, by overly focusing on retention for active duty personnel, the Air Force accepts a larger than necessary disconnect between personnel and authorizations, forces Air Reserve Components to spend increased time and resources on training and recruiting, and leaves the service vulnerable to severe human capital disruptions in a conflict or crisis. A two-pronged approach would modernize compensation based on quantifiable skill sets and change the regular Air Force’s retention-management outlook to encompass the Air Reserve Components. This quantitatively grounded cost-neutral or cost-saving solution will improve the system’s functioning and increase the Air Force’s ability to field appropriately experienced personnel during wartime.

The US Air Force is undergoing a significant transition in strategy and focus due partly to the shift from a period of dominance to one of aggressive competition with technologically capable adversaries.<sup>1</sup> This shift requires Airmen with more technical, in-demand skills, with technical defined in a general sense. While the shift includes skills such as programming, data literacy, and machine learning, the article uses this term to refer to the broader collection of quantifiable technical skills, including aircraft maintenance certifications, warrants for contracting personnel, continuous process improvement certifications, and others.

New operational concepts also call for “multicapable” Airmen with talent stacks that transcend traditional specialty structures.<sup>2</sup> As articulated by Chief of Staff of the Air

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*Major Joseph C. Hoecherl, USAF, PhD, is completing his doctoral studies in the Department of Operational Sciences at the Air Force Institute of Technology.*

*Dr. David Schulker is a senior policy researcher at the RAND Corporation.*

*Captain Zachary T. Hornberger, USAF, holds a master of science in operations research from the Air Force Institute of Technology.*

*Dr. Matthew Walsh is a behavioral and policy scientist at RAND Corporation.*

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1. James N. Mattis, *Unclassified Summary of the 2018 National Defense Strategy of the United States of America: Sharpening the American Military’s Competitive Edge* (Washington, DC: Department of Defense (DoD), January 2018), <https://dod.defense.gov/>.

2. Curtis E. LeMay Center for Doctrine Development and Education (LeMay Center), *Agile Combat Employment*, Air Force Doctrine Publication 1 (Maxwell AFB, AL: LeMay Center, December 1, 2021), <https://www.doctrine.af.mil/>.

Force General Charles Q. Brown Jr. in his December 2020 CSAF action orders, “the attributes of the Airmen we need, and how the USAF develops and manages them, may not be the same [in the high-end fight] as today; Airmen must be able to adapt, innovate, and apply lessons learned to enable a culture of continuous improvement.”<sup>3</sup>

Senior leaders recognize the importance of a talent management system that fosters the development and retention of technical skills to achieve these aims outlined by Gen Brown. Yet the current talent management system may not be adaptable enough to develop a highly qualified workforce to compete with adversaries. The misalignment between officer capabilities and technical abilities was vividly illustrated in a viral 2021 LinkedIn post by Nicolas M. Chaillan when he abruptly resigned his post as the service’s first chief software officer:

Please stop putting a Major or Lt Col. (despite their devotion, exceptional attitude, and culture) in charge of ICAM [Identity, Credential, and Access Management], Zero Trust or Cloud for 1 to 4 million users when they have no previous experience in that field—we are setting up critical infrastructure to fail. We would not put a pilot in the cockpit without extensive flight training; why would we expect someone with no IT experience to be close to successful?<sup>4</sup>

The challenge of developing a highly qualified workforce is exacerbated by the difficulty of attracting talented individuals amid changing expectations, preferences among those who might serve in the military, and the difficulty of retaining qualified individuals given the strong commercial demand for their specialized skill sets.<sup>5</sup>

The competitiveness of military compensation for in-demand skill sets has also been at the forefront of DoD and congressional discussions of compensation reform; one of the charter issues for the *Thirteenth Quadrennial Review of Military Compensation (13th QRMCMC)* was to examine “whether an alternate compensation system, such as a salary system, would enhance readiness, recruiting, and retention.”<sup>6</sup>

While the *13th QRMCMC* found that average compensation compares favorably with comparably educated civilians, the review acknowledged the current system might not be tailored enough to account for the market competitiveness of specialized skills. Therefore, one of the key recommendations of the review was to conduct a study that “examines a more expansive view of military compensation, including regular military compensation plus special and incentive pays targeted toward recruiting and retention.”<sup>7</sup>

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3. Charles Q. Brown Jr., *CSAF Action Orders to Accelerate Change Across the Air Force* (Washington, DC: Headquarters, US Air Force (USAF), December 2020), <https://www.af.mil/>.

4. Nicholas M. Chaillan, “It Is Time to Say Goodbye!” LinkedIn, September 2, 2021, <https://www.linkedin.com/>.

5. National Academies of Sciences, Engineering, and Medicine, *Strengthening U.S. Air Force Human Capital Management: A Flight Plan for 2020-2030* (Washington, DC: National Academies Press, 2020), <https://doi.org/>.

6. Office of the Under Secretary of Defense for Personnel and Readiness (OUSDP&R), *Report of the Thirteenth Quadrennial Review of Military Compensation (13th QRMCMC)*, vol. 1, Main Report (Washington, DC: DoD, December 2020), <https://militarypay.defense.gov/>.

7. OUSDP&R, *13th QRMCMC*, 21.

The Air Force must deal with these challenges in a fiscally constrained environment. At a cost of \$35.04 billion, the active duty military personnel costs made up approximately 20 percent of the service's total FY 2021 budget.<sup>8</sup> Between FY 2000 and 2021, the average cost of an Airman increased by 106 percent, from \$50,000 to \$103,000. Comparatively, civilian pay grew by only 60 percent during the same period.<sup>9</sup> The continued growth in the average cost of an Airman above general inflation will create affordability and readiness challenges and could crowd out future efforts to modernize key military capabilities. Consequently, the service cannot simply pay more for the workforce it needs.

As the Air Force seeks to accelerate change, the primary driver of success will be having the right people in place to enable and lead that change. To field a highly qualified workforce in a fiscally responsible manner, the service must create a responsive talent management system that can recruit, develop, and retain the right people in times of calm and crisis.

This article proposes an approach to expand the technical depth and breadth of the active duty workforce without increasing military personnel costs. The approach has two key elements:

1. The Air Force needs flexibility to reduce the growth in base compensation and to increase the growth in skill-based pay. The pivot toward skill-based compensation is the only way for the service to retain the right skill mix without increasing overall costs.
2. The Air Force should shift to managing retention across the uniformed lifecycle, including time spent in the regular Air Force (RegAF), (consisting of active duty Airmen) and the Air Reserve Components (ARC).

Counterintuitively, this shift requires the RegAF to retain fewer people. Shifting toward skill-based compensation and lowering overall RegAF retention will create a much more dynamic personnel system where Airmen adapt to develop the talent stacks the service needs. It will also create a much-needed capacity to adapt to changes in requirements or increase capability during a crisis.

The Air Force is structured to develop specific talent sets systematically in a stable environment, but it can struggle to respond to rapid changes in required personnel and relies mostly on new accessions to respond to crises. This reliance is a worrisome source of fragility for a high-skill military service. The greater responsiveness resulting from these proposed changes will create a less fragile workforce with talent more tailored to the service's changing needs. While this proposal provides some savings, the primary benefits are nonfinancial.

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8. Office of the Under Secretary of Defense (Comptroller) (OUSD Comptroller), 2018 *National Defense Budget Estimates for FY 2022 (Green Book)* (Washington, DC: OUSD Comptroller, May 2021), 45, <https://comptroller.defense.gov/>.

9. OUSD Comptroller, *Green Book*, 58–59, 64–65.

## Historical Context for Compensation Changes

The Air Force's limited flexibility to provide compensation commensurate with service members' skills relates to two factors: (1) the principle of "equal pay for equal work," or the idea that service members should be compensated at approximately the same rate regardless of occupation; and (2) a time-in-grade pay table that rewards years of service and grade, which only partially captures skill demands and technical merit. Each of these factors is discussed in turn.

In 1973, the US military transitioned from a draft to recruiting an all-volunteer force. Since then, the Air Force has attempted to balance attracting and retaining high-quality personnel with keeping personnel costs low enough to furnish those personnel with the opportunities and equipment needed to field a highly capable military. As the complexity of Air Force missions has risen and the workforce has grown smaller, the service has increased compensation levels so it can better compete with the private sector for high-value skill sets.

While the Air Force has used certain specialty pays—e.g. flight and language—and skill-specific retention incentives for similar skill sets, the service has continued providing the bulk of its compensation through a flat pay structure adjusted only for years of service and grade. In FY 2021, special and incentive pays accounted for only 6 and 2 percent of officer and enlisted standard composite pay rates.<sup>10</sup>

Because special and incentive pays include multiple entitlements, skill-based pay varies even less. In the fight to retain high-value skill sets, policymakers have resorted to elevating base pay, which raises the average compensation provided to service members relative to the average market demand for Airmen's skills. But this flat pay structure tends to undercompensate the most marketable skill sets.<sup>11</sup> Over time, such a structure is guaranteed to produce retention patterns that do not align with Air Force strategic goals for the high-end fight.

The policies that govern growth in pay further exacerbate the challenges inherent in delivering a highly technical workforce with a mostly flat pay structure. To ensure Airmen wages remain competitive with the private sector, year-to-year changes in basic pay are tied to the US Department of Labor's Employment Cost Index (ECI), which measures growth in the wages and salaries of private industry workers as a percentage.<sup>12</sup>

The problem with anchoring changes in basic pay to ECI is that this measurement is an average over a range of sector-specific salary growth patterns. Anchoring changes in basic pay to ECI is limiting in two ways. First, unlike the military, wages and salaries are highly differentiated in the civilian labor market (fig. 1, top panel). A specific percentage

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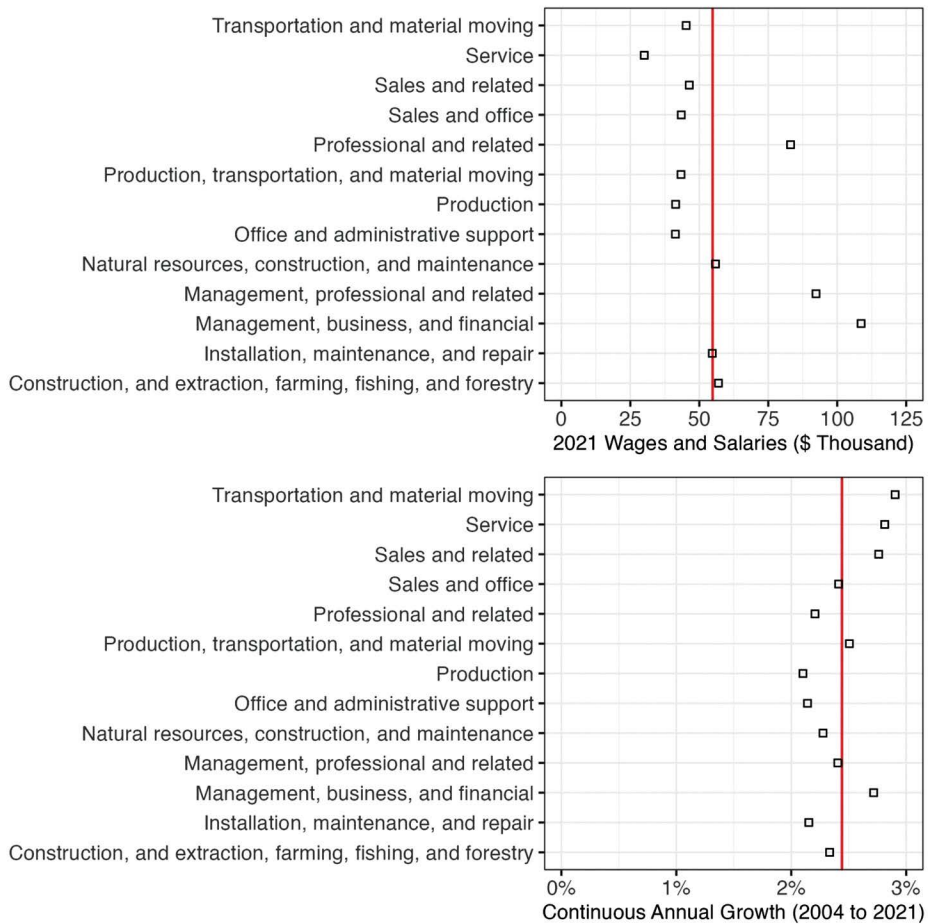
10. Department of the Air Force (DAF), *Financial Management US Air Force Cost and Planning Factors*, Air Force Instruction (AFI) 65-503 (Washington, DC: DAF, July 13, 2018), <https://static.e-publishing.af.mil/>.

11. Beth J. Asch, *Setting Military Compensation to Support Recruitment, Retention, and Performance* (Washington, DC: RAND Corporation, 2019), <https://www.rand.org/>.

12. US Department of Labor Bureau of Labor Statistics (BLS), "National Compensation Survey," BLS (website), n.d., accessed August 15, 2022, <https://www.bls.gov/>.

increase in civilian wages, then, reflects very different growth patterns (depending on the sector) than the same percentage applied to the service's flat pay system.

Second, the ECI is an overall average of widely varying annual growth rates in different sectors. The sector-specific rates show that this average metric tends to be lower than the growth rate among knowledge workers and higher than the growth rates in less-skilled areas (fig. 1, bottom panel). The unfortunate result of both limitations is that the main policy intended to keep US Air Force compensation competitive with the private sector actually produces a larger misalignment between service compensation and market demand for skills. To keep US Air Force compensation competitive with the private sector, the department pays too much for low-growth occupations and too little for high-growth occupations.



**Figure 1. Variations in wages and salaries (top) and continuous annual growth in wages in salaries (bottom) by occupational category**

Note: Red line denotes unweighted average across occupational categories

Advancement policy, another means of differentiating compensation, also fails as a mechanism for producing a more technically skilled workforce. As previously mentioned, basic pay is adjusted for years of service and rank. Years of service is a measure of longevity and not directly related to technical merit or demand. The biggest determinant for rank is time in service.

While the enlisted force is more dynamic in this regard, line Air Force officers currently meet a 100 percent opportunity for promotions to O-2 and O-3 and a 95 percent promotion opportunity to O-4. Except for differences in pin-on times for O-4, for the top 90 percent of officers, the first significant change in compensation based on skill set or performance quality occurs at the O-5 promotion board around 15 years of service. While job performance is a determining factor as promotion opportunities become more competitive, the Air Force primarily uses promotion to recognize leadership potential instead of technical merit or functional competency for officers and senior enlisted service members.

Together, these factors confirm the Air Force's talent management system is not designed to compensate the most technically proficient or functionally competent service members commensurate with their skills. The rates of compensation, based on the ECI, pay too much for low-growth occupations and too little for high-growth occupations relative to the private sector. Simultaneously, the Air Force tends to emphasize time in service and leadership potential more than technical merit when considering promotion opportunities, particularly for officers and senior enlisted service members.

Thus, incentives normally experienced in the private sector to upskill more rapidly and be compensated at a higher rate based on the market value do not exist in the Air Force. Further, pay differentials from the private sector may incentivize less skilled service members to remain in the service and more skilled ones to leave. For example, average regular military compensation is estimated to be at the 85th percentile of civilian wages for enlisted personnel and the 77th percentile for officers.<sup>13</sup>

While this might be a good sign for general retention, it leaves anyone with earning potential in the top 15 percent for enlisted and top 23 percent for officers financially better off as civilians. This observation is supported by previous research into the effect of military pay and benefits on recruitment and retention in different countries. In particular, the militaries of countries with liberal market economies, such as the United States, are expected to retain a higher proportion of their low-skilled employees and a lower proportion of their high-skilled employees.<sup>14</sup>

One example provides insight into how this structure may struggle to meet the Air Force's needs. The service invests in personnel to attain technical doctorates. But taking three years in the middle of a career, often in addition to one and a half years for a master's

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13. OUSDP&R, *13th QRMC*.

14. Lindsay P. Cohn, "How Much Is Enough?," *Strategic Studies Quarterly* 9, no. 3 (September 2015), <https://doi.org/>.



program, requires a substantial opportunity cost in terms of operational experience. Partially for this reason, personnel with doctorates often do not promote well to senior ranks compared to their more operationally seasoned peers.

Many of these technical experts, receiving compensation at the same level as less-technical service members and facing perceived barriers to promotion, are incentivized to depart the service early. This mismatch between private-sector recognition and compensation for this skill set and diminished Air Force promotion opportunities is a tough problem in the current system; the opportunity cost in terms of operational experience is real, and a doctorate does not automatically qualify personnel to lead at a given level.

In the private sector, the talent management approach is not as limited. Personnel with rare technical skills can be compensated at higher levels for their technical talent while gaining valuable leadership experience and being promoted to roles as they achieve appropriate levels of experience.

Conversely, allowing personnel with doctorates to gain additional experience before promotion requires them to take a further pay cut compared to similarly qualified peers, even if stigmas associated with promotions later in a career are fully overcome. In response to congressional queries, researchers have suggested alternatives to the basic pay table that, like the private sector, adjust for the marketability of skills in addition to the level of responsibility. For example, a recent report notes that the pay model for civilian physicians and dentists in the Department of Defense is based on the Office of Personnel Management General Schedule (GS) system but includes a pay supplement that factors in labor market conditions.<sup>15</sup>

Historically, Congress has created various specialty and incentive pays to help the services with these compensation-related limitations affecting workforce segments that are difficult or costly to replace (e.g., pilots). But the expanding set of missions and skills required for effective personnel in many areas (including force support, cyber skills, maintenance, and many others) make the pace of upskilling across the workforce more critical than ever.

This becomes doubly important as the Air Force attempts to accelerate change and devise new ways of doing business, relying on the multidisciplinary skill sets of its Airmen to do so. The instinctual response to this reality might be to create more specialty and incentive pays for other in-demand areas. Still, statutory restrictions on how the service can use these pays combined with the need to constrain military personnel budget growth will limit the effectiveness of this tool, likely resulting in total compensation levels that remain out of step with private sector earnings.

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15. Nancy M. Huff et al., *Analysis of a Salary-Based Pay System for the Quadrennial Review of Military Compensation*, IDA Document D-13204 (Alexandria, VA: Institute for Defense Analyses, September, 2020), <https://apps.dtic.mil/>.

## Historical Context for Retention

In the absence of alternative quantifications of competency across the Air Force, aggregate experience—measured as mean years of experience—is one proxy metric for how force-wide policies such as changing compensation drive changes in skill levels. While the desired amount of experience for service members to produce mission success is almost always “more,” this desire is bounded by resource constraints and past accession policies. Decisionmakers also allow experience to shift incrementally to meet other policy goals, such as growing or shrinking the workforce.<sup>16</sup> Unbeknownst to many, the changing size of the RegAF over the Air Force’s history has had large second-order effects on experience levels and on how personnel move in and out of the different components.

From the end of the Vietnam War until the Air Force began growing in FY 2016, the RegAF averaged a greater than 2 percent annual decline in the number of active duty personnel (end strength), even including the Reagan-era build-up in the 1980s.<sup>17</sup> The service can reduce personnel numbers in two ways: (1) train the same number of people but reduce retention of more experienced (and therefore more skilled) personnel; or (2) train fewer people but retain the same number of experienced personnel. Historically, the Air Force has used both to reduce the workforce’s size. Since reductions in accessions are generally the more desirable policy, the prolonged decline from the end of the Vietnam War has resulted in a workforce that is consistently more senior than what could be achieved with the same retention in an environment with a steady end strength.

This dynamic changed beginning in FY 2016 as the Air Force began to grow the workforce.<sup>18</sup> The boom in recruiting new personnel to meet end-strength goals has necessarily reduced aggregate experience despite record-high retention rates among experienced personnel. Such high retention within the RegAF is beneficial in the short term because it allows the workforce to absorb more junior personnel while slowing the accompanying drop in experience.

But there are three negative second-order effects of maintaining such high retention into the future. First, the Air Reserve Component relies on high affiliation rates from the RegAF. While the RegAF has decreased in size by approximately 50 percent since the end of the Vietnam War and retention rates have risen, the ARC has remained roughly the same size. A decline in affiliations from RegAF to ARC creates gaps that the ARC must fill by recruiting and training an ever-larger share of its own personnel.

The inability to meet the target for RegAF affiliations drives changes to recruiting, training, and upskilling business processes that the ARC is not designed to manage.

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16. Albert A. Robbert et al., “‘Muddling Through’: The Revolutionary Potential of Evolutionary Officer Management Reform,” RB-A416-2 (Santa Monica, CA: RAND Corporation, 2021), <https://www.rand.org/>.

17. USAF, Automated Budget Interactive Data Environment System (ABIDES) (Washington, DC: Secretary of the Air Force Financial Management and Budget Office [SAF/FMB] September 30, 2021), (ABIDES was replaced by the Program and Budget Enterprise System in January 2022).

18. SAF/FMB, ABIDES.



Aside from increasing costs, this detracts from the focus on maintaining proficiency in the ARC. While targeting a 70 percent rate for prior service gains, the Air Force Reserve averaged 54.5 percent over the last 5 years (an annual shortfall of 1,039). During the same period and while targeting a 55 percent rate for prior service gains, the Air National Guard averaged 41.4 percent of this target (an annual shortfall of 971).<sup>19</sup>

This is especially challenging because the ARC lacks the enterprise-level organizations and processes the regular Air Force uses to efficiently manage business functions such as analyzing skill sets (Air Force A1 Human Resources Data, Analytics, and Decision Support Division), recruiting (Air Force Recruiting Service), and moving personnel between locations at scale (Air Force Personnel Center). Starving the ARC of trained personnel increases costs and decreases the effectiveness of the ARC as they must increasingly focus on recruiting, training, and upskilling personnel instead of maintaining proficiency.

The second consequence of such high retention is that it limits flexibility to increase the workforce's size during a crisis. The Air Force can grow the workforce by boosting production, increasing the number of inexperienced personnel, or reducing separations (thereby increasing the number of experienced personnel).<sup>20</sup> Relying on retention during a crisis is attractive because it avoids the need to execute operations with a workforce that suddenly becomes more junior in composition, potentially requiring changes to procedures or training. Relying on retention during peacetime, however, diverts resources to retention incentives, higher pay, and retirement costs and away from building and maintaining training pipeline capacity—a strategic asset that takes years to build and allows the workforce to expand rapidly when needed.

Further, when retention is high, the Air Force has limited ability to reduce separations to expand the workforce. For example, when stop loss was enacted after 9/11, loss rates fell from roughly 12 to 9 percent, immediately boosting the number of people in separation-eligible year groups. But current retention rates are much closer to the stop loss rate in 2002 than the retention of the 1990s or early 2000s.<sup>21</sup> This exceptionally high retention means there is little room to boost retention further, especially as some portion of individuals leaving the workforce do so for medical or disciplinary reasons that the service may not wish to or cannot disregard.

In time, the Air Force will almost certainly need to increase end strength quickly to deter or respond to aggression. Given current retention levels, the service would rely almost entirely on increasing accessions to do so. The accompanying rapid increase in junior personnel could drive a potentially catastrophic shift in experience that will affect the Air Force's ability to conduct operations in the moment it can least afford it.

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19. Joseph C. Hoecherl, "Military Personnel Data System, AF/A1XD Extract," May 30, 2022..

20. Joseph C. Hoecherl, "Background Paper on Impacts of End Strength Changes on Service Experience and Training," white paper (Washington, DC: Air Force Human Resources Paper, June 25, 2018).

21. Hoecherl, "AF/A1XD Extract."

The final consequence of such high retention results from the set of policies for the enlisted force that are currently helping drive that retention higher. Historically, one of the types of policy levers the Air Force used to ensure the right mix of skill sets as measured by Air Force specialty codes (AFSCs) was involuntary retraining. These policies helped the service keep pace with changing manpower requirements as programmed in the collective unit manpower documents for different skill sets, which, in turn, reflected the changes in mission sets and programmatic changes authorized by Congress.

During the past two decades, the Air Force has averaged 10,000–12,000 RegAF enlisted specialty code shortages despite meeting end-strength goals.<sup>22</sup> In other words, the service is continually overmanned in some enlisted AFSCs and undermanned in others, though which AFSCs are over- or undermanned change. Historically, the programs that created “cross-train to reenlist” pressure could be used to fill specialty code shortages, though these programs increased separations.

For example, the career job reservation program that began in 2014 only allows a certain number of Airmen in each career field to reenlist in their current AFSC. An alternative program with the acronym RRAP was developed in 2016 to solve some of the limitations of the career job reservation process but was never fielded. The cessation of policies like career job reservation has made it difficult for the Air Force to reduce shortages, especially in specialty codes that rely entirely on retraining to replace personnel.

The net effect of these recent policies has boosted retention, with the effects accelerated by the economic impacts of the COVID-19 pandemic. This retention has given the Air Force time to normalize this new, more junior experience level resulting from flattening the decline of RegAF end strength. But further efforts to sustain such high retention will increase the cost of the workforce while also making it less adaptable and less robust.

## **Proposed Strategy**

To expand the technical depth and breadth of the regular Air Force, this article presents a two-pronged strategy that seeks to retain and incentivize the right mix of skill sets without ballooning compensation costs. The strategy requires two broad policy changes with significant interactions.

First, the US Air Force must request Congressional support for an incremental, steady transformation of the service’s approach to compensating talent to one that directly rewards Airmen based on the value of different skill sets. This could either be through a separate pay structure for the service or through providing these same pay flexibilities to the other services, which face the same challenge of recruiting, developing, and retaining high-value skill sets.

Second, the Air Force must establish policy structures to increase retraining to undermanned Air Force specialty codes for enlisted personnel and rates of affiliation

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22. Hoecherl, “AF/A1XD Extract”; and Hoecherl, “Manpower Programming and Execution System—Unit Manpower Document, AF/A1XD Extract,” May 30, 2022.

into the Air Reserve Component for both officers and enlisted personnel, resulting in higher turnover for the RegAF. Aside from allowing the Air Force to meet total force requirements better, a higher turnover will create a more resilient workforce in a time of crisis and will decrease military personnel costs.

## **Policy Proposal 1: Compensation Transformation and a Skills-Based Organization**

Future raises to base pay should be divided into two categories: 45 percent of growth would be dedicated to increasing base pay, and 55 percent of growth would be dedicated to a new category of competency-based pay. Over time, competency-based pay will grow from a small share of total pay to become a much larger share. Because competencies and competency-based pay will be held at higher rates by personnel with more experience, the competency-based pay should provide higher compensation for more experienced personnel.

Conversely, the base pay table should flatten over time, as pay increases based on grade and years of service are slowly replaced in part by competency-based pay. This would provide a floor for personnel to be compensated adequately as they enter the force, then provide increased compensation as they gain relevant skills.

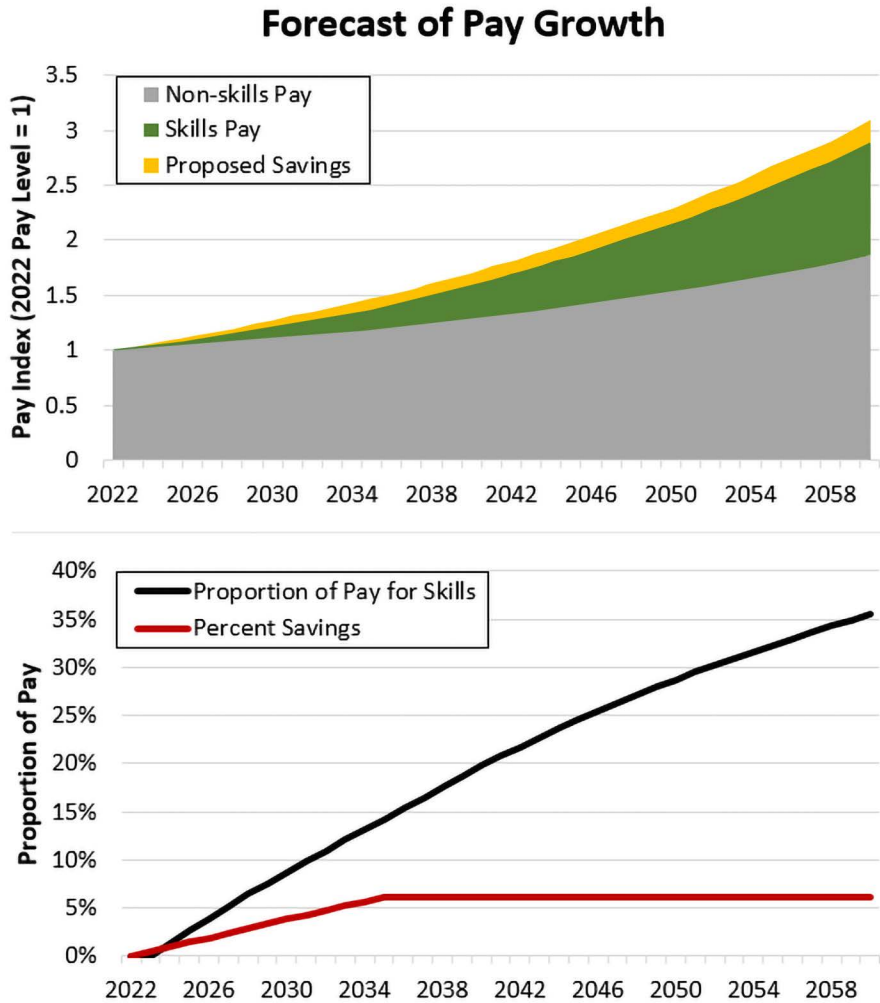
A key driver of the effects of competency-based pay will be the specific skills the Air Force uses to set compensation levels. This can start with specialty pays for nonrated specialty codes, the primary skill-level qualifications for enlisted personnel, and skills such as language proficiency that are already defined and measured. The next logical steps are technical skills such as programming, data literacy, and specialty-specific technical skills as measured by degrees or certifications.

As the proportion of total pay for competencies increases over time, this process can mature to include a larger number of more specific competencies if additional granularity is needed. The slow rate of growth allows for some experimentation to find the right levels and structure of compensation (fig. 2). Since changes in compensation structure will occur slowly, retention effects will also manifest gradually.

Defining skills in this way confers additional benefits, such as the ability to measure and report different types of talent in the workforce and track changes over time. In an age of digital transformation, the Air Force will need a broader set of technical skills related to data literacy across all specialties. This type of approach creates a way to track and incentivize such skills without requiring overly broad restrictions based on coarse measures such as undergraduate major. Also, this puts the changes in compensation directly into service members' hands; this system could advertise in-demand skills, resources available to obtain those skills, and the monetary incentives for doing so.

To slow the exponential growth in personnel costs, the total rise in compensation should be capped at 0.5 percent below the Employment Cost Index rate of growth until 2035 while maintaining the ECI rate for junior enlisted grades (fig. 2). While aggregate compensation will not rise as fast as private sector aggregate compensation during this

period, the competency-based pay will help retain high-quality technical talent and incentivize personnel to upskill in critical skills defined by the service.



**Figure 2. Growth over time of base pay and competency-based pay (top) and proportional division of pay and savings level (bottom)**

## Policy Proposal 2: Manage Total Force Retention, Not Regular Air Force Retention

By maximizing regular Air Force retention, the service trades away the right RegAF skill mix, stable experience during future crises, and the healthy flow of individuals into

the Air Reserve Components. To deal with these problems, this article proposes a shift to managing retention with a Total Force mindset, creating an intentional downward shift of RegAF retention while maintaining Total Force retention. This can be achieved by combining expanded Palace Chase programs with better marketing from the RegAF and a similar mechanism to the historical career job reservation process, allowing individuals without a career job reservation to transition to the ARC if they so desire.

Simply targeting additional affiliations to meet the current Air Force Reserve and Air National Guard enlisted affiliation shortfalls would create 2,010 additional transitions each year, requiring an additional 2,689 RegAF accessions (i.e., an 8.5 percent increase) once adjusting for retention patterns. In a crisis, this would establish the ability to grow end strength by an additional 2,000-plus experienced personnel per year without increasing accessions or by a significantly larger number of personnel per year without dramatically disrupting experience ratios if pipeline capacity is available.

The Air Force can gain a similar capability through voluntary or involuntary officer transitions as well, though existing voluntary mechanisms will require a greater concerted effort to create awareness of ARC opportunities among personnel in the regular Air Force. This increased awareness can also ameliorate the impact of additional separations caused by the career job reservation program if personnel who would have separated choose to instead transition to the ARC.

By exercising policy options like career job reservations and accepting lower retention levels within the regular Air Force, the service can right-size different specialties in the RegAF enlisted force. A rejuvenated retraining program would allow the regular Air Force to retrain people able and willing to bring their experience to address unfilled needs for different specialties.

At the same time, the Air Force could significantly expand opportunities to volunteer for the Palace Chase program for officers and enlisted personnel; this would help meet Air Force Reserve and National Guard requirements while normalizing higher turnover in the RegAF. A greater flow of fully qualified, skilled Airmen into the Reserve would also reduce fragility by improving reserve readiness in a conflict. This policy would offset the costs of a larger training pipeline by reducing the proportion of the RegAF who will collect senior pay and, eventually, retirement compensation.

Implementing this course of action will directly cause average experience (as measured by years of service) to decrease in the RegAF, though not necessarily in the Total Force. While this will require creative efforts to train and upskill junior RegAF personnel more rapidly, the alternative is considerably more dangerous—upskilling more junior personnel during a crisis. It will be much easier to adapt to such experience levels in peacetime with the time and resources to iterate and develop ways to upskill personnel more rapidly. Maintaining the status quo risks paying for peacetime savings with service members' lives during a conflict.

Also, while career job reservations affect only first-term reenlistment, this type of policy can shift some portion of the retention change to more senior levels via either the noncommissioned officer retraining program or other mechanisms. While this policy can

be implemented in many ways, the key is to ensure the RegAF can meet its requirements and increase retention to grow in a time of crisis, and the ARC can increase its level of affiliations from the RegAF. The changes implemented in the blended retirement system also help ensure personnel separated at earlier stages of their career are receiving retirement compensation.

## **Potential Criticisms**

Notwithstanding the widespread benefits to skill mix, resiliency, and cost, the policy proposals are challenging to implement for various reasons. Some potential critiques are discussed below.

### ***Critique: Competencies are hard to catalog, verify, and set compensation levels.***

For the strategy to be workable, the personnel and pay systems need a catalog of valuable skills, credible ways of verifying which members possess them, and a method to determine their monetary value. Past successes in these areas show Department of the Air Force personnel and pay systems are equipped to handle these implementation challenges.

The department already assesses and adjusts special and incentive pays for more technical and varied skill sets, including, for example, oral and written proficiency in foreign languages and the ability to be a test pilot for experimental fighter aircraft. Also, the department can incrementally refine skill-based pays year-over-year, learning from how the personnel with various skill sets respond. Further, the department's need to define and assess competencies is not unique to this proposal. Any viable strategy to achieve the Air Force chief of staff's aims to develop attributes for the high-end fight must first define and assess those attributes.

### ***Critique: Skills-based pay will increase military personnel costs.***

The addition of new pay and the cost of conducting additional assessment and compensation analysis may not appear to be viable, especially when all services are focused on containing growth in the military personnel budget. If a new skills-based pay system was naively layered atop the current compensation system, this would increase costs. Still, given that the current policy of anchoring base pay to the ECI is counterproductive, diverting future increases in base pay to skills-based compensation would further talent management goals in a cost-neutral or cost-saving manner, depending on implementation choices.

### ***Critique: Reducing base pay may hurt certain workforce segments, such as junior members of the enlisted force.***

Modifying the linkage between base pay and ECI and creating a new category of compensation requires statutory change, and in the political domain, discussions often rightly focus on the lowest-earning Airmen. Slowing the growth of base pay in favor of



skills-based pay could raise objections that some individuals at the bottom of the base pay scale who have not yet obtained skills that would increase compensation would fall below a living wage. Increases in base pay, however, do not need to be flatly applied across the existing pay structure. Over time, the base pay structure should flatten considerably to provide a solid, livable wage, while much of the increased compensation provided to senior personnel would be tied to their competencies.

***Critique: The Air Force must maintain the principle of equal pay for equal work.***

Would a compensation system that is vastly more differentiated based on member skills violate the cultural value of equality? The reality is that the current pay system is already significantly differentiated because of special and incentive pays. Still, these payments are reserved for the concentrated subsets of the workforce, such as pilots. This approach instead provides many more Airmen the ability to gain such types of additional pay as they gain new skills.

***Critique: Personnel may acquire but not routinely use skills that they are compensated for.***

A critique of this policy is that it might compensate members for marketable skills irrelevant to their jobs, which again reflects a challenge for existing special and incentive pays. To remain competitive with the commercial market while maintaining relatively similar pay across occupations, the Department of the Air Force is already overcompensating some service members, so the risk given the alternate system may be no worse.

Also, even if a skill is not relevant for an individual in a particular job, it may increase depth and flexibility in the workforce. Lastly, certain skills like digital competency may unexpectedly transform how service members perform in certain positions. The high rate of change in these digital skills and their interaction with war fighting and support functions are evolving incredibly rapidly; planners cannot possibly anticipate all the combinations of skill sets that will unlock the innovation the Air Force seeks. These fortuitous advances are only possible given a highly skilled workforce.

***Critique: Allowing RegAF retention to decrease will increase the required recruiting quota.***

Recruiting individuals for military service is a nontrivial problem in America today. But the Air Force must be ready to meet this challenge during a conflict anyway. While Air Force Recruiting Service is having difficulty making its current recruiting goals, the ability to recruit to a required level is a strategic resource that must be managed carefully.<sup>23</sup> Hoping a crisis will result in increased volunteerism is not a wise strategy. Also, reducing

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23. David Roza, "Air Force Recruiting Is in the Toilet and Senior Leaders Are Sounding the Alarm," Task and Purpose, January 12, 2022, <https://taskandpurpose.com/>.

ARC accession requirements will reduce competition for RegAF recruiters. Addressing the challenge in peacetime gives us the luxury to try different policies and incentives with lower stakes than after a crisis erupts. Moreover, emphasizing how the Air Force invests in the development of valuable skill sets in its members may increase interest in service among America's best and brightest potential recruits.

## **A Holistic View of the Future Workforce**

The list below summarizes areas touched by the policy proposals and links them to existing fragilities and intended changes. By simultaneously implementing these proposals, the Air Force can manage skill sets more directly through compensation and workforce management policies, ensuring a better skill mix for the RegAF and the ARC.

Also, by investing the time to quantify skill sets, the service creates a way to measure what shortfalls cannot be met by existing policy mechanisms and enables a framework that could one day enable better permeability. As the Air Force begins to develop multi-capable Airmen, these approaches create structures to incentivize Airmen to invest in needed skill sets across the force and avoid simply demanding that Airmen "do more with less."<sup>24</sup> Finally, the RegAF can grow quickly in a crisis without immediately compromising normative experience levels.

### ***Recruiting***

- Fragility: Sized to meet minimum accession requirements given high retention rates
- Design Change: Expand RegAF recruiting capacity to exceed minimum accession requirements

### ***Training Capacity***

- Fragility: Sized to meet minimum production requirement given high retention rates
- Design Change: Expand training pipeline capacity to exceed minimum production requirements

### ***Compensation***

- Fragility: Anchored to average wages and salaries across private sector occupations
- Design Change: Shift compensation from base pay to skill-based pay

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24. David Roza, "Air Force Leaders Love the Phrase 'Multi-Capable Airmen.' Here's Why Airmen Hate It," *Task and Purpose*, April 14, 2022, <https://taskandpurpose.com/>.

### ***RegAF Career Field Manning***

- Fragility: Large problems caused by changes in requirements or lack of volunteers to cross-flow into certain Air Force specialty codes
- Design Change: More dynamic policies create a closer match between personnel and requirements

### ***ARC Recruiting***

- Fragility: ARC manning is dependent on the local recruiting of nonprior service trainees to meet shortfalls in RegAF affiliation
- Design Change: Increase the number of RegAF personnel available for affiliation

### ***Experience/Competency***

- Fragility: Dependent on historically high retention rates and low production
- Design Change: Decouple experience from retention in RegAF; increase experience in ARC

### ***Military Personnel Budget***

- Fragility: Limited ability to change the average cost of an Airman, forcing reductions in end strength to control the military personnel budget
- Design Change: Limit growth in the average cost of an Airman

One can imagine a future where Airmen log into an Air Force application that provides a comprehensive view of their current skill sets and performance assessments. As they select personal goals, they are provided with suggested skill sets or certifications, along with the programs to help them gain these skills. They can see estimates of how these skill sets would increase their take-home pay, increase their odds of promotion, create cross-training opportunities, and prepare for private-sector careers. Lastly, they can see which Air Force Reserve and Air National Guard bases have openings for such a skill set. As the Air Force invests in its people's skill sets, it creates the skilled personnel needed for today's problems and tomorrow's crises. → ✳

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