



COMMENTARY

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Men and women choose to serve in the guard and reserve for a variety of reasons, including patriotism, the chance to be part of an important institution, and opportunities for training and education. But they also join expecting good pay and benefits. Getting compensation right will be a key ingredient in the transformation of the new reserves.

The choices the nation makes regarding reserve pay and benefits affect four key groups of stakeholders: the guard and reserve members and their families; the nonmilitary employers of the members; the military as an institution, including both active and reserve components; and U.S. taxpayers. Unfortunately, changes in guard and reserve compensation that are favorable to one group may cause problems for another.

For example, large across-the-board pay increases for the active force are much appreciated by members and their families, but cost taxpayers money. They may also make active service so attractive that the guard and reserve—which depend heavily on prior-service members to fill their units—cannot attract enough experienced personnel. Similarly, offering all reservists a premium-free health plan could be a boon to nonmilitary employers, who would save on their reservist-employee insurance costs. But it could also prove extremely expensive for taxpayers and the Department of Defense.

In designing the benefit structure for the new reserves, leaders will need to think about the impacts of any changes on all four stakeholder groups. They will have to capitalize on the positive results of compensation reform, while mitigating any negative effects felt by guard and reserve members and their families, civilian employers, the military as an institution, and taxpayers.

This commentary draws six broad lessons from the four excellent chapters in this section:

1. Some of the proposals under discussion in Congress and elsewhere for changing reserve benefits cannot solve the problems they are meant to address.

2. If adopted, some of the proposals under consideration may have unintended and adverse consequences for key stakeholders.
3. Preferences for levels of participation in the guard and reserve, and for the mix of pay and benefits, vary widely across the population of reservists; as a result, reforms that offer members a choice in the level of participation and in the compensation mix can benefit both members and the services.
4. Targeted benefits are far more effective as tools for managing the force than are new across-the-board benefits.
5. Some ideas for increased compensation are so expensive they could make reservists more expensive than active forces under likely patterns of mobilization and deployment; they would negate a principal advantage to taxpayers of the reserve component.
6. Changes to conditions of service other than pay and benefits could make a big difference to those who serve; improvements in those areas may lead to better outcomes than changes in compensation.

The following sections discuss these six lessons.

Some proposals cannot solve the problems they are meant to address.

The chapters in this section examine changes that have been proposed for three areas of reserve compensation: the retirement system, the health care system, and cash pay. Most of the proposed changes would increase reservists' pay or give them access to more generous benefits—clearly an advantage for some members and their families. The proposals under consideration are generally presented by their proponents not just as advantageous to members, but also as solutions to the services' recruitment, retention, and readiness needs. Unfortunately, the proposals under discussion offer little hope of improvement for the services in those areas.

For example, as Susan Hosek explains, the TRICARE Reserve Select health benefit—which advocates tout as a solution for the reserve components' medical readiness challenges—will not make guard and reserve members more healthy, or any more ready for duty. Surveys indicate that the 20 percent of members who are not insured today are not likely to sign up for health coverage under TRICARE Reserve Select unless their share of the premium is extremely small. Moreover, even if they all signed up, it is unlikely that they would become more medically ready. History shows there is no connection between having medical insurance and being medically ready when called to active duty; insured reservists are just as likely to be medically unready as those who are uninsured.

In another example, Beth Asch and James Hosek demonstrate that granting an immediate pension after 20 years of reserve service would not significantly improve reserve recruiting efforts. More troubling, it would actually reduce the average length of reserve service, contrary to the hopes of those who support the proposed reform.

Some proposals may have unintended and adverse consequences.

Policy makers should be aware that reforms designed to improve one situation may cause problems in other areas. This is certainly the case for reserve compensation reform.

As Asch and Hosek find, the promise of an immediate pension after 20 years of active and reserve service could change the decision calculus for active duty members. Active duty members who serve 20 years or more to reap retirement benefits might find the new reserve pension attractive, and leave the active forces for the reserve component. That might be good for the reserves, and may not be bad for the Air Force and Navy as they look to trim their active rolls. But the proposed retirement scheme would encourage people to shift from active to reserve service regardless of their skills and the services' need for them. In the Army and Marine Corps, for example, where retention could become a more significant challenge as the war in Iraq persists, policies that encourage members to leave active duty early could aggravate an already significant problem. Such an unmanaged outflow of members from the active forces could exacerbate existing challenges in retaining active members with critical skills.

Similarly, as Michael Hansen and Diana Lien note, offering a bonus to reservists willing to increase their active service each year is unlikely to induce more members to stay in service. Rather, bonuses offered for one level of active participation will simply steal members from other levels. Guard and reserve force managers will want to think carefully about such unintended consequences as they move toward a continuum of service for the new reserves.

Reforms that offer reservists more choice can benefit members and the reserve component.

The chapters presented in this section report remarkable variation in reservists' preferences, both for specific forms of compensation and for their level of participation in the force. Hansen and Lien find that nearly half of all the respondents to their survey would actually prefer to contribute more than the standard 38 days per year; fully 9 percent would like to be called up for more than 180 days a year.

In a similar vein, Susan Hosek points out that reservists who have family members with chronic illnesses would willingly pay a sizeable premium for TRICARE Reserve Select. But most healthy, young, single reservists would not sign up for the

new coverage even if their share of the premium was quite small. Asch and Hosek note that individuals' tastes for staying in the service and their preferences between immediate cash and pensions can vary dramatically.

Acknowledging such differences in tastes for participation and benefits is important. When force managers understand how people's preferences vary, they can match more individuals to what they want and what the services need. In many cases, they can do this at no extra cost—thus benefiting individual reservists, the military as an institution, and taxpayers.

Targeted benefits are more effective than new across-the-board benefits.

Like the active forces, the guard and reserve face enormous challenges in getting the right people into the right jobs. Some occupations and units are badly understaffed; others have more people ready to serve than they need. Large across-the-board pay raises and benefit increases that apply to all reservists, regardless of occupation or unit, make the problem worse. They encourage people with the wrong skills or in overstaffed units to stay, while failing to compel those in critical occupations and underfilled units to remain in service.

As Asch and Hosek, S. Hosek, and Hansen and Lien conclude, targeted benefits can induce more of the right people to stay and encourage others to leave. Thus, to manage their personnel profiles and get the right people into the right positions at the right time, the reserve components should consider targeted benefits. New, across-the-board benefits, such as a more generous retirement system, an expansion of health benefits, or large pay raises for all members, will be far less effective.

For example, Hansen and Lien emphasize that appropriately targeted bonuses will allow reserve leaders to manage levels of participation in a continuum of service; across-the-board pay raises will not. Similarly, a two-tier health plan that ties government contributions to a health savings account with a member's level of active service, as suggested by Susan Hosek, might spur people to participate at levels desired under a continuum of service.

Some reforms could make reservists more expensive than active forces.

Unfortunately, as Jennifer Buck's analysis illustrates, it would be all too easy to make the reserves more expensive for taxpayers than the active component. Proposed new benefits, such as the 20-year immediate pension and TRICARE Reserve Select health benefit for all reservists, would add greatly to the costs of the guard and reserve. For the sake of taxpayers—and ultimately, the success and viability of the reserve component—such costly benefits should be avoided. Instead, bonuses and benefits should be targeted to those whose skills are in short supply, or who volunteer to

participate at higher levels. Other targets might include reservists who agree to be called up more frequently or to contribute to overseas missions.

Improvements in nonpay conditions of service may lead to better outcomes.

It is important to remember that good pay and benefits are not the only reasons people join the guard and reserve. They are also not the only factors in their decision to stay or leave. In focus groups conducted by Hansen and Lien some reservists voiced considerable dissatisfaction with several aspects of recent call-ups, including short notice of mobilization, lack of communication about the length of the mobilization, the level of support and information provided to families, crowded mobilization centers, and periods of inactivity following activation. Such problems can harm morale and lead to retention problems.

Solving such noncompensation issues will not be cost free. Nevertheless, improvements in such conditions of service are likely to lead to greater satisfaction among members and far better outcomes for the reserve components than the TRICARE Reserve Select health benefit or a new retirement scheme.