



Analytical Review of Marine Corps Compensations: Is It Fair?

Prepared for the Office of
the Secretary of Defense

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MEMORANDUM

To: Office of the Secretary of Defense
From: Dakin T. Werneburg
Date: April 16, 2016

Subject: Analytical Review of Marine Corps Compensations: Is It Fair?

Attached you will find the report that reviews military compensations specifically in the United States Marine corps but may be used in overhauling the entire Department of Defense's current pay system, due to a growing frustration among service members in and around West Point, NY.

Based on my research, it is my recommendation that we need to overhaul our current pay system to modernize and provide a fair compensation based on service member's skills and experience.

The main findings of the report found that there were three key areas that contributed to an unfair compensation system; such as, lack of accountability in productivity, improper performance evaluations, and an imbalance in the current cash compensations.

I hope this report was useful in your decision. If you have any questions or concerns regarding this research, please feel free to contact me. Have a nice day.

Respectfully submitted

Dakin T. Werneburg

EXECUTIVE SUMMARY

The purpose of this report is to examine if there were inequalities in how service members were being compensated in the United States Marine Corps, and if so, what was contributing to the inequality.

The methods of analysis were done by conducting searches in OneSearch, on the University of Maryland University College's (UMUC) website, consisting of peer reviewed scholarly journals, and a poll of 36 service members from the United States Military Academy at West Point, NY and Stewart Air National Guard base, Newburgh, NY.

In investigating the issue, three key issues lead to inequalities in compensations. First, there is a lack of accountable productivity; such as, malingering and manpower utilization. Second, current performance evaluations are not being conducted correctly; and lastly, current cash compensations, such as Basic Allowance for Housing (BAH) and basic pay, are not structure equally to everyone.

Based on the findings, an overhaul of the current pay system needs to be changed in order to maintain quality service members. The following is a list of recommendations:

- Provide a shifting pay scale that takes into account performance. If a Marine's productivity and performance is low, immediate supervisors should be able to decrease wages, but no lower than an agreed minimum, and increase wages if productivity and performance is high, but no higher than an agreed maximum.
- Pay service members hourly during non-deployments vs a fixed salary. This rate will be based on the national average, for their level of experience and skills. This will promote more productivity and adequately compensate those that take too much time off work for personal reasons.
- Improve the training curriculum which emphasizes the importance of doing regular, objective performance evaluations and be accountable for their low performance.
- Shift some of the 340,000 commercial jobs that are performed in the military to the private sector.

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1 INTRODUCTION

1.1 Background

The United States Marines Corps, along with the other services, are offered generous compensation packages today as a result of a controversial time in our nation's history. In the 70s, the United States had experienced an economic recession and there were talks of possible cuts in benefits. The military had just switch from conscription to an all volunteer force and the service members were already skeptical of their benefits. The American Federation of Government Employees (AFGE), saw this as an opportunity to expand and possible unionize the military by stating that military service was employment. Fear of the possibility of future attempts to unionize the military, military benefits had the largest compensation package ever seen up to that point (Mittelstadt, 2011).

Once again, compensation has been a topic of controversy. A growing frustration is manifesting due to the inequalities in military compensations. In a poll of 36 service members around West Point, NY base and Stewart Air National Guard base, Newburgh NY., 83 percent said they believe the current pay system is unfair. This was primarily due to the disparity in how many hours some Marines work and their level of experience they have. A service member who has more experience and puts more hours in a day is paid equally, or less, than someone that works a few hours a day and doesn't know how to do their job.

1.2 Purpose

The purpose of this report is to explore key issues that contribute to the issue and determine if we should overhaul our current pay system. So that it provides equitable compensation for the amount of experience and effort someone has.

1.3 Scope

This report looked primarily at the United States Marine Corps but it should be noted that many of the research and findings can be applied to the other services as well.

1.4 Methodology

The information used in this report was collected from various literature reviews that were obtained by conducting searches in OneSearch, on the UMUC's website, and a poll of 36 service members around West Point, NY and the Stewart Air National Guard base, Newburgh NY.

2 LACK OF ACCOUNTABILITY IN PRODUCTIVITY

2.1 Productivity and How its Measured in the Marine Corps

According to the Depart of Labor (DOL) “labor productivity is the ratio of the output of goods and services to the labor hours devoted to the production of that output” (Labor Productivity and Costs, 2012). In the private sector, this is fairly simple. A worker is very productive if the worker can produce more output (goods and services) while not increasing input (costs, materials, etc.). For the Marine Corps, input is the funding by congress to train and equip Marines, that promotes and defends national interest at home and abroad, the output; however, this has some challenges.

The first challenge is that it is difficult to determine if the desire output was produced. In 2003, President George W. Bush declared victory in Iraq and the mission had been accomplished; however, major combat operations in Iraq did not end until 2010.

The second challenge is the difficulty in measuring how productive a service member is. Adding to the complexity is the changing workforce within the military. Our society is in an informational age and more military jobs are demanding technical experience rather than physical labor, and there is no way of comparing productivity between the two. For example, the production of an infantryman filling sandbags all day cannot be compared to the production of an administrator.

A study published by the RAND National Defense Research Institute, in 2005, suggests that military productivity is the measurement of how prepared the military is through the summation of the experience, training, and individual aptitude that its service members have. This measurement is usually obtained from performance evaluations conducted by supervisors or through standardized tests.

The study points out that service members are on call 24 hours a day, seven days a week and perform various duties: such as, training in their primary job, perform administrative tasks, conduct physical training, mentor other service members, and invest in their professional development such as college education (Kavanagh, 2005). Therefore, when considering productivity, these duties should be taken into account, but makes measuring productivity more difficult.

Although there is an inability to accurately measure productivity, it will be evident in this report that there exist deficiencies in productivity. Two key productivity issues that will be discussed are malingering and the improper utilization of manpower.

2.2 Key Productivity Issues

2.2.1 Malingering

According to article 115 of the Uniform Code of Military Justice (UCMJ), malingering is defined as “any person subject to this chapter who for the purpose of avoiding word, duty, or service feigns illness, physical disablement, mental lapse or derangement; or intentionally inflicts self-injury.” (2006). Malingering is not only a violation but results in negative productivity; since the service member is being paid (input) and not being trained (output). This leads to an imbalance of compensation where one service member is being paid the same if not less than the individual that commits malingering.

Lande & Williams published an empirical study in the Military Medicine Journal that questioned whether malingering was prevalent in the military. They conducted a thorough investigation by looking at 28,065,568 outpatient visits to the Northern Regional Medical Center from 2006 to 2011. In their investigation, they concluded that malingering was not prevalent in the military and that it only constituted 5% of the sample population. They found that most of the malingering cases consisted of young enlisted men that were not married and had been diagnosed from mostly from mental health clinics. They also discovered, surprisingly, that there were no spikes in the amount of malingering cases due to the Iraq and Afghanistan war. Although Lande & Williams study revealed a small percentage of malingering existed, they noted that malingering is still very difficult to identify or prove; thereby there could be a higher percentage that actually exist (Lande & Williams, 2013).

2.2.2 Utilization of Manpower

The most important factor effecting productivity in the Marine Corps is how we utilize our Marines. As a steward of taxpayer dollars, we are expected to be an efficient organization; furthermore, it is critical in retaining quality Marines that could depart the military as a result of not being challenged enough.

There are several positions that Marines fill that have nothing to do with their Military Occupational Specialty (MOS). For example, some Marines are cashiers that sell snacks and soft drinks to other Marines in what the Navy and Marine Corps call a “Gee-dunk”. According to the Congressional Budget Office (CBO), the federal government pays the average service member, current and deferred cash compensation, roughly \$135,200 annually, see **Table 1** (2015, p. 15). This compensation is not justifiable for the amount of production that the Marine is producing. It also takes Marines away from their primary training and decreases their morale.

In 2012, The CBO estimated that there were 340,000 similar positions throughout the Armed Forces, that service members are filling, that could be obtained from the private sector resulting in billions of dollars in saving annually to the United States Government (2015, p. 1).

Table 1

Average Annualized Cost, By Department, of Employing a Service Member and a Federal Civilian in Occupations That CBO Considered

2014 Dollars

Department and Cost Category	Military	Civilian	Military–Civilian Difference
Department of Defense			
Basic pay ^a	37,000	79,000	-42,000
Allowances	19,000	n.a.	19,000
Special, incentive, and other pay ^b	5,000	0	5,000
Employer's portion of Social Security taxes and unemployment and disability compensation	3,200	6,600	-3,400
Retirement pay ^c	12,000	13,700	-1,700
Health care while employed	9,000	6,000	3,000
Health care for military retirees age 65 or older (MERHCF)	4,000	n.a.	4,000
Health care for military retirees younger than age 65	5,000	n.a.	5,000
Permanent change of station (job transfers that require moving household goods)	3,000	0	3,000
Training (includes accession, basic skills, and specialized skill training for military personnel)	4,000	800	3,200
Education assistance	400	0	400
Advertising and recruiting	800	0	800
Family assistance	800	0	800
Commissary benefits (discount groceries)	200	0	200
Subtotal	103,400	106,100	-2,700
Department of Veterans Affairs			
Disability compensation and pension payments	16,000	n.a.	16,000
Health care	15,000	n.a.	15,000
Vocational rehabilitation, home loan spending, education (GI Bill), and burial benefits	3,000	n.a.	3,000
Subtotal	34,000	n.a.	34,000
Department of the Treasury			
Contribution to accrual payments for concurrent receipt of military retirement and disability pay	5,000	n.a.	5,000
Subtotal	5,000	n.a.	5,000
Office of Personnel Management			
Health insurance for civilian retirees	n.a.	4,000	-4,000
Subtotal	n.a.	4,000	-4,000
Department of Education			
Payments to local school districts for the education of dependents of military and civilian personnel (Impact Aid)	300	0 ^d	300
Subtotal for VA, the Treasury, OPM, and Department of Education	39,300	4,000	35,300
Total Federal Government Spending	142,700	110,100	32,600
Tax Revenues From Basic Pay and Special, Incentive, and Other Pay ^e	-7,500	-14,100	6,600
Net Cost to the Federal Government	135,200	96,000	39,200

Source: Congressional Budget Office.

Notes: Costs reflect current and future liabilities to the federal government from employing each type of worker.

DoD = Department of Defense; MERHCF = Medicare-Eligible Retiree Health Care Fund; OPM = Office of Personnel Management; VA = Department of Veterans Affairs; n.a. = not applicable.

- Basic pay for civilians is a weighted average of basic pay of the specific occupational specialties included in CBO's analysis. For DoD's civilian occupational specialties and average salaries, see Congressional Budget Office, "Civilian Occupational Specialties Matching Selected DoD Occupations of Active-Duty Positions Suitable for Transfer to Civilians" (supplemental material for *Replacing Military Personnel in Support Positions With Civilian Employees*, December 2015), www.cbo.gov/publication/51012.
- Special and incentive pays include bonuses and compensation for designated special-duty assignments, such as recruiting, and location assignments, such as certain overseas locations. Other pay includes separation pay and the cost of certain in-kind food benefits.
- The amount for military personnel refers to accrual payments DoD makes to the Military Retirement Fund. The amount for civilians represents the department's contribution to civilian employees' defined contribution plan (the Thrift Savings Plan) and the defined benefit plan under the Federal Employees Retirement System.
- CBO's estimate of Impact Aid paid by the Department of Education for the education of dependents of civilians is less than \$100 per civilian employee.
- Tax revenues for military and civilian personnel are calculated by multiplying basic pay and special, incentive, and other pay by the sum of a 15 percent income tax rate and a 2.9 percent employer and employee Medicare tax rate.

Note: Retrieved from "Replacing Military Personnel in Support Positions with Civilian Employees", by Congressional Budget Office (2015), p15.

Even in positions where Marines are in their primary work environment, having a 24-hour-7-day work schedule makes it extremely difficult to monitor how much production is done in a given day. Marines typically take time off work for various personal errands such as dropping kids off or picking them up from daycare, to paying bills. These privileges are not offered at many civilian jobs. While many would agree this has many benefits, such as family stability, unit cohesion, and individual morale, there exist the potential to abuse this privilege that result in many hours missed in a given work week. This creates frustration to fellow service members that have no family, or have a strong work ethic. This again presents inequality in pay among Marines that are paid the same amount but work less in a day.

It is only fair to point out that it is not reasonable to expect 100 percent productivity. In 2012, New York Times published an article suggesting that taking regular breaks improves productivity and creativity (To Stay on Schedule, Take a Break, 2012). This is why proper performance evaluations, conducted by immediate supervisors, are critical in creating a fair organization that encourages high productivity by either increasing compensations for those that have higher levels of productivity or skills, and decreasing those that have less.

3 IMPROPER PERFORMANCE EVALUATIONS

3.1 Purpose

Performance evaluations are the primary means of communicating between immediate supervisors and subordinates about past performance over a given period. It is a two-way form of communication that assess subordinate's strengths and weakness that can be used to improve performance and identify developmental needs. This is an invaluable tool that assists in selecting the best qualified personnel for promotion and retention; however, there are issues that need to be addressed.

3.2 Issues

3.2.1 Irregularity

The Marine Corps requires performance evaluation be conducted on grades private through corporal at least every six months, and at least once every year for all other grades. The Marine Corps also trains leaders to conduct informal counseling ever 30 days; however, since it is not formal, many times these evaluations are not being performed. This results in an unfair performance evaluation. If a Marine had exceptional performance throughout most of the year but the last couple of months was unacceptable, it is typically the last couple of months will be graded on because its fresh in the supervisor's mind and difficult to remember what happen months ago.

3.2.2 Subjectivity

While having regular performance evaluations would be an improvement, some Marines are still not getting fair reviews. Many leaders are not using the performance evaluations to evaluate performance, instead they typically evaluate their character, or how that leader feels about the individual. This can be extremely prejudicial to the Marine's career. For example, a pilot may have built a strong relationship with their enlisted crew chiefs, because they fly together, than the mechanic that works on the aircraft. Another possible, but very uncommon, example is an officer that changed from a Platoon Commander of an infantry unit to the senior officer in the unit's administrative section.

Many of these problems with productivity and performance evaluations can be resolved with proper training and a change in the culture among leaders; however, even if these issues are resolved, there still exists the potential for inequality in the current cash compensations.

4 IMBALANCED IN CURRENT CASH COMPENSATION

4.1 Basic Allowance for Housing (BAH) Not Equal to All

According to the Defense Travel Management Office, BAH "provides uniformed service members equitable housing compensation based on housing costs in local civilian housing markets within the United States when government quarters are not provided". This is an excellent benefit that helps the local economy, improves individual morale, and promotes family stability. However, BAH is not offered to all. This causes some unfair compensations.

For example, a single Sergeant typically lives in a barracks and is subject to field day, or weekly thorough inspections of their living spaces. They do not get any BAH since quarters are provided to them, however, a new Private First Class with a family receives BAH which increases his cash income and is not subject to field days.

Another example of how BAH could create an unfair advantage was published by Carrel and West. Carrel and West identify that there were inequalities in military pay according to where a service member was permanently assigned geographically. They argued that military personnel are paid less competitive wages in high-cost and/or low-amenity locations compared to low-cost and/or high-amenity locations. By offering higher wages to less desirable location, as opposed to the local housing cost, they believe it would promote re-enlistments since service members would be able to choose between getting a higher wage, or lower wage for a more desirable location. As a result of this choice service member's moral would be high and less disciplinary problems may result. They also note that this would save the government money due to the moving and training cost associated with replacements (Carrel & West, 2005).

4.2 Military Skills Are Not all Equal, Compensation Should Reflect

Military pay is based on rank and time in service. When taking into account the skills and experience the Marine Corps falls short in compensating equally based on these attributes.

In the private sector, the median annual salary for an air traffic controller, in 2015, was \$122,950 and a police officer was \$60,270. This is a huge pay difference; however, in the Marine Corps, these two skills will be paid the same based on the same rank and time in service (Department of Labor, 2016).

The Marine Corps does try to offset this difference with special pays like flight pay or special pay for medical and dental officers, but there are still many professions that do not get special pay. There is also enlistment and re-enlistment bonus that are offered to some MOSs in the Marine Corps, however this is a flawed system as it is concerned with just fulfilling positions and not retaining talent. For example, a Marine could receive a reenlistment bonus of \$30,000 for their MOS, and after signing, have unsatisfactory performance or possibly spend time in the brig. **Table 2**, shows a list of some common jobs in the Marine Corps and what the median annual salary was in 2015, according to the Bureau of Labor Statistics.

Table 2

2015 Median Salary by Occupation in Private Sector

Occupation	Salary
Heavy and Tractor-trailer Truck Drivers	\$40,260
Air Traffic Controllers	\$122,950
Bus Drivers	\$30,950
Lawyers	\$109,010
Network and Computer Systems Administrators	\$77,810
Firefighters	\$46,870
Food Service Managers	\$48,690
Postal Clerk	\$56,790
Police and Detective	\$60,270

5 CONCLUSION

5.1 Recommendations

After reviewing all the related material and at the conclusion of this research, I do feel we need to address this issue. If we do not address the issue of inequality in compensations, we will lose quality Marines that are frustrated. The current military pay system is an antiquated system and needs to be overhauled to adjust to the evolving technical skills that are needed to win our nation's wars. Therefore, I recommend the following:

- Provide a shifting pay scale that takes into account performance. If a Marine's productivity and performance is low, immediate supervisors should be able to decrease wages, but no lower than an agreed minimum, and increase wages if productivity and performance is high, but no higher than an agreed maximum.
- Pay service members hourly during non-deployments vs a fixed salary. This rate will be based on the national average, for their level of experience and skills. This will promote more productivity and adequately compensate those that take too much time off work for personal reasons.
- Improve the training curriculum which emphasizes the importance of doing regular, objective performance evaluations and be accountable for their low performance.
- Shift some of the 340,000 commercial jobs that are performed in the military to the private sector.

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