



INSTITUTE FOR DEFENSE ANALYSES

The Full Cost of Military Personnel

Stanley A. Horowitz

March 2016
Approved for public release;
distribution is unlimited.
IDA Document NS D-5764
H 16-000363



The Institute for Defense Analyses is a non-profit corporation that operates three federally funded research and development centers to provide objective analyses of national security issues, particularly those requiring scientific and technical expertise, and conduct related research on other national challenges.

About This Publication

The views, opinions, and findings should not be construed as representing the official position of either the Department of Defense or the sponsoring organization.

Copyright Notice

© 2016 Institute for Defense Analyses, 4850 Mark Center Drive, Alexandria, Virginia 22311-1882 • (703) 845-2000.

This material may be reproduced by or for the U.S. Government pursuant to the copyright license under the clause at DFARS 252.227-7013 (a)(16) [Jun 2013].



The Full Cost of Military Personnel

Stanley Horowitz

Personnel cost includes much more than pay

- Direct vs. Indirect
 - Direct costs are clearly linked to the compensation of individuals
 - Indirect costs cover overhead expenses not tracked to individuals
- Current vs. Deferred
 - Current compensation goes to people now serving in the military
 - Deferred compensation goes to veterans, people who have completed their service
- In the Defense Department budget vs. in the budget of other government departments

Current Direct Costs of Military Personnel

Basic pay

Basic allowance for housing

Basic allowance for subsistence

Other allowances

Special pays

Incentive pays

Permanent change of station costs

Separation pay

Other

We often do not use the right costs in budgeting for personnel

- Standard practice relies on a single direct cost per officer and enlisted member for each Service
- This may not accurately reflect marginal cost
 - Variation in mix of ranks. A rifle company is relatively cheap.
 - Variation by occupational specialty. Electronics technicians and pilots are expensive to train.
 - Retired pay accrual. Junior enlisted personnel are unlikely to stay until retirement.
- Decisions involving various kinds of organizations will be better if the personnel costs used reflect the personnel in them
- Charging organizations the marginal cost of personnel would discourage excess demand for personnel

It can be expensive to get and keep people with marketable skills

SPECIAL PAYS FOR HEALTH PROFESSIONAL OFFICERS (note)									
Variable Special Pay (Medical Officers)									
Pay Grade	Under 3	3 But Less Than 6	6 But Less Than 8	8 But Less Than 10	10 But Less Than 12	12 But Less Than 14	14 But Less Than 18	18 But Less Than 22	22 and Over
Intern	100.00								
Thru O-6 (not an intern)		416.67	1,000.00	958.33	916.67	833.33	750.00	666.67	583.33
Above O-6	583.33	<i>For other pays or specific requirements for the pay cited in this table, go to the web at: http://www.dtic.mil/comptroller/fmr/07a/index.html</i>							
Variable Special Pay (VSP) (Dental Officers)									
Pay Grade	Under 3	3 But Less Than 6	6 But Less Than 8	8 But Less Than 12	12 But Less Than 14	14 But Less Than 18	18 & Over		
Intern	250.00								
Thru O-6 (not an intern)		583.33	583.33	1,000.00	833.33	750.00	666.67		
Above O-6	583.33								
Board Certified Pay Special Pay (Medical and Dental Officers)					Additional Special Pay (ASP) (Dental Officers)				
Pay Grade	Under 10	10 But Less Than 12	12 But Less Than 14	14 But Less Than 18	18 & Over	Pay Grade	Under 3	3 But Less Than 10	10 & Over
All Grades	208.33	291.67	333.33	416.67	500.00	All Grades	4,000.00	6,000.00	15,000.00
Incentive Special Pay (Medical Officers)									
Specialty	Annual Amt	Specialty	Annual Amt	Specialty	Annual Amt	Specialty	Annual Amt		
Anesthesiology	\$36,000.00	Internal medicine	14,000.00	Otolaryngology	30,000.00	Subspecialty Category I	36,000.00		
Dermatology	18,000.00	Neurology	14,000.00	Pathology	16,000.00	Subspecialty Category II	28,000.00		
Emergency medicine	26,000.00	Neurosurgery	36,000.00	Pediatrics	12,000.00	Subspecialty Category III	23,000.00		
Family practice	13,000.00	OB/GYN	31,000.00	Prev/Occ/Phys Med & Aero Med	13,000.00	Subspecialty Category IV	14,000.00		
Gastroenterology	26,000.00	Ophthalmology	28,000.00	Psychiatry	15,000.00	Urology	28,000.00		
General surgery	29,000.00	Orthopedics	36,000.00	Radiology	36,000.00				
Multiyear Special Pay (Medical Officers)									
	Level 1		Level 2		Level 3		Level 3		
4 Year Agreement	14,000.00		10,000.00		8,000.00		0		
3 Year Agreement	13,000.00		9,000.00		7,000.00		0		
2 Year Agreement	12,000.00		8,000.00		6,000.00		0		

Indirect military personnel costs are high (\$M 2007)

Medical Support	8,029
Schools for Dependents	1,586
Commissaries	1,145
Family Housing	4,187
Educational Impact Aid	1,228
Total Personnel Support	16,175
Personnel Administration	2,887
Military Education and Training	16,125
Total Indirect Cost	35,187

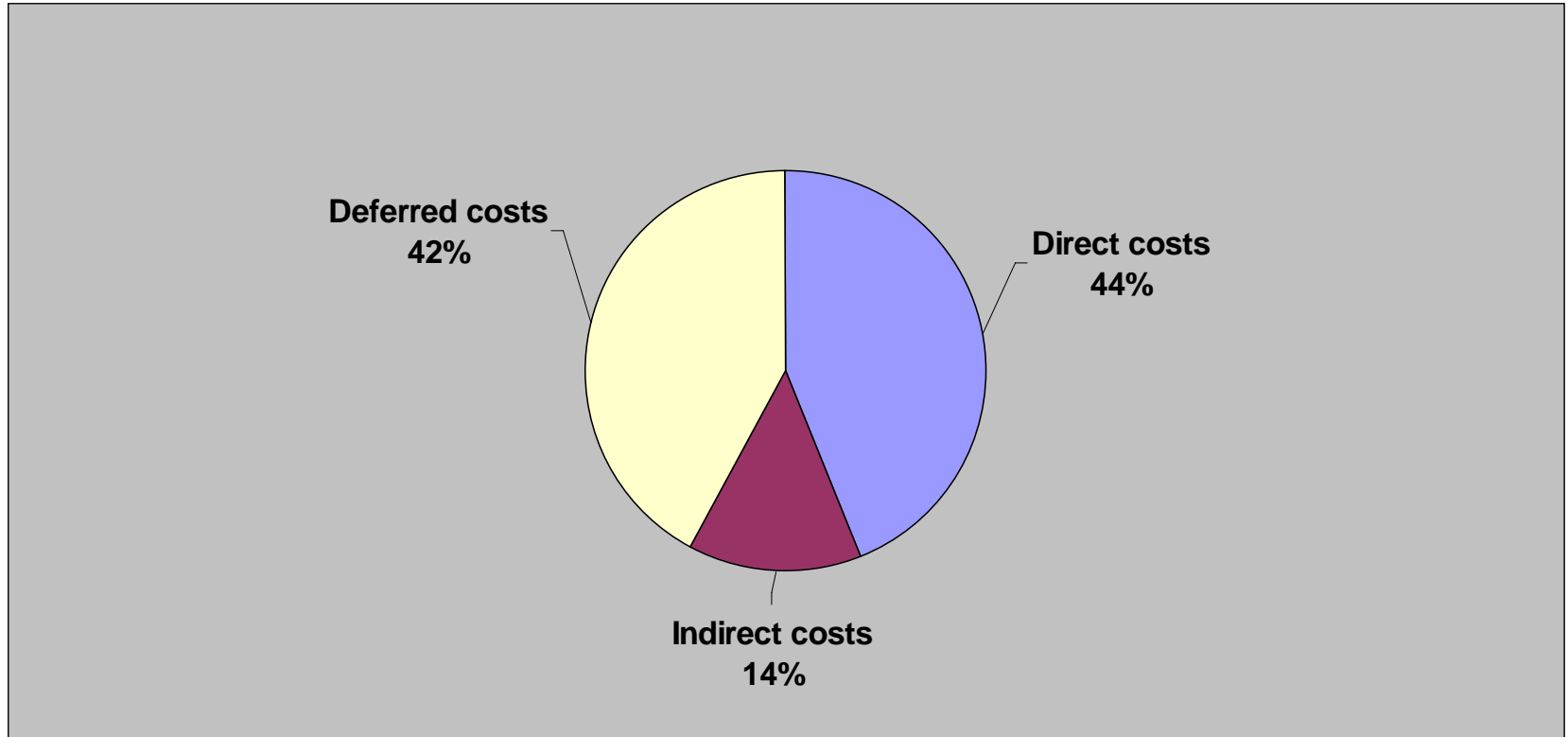
Does not include direct cost of military personnel in these categories – please forgive the old data

We keep paying after people leave the military

Medical Costs for Retirees and Their Families	12,044
Department of Veterans Affairs	70,410
Department of Labor – Veterans Employment and Training	222
Department of the Treasury – Unfunded Retirement Liabilities	23,180
Total Outside Department of Defense Budget	93,812
Total Deferred Costs	105,856

The Department of Veterans Affairs budget is \$163 billion for 2016!

Costs related to military personnel – FY 2007



Total = \$251 Billion

Today deferred costs are a much larger percent

Conclusions concerning military personnel costs

- Variable costs are difficult to calculate, and depend on details of the question at hand
- Indirect costs are important
- Personnel cost much more than is generally recognized
- Much of the cost is deferred
- Some is not in the DoD budget
- Organizations often get military personnel for free
- This likely distorts many decisions

REPORT DOCUMENTATION PAGE

*Form Approved
OMB No. 0704-0188*

The public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden, to Department of Defense, Washington Headquarters Services, Directorate for Information Operations and Reports (0704-0188), 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to any penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.

PLEASE DO NOT RETURN YOUR FORM TO THE ABOVE ADDRESS.

1. REPORT DATE (DD-MM-YYYY)		2. REPORT TYPE		3. DATES COVERED (From - To)	
4. TITLE AND SUBTITLE				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES)				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT	18. NUMBER OF PAGES	19a. NAME OF RESPONSIBLE PERSON
a. REPORT	b. ABSTRACT	c. THIS PAGE			19b. TELEPHONE NUMBER (Include area code)

