



National Audit Office

MINISTRY OF DEFENCE
Recruitment and Retention
in the Armed Forces

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EXECUTIVE SUMMARY



1 Each year, the Ministry of Defence (the Department) must recruit, train, motivate and retain sufficient military personnel to provide the military capability needed to meet the Government's strategic objectives. As at July 2006, the trained strength of the Armed Forces stood at around 180,690 personnel, a shortfall of some 5,170 personnel (2.8 per cent) against the Department's estimated requirement.¹ Overall, the Armed Forces were not in manning balance² and the figures mask wider shortages of trained personnel within a range of specific trade groups across all three Services.

2 The Department has developed a set of Defence Planning Assumptions, based on a range of hypothetical potential operational scenarios, to help it plan for future contingencies. The level of activity envisaged within the Defence Planning Assumptions underpins the calculation of the overall manpower requirements for each of the three Services each year. The manning requirements have not been adjusted to reflect the current levels of deployment of the Armed Forces which have since 2001 exceeded the assumptions made about enduring concurrent operations and which seem likely to continue to do so for some time. The Department accepts that operating at this level can result in additional strains on its people.

3 At July 2006, the Army's strength was 100,010 personnel – a shortfall of 1,790 personnel (1.8 per cent), which was within manning balance. The Royal Navy remained below manning balance, its strength was 35,470 personnel – a shortfall of 1,310 personnel (3.6 per cent). The Royal Air Force was also below manning balance – its strength was 45,210 personnel – a shortfall of 2,080 personnel (4.4 per cent)¹, having made a tranche of redundancies in April 2006. All three Services expect to be within manning balance by April 2008, but are experiencing shortfalls in the intervening period. Historically, the Services have consistently run below the full manning requirement. The achievement of manning balance by the Army in July 2006 in part reflects the measures the Department has undertaken to bolster recruitment and retention, but is also a consequence of reductions in the manning requirement.

4 Within the overall manning levels of each of the Services there are a number of discrete areas that are under strength for a variety of reasons; there are 88 operational

“pinch point” trades where there is insufficient trained strength to perform operational tasks while enabling guideline levels on the amount of time away from home to be met for members of these trades. These can relate to either whole trade groups or to problems at specific ranks. Although the Department has worked hard to alleviate manning shortfalls within pinch point trade groups, and has devised and deployed a varied range of measures to improve recruitment and retention, in some cases full manning remains a distant prospect; the Department expects to achieve full manning in our 11 case study trades between 2008 and 2014. Manning shortfalls in the pinch point trades that we examined in detail ranged from 1.6 per cent to 70 per cent.

5 The rates at which personnel are voluntarily leaving before their period of engagement ends differ by Service and by trade. In the last two years, overall exit rates have risen slightly for Officers and Other Ranks. There has been a slight decrease in Other Ranks exits in the Royal Navy and the Army since April 2004. On the whole, current levels of early exits have not yet reached the peaks seen in the last 10 years, and the Department considers that overall the long-term trend is fairly stable. In 2005-06 around 1,010 officers (3.4 per cent) and 8,160 other ranks (5.4 per cent) left the Services early. Higher than average rates of early exits are a problem for some groups and previous high outflow levels have contributed to some of the manning shortfalls in today's pinch point trades. Early exit rates in the case study trades we examined ranged from two per cent to 10 per cent.

6 A variety of factors influence personnel to leave the Services early but many former and serving personnel in the pinch point trades we surveyed cited the impact of Service life on family life and the inability to plan life outside work as key drivers in their decisions to leave. Other important reasons were the availability of civilian employment, feeling that the work of the Services is no longer valued, uncertainty over the future given the current changes in the Forces, and concerns about the quality of equipment. Similar factors were among the top causes of dissatisfaction for all personnel included in our survey, including those who currently intended to stay in the Services. Our survey suggested that further pressures in these aspects of Service life might cause serving personnel in pinch point trades to reconsider their decision to stay.

¹ Due to the introduction of the new Joint Personnel Administration System in the Royal Air Force, all Royal Air Force data from 1st April 2006, as provided by the Department, are provisional and subject to review.

² Manning balance is the prevailing trained strength requirement within a tolerance band of plus one per cent and minus two per cent to reflect routine structural and organisational change within the Services.

7 Each Service has set “harmony” guidelines on the amount of time that personnel should spend away, which aim to ensure that Service personnel and their families have a sustainable balance between time away and time at home. We found that guidelines were being exceeded by significant numbers of personnel, particularly in the Army, where 14.5 per cent of those on the trained strength as at January 2006 had breached the target at some point in the last 30 months.

8 For all Services, the overall figures mask the impact on operational pinch points, which are particularly affected by the high level of operational commitments given the shortages of personnel in these groups. For example, more than one-third of Vehicle Mechanics, Armourers and Recovery Mechanics (twice the Army average) have exceeded harmony guidelines.

9 Amongst our survey respondents, 28 per cent of those personnel who had recently left pinch point trades and 38 per cent of those still serving, but intending to leave, rated “too many deployments” as an important reason for leaving. And 32 per cent of serving personnel intending to leave and 21 per cent of recent leavers said that operational deployments had been too long and were a reason for leaving. Set against this finding, however, nine per cent of our survey respondents said that they had left or intended to leave because they had not been deployed enough. Our survey also showed that the recent increased operational tempo impacted throughout the Services, including on personnel not currently deployed. A significant proportion of current and former pinch point personnel considered that pressures on their time when not on operations had increased in recent years. The Department’s own survey of working patterns showed that, although average hours worked had fallen slightly in 2005-06 for the Army and the Royal Air Force, they had increased for the Royal Navy, and that overall nine per cent of those surveyed had worked excessive hours (70 hours or more a week) in 2005-06.

10 In an effort to improve retention the Department has introduced five financial retention incentive schemes, either on a tri-Service basis where there are common problems or to target specific trades in individual Services. Financial incentives are a key tool in tackling retention difficulties, particularly in the shorter-term. The Department recognises, though, that there are several limitations associated with financial incentives and has work in hand to improve its understanding. For example,

our survey of pinch point trade personnel has shown that such incentives were a deciding factor in their decisions to stay for 11 per cent of people who had been offered them while, for a further 53 per cent of people, the incentives had no impact on their decision as they would have stayed anyway. The schemes for Aircrew, Non-Commissioned Aircrew and Submariners have cost a total of £74 million since April 2002 and have secured 12,019 man years return of service from personnel³. In addition to these targeted financial retention incentives, the Department has traditionally paid commitment bonuses to personnel at set points in their career. The timing of the payment of the commitment bonuses is now decided by the single Service Manning Authorities to ensure they are a more flexible and targeted retention tool.

11 The Department has also adopted a range of non-financial measures to improve manning in pinch point areas, aimed at retaining its most experienced personnel and alleviating some of the pressures caused by the combination of undermanning and high commitment levels within these groups. For example, the Department has introduced continuance and long service schemes to retain experienced personnel. And the Department is pursuing a number of schemes to “fast track” the promotion of some personnel to provide additional manpower in shortage areas or to reduce pressures on pinch point trades through initiatives to reassign roles or to restructure trades. Longer-term, one benefit of the Department’s ongoing restructuring of the Army under ‘Future Army Structures’ will be to increase numbers in pinch point areas in the Army.

12 Specific recruitment targets vary each year but, at an overall level, since 2000-01, the Services have recruited 98 per cent of their targets for intake from civilian life. The Royal Navy has consistently achieved over 96 per cent of its intake from civilian life targets, and achieved 100 per cent in 2005-06. The Army exceeded its targets for intake from civilian life between 2001-02 and 2003-04, but has experienced a shortfall of between four and five per cent for the last two years. The Royal Air Force has achieved between 90 and 98 per cent of its intake from civilian life targets over the last five years. The Department achieved 96 per cent of its overall target for intake from civilian life in 2005-06, as recruiting problems persisted in some key areas.

13 The Department successfully achieved its recruiting targets in 51 per cent of the pinch point trades we surveyed during 2005-06, although the long training lead

³ This figure does not include the Financial Retention Incentive for the Royal Signals. The Department did not measure the number of man years secured by this initiative.

times in some trades mean that it will take several years for this influx of recruits to boost the trained strength. There are, on the other hand, several pinch point trades within the Services where recruiting remains more difficult, for example, Non-Commissioned Aircrew and Royal Marine Other Ranks. A number of other areas such as the Infantry and the Royal Artillery which, although not yet classed as operational pinch points, are experiencing recruiting difficulties.

14 As with retention, the Department has used a range of measures to try to improve recruitment into pinch point trades with varying degrees of success. For example, it has offered financial incentives such as golden hellos, rejoining bounties and transfer bonuses in attempts to boost numbers in some trades. In addition, the Department has used a number of non-financial initiatives to improve recruitment. For example, trade-specific personnel have augmented staff at recruitment offices and various outreach activities have been used.

15 The Department is facing current and future challenges to its ability to recruit sufficient numbers of new entrants as a result of demographic changes, changing attitudes to careers, and negative publicity affecting public perceptions of the Armed Forces. The Department is taking steps to respond to each of these challenges.

Overall Value for Money

16 Maintaining sufficient levels of manning and experience in the Armed Forces and, in particular, in many of the pinch point trades which provide critical functions, is vital for operational capability. Decisions to implement particular recruitment and retention measures must therefore be made on the basis of military judgement as well as on the basis of costs.

17 It is difficult to quantify the cost effectiveness of the Department's initiatives to recruit and retain personnel within operational pinch points in the absence of robust data collected by the Department. The Department has carried out some analyses of the success or otherwise of various recruitment and retention initiatives, but these could be developed further to understand better why initiatives are more successful in some trades than in others. It does not collate the through-life costs of Service personnel and cannot, therefore, quantify the financial impact of losing personnel early. While some information on recruitment

and training costs is available, the Services cannot say, on average, how much it costs to train an individual to the point where they are classified as a "Gain to Trained Strength"⁴ as this information is available only for some trades. Where available, we have calculated that the average cost of recruiting and training personnel to the point where they have completed Phase 1 training is around £92,000 for an officer and £25,000 for other ranks. On this basis, the Department would save a minimum of around £24 million each year in recruitment and training costs were the Services able to reduce the rate of voluntary outflow to the level envisaged in their guidelines. The Department has not routinely performed robust cost benefit analyses on the range of financial incentives on offer to recruit or retain personnel, nor until recently has it conducted balance of investment appraisals to assess whether it is better to introduce measures to retain experienced personnel in pinch point trades or to increase recruitment.

18 On the basis of the limited information available to us and the analysis that we have undertaken it would appear that retention measures represent better value for money than the steps taken to recruit and train replacement personnel. For the cases that we examined, we calculated that the Department spent £74 million to retain 2,500 trained people compared to an estimated cost of £189 million to recruit and train the equivalent number of replacement personnel to the end of Phase 1 training.⁵ In reality, the true costs of achieving equivalent replacement personnel will be significantly greater since individuals that have left the trained strength will have received higher levels of training and investment in their careers than those that have been recruited to the basic standard of capability on which we have based our calculations. In addition, the level of experience possessed by departing personnel cannot be replaced easily or quickly.

19 The Department has achieved notable success in retaining personnel in particular areas through the use of short-term, mainly financial incentives, but it is likely that the Services will face even greater challenges in the future, particularly given the strain placed on personnel by the current tempo of operations. It will be important for the Department to maintain its focus on structural issues such as reducing pressures on pinch point trade personnel by restructuring trades, as well as longer-term issues such as lack of stability for personnel; these may be more complex and costly to address but should prove more effective in the longer-term in addressing the key factors that cause personnel to leave.

⁴ Referred to as "Into Productive Service" in the Royal Air Force.

⁵ Phase 1 training is the initial training in basic military skills required by all personnel. Recruits will need to have completed further specialist training in their chosen trade or discipline (Phase 2 training) before they are considered to have joined the trained strength.



CONCLUSIONS AND RECOMMENDATIONS

1 The causes of operational pinch points are complex and there is no common single factor that causes a particular trade or specialist group to become a pinch point. Some trade groups which may otherwise be at or near full strength are classified as pinch points because the number and frequency of operational commitments places excessive demands on existing personnel.

Recommendation 1: The Department should review the overall manning requirements within individual operational pinch point trade groups to determine whether they are set at sufficient levels to support enduring operational commitments.

2 The Department does not set targets each year for the maximum numbers of people that give notice to leave early. It does, however, make assumptions about these rates in order to effectively model recruitment and promotion requirements. It then monitors the rate of applications to leave early against assumptions about exits and against historical trends. The delay between notice giving and departure gives the Department the opportunity to take pre-emptive action where necessary. Higher than average outflow rates can pose problems for some trades and previous high levels of outflow have contributed to some of the shortfalls in today's pinch point trades.

Recommendation 2: The Department should develop guidelines on the expected levels of voluntary outflow for individual operational pinch point trades, to ensure that retention is managed as actively as recruitment.

3 The Department has a good general understanding of the main factors that drive personnel to leave at an overall level through a series of surveys it conducts each year. Continuous Attitude Surveys seek data on a wide range of factors, from a broad cross section of personnel, but these are not sufficiently focused on the drivers of retention. Each of the Services conducts surveys of personnel who have given notice to leave but these are not always carried out consistently or rigorously enough and suffer from low response rates in the Army. Responses to our surveys of pinch point trade personnel showed that the number, frequency and duration of operational deployments had influenced the decisions to leave of a sizeable proportion of both former and serving personnel within pinch point trades, but the Department cannot say whether the current position as revealed by our surveys is any better or worse than previously.

Recommendation 3: The Department should conduct regular surveys of personnel, along the lines of that devised by the National Audit Office for this study, which are designed to draw out detailed attitudes towards factors influencing retention. These should have a greater focus than the existing Continuous Attitude Surveys on the specific factors that reduce retention and be carried out on a regular basis to aid the early identification of emerging trends. They should enable analysis by specific trades or cohorts of personnel which are of particular concern at any moment in time, and generate data specifically on views on operational deployments.



4 Whilst a degree of separation from home/family life is an expected part of Service life, significant numbers of personnel have exceeded “harmony guidelines” within their respective Services on the maximum time personnel should spend away so as to achieve a sustainable balance between time away and time at home. Operational pinch point trades are particularly affected by the high level of commitments.

5 The true extent of time spent away from home is greater than that captured by the harmony measures since personnel will not always record short absences and the position is further confused since each Service differs in its definition of the activities that are classed as separated service. Under the Joint Personnel Administration System, the Department expects that the recording of data will be standardised and that the quality of separated service data will improve over time. Meaningful trend analysis will not be available until 2008, however.

Recommendation 4: The Department should assess the extent to which breaches of individual harmony may be understated, including through potential under-reporting and the demands of high readiness. In addition, the Department should review harmony levels across the three Services.

6 The impact of Service life on family life, the inability to plan life outside work and the desire for family stability were top dissatisfaction factors among respondents to our surveys and key drivers in their decisions to leave the Services early. In addition, a significant proportion of those personnel who were not currently intending to leave said that further deterioration in these aspects of Service life might lead them to reconsider their decision to stay.

Recommendation 5: The Department is constrained in its ability to reduce the operational tempo, which is impacting on personnel, but should look to investigate measures to provide greater stability and certainty of work patterns for personnel between operational deployments. Whilst recognising the limitations in how much workload can be reduced, the Department should look to improve its ability to let serving personnel know their work patterns over a longer time horizon.

7 The Department has introduced a range of financial retention incentives which have, based on the evidence available, provided an effective short-term fix. The Department does not know the extent to which the offer of a financial incentive, as opposed to other factors, influences personnel to stay in the Services. The Department’s evaluations do not compare the costs of the schemes with the consequential savings in recruitment and training costs secured by improved retention.

Recommendation 6: The Department should commission research into the effect that the payment of financial retention incentives has on personnel’s decisions to continue serving in the Armed Forces. The results of this research would aid the Department’s current work in this area and assist it to identify the likely cost effectiveness of individual schemes.

CONCLUSIONS AND RECOMMENDATIONS (CONTINUED)

Recommendation 7: The Department should ensure that post implementation evaluations are completed on all financial retention incentive schemes introduced across the three Services and that these include full cost benefit analyses to quantify the benefits achieved in each case.

8 The fact that pay is often tied to rank can limit the ability to offer financial rewards for personnel with certain skills. The Department has decoupled pay from rank for certain medic and aircrew trades, but has not looked to introduce similar schemes more widely, for example in technical trades, even though some trades have clear equivalents in civilian life, for example the telecommunications industry.

9 The Services have directly recruited suitably qualified personnel to some medical trades but generally make limited use of direct entry of personnel with specialist skills (“lateral recruitment”) to ease manning shortfalls since the Department considers that there would be a risk to operational capability. Lateral recruitment is used more extensively, for example, by the Australian Armed Forces to staff trades such as engineering, legal and health.

Recommendation 8: The Department should review the scope to introduce further schemes which provide the opportunity to offer competitive salaries without the attendant military rank as a means of improving the manning position of particular trades with acute recruitment or retention difficulties or where it can take some time to gain the necessary experience.

Recommendation 9: The Department should give careful consideration to the scope for lateral recruitment to a wider range of trades than is currently the practice, particularly as a means of easing pressures within operational pinch point trades.

10 The Services have made some use of “fast tracking” personnel to provide additional manpower in shortage areas, for example through relaxing the need for some trade qualifications or by accelerating the promotion of selected personnel. While fast tracking personnel to fill manning gaps may have some benefits, such schemes need to be carefully managed to avoid any potential risk to operational capability that may arise from inexperienced personnel being asked to perform roles beyond their abilities.

Recommendation 10: The Department should closely monitor the impact of its fast tracking initiatives on its delivery of operational capability. Nonetheless, where such initiatives are deemed to be successful, the Department should consider whether the previous requirements for specific training qualifications or serving lead times can be permanently reduced and replicated more widely in other trades.

11 Among respondents to our surveys, a higher proportion of currently serving personnel who intended to leave cited the impact of Service life on family life, and the inability to plan life, as being important than did those who had left the Services within the last two years. And the majority of serving personnel in pinch point trades felt that pressures on their time when not deployed had increased in the last few years. It is difficult to know to what extent these findings are indicative of a rising level of dissatisfaction with Service life or Service conditions worsening, and whether the Department may be about to face a further rise in the numbers of personnel leaving early.

12 Within an overarching Service Personnel Plan, the Department is considering 25 separate projects, grouped under seven strategic programmes, to address longer-term recruitment and retention issues. Timescales for the projects vary, some do not have a definite timescale agreed or have yet to be allocated funding. One programme includes work on the impact of operational tempo on personnel.

Recommendation 11: The Department should develop a clear order of priority for the wide range of long-term projects it has planned and commit to firm timescales and funding programmes for the most important. Assessment of the impact on personnel of the current operational tempo, and workloads when not deployed, warrants early attention and the Department should model the impact on future retention. Overall, the Department should look to further shift the focus of its retention measures from short-term, predominantly financial retention incentives, to those structural changes needed to provide personnel with greater certainty and, for those affected most, reduced workloads.

13 The Department has, in the past, reduced its recruitment activity due to force restructuring measures or to make short-term financial savings. Such action has had far reaching effects, with shortages in terms of a “black hole” in the experience profile of a particular group or trade persisting for many years. It has taken years for recruiting performance to recover to levels experienced before cutbacks were introduced and more effort and resources were required to raise awareness in the target population for recruits.

Recommendation 12: At times of force restructuring, the Department should ensure that it maintains sufficient recruitment activity to guard against the creation of manpower shortages within specific trade groups in the future.

Recommendation 13: Where the need to make short-term financial savings is the driver to reducing recruitment or marketing activity, the Department should first analyse whether such action represents value for money against the likely longer-term impacts, including the amount of expenditure needed to restore interest to previous levels.

Recommendation 14: The Department should look at the scope to over-recruit in specific areas where there have been more serious recent shortfalls. Although flexibility may be limited by the need to maintain the right profile of experience and rank, and by the physical capacity of the training system, the Department should put in place arrangements for assessing the desirability of increasing recruitment targets for particular groups.

14 The Department maintains a number of different sets of manpower data, and there are differences between data used by the Services for managing manpower and data reported centrally and externally, particularly in recruitment data. Overall, the broad trends between different data sets remain similar but different baselines, definitions and reporting timelines as well as retrospective changes to historic data lead to a lack of clarity in the Department’s manning data and create the potential for confusion in their interpretation.

Recommendation 15: The Department should review the relationship between its differing data sets for both managing and reporting targets and outturn in personnel data, including recruitment, manning strength and retention. Wherever possible, it should generate and use data on a timely basis, and which allows analysis by different cadres of personnel, including by trade, and trend analysis over time.

15 There is some sharing of information, research and good practice on recruitment initiatives within and between the Services. However, there is little attempt to conduct systematic evaluations or cost benefit analyses. The Department cannot, therefore, say how much of any improvement in recruitment may be attributed to the offer of financial incentives as opposed to any other recruitment initiative.

Recommendation 16: The Department should look to further its understanding of the relative merits of the various recruitment initiatives offered by the Services through conducting cost benefit analyses of each scheme and look to use the information gained to inform its future actions.

16 The Department’s ability to undertake cost benefit analyses is undermined by the inaccessibility of meaningful data on the costs of recruitment and training its personnel. Such data as is available is patchy and inconsistent. Without reliable information the Department is unable to determine the true cost of personnel leaving the Services early, compare the through-life costs of personnel by Service or to make informed decisions about the relative value for money of investing in recruitment or retention measures.

Recommendation 17: The Department should collect full data on the full through-life costs of personnel, including recruitment and training, by trade. The Department should use the data collected to underpin the various cost benefit analyses recommended above.