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The Cost Viability of GS Employees Versus Military Personnel

by

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**An Honors Thesis in partial fulfillment of the requirements for the degree Bachelor of
Science in Business Administration in Accounting**

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ABSTRACT

The main objective of this thesis is to analyze the cost viability of federal government employees versus military personnel with a focus on the security guards at Fort Wainwright, Alaska. This analysis seeks cost viability from two perspectives. The first perspective is the cost of each personnel to the Army through total compensation value analysis. The second perspective is the cost viability to work as a federal employee versus enlisting in the Army. This perspective was analyzed through gross, disposable, and discretionary income analysis. The analysis was designed to shed light on the disparity in pay between the two types of employees. Results verify that the cost to employ a federal employee is greater than employing military personnel. However, the total compensation value of military personnel is much greater than its counterpart. The results suggest that the Army seeks a delicate balance of combat readiness, cost efficiency, and personnel retention.

INTRODUCTION

Within the military community emerges the conversation about the use of federal employees for positions that were once considered the duty of a soldier. These jobs vary from supply specialists who issue gear to soldiers at the Central Issue Facility (CIF) to security guards who man the security control points on bases. The concern which arises is that federal employees indisputably earn a considerable amount more than a soldier of similar qualifications. Many view the use of federal employees as being a cost inefficiency in the military budget. However, through my analysis, I will seek underlying variables which may unveil reasons for the disparity in pay between a soldier and federal employee.

In this thesis, I will first review the organizational structure, initial training, components of pay, and benefits of both a soldier and federal employee. I will explain the role of a federal employee working for the Department of the Army as well as put the federal employee and soldier on comparable grounds. Then I will examine cost viability through total value of compensation analysis as well as gross, disposable, and discretionary income analysis. Finally, I will discuss the implications the results of my analysis display.

LITERATURE REVIEW

Enlisted Army Initial Entry, Pay, and Benefits

On July 1, 1973, the draft was eliminated and the United States Army became all volunteer. Reasons for joining the military vary by person, but one thing remains consistent across the Army: the pay.

Candidates for the Army have many decisions before joining the army, the first decision being whether to become an officer or an enlisted member. The requirements to become an officer includes obtaining a bachelor's degree at minimum which may deter many young individuals seeking to serve their country as an officer. For this reason, much of the Army consists of enlisted soldiers. Candidates of the Army transform from a civilian to a soldier through the attendance of Basic Combat Training (BCT) where they learn basic military customs and tactics. Soldiers must then complete Advanced Individual Training (AIT) to master the technical skills of their military occupational specialty (MOS) such as infantry, military intelligence, or military police. In this study, the MOS of focus will be on the enlisted Military Police (MP).

Enlisted Soldiers begin receiving benefits from the Army upon their arrival to BCT. These benefits include Basic Pay, which is paid to soldiers bi-monthly, similarly to the salary of many civilian occupations. Basic Pay is determined by the rank of the soldier - i.e. Private, Specialist, Sergeant - as well as cumulative years of service. Lower ranking enlisted soldiers who are single are required to live on base in barracks at zero cost. However, higher ranking enlisted members, married individuals, or those who have dependents have the option to obtain off-base housing. In this case, soldiers receive a Basic Allowance for Housing (BAH). The amount of this allowance is also determined by the rank of the soldier as well as dependent status. In addition, there are multiple more miscellaneous allowances which include Basic Allowance for Subsistence (BAS), Clothing Allowance, Family Separation Allowance, and Hazardous Duty Pay. If a soldier is stationed at a base near or in a city with a higher cost of living, he or she will also receive a Cost of Living Allowance (COLA).

According to the IRS, there are numerous special tax breaks for the U.S Armed Forces. If one serves in a combat zone or in support of a combat zone, his or her combat pay is partially or fully tax free. The nontaxable combat pay may be included in taxable income which would increase Earned Income Tax Credit (EITC) and therefore result in a lower tax burden or higher tax refund. Soldiers may deduct unreimbursed moving expenses if the move is due to a permanent change of station (PCS). Additionally, the cost to purchase and upkeep uniforms that is not covered by the clothing allowance may also be deducted ("Tax Breaks for the Military", 2016).

Benefits to soldiers that are more difficult to put an exact dollar number on are health care benefits, life insurance benefits, and retirement savings plans. Soldiers and their family are

not only entitled to a Health Maintenance Organization (HMO) type health care plan called TRICARE at little to no cost but also entitled to opt for Servicemembers' Group Life Insurance (SGLI) with coverage up to \$400,000 ("Military Benefits: Health Care and Vacation", 2018). As of January 1, 2018, the Army converted its retirement plan from a legacy retirement pension to a blended retirement system which is a "combination of the traditional legacy retirement pension with a defined contribution to the servicemembers' Thrift Savings Plan account" ("Blended Retirement", 2018). Through researching this information, I acknowledge the fact that these benefits play a role in the quality of life of a soldier. However, due to limitations on the access of data, the value of health care benefits, life insurance benefits, and retirement savings plan will not be considered in my data analysis.

Government Services Pay and Benefits

For those who have the desire to serve their country in a way other than the military, there is the Office of Personnel Management (OPM) which serves as the chief human resources agency and personnel agency to support Federal Government agencies such as the Army. According to its main website, the OPM's divisions, offices and their employees implement programs and deliver services that enable the agencies to meet strategic goals ("General Schedule", 2018). These employees are often referred to as the Feds, General Schedule (GS) employees, or by their specific job title that can vary from social worker to environmental engineer. For this study, I will focus on the Department of the Army (DA) Security Guard Series 0085.

Much like the Army, the OPM pays its employees based on grade/merit and experience/time in service. There are 15 grades with GS-1 being the lowest grade and GS-15 being the highest grade. According to the OPM General Schedule Employee Overview "an employee with only a high school diploma and no additional experience typically qualifies for GS-2 positions, those with a Bachelor's degree for GS-5 positions; and those with a Master's degree for GS-9 positions." In addition, an individual's pay is also determined by his or her time in a certain grade which the OPM classifies into 10 steps. Each additional step represents a 3% increase in pay. It generally takes 18 years in service for an employee to advance from step 1 to step 10 ("General Schedule", 2018). The OPM also takes into account the locality of the jobs to ensure employees' salaries reflect their city or state's cost of living. The feds may also be paid a salary or hourly unlike the Army which solely distributes a basic salary pay. To qualify for a particular job, you must hold a certain GS grade. For example, DA Security Guard Series 0085 are generally GS-2 to GS-5.

Washington Post columnist Garcia (2009) examined the pros and cons of working for the Federal Government and stated that many people choose GS jobs for its "generous benefits, solid pay, and relative job security, a combination that is challenging to find in the private sector." It is not uncommon for veterans and military spouses to seek federal jobs as it is an easy transition with similar employment benefits. Additional benefits to GS employees such as health care, life

insurance, and retirement plans are similar to soldier benefits. For this reason, and to keep GS employee data comparable to soldier data, the value of these benefits will not be included in my analysis.

The Use of GS Employees on Army Bases

GS employees have always worked in small numbers for the Army. However, with many units including MPs deploying to Iraq and Afghanistan post 9/11, military garrison bases were still required to function with much fewer military personnel. Because of this, there was boom in GS employee opportunities, especially as a GS security guard. When soldiers returned from their deployments, they expected to return to their garrison duties. However, the GS security guards could not simply be let go. GS security guards proceeded with their jobs while military personnel were now able to spend more time training for combat (Metzgar, 2018). The concept of a military unit's ability to deploy on a moment's notice is known as "readiness". Army Readiness is based on four pillars of manning, training, equipping, and leader development ("STAND-TO!", 2016).

On most military installations today, a combination of GS employees and military personnel are used to secure entry control points. GS employees work full time while military personnel rotate into duty for multiple months at a time. After a soldier completes a security guard cycle, he or she returns to training (Metzgar, 2018). Through the analysis of the cost of a GS employee versus military personnel, I hope to discover whether or not the Army is willing to pay more for garrison tasks and duties in order to keep its units properly manned, trained, and equipped.

Comparing GS Employees and Military Personnel

In order to understand the cost viability of employing a GS employee versus military personnel, they must first be put on comparable grounds. The following chart was obtained from Federalpay.org and illustrates equivalents of enlisted military ranks to GS employee grades ("Equivalent Civilian to Military Rank", 2018):

Military Rank to GS Grade Equivalents		
Army Rank	Army Title	GS Grade
E-1	Private	GS-1
E-2	Private 2	GS-2
E-3	Private First Class	GS-3
E-4	Specialist, Corporal	GS-4, GS-5
E-5	Sergeant	GS-6
E-6	Staff Sergeant	GS-6, GS-7
E-7	Sergeant First Class	GS-7
E-8	Master Sergeant or First Sergeant	GS-7
E-9	Sergeant Major or Command Sergeant Major	GS-7

The “boots on the ground” security guard position is typically the job of lower enlisted members (E1-E4) and are supervised by non-commissioned officers, typically E-5 to E-7. However, on the GS side, the grade of a security guard may vary from GS-2 to GS-5 and are supervised by GS-6 to GS-7. For my research, I chose to focus on the cost viability of lower enlisted personnel (E1-E4) versus a GS-5 – the entry level security guard grade at Fort Wainwright, Alaska – because promotion rate and marital status of these population samples are the most calculable and consistent.

Fairbanks, Alaska and Fort Wainwright

Fort Wainwright is located in Fairbanks, Alaska. The population of Fairbanks according to the U.S Census Bureau (2016) is 33,000 with a population of military personnel on base of about 4,400. Fort Wainwright is presently the home of many tenants including 1st Stryker Brigade Combat Team, 25th Infantry Division and Aviation Task Force 49 ("Units - Tenants", 2018).

I chose to investigate personnel from Fairbanks, Alaska for many reasons. For purposes of calculating tax liability, Alaska does not collect sales tax or levy individual state income taxes. This will make comparing tax liabilities of GS employees to its counterpart simple as many states do not require active duty soldiers to pay state taxes either. For this reason, only federal taxes will be considered in my analysis. The cost of living in Alaska is slightly higher than the rest of the United States which will add a dimension to the cost viability. Both parties receive additional payment for the higher cost of living.

A benefit of living in the state of Alaska is the Permanent Fund Dividend (PFD). This payment to residents of Alaska is funded indirectly by its oil revenues and paid by the state government. All residents are eligible including children. The amount of the dividend has varied year to year since the Alaska Permanent Fund began in 1982 (Widerquist, 2018). Payments are typically distributed between the months of April and June. For my research, I chose to include this dividend in the gross income of a GS employee who resides in the state of Alaska for purposes of calculating a more accurate disposable and discretionary income. The following chart shows the dividend rates from the past five years:

Permanent Fund Dividend	
Year	Dividend Amount
2013	\$900
2014	\$1,884
2015	\$2,072
2016	\$1,022
2017	\$1,100

METHODOLOGY

In this analysis, I will seek to answer the following key research questions:

What is the cost of a GS employee versus a lower enlisted soldier to the Army?

What is the gross, disposable, and discretionary income of a GS employee versus a lower enlisted soldier?

Assumptions

I chose to investigate a single soldier through a deployment period of three years at Fort Wainwright, Alaska as well as a single GS employee in order to narrow my focus and obtain more precise results. The one-to-one comparison of two entry level positions would yield the

most definite results which would, in turn, create a more valuable discussion on the cost viability of a lower enlisted soldier compared to a GS security guard.

I made the following assumptions:

A future soldier graduated high school in May of 2014 and made the decision to enlist in the Army with the MOS of Military Police. On November 1, 2014, he reported for 20 weeks of One Station Unit Training (OSUT) – which is the equivalent of BCT and AIT combined – at Fort Leonard Wood, Missouri. Following OSUT, he immediately reported to Fort Wainwright, Alaska on April 1, 2015. At that time, he was an E-1 with exactly 5 months in service. The soldier was promoted at a normal rate - making E-2 at 6 months in service, E-3 at 1 year in service, E-4 at 2 years in service, and E-5 at 3 years in service. He was single and living in the barracks for the entirety of his time in Alaska.

Similarly, I made the following assumptions about a single GS employee over the course of three years:

A future GS employee graduated from the University of Alaska at Fairbanks in December of 2014. He then pursued a job with the OPM as a Department of the Army Security Guard Series 0085. He qualified as a GS-5 with a grade of step one. He began getting paid on April 1, 2015. The GS employee was promoted a step each year but remained a GS-5. He was single and lived in a one-bedroom apartment in Fairbanks, Alaska for the past three years.

Total Cost of a Soldier versus a GS Employee

In order to avoid analyzing the incomparable, I chose to compare only the Army Basic Pay and Cost of Living Allowance (COLA) to the total compensation of a GS employee in the state of Alaska – which comprised of locality-included salary and overtime. This comparison would yield the total cost to the Army of a soldier versus a GS-5. I did this by compiling wage data for Basic Pay from the Defense Finance and Accounting Service pay charts, COLA from the Defense Travel Management Office COLA Calculator, and GS Salary pay from the U.S Office of Personnel Management pay charts. I took into account the course of time in which both the soldier and GS employee were working by gathering data from charts of the corresponding year starting on April 1, 2015 and ending on March 31, 2018. In order for costs to align with time spent at Fort Wainwright, I computed total income, taxes, and expenses with the fiscal year beginning on April 1 and ending on March 31.

Hourly Wages

In addition, I used GS Salary pay charts to find the value of hourly wages including overtime. After discovering the significant amount of overtime paid to GS employees at Fort

Wainwright, Alaska, it was imperative to consider overtime into the wage analysis. I chose to assume the conservative amount of five hours of overtime per two-week pay period. I believed calculating hourly wages would be beneficial for discussion after analyzing the results.

Tax Liabilities

I then began the process of calculating tax liabilities. I computed the Federal Income Tax, Social Security, and Medicare of the two samples. As was mentioned earlier, I chose to disregard state taxes as Alaska does not collect state sales tax or levy an individual income tax and computing the state taxes of a soldier vary greatly depending on their state of residence. The lower enlisted soldier's gross income included his wages from Basic Pay and COLA. However, COLA was not included in finding his tax liability as it is a non-taxable allowance. The GS employee's gross income was comprised of earned income from hourly and overtime wages as well as unearned income from the Permanent Fund Dividend since I assumed he is a resident of Alaska.

Disposable Income and Discretionary Income

Disposable income is defined as "the amount of money that households have available for spending and saving after income taxes have been accounted for" ("Disposable Income", 2018). I computed both party's disposable income by subtracting their tax liability from their gross income. Discretionary income is defined as "the amount of an individual's income that is left for spending, investing or saving after paying taxes and paying for personal necessities, such as food, shelter and clothing" ("Discretionary Income", 2018). For simplicity, I included only the cost of rent, utilities, and groceries as personal necessities. I deducted the average cost of rent and utilities of a one-bedroom apartment, as well as the average cost of groceries in Fairbanks, Alaska using data acquired from Numbeo – the largest database of user contributed data about cost of living worldwide ("Cost of Living in Fairbanks", 2018). Because lower enlisted soldiers typically live in barracks and eat at a dining facility, I assumed the cost of personal necessities for the soldier to be \$0. I did, however, compute the value of an E1-E5's BAH and BAS although both are non-collectible to the soldier based on my assumptions.

RESULTS

My analysis yielded the following results:

Table 1 illustrates the gross income as well as the total value of compensation for both samples. Over a three-year period, the GS-5 Security Guard earned \$40,751 more than the enlisted soldier with an average of \$13,583 per year. However, if the value of the non-collectible BAH and BAS is included, the value of compensation for the enlisted soldier is greater than the GS-5 Security Guard by \$14,711.

Table 1 – Total Compensation

	Type of Compensation	Year One	Year Two	Year Three	Three Year Total
Lower Enlisted Soldier	Basic Pay	\$21,246.90	\$23,805.60	\$28,271.00	\$73,323.50
	COLA	\$2,977.03	\$4,069.07	\$4,911.80	\$11,957.90
	Gross Income	\$24,223.93	\$27,874.67	\$33,182.80	\$85,281.40
	Value of Non-Collectible BAH	\$13,356.00	\$13,482.00	\$15,366.00	\$42,204.00
	Value of Non-Collectible BAS	\$4,416.18	\$4,419.60	\$4,422.90	\$13,258.68
	Adjusted Compensation Value	\$41,996.11	\$45,776.27	\$52,971.70	\$140,744.08

	Type of Compensation	Year One	Year Two	Year Three	Three Year Total
GS-5 Security Guard	Year Wages	\$35,011.50	\$36,789.00	\$38,878.08	\$110,678.58
	Predicted Overtime Wages	\$3,282.33	\$3,448.97	\$3,644.82	\$10,376.12
	Permanent Fund Dividend	\$1,884.00	\$2,072.00	\$1,022.00	\$4,978.00
	Gross Income	\$40,177.83	\$42,309.97	\$43,544.90	\$126,032.70
	Adjusted Compensation Value	\$40,177.83	\$42,309.97	\$43,544.90	\$126,032.70

Table 2 shows the comparison of hourly wages. Assuming both the GS-5 Security Guard and enlisted soldier work an equal amount of time per week, the GS employee makes more than his counterpart by \$4.41 per hour if COLA is included. The disparity increases even more for overtime as the GS employee's overtime rate is \$28.82 whereas the soldier does not earn overtime so his weighted wage per hour decreases from \$14.81 to \$13.93 including COLA.

Table 2 – Wages

	Minimum	Maximum	Average
Army Hourly Wages Not Including COLA			
Hourly Wage (40 hours/week)	\$9.67	\$16.31	\$12.73
Hourly Wage (42.5 hours/week)	\$9.10	\$15.35	\$11.98
Army Hourly Wages Including COLA			
Hourly Wage (40 hours/week)	\$10.97	\$18.79	\$14.81
Hourly Wage (42.5 hours/week)	\$10.33	\$17.69	\$13.93
GS Employee Wages			
Hourly Wage	\$18.17	\$20.59	\$19.22
Overtime Wage	\$27.26	\$30.88	\$28.82

Table 3 illustrates the tax liability over a three-year period. The GS employee paid almost double the amount of federal taxes than the enlisted soldier. This is logical as the GS-5 Security Guard had a higher gross income each year.

Table 3 – Tax Liability

		Lower Enlisted Soldier		GS-5 Security Guard	
		01APR-31DEC	01JAN-31MAR	01APR-31DEC	01JAN-31MAR
Year One Tax Liability: 01APR2015-31MAR2016	Federal Income Tax	\$541	\$350	\$2,202	\$933
	Social Security	\$974	\$353	\$1,739	\$594
	Medicare	\$228	\$83	\$379	\$132
	Subtotal	\$1,743	\$786	\$4,320	\$1,656
	Total	\$2,529		\$5,976	
Year One Tax Liability: 01APR2016-31MAR2017	Federal Income Tax	\$1,049	\$507	\$2,800	\$971
	Social Security	\$1,059	\$419	\$1,782	\$611
	Medicare	\$247	\$98	\$394	\$139
	Subtotal	\$2,355	\$1,024	\$4,976	\$1,721
	Total	\$3,379		\$6,697	
Year One Tax Liability: 01APR2017-31MAR2018	Federal Income Tax	\$1,519	\$0	\$2,912	\$0
	Social Security	\$1,256	\$485	\$1,831	\$613
	Medicare	\$294	\$114	\$417	\$143
	Subtotal	\$3,069	\$599	\$5,160	\$756
	Total	\$3,668		\$5,916	
Total Tax Liability After 3 Years		\$9,576		\$18,589	

Table 4 displays the gross, disposable, and discretionary income of both samples. As was noted earlier, the gross income and the tax liability of the GS employee was significantly greater than that of the enlisted soldier. The same is true for disposable income. On average, the GS employee had \$25,235 as income after taxes – \$10,597 more than his counterpart. However, over the course of 3 years, the disposable income of the enlisted soldier was more than the GS-5 Security Guard by \$33.

Table 4 – Gross, Disposable, and Discretionary Income

		Army	GS Employee
Year One: 01APR2015-31MAR2016	Gross Income	\$24,223.93	\$40,177.83
	Tax Liability	\$2,529.00	\$5,976.00
	Disposable Income	\$21,694.93	\$34,201.83
	Rent	\$0.00	\$10,789.98
	Utilities	\$0.00	\$4,507.20
	Groceries	\$0.00	\$6,286.20
	Discretionary Income	\$21,694.93	\$12,618.45
Year Two: 01APR2016-31MAR2017	Gross Income	\$27,874.67	\$42,309.97
	Tax Liability	\$3,379.00	\$6,697.00
	Disposable Income	\$24,495.67	\$35,612.97
	Rent	\$0.00	\$10,789.98
	Utilities	\$0.00	\$4,507.20
	Groceries	\$0.00	\$6,286.20
	Discretionary Income	\$24,495.67	\$14,029.59
Year Three: 01APR2017-31MAR2018	Gross Income	\$33,182.80	\$43,544.90
	Tax Liability	\$3,668.00	\$5,916.00
	Disposable Income	\$29,514.80	\$37,628.90
	Rent	\$0.00	\$10,789.98
	Utilities	\$0.00	\$4,507.20
	Groceries	\$0.00	\$6,286.20
	Discretionary Income	\$29,514.80	\$16,045.52
Three Year Total: 01APR2015-31MAR2018	Gross Income	\$85,281.40	\$126,032.70
	Tax Liability	\$9,576.00	\$18,589.00
	Disposable Income	\$75,705.40	\$107,443.70
	Rent	\$0.00	\$32,369.94
	Utilities	\$0.00	\$13,521.60
	Groceries	\$0.00	\$18,858.60
	Discretionary Income	\$75,705.40	\$42,693.56

DISCUSSION

In my research, I sought the cost viability of a GS employee versus a lower enlisted soldier. I chose to look at the cost viability from two perspectives. I explored how much it would cost the Army to keep each employed. Alternatively, I investigated the income viability of the GS employee and soldier through gross, disposable, and discretionary income analysis.

I found that it costs more for the Army to employ a GS-5 Security Guard than to use a lower enlisted soldier for the same job unless the value of compensation the Army spends on room and board for the lower enlisted soldiers is taken into account, in which case, the lower enlisted soldier costs more. However, I did not verify that the value of BAH and BAS was equivalent to the actual amount of money it costs the Army to board a soldier in the barracks.

The higher cost of GS employees implies that the Army is willing to spend slightly more on certain garrison tasks and duties in order to not compromise combat readiness. The use of GS employees allows military units the ability to properly man and train soldiers – two of the four pillars of readiness – for purposes of maximizing personal readiness and deployability. The current allocation of both GS Security Guards and military personnel suggests that the Army seeks to maintain combat readiness while still being as cost efficient as possible.

On the other side of the spectrum, the gross income may be more for a GS employee, but the overall value of compensation for the soldier is much more. This may factor into the turnover rate of GS employees. According to a 2014 report on federal departures, GS employees working for the Department of the Army have an 8% attrition rate – the highest rate of attrition of all federal agencies. In addition, those with less than 10 years in service made up for approximately one-third of all departures ("Fed Figures 2014-Federal Departures", 2018). For this reason, a higher salary with more frequent promotions incentivizes GS employees to continue working for the federal government.

However, the initial decision to enlist in the Army has a much greater opportunity cost than the decision to work as a federal employee. Soldiers must serve a minimum of four years in order to satisfy their contract. GS employees do not have a certain time-in-service contract to fulfill. This implies that the Army must mitigate the high opportunity cost of initial entry by offering a substantial amount of benefits.

Limitations

Within my research, limitations existed which may have hindered my ability to get the most accurate results. As mentioned before, I was unable to put an exact value on the cost of the room and board of a soldier to the Army. I did not include the value of many of the benefits such as a retirement savings plan, health care, health insurance, and life insurance. This may have affected the amount of total compensation and why someone would choose one career over the other. Expenses such as car payments, car insurance, and other expenses not covered by

employers were not included in my research because of the significant variance from person to person. I recognize that these expenses greatly decrease the discretionary income of both parties. I simplified each GS employees and lower enlisted soldiers into a very particular candidate based on what I believed included the greatest percentage of personnel securing the control points. I recognize that the cost of military personnel and GS employees vary greatly and my research does not cover all demographics.

CONCLUSION

Although my thesis shed light on underlying factors that affect disparity in pay, there remains plenty of opportunity for further analysis. Avenues for future research would consist of analyzing the cost of training for each the GS employee and military personnel and how that may play a role in cost viability. Additionally, it would be beneficial to examine the different demographics of each sample such as those who are married, higher ranking, or stationed in a place with a lower cost of living.

In this thesis, I discovered that although federal employees cost more to the Army to employ, the overall value of compensation to the soldier greatly outweighed its counterpart. My analysis supported the idea that the Army is willing to pay more in order to maintain the delicate balance of combat readiness, cost efficiency, and personnel retention.

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