

Chapter

2

National Defence

Military Recruiting and Retention

All of the audit work in this chapter was conducted in accordance with the standards for assurance engagements set by the Canadian Institute of Chartered Accountants. While the Office adopts these standards as the minimum requirement for our audits, we also draw upon the standards and practices of other disciplines.

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National Defence

Military Recruiting and Retention

Main Points

What we examined

We examined whether National Defence has made progress in addressing its recruiting and retention problems since our last audit in 2002. At that time, we found that the Canadian Forces needed to fill shortages in many military occupations and were having problems recruiting enough people to meet operational demands. They also had problems addressing the issues that were causing people to leave the military, especially in some key occupations. This time we examined the measures that National Defence has put in place since 2002 to manage Regular Force recruiting and retention. We looked at whether measures are consistent with operational requirements and the Canadian Forces' transformation goals.

Why it's important

National Defence and the Canadian Forces plan to generate and retain a trained, combat-capable, multi-purpose force that can support a wide range of military operational duties. To achieve this, National Defence needs to have the required number of trained and effective personnel in its military occupations. Shortages in personnel have contributed to an operational pause—meaning that the Canadian Forces have had to pull back on some commitments. The military is embarking on a major transformation that includes, in part, an increase of 5,000 personnel over the next five years. It has identified this expansion as a priority if it is to meet operational demands.

What we found

- National Defence has made satisfactory progress overall since 2002 in responding to our recommendations. It has improved at recruiting and retaining the numbers of people needed in its military occupations. By 2005 it had stopped the decline in the number of people trained and available for duty (its trained effective strength), but has been able to increase that number by only about 700, despite having recruited about 20,000 new members into the Regular Force since our last audit.
- The recruiting and attrition problems that remain are jeopardizing the success of the Canadian Forces' planned expansion. Faced with a changing Canadian demographic profile, a low interest among Canadian youth in joining the military, and increasing military

operational demands, the current recruiting system is not supporting the needs of the Canadian Forces. Further, National Defence forecasts an increase in attrition over the next 10 years. Because the Department has not measured the impacts or tracked the progress of the retention strategy it developed in 2001, it cannot demonstrate that the strategy has helped to increase the trained effective strength or resolve shortages in key military occupations.

- In the past, effective management of military human resources has been hindered by a lack of clarity about the authority and responsibilities of the Assistant Deputy Minister-Military Human Resources. In November 2005, National Defence endorsed new terms of reference for the position, clarifying the responsibilities and recognizing this position as the single authority to manage the Canadian Forces personnel system. National Defence has begun to take military human resources management into account in its long-term strategic planning for the Canadian Forces. However, policies, systems, and practices have yet to reflect the new strategic direction of the Canadian Forces.

The Department has responded. The Department of National Defence has agreed with our recommendations. Its detailed response follows each recommendation throughout the chapter.

Introduction

2.1 In our April 2002 Report, we reported on the recruitment and retention of military personnel by National Defence. At that time, we found that the Department understood its problems with military human resources but needed stronger management and better information to help it address the challenges it faced. The Department has responded to the recommendations we made in 2002.

Key findings in 2002

2.2 We recommended that National Defence consider developing a military (non-civilian) occupation for positions related to human resources management. In 2002, the Department began an occupational analysis of the senior human resources management positions—those that deal with issues at a strategic level. This analysis aimed at identifying the tasks, skills, knowledge, and training necessary for senior human resources managers to perform effectively. The analysis has been postponed until it can be better aligned with the new Canadian Forces strategic direction issued in April 2005. When the analysis is completed, National Defence will examine possible options for military human resources management.

2.3 In 2002 we reported on shortages of personnel in the middle ranks of the military. To alleviate the problem, National Defence needed to consider options for introducing people into these ranks. The Department is in the process of examining the possibility of bringing some recruits who have the required occupational skills into ranks above the entry level. It is now assessing the viability of this approach as it conducts its Military Occupational Structure Analysis Redesign and Tailoring Project.

2.4 National Defence recognized in 2002 the need for better performance measures and accurate, consistent data for decision making. We found that the Department has gathered more data on human resources management; however we noted inconsistencies from one data system to another. The Department has also done some basic work on performance measures for human resources management, but it recognizes the need to continue to improve in these two areas (Exhibit 2.1).

2.5 Since 2000, National Defence has conducted several studies to improve its human-resources management systems, policies, and practices in order to recover from past personnel reductions and improve efficiency and effectiveness.

Exhibit 2.1 Progress on addressing our recommendations on recruitment and retention of military personnel

Recommendation	Progress
Auditor General's April 2002 Report, Chapter 5	
The Canadian Forces should consider adopting a human-resource management occupation to ensure that it maintains the experience and expertise it needs to identify issues, develop policy, and implement changes over the long term (paragraph 5.83).	●
As it reviews the terms of service and the military occupation structure, the Department should consider all options, including recruiting experienced people into its higher ranks (paragraph 5.86).	●
Performance measures should be in place soon and the results included in the departmental performance report to Parliament (paragraph 5.88).	○
The Department should ensure that its human-resource management information is accurate and up-to-date (paragraph 5.88).	○

- **Satisfactory**—Progress is satisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.
- **Unsatisfactory**—Progress is unsatisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

Important changes since 2002

2.6 The Canadian Forces are undergoing significant changes to adjust to new security challenges and operational demands. In its reports on plans and priorities published since 2002, National Defence reiterates the importance of ensuring that the Canadian Forces have the right mix of personnel, equipment, training, and doctrine to meet commitments. To achieve that right mix, it wants to improve recruitment and retention and to modernize human resources management.

2.7 In April 2005, a new Defence policy statement designed to reorganize and retool the Canadian Forces was issued. It articulated a new vision for the Canadian Forces and strengthened transformation efforts. To do this, the policy statement puts recruitment and retention among its top priorities.

Focus of the audit

2.8 This follow-up audit examined the extent to which National Defence has been able to recruit enough personnel into the Regular

Force to meet its requirements each year. We looked at how National Defence plans the number and types of recruiting targets it establishes each year. We also looked at how it attracts, processes, and selects recruits to see whether the Department is addressing issues that have prevented the Regular Force from getting the numbers and types of recruits it needs.

Trained effective strength—The number of members in the Regular Force who are trained and available for duty.

2.9 We also examined the management of occupations in the Regular Force, composed of the Navy, Army, and the Air Force. We looked at the Canadian Forces' **trained effective strength** to determine whether National Defence has addressed problems that have prevented it from growing. We reviewed actions taken by the Department to determine why members leave the military and to address those reasons.

2.10 In this follow-up report, we looked at expansion plans for the Regular Force and whether National Defence has the organization and information it needs to ensure that its human resource management is part of the overall transformation of the Canadian Forces to meet the vision of the new Defence policy statement.

2.11 More information about the audit objective, scope, approach, and criteria can be found at the end of the chapter in **About the Audit**.

Observations and Recommendations

Shortages in the Regular Force

Increasing the number of trained members available for duty takes time

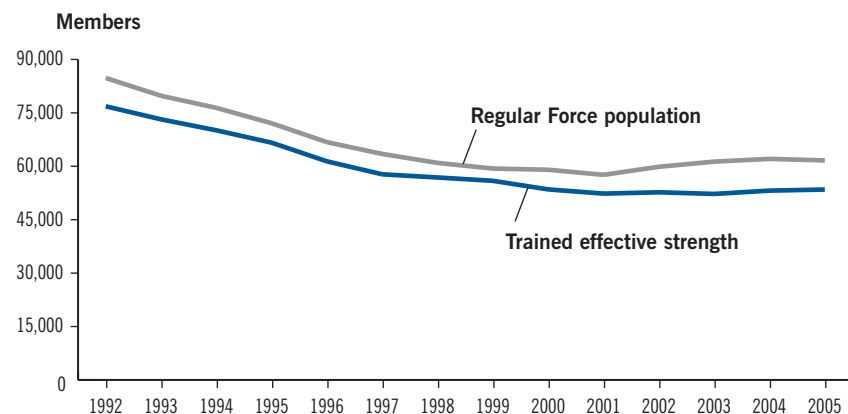
2.12 In 2002, we found that the trained effective strength of the Regular Force was falling, and this trend needed to be reversed (Exhibit 2.2). We were concerned about indications predicting that more members would leave the Canadian Forces than would be recruited. In March 2005, the trained effective strength was about 87 percent of the total Regular Force, lower than its average historical level of 92 percent. We found the Department has been successful in stopping the decline in the trained effective strength. The recruiting group enrolled about 20,000 new members for the Regular Force in the last four years, but the increase in the trained effective strength was limited to about 700. Recruiting data indicate that the increase was affected by the following:

- Attrition from the entire Regular Force was about 16,000 members.

- The number of recruits in training increased by about 3,000. Training can take from two to seven years depending on the occupation.

2.13 Furthermore, recruiting is limited because the size of the Regular Force is restricted to 62,300 members. Until more recruits complete the training process, it may take some time for the trained effective strength to recover its numbers.

Exhibit 2.2 Number of trained effective strength in the Regular Force from 1992 to 2005



The Department has been successful in stopping the decline.

Source: National Defence

Staffing is still a concern

2.14 National Defence data showed that at the time of this audit there were about 2,400 vacant positions, which is an improvement from the situation we found in 2002. In 2005, we found that twenty-nine occupations were understaffed by ten percent or more and, even with planned recruitment and training, the Department estimates that it will take two or more years to recover. Twenty-six occupations have between five to ten percent vacancies, which may take one to two years to recover.

2.15 Other occupations were found to be overstaffed, which in turn, can limit how many people could be brought into the military. Twenty-four military occupations had about 940 personnel in excess—which is higher than what we had found in 2002. National Defence explained that overstaffing occurs because it needs to replace people who are leaving before they retire or are released. In addition, the length of time required for new recruits to complete occupational training creates some degree of overstaffing.

2.16 The Navy, Army, and Air Force occupations are experiencing uneven, persistent shortages in almost half of their 69 specific occupations. Many of the occupations that were facing shortages in 2002 are still in the same situation today.

2.17 Shortages exist in 17 of the 33 support occupations common to the Navy, Army, and the Air Force. About four percent of positions in those 17 occupations are vacant. National Defence has improved the staffing levels of some occupations such as dentist, lawyer, and chaplain. However, some support occupations such as doctors, ammunition technicians, and logistics officers, which are critical for deployments, continue to be understaffed.

The recruiting numbers in the Strategic Intake Plan barely meet needs

2.18 National Defence uses the Strategic Intake Plan to establish the number of members to recruit and train annually. Several times each year this plan is reviewed and adjusted to take staffing needs into account. We reviewed the planning process and found that it was sound. We also found that in recent years, because of personnel budget restrictions, the targets in the Strategic Intake Plan did not match the stated requirements of the Navy and Air Force. Furthermore, National Defence has estimated that it will take five years to fill all the positions required for operations.

2.19 Because of the limits of the National Defence training system to absorb new recruits, and the need to stay within the allowable size of the Regular Force, recruitment targets were reduced between 2003 and 2005. In fact, targets dropped from 7,000 new recruits in 2001 and 6,200 in 2002, to fewer than 4,500 in 2003 and in 2004.

2.20 Since 2002, National Defence has come close to achieving its recruitment targets but, in 2005, the number of recruits exceeded the number of releases by less than 200. Despite National Defence's results, we are concerned that the number of recruits is barely replacing the members leaving (Exhibit 2.3).

Attrition is expected to increase

2.21 National Defence data show that there is a large concentration of members in their later years of service who are approaching the time when they will be eligible for retirement. Approximately 50 percent of Regular Force personnel have 15 years of service or more (Exhibit 2.4); thus they are either already eligible to leave or will soon be. Because of the potential for a large number of military personnel to leave over the

next five to ten years, National Defence is predicting that attrition will rise. As the exhibit shows, there are few members behind those leaving to fill in the gap.

2.22 National Defence data show that attrition rates are also higher than average in the early years when members are getting initial training and adjusting to military life. Currently, about 31 percent of Regular Force personnel have less than six years of service. Since so many members are in their early years, the average rate of attrition is expected to increase in coming years.

Exhibit 2.3 Numbers of members recruited and released

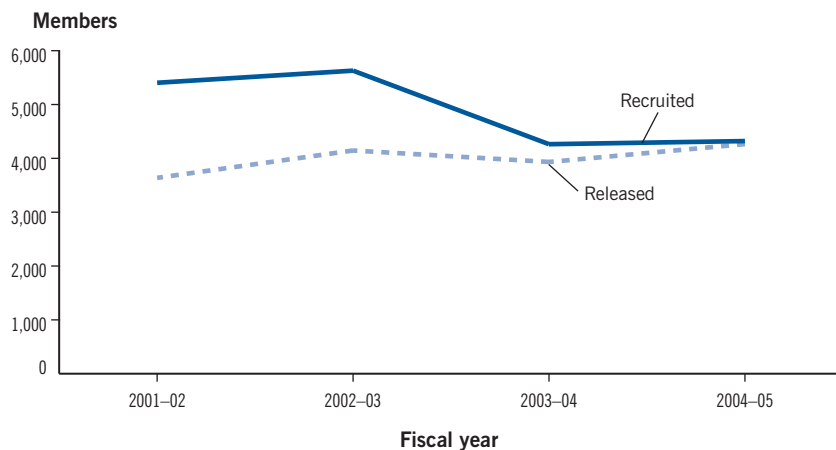
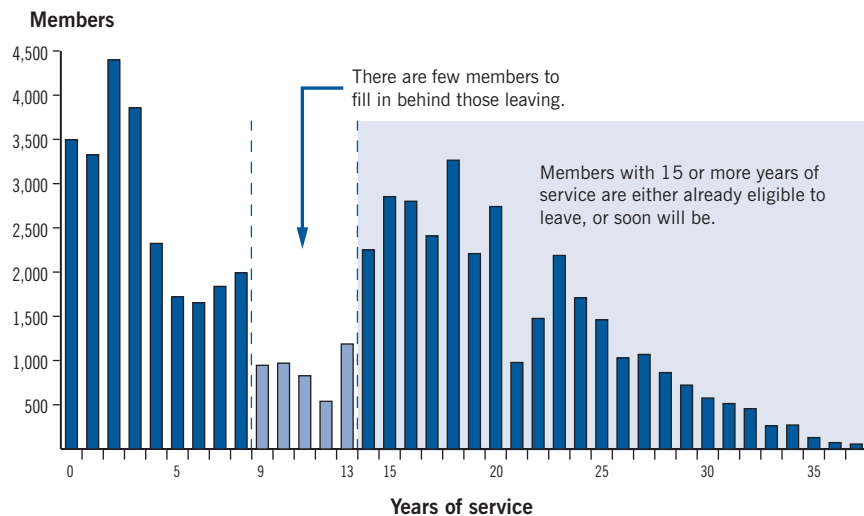


Exhibit 2.4 Distribution of the population of the Regular Force



Source: National Defence

2.23 The combined factors of higher rates of attrition and larger numbers of people in the early and later periods of their service are expected to lead to a higher overall attrition in coming years. While attrition in the Regular Force has averaged six percent since 2000, National Defence expects an increase over the next 10 years.

2.24 For non-commissioned members (NCMs)—those who are not officers—attrition for medical reasons has almost doubled since 2001. Medical releases have averaged about 24 percent of total attrition for NCMs and 10 percent for officers over the last five years. National Defence is planning to conduct a study to identify the determining factors of the increase in medically related attrition, for example, age, gender, occupation, deployments, or postings.

National Defence is planning to expand the Regular Force by a total of 5,000 members

2.25 National Defence has stated that to remain sustainable, the size of the Regular Force must be expanded by 5,000 members to over 67,000. We reviewed the planning documents for the personnel increase in each type of occupation. We found that they included a detailed analysis supporting the increases and the impacts on training schools and capital costs. However, the planning documents did not look at the impacts on advertising and attraction activities needed to bring in more applicants. To achieve this 5,000-member expansion, National Defence plans to increase its recruitment target to about 5,800 each year until 2010.

The Canadian Forces are recruiting from a changing demographic

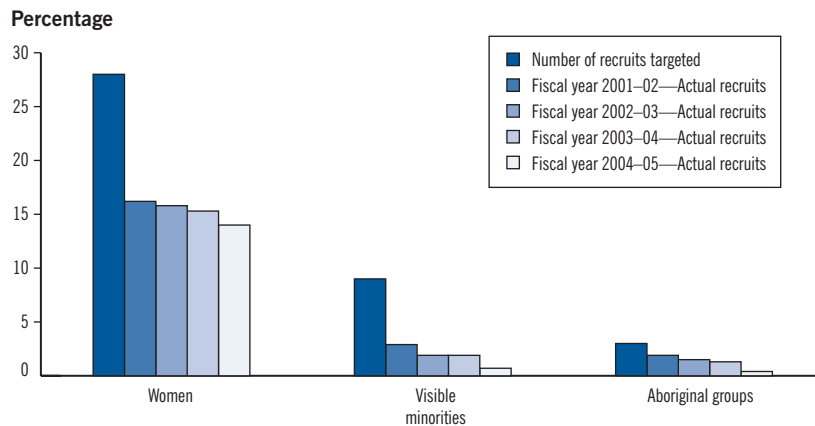
2.26 The Regular Force is competing for suitable candidates in a tight labour market. National Defence targets Canadians aged 16 to 34 who are physically fit and inclined to join the military. Young males have traditionally formed a large part of the military. The Conference Board of Canada has reported that the male population in this age group will grow by only 7.8 percent over the next 10 years, and the portion of women will increase by 9.2 percent over the same period.

2.27 A National Defence survey of this specific target group indicated that only six percent were interested in joining the Regular Force, although about 30 percent said they would consider joining if their education was paid for or if they were offered an entry bonus.

2.28 Statistics Canada data show that Canadian demographics are changing. Young Canadians from visible minorities are becoming an increasing portion of the population. National Defence has also

conducted demographic studies and recognizes that it needs to recruit young women and young Canadians from Aboriginal and visible minority groups; it has set targets for these groups. However, so far the Department has not been successful in meeting these targets. The number of women recruited into the military has steadily decreased since our last audit in 2002, and the same trend appears for visible minorities and Aboriginal people (Exhibit 2.5).

Exhibit 2.5 Success in recruiting diverse groups is declining



The recruitment of diverse groups is below target and is decreasing.

Source: National Defence

Attracting, processing, and selecting recruits

2.29 Although National Defence has opened some recruiting offices and closed others to be closer to its target populations, departmental data show that applications for the Regular Force have declined over the last two years.

2.30 We expected National Defence to have a policy to attract the required target populations. The policy is needed to guide objectives, strategies, and programs, combined with a clear accountability framework for achieving results; but the Department was unable to provide us with such a policy. We asked the Department for a comprehensive plan or strategy that guides the 39 recruiting centres and detachments; National Defence provided us with a schedule of events, such as outreach activities at schools and trade shows.

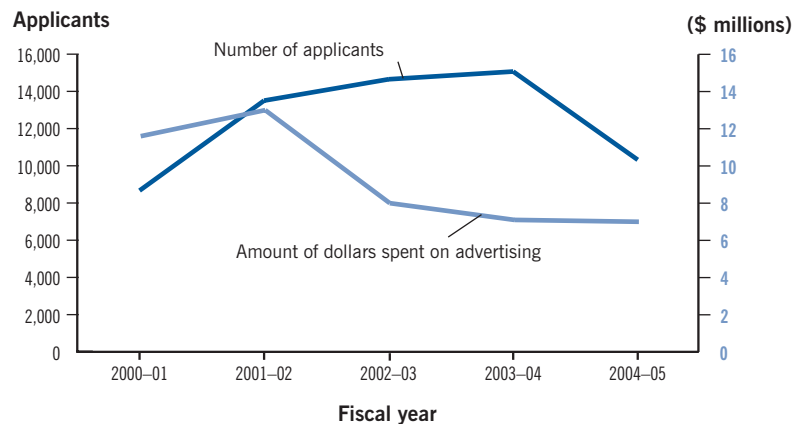
2.31 In June 2005, the Department released a manual on how to develop a recruitment strategy, with information on research, advertising, and outreach activities. We found that the responsibility for research and advertising is shared between the recruiting

directorate and the public affairs group, although accountability ultimately rests with the Assistant Deputy Minister-Military Human Resources. We are concerned that this sharing of responsibility for attracting recruits means that efforts may not always be co-ordinated and can affect results. National Defence needs a comprehensive plan to guide and co-ordinate national, regional, and local activities for attracting and recruiting applicants.

2.32 The advertising budget to attract applicants to the Canadian Forces decreased by about 50 percent, from about \$13 million in 2001–02 to about \$7 million in 2004–05. National Defence explained that this drop in advertising dollars accounted for a drop in applications to join the military. However, we did not see this pattern (Exhibit 2.6) and noted that advertising was only one of several influences on prospective recruits that led them to inquire about joining the military. National Defence needs a comprehensive plan to attract enough good applicants from its target population.

2.33 In order to have the Regular Force grow by 5,000 new members over the next few years, the military needs more applicants from which to make appropriate selection decisions. We found that at the time of this audit, there was no plan in place to try and attract more applications to the military from which National Defence could increase its number of suitable recruits. National Defence officials informed us that they are drafting a national recruiting campaign that looks at both attracting and recruiting.

Exhibit 2.6 A comparison of advertising dollars with the number of applicants to the Regular Force per year



Advertising dollars decreased in 2001–02, but the number of applicants decreased in 2003–04.

Source: National Defence

Recruiting process loses many applicants

2.34 The recruiting process needs to be able to respond quickly to fluctuations in the number of applications received. National Defence needs to process applications in a timely and effective manner, so that it does not lose too many good recruits through lengthy delays. However, recruiting can be a lengthy process; many potential candidates may find other work or change their minds about a military career during the period between application and enrollment in the Canadian Forces.

2.35 The recruiting centres received an average of 13,500 applications per year to the Regular Force over the last three years. Although half of all applicants complete the first recruitment step—the aptitude test—within three weeks of applying, the remainder of the process can delay enlistment from 90 days to more than a year (see Exhibit 2.7). During this lengthy process, National Defence data show that in about 28 percent of cases (almost 3,800 of the 13,500 applicants), either they voluntarily withdrew their applications or contact was lost between the recruiting centre and the applicant (Exhibit 2.8). We are concerned that deficiencies in the recruiting process will affect the Department’s ability to increase the size of the Regular Force by 5,000 over the next five years.

2.36 In the past, National Defence had a large number of screened candidates to choose from, including an inventory of suitable applicants from which it could draw as needed. However, with the recent decline in applications and the need to expand recruiting, that inventory is being reduced faster than it can be filled. National Defence informed us that this inventory of applicants for many occupations is now empty.

2.37 National Defence is starting to use better technology for recruiting. For example, the recruiting Web site provides detailed information about military occupations; however, early in the audit, it did not accept on-line applications. Applicants had to apply in person at a recruiting centre or mail in an application. National Defence has recently implemented an “e-recruiting” project to accept on-line applications; it also allows applicants to track their status, from the time of application to enlistment.

2.38 Recommendation. National Defence should review its processes to attract applicants to ensure that it has a sufficient number of applicants from which to draw suitable candidates.

National Defence's response. National Defence agrees with this recommendation.

National Defence has reviewed its processes to attract applicants. A comprehensive National Recruiting Campaign, supported by a National Recruiting Attraction Plan, new advertisements, and appropriate advertising funding will increase the number of applicants from which to select suitable candidates. Performance measures are being developed, and results against these measures are expected by 2007.

Exhibit 2.7 Delays in recruiting

The following are some of the steps and delays applicants face during the recruitment process.

Aptitude test. After National Defence receives an application from a potential candidate, it opens a file and conducts an initial contact interview with the candidate. Then the applicant takes the Canadian Forces Aptitude Test. Fifty percent of applicants complete the aptitude test within 21 days. Heavy workload at peak periods and incomplete documents extend the time for the other fifty percent.

Medical fitness. The main challenge encountered at this step is the delays in completing the screening of applicants who have medical problems (sixty percent of all applicants). Forty percent of the applicants—those with no medical problems—pass the medical processing in three days. However, processing applicants with medical problems increased the complexity of medical screening. Delays often occurred when the recruiting medical officer requested the opinion of a specialist. Half of the applicants with medical problems had to wait from 4 to 21 days to pass the medical. The remainder of the applicants with medical problems waited from 22 days to more than six months to complete this step. Further delays can occur during the final file review at the recruiting headquarters. In the end, only about nine percent of applicants actually failed the medical screening.

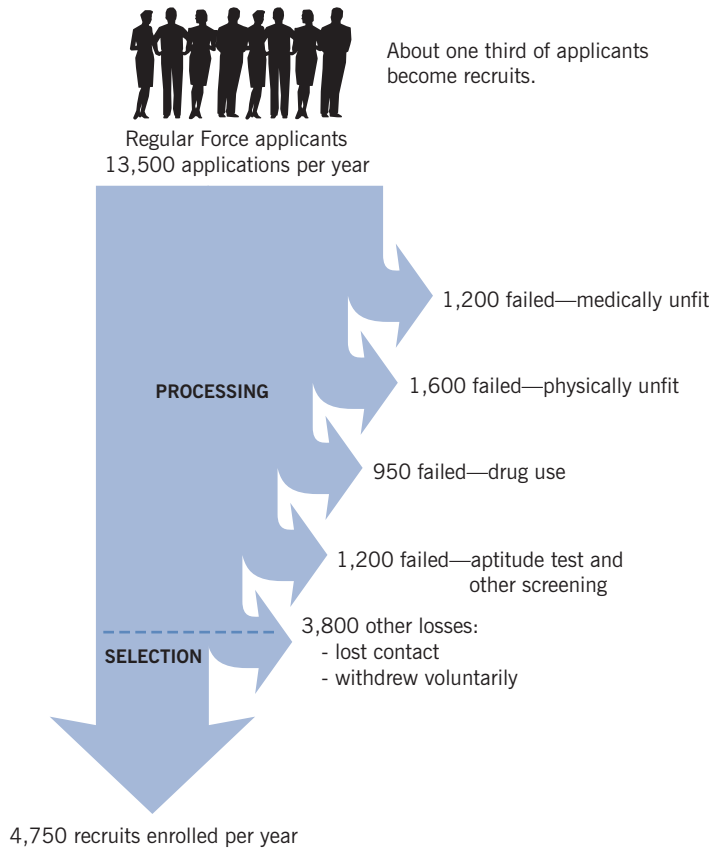
Physical fitness. About 12 percent of applicants fail the Canadian Forces Physical Fitness Test, which was instituted in 1997. There can be delays in this step, caused by, for example, the applicant not being available due to medical issues.

Security requirements. Applicants who are not Canadian citizens, or who are citizens but have resided outside of Canada for the 10-year period immediately preceding their application, require a "pre-security assessment" that can cause delays of months or even years, depending on the circumstances. The time required for a pre-security assessment has increased, which discourages many applicants. Landed immigrants can be enrolled in the Canadian Forces in very rare circumstances, subject to a satisfactory assessment, as directed by the head of the Canadian Forces. Recent efforts to streamline security requirements may reduce the processing time for some applicants.

Selection process. Since most selection boards sit only once or twice a year, many candidates have to wait to be assessed. About 50 percent of candidates are selected within 65 days of completing the previous recruitment steps. However, 47 percent of applicants wait between 65 and 300 days to have their application reviewed by the selection board and finalize the recruitment process.

Source: National Defence

Exhibit 2.8 National Defence recruiting process



Note 1: Values are estimates based on a National Defence statistical sample.

Note 2: Many of the applicants who fail physical training, drug questionnaires, the aptitude test, and even some medical portions of the selection process are not permanently rejected. Retesting/reconsideration can occur in most cases if the applicant chooses to reapply.

Source: National Defence

2.39 Recommendation. National Defence should take immediate action to correct problems that cause applicants to unnecessarily withdraw from the application process.

National Defence’s response. National Defence agrees with this recommendation.

National Defence will increase the number of personnel assigned to recruiting centres and will put in place a monitoring system that allows us to determine accurate numbers of applicants, their dispositions, and the time for processing. With this information, we will act to reduce unnecessary withdrawals and delays. We will aim to have this in place in 2007.

Applicant assessment

National Defence cannot ensure it is recruiting the right people

2.40 National Defence measures the military potential of its applicants so that it can evaluate and predict the likelihood of completing training and integrating into the Canadian Forces. Military potential is based on eleven measures—academic achievement, aptitude test results, and nine personal attributes such as teamwork, conformity to rules, and physical endurance.

2.41 National Defence has validated its aptitude test and shown it to be a reliable instrument for predicting success in training. However, we found that the assessment interview used to measure the nine personal attributes has not been validated. The Department was not able to demonstrate that its assessment interview adheres to generally recognized technical and professional standards, which it adopted and defined in the National Defence Personnel Selection Manual. As well, the Department could not provide evidence that the personal attributes it measured were valid predictors of military suitability or that when using the interview as an assessment tool, all recruiters were assessing the same attributes the same way. As a result, National Defence cannot ensure that, when it measures personal attributes, it is accurately predicting the suitability of applicants.

2.42 In 2004, the Department approved a revised recruiters' handbook containing comprehensive information on processing, documenting, selecting, assessing, and enrolling candidates. This handbook has the potential to improve the consistency and the reliability of assessment interviews because it has clear procedural guidelines and reflects good personnel assessment practices. However, National Defence does not gather information on the performance of its recruiting centres. It does not track the success of its recruiting centres in identifying and enrolling suitable candidates who meet military requirements and become part of the trained effective strength.

2.43 In February 2005, the Department approved an assessment directive with different criteria and procedures for assessing applicants, but these still need to be validated. Department officials informed us that the validation process was under way. Even though the Department has taken steps to improve the way it evaluates candidates, it still cannot provide assurance that candidates are being evaluated for the right things.

2.44 National Defence recognizes that the assessment interview is an important tool that needs to be administered by skilled and

knowledgeable recruiters. The *Canadian Forces Occupational Personality Attributes for Recruiters* states that Regular Force members who possess attributes such as strong interpersonal and behavioural skills and the ability to analyze information, behaviours, and ideas can be assigned as recruiters responsible for assessing the military potential of applicants. New recruiters undergo about 25 days of training after which they begin assignments at recruiting centres to assess applicants and make decisions on their suitability. A personnel selection officer monitors them at least twice a year. However, the occupational requirements for being assigned as a recruiter/interviewer do not include the need for background, knowledge, or skills in personnel selection or industrial or organizational psychology, as suggested in the National Defence Personnel Selection Manual.

2.45 National Defence has established minimum standards that candidates must meet or exceed in order to be selected. The minimum standards are a balance of three things—the number of new recruits the military needs, the availability of trainable applicants, and the amount of tolerance in the system for training failures. The Department has stated that the quality of recruits takes precedence over quantity. However, because applications are declining, it has reached a point where the Department is accepting more candidates who have only met the minimum standard for the occupation they have chosen. However, the Department was not able to provide us with information on how many recruits have only met the minimum or with information about the impact this has on training failures and the cost of training. National Defence must protect the integrity of its selection process and ensure that the minimum standards are set at the right point.

2.46 Recommendation. National Defence should continue its work to ensure that its personnel assessment instruments and selection decisions are based on recognized technical and professional standards and are valid predictors of candidate suitability.

National Defence's response. National Defence agrees with this recommendation.

National Defence will continue to collect information on the criteria and procedures introduced in our assessment directive of February 2005 in order to validate that our selection tools are predicting candidate suitability. We have set the end of 2008 as a target date for completion of this validation. The issue is iterative and continuous. Contingent on results of this validation, it will be essential to fine-tune criteria and their scoring on a regular basis.

2.47 Recommendation. National Defence should ensure that its recruiters have the necessary knowledge and skills needed to recruit and select suitable candidates.

National Defence's response. National Defence agrees with this recommendation.

National Defence will continue to improve the quality of recruiting staff through enhanced selection and training measures, including the establishment of a permanent Recruiting Training Centre in 2007.

National Defence faces ongoing training challenges

Basic training schools—Schools where military instructors teach general military knowledge, drill, first aid, physical fitness, and weapons training to all military personnel.

Post-basic training—Second level of training where instructors teach the specific skills members need to qualify for their military occupation such as Army combat engineer.

2.48 In our 2002 audit, we found that **basic training schools** responded quickly to the need to train up to 6,000 new recruits annually. However, we found the next step, **post-basic training**, was showing signs of strain; bottlenecks were starting to form in training schools for some occupations.

2.49 In 2001, National Defence increased the number of recruits. In 2002, we found that, although the recruits had completed basic training, many of them were still waiting for occupational training due to limitations in the post-basic training schools. Since then, we found that limitations in the capacity of the training system remain an issue. As part of its current planned expansion, National Defence has stated that it intends to get more instructors into the schools. However, these instructors are often in short supply because they are needed to fill operational demands in the Forces.

Managing military attrition

Impacts from the Retention Strategy and Action Plan have not materialized

2.50 In 2001, National Defence developed the Canadian Forces Retention Strategy and Action Plan to keep the focus on retaining military personnel in the next decade. At that time, National Defence recognized that the overall attrition rate—between six and seven percent—was at or below historical levels. However, it also recognized that the Regular Force was below the desired level of staffing and that there was increasing competition for a limited pool of young candidates. In the 2001 Retention Strategy and Action Plan, the Department identified several issues related to attrition, including

- an above-average attrition in some military occupations;
- a large number of experienced members who were, or soon would be, eligible for a pension; and
- the need for a better return on training investment.

2.51 Although the retention strategy required that timelines be established and progress monitored, the Department was not able to provide us with evidence that this has occurred. We found that National Defence has made some progress, such as monitoring and analyzing attrition data and developing a retention survey.

2.52 National Defence conducted retention surveys between 2002 and 2004 on the reasons people intend to leave. It found that members have given reasons, such as

- a lack of fairness in the Canadian Forces,
- uncertainty about the future of the Canadian Forces,
- leadership and bureaucracy, and
- career concerns.

2.53 We found that since 2002, National Defence has continued to work on measures that it expects will have a positive impact on retaining members. These include, for example, quality-of-life initiatives and a new policy to help transfer members between the Regular and Reserve Forces. Department officials informed us that they are in the process of reviewing career management practices.

2.54 We reviewed the progress by National Defence to address the attrition issues raised in the 2001 retention strategy. National Defence initiated a retention-intervention process to address higher attrition in some military occupations. The process was intended to identify occupations with potential attrition problems and to develop measures to address them. The Department used its retention survey to examine 32 occupations between 2002 and 2004 to determine members' intentions to leave. However, this survey was designed to identify problem areas generally applicable to the Canadian Forces and is limited in its ability to identify specific potential issues within occupations. As a result, many of the issues identified were broad in nature, and few changes were made that addressed military-occupation specific concerns.

Terms of service have changed to help retain members

2.55 National Defence "terms of service" are the agreements between the Canadian Forces and its members to provide military service. Terms of service provide a timeline and structure for engaging and discharging members, and the terms vary depending on occupation and stage of career. Terms of service were originally designed to release 80 percent of members at or before 20 years of service. They were based on Cold War conditions and the availability of new recruits.

Recognizing that operational and external factors have changed, National Defence began to update the terms of service.

2.56 To retain more experienced personnel, the Department extended eligibility for pension from 20 to 25 years of service. However, this change may not affect the attrition of members who remain under the original terms of service. We estimate that the first group of Canadian Forces personnel who will serve for 25 rather than 20 years will be officers who completed their initial engagement in 2005 and re-enlisted under the new terms of service. They may not begin to serve the extended five years until around 2013 and will be required to serve until about 2018 or later before being eligible for release with a pension.

2.57 To keep experienced personnel, the Department no longer gives a lump sum to officers who leave after nine years of service, and it has raised the compulsory retirement age from 55 to 60. National Defence has advised us that the number of members serving past age 55 has increased from about 200 in 2002 to about 350 in 2005. The Department directed that all eligible members completing 20 years of service be offered an extension. However, when we asked about the results of this measure, National Defence was unable to provide information on the number of eligible members or if they had all been offered an extension.

Early attrition lowers the return on training investment

2.58 In some occupations, the loss of personnel early in their service can be costly if members leave before the Department can benefit from its investment in training. We looked at the departmental data for a sample of 20 military occupations and found that, after only seven years, most had lost over one third of the group that they had recruited and trained.

2.59 For example, while the military occupation of Army combat engineer has an average attrition rate of about 6 percent, the rate of early-career attrition in this occupation is higher. National Defence data show that, by the end of their fourth year in the military, about 35 percent will have left. The Department estimates that it costs about \$220,000 to train a combat engineer up to the fourth year of service.

2.60 Army electrical and mechanical engineering officers have an average attrition rate of about 6 percent. It costs about \$200,000 to train these engineering officers for the first seven years, four years of which are typically spent in university. However, after seven years of service, about 35 percent will have left the military. This group

typically accepts only around 35 recruits each year; this means that after seven years, only 22 officers are left from the initial group.

2.61 Other military occupations have higher early-career attrition rates and higher training costs. About 71 percent of military physicians leave within ten years of joining the Canadian Forces, during which time the Department has subsidized their education for about five years. Two in five military nurses leave by the time they have completed seven years of service.

2.62 Early career training costs vary by occupation, and National Defence has changed the terms of service to better match the initial term of service with training investment. The initial term of service now varies from three to nine years depending upon the occupation and training required.

2.63 Recommendation. National Defence should continue to develop and implement specific corrective measures that better focus on the attrition issues it identified in its 2001 Retention Strategy and monitor the results.

National Defence's response. National Defence agrees with this recommendation.

National Defence will continue to identify conditions of military service that affect attrition and focus interventions on those that are amenable to policy/program solutions. A retention strategy will incorporate continuous improvements and therefore will remain flexible.

Managing military human resources

A single, recognized authority is necessary

2.64 Best human-resources management practices suggest that to achieve Defence core business objectives, the Assistant Deputy Minister-Military Human Resources needs to be an equal partner in the strategic decision-making process. This is necessary for a unified direction in managing military human resources in the Canadian Forces.

2.65 National Defence has been facing serious organizational challenges to military human resources management. Over the past five years, external and internal studies have stressed that the responsibility and accountability of the Assistant Deputy Minister-Military Human Resources has not been clearly defined or accepted within the Department. The studies reported that the Navy, Army, Air Force, and other stakeholders considered this function to be an advisory position, with no decision-making authority.

2.66 We found that some commanders had developed their human-resources management processes and policies without the required direction from the Assistant Deputy Minister-Military Human Resources. This resulted in inconsistent and fragmented policies and practices in the Canadian Forces human-resources management system and prevented the implementation of a single, Canadian Forces strategic human-resources direction aligned with the core business direction.

2.67 In July 2004, the Department revised and approved, in principle, new terms of reference for the Assistant Deputy Minister-Military Human Resources. It stated that the position is the authority in National Defence for military human-resources management. However, we found that this authority was not being enforced. In November 2005, the Department endorsed the responsibilities of the Assistant Deputy Minister and again recognized this position as the single authority to manage the Canadian Forces personnel system. It also approved in principle the concept of a framework for the integrated human resources management of the Canadian Forces. The Department plans to further delineate the responsibilities and accountabilities of the Navy, Army, and Air Force, and other stakeholders in managing human resources. This recent decision is a step forward to improving the effectiveness of military human resources management.

Managing military human resources strategically is fundamental

2.68 In 2002, National Defence developed the Military Human Resources Strategy 2020 in response to its Defence Strategy 2020, which had been put into effect two years earlier. There are clear links between the two strategies. As the basis for developing the strategy for managing human resources for the next 20 years, National Defence undertook a comprehensive assessment of internal and external factors affecting the management of its military human resources.

2.69 To ensure that the strategy to manage military human resources supports the National Defence strategic direction, the Department needs to do more work to assess the impact each has on the other. This assessment would provide information to ensure that military human-resources management planning is relevant and adequate.

2.70 The Military Human Resources Strategy 2020 served as the foundation for other subsequent human resources management tools. These tools, however, have yet to be approved. National Defence has

begun working on performance measures to assess the effectiveness of its human resources strategy and the progress of its implementation.

2.71 With the publication of the new Defence policy statement in April 2005, National Defence has embarked on a significant transformation project. Transforming the Canadian Forces involves people, technology, ways of conducting operations, and ways of thinking. It also requires a fully integrated and unified approach to operations. A key challenge for military human resources management is to assess the impact these changes will have on its policies, systems, and practices, while ensuring consistency.

2.72 During these past years, military human resources management concerns were often segregated from National Defence strategic considerations. However, significant progress has been achieved recently to align these activities. We found that personnel from the Assistant Deputy Minister-Military Human Resources Group have been participating in transformation committees and have contributed to identifying obstacles and improvements for implementing the new defence policy and vision. National Defence needs to develop a strong strategic military human resources vision and direction, and it needs performance measures that show progress toward contributing to the Canadian Forces' transformation goals.

Conclusion

2.73 Overall, National Defence has made satisfactory progress in responding to our 2002 recommendations. It has shown some improvement in recruiting the military personnel it needs to meet its operational requirements. But, since 2002, the trained effective strength of the Regular Force has grown by only about 700 members, and there is a shortage of about 2,400 qualified people to meet the needs of the Canadian Forces to accomplish their military tasks.

2.74 The Department has not been able to improve its recruiting of Aboriginal people, visible minorities, or women since our 2002 audit. Despite an increase in the youth population of these groups, the number of these recruits joining the Regular Force is declining. Even though the Department has carried out studies on the demographics of the Canadian labour force, is promoting diversity, and is spending \$1.5 million on diversity recruiting, these efforts are not achieving results.

2.75 We also found that military occupations that were below their required staffing levels in 2002 are still experiencing problems today. The Navy, Army, and Air Force have improved the staffing levels of some critical occupations, but there are still persistent shortages in both the support and specific occupations.

2.76 Even though the Department has taken action to address personnel shortages, we found that intake is barely replacing the number of members who are leaving. The recruiting and selection process is not meeting the needs of the Canadian Forces, and the Department needs to address problems that prevent it from getting the right number of suitable candidates from which to select recruits.

2.77 In 2002, we found that the Department needed to gather better information on attrition and to develop more effective retention initiatives. Since then, National Defence has been analyzing reasons for attrition and ways to address why members leave. Although some steps have been taken to address concerns, attrition in early and later years is still expected to increase, and the Department needs to continue its work to better identify what actions it should take to ensure that attrition does not become problematic.

2.78 Although National Defence has taken steps toward integrating concerns about the management of the military human resources in the decision-making process, it needs to continue to assess the impacts that the Canadian Forces' goals for transformation will have on the military human resources system. Under the new terms of reference for the position of the Assistant Deputy Minister-Military Human Resources, the Department has increased its ability to effectively manage an integrated human resources management system for all the Canadian Forces in line with the new vision of the 2005 Defence policy statement.

About the Audit

Objectives

The overall audit objective was to assess the progress National Defence made in addressing concerns raised in Chapter 5 of our 2002 Report on military recruiting and retention. This follow-up audit assessed the extent to which measures put in place by National Defence, since 2002, to manage regular force recruitment and retention, have resulted in improvements that are consistent with its strategic direction.

Scope and approach

Our audit focussed on the framework and processes for recruiting and retaining military personnel. We assessed the recruitment and retention policies and practices of National Defence through site visits, analysis, and interviews. Our audit involved mainly the office of the Assistant Deputy Minister-Military Human Resources but also included the offices of the Assistant Deputy Minister for Public Affairs.

Criteria

We followed up on recommendations made in our previous audit of military recruiting and retention in 2002. We expected that National Defence would have in place

- accurate information and guidance for determining human resources needs to meet current and future Canadian Forces' operational demands,
- a recruiting process and measures to recruit and train for a suitable and sustainable military workforce, and
- appropriate measures to achieve its retention strategy.

Quantitative information in this chapter is based on data provided by the Department. These data should be treated as unaudited.

Audit work completed

Audit work for this chapter was substantially completed on 20 January 2006.

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Appendix List of recommendations

The following is a list of recommendations found in Chapter 2. The number in front of the recommendation indicates the paragraph where it appears in the chapter. The numbers in parentheses indicate the paragraphs where the topic is discussed.

Recommendation	Department's response
Attracting, processing, and selecting recruits	
<p>2.38 National Defence should review its processes to attract applicants to ensure that it has a sufficient number of applicants from which to draw suitable candidates. (2.29–2.37)</p>	<p>National Defence agrees with this recommendation.</p> <p>National Defence has reviewed its processes to attract applicants. A comprehensive National Recruiting Campaign, supported by a National Recruiting Attraction Plan, new advertisements, and appropriate advertising funding will increase the number of applicants from which to select suitable candidates. Performance measures are being developed, and results against these measures are expected by 2007.</p>
<p>2.39 National Defence should take immediate action to correct problems that cause applicants to unnecessarily withdraw from the application process. (2.29–2.37)</p>	<p>National Defence agrees with this recommendation.</p> <p>National Defence will increase the number of personnel assigned to recruiting centres and will put in place a monitoring system that allows us to determine accurate numbers of applicants, their dispositions, and the time for processing. With this information, we will act to reduce unnecessary withdrawals and delays. We will aim to have this in place in 2007.</p>
Applicant assessment	
<p>2.46 National Defence should continue its work to ensure that its personnel assessment instruments and selection decisions are based on recognized technical and professional standards and are valid predictors of candidate suitability. (2.40–2.45)</p>	<p>National Defence agrees with this recommendation.</p> <p>National Defence will continue to collect information on the criteria and procedures introduced in our assessment directive of February 2005 in order to validate that our selection tools are predicting candidate suitability. We have set the end of 2008 as a target date for completion of this validation. The issue is iterative and continuous. Contingent on results of this validation, it will be essential to fine-tune criteria and their scoring on a regular basis.</p>

Recommendation	Department's response
<p>2.47 National Defence should ensure that its recruiters have the necessary knowledge and skills needed to recruit and select suitable candidates. (2.40–2.45)</p>	<p>National Defence agrees with this recommendation.</p> <p>National Defence will continue to improve the quality of recruiting staff through enhanced selection and training measures, including the establishment of a permanent Recruiting Training Centre in 2007.</p>
<p>Managing military attrition</p>	
<p>2.63 National Defence should continue to develop and implement specific corrective measures that better focus on the attrition issues it identified in its 2001 Retention Strategy and monitor the results. (2.50–2.62)</p>	<p>National Defence agrees with this recommendation.</p> <p>National Defence will continue to identify conditions of military service that affect attrition and focus interventions on those that are amenable to policy/program solutions. A retention strategy will incorporate continuous improvements and therefore will remain flexible.</p>