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Alternative Approaches in Military Compensation Benchmarking



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Alternate Approaches in Military Compensation Benchmarking

IDA Ideas Host Rhett Moeller spoke to Jacklyn “Jackie” R. Burhmann and Mikhail Smirnov, who discussed IDA’s evaluation of the military compensation benchmark for the Quadrennial Review of Military Compensation. Jackie and Mikhail conduct research involving labor economics, econometrics and military personnel policy in the Strategy, Forces and Resources Division of the Systems and Analyses Center, an IDA-operated federally funded research and development center. In this podcast, they explain how factors that dual-income military households face play a role in service members’ decisions to stay in the military or leave to join the civilian labor market. The U.S. military is an all-volunteer force, so it’s essential that service members are compensated at level that promotes retention decisions.

[Begin transcript]

Rhett Moeller: Hello listeners, I'm Rhett Moeller and I'm the host of IDA Ideas, a podcast hosted by the Institute for Defense Analyses. You can find out more about us at www.IDA.org. Welcome to another episode of IDA Ideas. I'm very happy to be back with another episode, and we'll be covering a topic that has direct relevance to the nation's security. Today I'll be talking with Jackie Buhrmann and Mikhail Smirnov of IDA's Strategy, Forces and Resources Division, or SFRD, about military compensation. It's a delicate balance to stay within budget while paying the members of our armed forces so that they're able to support families as they serve the country. In our time together, we'll look at how military compensation compares to civilian [compensation] and how to improve approaches in regards to cost, retention and specifically retaining skilled workers. It's a topic with deep implications and it's very important to the stability, knowledge and staying power of our military. Before we get going, Jackie, Mikhail, could you tell us a little about yourselves?

Jackie Buhrmann: Hi, I'm Jackie Buhrmann. I'm an economist in SFRD and I study military compensation and personnel policy.

Mikhail Smirnov: And good morning. I'm Mikhail Smirnov. I'm also an economist here in SFRD having studied personnel policy [and] compensation policy here, and then previously at the Center for Naval Analyses.

Rhett: Great. Well, welcome. I'm looking forward to talking with you about this very important topic. Much of what we're talking about ... came from research in support of the

Quadrennial Review of Military Compensation, or QRMC. Could you tell us about what that is, what its purpose is, and your involvement in it?

Jackie: ... The QRMC is a review that takes place every four years to look at a lot of different components of military compensation. And it covers a lot of topics from things like basic pay tables to housing allowances in different studies. And one of the topics for the 14th QRMC that wrapped up earlier this year was whether the socioeconomic shift towards dual income households and the ... unique factors that affect military spouses' earnings might require a rethink of how the Department [of War] evaluates the competitiveness of military compensation compared to civilian salaries with the idea that ... the military is an all-volunteer force. So, just like civilian employers, they need to have compensation set high enough to recruit and retain the talented personnel that they need. But they're also a large government agency with lots of other priorities for how to spend their money. And so, they need to manage military compensation to not spend more than they have to.

Rhett: Yeah, that makes sense. You mentioned competitive salary, dual income, all these things, and these were included in a study you did for the QRMC. Is that correct?

Jackie: Yeah, so the study that we did was looking at the benchmark that the Department [of War] uses to compare military compensation to civilian salaries. Civilian salaries have been a benchmark for military compensation since the beginning of the all-volunteer force. And currently, the benchmark compares regular military compensation, or RMC, which accounts for ... basic cash compensation and allowances and the tax advantage against the 70th percentile of individual income for civilians with similar education levels. So, for example, civilians with a high school degree serve as the comparison group for enlisted service members in the first, say, 10 years of their careers.

Mikhail: So, I think it's kind of important to understand that we weren't asked to look at [whether we] should ... pay more or [whether we] should ... pay less to service members. We were asked to figure out what's a better benchmark — so, what's a better measuring stick — for making this comparison rather than just saying, “Well, the salaries are too low or too high.”

Rhett: I can appreciate the complexity of this as a former service member myself. Having been receiving the compensation, it's easy to overlook all the work that goes into evaluating how much the military decides to pay its service members. I'm intrigued by the notion of the work that you were doing. You mentioned a benchmark. Is it an official comprehensive tool that they use? How does that look?

Jackie: Yeah, so the benchmark is an official tool. They compare RMC to the 70th percentile of civilian earnings, and the way that they use the benchmark is to say that if military compensation is higher than the 70th percentile of civilian earnings, then we expect that it's high enough to support recruiting and retention. But in reality over the last

couple of decades, military compensation has been well above the 70th percentile benchmark and rising. So, ... one of the things that prompted our study was to take another look at whether this 70th percentile benchmark is adequate and whether it should account for other factors of military life, like challenges to military spouses' careers or other things.

Mikhail: And this benchmark really was set looking backwards at the 1980s at a time when military recruiting and retention were relatively high. But today's environment, today's economy and today's families are not the same as [they were] back in the 1980s. And so, the fact that many more service members today are married and have a spouse who is also in the labor market and who is affected by military life means that one-for-one comparison of just the service member's salary to some benchmark for the comparable civilian misses any of the impact on the broader family, on the spouse, the children, etc.

Rhett: So, anytime you have a benchmark, there's a chance that there's either too much complexity for it to account for or that it overlooks certain aspects like you just mentioned. Did you find something similar in your review of the benchmark as it exists today?

Jackie: Yeah, ... we looked at the things that go into the benchmark, and we saw that on the military compensation side, you know, military compensation is really complicated. Between basic pay, allowances, tax advantages, special and incentive pays [and] retention bonuses, it's a really complicated beast. And the comparison that the benchmark uses is a really trimmed down version (RMC). It really doesn't account for a lot of the special and incentive pays, and in particular retention bonuses, that service members are considering when they're making that retention decision about whether to stay in the service or leave. And then on the civilian side, the benchmark is also kind of simplified and trimmed down to look at just the 70th percentile of individual income for, say, civilians with a high school degree. And when you think about service members with a wide variety of skills, competitive compensation for ... a cyber specialist is not the same as for a service member in another occupation, like a medic or a technician or a military police member.

Rhett: So, you had a few things to look into and through your work came up with a bunch of data to answer the questions that the sponsor has asked you. What kinds of things did you find?

Jackie: So, we did rely a lot on data about military service members, their compensation, civilian earnings and earnings of military spouses. To understand how military families actually consider all of these components of household finances when they're deciding whether or not to stay in the military, and to learn how some of the other military unique challenges factor into this decision, we started with focus groups with service members and their spouses. We used the conversations and the findings from focus groups to develop a model — a mental model first and then a mathematical model — of how all of the monetary and non-monetary factors actually go into a retention decision, how these things

interact, so that we could then estimate that eventual mathematical model with quantitative data on retention and compensation.

Mikhail: ... So, [with] this mathematical model, the idea is to capture everything, both monetary and non-monetary, that would happen to a service member and their family if they were to make one decision versus another (so, if they were to stay in the military or leave). ... We basically make a projection of what their career would look like and what their spouse's career would look like in the military. If, say, they re-enlist for six years, then they have a six-year career with possibly a couple of different assignments in there. And then they get to decide again. Do they want to re-enlist or not? And if they leave now, then in the model they leave and they have a civilian career. If they are, say, a mechanic in the military, they are likely to have a career as a civilian mechanic. Their spouse would look like a spouse of mechanics in ... the civilian data. And they would have that career. And this is the comparison that the mathematical model makes. ... On one hand you could stay in the military, [and] there's probably a lot of upsides to it. There's retention bonuses, there's TRICARE, there's cheaper childcare if you have children, etc. And then there are downsides. You have to move every few years for a permanent change of station (PCS). One of the challenges we already alluded to is the fact that military spouses earn less, in part because of PCS moves, in part because of childcare challenges, and because of other challenges associated with military life. So, these families face this decision. They face this decision repeatedly, and that's how we brought together the insights from the focus groups that Jackie just talked about and all of the data that we have on service members, their decisions, their earnings, what happens to them [and] their careers.

Rhett: Having gone through a couple of permanent changes of station or PCSs myself, I know how disruptive that can be.

Mikhail: Yeah, there's actually a lot of prior research on exactly how disruptive those can be. In focus groups, we heard often that even with sufficient notice, this might involve changing where you live. It might involve selling a house, buying a house, finding new housing, finding new doctors, enrolling your child in a new school.

Jackie: Yeah, it also involves finding new childcare.

Mikhail: Yes.

Jackie: ... The interaction between PCS moves and childcare challenges was one of the really key things that we heard. Not only are PCS moves and childcare hard enough on their own, but they interact in ways that do really disrupt military spouses' careers.

Mikhail: And prior research from our colleagues at RAND actually showed that in the year of a PCS move, military spouses earn 14% less than if there was no PCS move. So, just comparing spouses who did experience one and did not, that's a pretty sizable impact on the career. And of course, in most ... pre-remote work days, this would be a break in a

career. And in fact, it often still is a break in a career. [Some] military spouses ... might be able to work remote. But for most of them, if they experience a PCS move every two, three, four years, that's a change that they have to find a new job [for] and there's no possibility to build a career in one place if you're moving around every four years.

Rhett: Yeah, one of the things we joked about in the Army was “Semper Gumby” (always flexible). And absolutely, I know that military spouses and military families in general are very often affected by the transitions that happen through the course of service.

Well, you've shared an array of benefits, both monetary and non-monetary, [and] challenges that military families face. So, taking all that (and obviously you ... put a lot of work into making sense of it) and then trying to make comparisons with the civilian sector, what were you able to share with the sponsor?

Jackie: Yeah, so we developed this model of how service members and their families make retention decisions, and we found that if the Department [of War] set compensation to match their current benchmark, retention rates would fall significantly, and the services would no longer be able to retain the talented service members that they need. So, we recommended that the department increase the benchmark for military compensation to better align with modern levels of military compensation, recognizing in part that ... military life has changed a lot since the time period that the previous benchmark referenced when they were trying to determine ... what a good level of military compensation was. One of the big things that's changed since they set the benchmark is just how many dual income households are in the military. Over two-thirds of military spouses are in the labor force, but these factors that we've talked about like PCS moves and challenges with access to childcare significantly reduce their earnings potential, and that has a pretty significant effect on household finances.

Mikhail: And we're talking about a relatively big difference for enlisted service members. We estimate that their spouses earn almost \$10,000 less per year than they would if the service member left the military. If we're thinking about an enlisted service member after their first initial four-year contract is up, (Let's presume they're married and they're considering leaving the military as a lot of people do after four years or making it a career, making it to 20 years, right?) their spouse is going to earn about \$275,000 less over that period. That is a lot of money that we are asking this family to give up. Of course, as we talked about, military compensation is higher than average civilian compensation. It in fact exceeds the 70th percentile benchmark, so the Department [of War] pays service members to make up for it. But this is a real cause that we are having to compensate families for right now.

Jackie: And we found that if military spouses didn't take that earnings hit, accounting for the long-run part of this too, [and] if military spouses earned as much as similar civilians over the course of their career, military retention rates would increase by somewhere

between 5% and 12% across enlisted communities. So, this amount of money does have a significant effect on retention as well.

Mikhail: This is something that should make sense to most people who think about it because right now, military life makes it very hard for service members' spouses to have careers and therefore they have to take an income hit. And to compensate them, the Department [of War] pays service members a lot. If the department was able to make some changes that allowed military spouses to have better careers and to earn more money, they would make that money in the private sector. The household would be just as well off. The department would not have to compensate for that detriment if we could mitigate it in other ways.

Rhett: You've mentioned several times the hit that spouses take when families move from one place to another through a PCS. What are the causes of those hits? What affects salary in the ways that it does?

Mikhail: I can try to take this one. So, ... [there are] a couple of things we found, first through focus groups and then in the data, that confirm each other. What about military life makes it difficult for service members' spouses to have long careers? One is the actual immediate disruption of PCS moves. You have to pick up your household and move it elsewhere. And it comes with a likely interruption to a job. So, one is just the actual time taken off to make the move, because that does in fact almost always fall on the spouse. The military expects the service member to pick up, move and be at their next duty station. They do not have the time to figure out new childcare arrangements, figure out new doctors and things like that. This is something that falls on the spouse. [With] the actual job interruption, [the] spouse often has to leave a job and find a new job. They do not have time to build a career, get promoted to the next level, etc.

Jackie: And it's not just PCS moves that disrupt military spouses' careers, the ... day-to-day challenges of military life are a factor too. We heard from service members and their spouses that PCS moves in childcare were ... the two key factors. But things like deployments also have an impact on military spouses. When your spouse is deployed overseas for several months, that leaves the person at home essentially acting like a single parent with all of the responsibilities for household management and childcare that that implies. And we heard from a lot of service members that this is a huge challenge for their spouses. ... Even when the service member isn't deployed, military spouses are often still responsible for a lot of day-to-day needs for the household. If a kid gets sick and needs to be picked up from school, we heard that it's typically the spouse who needs to be the parent who's able to go and pick a kid up and stay home with them from school. So, even when their service member isn't deployed and even when they're not experiencing a PCS move, they have to maintain a significant degree of flexibility in their day-to-day schedules, which really impacts the kinds of jobs that they can do. Military spouses have a hard time having a demanding job themselves because their partner already has a demanding job. And this

is a challenge for dual military families as well. [For] families where both parents are service members, the ... childcare challenges that they face are pretty extreme.

Mikhail: Yeah, we have repeatedly heard in multiple focus groups that essentially, the military will always be the primary career for that household. The spouse's career has to ... take a back seat. And that means in terms of flexibility, a lot of spouses work part-time jobs to be able to drop kids off, pick them up [and] take care of them when something happens, but also just to be able to run a household. This isn't unheard of in the civilian labor market. There are other demanding careers. Obviously, the military is not the only one. But those extremely demanding careers in the civilian market also pay a lot if somebody is a partner at a law firm, somebody is a doctor that is always on call, somebody has to ... go away from their family for a long time to work on an oil rig. All of those jobs are demanding and they're hard on the family, and they're also extremely well compensated, similar to the way the military is.

Rhett: So, what I'm hearing is busy schedules, a lot of demands on time, and the cost of things makes it very difficult for a military spouse to make up the sort of compensation that a civilian counterpart might have.

Mikhail: Yeah, that's right.

Rhett: Makes absolute sense.

Mikhail: And in many cases, there's actually a very rational decision that service members' families make about the spouse not being in the labor market. We (Jackie, I think) mentioned that their ... labor force participation is quite a bit lower than civilians. But this makes sense. If you have somebody who is forced to move every few years, who cannot build a career, and they have a family, they will make the decision to stay home and take care of their children. They then don't have to pay for childcare, and that is a rational choice ... when childcare costs are really, really high. If they did earn more or if childcare was significantly cheaper, it's plausible that they would be in the labor market.

Rhett: You've obviously put a lot of work into understanding the status quo for the benefit of our audience. I'd love to know what you have recommended our sponsors can do to improve retention.

Jackie: ... We were asked to look at the benchmark for military compensation, particularly through the lens of how military compensation affects retention decisions and how the nature of a dual-income family making that retention [decision] together ... affects how we should think about compensation. So, we recommended raising the benchmark to align it with contemporary levels of military compensation to acknowledge that all of the things that we've talked about, about military spouses' career disruptions and other challenges, currently are a fact of life for military families, and that the level of military pay implied by the current benchmark is just not sufficient to compensate for these things. And military

compensation has already adjusted to that. So, what we recommended was just raising the benchmark to acknowledge that as well.

We also recommended some updates to the underlying benchmark calculation to make it a more useful tool for the Department [of War] to understand these decisions when they're doing this kind of comparison every four years in the QRMC. So, we recommended that they measure military compensation more accurately by expanding the definition that they use to account for all of the pre-tax things that we talked about in addition to RMC, like the special and incentive pays and retention bonuses. We recommended that they estimate the comparable civilian earnings more accurately as well by accounting for occupation in addition to education level, which is what they currently do, and we recommended that they allow for some normal variability in pay across occupations by setting the benchmark itself not to a single percentile, but to a range, so that instead of saying, "Oh, military compensation is above our benchmark," they can say, "Well, for this occupation group, military compensation is way above the range that everybody else is in" and really ... look at that occupation group specifically. ... Or ... [for] cyber, they might notice that while most other military occupations are within the same range, ... cyber is ... well below that range that we think of as the benchmark for military compensation. By having a range that's normal, it makes it easier to identify outliers and potential problem areas.

Mikhail: And outside of the changes to the benchmark, our recommendations really focused on the Department [of War] exploring what sorts of things it can do to help military spouses have careers. In fact, I think that P&R ([Office of the Under Secretary of War for] Personnel and Readiness) in their latest documents and reports now does really talk about spouses' careers. Previous to this, I think that it was often just a conversation of, "Do they have jobs or not?" but I do think the conversation has shifted a bit to talking about encouraging spouses and finding ways for spouses to have meaningful careers. Even before our report, there are educational programs for spouses to support them getting degrees that lead to flexible careers. But we had focused on evaluating whether PCS moves need to happen as often as they do because they are quite disruptive to spouses' careers, and then evaluating whether the Department [of War] is able to change how much childcare costs, including potentially simply offering free childcare to service members. This would obviously be expensive, and we did not evaluate the cost because it was outside of our study. But it would make a material difference to service members' families, and we do estimate that it would have a material difference on the retention rates that we see across the department. So, there is a possibility that we could trade off offering these things (fewer PCS moves, cheaper or free childcare to service members) and get retention instead of having to buy retention with retention bonuses, because that's also dollars. Which one is cheaper? I don't know. This was outside of our scope, but we recommended that these sorts of things which usually get thought of as just quality of life ... should be part of the conversation about retention and they should really be considered alongside retention

bonuses and other things as we're thinking about this total force, all-volunteer force management.

Rhett: Well, Jackie, Mikhail, thank you for taking the time to discuss this timely topic with us and for sharing your expertise. I found it to be very illuminating. Thank you.

Mikhail: Thank you very much.

Jackie: Thank you.

Rhett: As always, if you want more information on IDA and its ongoing work, please do check us out at IDA.org. We also have a presence on X at IDA_ORG and we have a channel on YouTube. IDA Ideas is hosted by the Institute for Defense Analyses, a nonprofit organization based in the Washington, D.C. area. Once more, you can find out more about us and the work we do at IDA.org. Thanks for tuning in, and we hope you'll join us again next time as we discuss another big idea here at IDA Ideas.

Show Notes

Learn more about the topics discussed in this episode via the links below.

Buhrmann, Jacklyn R., Jared M. Huff, Mikhail Smirnov, Juliana Esposito. "Retention and Military Compensation Benchmark." IDA Product 3005729. September 2025. <https://www.ida.org/research-and-publications/publications/all/r/re/retention-and-military-compensation-benchmark>.

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