



# RESEARCH SUMMARY

## Retention and Military Compensation Benchmark

**To meet 21st century challenges, the U.S. military must retain talented personnel. Finding the right level of compensation can help the military services reach retention goals. Notably, for married service members, the decision about whether to continue or leave military service is made with their spouses, whose own earnings potential is impacted by military life. IDA assessed the military compensation benchmark within this household context.**

Because the U.S. military is an all-volunteer force, it competes with the civilian labor market to recruit and retain talent using monetary tools like pay and bonuses. It uses a metric called the military compensation benchmark to gauge whether military compensation is adequate to meet retention goals. Currently, the benchmark compares regular military compensation (RMC), which accounts for basic cash compensation and the federal tax advantage, against the 70th percentile of individual income for civilians with similar education levels.

An IDA team, led by researchers Jacklyn Buhrmann, Mikhail Smirnov, Jared Huff and Juliana Esposito, found that the current benchmark is an ineffective metric for

understanding whether military compensation is sufficient to meet retention goals.

First, the existing methodology using RMC excludes special and incentive pays and bonuses. These are used to incentivize retention and to compensate service members for gaining specialized skills or performing particularly challenging job duties, and are a significant part of total military pay. Second, the civilian individual income distribution underestimates service members' civilian earnings potential because it does not adjust for the occupations and skills that service members have. In most of

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September 2025 | Product 3005719

the communities IDA studied, total military pay falls between the 80th and 90th percentiles of comparable civilian pay, significantly higher than the 70th percentile benchmark.

Finally, this comparison does not factor in how challenges unique to military families, like frequent moves and child care demands, impact household income. These challenges significantly affect military spouses' earnings potential and therefore retention decisions.

The IDA team developed a behavioral model of household retention decisions based on findings from focus groups with service members and their spouses about how military families weigh financial and quality of life tradeoffs when deciding whether to stay in the military or to leave. Using this model, they found that if military compensation were to be lowered to the current benchmark, retention rates would be expected to fall severely — by at least 24 percent and as much as 47 percent in the communities they studied.

The researchers recommend raising the benchmark to align it with contemporary levels of military compensation. Additional changes to the benchmark calculation would make it a more useful tool:

- Measure military compensation more accurately by expanding the definition to include all pre-tax current-year cash compensation and allowances.
- Estimate comparable civilian earnings more accurately by accounting for occupation in addition to education level and experience.
- Allow for normal variability in relative pay across occupations by setting the benchmark

to a range rather than a single percentile of the income distribution.

The researchers also found that increasing military spouses' earnings can significantly improve military retention and quality of life without the need for broad increases in military compensation. They recommend that the military services continue to pursue policies that improve military spouses' ability to have a career and contribute to household finances, including increasing access to child care, lowering military families' child care costs and reducing the frequency of moves.

This summary is based on [IDA Product 3000516](#) and [IDA Product 3001117](#), which were completed in support of the 14th Quadrennial Review for Military Compensation.



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