



The effectiveness of the measures taken in the HR policy of the National Armed Forces

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Audit report

The effectiveness of the measures taken in the HR policy of the National Armed Forces

Performance audit “The effectiveness of the measures taken in the HR policy of the National Armed Forces”

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Dear Reader,

We have completed an audit on the effectiveness of the human resources policy of the National Armed Forces. This is the second audit in the audit cycle of the State Audit Office on human resources in the armed forces. In previous audits, we have assessed the development of the National Guard, and we have started an audit on the effectiveness of the reserve system of the armed forces at the end of this audit, thus, we aim to assess human resources issues in all segments of the armed forces in auditing.

During this audit, we have assessed whether the HR policy of the National Armed Forces created the necessary prerequisites for attracting and retaining sufficient, qualified and motivated military personnel in the regular forces or professional service of the National Armed Forces. After the audit, we received confirmation that the necessary prerequisites were created for the recruitment and retention of such personnel for the performance of national defence tasks in groups of experienced and senior personnel (officers and instructors), but it would be necessary to do more to attract and retain new soldiers in the service by providing for measures specifically aimed at this personnel group.

Until now, the HR policy of the National Armed Forces has focused on motivating and keeping existing personnel in the service as long as possible, and this is also reflected in the personnel structure of the National Armed Forces where more than 80% of professional soldiers are in the category of instructors and officers, and only less than 20% of soldiers is in the category of soldiers. Although professional soldiers are involved in the implementation of the tasks of the National Guard and the provision of the reserve system of the armed forces, continuing such a vector of professional service development may cause significant limitations on the development of the organization in the long term.



Much has been done in the HR policy of the National Armed Forces and our armed forces are an attractive and stable employer. Similar to many other sectors and the armed forces of other countries, attracting and retaining young specialists is also a challenge in our armed forces. Unfortunately, the negative demographic trends indicate an ever-increasing competition for human resources, and it requires proactive action by employers.

International experience indicates that the remuneration of soldiers must be competitive and stand out in the labour market because one can and should pay more for the defence of one's country. Remuneration for junior personnel may be higher than their productivity, as soldiers are recruited and rewarded based on their future growth and contribution. Potential solutions for attracting and retaining junior personnel may be related to more flexible service contract terms, greater involvement in career decision-making, improved rotation options and other measures that promote retention. This audit is finalised at the time when the Minister of Defence is promoting the initiative for the creation of the National Defence Service as a response to a limited number of recruits and the ever-increasing needs of national defence in the context of current security challenges. The experience of other countries also shows that a positive experience in conscription increases interest in professional service and the desire to continue a career in professional service.

We thank the Ministry of Defence and the National Armed Forces for their cooperation during the audit!

Respectfully
Kristīne Jaunzeme
Department Director

Summary

After the integration of the National Armed Forces into the NATO collective defence system in 2004 and the transition of the National Armed Forces to professional military service in 2007, an important task was to establish an effective military personnel selection and training system for professional service soldiers, and to create a competitive remuneration system.

Faced with the rapidly changing and dangerous geopolitical situation in Europe in 2014, one of the urgent tasks to strengthen external security was to staff the military personnel of the National Armed Forces in the required amount. Due to the fiscal restrictions caused by the financial and economic crisis, the Latvian National Armed Forces met the security crisis in Europe in 2014 with missing military personnel, insufficient infrastructure, material and technical support, and military capabilities should be developed rapidly and simultaneously in several directions. Large-scale infrastructure construction and equipment purchases were carried out, which created the need for an adequate number and qualification of military personnel. If the units that acquired the new systems and equipment were not staffed, there were risks of not fulfilling the tasks assigned to the units of the National Armed Forces in full.

Armed forces personnel may not be obtained immediately, but can be achieved in the result of long-term planned and targeted measures.

The new reality led to the realization that military capabilities, including military personnel of sufficient numbers and appropriate skills in the armed forces cannot be obtained immediately, but can be achieved in the result of long-term planned and targeted measures.

The National Armed Forces consist of the regular forces, the National Guard, and the reserve (reserve soldiers and reservists)¹, see Figure 1. The core of the regular forces HR of the National Armed Forces consists of professional soldiers. To achieve the goals for national defence set in the National Defence Concept, the National Armed Forces must reach 8,000 professional soldiers² during the period of the Concept until 2024.



Figure 1. Composition of the National Armed Forces as of January 2022: NAF is a set of military formations, a militarily organized, trained and armed part of the people consisting of 6,658 NAF regular armed forces, 8,000 National Guard, 6,000+ reserve (reserve soldiers and reservists).

The Ministry of Defence has identified the shortage of military personnel in the National Armed Forces and has been looking for ways to make soldiers' compensation competitive, to motivate soldiers to stay in the service as long as possible, and to attract new soldiers to serve in the National Armed Forces since 2014.

Taking into account that the international security situation has not improved and the security challenges have become even greater, the issues of human resources of the National Armed Forces and their availability are constantly relevant. Therefore, we have conducted a performance audit on the effectiveness of the measures taken in the HR policy of the National Armed Forces to assess whether the HR policy of the National Armed Forces provided the necessary prerequisites for attracting and retaining sufficient, qualified and motivated military personnel for the performance of national defence tasks. In this audit, we have assessed the HR policy of the National Armed Forces regarding military personnel in service and employment relationships such as professional soldiers, civil servants, and national guards who, in addition to service in the National Guard, also perform tasks under concluded contracts in the units of the National Armed Forces.

Main conclusions

Despite the fact that the number of human resources of the National Armed Forces has increased in all positions and the number of professional soldiers has increased from 4,496 to 6,658 soldiers in the period from 2011 to 2022, the attraction and retention of sufficient, qualified and motivated military personnel in the country for the performance of defence tasks is a constant challenge in the implementation of the HR policy of the National Armed Forces.

In the National Armed Forces, 838 military positions and 100 civilian employee positions were not filled on 1 January 2022. The number of unfilled soldier posts has a tendency to increase, see Figure 2.



Figure 2. Number of soldiers and unfilled positions of soldiers in January 2021 and 2022.

In the Concept of Staffing NAF Military Personnel 2020-2024, the HR policy of the National Armed Forces outlined the issue of the ability of units to fulfil the intended tasks for the first time, taking into account the shortage of military personnel, and the need to assess the tasks intended for the units was identified by adjusting the established and planned structure of the National Armed Forces accordingly.

Since the number of vacancies for soldier positions tends to increase, their filling may be increasingly problematic provided that the number of recruited and retired soldiers was almost the same in 2021 where 473 soldiers were recruited, but 408 soldiers retired, see Figure 3.

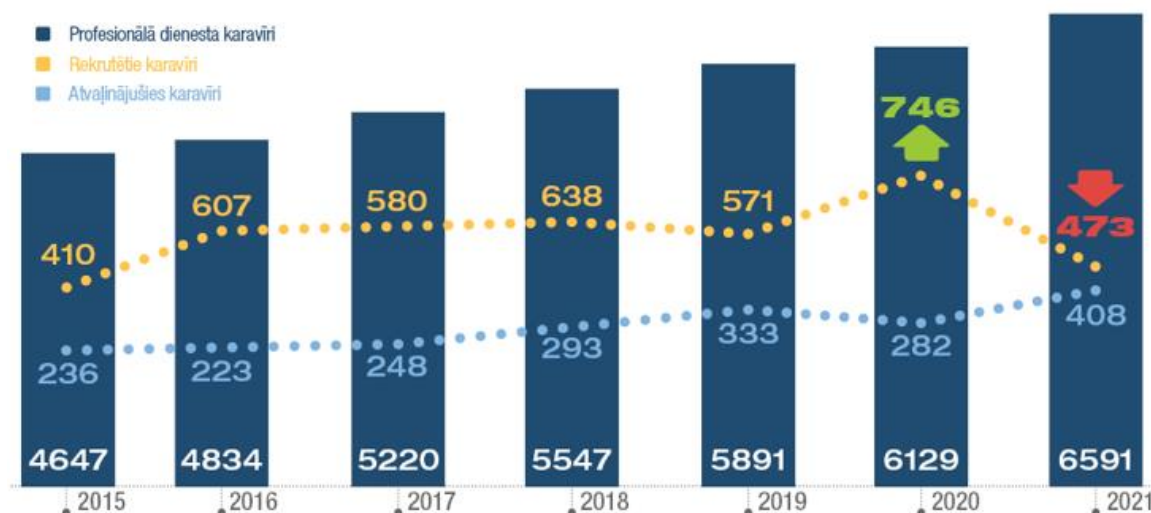


Figure 3. Changes in the number of soldiers, recruitment, and retirement in the period from 2015 to 2021: professional soldiers, recruits, and retired.

To ensure the attraction and retention of sufficient, qualified, and motivated military personnel in the National Armed Forces, a series of measures provided for in the HR development documents of the National Armed Forces have been implemented. During the audit, assessing the impact and effectiveness of each individual measure was impossible, and international practice also recognizes that it is difficult to measure the impact of measures taken to motivate soldiers³, as many various factors influence the recruitment and retention of military personnel.

At the same time, studies of military personnel outline changes in the soldiers' compensation system by making it more competitive and attractive in the labour market⁴ as one of the central measures when planning the HR development of professional service-based armed forces and facing recruitment crises and difficulties in retaining soldiers. In the experience of the armed forces of different countries in matters of HR policy, a connection can be observed between increasing the salary of soldiers and improving the indicators of recruitment and retention in the service⁵. Therefore, we paid more attention to the reform of soldiers' compensation and the measures taken within it during the audit.

When assessing the measures taken within the framework of the soldiers' compensation reform and in general in the HR policy of the National Armed Forces, we have concluded in the audit that the necessary prerequisites for maintaining sufficient, qualified and motivated military personnel for the performance of national defence tasks in experienced and higher ranks (instructor and officer categories) HR composition groups are provided, but it would be necessary to do more to retain junior military personnel and to attract new soldiers, providing for measures specifically aimed at this group of military personnel to ensure the retention and attraction of newcomers to professional service in the required number.

At the same time, in connection with the new initiatives regarding the introduction of the national defence service⁶ and taking into account the planned implementation of national defence training in all general education schools and vocational secondary education institutions by 2024, the performance of national defence tasks and the implementation of new initiatives may require a much larger number of instructors than currently it is available in the National Armed Forces.

The reform of soldiers' compensation has generally increased the competitiveness of soldiers' compensation, but the increase of the monthly salary set for soldiers should have progressed faster and ensuring greater competitiveness of the compensation of newcomers in the labour market would be desirable.

The expenses of the national armed forces for military personnel compensation have significantly increased, that is, from 75.2 million euros in 2011 to 201.9 million euros in 2021. Expenditure for service pensions of military personnel have doubled, as pensions constituted 8.2 million euros in 2011, while these expenditure were already 16.3 million euros in 2021.

The reform of soldiers' compensation was launched in 2014 and has been implemented in several steps in 2015, 2016, 2019 and 2022. Since no specific period was defined for the reform, changes in soldiers' compensation will also take place in 2022, and the reform of soldiers' compensation cannot be considered completed yet.

While assessing the implementation of the soldiers' remuneration reform, one can conclude that the reform has been implemented in accordance with the proposal made by the Commander of the National Armed Forces in 2014 regarding the immediately required changes in the soldiers' monthly salary and a more extensive reform of soldiers' compensation has been carried out in the medium term, see Figure 4.

The reform of soldiers' compensation commenced in 2015 has contributed significantly to increasing the motivation of soldiers.

While reforming the soldiers' compensation system, an increase in the monthly salary in proportion to the growth during the service has been ensured; special attention has been paid to retaining experienced military personnel in the service as long as possible and in critical periods when experienced soldiers have a greater tendency to retire; a differentiated system of monthly salary rates for soldiers has been established depending on soldier's education, professional qualifications and taking into account the posts specially needed by the National Armed Forces.



Figure 4. Reform of the soldiers' compensation from 2014 to 2022: 1. Immediate change, 2. Reform in the long term, step-by-step approach, changing monthly salary rate, rate and age "ceiling", rate differentiation, qualification coefficient, and especially required positions.

The reform of soldiers' compensation resulted in an increase in the monthly salary of soldiers of all service ranks. Comparing the categories of soldiers, the biggest increase in the monthly salary is observed for the soldiers of instructor category, which indicates that the changes in the monthly salary are intended to motivate the soldiers of instructor category the most. In the category of officers, the highest monthly salary increase is for soldiers of the highest officer ranks, as their term of service approaches the maximum number of years of service.

The competitiveness of soldiers' compensation is usually viewed in the context of total compensation, not just monthly salary. When assessing the competitiveness of soldiers' compensation, additional payments to be paid to soldiers in the format of bonuses, social guarantees and compensation, as well as educational opportunities, medical care, insurance, etc. are taken into account.

The audit concludes that only starting from 1 August 2022 after the changes in the rate of monthly salary and the amount of compensations came into effect, the guaranteed compensation of a soldier who has just started his or her service (monthly salary and guaranteed compensations) reaches the average salary in the public sector (1,268 euros in 2021), as the guaranteed compensation of a soldier is 1,237-1,279 euros. As recently as 2021, the guaranteed compensation of a soldier (monthly salary and guaranteed compensations) was competitive starting with the rank of sergeant (fourth rank in a row out of 16), that is, 1,433 euros; and the compensation of soldiers was more competitive for soldiers of higher ranks, compared to the average salary in the public sector in previous periods. Given the variable part of compensation (bonuses, other social guarantees, and compensations, such as covering education and health expenses, reimbursement of transportation expenses, etc.) that soldiers of all ranks can receive, soldiers' compensation exceeds the average salary in the public and private sectors to a greater extent.

The changes made resulted in an increase in the monthly salary of soldiers in proportion to the career during the service. Special attention has been paid to retaining experienced military personnel in the service as long as possible.

The practice of other countries analysed in the audit⁷ on the reforms of soldiers' compensation indicates that the desired effect on the recruitment and retention indicators cannot be achieved by increasing the salary if its increase coincides with trends in the labour market, i.e., if salaries also increase in the general labour market. Therefore, considering the specifics of the military field (the staffing of higher ranks is possible using only internal resources that have "grown" from lower-ranking personnel) and intending to achieve the set goals in staffing the military personnel of the armed forces in terms of attracting new soldiers and retaining existing ones, compensation in the armed forces should stand out in the labour market.

To achieve the desired changes in the staffing of the National Armed Forces, the increase in the monthly salary set for soldiers could have proceeded more rapidly. Changes in the monthly salary of soldiers were made gradually, and, only in 2019, the increase in the base rate of the monthly salary

of soldiers began to exceed the amount of the monthly salary that had existed before the financial and economic crisis.

Taking into consideration the goal set in the HR policy regarding the recruitment of new military personnel, a more pronounced competitiveness of compensation in the labour market for low-ranking soldiers would probably contribute more to the goals achievable in the HR policy. Regarding the determination of salaries for junior military personnel, the international practice analysed during the audit emphasises the difference between the military sector and the civilian sector when salaries of junior military personnel may be set higher than their productivity, since soldiers are recruited and paid for the service relying on the development of soldiers in the future. Considering the fact that highest-ranking military personnel are formed from within the service in the armed forces and may not be recruited from outside, the salary of junior military personnel may be set higher than their productivity so that the armed forces have a pool of people who can occupy the highest positions in the future.

It would be necessary to do more to retain newcomers and to attract new soldiers, providing measures specifically aimed at this group of military personnel.

For further facilitation of the competitiveness of soldiers' compensation and achievement of the goals set for the National Armed Forces regarding the recruitment of new military personnel and the retention of existing one, the Ministry of Defence and the National Armed Forces must accumulate information on salary trends in the labour market and compare them with compensations of the National Armed Forces constantly.

As a result of the changes made, the compensation system for soldiers can be evaluated as motivating to retain the existing military personnel as long as possible, however, the changes in the monthly salary cannot be evaluated as significant with regard to the recruitment of personnel.

Concept of Staffing NAF Military Personnel 2020-2024⁸ recognised that one should focus on the retention of existing soldiers in the service by paying special attention to soldiers in the first five years of service, in which a high number of those who left the service can be observed. The audit has not established that any measures would have been taken to motivate this group of military personnel to remain in the service specifically.

Increasing the maximum age of service has achieved immediate benefits, but one must assess long-term impact

In the revision of the monthly salary of soldiers, the main changes were aimed at keeping the existing military personnel, giving greater importance to the period of service, and the longer the service, the higher the monthly salary. A period of two years was set for the increase of the monthly salary rate instead of the previous four years to differentiate the monthly salary rates in the critical periods when one needs to decide on the continuation of the service at the end of the contract and material motivation may play a role in making this choice.

Moreover, the maximum age of service was raised, enabling professional soldiers to serve actively up to the maximum age specified for the reserve - up to 60 years of age for soldiers, instructors and junior officers and up to 70 years of age for senior officers. Besides, the monthly salary “ceiling” was also raised. In the future, the monthly salary rate will continue to increase up to 42 years of service for soldiers and instructors and up to 52 years of service for officers instead of the previous 31 and 25 years of service to motivate soldiers to continue active service for more than 31 years until reaching the maximum age set for the reserve.

At the same time, the increase of the monthly salary up to the maximum number of years of service is determined only for highest-ranking soldiers, chief first sergeant (chief boatswain) in the category of instructors and lieutenant-general (vice admiral) in the category of officers. The ceiling of the monthly salary of the soldiers of the other ranks is set for each rank during their service period, thus the soldiers are motivated to fulfil the prerequisites to move to the next rank. For example, the increase in monthly salary stops at the 14th year of service for a soldier, while the increase in monthly salary stops at the 32nd year of service for sergeant and major.

When looking for solutions for the sufficiency of the number of soldiers, the soldiers in the armed forces of other countries are also motivated to stay in the service as long as possible and this is a common solution⁹.

Simultaneously, it is recognized that the maximum length of service of existing soldiers solves the problem of staffing in the short term, but it may affect the proportion of junior and senior military personnel in the personnel structure in the long term, which is needed to fill the positions of all ranks of the service. Therefore, when introducing changes in the maximum age allowed for service, HR development policymakers should assess how the changes will affect the military personnel structure of the armed forces in the future.

The structure of NAF military personnel is not pyramidal: there is a small number of low-ranking soldiers and a larger number of high-ranking soldiers.

When reforming the soldiers’ compensation system, nobody has assessed how the increase in the age of service will affect the personnel structure of the armed forces.

Typically, the balance of personnel in military organizations is ensured by a pyramidal structure with a large number of lower-ranking soldiers and a small number of higher-ranking soldiers. However, the structure of the National Armed Forces is the opposite, with a small number of lower-ranking military personnel, see Figure 5.

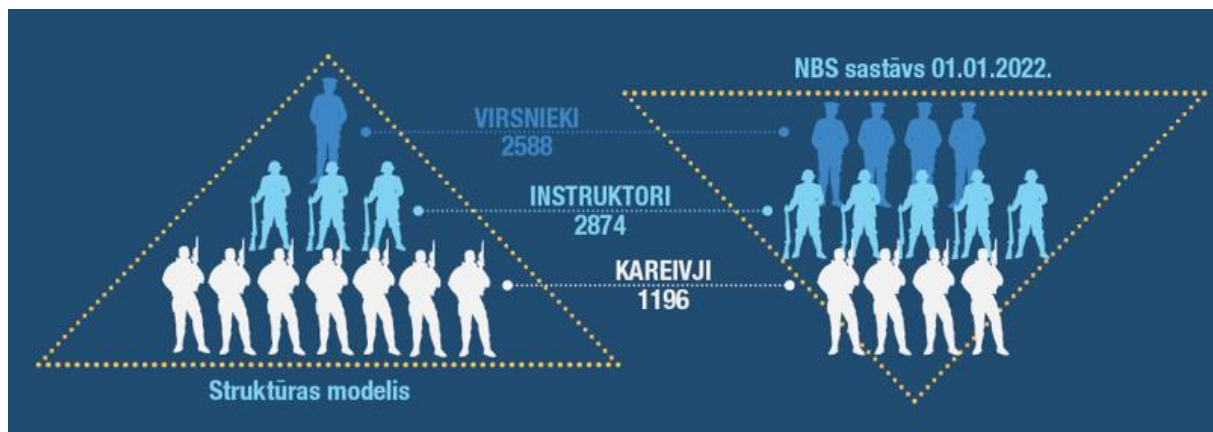


Figure 5. Structure of military personnel of the National Armed Forces as of January 2022: Model of structure; 2,588 officers, 2,874 instructors, 1,196 soldiers; NAF structure as of 1 January 2022.

As of 1 January 2022, the National Armed Forces consisted of 1,196 soldiers, 2,874 instructors, and 2,588 officers. This means that staffing hierarchies may be difficult to maintain right now and may have a negative impact on staffing in the future. Since the military personnel composition of the armed forces is based solely on the availability of internal personnel resources, there might be a lack of a sufficient number of higher-ranking soldiers in the future.

Determining a differentiated monthly salary rate contributes to raising the qualifications of soldiers, but half of soldiers perform the duties of a position higher than their rank and inconsistencies in the structure of positions have been found.

In 2016, a differentiated approach was introduced in determining the salary of soldiers, providing for different monthly salary rates depending on the existence of education corresponding to the position held. In this way, improving the qualifications of soldiers and obtaining a service rank corresponding to the position they hold were promoted, as well as inequality was eliminated in situations where a soldier who performed a higher rank position with the level of military education required for this rank received the same monthly salary as a soldier who had not completed military education courses prescribed for higher-ranking positions by the Law on Military Service.

With such an approach to determining the monthly salary, it was planned to partially settle the issue of the appointment of soldiers to a position corresponding to a higher rank, which was allowed by laws and regulations by providing that a soldier received a bonus in the amount of the difference in monthly salary in such a case. However, the audit concludes that the revision of monthly salary and differentiation of the rate carried out within the framework of the reform of soldiers' compensation did not contribute to the acquisition of qualifications corresponding to the position held in cases where the soldier was appointed to a position corresponding to a higher rank, including when performing the duties of the position for a long time.

Half of all soldiers receive a bonus for performing the duties of a position higher than their rank.

During the audit, we have found that there is a widespread practice to appoint soldiers to a position corresponding to a higher rank in the units of the National Armed Forces, as about half of soldiers receive a bonus for holding a position of a higher rank, including when performing the duties of a position of a higher rank for a long time (ten years or more). The number of soldiers who receive a bonus for performing a position corresponding to a higher rank and the amount of the bonus have significantly increased - from 1,748 soldiers and 863,205 euros in 2015 to 3,200 soldiers and 1,560,011 euros in 2021.

When analysing the difference in the differentiated monthly salary, the audit has established that a soldier with an appropriate military education (qualification) would receive a monthly salary 25-70 euros more depending on the rank and length of service. It is possible that the difference in monthly salary is not motivating or there are other circumstances that do not contribute to the change of the situation.

In addition, if half of the soldiers are able to perform the duties of a position corresponding to a higher rank, then it is possible that unreasonably high requirements have been set for the performance of the positions. Although the task planned in the Guidelines for HR development of the National Armed Forces 2015-2018¹⁰ on classifying military positions and determining the requirements for them is fulfilled and the Classifier of Military Positions has been approved since 2018, the audit concludes that there are still gaps in the structure of the positions and the determination of the requirements for positions.

Deficiencies in the structure of positions are also evidenced by the audit findings about the category of employees, which the National Armed Forces designates as “non-staff” employees. This employment practice can be assessed as ambiguous, taking into account the highly complex job planning process established in the armed forces and supported by several documents. The number and positions of “non-staff” employees are not included in unit staffing lists, nor is there a system for classifying such positions. The positions held by “non-staff” employees do not have a single or common defining characteristic, such as being purely military positions or civilian positions, or specific types of positions in the performance of support functions. These positions may also be designated as staffed positions and vice versa in the same unit or in other units.

Although the armed forces are held “hostage” by demographics and public health in terms of recruitment, recruitment opportunities are not exhausted and the defence sector must continue expanding the pool of recruits.

Recruitment plays an important role in managing the flow of military personnel in the armed forces. In the period from 2015 to 2020, the recruitment rates in the National Armed Forces had an increasing trend, and 746 new soldiers entered professional service in 2020, which was the largest number in the above-mentioned period. The National Armed Forces explained this trend with several successfully launched initiatives, including the impact achieved because of the soldiers’ compensation reform, amendments to the Law on Military Service, etc.

In their turn, only 473 soldiers were recruited in 2021 despite the fact that the aforementioned successfully launched initiatives continued. The drop in recruitment figures in 2021 could possibly also be related to the conditions caused by the COVID-19 pandemic.

Recruitment is influenced by various factors¹¹, including those that the armed forces cannot influence such as demographics, economic indicators, unemployment rate, salaries in the labour market, physical fitness and state of health of the population, etc.

However, there are also internal factors that the defence sector can influence such as the management and organization of the selection of soldiers, salaries and system of social guarantees¹² and other, therefore military personnel policymakers must constantly work on improving these issues.

Recruitment is influenced by demographics and other conditions, but not all possibilities have been exhausted and the NAF should continue to work on initiatives to expand the range of candidates, e.g., recruitment as a project implementation by setting priorities according to the necessary personnel categories, etc.

According to the survey on reproduction of population¹³, the population in Latvia tends to decrease year by year, and when planning the HR policy, the Ministry of Defence has recognized the problem that the pool to be recruited will not increase due to demographic indicators¹⁴.

In the National Armed Forces, a tendency has been observed for the physical fitness and health of the candidates to deteriorate, as evidenced by the fact that the number of candidates declared unfit for service in the armed forces by the medical commission is increasing. In 2018, they constituted 14% of the total number of candidates, and 28% of the total number of candidates in 2020.

The National Armed Forces should continue expanding the pool of candidates and increase the number of recruits. The examples of other countries examined during the audit indicate implemented initiatives that contributed to staffing of the armed forces, for example, recruitment as a project implementation, setting priorities according to the necessary personnel categories and specialties, targeted communication not limited to advertising, and the development of a communication plan, reducing the selection time, improvement of selection and examination methods, support offers suitable for the target audience (for instance, paid education for highly qualified personnel), increase of salaries and social guarantees, etc.

The transfer of the recruitment function to the competence of the National Armed Forces since 2016 can be evaluated as a good practice. Previously, this function was performed by an autonomous institution from the National Armed Forces - the Junior Guard Centre, a subordinate institution of the Ministry of Defence, which had recruitment as one of several other functions. Faced with recruitment difficulties, the armed forces of other countries have also made similar changes, moving the recruitment management structure to the level of strategic management of the armed forces.

High retirement rates in the first year of service

Between 2015 and 2020, there were no rapid retirement “jumps” and retirement statistics have been almost stable in the National Armed Forces with around 290 soldiers retired per year on average, but many more, 408 soldiers retired in 2021 of which retirement took place by terminating service contract before the term, upon agreement of the parties in 274 cases.

Retirement negatively affects the flow of personnel and the operation of the armed forces; if a soldier decides not to continue his or her service, the potential of human resources and the funds invested in the soldier’s training are lost.

When starting the reform of soldiers’ compensation system, the Ministry of Defence planned to reduce a number of soldiers who retire from the service on the grounds of “not renewing the contract” or before the contract expires upon agreement between the parties by 50%.

The data analysed during the audit on the reasons for retirement of soldiers show that the planned goal has been partially achieved, as they managed to reduce the number of soldiers who retire from service with the reason of “not renewing the contract” (from 24% to 7%). Yet, contrary to the plan, the number of soldiers who retire before the end of the contract by mutual agreement has increased (from 47% to 67%).

This indicator is especially high for soldiers retiring in their first year of service. According to the information of the National Armed Forces, 22% or 90 soldiers out of the total number of retirees in 2020 were those who retired already in the first year of service.

According to the information at the disposal of the Ministry of Defence, when a soldier retires upon agreement of the parties before the end of the contract, the reasons most often mentioned by soldiers are the desire to change the field of activity (29%), the place of service is far from home (23%), insufficient compensation (22%), do not see opportunities for growth (10%) and heavy load (10%). The decision to retire is usually influenced by more than one reason, and these reasons will usually differ between new soldiers and experienced soldiers.

After getting acquainted with the findings of the NATO study on HR issues¹⁵, one can conclude that Latvia’s situation concerning resignation trends is not unique, as similar trends are also found in other member states and the armed forces of these countries are looking for solutions to facilitate the retention of soldiers in the service.

The experience of other countries¹⁶ shows that reforms in compensation and social guarantees are carried out as a primary measure to reduce the number of resignations, taking into account the fact that salaries and social guarantees are a critical motivation tool. However, compensation is not the only issue to address in reducing resignation rates.

It is important to reduce the number of terminations of service contracts, especially in the first five years.

Reward is an important factor in motivating soldiers, but not the only one.

Improved rotation options, participation in career decision-making, workload balancing, family support policy, etc. can contribute to a soldier’s motivation to continue his or her service.

In the examples of good practice analysed in the audit, in some countries¹⁷, for example, in the Canadian Armed Forces, a retention strategy has been developed to reduce the tendency to retire, which is a complex of measures aimed at several directions and whose main purpose is to define initiatives that strengthen the culture of staying in the service in the organization of the armed forces.

For instance, the following initiatives, the possibilities of implementation of which would be useful to evaluate also in the National Armed Forces, are: (1) flexible terms of service contracts, (2) improved rotation options and flexibly defined career fields, (3) improved participation in career decision-making, promoting compliance between personal preferences and employment, and (4) family support policy.

The effects of military compensation reforms on resignation rates are difficult to assess because they are influenced by a combination of factors. However, one of the ways to assess the impact of the measures taken is through surveys of soldiers. By regularly conducting surveys, it is possible to find out the issues relevant to motivating and keeping soldiers in the service. It is an opportunity to identify problems faced by military personnel in time, seek solutions to them, and provide feedback to personnel. Even if opinion polls are often contradictory, HR professionals and policy makers can get pointers on problem areas to prevent early retirement.

The audit concludes that the National Armed Forces do not carry out regular surveys of soldiers, therefore the potential that would be provided by clarifying the opinion of personnel has not been used, thus possibly reducing the resignation rates associated with an insufficient level of satisfaction.

The NAF has not used the potential of staff surveys.

Regularly conducted surveys are one of the ways to clarify issues relevant to retention in the service.

Early indications of problem areas would help reducing pre-term resignation.

The temporary appointment of national guards and reserve soldiers to soldier positions is not widely used

In the audit, we also have assessed how effectively the military personnel resource available to the National Armed Forces is used given that national guards and reserve soldiers can be temporarily appointed to the positions of soldiers from 2014. We conclude that it has not been possible to attract significant resources for staffing the National Armed Forces in this way because only 21 contracts with national guards and 5 contracts with reserve soldiers were concluded in 2021.

At the same time, the audit has established that retired soldiers perform the duties of soldiers based on employment legal relations as civilian employees. Although retired soldiers qualify for the status of a reserve soldier and professional service contracts¹⁸ could be concluded with them for fulfilling the duties of a soldier, this opportunity is not used. The conclusion of employment contracts with reserve soldiers (retired soldiers) as civilian employees instead of professional service contracts could be related to the fact that retired soldiers are recipients of service pensions and the service pension is lost for the time when a contract for professional service is concluded.

Moreover, the number of additional contracts concluded with the national guards for combat support or the performance of duties related to combat service support ¹⁹ has significantly increased. The number of such national guards serving under the concluded additional contract has increased from 80 national guards in 2011 to 664 national guards in 2021. These guards are employed in guarding military facilities.

Improvement of HR development planning process of the National Armed Forces is required

The information analysed during the audit shows that the reform of soldiers' compensation system has been implemented by gradually introducing new initiatives and solving current issues, but there is a lack of a unified and conceptual vision for the development of soldiers' compensation system in the medium and long term. Regarding the development of the compensation system in the long term, the Commander of the National Armed Forces had encouraged the Ministry of Defence to develop a concept for the compensation reform of military personnel in cooperation with the National Armed Forces in 2014; however, such a concept has not been developed.

When implementing the remuneration reform, it has not been assessed how changes in the monthly salary of soldiers could affect the flow of military personnel and the personnel composition of the armed forces in the long term, including how the structure of the personnel composition of the armed forces would be affected by an increase in the service age and whether the monthly salary set for junior personnel contributes to the attraction and retention of new soldiers in the first years of service.

This is probably explained by the fact that the planning of the HR development of the National Armed Forces did not proceed in accordance with the principles of strategic planning in the period up to 2015, i.e., when planning a set of measures in the medium and long term that would ensure the necessary HR resources for the armed forces and that would provide for action in the areas defined in the military personnel policy²⁰ in the areas of personnel flow management in terms of recruitment, career progression and retirement.

The Human Resources Management Guidelines of the National Armed Forces 2015-2018 is the first planning document for the HR development of the National Armed Forces. The HR development planning documents until 2020 did not specify the overall needs of the personnel planned for the fulfillment of the tasks of the National Armed Forces, as well as the needs for the established priorities of capability development, specialties, categories of service ranks (soldiers, instructors, and officers), etc. Indicators were not determined what level of staffing was planned and what measures should be taken in case the planned staffing would not be filled.

In the Concept of Staffing of the National Armed Forces from 2020 to 2024, the priorities of military personnel needs and a targeted direction towards achieving the necessary personnel resource can be seen, that is, ensuring the number of military personnel necessary for the fulfillment of the tasks of the National Armed Forces. In the period until 2024, one plans to continue working with the issues

The NAF HR development planning has not proceeded according to the principles of strategic planning.

There has been a lack of a conceptual and successive vision for the development of HR resources in the medium and long term.

of soldiers' compensation, and other initiatives have been proposed, aimed at expanding and diversifying the pool of personnel (involvement of national guards and reserve soldiers, youth education) and the training of specialists necessary for the National Armed Forces.

When assessing the HR development documents of the National Armed Forces as a whole, one can conclude that a different approach can be observed in each HR development document. Only in several cases, an assessment of what was done in the previous period is given, the documents do not follow each other, they have a different structure and the level of detail of the issues presented, the results to be achieved are indicated only in some cases, and no document provides for the actions required to evaluate the results.

Although the Law on the Development Planning System does not apply to development planning in national defence policy, the basic elements of the development planning documents provided for in the aforementioned Law (a development planning document sets goals and achievable results, describes identified problems and proposes their solutions, evaluates the possible impact of these solutions, plans future policy implementation and evaluation of results) apply to HR development planning of the National Armed Forces in order to facilitate targeted and effective personnel development planning taking into account the scale of HR management processes of the National Armed Forces and the close connection with society.

Recommendations

The audit provides 17 recommendations, which will lead to improvements in the HR development planning of the National Armed Forces, the organization of HR management processes, and the effective use of available military personnel when implemented (see Figure 6), which will generally promote the recruitment of new soldiers and the retention of existing soldiers in the service.

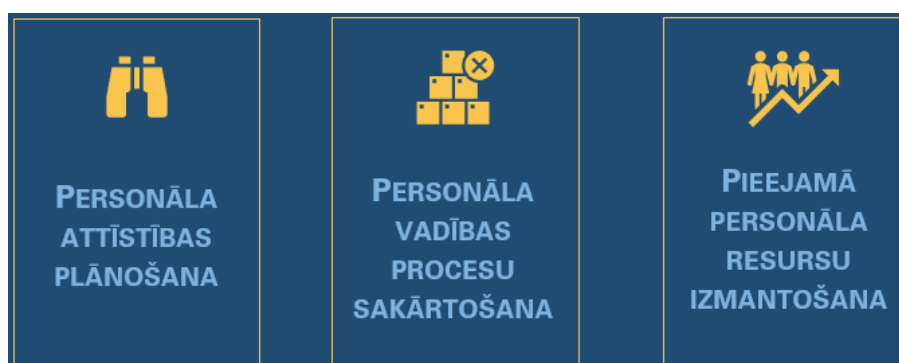


Figure 6. Aspects to be improved in the HR policy of the National Armed Forces: personnel development planning, streamlining HR management processes, and using the available personnel resources.

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