



## **Defence Force Remuneration Tribunal**

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### **DECISION**

*Defence Act 1903*  
s.58H—Functions and powers of Tribunal

#### **ROYAL AUSTRALIAN NAVY: RETENTION INCENTIVE PAYMENT – REPORT BACK 2021**

(Matter 6 of 2021)

MS I. ASBURY, PRESIDENT

MR A. MORRIS, MEMBER

CANBERRA, 5 OCTOBER 2021

MAJGEN G. FOGARTY AO RETD, MEMBER

[1] This decision arises from the requirement, set by this Tribunal in Matter 2 of 2019 – *Royal Australian Navy – Retention Incentive Payment*<sup>1</sup>, for the Navy to report back on a six-monthly basis on the implementation of the Navy Retention Incentive (NRI) Payment. This statement should be read in conjunction with our initial decision on the matter as well as with the first year’s report back, provided in Matter 4 of 2020 – *Royal Australian Navy: Retention Incentive Payment – Report Back*.<sup>2</sup>

[2] In summary, the NRI is a short-term measure designed to provide a remunerative incentive to extend the length of service of members at the mid-ranks, who are approaching key career separation points. Each report back is required to evaluate seven key performance indicators to ascertain the effectiveness, or otherwise, of the incentive. They are:

- a. member feedback on the payment, including effectiveness of communication regarding its implementation;
- b. increase of personnel within key mid-ranks based on a July 2019 base index with the expectation that this will increase over the duration of the NRI;

- c. the reduction in the difference between the demand of trained members and the actual supply of trained members per rank with the expectation that this difference will decrease over the duration of the NRI;
- d. separation rates per rank with the expectation that these will decrease over the duration of the NRI;
- e. length of service profiles, with the expectation that the average length of service will extend over the duration of the NRI;
- f. any second order effects such as uneven retention or feedback indicative of loss of goodwill, and how this will be addressed; and
- g. progress of Navy's broader retention initiatives.

[3] Consistent with COVID-19 travel restrictions, we considered the first report back for 2021 in teleconference on 8 April 2021, and the second via video hearing on 20 September 2021. Mr J Phillips SC appeared for the ADF and Mr H. Miller for the Commonwealth.

[4] Prior to the video hearing, we were briefed by Commodore (CDRE) A. Klenthis CSC RAN, Director General Future Navy Workforce, on the range of contemporary retention initiatives and workforce challenges facing Navy during 2021.

### **March 2021**

[5] In March 2021, the ADF submitted that the NRI is *“difficult to fully measure, particularly during a period of significant national disruption as a result of the COVID-19 pandemic”*.<sup>3</sup> Despite this, we were pleased that Navy has continued to engage its workforce and seek feedback about changes to conditions of service and the implementation of retention initiatives. Further, at this time, we accepted that the Navy Retention Incentive Survey, designed to assess the influence of the NRI and planned for early 2021, would need to be delayed to September 2021.<sup>4</sup>

[6] We were pleased to see a downward trend of separation rates since the introduction of the NRI, but agreed this could not be solely attributed to the payment, noting the probable significant effects of other influences during the pandemic. We accepted that after almost two years, there remained a *“noticeable divergence”* between filled positions and demand for positions at every rank targeted by the NRI.<sup>5</sup>

[7] We accepted evidence that early indications from data showed that *“while financial incentives are a consideration for members in making their decision to remain in the Navy, more are influenced by non-financial measures such as geographic stability, workforce flexibility and career management”*.<sup>6</sup> We considered this supported the intent that NRI remained an interim measure to sustain the workforce while broader initiatives were developed and implemented.

[8] At the time, the Commonwealth reported it was *“satisfied”* with the outcomes of the NRI and particularly noted, with the NRI being half way through the lifetime of the scheme at that time, it would anticipate *“some positive results should be seen as the incentive payment approaches completion and removal”*.<sup>7</sup>

## September 2021

[9] It is to be reasonably assumed that the COVID-19 pandemic continues to have a major influence on retention and recruitment and we recognise that, at the commencement of the pandemic in March 2020, the NRI had barely commenced let alone impacted the key performance indicators. Some two years on, we accept that Navy is continuing to face a myriad of issues which influence retention and recruitment.

[10] Initially we queried why, of the 2,378 candidates eligible for the NRI, 1,851 members have received payment and 1,231 of those had required waivers applied in order to qualify. We accept the advice of CDRE Klenthis that (in part) the restrictions on postings and medical and physical fitness testing due to COVID-19 make up a substantial percentage of those waivers and are therefore presently unavoidable. We will be seeking further data on the number of waivers in due course.

[11] We agree the data from the Navy Retention Incentive Survey, delayed from early 2021, has now been “*useful in providing some observations about drivers and issues of importance to members in the broader retention picture*” but remains “*unable to provide statistically valid conclusions about the effect of the NRI as an isolated element of that picture*”.<sup>8</sup>

[12] In more specific data from the Survey we are encouraged that, of the eligible 2,378 members, 1347 have indicated the NRI had influenced their decision to remain in the Navy and positive responses to that decision have increased from 64 to 66 per cent. Despite this, we accept that “*the top three factors that make serving in the Navy more difficult were impact of Navy service on family life, work-life balance, and geographic stability*”. This reaffirms the fact that non-financial aspects will continue to influence behaviour, including the decision to remain in the Navy.

[13] With respect to the longer-term initiatives being pursued by Navy, and conducted concurrent to the NRI, we accept the detailed evidence provided of 37 initiatives already completed by Navy with a further 28 underway. We are encouraged to see these range from remunerative and structural reforms involving this Tribunal (e.g. the ADF Modernisation Program and Maritime Personnel capability)<sup>9</sup> through to contemporary measures such as emerging leaders forums and coaching programs, uniform reviews, specified family involvement in medical care, targeted support to single parents, and the focussed reinvigoration of Mess life.

[14] At this time, the Commonwealth alternatively submits “*that much of the evidence provided by the ADF falls short of empirically demonstrating that the NRI payments are achieving their stated objectives*”.<sup>10</sup> Additionally the Commonwealth is “*concerned that the ADF has not been able to demonstrate that the significant investment of the NRI has represented value for money for the ADF and the Australian community*”. Finally, while accepting the COVID-19 pandemic as a relevant factor, it “*does not consider the ADF has detailed the steps it has to take to minimise its disruption and remain on track to the greatest extent possible*”.<sup>11</sup>

[15] While making its submission, the ADF has requested amendment to the application of the NRI where eligibility is impacted by breaks of service for greater than 12 months, thereby meaning any prior service does not count. Navy is now seeking “*a provision that allows the Chief of Defence*

*Force, or his authorised approvers to make an exception to that 12-month rule when it is assessed that it's in Navy's interest and to allow the prior periods of service to count".<sup>12</sup>*

## **Conclusion**

[16] Overall, we accept that *“while the effect of the NRI cannot be isolated from other influences that affect organisational and member behaviour, evaluation suggests it is likely contributing to the necessary workforce remediation, alongside a number of other initiatives and contextual arrangements”*. We accept that, given the concurrent influence of many factors, it is not possible to identify the relative impact of the NRI in itself.

[17] We note the concerns of the Commonwealth and have, since the inception of the NRI, given regard to its reservations. As stated in our original decision in this matter we *“agree there will be an element of the workforce for which the incentive will only delay their separation and not prevent it”*. However, we are still satisfied that the NRI is giving Navy *“time to implement the suite of non-financial incentives, which may also retain those members who previously considered leaving at the key mid-rank point”*.<sup>13</sup> Again, we consider this supports the intent that NRI remains an interim measure to sustain the work force, while broader initiatives are developed and implemented. We also draw attention to the openness of the report back process which is intended to monitor the effectiveness, or otherwise, of the payment and consider the ADF is meeting this requirement.

[18] We do not agree with the Commonwealth that the ADF has not detailed the impact of the pandemic and the steps it has taken to *“minimise its disruption and remain on track to the greatest extent possible”*. This pandemic has proven it is almost impossible to predict the impact and disruption across the nation on any given day – the ADF is not immune from that.

[19] Having agreed with the Commonwealth proposal to implement six-monthly reporting at commencement of the payment, we reviewed the value of this interval. We continue to consider there is merit in the report back timing even though Navy admit we *“may not detect noticeable movement inside six months”*.<sup>14</sup> Given the subtlety of the incentives, and the impact of the pandemic, we will continue to seek six monthly reporting against the KPI evaluation and data analysis.

[20] In closing, we consider Navy *“remains committed to ensuring that the NRI – intended as the interim measure to enable the longer term initiatives to be implemented - continues to be fit for purpose used effectively to achieve the retention necessary to support the workforce redesign and reshaping that will deliver sustainable Naval capability”*.

[21] Finally, we agree to the requested amendment of the requirements for accrued service at CDF discretion as submitted. Determination 14 of 2021 will give effect to that change from 5 October 2021.

MS I. ASBURY, PRESIDENT  
MR A. MORRIS, MEMBER  
MAJGEN G.FOGARTY AO RETD, MEMBER

*Appearances:*

*Mr J Philipps SC for the ADF assisted by Mr P. Blady.*

*Mr H. Miller for the Commonwealth assisted by Mr J. O'Reilly.*

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<sup>1</sup> <https://www.dfrt.gov.au/matters/navy-retention-incentive-payment>

<sup>2</sup> <https://www.dfrt.gov.au/matters/navy-retention-incentive-payment-2020-report-backs>

<sup>3</sup> ADF submission *NRI Payment Matter 6 of 2021 – Report Back 3* dated March 2021 page 12 paragraph 6.1

<sup>4</sup> ADF submission March 2021 page 12 paragraph 6.2.

<sup>5</sup> ADF Submission March 2021 page 5 paragraph 3.2.

<sup>6</sup> ADF Submission March 2021 page 12 paragraph 6.4.

<sup>7</sup> Commonwealth submission *Royal Australian Navy: Navy Retention Incentive Payment: Matter 6 of 2021 – Report Back 3* – March 2021 page 3 paragraph 10.

<sup>8</sup> ADF Submission *Navy Retention Incentive Payment Matter 6 of 2021 – Report Back 4* dated September 2021 (ADF 1) page 29 paragraph 5.2.

<sup>9</sup> <https://www.dfrt.gov.au/matters/adf-allowances-modernisation-tranche-1> and <https://www.dfrt.gov.au/matters/navy-maritime-personnel-community>

<sup>10</sup> Commonwealth submission *Royal Australian Navy: Navy Retention Incentive Payment – Report Back 4* dated September 2021. (CWLTH 1) page 4 paragraph 17.

<sup>11</sup> CLWTH 1 page 5 paragraphs 20 and 22.

<sup>12</sup> Transcript 20 September 2021 page 2 lines 11 to 14.

<sup>13</sup> [https://www.dfrt.gov.au/sites/default/files/2020-10/decision\\_-\\_navy\\_retention\\_incentive\\_payment\\_0.pdf](https://www.dfrt.gov.au/sites/default/files/2020-10/decision_-_navy_retention_incentive_payment_0.pdf) paragraph 29.

<sup>14</sup> Transcript page 4 line 41.