



Defence Force Remuneration Tribunal

DECISION

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

AUSTRALIAN DEFENCE FORCE: SENIOR OFFICER GRADED STRUCTURE

MS I. ASBURY, PRESIDENT

MR A. MORRIS, MEMBER

CANBERRA, 6 JULY 2022

MAJGEN G. FOGARTY AO RETD, MEMBER

[1] This decision arises from a listing application from the Australian Defence Force (ADF) for a determination to be made under Section 58H of the *Defence Act 1903*. The listing application¹ seeks to alleviate a level of pay compression which has occurred between O6 officers on the highest pay grade of the Graded Officers Pay Structure (GOPS), and O7 officers in the Senior Officer Graded Structure (SOGS).

[2] We considered this matter in a hearing on 21 June 2022 where Mr J. Phillips SC appeared for the ADF and Mr N. Doukas for the Commonwealth.

Background

[3] Since 2014, each ADF Workplace Remuneration Arrangement (WRA) has provided a general wage increase across the ADF workforce. In March 2020, during the COVID pandemic, the Government requested a ‘stay’ on increases to remuneration, entitlements and allowances for all senior executive employees of the Australian Public Service; the Chief of Defence Force mirrored that direction for Star Rank senior officers breaking the nexus with the remainder of the workforce.

[4] Over the period of the senior officer salary pause, the remainder of ADF members received WRA increases of 2 per cent annually, resulting in pay compression occurring between the highest of the O6 salary rates and the lowest of the O7 rates.

[5] In June 2021, the ‘stay’ was lifted and the ADF returned to us to provide a general wage increase for ADF senior officers. This was determined and provided a 1.7 per cent increase on 5 August 2021 and a further 1.9 per cent on 4 August 2022 for all Star Rank senior officers.²

Submissions

ADF

[6] The ADF submits the GOPS provides salary differential increases of approximately \$20 000 on promotion between the O4 to O5 ranks, and again between O5 to O6 ranks. However, the pause in senior officers remuneration increases has resulted in the current differential from GOPS to SOGS now sitting between \$8 000 and \$20 000.³

[7] In order to remedy this compression, the ADF proposal seeks to remove the current three-level pay grade construct in the SOGS and replace it with a single salary rate. The ADF proposes to use the extant SOGS pay grade 3 as the single rate of salary. It submits *“choosing the highest rate (pay grade 3) would provide the best result to any salary compression between O6 and O7 rates, and any increased rate of salary for a cohort would demonstrate the ADF’s valuing of all Star Rank O7 appointments as being the same, and the highest rate”*.⁴

[8] The ADF submits this resolves the compression through a *“simple construct of a rate of salary for each Star Rank senior officer rank, including relevant increments”*.⁵

[9] Additionally the ADF submits that the single pay point construct is more appropriate for the entire cohort of Star Rank senior officers based on an *“all of one company”* approach for those in *“Defence’s Senior Leadership Group who are responsible for ensuring Defence activities and outcomes are aligned with Government direction”*.⁶

Commonwealth

[10] The Commonwealth supports the ADF submission and accepts *“the compression between the O6 and O7 ranks presents an enduring problem which, if left unchecked, may lead to further workforce structural issues”*.⁷

[11] The Commonwealth outlined its general policy position *“that existing pay scales are not to be modified to remove existing pay points or accelerate salary advancement”* however, in this case, recognises *“the exceptional circumstances for the proposal and does not oppose the request by the ADF”*.⁸

Consideration

[12] This submission was made alongside the application of the second WRA increase for Star Ranks taking effect from 5 August 2022 and is considered by us in that context.⁹

[13] We agree that the Government’s executive remuneration pause in 2020 resulted in the narrowing of the salary differential between O6 and O7 pay points.¹⁰

[14] In considering the appropriate pay placement, we deliberated on the salary differential between all ranks and agree “*the salary differential should adequately recognise and reward members for exercising those higher level rank skills*”.¹¹ Further, in regard to the ‘all of one company’ proposal, we accept that O7 officers are “*responsible for demonstrating similar rank skills, regardless of what Star Rank position one might hold or from what job/skill/employment category one held*”.¹²

[15] We agree, in setting a single pay placement structure, there are currently no officers in pay grade 1 of the SOGS. We accept this placement was historically used by the ADF to remunerate O6 officers on higher duties allowance, however has been superseded by recent ADF Allowance Modernisation Program changes which established higher duties at a basis of 5 per cent of a member’s salary and the pay point is therefore now redundant.¹³

[16] Finally, we considered the impact on any officers presently in pay grade 3 who may feel disaffected by this proposal and accept the ADF evidence this is “*not expected to be of a concern*”.¹⁴

Conclusion

[17] We agree that placement in a contemporary SOGS should not be dependent on prior placement in GOPS and instead be determined based on “*executive level leadership, management of Defence capability and strategic decision-making*”.¹⁵

[18] We agree that the SOGS must maintain a clear salary differential from GOPS and that this can be achieved by a single salary rate with a continued single annual increment in SOGS. We agree the highest pay point is the most appropriate and provides for optimal alleviation of salary compression coupled with the recognition that all Star Rank appointments require equal skill sets.

[19] Determinations 2 and 3 of 2022 give effect to the single pay placement, and concurrently to the WRA increase for Star Rank senior officers, on 4 August 2022.

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

Appearances:

Mr J. Phillips SC for the ADF assisted by Mr P. Blady

Mr N. Doukas for the Commonwealth assisted by Mr H. Miller

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- ¹ DMR/OUT/2022/05 Listing Application – *Senior Officer Graded Structure* dated 10 May 2022
- ² Matter 12 of 2020 - [Statement - ADF WRA 2020-2023 - Star Ranks Senior Officer variation](#)
- ³ ADF Submission – Matter 3 of 2022 – *Senior Officer Graded Structure* undated (ADF1) page 8 paragraphs 4.4 and 4.5.
- ⁴ ADF 1 page 11 paragraph 5.3.
- ⁵ ADF 1 page 2 paragraph 1.6.
- ⁶ ADF 1 page 9 paragraphs 4.7 and 4.12.
- ⁷ Commonwealth submission Matter 3 of 2022 *Senior Officer Graded Structure* dated June 2022 (CWLTH 1) page 4 paragraph 23.
- ⁸ CWLTH 1 page 4 paragraphs 27 and 28.
- ⁹ [Determination 12 of 2020 - ADF Workplace Remuneration Arrangement 2020-2023 \(Star Rank variation\)](#)
- ¹⁰ ADF 1 page 10 Table 3 *Pay Compression Comparison*.
- ¹¹ ADF 1 page 8 paragraph 4.2.
- ¹² ADF 1 page 9 paragraph 4.12
- ¹³ Higher duties allowance provisions are not in the remit of this Tribunal and are a matter for the ADF.
- ¹⁴ ADF 1 page 13 paragraph 6.3.
- ¹⁵ ADF 1 page 9 paragraph 4.8.