



Defence Force Remuneration Tribunal

STATEMENT

Defence Act 1903

s.58H—Functions and powers of Tribunal

AUSTRALIAN DEFENCE FORCE: ALLOWANCE MODERNISATION PROGRAM – TRANCHE 2: MILITARY FACTOR FRAMEWORK

Matter 8 of 2022

MS I. ASBURY, PRESIDENT

MR A. MORRIS, MEMBER

CANBERRA, 11 NOVEMBER 2022

MAJGEN G. FOGARTY AO RETD, MEMBER

[1] In September 2022, the ADF submitted a formal proposal to establish a new salary-related allowance framework called ‘Military Factor Framework’ (the Framework). The ADF proposal consists of 12 tiers of rates with corresponding daily rates set at 1/365th of the annual rate. The ADF intends to place existing salary-related allowances into the Framework, grouped by ‘domains’, namely Land, Maritime, Air, and ‘Other’.

[2] Consultation on the proposal took place at conferences on 12 July and 18 August 2022. Hearings were subsequently held on:

- 27 and 29 September;
- 19 and 20 October;
- 2 November;
- 5 November; and
- 9 November 2022.

[3] Mr J. Phillips SC appeared on behalf of the ADF and Mr H. Miller for the Commonwealth. The following witnesses provided oral and written evidence:

- Commodore E. Young CSC RAN, *Director General Navy Personnel*
- Colonel K. Lloyd OAM, *Director Military Remuneration*
- Colonel S. Parkes DSC DSM, *Commandant Defence Special Operations Training and Education Centre*
- Wing Commander S. Jobson CSC, *Commanding Officer, 4 Squadron*; and
- Major D. Chen, Assistant Director, *ADF Modernisation Program Allowances Team*.

Background

[4] The ADF Employment Offer Modernisation Program (ADF EOMP) commenced in 2019 and seeks to reform three main areas of the ADF employment offer; salary and salary-related allowances, housing, and categorisation. While all are closely aligned, only salary and salary-related allowances are within the remit of this Tribunal.

[5] Within the remit of this Tribunal, and determined by us under s.58H of the *Defence Act 1903*, there are 19 disability, sustainability and ‘other’ allowances with sub-elements of each, resulting in a total of 75; each with their own rates, daily divisors and eligibility criteria. In addition, there are a far greater number of combinations of allowances. Understandably, the ADF submits there is a need for a transparent, simple, and easily understood system.

[6] This decision should be read in conjunction with our decision in Tranche 1 of this Program, which established Military Salary in 2021.¹

Proposal

[7] The entire ADF EOMP is guided by the following principles:

- a. having regard to the unique nature of military service;
- b. being cognisant of community standards; and
- c. modernising and reducing complexity.

[8] The establishment of the Military Factor Framework includes the following changes to administrative arrangements for allowances:

- a. establishing the rule of ‘payment of one tier per day’;
- b. abolishing multiple on-occurrence rates that may be payable on a day;
- c. abolishing hourly rates; and
- d. abolishing current qualifying periods by establishing a standard qualifying period of a calendar day for affected allowances.

- [9] We note that the design of the Framework was developed with the following aims:
- a. reduce duplication and remove, combine or amend current allowances;
 - b. reflect unique Service conditions (being at sea, in the field, flying etc.);
 - c. provide a framework to compensate for the relevant disabilities and sustainability factors associated with service conditions relative across Defence with increasing transparency;
 - d. placements within the framework to be informed by a revised 'Disability Elements Matrix' (a combination of the existing matrix and new sustainability factors) to be known as the Military Factor Matrix, and provide a relativity rebalance between all allowances;
 - e. takes a Total Workforce System approach (designed for the future and regardless of Service Category (SERCAT));
 - f. simpler to understand and administer (stripped back to core elements);
 - g. support desired workforce behaviours for workforce generation, retention and flow across Permanent and Reserve structures;
 - h. take into account the feedback from members during workforce engagement activities; and
 - i. provide a base framework that can be adapted/expanded for future reform phases, by acknowledging the boundaries and relativities for new allowances as the need arises.

[10] A final set of characteristics was endorsed in June 2022 by the Chiefs of Service Committee being:

- a. tiers with consistent differentials;
- b. qualifying periods are consistent;
- c. all annual rates will have a corresponding daily rate that is 1/365th of the tiers annual rate;
- d. members will only receive one allowance tier per day;
- e. minimal movement between tiers; and
- f. eligibility to be based on either posting or on-occurrence.

Exemptions

[11] We accept that certain allowances within our jurisdiction have been excluded from placement within the Framework at this time. This is either due to the construct or dollar value of the placement, the administrative process, or because the allowance is under review. They are:

- a. Officer Aviation Remuneration Structure Allowance;
- b. Submarine Capability Assurance Payment;
- c. Navy Retention Incentive Payment; and
- d. Language Allowance.

Tiers A – L

[12] The 12 –tier model proposed commences with a starting rate (Tier A) of \$9,822, to the highest rate (Tier L) of \$54,589 and applicable daily rates:

Tier	Tier A	Tier B	Tier C	Tier D	Tier E	Tier F	Tier G	Tier H	Tier I	Tier J	Tier K	Tier L	Tier Z
Annual \$	\$9,822	\$13,892	\$17,962	\$22,031	\$26,101	\$30,171	\$34,241	\$38,310	\$42,380	\$46,450	\$50,520	\$54,589	
Daily \$	\$26.91	\$38.06	\$49.21	\$60.36	\$71.51	\$82.66	\$93.81	\$104.96	\$116.11	\$127.26	\$138.41	\$149.56	(Daily Multiplier)

[13] The starting rate of Tier A is based on the minimum common existing rates set by Flying Disability Allowance, Recruit Instructor Disability Allowance and Unpredictable Explosives Allowance.

[14] Additionally, the ADF proposes to create a Tier Z (multiplier of Tier L) acting as a daily rate of Tier L to provide flexibility to preserve some allowances outside the top parameters of the Framework.²

Placements

[15] The ADF followed a guiding set of business rules to determine the correct placements of allowances into the Framework. Those rules were:

- a. Simple Placements:
 - i. *Comparable*. Placement of a single existing allowance rate into a comparable new allowance Framework tier based on monetary value of ‘closest fit’ e.g. a=a;
 - ii. *Composite*. The transition of multiple allowance rates that are triggered at the same time e.g. a+b=c;
 - iii. *Harmonised*. Placement of any single or composite allowance rate into a tier that is not monetarily comparable is deliberate, and the minor adjustment is primarily based on the rebalancing of relativity rather than purely a monetary value in order to comply with the industrial history of the allowance.

b. Complex Placements:

- i. *Augmented.* Placement of an allowance rate into a tier is required to be structurally changed. e.g. an existing allowance is forced to change its qualifying period/daily rate divisor in order to fit into the Framework;
- ii. *Transformational.* The ADF has consciously made significant change to an allowance prior to it being placed within the Framework. e.g. the allowance structure, application, and/or monetary value is amended;
- iii. *New Allowance.* The placement of new allowances with a new allowance rate into the structure is subject to review and Services' agreement. Any future placement must not distort the internal relativities within the Framework.

[16] A table of the placement of all allowances into the Framework is at Attachment A.

Submissions

[17] The ADF and the Commonwealth each made detailed submissions across seven volumes:

- a. Volume 1 – Opening;
- b. Volume 2 – Land Domain;
- c. Volume 3 – Air Domain;
- d. Volume 4 – Maritime Domain;
- e. Volume 5 – Other;
- f. Volume 6 – Separation Allowance; and
- g. Volume 7 – Closing Submissions

Considerations

[18] With over 1500 pages of evidence submitted, we issue this statement to confirm our overarching agreement to the principles, construct, and intent of the Military Factor Framework as proposed, and to permit the ADF to commence communications with its workforce as soon as possible.

[19] In summary:

- a. we accept that in developing this Framework the ADF has taken the opportunity to review current allowances, and amend or introduce new allowances to meet capability, disability and sustainability requirements;
- b. we agree that the Framework will provide the ability for the ADF to adapt to a more complex strategic environment, provide more certainty for all members on the impact

of postings and provide contemporary allowances for work-life balance, career and training commitments.

- c. we accept that all Framework rates will be baselined on the daily rate to ensure differentials are maintained and not distorted because of ‘rounding up’.

[20] Lastly, we accept that new allowances have been introduced to aid in the retention and sustainability of ADF cohorts who have been experiencing precarious sustainability issues for some time and which are predicted to continue. We accept that these work groups will likely face significant sustainability issues into the future.

Transition

[21] We note the ADF has developed a transition plan in support of all ADF EOMP reform initiatives to commence in the first half of 2023 and be accompanied by a \$2,000 salary increase to all ADF permanent trained force members up to and including the rank of Major General (equivalent). The Reserve and training force will receive this salary increase on a pro-rata basis.

[22] We recognise that while most members are expected to be better off, the cessation of some benefits such as separation allowance to members with dependants, as well as the one tier per day rule may have a negative impact and accept the \$2,000 salary increase is designed to compensate for that.

[23] We accept there is a small cohort of members (less than 30 individuals) negatively affected due to the removal of the ability to receive more than one allowance at a time. We accept that there will be a need for transition payments to these individuals of approximately \$15,000 per annum for a maximum of three years, from the date of the implementation.

[24] Further, we note that separation allowance will be confined to members categorised as members with dependants unaccompanied. Members categorised as members with dependants will be provided with transitional provisions if they meet the eligibility criteria at the time of implementation; these provisions expire on 30 June 2024.

Communication

[25] We consider the changes proposed to the salary-related allowance Framework represent significant cultural change for the ADF and agree that the key requirements for informing the workforce will be the provision of clear, concise and accurate information to ensure trust and confidence in the changes with clear and careful explanation of the reasons and impacts (both positive and negative).

[26] We were briefed on all communications products, branding, graphics and channels and accept that messaging and program updates will be distributed via up-to-date website content and information in internal and external publications.

Decision

[27] We agree that the introduction of the Military Factor Framework not only complements the changes already determined in Military Salary, but will also establish a sound and robust framework for future ADF remuneration reform.

[28] We agree to:

- a. implementation of Military Factor, the Framework rules, and placement of the allowances within the Framework;
- b. placements of allowances as submitted by the ADF into the Military Factor setting the baseline for all future submissions before us;
- c. amendments to Separation Allowance, namely, removing eligibility for members with dependants (including the discounted rate) and removal of the 60 day qualifying period;
- d. a salary increase of \$2,000 to ADF permanent trained force members up to and including the rank of Major General (equivalent), pro-rated for members of the reserves and training force;

[29] We agree that the combination of Military Salary and Military Factor, within the ADF EOMP, provides a foundation for continued and contemporary reform to provide a modern employee value proposition that is understandable, affordable and administratively sustainable.

[30] Our detailed reasons for decision, along with the determination giving effect to Military Factor from 25 May 2023, will be published early in 2023.

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 and SQNLDR N. Morrison.

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

¹ <https://www.dfrt.gov.au/matters/adf-allowances-modernisation-tranche-1>

² Selected Submarine Escape, Unpredictable Explosives, Paratrooper, Clearance Diver, Boarding Party and Special Forces allowances

Tier	Tier A	Tier B	Tier C	Tier D	Tier E	Tier F	Tier G	Tier H	Tier I	Tier J	Tier K	Tier L	Tier Z	
Annual \$	\$9,822	\$13,892	\$17,962	\$22,031	\$26,101	\$30,171	\$34,241	\$38,310	\$42,380	\$46,450	\$50,520	\$54,589		
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 Maritime Domain	CD OPS Support	ADF Dive Trainees	ADF Dive Instructor	CD Dive Instructor								ADF Diving daily	Submarine Escape Disability	
		Maritime Deployable Support Element (new)												
		CD SPT Medic (new)	Quarantined Submarine Escape											Experimental (Trial) Dive - Grade 1
		Crew B - MFU Tier 1 (0<2)			Tier 2 (2<4)		Tier 3 (4<6)	Tier 4 (6<8)	Tier 5 (8<10)	Tier 6 (10+)				Deep Dive
			Crew C - MWV Tier 1 (0<2)			Tier 2 (2<4)		Tier 3 (4<6)	Tier 4 (6<8)	Tier 5 (8<10)	Tier 6 (10+)			Experimental (Trial) Dive - Grade 2
					Crew D - SUB Tier 1 (0<2)		Tier 2 (2<4)		Tier 3 (4<6)	Tier 4 (6<8)	Tier 5 (8<10)	Tier 6 (10+)		Experimental (Trial) Dive - Grade 3
					Crew E - MFY /FLY Tier 1 (0<2)		Tier 2 (2 < 4)		Tier 3 (4<6)	Tier 4 (6<8)	Tier 5 (8<10)	Tier 6 (10+)		Experimental (Trial) Dive - Grade 4
					Crew F - CD Tier 1 (0<2)		Tier 2 (2 < 4)		Tier 3 (4<6)	Tier 4 (6<8)	Tier 5 (8<10)	Tier 6 (10+)		Boarding Party daily
 Land Domain		Amphibious Ready Element	Recruit Instructor	Field Level 2				Field Level 1						
				Adventurous Training Leader daily										Hapo Support
	Paratrooper Level 1	Paratrooper Level 2	Paratrooper Level 3	Paratrooper Level 4	Paratrooper Level 5					Parachute Descent Daily				Hapo Descent
	SF Disablement Technician Sustainment		SF Support 2/3 - SF School Instructor	SF Operator - Sustainment	SF Operator - Non-SF School Instructor (new)	SF Operator - Posted to Support 1B/1C Position	SF Operator - Recruit Instructor	SF Operator - SF School Instructor w/ Sustainment						
	Special Forces Support 1B/1C			Special Forces Support 1B/1C (Flying)		SF Operator - SF School Instructor		Special Duty Level 1		SF Operator				Special Duty Level 2
							SF Support 2/3							Special Duty Level 3
							SF Trainee							Special Duty Level 3 - SF Operator
 Air Domain	Flying													
Other Domain	Unpredictable Explosives Endurance - Tier 1	Low Risk Search daily	Unpredictable Explosive Endurance - Tier 2					High Risk Search daily					Render Safe Daily	
	Training Sustainment Allowance (new)													