



# Defence Force Remuneration Tribunal

## STATEMENT

*Defence Act 1903*

s.58H—Functions and powers of Tribunal

### **NAVY RETENTION INCENTIVE PAYMENT – REPORT BACK**

(Matter 3 of 2023)

MS B. O'NEILL, PRESIDENT

MR A. MORRIS, MEMBER

CANBERRA, 16 OCTOBER 2023

MAJGEN G. FOGARTY AO RETD, MEMBER

[1] This statement 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 Payment (NRIP). This statement should be read in conjunction with our initial decision, as well as the 12-month extension made to NRIP provisions as agreed in May this year.<sup>2</sup> NRIP is now due to expire on 30 June 2025.

[2] The NRIP was determined as 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 on the progress of the payment is required to evaluate seven key performance indicators to ascertain the effectiveness, or otherwise, of the incentive. This report back is the eighth such report and covers the period 01 January 2023 to 30 June 2023.

[3] We considered this report back in a hearing on 4 October 2023. Ms K. Hagan appeared for the ADF and Mr N. Doukas for the Commonwealth.

## Report Back

[4] The NRIP is one strategy among many implemented by the Navy in an effort to retain members. As with previous report backs, this one similarly indicates that, when members are requested to indicate whether the NRIP influenced their decision to remain in the Navy or delay their separation, 64 per cent of members indicated it did; 34 per cent said it did not; and 2 per cent provided no indication.

[5] We are encouraged by the ADF advice that separation rates for key mid-ranks have decreased over the reporting period, however recognise that Navy cannot attribute this fluctuation to any one factor noting *“there is a range of broader workforce pressures and macro-economic factors impacting both internal and external markets”*.<sup>3</sup> We accept that *“while the trend in separation rates can’t be directly attributed to the NRIP, an inference can be drawn as to its positive impact on continuing retention efforts”*.<sup>4</sup>

[6] Navy was granted the extension to NRIP to allow for additional time for other non-remunerative retention initiatives to be implemented and embedded - such as those within Navy’s ‘Stay Onboard - People First’ campaign. Early feedback on the extension is described as being positive and we agree this may have been reflected in recent separation rates.

[7] We accept that overall Navy’s assessment remains that the NRIP has had a positive impact on the targeted cohort of personnel and has influenced their decision to remain in the Navy past peak decision points. However, we also note that the *“NRIP survival profile indicates that although the NRIP had an immediate impact on this cohort when first implemented, the NRIP is assessed as having a lessening impact on these personnel as the NRIP gets closer to its expiration date”*.<sup>5</sup>

[8] Having agreed in May this year, that targeted s.58B allowances could be paid in addition to NRIP, we accept that NRIP is now paid alongside, or often in conjunction with, a myriad of remunerative and retention initiatives that did not exist in 2019. This includes the Navy Capability Retention Payment introduced in April 2022 and administered by Defence under s.58B of the *Defence Act 1903*, as well as the ADF Continuation Bonus announced by Government in May 2023 and also paid under s.58B - both sit outside the remit of this Tribunal. We observe that many of these allowances and initiatives are now influencing the same cohorts.

[9] Noting both the NRIP and the ADF Continuation Bonus are due to expire on 30 June 2025, we consider there likely remains an ongoing imperative to incentivise the workforce past the 7 to 9 year points by way of some form of retention payment. We accept the ADF advice that *“things have changed since we requested those extensions. We need to understand those changes and work out which lever is appropriate”*.<sup>6</sup>

[10] We encourage the ADF to return to us with an alternate enduring solution well before NRIP expiration in June 2025 and, in doing so, reiterate our previous provisional advice that “*we will not consider further extensions to the NRIP and agree with the Commonwealth this will diminish the impact and may create unrealistic workforce expectations*”.<sup>7</sup>

[11] The next NRIP report back is to cover the period 01 July 2023 to 31 December 2023.

MS B. O’NEILL, PRESIDENT  
MR A. MORRIS, MEMBER  
MAJGEN G. FOGARTY AO RETD, MEMBER

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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-extension>

<sup>3</sup> ADF Report Back (ADF1) KPI 4 page 3

<sup>4</sup> Transcript 4 November 2023 page 2 lines 1 to 3.

<sup>5</sup> ADF Report Back KPI 5 pages 3 and 4

<sup>6</sup> Transcript page 5 lines 10 to 12.

<sup>7</sup> <https://www.dfrt.gov.au/matters/navy-retention-incentive-payment-extension> paragraph 18.