



Defence Force Remuneration Tribunal

STATEMENT

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

NAVY RETENTION INCENTIVE PAYMENT – REPORT BACKS 2024 (Matter 5 of 2024)

MS B O’NEILL, PRESIDENT

MAJGEN G FOGARTY AO RETD, MEMBER

CANBERRA, 18 NOVEMBER 2024

[1] This statement arises from the requirement, set by this Tribunal in Matter 2 of 2019 – Royal Australian Navy – Retention Incentive Payment¹ for the Navy to report back, on a 6-monthly basis, on the application of the Navy Retention Incentive Payment (NRIP). This statement should be read in conjunction with our initial decision, as well all other annual report backs considered since then.²

[2] The NRIP will expire on 30 June 2025. It was determined as a short-term measure 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 has been required to evaluate 7 key performance indicators to ascertain the effectiveness, or otherwise, of the payment.

[3] The most recent report backs were submitted to us by the Australian Defence Force (ADF) in April and October this year and both provide similar data to previous reports, remaining unable to contribute any one factor of workforce behaviour to the NRIP. The ADF does however state the payment ‘*is becoming less of a consideration in today’s environmental conditions*’ including ‘*the nearing of the completion date of NRIP*’.³

[4] The NRIP is payable in conjunction with other targeted allowances determined by Defence under s.58B of the *Defence Act 1903* and outside the remit of this Tribunal. Noting that, our current deliberations are made in an environment where the Government has recently amended and extended the ADF Continuation Bonus under s.58B provisions. From 1 July 2025 until 30 June 2028, the ADF Continuation Bonus will now include 2 offerings of \$40,000 in return for a further 3 years of service. The first offer will be made to eligible permanent members at the end of their initial service obligation, who have served for a minimum of 4 years. The second offer will be made to eligible permanent members who have served for a further 3 years past the completion of their initial service obligation and have served for a minimum of 7 years.

[5] We note the reported *‘decreasing separation rates at selected key mid-ranks from December 2022 to July 2024’* and are encouraged that *‘Navy has grown in both its permanent trained force numbers, as well as the number of personnel within the key mid-ranks’*. We accept however *‘there is no data to suggest this growth in trained force numbers is due to the implementation of the NRIP in isolation of other growth factors such as increased recruitment and other retention initiatives’*.⁴

[6] The ADF also admits *‘despite overall increases in permanent Navy members at the key mid-ranks and overall decrease of the separation rate at these ranks, this growth in demand continues to exacerbate the hollowness experienced within the key mid-ranks when looking through the lens of supply and demand. Therefore we cannot conclusively prove whether the NRIP has been a major attributable factor on the difference between supply and demand due to the continued growth in demand at the key ranks’*.⁵

[7] We recognise the ADF’s continued focus on the development of broader retention incentives including the *‘Military Factor Framework, the expansion of the Defence Assisted Study Scheme; the expansion of the Family Health Benefit Program; the updated leave framework; and the updated categorisation and location framework’*. We also note the Navy-specific retention incentives including the *‘Separated Service Threshold that actively measures time away from family and home, a more structured and holistic approach to welfare management through Navy Welfare Boards, consistency in the management of long service leave across Navy’*. We commend the efforts of the *‘Stay Onboard People First’* campaign and recognise that, of 92 financial and non-financial initiatives, 46 have now been implemented with 12 engaged in, and 34 with work underway.⁶

[8] Overall, the ADF states *‘it is estimated that the NRIP lengthened the median service of those sailors with a 6 year initial obligation period by about 8 months’* but has been more effective for officers – *‘extending the median length of service for those officers with an initial obligation period of 6 years by approximately 5 years, and for those with a 9 year initial obligation period by approximately 3 years’*.⁷ We agree with the ADF that this demonstrates *‘the NRIP did have a measurable impact’* and that *‘the timing was appropriately placed to impact our most critical workforce’*. While it has been *‘particularly effective for the Officer cohort’* we acknowledge it *‘has had a lesser impact on the non-technical sailor workforce’*.⁸

[9] We agree with the ADF that *‘the cessation of the NRIP is especially concerning for those personnel who are at, or approaching, the key mid ranks who are not eligible for the ADF Continuation Bonus’*.⁹ As we have previously stated, *‘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’*.¹⁰

[10] A final NRIP report back is required to be submitted to us in April 2025 prior to the cessation of the payment.

MS B O’NEILL, PRESIDENT
MAJGEN G FOGARTY AO RETD, MEMBER

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

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

<https://www.dfrt.gov.au/matters/navy-retention-incentive-payment-2021-report-backs>

<https://www.dfrt.gov.au/matters/navy-retention-incentive-payment-report-backs-2022>

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

³ ADF Navy Retention Incentive Payment Report Back April 2024 page 3.

⁴ ADF Navy Retention Incentive Payment Report Back September 2024 page 2.

⁵ Ibid page 3.

⁶ Ibid pages 4 and 5.

⁷ ADF Navy Retention Incentive Payment Report Back April 2024 page 4.

⁸ ADF Navy Retention Incentive Payment Report Back September 2024 page 4.

⁹ Ibid page 7.

¹⁰ <https://www.dfrt.gov.au/sites/default/files/2023-10/Statement%20-%20NRIP%20Report%20Back.pdf> paragraph 9.