

**DEFENCE FORCE REMUNERATION TRIBUNAL**  
**MATTER NO 3 OF 2008 - GRADED OTHER RANKS PAY STRUCTURE**

**&**

**MATTER NO 24 OF 2008 - TRAINEES**

**REASONS FOR DECISION**

**BACKGROUND**

The Tribunal's Reasons for Decision on the Remuneration Reform Project Phase 3, on 27 February 2006, stated "*work must now progress, as a matter of urgency, to complete a pay structure for the Other Ranks which also includes the Qualification and Skill (Q & S) elements of allowances.*"

On 5 December 2006, the ADF and Commonwealth jointly proposed a revised 16 pay group structure incorporating those allowances and increasing the differentials between pay groups above Pay Group 3.

In approving the revised structure the Tribunal commented:

*"We are satisfied that the proposed structure forms a sound basis for remunerating Other Ranks. The structure not only accommodates the incorporation of allowances but also reduces compression at higher ranks. We have therefore decided to approve the structure as sought by the parties.*

*However, the Tribunal has, on a number of occasions, questioned the adequacy of salary progression for a Warrant Officer Class 2 (E) to Warrant Officer Class 1 (E), which was also commented upon by the RSL/RDFWA. We note that the parties are to bring a placement case for the new Warrant Officer pay scale in the first half of 2007.*

*We also note that the ADF and the Commonwealth, acknowledging the need for further remuneration reform, are considering the option to further consolidate the proposed 16 pay group structure to 8 pay groups, and encourage this sensible progression."*

The new structure applied on and from 9 August 2007. However, we also commented:

*"We encourage the ADF to apply itself to the earliest possible implementation and would re-open the case to accommodate an earlier date of effect."*

On 4 July 2007, the ADF and the Commonwealth provided a joint submission for the restructuring of pay grades for Warrant Officer Class 1 (Equivalents) including the Service Warrant Officers.

In the joint submission the ADF and the Commonwealth proposed the following arrangements:

- Increased differentials from Pay Grade 2 of the WO1(E) scale to provide consistent differentials of \$4,100.
- Recognition of the following employment groups at the WO1(E) rank:

- **Tier A** - Direct application of trade skills at:
    - The unit level in the case of Army;
    - The squadron level in the case of Air Force; and
    - The department level in the case of Navy.
  - **Tier B** - Application of managerial skills (applied with or without reference to trade knowledge) at or higher than:
    - The formation level in the case of Army;
    - The wing level in the case of Air Force; and
    - The unit level in the case of Navy.
  - **Tier C** - High level managerial and representation duties, applied generally at a function or environmental command level.
  - **Tier D** - Service Warrant Officers.
- Accommodation of WO1(E) within Tier A at a Pay Grade informed by the trade to which the WO1(E) belongs; and
  - Separate arrangements for the Service Warrant Officers.

Specific Placements sought were:

- Tier B appointments at Pay Grades 3 to 5.
- Tier C appointments at Pay Grade 6.
- Accommodation of the Army Regimental Sergeant Major (RSM) at:
  - Tier A of Pay Grade 4;
  - Tier B at Pay Grade 5; and
  - Tier C at Pay Grade 6;
- Air Force Warrant Officer Discipline (WOD) Tier A at Pay Grade 4
- Air Force Warrant Officer Engineer appointments Tier A at Pay Grade 4.

It was submitted that the proposed placement structure recognises that WO1(E) on promotion are predominantly employed in jobs that rely on direct application of trade related skills. The proposed translation from the 16 Pay Group Other Ranks structure to the 8 graded WO1(E) structure was:

<b>Placement within OR Structure</b>	<b>Placement within WO1(E) Structure</b>
Pay Group 2,3 and 4	Pay Grade 2
Pay Group 5 and 6	Pay Grade 3
Pay Group 7 and 8	Pay Grade 4
Pay Group 9 and 10	Pay Grade 5
Pay Group 11 and 12	Pay Grade 6
Pay Group 13 and 14	Pay Grade 7
Pay Group 15 and 16	Pay Grade 8

The ADF acknowledged the need for future remuneration reform of the Other Ranks pay structure and submitted consolidation of the sixteen pay group structure to eight pay groups would further align the Other Ranks and Warrant Officer Class 1 (E) pay structures.

In coming to our decision regarding the proposed tiers and placements of WO1(E), we commented that:

*“We have taken into account: the strong support of those WO1(E) with whom we met; the fact that WO1(E) at Tier A are directly applying their trade skills; that there is a recognisable hierarchy within the employment of WO1(E) and the new structure addresses the inherent relativity difficulties between WO2(E) and WO1(E), a matter that we have commented on in the past.”*

The new structure for WO1(E) applied on and from 9 August 2007.

Further, in the Tribunal’s Reasons for Decision in the Graded Officer Pay structure, we commented:

*“The next step is to further refine the Other Ranks scales, by rationalising the 16 pay groups, temporarily created, to a lesser number, in a structure with more significant differentials for skill progression. We have scheduled dates for this review in the first half of 2008, but encourage the parties to expedite the matter.”*

The hearing timetable proposed by the parties was to conclude the case at the end of August 2008. In the event, the final hearing took place on 9 November 2008.

## **The Current Case**

### **Submissions and Evidence**

#### **The ADF**

The ADF submitted that its proposals in relation to the revised OR and WO1 pay structures are underpinned by the following propositions:

- The existing OR pay structure does not meet the requirements of the ADF.
- The existing WO1 structure requires some structural adaptation to provide an equitable interface with the proposed GORPS.
- The proposed structures for both the OR (PTE to WO2) and WO1 are architecturally sound, capable of accommodating all OR/WO1 employment categories/management groups in a logical and appropriate manner, and meeting the ADF's organisational needs.

During submissions in regard to the proposed 16-group OR structure, the ADF and Commonwealth foreshadowed the need for further reform. In particular that:

- The 16-group structure provided a large number of pay groups that were, in many cases, sparsely populated.
- The 16-group structure had not provided substantial remunerative increases for a large proportion of OR at a time when segments of this workforce were known to be disadvantaged in comparison with outside industry and were under stress in terms of retention.
- The new structure still provided relatively small differentials between pay groups, which provided little incentive for up-skilling.
- In the development of the 16-group structure no work had been done on recalibrating (or otherwise testing) relative values between all ADF OR categories, and that such a calibration exercise had not been done since 1978. Only 3% of OR occupy PG8-16.
- The new structure retained the rank differentials of the PSR95 structure, which did not necessarily meet the needs of the ADF any more.
- There was a complete lack of contemporaneous policy and principles to guide pay placement.
- Further reform of the WO1 and Officer's structures were underway, and subsequent alignment to the outcome of this work would be advantageous as the final step in the totality of the Remuneration Reform Project.

It was further submitted that the ADF carefully considered the requirements to overcome these limitations, and determined that a new structure was required. It said that it was guided in its development of the new structure by the following principles:

- The structure needed to provide a sufficient number of pay grades to maintain the ADF's ability to differentiate its workforce (ie it must have the necessary differential granularity).
- The differential element of the structure (the horizontal) would not seek to provide wholesale salary improvement.
- The structure would not promote further remunerative incursion into the WO1 or GOPS.
- The structure must be capable of accepting many of the employment categories' existing relative value constructs inherent in current placement.
- The structure must be capable of accepting any revised relative value constructs inherent in proposals to further adjust pay placements for some ADF categories; and
- The structure must reflect changed levels of responsibility at some ranks.

## **The Other Rank Structure**

In regard to placement policy and principles, the ADF submitted that it took the following into consideration in populating the new structure:

- Unless there was other compelling evidence, extant internal relativity would inform placement in the new structure, to the extent that formulaic translation from 16 groups to 10 grades would allow.
- Where additional movement/adjustment was considered justifiable, it would be undertaken as part of the population process of the new model.
- Skill Grades should be consolidated and or realigned to provide identifiable points where skill grade movement is properly aligned to PG movement, and was commensurate with the differential value inherent in that movement.
- Like work should be rewarded with like pay unless capability or operational impact drivers became an imperative.
- Movement from the 16-group structure to the 10-grade structure would be governed, in the first instance, by a 'transition formula' that dictated which pay groups in the extant structure would equate to which pay grades in the new one.
- Where capability drivers are common across the three Services, they can inform placement movement, providing that they do not substantially distort internal relativities within the structure, or the integrity of the structure itself.
- Where capability drivers are unique only to one or two Services, pay grade placement can only occur:
  - With the agreement of all Services;
  - Having regard to the effect of that movement on internal relativities of groups providing like work, both within a Family and across all Families (ie within the entire structure); and
  - Movement will be limited to that which is structurally sustainable and affordable.
- Other remunerative mechanisms such as s58B or s58H payments will continue to be necessary to accommodate payment for capability pressures that cannot be accommodated in salary.
- Employment Categories will be placed in 'Families' within the pay structure to assist in the transition from one pay structure to another, and to provide greater granularity in relative value consideration into the future.
- Families are not a limiting factor in the ability to reconsider the relative value of any particular employment category or group of categories, nor is their own bandwidth or relative position in the structure inviolate.
- Employment categories subject to a review will not be placed in the new structure until that review is complete (in the sense of having an agreed Defence recommendation in regard to the employment categories in question).

- Those other rank employment categories being examined by the Aircrew Sustainability Project (ASP) would be held in abeyance until the results of that project (in terms of pay grade placement) are known at the end of 2008, provided that there is reasonable assurance that the structure can accommodate any likely outcomes.
- Nothing in the ADF's placement process or in its recommended outcomes precludes a category from being reviewed and placed elsewhere in the future, provided proper process is followed.
- Initial placement was subject to confirmation by the Employment Category Review Committee, Category Managers and endorsement by the Steering Group/COSC.

The ADF proposed that placement of categories within the structure should be dealt with on a tri-Service "family" approach rather than on an individual basis. The family groupings that were proposed are:

- The Health, Logistic/Support family
- Combat 1 and Combat 2 family.
- Engineering/Technical Family
- Electronic Warfare, Intelligence and Communications Family.

This left the Aviation Family which is to be considered as a separate exercise in Matter No 26 of 2008, Aircrew Sustainability Project.

It was submitted that the *"principal purpose of the Family Approach is to allow employment categories who have similar roles/work to be grouped together for analysis purposes. This not only facilitates the presentation of GORPS material to the Tribunal in digestible 'blocks' in a logical way, but also offers the following important advantages:*

- *Each family group provides an initial appreciation of the relative value of the categories contained within them to assist in their logical placement in a more granular way.*
- *It identifies where categories that are superficially regarded as similar across the ADF are, in fact, different. Photographers are a good example, where the work that photographers do in each of the Services is sufficiently different to have them placed in different Family groups depending on Service.*
- *The methodology provides some utility beyond the initial introduction of the new pay structure, insofar as Category Managers will be better informed by a more focussed and relevant relative value construct (ie, the Family), rather than have to consider the relevance of their categories in the broader whole-of-ADF arena in the first instance. The Family construct is not, however, a limiting factor in the further review/placement process."*

The ADF submitted that the characteristics of the Families are as follows:

- Employment categories are allocated to a Family on the basis of their role within each Service.
- The number of categories in each Family is not constrained.
- The pay grade span of each Family is largely driven by the collective needs of the categories within it, but once set, its bandwidth will only be changed after careful consideration.
- The Family approach does not constrain the progression of individual category submissions in the future - but it does provide the initial check of relativities in the first instance.

In regards to the placement process the ADF identified two distinct groups of employment categories:

- simple transition employment categories that are mapped to the new structure as a result of a transition formula only, with no other pay grade adjustment; and
- value added employment groups that are mapped by means of the transition formula and then subject to adjustment as a result of work value change.

### **Reserves**

Navy and Air Force do not have a discounted placement methodology as those Services regard Reserve members to be at the same level of training and competence as their Permanent members. The ADF therefore proposed that these categories be placed within GORPS in the same manner as for their Permanent Force counter-parts.

The ADF submitted that Army proposed shifting paradigms from a 15% discount methodology to a deliberate valuation, placing each Reserve category with reference to its Permanent Force counter-parts. Currently 75% of Army Reserve categories are placed in accordance with the 15% discount methodology. It is Army's future intention to seek placement of all Reserve categories with reference to the Permanent counterparts.

It was therefore proposed that the transition of Army Reserve be as follows:

- "a. Categories that are currently in a discounted PG and are transitioning via the "Simple Transition", will be placed according to the simple mapping principles within GORPS;*
- b. Categories that are currently simple mapping and are on a 15% discount methodology will be placed in a discounted schedule that applies the 15% discount to their resultant "simple mapped" PG outcome; and*
- c. Army reserve category in the "Value Added Transition" group will be subject to analysis and placed in the new structure according to the placement principles that govern GORPS (that may or may not be discounted by PG placement)."*

### **Warrant Officers**

The ADF proposed to convert the 8 grade Warrant Officer structure and placement methodology adopted in August 2007 to a 10 grade structure. The Tribunal raised questions in hearing and in a meeting with the Chiefs of Service Committee on

19 August 2008 about consistency in rationale between the proposals. Attention was directed to:

- the proposed remuneration structure, placement and management of the Warrant Officer Class 1 population and the degree of resulting Tier A intrusion into Tiers B and C of the structure; and
- the resultant relationship between the Graded Other Ranks Pay Structure, the Warrant Officer Class One (WOs) Structure and the Graded Officer Pay Structure (GOPS).

The ADF, in a supplementary submission to the Tribunal, proposed a revised structure for WO1 that, whilst remaining as a 10 graded structure, substantially reduces the level of incursion of WO1 in Tier A into Tiers B and C, provides a constant differential of 2% for rank increments and provides an appropriate interface with GOPS.

### **Trainees**

On 27 August 2008 the ADF and Commonwealth presented a joint submission to the Tribunal regarding the placement and progression for the remuneration of ADF Trainees.

The ADF submitted that it had recently reviewed a wide range of matters pertaining to the structure and quanta of trainee pay, the findings of which included:

- ADF trainee pay has not been comprehensively reviewed since the *Committee of Reference for Defence Force Pay Inquiry* in 1982. Since that time, the structure of ADF Pay has substantially changed and the original industrial benchmarks, which assisted earlier Defence Inquiries in setting ADF trainee pay, have substantially evolved. These developments have not been considered in the setting of ADF Trainee pay. Consequently, contemporary industrial standards are not being met.
- There is financial disadvantage for trainees attending long term technical courses compared to those who complete short term Initial Employment Training (IET) courses and move on to higher pay grades on completion of training.
- The current level of trainee remuneration may be a deterrent to recruitment, noting the ADF has not met recruitment targets for long term technical courses/trades and Officer Cadets from the Royal Military College of Australia (RMC) and the Australian Defence Force Academy (ADFA). The external labour market is highly competitive, particularly in the specialist and technical trade areas. In order to encourage retention and attract recruits remuneration be adjusted so it is sufficiently attractive.
- Demographic trends, changing community standards, different generational expectations and attitudes across Australian workforce age groups requires adjustment to trainee pay to make the ADF a more attractive career option.

- ADF Trainees are exposed to significant and continuous disabilities including the requirement to submit to discipline and control, the requirement to at times to live and work in uncomfortable conditions and the requirement to be on call and work long and irregular hours. Since the last COR review of trainee pay in 1982, there have been major changes in sociological factors, personal and societal expectations and standards. These disabilities and new factors are not compensated for under the current trainee pay structure.

In consideration of these issues and factors, the ADF submitted the following propositions:

- Private PG3 in the Other Ranks Permanent Pay Scale should remain the reference point for the rate for Other Ranks entry recruits and IET Trainees.
- Other Ranks Trainees rates should be set at 70% of the reference point for recruits, increase to 80% at commencement of IET, then increase to 85% after IET of 6 Months and 90% after IET of 12 months.
- Officer 01 rank (2LT), Increment 0 Pay Group 2 in the Permanent Officers' Pay Scale should serve as the reference point for the officer trainees' rate.
- Rates for Officers (based on attendance at ADFA) should be set at 45% of the reference point for those undertaking matriculation or equivalent studies and 55% in the first year of training, 65% in the second year of training, 75% in the third year of training and 85% in the fourth year of training.
- Rates for officers participating in the Undergraduate Entry Scheme should be set at 55% of the reference point with four years to graduation, 65% with three years to graduation, 75% with two years to graduation and 85% in the final year.
- Rates for members participating in the Officer Tertiary Recruitment Scheme should be set at 45% of the reference point with six years to graduation, 45% with five years to graduation, 55% with four years to graduation, 65% with three years to graduation, 75% with two years to graduation and 85% in the final year.
- Rates for members undertaking officer training (not a degree course at Single Service Officer Training institutions) should be set at 75% of the reference point for the first six months of the course and at 85% for the final twelve months of the course. In the case of Air Force or Army members, with or without a degree the rates should be similarly adjusted. In the case of a Navy member without a degree, the rate should be set at 75% in the first year and 85% in the second year. In the case of a Navy member with a degree, the rate should be set at 85%.
- A new trainee allowance of \$8000 per annum should be paid from the date of enlistment until completion of training for members in the prescribed Training Capacities: Normal Entry Recruit, Member undergoing IET, Member undertaking a Degree Course in conjunction with Officer Training (ADFA),

Member undertaking Officer Training and not undertaking a Degree Course (Single Service Officer training institutions).

- i. Trainee Allowance should not be extended to the Training Categories of “*Trainee undertaking a Certificate of Technology Course*”, “*Members Participating in the Undergraduate Entry Scheme*” and “*Member Participating in the Officer Tertiary Recruitment Scheme*” while these members are studying but the Trainee Allowance should be paid on a pro-rata rate to these members if they are required to attend ADF training during semester breaks.

The joint ADF and Commonwealth submission did not cover members participating in the Graduate Medical Scheme. The ADF submitted that members participating in this Graduate Scheme are aligned with Graded Officer Pay PG2, in the rank LT (E) pay increments 0, 1, 2 and 3 and CAPT (E) pay increment 0. The highest pay rate (CAPT (E) Pay increment 0 \$56,702) for graduate medical trainees is the base rate for both Medical Officers on the Specialist Pay Structure/Medical Officers not on the Specialist Pay Structure. Accordingly, the ADF submitted that members on the Graduate Medical Scheme and the associated Medical Officers on the Specialist Career Structure warrant separate consideration.

The ADF set out in a table its proposed relationship of Trainee Pay points to the reference point of PTE (E) PG3:

<b>Trainee Pay Points</b>	<b>Current relativity to PTE PG3</b>	<b>Proposed relativity</b>
Pay Point 1	42%	45%
Pay Point 2	52%	55%
Pay Point 3	62%	65%
Pay Point 4	69%	70%
Pay Point 5	78%	75%
New pay point OT IET 0-6 months	N/A	80%
Pay Point 6 (To apply OR IET 6-12 Months)	83%	85%
New Pay Point OR IET 12 months +	N/A	90%

The ADF submitted that the proposed trainee pay rates offer advantages over the current rates since:

- In the main, graduated changes are now applied to Trainee pay rates whereas the current model has irregular graduations which are difficult to understand and it is based upon the now superseded Apprentice structure referred to by the *Committee of Inquiry*.
- Since six graduations are retained across the training categories, the relativities between the different categories of trainee are largely preserved. The ADF noted that Other Ranks undergoing IET utilise two new rates at 85% and 90%).
- Other Ranks undergoing long term IET are progressively rewarded, which should assist retention and attraction.
- The new pay model retains the essential simplicity of the previous model, noting, however, two new rates apply to Other Ranks undergoing IET.
- The common pattern of payment across the variety of officer training patterns is retained, which preserves equity.
- The pay primacy of a fully qualified member is preserved in the proposed model.

The ADF submitted that this time-based progression model was considered to provide incentives where most needed, for example longer term technical trainees. The ADF submitted that the time-based progression model provides uniformity across the services in pay progression and graduated increases to trainees on successful completion of training. The ADF also submitted the time-based progression model for trainee rates is a system that is easy to understand and administer and that the system reflects contemporary industrial practice.

Further, the ADF submitted that it examined the utility of a competency-based progression model for the application of the discount rates. However, the ADF considered that due to wide variations in training patterns, the number and diversity of training courses, the differences in training course content and the difficulty in identifying similar competencies and maintaining consistent application of equity, this option should be rejected.

In drawing comparisons between Service Allowance and the proposed Trainee Allowance, the ADF submitted that trainees are exposed to a similar range of disabilities which in some instances (restrictions on movement, discipline etc) are more severe than those applying to fully qualified members. However, the ADF noted that trainees are not fully qualified members of the ADF and that their training is in preparation for the full performance of an ADF job rather than performance of the job itself. On this basis the ADF acknowledged that trainees are not eligible to receive Service Allowance, however trainees should be compensated for their exposure to disabilities while under training.

The ADF and the Commonwealth sought a date of effect of 8 January 2009 to coincide with the commencement of the ADF calendar training year.

### **Witness Evidence**

The ADF called the following witnesses:

Brigadier Donald George Higgins, Deputy Commander Special Operations Command

Captain Michael Julian van Balen (RAN), Chief of Staff Australian Navy Systems Command

Captain Stephen Jeffrey Dalton, Chief Of Staff Submarine Force Element

Brigadier Wayne Gregory Budd, Director General Headquarters Joint Operations Command

Commodore Peter James Marshall (RAN), Chief Naval Engineer

Brigadier Nicholas Stephen Bartels, Commander 16 Aviation Brigade

Colonel James Winston Phasey, Director Technical Regulation Army Headquarters

Group Captain Peter Craig Yates, Director Technical Capability Air Force

Major General Stephen David Meekin, Deputy Director Intelligence

Colonel David Michael Luhrs, Director Personnel Capability Army

Major General Craig Orme, Head Of People Capability

Brigadier Gerard Paul Fogarty, Director General Personnel Army

Group Captain Christopher Crowley, Director Personnel Capability Air Force

Lieutenant General David John Hurley, Vice Chief of the Defence Force

Commodore David James Letts (RAN), Director General Personnel and Training

### **Those Consulted**

On 22 July 2008 the Tribunal held discussions with Category Sponsors at the Royal Military College of Australia, Duntroon.

On 29 July 2008 the Tribunal held discussions with a wide range of Other Rank Category members at HMAS KUTTABUL to ascertain their views on the GORPS and the proposed placements. The Tribunal also held discussions with the Service Warrant Officers and sought their views on the proposals.

On 19 August 2008 the Tribunal met with the Chief of the Defence Force, Vice Chief of the Defence Force, Chief of Navy, Chief of Army and Deputy Chief of Air Force to discuss details of the proposed placements and to explore any cross service issues.

### **Date of Effect**

The ADF, supported by the Commonwealth, proposed a date of effect of 4 September 2008 for the implementation of GORPS.

## **The Commonwealth**

The Commonwealth supported the ADF GORPS proposal and was instrumental in the preparation with the ADF of joint submissions on Trainees and Warrant Officers.

## **The Returned and Service League of Australia (RSL)**

## **The Defence Welfare Association (DFWA)**

In a written submission to the Tribunal, the RSL and DFWA supported the ADF GORPS proposal.

## **CONSIDERATION**

Consistent with the DFRT's approach to Graded Officers Pay Structure placements, the Tribunal sought from the ADF a plan to place the majority of Other Ranks categories simultaneously in the new 10 graded structure. The alternative was to consider categories in isolation, a process that would have stretched over several years, involving an unacceptable delay.

This review completes a continuum of contemporary structures for ADF members, covering Trainees, Other Ranks up to and including Warrant Officer Class 2 (Equivalent), Warrant Officer Class 1 (Equivalent), and Officers, including Senior Officers. While this decision covers the Other Ranks component, to the extent possible consistent principles have been applied across the whole and the Tribunal has focused particularly on the interfaces between the various rank groups.

## **Trainees**

In September 2006, following a visit to the Army Logistic Training Centre (ALTC), Bandiana, the Tribunal observed in a letter to the Chief of the Defence Force that technical trade trainees can remain for long periods on trainee pay, during which they do not qualify for Service Allowance. RAEME trainees at the ALTC may be paid as trainees for up to 24 months. The Tribunal suggested that this could be quickly dealt with as a pay group placement exercise.

The CDF responded that the ADF would bring forward a comprehensive submission covering trainee pay across the three Services, and has done so in this case.

The ADF proposed that in the Other Ranks structure, the reference point in setting trainee rates should be a Private in Pay Grade 3. It proposed to increase percentages of this reference point to be paid to most recruits and Initial Entry Trainees.

For Officer trainees, the ADF proposed that the starting rate for a Second Lieutenant in Pay Grade 2 should be the reference point.

The ADF also proposed the payment of \$8000 per annum from the date of enlistment for the following trainees: normal entry recruits in Initial Entry Training, members undertaking degree studies in conjunction with officer training at ADFA and members undertaking training at single Service officer training institutions.

We are satisfied the new rates represent a contemporary approach to the remuneration of trainees and give appropriate recognition for training regimes that may extend over

a number of years. For such members, the revised scales minimise the previous disincentive of long periods on trainee rates.

We accept that trainees experience disabilities, including the requirement to submit to military discipline and control, to live and work in uncomfortable conditions and to be on call and work long and irregular hours. We endorse the ADF's proposal, supported by the Commonwealth, for a trainee allowance at the rate of \$8000 per annum.

The date of effect for the changes to trainee remuneration will be 8 January 2009.

### **Other Rank Structure and Placements**

Dealing first with the proposed salary structure, we think the ADF, with the support of the Commonwealth, has proposed a sensible progression from previous arrangements.

Working within the salary bounds already established by the current 16 grade structure and the upper limits imposed by the Officer and Warrant Officer structures, the ADF's proposed structure gives greater weight to trade or skill progression, to reduce salary compression with increasing seniority. Progression in rank has so far reflected an increasing shift to management roles, with consequent reducing differentiation for trade progression. For example, promotion from Sergeant (E) to Warrant Officer Class 2 (E) previously carried more than three times the weight of a change in pay group. That same promotion is now to carry about one and a half times the weight of a pay grade change, partly as a result of maintaining a percentage difference between pay grades rather than a constant dollar figure.

We were careful to confirm with the senior leadership team that this policy change, to increase the recognition of trade progression relative to rank, accorded with the realities of work in the ADF.

Similarly, the ADF sought rank differentials which better recognise the experience and value gain at Corporal (E) and Sergeant (E) levels.

The Tribunal is satisfied that the changes in balance in this salary structure represent current ADF management policy.

Turning to placements, many of those now approved by the Tribunal are directly mapped across from the previous structure into the corresponding placement in the new. However, at least four other considerations have affected category placements in this case.

Firstly, several Army Reserve categories are being placed for the first time according to detailed review of their work and training requirements. We say more on this below. Secondly, the Tribunal has incorporated a number of category restructures into placements. Thirdly, there are some categories whose placement has not been considered for a very long time, such as military police. The opportunity is taken here to update those placements. Lastly, in considering the relative placement of all Other Rank trades, the ADF sought some changes in existing relativities. Particularly, it sought greater recognition for many trade manager and supervisor roles, especially in the highly technical trades.

This process of evaluating the relative placements of such a large number of categories or trades has been assisted by grouping them into 'families'. Several ADF witnesses gave evidence that such grouping had assisted cross-Service consideration and provides a reliable means for the future in reviewing relative placements as work changes or new categories, such as Air Force Special Tactics, are developed.

We are satisfied on the basis of the detailed material provided and all the evidence and consultations in this case, that the structure and placements proposed are sound and should be approved.

### **Warrant Officers**

As noted earlier, the Tribunal raised concerns with the initial ADF Warrant Officer proposals, which were addressed with a revised proposal supported by the Commonwealth.

We are satisfied that the revised structure and placement of Warrant Officers now proposed by the parties should be approved. In our view, the new structure and placements:

- provide a reasonable reward on promotion from WO2(E);
- recognise the continuing application of trade skills for those categories at Tier A;
- appropriately remunerate trade supervisors and managers, particularly for technical trades;
- maintain acceptable relativities between Tiers A, B and C Warrant Officers; and
- continue a reasonable relationship between the WO1 structure and the Graded Officer Pay Structure, of a similar order to that applying pre-GORPS.

### **Reserve Members**

The ADF wishes to place the categories in which Reserve Force members serve in pay grades determined on the basis of the work they do, rather than continue paying some Reserve members an across-the-board approximation of 85% of the equivalent Permanent category rate.

The Tribunal endorses this approach, which follows as a logical extension of the Reserve Review undertaken in 2006 and the placement of Reserve members in RAEME categories.

In this case, the ADF argues, and the Tribunal accepts, that there is no differentiation compared to Permanent members in the work of Reserve members in Navy and Air Force categories, because of the composition and training of these Services' Reserves.

Army's position is different, due to the large number of direct entry Reserve members who have limited time available for training. Consequently, Army intends to review all of its employment categories to propose where Reserve Force categories should be designated and placed in the structure. This will take several years to complete, given the detailed evaluation required and the ADF's intention that the same rigour is to be

applied to review of the work of Reserve categories as to any other category within the ADF.

The Tribunal endorses the proposed placement of Army Reserve categories covered in this case, and looks forward to completion of Army's reviews so that the concepts of 'discounted' and 'non-discounted' rates and the pay schedules that go with them may be eliminated.

### **Nomenclature**

Officer employment categories were placed in 'pay grades' in the Graded Officer Pay Structure, whereas the terminology used in the Other Ranks structure has been 'pay groups'. Sensibly, the ADF wishes to standardise the use of 'pay grades' across all of the pay structures. Consequently, future determinations will reflect that consistent usage.

### **Next Steps**

With the Graded Other Ranks Pay Structure the ADF has completed a major task in reviewing the salary structures for all rank levels. It is a considerable achievement, given the scale of work required to recast a complex set of inter-relating structures. It has been assisted by the collaborative approach of the Commonwealth and would not have been possible without the engagement of the ADF leadership team.

However, the task of reform has not been completed. Placement of Army Reserve categories in the Graded Other Ranks Pay Structure is to continue. Also the ADF has now committed to fundamental review of s.58H disability allowances and articulated the need for a comprehensive remuneration policy, all of which the Tribunal welcomes and encourages. Accordingly, we will set hearing dates in 2009 for review of the full range of s.58H allowances.

### **DECISION**

In summary, the Tribunal has decided:

- to approve the 10 graded structure and placement of Other Rank trades, with effect from 4 September 2008;
- to approve the 10 graded structure for WO1 (E), with effect from 4 September 2008;
- to approve the new rates to be applied to Trainees, with effect from 8 January 2009; and
- to approve a Trainee Allowance as proposed, with effect from 8 January 2009.

Further work is required to complete the placement of Army Reserve categories.

## **Appearances**

R Kenzie with D Talbot

M O'Neill

## **Dates and Places of Hearings**

27 May 2008, Canberra

12 June 2008, Canberra

25-26 June 2008, Canberra

11-12 August 2008, Canberra

27 August 2008 (Trainees), Canberra

5-7 November 2008, Canberra

## **List of Exhibits**

- ADF 1 – Graded Other Ranks Pay Structure Opening Submission Volume 1.
- ADF 1\* – Trainee Pay Court Book (Trainees Hearing)
- ADF 2 – Graded Other Ranks Pay Structure Volume 2.
- ADF 3 – Graded Other Ranks Pay Structure Volume 3, Family Submission 1 (Support/Logistics, Health Combat 1, Combat 2).
- ADF 4 – Graded Other Ranks Pay Structure Volume 4.
- ADF 5 – Supplementary Submission Warrant Officer Class 1.
- ADF 6 – Supplementary Submission Placement of Reserves.
- ADF 7 – Interface of the Intelligence Categories.
- ADF 8 – Supplementary Submissions Volume 4A.
- ADF 9 – Supplementary Submission Matters Arising Concerning Placement, Incursion and Transition.
- ADF 10 – Reserve Employment Categories
- ADF 11 – Guide to ADF Retention Allowances and Bonuses.
- ADF 12 – Affidavit of Major General Craig Orme.
- ADF 13 – Army reserves Placement in Graded Other Ranks Pay Structure.

- Commonwealth 1 – Rank Descriptors – Extract From the Definitional Framework.
- Commonwealth 1\* – Chapter 10 Commonwealth Submission to the Fair Pay Commission (Trainees Hearing).
- Commonwealth 2\* – National Training Award (Trainees Hearing).
- RSL/DFWA1 – Written Submission.