



## **Defence Force Remuneration Tribunal**

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# **DECISION**

*Defence Act 1903*

s.58H—Functions and powers of Tribunal

### **NAVY RETENTION INCENTIVE PAYMENT - EXTENSION**

(Matter 3 of 2023)

MS I. ASBURY, PRESIDENT

MR A. MORRIS, MEMBER

CANBERRA, 3 MAY 2023

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 Act). The listing application<sup>1</sup> seeks to extend the Navy Retention Incentive Payment (NRIP) by 12 months.

[2] We considered this matter in a hearing on 7 February 2023. Mr J. Phillips SC appeared for the ADF and Mr N. Doukas for the Commonwealth.

#### **Background**

[3] The NRIP was established by this Tribunal in Matter 2 of 2019 – *Royal Australian Navy – Retention Incentive Payment* in July 2019.<sup>2</sup> NRIP was designed as a short-term measure to provide a remunerative incentive to extend the length of service of members at mid-ranks, approaching key career separation points. Since the inception of NRIP, Navy has been required to report to us, at six-monthly intervals, on its progress. This proposal has been submitted with the sixth report back.

## Submissions

[4] The ADF submission requests an extension of NRIP by 12 months, as well as changes to the eligibility criteria. It states this request is in response to the “*unexpectedly high separation rates*” Navy experienced in 2022, combined with below-average recruitment rates. Navy proposes this extension will “*allow time for the suite of financial and non-financial recruitment and retention incentives being progressed by Navy and the wider ADF, to be implemented and embedded into the employee value proposition*”.<sup>3</sup>

[5] Specifically the ADF seeks:

- a. the extension of the NRIP by 12 months, until 01 July 2025;
- b. amendment to the eligibility criteria to include:
  - i. the member must be medically fit for service on the anniversary date of their enlistment; and
  - ii. have completed all components of mandatory annual awareness training (MAAT).
- c. amendment of the eligibility criteria to remove:
  - i. must be ‘ready’ overall for Individual Readiness for, at a minimum, 10 months; and
  - ii. have completed and maintained currency in all components of MAAT.<sup>4</sup>

[6] The ADF submits that in the past 18 months Navy has experienced a “*significant drop in personnel numbers derived from a combination of decreasing recruitment and high separation rates*”. This effect of this is being exacerbated by the need for Navy to grow (from the present 15, 000) to 21, 000 personnel by 2035 in line with the Government’s *Force Structure Plan*.<sup>5</sup>

[7] The sixth NRIP report back was provided to us at the same time as this submission and again reported on the outcomes of previously agreed key performance indicators. This report back evidences that the required growth in demand at key mid-ranks is continuing to exacerbate the hollowness. As a result, the ADF reports it “*cannot be determined whether the NRIP has had an attributable effect on the difference between supply and demand due to the continued growth in demand at key mid-ranks*.”<sup>6</sup>

[8] The Commonwealth “*does not oppose*”<sup>7</sup> the ADF proposal however states it “*continues to have significant concerns that Navy has not managed to sufficiently embed its non-financial initiatives to the extent it feels confident to cease the NRIP by 30 June 2024*”.<sup>8</sup> The Commonwealth

further considers that should this still not occur, even with the provision of an extension, there will be “*a significant increase in separation rates*”.<sup>9</sup>

[9] The Commonwealth notes that all communications related to the NRIP have reinforced a completion date of 30 June 2024. It is therefore concerned that an amendment to this date may create an expectation of further increases and give rise to future grievances with the workforce as some members would inevitably be ineligible based on revised expiry dates. For these reasons the Commonwealth states it “*would not support further extensions*” to the NRIP.<sup>10</sup>

## **Consideration**

[10] In considering this request, we reviewed all prior six-monthly report backs and agree the effectiveness of the NRIP has, on occasion, been difficult to measure. We agree this was further impacted because of the COVID-19 pandemic, which occurred soon after the implementation of the NRIP.

[11] We note the report back presented with this submission provided similar feedback to previous reports in that 63 per cent of members applying for NRIP indicated it influenced their decision to remain in the Navy or delay their separation; 31 per cent indicated no impact on their decision-making and 6 per cent did not comment.<sup>11</sup>

[12] We accept recruitment and retention issues are having a significant impact and appear to be a reflection of societal trends in a low unemployment environment. We agree this is affecting Navy’s ability to grow a trained workforce in line with demand, while trying to remediate workforce hollowness.

[13] We observe that NRIP can already be paid with an additional Navy Capability Retention Payment presently in force under s.58B of the Act, applicable to the same workforce, and introduced in April 2022. This payment is not determined by us, nor is the impact on the workforce required to be reported to us. We consider it a related incentive component managed by Navy.

[14] We have considered the amendments sought and accept that present eligibility requirements permit members to have both MAAT and individual readiness currency waived in extenuating circumstances. We accept that, at present, 50 per cent of eligible NRIP members require waivers<sup>12</sup> and that compliance is often impacted by reasons beyond the control of individuals. We accept that these waivers, which require every member to be tracked throughout the year, are administratively burdensome however, also agree there remains provision for waivers.

## **Conclusion**

[15] We agree the reporting on the NRIP indicates it has had a positive and measurable effect on the workforce, especially within the first 24 months. We accept subsequent data has been less positive. However, we consider this may be a reflection of current societal trends and

increased workforce demand. Overall, we are satisfied that it is more probable than not, that the NRIP has been successful as a short-term retention incentive.

[16] We are well aware of the extent of workforce reform initiatives underway across Navy and the ADF and consider there is no harm done in extending the NRIP while the ADF Modernisation Program<sup>13</sup> is implemented and its effects measured. We consider the Modernisation Program incorporates a number of non-financial incentives that should assist in positively influencing workforce behaviour.

[17] We agree to the extension of the NRIP by 12 months to allow time for the ADF Modernisation Program to take effect. We do not consider the proposed amendments alter the intent of the NRIP and agree to them.

[18] In closing, we express a provisional view 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.

[19] Determination 7 of 2023 gives effect to our decision from 3 May 2023.

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

*Appearances:*

*Mr J. Phillips SC for the ADF assisted by Mr P. Flintoft.*

*Mr N Doukas for the Commonwealth*

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<sup>1</sup> DMR/OUT/2023/02 *Listing Application – Navy Retention Incentive Payment – Extension* dated 6 February 2023.

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

<sup>3</sup> ADF submission – *NRIP Request for extension* (ADF1) dated 7 February 2023 paragraph 33.

<sup>4</sup> ADF 1 paragraph 5.

<sup>5</sup> <https://www.defence.gov.au/about/strategic-planning/2020-force-structure-plan>

<sup>6</sup> NRIP Report Back Six for the period 01 January – 31 June 2022.

<sup>7</sup> Commonwealth submission *Navy Retention Incentive Payment – Extension* dated March 2023 (CWLTH1) page 1 paragraph 4.

<sup>8</sup> CWLTH1 page 7 paragraph 31.

<sup>9</sup> CWLTH1 page 7 paragraph 33.

<sup>10</sup> CWLTH1 page 7 paragraph 39.

<sup>11</sup> NRIP Report Back Six page 1 KPI 1 response.

<sup>12</sup> ADF1 paragraph 14.

<sup>13</sup> <https://www.dfrt.gov.au/matters/adf-allowances-modernisation-tranche-1> and <https://www.dfrt.gov.au/matters/adf-modernisation-program-tranche-2>