



Defence Force Remuneration Tribunal

STATEMENT

Defence Act 1903

s.58H—Functions and powers of Tribunal

NAVY RETENTION INCENTIVE PAYMENT – FINAL REPORT BACK (Matter 8 of 2025)

MS B O'NEILL, PRESIDENT

MS A LESTER, MEMBER

CANBERRA, 29 SEPTEMBER 2025

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 Payment¹ for Navy to report back, on a 6-monthly basis, on the application of the Navy Retention Incentive Payment (NRIP). This final report back statement should be read in conjunction with the initial decision of this Tribunal, as well as all other interim reports produced since then.²

[2] We considered this matter in a Hearing on 11 June 2025. Ms K Hagan appeared for the Australian Defence Force (ADF) and Mr K Wong for the Commonwealth.

[3] The NRIP was designed as a short-term measure to provide a remunerative incentive to extend the length of service of Navy members by 12-24 months. The proposal targeted mid-rank members who were approaching key career separation points. An additional planned outcome of the NRIP was to provide Navy with time to implement broader contemporary workforce reform, including the '*Stay Onboard – People First*' (SOPF) program.³

[4] Each previous report back has covered both technical and workforce effects of the NRIP across seven key performance indicators (KPIs). This final report back covers the period from 1 July 2019 to 1 January 2025 and shows over 5,600 personnel have received a retention incentive payment during this time.

[5] Payments under the NRIP ceased on 30 June 2025 and relevant personnel have been notified as to the final processing of the scheme.

Introduction

[6] Eligibility requirements to receive the NRIP were targeted towards personnel who provide critical capability to Navy and who could maintain their sea service. The success of the NRIP in its initial years, in addition to Navy continuing to experience hollowness at key mid ranks, provided justification for us to extend the payment to 2025 and expand a number of eligibility criteria.⁴

[7] This final report back is considered in an environment where the ADF is introducing and/or extending a number of innovative programs designed to boost recruitment and minimise separation rates. Whilst there are numerous non-financial initiatives being introduced by Navy, financial payments such as the ADF Continuation Bonus⁵ are available for eligible personnel.

[8] The ADF submits that the NRIP has in part contributed to workforce growth and the retention of critical personnel.⁶ The ability to accurately isolate the effects of the NRIP is difficult however, as at 1 January 2025 Navy had 93 retention initiatives in progress, including the aforementioned ADF Continuation Bonus.⁷

[9] Data provided by the ADF has remained similar throughout the previous ten reviews. The ADF submits the NRIP has had a positive effect on recipients, and has lengthened the median service of officers and sailors, having a measurable impact on Navy's most critical workforce.⁸

Key Performance Indicators Summary

KPI 1 - Member feedback on the payment, including effectiveness of communication regarding its implementation

[10] **Noted** – Personnel were requested to provide feedback on whether or not the NRIP influenced their decision to remain in the Navy or delay their separation. Feedback throughout the life of the NRIP was consistent, showing 65% of personnel being encouraged to remain in the Navy and/or delay their separation to take advantage of the payment.⁹

[11] Direct feedback is sourced through the application process for the NRIP, wherein personnel are asked to indicate if their decision to remain in the Navy, or delay separation, was influenced by the payment. We note however, with feedback sourced in this manner, that personnel who did not meet eligibility requirements for the NRIP were not requested to provide feedback on their reasons for separation. We acknowledge that therefore *‘although the majority of personnel who have remained in the Navy and accepted the NRIP have indicated its positive effect on their decision making process, this only equates to part of the data set, and therefore cannot be used as a sole indicator of the impact of the NRIP’*.¹⁰

[12] During the Hearing we asked about plans to continue surveying personnel once the scheme had finished. We believe there is merit in continuing to gather data to fully understand why personnel choose to remain in, or separate from, Navy and the ADF more generally. Such data could provide a stronger evidentiary base should similar payment programs be put to the Tribunal in the future.¹¹

[13] We accept the ADF's response that certain lines of effort within the 'Stay Onboard – People First' program will contribute to continued data collection for Navy, so that recruitment and retention information can be analysed.¹²

KPI 2 – Increase of personnel within key mid-ranks based on July 2019 base index with the expectation that this will increase over the duration of the Navy Retention Incentive Payment

[14] **Established** - From a base index perspective, personnel have increased both within key mid-ranks and within the permanent trained workforce. As of January 2025 officers in the key mid-ranks had increased by 620 and sailors in the key mid-ranks by 246.¹³

KPI 3 – The reduction in the difference between the demand of trained members and the actual supply of trained members per rank, with the expectation that this difference will decrease over the duration of the Navy Retention Incentive Payment

[15] **Problematic** – Continued growth in demand at key mid-ranks makes it challenging to prove the impact of the NRIP against this KPI. We agree decreasing separation rates and the growth in permanent Navy members show progress with the NRIP's overall intent, however the data shows these positive outcomes have not been enough to achieve the workforce supply targets set.¹⁴ We acknowledge that with Government policy driving workforce increases, the data provided 'cannot conclusively prove whether the NRIP has been a major attributable factor on the difference between supply and demand...'¹⁵

KPI 4 – Separation ranks per rank/division, with the expectation that these will decrease over the duration of the Navy Retention Incentive Payment

[16] **Established** – Overall we note the NRIP has been working as designed and reducing separation rates, with combined separation rates across Navy decreasing from 8.07% in July 2019 to 7.43% in February 2025.¹⁶ Certain key mid-rank separation rates have seen slight increases, including Lieutenant Commander increasing from 6.2% to 6.7% and Petty Officer increasing from 9.5% to 9.7%. However, separation rates for Lieutenants have decreased from 4.2% to 3.8% and Leading Seaman from 10.6% to 10.2%.¹⁷ Overall we agree those 'increased retention rates at most of the mid-ranks could indicate that the payment has helped to influence member's behaviour to serve an additional 12 months as designed'.¹⁸

KPI 5 – Length of service profiles, with the expectation that the average length of service will extend over the duration of the Navy Retention Incentive Payment

[17] **Established** – We note that whilst the effectiveness of the NRIP in lengthening service profiles differs according to rank, avenue of entry, and length of initial obligation, we agree with the ADF submission that *‘the NRIP did have a measurable impact on both officers and technical sailors’*.¹⁹ We acknowledge that the timings chosen were effectively placed to target the most critical workforce, delivering lengthened service profiles for Officers at Lieutenant and Lieutenant Commander rank, and technical sailors at Leading Seaman and Petty Officer rank.²⁰ We note however, *‘the NRIP made no significant difference to the median length of service for non-technical sailors’*.²¹

[18] We accept the ADF’s submission that the impact on the length of service within target cohorts was measurable and immediate, however *‘the NRIP is assessed as having a lessening impact on these personnel as [it] gets closer to its expiration date and becomes normalised’*.²² We agree that this lessening of effectiveness reflects *‘members who may have delayed their separation as a result of the NRIP are now separating’* and *‘this could further reflect the NRIP contributing to member’s decisions to delay separation at the targeted NRIP milestones’*.²³

[19] We also accept the assessment that the payment had *‘a significantly greater impact on sailors with a six-year initial obligation period’*.²⁴ This suggests those recruits with a shorter initial obligation period, who were further away from a payment point, were not incentivised to remain in the Navy long enough for a milestone to be reached.

KPI 6 – Any second order effects such as uneven retention or feedback indicative of loss of goodwill, and how this will be addressed

[20] **Noted** – Throughout the duration of the NRIP, Navy’s communication and feedback programs have not identified any second order effects such as uneven retention or loss of goodwill.²⁵

KPI 7 – Progress of Navy’s broader retention issues

[21] **Noted** – We recognise the SOPF retention program which is designed to provide benefits for every member of the Navy, not only those in targeted roles. SOPF involves implementation of numerous improvements across six lines of effort, aligning with elements of the Defence Employee Value Program.²⁶ We commend Navy’s progress with this program, and note that of the 93 initiatives, 55 have been implemented, 11 have been engaged with, and work is progressing on a further 27 initiatives.

Conclusion

[22] We acknowledge the need for innovative strategies to address low recruitment and retention rates within the ADF. Competition for technically skilled workers, low rates of unemployment, and a lower propensity to serve among the younger generations, all contribute to the current challenges faced by the ADF.

[23] We are satisfied with the overall success of the NRIP. Whilst it is extremely difficult to isolate the effects of any one policy accurately, we agree the NRIP has contributed to extending the average length of service profiles within targeted cohorts, and delaying separation of personnel approaching known separation points.

[24] There is however, evidence to suggest larger than normal separations immediately after payment of a retention bonus or completion of a service obligation.²⁷ We consider that Navy, and the ADF more broadly, will need to continue investigating further ways in which financial and non-financial incentives can minimise early and/or high attrition rates.

[25] During the hearing we noted the positive outcomes that can be attributed, at least in part, to the NRIP, and questioned whether a return on investment analysis had been completed. We note the response that *‘whilst [the NRIP] has been viewed as being a cost benefit in terms of an overall initiative, there hasn’t been a quantified assessment in terms of “it cost this much to run and it saved us this much overall”’*.²⁸

[26] In closing, we are satisfied this reporting meets the intent for the required final report back. Noting the scheme is now closed, we accept there are no further reporting requirements.

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

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- ¹ [Original Navy Retention Incentive Payment Decision](#)
- ² [Navy Retention Incentive Payment Report Back 2020](#), [Navy Retention Incentive Payment Report Back 2021](#), [Navy Retention Incentive Payment Report Back 2022](#), [Navy Retention Incentive Report Back Extension Request](#), [Navy Retention Incentive Payment Report Back 2024](#)
- ³ [Programs | Royal Australian Navy](#)
- ⁴ [Defence Force Remuneration Tribunal Determination 7 of 2023](#)
- ⁵ [Continuation bonus | Pay and Conditions](#)
- ⁶ Transcript, page 2, lines 38-40
- ⁷ Australian Defence Force Submission *Matter 8 of 2025 NRIP Final Report Back*, (ADF1) page 4, section 'Progress of Navy's broader retention initiatives'.
- ⁸ Australian Defence Force Submission *Matter 5 of 2024*, page 4, section 5 'Length of service profiles'
- ⁹ ADF1, page 1, section 'Member feedback'.
- ¹⁰ Australian Defence Force Submission *Matter 5 of 2024*, page 2, section 1 'Member Feedback on the payment, including effectiveness of communication regarding its implementation'.
- ¹¹ Transcript, page 4, lines 28-33
- ¹² Transcript, page 4, lines 34-37
- ¹³ ADF1, page 2, section 'Increase of personnel within key mid-ranks'.
- ¹⁴ ADF1, Annex A
- ¹⁵ Australian Defence Force Submission *Matter 5 of 2024*, page 3, section 3 'The reduction in the difference between the demand of trained members and the actual supply'
- ¹⁶ ADF1, pages 2 and 3, section 'Separation rates per rank/division'
- ¹⁷ ADF1, page 3, section 'Separation rates per rank/division'
- ¹⁸ Transcript, page 3, lines 20-26
- ¹⁹ Australian Defence Force Submission *Matter 5 of 2024*, page 4, section 5 'Length of service profiles'
- ²⁰ Transcript, page 3, lines 34-40
- ²¹ ADF1, page 3, section 5 'Length of service profiles'
- ²² Australian Defence Force Submission *Matter 5 of 2024*, page 3, section 5 'Length of service profiles'
- ²³ ADF1, page 3, section 5, 'Length of service profiles'
- ²⁴ ADF1, page 3, section 5, 'Length of service profiles'
- ²⁵ Transcript, page 4, lines 1-2
- ²⁶ [Stay Onboard - People First | Royal Australian Navy](#)
- ²⁷ ADF1, Annex A
- ²⁸ Transcript, page 5, lines 16-26