

THE PARLIAMENT OF THE  
COMMONWEALTH OF AUSTRALIA

Joint Committee on  
Foreign Affairs, Defence and Trade

PERSONNEL WASTAGE IN THE AUSTRALIAN DEFENCE FORCE  
REPORT AND RECOMMENDATIONS

November 1988

Australian Government Publishing Service  
Canberra

© Commonwealth of Australia 1988  
ISBN 0 644 08571 1

**THE PARLIAMENT OF THE  
COMMONWEALTH OF AUSTRALIA  
PARLIAMENTARY PAPER**

**No. 199 OF 1988**

Ordered to be printed  
by authority  
ISSN 0727-4181

Printed in Australia by Paragon Printers, Fyshwick, A.C.T.



TERMS OF REFERENCE

Personnel Wastage in the Australian Defence Force

'To investigate and report on:

- a. the extent and magnitude of the Australian Defence Force wastage problem;
- b. the effects of the present level of wastage on the capability of the Australian Defence Force to fulfil its role in an effective manner; and
- c. measures to reduce wastage and an assessment of the relative effectiveness of those proposed measures.'

# MEMBERSHIP OF THE COMMITTEE

## 35th Parliament Main Committee

Chairman: Mr G.N. Bilney, MP  
Deputy Chairman: Hon. M.J.R. MacKellar, MP

Senator N. Bolkus (to March 88)	Mr M.D. Cross, MP
Senator B.K. Childs (from March 88)	Mr R.G. Halverson, OBE, MP
Senator N.A. Crichton-Browne	Mr N.J. Hicks, MP
Senator R. Hill	Mr D.F. Jull, MP
Senator G.N. Jones	Hon. R.C. Katter, MP
Senator D.J. MacGibbon	Mr L. Kent, MP
Senator M.J. Macklin	Dr R.E. Klugman, MP
Senator G.R. Maguire	Mr J.V. Langmore, MP
Senator J. Morris	Mr E.J. Lindsay, RFD, MP
Senator C. Schacht	Mr G.B. Nehl, MP
Senator G.E.J. Tambling	Mr P.M. Ruddock, MP
Senator J. Vallentine	Mr J.L. Scott, MP
Mr P.J. Baldwin, MP	Mr R.F. Shipton, MP
Mr G. Campbell, MP	Dr A.C. Theophanous, MP
Mr D.E. Charles, MP	

Secretary to the Committee:  
Mr P.N. Gibson, MC

## Defence Sub-Committee:

Chairman: Mr M.D. Cross, MP  
Deputy Chairman: Senator D.J. MacGibbon

Senator G.R. Maguire	Mr R.G. Halverson, OBE, MP
Senator G.E.J. Tambling	Hon. R.C. Katter, MP
Senator J. Vallentine	Mr E.J. Lindsay, RFD, MP
Mr G.N. Bilney, MP (ex officio)	Hon. M.J.R. MacKellar, MP
Mr D.E. Charles, MP	(ex officio)
	Mr R.F. Shipton, MP

## Sub-Committee Staff

Mr A.W. Stephens  
Ms K.A. Freer  
Mr J.E. Cassells  
Mrs M.A. Gibson

## TABLE OF CONTENTS

CONTENTS	Page
Terms of Reference	iii
Membership of the Committee	iv
Glossary	xi
List of Figures	xv
List of Tables	xvii
Foreword	xx
Summary of Conclusions and Recommendations	xxiii
 CHAPTER ONE	
INTRODUCTION	1
Competing for the Human Resource	2
A Unique Institution	5
Examining Personnel Wastage	6
The Nature of the Inquiry	9
 CHAPTER TWO	
THE EXTENT AND MAGNITUDE OF WASTAGE	12
A Manageable Wastage Rate	12
1. Wastage Across the ADF	16
Total Separations	22
2. General Trends	28
Female Separations	28
Male Cadets/Trainees	29
Male Pension Eligible	29
Male Pension Ineligible	32
Army General Enlistment Wastage	35
The Question of Quality	44

3. Specific Problem Areas	45
The Royal Australian Navy	45
Officer Wastage	46
Sailor Wastage	48
The Australian Army	50
Officer Wastage	52
Royal Australian Corps of Signals	56
Soldier Wastage	59
The Royal Australian Air Force	64
Officer Wastage	66
RAAF Pilots	67
Airman Wastage	71
Project Officers	72
4. Summary	73

CHAPTER THREE	THE EFFECTS OF WASTAGE	76
1. The Effects of Wastage		76
Decreased Organisational Health		77
Dilution of Experience		80
Increased Costs		86
Training Deficiencies		90
Diversion of Manpower		94
Reactive Personnel Management		99
Morale		100
Loss of Operational Capability		102

CHAPTER FOUR	POLICY, LEADERSHIP AND MORALE	105
	1. Policy	105
	Expenditure and Staff Ceilings	109
	Civilianisation of Manpower	126
	2. Leadership and Morale	130
	Public Perception and Self-Esteem	130
	Political Leadership	133
	Military Leadership	138
	Morale	146
CHAPTER FIVE	CAREER SATISFACTION AND PERSONNEL MANAGEMENT	152
	1. Career Satisfaction	154
	Perceptions of the Organisation	154
	Job Satisfaction	156
	Job Specialisation	157
	Training and Exercising	162
	Working Hours	165
	Equipment	166
	2. Personnel Management	167
	Career Management	168
	The Generalist Concept	169
	Career Streaming	175
	Training Managers	180
	Lateral Recruiting	184
	Re-engagement and Lateral Recruiting	189
	Using Reservists	192

	Accelerated Promotion	192
	Second Careers	196
	Managing Personnel Statistics	197
	3. Personnel Management Staff	206
	4. Russell Offices	211
CHAPTER SIX	THE SERVICE FAMILY	217
	The Marital Status of ADF Personnel	221
	1. The Hamilton Report	223
	2. Geographic Stability	226
	3. The Dual-Career Family	231
	Child Care	234
	4. A Defence Families White Paper	237
	Communication	239
CHAPTER SEVEN	CONDITIONS OF SERVICE	241
	1. Pay and Allowances	246
	Relative Movements in ADF Salaries and Allowances	247
	Remuneration as a Separation Factor	251
	2. The Pay-Fixing System	254
	Kerr/Woodward and the Committee of Reference	255
	The Defence Force Remuneration Tribunal	259
	A Unique Institution	263
	Conflicts of Interest	269
	Defence Force Industrial Relations Staff	271

The Role of Departmental Officers	274
Wage Anomalies	276
3. Service Allowance	281
4. Other Allowances	288
Education	290
Disturbance Allowance	295
Temporary Rental Allowance	298
5. The Department of Industrial Relations	300
6. Defence Housing	304
Married Quarters	305
The Defence Housing Authority	308
Defence Service Homes Scheme	312
7. Defence Force Retirement and Death Benefits Scheme	320
Principal Features	321
Other Schemes	326
New Entrant Contribution Rates	331
Elective In-Service Commutation	334
Extending the Qualifying Period	335
The 1986 Discounting	337
Taxation on Lump Sums	338
Reviewing the Scheme	339
Summary	346
8. Members without Families	347
Quality of Life	348
Rations and Quarters	351
Removals	355

9. Extending Conditions of Service: A Low-Cost Option	357
Medicare	358
Household Removals	359
Fixit Shops	360
Motor Vehicle Licences	361
Discounted Travel	362
Recognition of Service	363
Subsidised Postal and Telephone Services	365
Retail Outlets	365
10. Costing	366
CHAPTER EIGHT DEALING WITH CHANGE	367
1. An Expanded Reserve	368
2. Expanding the Recruiting Base	370
Recruiting Women	371
Ethnic Recruiting	373
3. Retention Packages	375
CHAPTER NINE CONCLUSION	380
DISSENT Senator Jo Vallentine	382
APPENDICES	
1. Visits to Defence Establishments	386
2. Hamilton Report - Summary of Recommendations	405
3. Written Submissions	419
4. List of Witnesses	425
5. List of Exhibits	427
6. List of Separation Factors from Submissions	428
7. ADF Ranks	429
SELECT BIBLIOGRAPHY	430



## GLOSSARY

AAS	Authorised Average Strength
ACPERS	Assistant Chief of Defence Force (Personnel)
ACPOL	Assistant Chief of Defence Force (Policy)
ADF	Australian Defence Force
ADFA	Australian Defence Force Academy
ADFILS	Australian Defence Families Information and Liaison Staff
APS	Australian Public Service
ARA	Australian Regular Army
ARes	Army Reserve
ArFFA	Armed Forces Federation of Australia
CAFP	Chief of Air Force Personnel
CARO	Central Army Records Office
CAS	Chief of the Air Staff
CCAE	Canberra College of Advanced Education
CDF	Chief of the Defence Force
CGS	Chief of the General Staff
CNS	Chief of Naval Staff
COR	Committee of Reference
CPERS-N	Chief of Personnel - Navy
CSC	Command and Staff College
CSS	Commonwealth Superannuation Scheme
CSHA(S)	Commonwealth State Housing Agreement - Servicemen
DepSec A	Deputy Secretary A
DFA	Defence Force Advocate
DFPCC	Defence Force Pay and Conditions Committee
DFRDB	Defence Force Retirements and Death Benefits Scheme

DFRT	Defence Force Remuneration Tribunal
DGSC	Director General Service Conditions
DHA	Defence Housing Authority
DIR	Department of Industrial Relations
DNOP	Director of Naval Officers Postings
DPO-AF	Director of Personnel Officers - Air Force
DPU	Disruptive Pattern Uniform
(e)	equivalent
ETP	Electronic Technical Power
ETS	Electronic Technical Systems
FASHR	First Assistant Secretary Human Resources
FCI	Fighter Combat Instructor
FDA	Force Development and Analysis
FGE	Female General Enlistee
FTS	Flying Training School
FYDP	Five Year Defence Plan
GDP	Gross Domestic Product
GE	General Enlistment/Enlistee
GSO	General Service Officer
HQADF	Headquarters Australian Defence Force
JCFADT	Joint Committee on Foreign Affairs, Defence and Trade
JSSC	Joint Services Staff College
LOA	Living Out Allowance
LRS	Legislative Research Service

ME	Marine Engineering
MGE	Male General Enlistee
MIMP	Management Improvement and Manpower Policy Division
MS	Military Secretary
MTP	Marine Technical Propulsion
NCGSS	National Consultative Group of Service Spouses
NCO	Non Commissioned Officer
NZDF	New Zealand Defence Force
ODF	Operational Deployment Force
O&MS	Single/Married - Unaccompanied
PWO	Principal Warfare Officer
QFI	Qualified Flying Instructor
RAAF	Royal Australian Air Force
RAE	Royal Australian Engineers
RAN	Royal Australian Navy
RAR	Royal Australian Regiment
RMC	Royal Military College
RODC	Regular Officer Development Committee
RP	Resignation Propensity
R&Q	Rations and Quarters
RSL	Returned Services League
SAOS	Soldier Attitude and Opinion Survey
SCAN	Second Careers Advisory Network
SIP	Strategic and International Policy Division
SNCO	Senior Non Commissioned Officer
SSO	Specialist Service Officer

TRA	Temporary Rental Allowance
T&S	Travel and Subsistence
UMA	Uniform Maintenance Allowance
WE	Weapons Electrical

## LIST OF FIGURES

		Page
Figure 1.1	Projected Population of Young Working Age	3
Figure 2.1	Total ADF Separations 1978-79 to 1987-88	15
Figure 2.2	Components of Officer Wastage	18
Figure 2.3	ADF Annual Percentage Separation Rates compared with Percentage Unemployment Rate and GDP Constant Price Variations	27
Figure 2.4	Exits with/without Entitlement to Pension	36
Figure 2.5	Officer Resignations (RAN)	49
Figure 2.6	Army Officer Wastage by Rank	53
Figure 2.7	Survey of R.A. Signals Corps Officers - Comparative Data	57
Figure 2.8	Survey of R.A. Signals Corps Officers - Calibre of Wastage (Lieutenant Colonel)	60
Figure 2.9	Survey of R.A. Signals Corps Officers - Calibre of Wastage (Majors)	61
Figure 2.10	Soldier Wastage by Rank	63
Figure 2.11	Pilot Wastage/Training Input 1977-78 to 1987-88	68
Figure 3.1	Pilots by Age as at 1 January 1988	85
Figure 3.2	A Conceptual Model of Service Manpower	95
Figure 3.3	Variable Manpower Allocation - Constant Force Capability	98
Figure 4.1	Projected Defence Expenditure by Major Category as a Percentage	122
Figure 4.2	Baseline Opinions of Senior Officers' Representations on Pay and Conditions of Service	139
Figure 4.3	Baseline Ratings on the Quality of Leadership Displayed by Junior NCO	141

Figure 4.4	Baseline Ratings of Quality of Leadership Displayed by Senior NCO	142
Figure 4.5	Baseline Ratings of Quality of Leadership Displayed by Junior Officers	143
Figure 5.1	Career Profile: High Technology Content Occupation	163
Figure 5.2	Effect of Time in Job on self-rated Job Performance	176
Figure 5.3	A Model of Organisational Commitment	204
Figure 7.1	Real Average Defence Force Salary and Real A.W.E.	248

## LIST OF TABLES

		Page
Table 2.1	ADF Separations as a Percentage of Total Strength 1978-79 to 1987-88	23
Table 2.2	Total Separations by Number 1979 to 1988	24
Table 2.3	Numbers of Permanent Service Personnel 1979 to 1988	25
Table 2.4	Male Pension Eligible: Variation in Separations between 1986-87 and the Ten Year Average	30
Table 2.5	Male Pension Ineligible: Variation in Separations between 1986-87 and the Ten Year Average	33
Table 2.6	Significant RAN Officer Shortages	34
Table 2.7	Enlistment Cohorts - Percentage Discharged	38
Table 2.8	Discharge Cohorts - Number of Discharges by year, by sex and rank	39
Table 2.9	Discharge Cohorts - Average Time in Rank by year, by sex and rank	40
Table 2.10	Discharge Cohorts - Average Time to reach Rank by year, by sex and rank	41
Table 2.11	Sailor Wastage - particular problem categories	51
Table 2.12	Calculation of Rank Movement Army Enlisted Ranks	65
Table 3.1	Illustrative List of Extra Duties	92
Table 4.1	Expenditure on Defence Function 1977-78 to 1987-88: Major Categories as a Percentage of Total	110
Table 4.2	Expenditure on Defence Function: 1975-76 to 1986-87 (\$M)	112

Table 4.3	Real Expenditure on Defence Function: 1975-76 to 1986-87 (%)	113
Table 4.4	Expenditure on Defence Function: 1975-76 to 1986-87 (%)	114
Table 4.5	Permanent ADF Personnel	116
Table 4.6	ADF New Capital Equipment	117
Table 4.7	Expenditure on Defence Function: 1975-76 to 1986-87 (\$M)	118
Table 4.8	Real Expenditure on Defence Function: 1975-76 to 1986-87 (\$M)	119
Table 4.9	Comparison of Naval Officers in 1984 and 1987 with Executive level Public Servants	149
Table 5.1	Job Satisfaction by Type of Unit and Professional Category	158
Table 5.2	Length of Postings for Key Personnel Branch Postings (RAN)	172
Table 5.3	Army Staff Officers Employed in Personnel Management Areas	173
Table 5.4	Directorate of Personnel Officers (RAAF) Tenure in Months	174
Table 5.5	Continuity and Experience in Personnel Management	209
Table 6.1	Factors of Moderate to very considerable Influence on Decisions to leave the Army	218
Table 6.2	The Marital Status of ADF Personnel	222
Table 7.1	Total Defence Force Salaries and Allowances, Actual and Real	249
Table 7.2	Average Defence Force Salaries and Allowances and Average Weekly Earnings, Actual and Real	250
Table 7.3	Satisfaction with Service Pay (%)	253
Table 7.4	ADF/APS Comparators identified by the COR	256



Table 7.5	ADF/APS Comparable Pay Rates at Various Dates	265
Table 7.6	Retirement Pay Expressed as a Percentage of Annual Rate of Pay	323
Table 7.7	Maximum Commutation Factors Applicable from 1 July 1983 to 30 June 2002	324
Table 7.8	Comparison of Pension Outcomes under the DFRDB Scheme and the CSS - Case A: Lower Income Earner	328
Table 7.9	Comparison of Pension Outcomes under the DFRDB Scheme and the CSS - Case B: Medium Income Earner	329
Table 7.10	Comparison of Pension Outcomes under the DFRDB Scheme and the CSS - Case C: Higher Income Earner	330
Table 8.1	Officer, Officer Cadet and Other Rank Separations (Females) (As a Percentage of Average Strength)	374
Table 8.2	Participation Rates of Immigrant Groups and Aborigines and Torres Strait Islanders in the ADF	376

## FOREWORD

1. On 21 October 1987 the Senate referred the following topic to the Joint Committee on Foreign Affairs, Defence and Trade for inquiry and report:

- 'a. the extent and magnitude of the Australian Defence Force wastage problem;
- b. the effects of the present level of wastage on the capability of the Australian Defence Force to fulfil its role in an effective manner; and
- c. measures to reduce wastage and an assessment of the relative effectiveness of those proposed measures.

2. The inquiry attracted a great deal of Service, public, academic and media interest. 226 written submissions were received compared to the 35 and 26 respectively for this Committee's preceding two inquiries into defence matters. Committee members found that throughout the ADF, Service men and women were keenly aware of the personnel wastage issue and almost invariably held an opinion on the subject and were keen to discuss it.

3. In addition to receiving written submissions, the Committee took evidence from a wide range of individuals, including the Minister for Defence Science and Personnel, the Chief of the Defence Force, the Secretary to the Department and the three single Service Chiefs of Staff. Overall more than 4,000 pages of evidence were taken.

4. Throughout the inquiry Committee members were fully aware that personnel wastage is the most pressing matter facing the Defence Force. It is an issue which requires prompt, but at the same time considered, resolution. In order to achieve that end many individuals have worked with considerable dedication over the past 12 months. We would like to acknowledge their contribution and express our thanks. We would also like to thank those who presented evidence and submissions; in particular, the co-operation of the Minister for Defence Science and Personnel and the Minister for Defence and their Department was appreciated.

5. An inquiry of this nature inevitably attracts critical comments. That process need not in itself be negative; on the contrary, in this instance we believe that bringing what has been a vexed and contentious issue into the public and parliamentary arena can in the long term only be in the best interests of Australia's defence and the men and women of the ADF.

6. Against that background we have sought in drafting this report only to draw objective conclusions and frame constructive recommendations. We believe our findings reflect that positive approach.

#### Notes on Terminology

7. The term 'wastage' is used to describe any reason for which an individual might leave the ADF. Wastage may be temporary (for example, maternity leave or long-service leave) or permanent (for example, resignation, retirement, services no longer required or completion of service). During the course of this inquiry the Department of Defence and the ADF substituted

the word 'separation' for 'wastage'. In this report those words are used interchangeably. However, because our Terms of Reference used the word 'wastage', that is the term we have generally favoured.

8. As was the case with our 1987 report on The Management of Australia's Defence, we have tried to use non-sexist terminology. Within the Defence establishment, however, terms such as 'manpower' and 'manning' are used specifically. It is also a fact that, when issues affecting Defence families are raised, the great majority of Service spouses are female. Notwithstanding those and similar examples, the Committee has as far as possible tried to comply with contemporary standards of expression.

## SUMMARY OF RECOMMENDATIONS AND CONCLUSIONS

## INTRODUCTION (CHAPTER ONE)

1. This report is predicated on three fundamental points. The first two are that Australia must have a high-quality defence force, and that people are the Force's most valuable asset and vital resource. It follows from those premises that personnel wastage which exceeds a certain numerical and qualitative level will be inimical to the national defence effort. The third point is that the Australian Defence Force is a unique institution.
2. Like most other national endeavours, defence must compete for a finite pool of resources. Within the Defence vote itself there is intense competition for a limited number of dollars. Personnel costs must be evaluated against bids for capital equipment, capital facilities, operating costs, defence co-operation programs, and so on. Senior management must decide whether, at a particular time, one or more functions can perhaps be reduced to a level which may be below their historical average. Such decisions should be taken only after a rigorous appraisal of Australia's strategic circumstances and should be consistent with the broader long-term interests of national security.
3. It might be argued that if Australia's defence managers consider that a particular wastage rate is acceptable within the context of our strategic circumstances and broader

defence planning then, whatever that rate may be, there is no problem. Such an argument would be facile, for while statistics are an essential management tool, the examination of mere numbers is not in itself sufficient. Any worthwhile analysis of wastage must come to grips with the more subjective, but vital, factors of defence force quality and effectiveness. A central issue there is the pattern of wastage, that is, who is leaving and when. It is also important to remember that the lead time to replace a highly skilled and trained individual can be at least as long as that required to introduce into service an item of capital equipment.

#### THE EXTENT AND MAGNITUDE OF WASTAGE (CHAPTER TWO)

4. The Committee received a large amount of statistical data which related to a wide range of personnel wastage issues. Considerable care must be exercised in assessing that data, as they arise from varying methodologies, represent differing perspectives and interests, and encompass issues from the general to the particular. The danger also exists that, depending on how figures are used, a specific problem area may be masked within apparently satisfactory broader data. Any assessment of wastage therefore must address both the pattern of wastage - that is, who is leaving and when they leave - and the qualitative aspects of the topic.

5. A manageable wastage rate is one which:

- a. provides sufficient qualified and experienced personnel at the right time and place;
- b. promotes a steady flow through of personnel to create promotion opportunities and keep the services fit, energetic and enthusiastic;

- c. permits valid and reliable forecasting of recruit targets leading to a degree of stability in the recruiting system;
- d. provides a constant, predictable demand upon training resources;
- e. maintains force capabilities; and
- f. promotes morale.

It is clear that the present level of wastage is substantially too high and has been so for some time. Further, there has been a clear and consistent trend towards this situation for several years.

6. The Committee does not support the Department of Defence's conclusion that wastage is of concern only in 'some specific specialist areas'. That kind of assessment pays insufficient attention to the qualitative aspects of wastage, as well as understating the overall effect and extent of numerical losses. Our assessment is that there is cause for concern across a wide range of ranks and skills, in the following general and specific groups:

General

male trainees;

male pension eligible;

male pension ineligible;

male officers;

junior officers; and

project officers.

Specific

Army Corporals and SNCOs;

Navy officers, Commander and below;

Navy engineers;

Navy principal warfare officers;

Navy technical sailors;

Navy submariners;

Army officers, Major and below;

Signals Corps officers;

Army soldier specialist tradesmen;

Air Force engineers;

Air Force pilots;

Air Force technical airmen; and

Flight engineers.

7. The extent and magnitude of wastage in some of those areas is such that it will adversely affect the ADF for at least the next decade. It also shows that retention strategies must be directed at both the needs of the broader ADF and those of specific specialist groups within the Force.



## THE EFFECTS OF WASTAGE (CHAPTER THREE)

8. Personnel wastage can affect the operational capability of a military force as much as any other single factor, as variations in loss rates can cause substantial adverse changes to the size and quality of the operational force. The effects of wastage become apparent through the following indicators:

- a. decreased organisational health;
- b. dilution of experience;
- c. increased costs;
- d. training deficiencies;
- e. diversion of manpower;
- f. reactive personnel management; and
- g. loss of morale.

9. In sum the effects of wastage adumbrated above amount to a loss of operational capability. It is manifestly obvious that the prevailing excessive level of personnel wastage is damaging the organisational health of the ADF. Wastage is undermining the experience and competence levels of personnel. It is impacting on the capacity of the training and personnel management systems to maintain the Force's integrity. The financial cost arising from the abnormal loss of skilled staff and the increased training effort is enormous. At the psychological level, morale has fallen and the potential has been created for institutional and community polarisation.

10. Having reached that conclusion, the Committee would like to emphasise that, in its judgment, the ADF remains a capable organisation, staffed by many high quality and committed individuals. The Force continues to attract praise for its performance in allied exercises. It operates high technology equipment with skill and, as demonstrated by the contingency preparations to evacuate Australians from Fiji in May 1987, can respond rapidly and effectively.

11. Nevertheless, the nation's senior professional single Service military leaders have all acknowledged that the current high wastage rates have reduced capabilities. These judgments were confirmed by the Chief of the Defence Force when he appeared before this Committee. It is clear that, under the existing organisational structure, capabilities will continue to diminish if wastage remains high.

#### POLICY, LEADERSHIP AND MORALE (CHAPTER FOUR)

12. Matters of policy, leadership and morale impact on every aspect of institutional activity and are fundamental to the question of wastage. Two current issues make this an area of perhaps even more significance than would normally be the case. The first is the Government's resolve to implement the force structure program detailed in the 1987 Policy Information Paper The Defence of Australia (the White Paper). Given current budgetary restraints, that paper inevitably placed resource management at the forefront, leaving little flexibility for initiatives in other areas. The second issue is that it is now 16 years since Australian forces were withdrawn from Vietnam. Only nine per cent of the Army has combat experience. In such circumstances, it is sometimes difficult for a military force to sustain a sense of identity and value.

## Policy

13. The 1986 Review of Australia's Defence Capabilities and the 1987 White Paper confirmed the basic approach taken by the Department of Defence for some years of containing personnel and operating costs while emphasising investment in capital equipment and facilities. In a period of assessed low threat and with a new policy information paper to be implemented, circumstances seem ideal to 'replace much of the equipment contributing to fundamental capabilities, acquired in the 1960s, and to develop new facilities directly relevant to the defence of Australia'.

14. The Committee supports the re-equipment of the ADF. We believe it is an overdue process, noting that a similar sort of program which flowed on from the 1976 White Paper failed through the combination of unrealistic budgeting and the lack of political will to provide the necessary level of funding. Re-equipment across the three Services is essential to provide Australia with an adequate defence capability. The question, though, is how resources are managed to implement that re-equipment program. If the correct balance between expenditure on the major categories of Capital Equipment, Facilities, Personnel and Operating Costs is not maintained then overall ADF capabilities will suffer. It would be a most dangerous practice to allow one key element of those capabilities to degrade past a certain level.

15. Since 1981-82 there has in fact been a degree of substitution of new capital expenditure for expenditure on manpower. The conclusion here is that the Government has a strong interest in containing both wages and staffing establishments in the ADF and the Department of Defence. The implications of the relationship between budgetary allocations, tight manpower

ceilings and high wastage are clear. It is a relationship which, in the current circumstances, acts as a catalyst for more wastage. The relationship therefore both jeopardises the capital equipment program and contributes to the current run-down of personnel experience levels and, consequently, the diminution of force capability.

16. To redress this situation it will be necessary, first, to arrest wastage and, second, to set realistic staffing levels. Arresting wastage is the more important of these measures as the retention of experienced, high quality people is essential: in the short- to medium-term, increased ceilings will not resolve that central problem. In the meantime the dynamics of the relationship mean that wastage will continue to create more wastage.

#### Staff Ceilings

17. A relaxation of staff ceilings will be an integral component of any long-term strategy designed to control wastage. If that policy adjustment were to involve additional funding and accordingly were rejected for that reason, constrained staff ceilings will continue to contribute to personnel wastage.

RECOMMENDATION 1: The Government to take action to provide satisfactory levels of staffing in the ADF (para 4.33).

## Civilianisation of Manpower

18. The Committee is concerned that a program of civilianisation of manpower conducted primarily on the basis of perceived cost savings may diminish the operational capability of the ADF and contribute significantly to levels of posting turbulence and job dissatisfaction among Service men and women. The program should not be used as a short-term expedient at the expense of maintaining the proper levels of military manpower.

RECOMMENDATION 2: The Minister for Defence to review the civilianisation of manpower program on the basis of its likely effect on personnel wastage and force capability (para 4.40).

## Leadership

19. Like every other Department of State, Defence must be managed by government. However, because of the ADF's ethos of service and obedience at all times to the government of the day, the Defence Force also requires leadership. The evidence received by this inquiry indicates overwhelmingly that Service personnel believe government is not particularly interested in providing that leadership, but rather is concerned only with managing the Force. Our experience is that no greater degree of credence is given to the Opposition's defence statements. The fact is that government - regardless of political persuasion - is no longer regarded as a trustworthy employer and politicians generally are

considered to be uninterested in defence. We believe that positive action must be taken to develop the level of political leadership given to the armed forces in Australia.

RECOMMENDATION 3: The Minister for Defence to:

- a. organise regular briefings for Federal and State politicians on Australian defence policy, capabilities and personnel; and
- b. initiate a comprehensive, long-term national public relations campaign supporting the ADF (para 4.56).

20. If political leaders are not well-regarded by broad sections of the Defence Force, then neither are many senior military officers. In particular, there is a strongly-held belief that at the higher levels in Canberra, those officers are incapable of adequately representing the Service's interests on matters of pay and conditions.

21. We believe it would be gratuitous to make any specific recommendations on the practical aspects of leadership given that, on our visits to Navy, Army and Air Force units and bases, individual leadership of a high order was often evident. Rather, we would simply suggest that any leadership problem the ADF currently has is more in the nature of a broad organisational malaise than the result of specific individual shortcomings.

#### Morale

22. Given that many Defence Force personnel are being required to work beyond reasonable limits and have low self-esteem, and that political and some military leadership is generally regarded as insensitive, uninterested and ineffectual,

it should come as no surprise to find that in some areas morale is lower than normal.

23. Any attempt to make individual recommendations specifically intended to produce a sustained improvement in the morale of the ADF would be simplistic. Our primary intention has been to detail the state of morale in the Force. In our opinion, there is clear evidence that in some areas it is below the desired standard.

## CAREER SATISFACTION AND PERSONNEL MANAGEMENT (CHAPTER FIVE)

### Career and Job Satisfaction

24. Career satisfaction depends on a number of interrelated factors. Like most other issues raised in this inquiry, the sum of the events which shape an individual's level of career satisfaction amounts to a perception of organisational worth.

25. We believe there is considerable scope for the ADF to offer more opportunity for job specialisation, which in turn would enhance the job satisfaction of those for whom this issue is paramount. It must be stressed that job specialisation in itself will not be the complete answer for those concerned. Our discussions with RAAF pilots who had recently joined Qantas showed they had been influenced by precisely the same range of frustrations which induce most separations: poor housing, perceived government and senior officer indifference, concern over the welfare of dependants and so on. In concert with attention to those matters job specialisation should, however, prove attractive to those whose prime wish is to work in the ADF rather than lead or manage elements of it.

RECOMMENDATION 4:      The CDF to direct the single Services to develop career profiles which permit job

specialisation in accordance with the two models outlined in paras 5.17 to 5.19 of this report (para 5.20).

## Training

26. Frequent and challenging training and exercising is the life-blood of a military force in peacetime. Many witnesses reported a degree of frustration and disappointment with training which contributed to dissatisfaction with Service life. By far the majority of those reports came from Army personnel.

27. The Committee believes that adventure training offers an excellent low-cost supplement to routine military exercises. It also presents the Defence Force with opportunities to generate favourable public relations, as the involvement of ADF personnel in Himalayan expeditions in mid-1988 demonstrated.

RECOMMENDATION 5: The Committee endorses the Force's involvement in Adventurous Training and recommends that CDF take action to expand the scheme as widely as possible across the ADF (para 5.25).

In making that recommendation we would stress that, under no circumstances should adventurous training be used to replace frequent, demanding and realistic combat training.

## Equipment

28. Equipment was an issue about which, like training, most of the criticism was directed at the Army. Comments on the inadequacy of such basic items as webbing, backpacks, boots and combat uniforms were usually made with some feeling, and in many instances anger. In our opinion that anger is justified. It seems extraordinary that in the Australian Army of 1988 the quality of



those essential personal items can be so bad that many soldiers buy their own from commercial outlets, yet that is the case. The importance of this matter lies in the considerable failure of management it represents and its damaging consequences for morale.

RECOMMENDATION 6: The Minister for Defence to take immediate action to review the provision and suitability of personal and camping equipment in the Army (para 5.30).

### Career Management

29. The majority of Defence Force personnel are dissatisfied with their Service's career management. For many, 'dissatisfied' is an understatement, as descriptions such as 'moribund', 'abysmal' and 'a continual crisis' regularly emerge when personnel matters are discussed.

### The Generalist Concept

30. In our opinion there is a clear need for more career streaming in the ADF, preferably along the 'dual career' path. The prime indicator that this is necessary is the organisational dysfunction evident in excessive personnel wastage. People are leaving because the organisation simply is not meeting their needs past a particular level and outside their specialist field. At the individual level the need is demonstrated by an inability or unwillingness to deal with career change. There also is considerable evidence that in some areas the ADF is not well managed.

## Operating in the Bureaucracy

31. The conclusion that there is a requirement for more career streaming in the ADF is not the end of the matter. Neither would it be sufficient merely to say that so many officers should go to a particular branch for their second specialisation, so many to another, and so on. That approach would address only part of the problem. The other part, which is complementary to career streaming, is the necessity to distinguish between leadership and management. In our judgment that distinction is not always well drawn in the ADF and is perhaps the major reason why so many highly-regarded operational leaders separate from the Force shortly after concluding the main 'command' component of their careers, an event which occurs at the Lieutenant Colonel(e) level. The Committee considers that in many cases those officers separate because they have not been properly prepared for a staff career and are unable to adjust to the new challenges which are generated by the transition from leadership to management.

32. Whether the ADF likes it or not, the ability to operate effectively and forcefully in the bureaucratic and political milieu is a sine qua non of success in the crucial and continual competition for resources and influence. Success rests on different foundations than does the ability to lead men and women in operations. Career streaming must therefore be accompanied by a selection and training process which produces military managers who in particular can succeed at Russell. The Committee must emphasise that in no way is it advocating the subordination of leadership to management. Leadership will always remain paramount in a military organisation. What we are saying is that there is both the necessity and scope for the ADF to improve its managerial skills.

## Lateral Recruitment

33. It is something of an article of faith amongst senior ADF officers that the military cannot recruit laterally. There are undoubtedly some particular skills which are peculiar to the military and for which lateral recruiting would not be feasible. In general that limitation applies to the combat areas: the civilian community does not train destroyer, tank and F111 crews and the like. Accepting that caveat, the Committee believes that the ADF is too rigid in its approach to lateral recruiting.

34. The Committee sees no good reason why expert managers could not be recruited up to senior levels within some single Service and HQADF non-combat related staff functions. We accept that the procedure would not lend itself to universal application, but that should not be allowed to obscure instances of specific relevance.

### RECOMMENDATION 7: CDF to:

- a. direct the single Services to implement a 'dual career stream' system for officers which
  - (i) starts when an officer is commissioned, and
  - (ii) consists of a Corps (or equivalent) specialisation and a staff specialisation within one of the employment categories outlined in our paragraph 5.45;
- b. direct the single Services to develop a personnel management system which
  - (i) identifies at an early stage those

- officers with the capacity for managerial expertise, specifically within the Defence bureaucracy, and
- (ii) provides those officers with appropriate training; and

- c. take action to facilitate lateral recruitment into the ADF on a wide-ranging basis, for both managerial and professional and trade specialists, and to senior management levels if necessary (para 5.72).

The Committee appreciates that those recommendations would require, inter alia, a fundamental reappraisal of some aspects of officer staff training. We believe that would be a productive process.

#### Re-engagement and Lateral Recruiting

35. An effective program of lateral recruiting will extend further than simply re-employing former Service men and women. Nevertheless that group can be a valuable resource, as is illustrated by the current substantial reliance on Reservists to fill the vacancies and experience shortfalls caused by wastage.

#### RECOMMENDATION 8: CDF to:

- a. implement a program under which Service Personnel Branches regularly contact selected former Service men and women to determine their current employment status and attitude towards further Defence service; and

- b. develop a scheme for the re-engagement of former Service personnel (para 5.79).

RECOMMENDATION 9: CDF to take action to facilitate the use of Reservists in the ADF, on both fulltime and scheduled part-time duty (para 5.81).

#### Accelerated Promotion

36. Key promotion concepts developed by the RODC included those of staffing the upper levels of the organisation with 'the most able officers' and promoting individuals 'at a rate and to a level which is consistent with comparative merit'. The Committee questions the current application of that philosophy in the ADF. In many Australian enterprises in 1988, the most talented executives can expect to be senior managers by the time they are 40, both in the private and public sector. In the ADF, however, unless an individual is in one of the relatively few operational command posts, he or she can expect to be nothing more than a middle-level manager who will have to wait about five or more years before genuine authority can be exercised. That circumstance encourages wastage which in turn erodes the quality of the management base. We believe in sum it presents a case for accelerated promotion at a rate which would enable the exceptional officer to reach 2-star rank about 20 years after receiving his commission.

RECOMMENDATION 10: The Minister for Defence Science and Personnel to take action to implement personnel management procedures which allow accelerated promotion at a rate which enables the exceptional officer to reach 2-star level about 20 years after receiving his commission (para 5.90).

## Second Careers

37. The recommendations on accelerated promotion and lateral recruitment amount to fundamental changes to a number of existing Defence Force personnel management practices. In our opinion those changes are essential if the ADF is to modernise its practices and deal most effectively with high wastage. Because the recommendations would, in the interests of enhanced efficiency, limit career opportunities for some personnel, they should be accompanied by a scheme which recognises that fact.

RECOMMENDATION 11: CDF to direct the single Services to introduce a Second Careers Assistance Network scheme (para 5.94).

## Managing Personnel Statistics

38. An inability to manage wastage data rather than merely react to them seems to have characterised the Defence organisation's use of personnel statistics. During an extended session of questioning, none of the CDF, the Secretary or DepSec A was able to give the Committee a convincing answer to the question of whether data are used as a proactive management tool. The clear impression gained was that the system is essentially reactive. The Minister for Defence Science and Personnel subsequently acknowledged shortcomings in the way in which Defence has recorded and produced separation statistics.

39. It is essential for Defence to establish a comprehensive, centralised manpower data base. The purpose of that base would be to standardise information, collection methods and category determinations. From that foundation, manpower managers should be able to move forward from a system which seems largely occupied with generating descriptive statistics to one which facilitates rigorously-determined, timely management action.

RECOMMENDATION 12: CDF and the Secretary to establish a comprehensive centralised Defence manpower planning data base (para 5.102).

40. In addition to establishing an effective data base, the other major issue associated with personnel statistics is that of developing a predictive approach to managing wastage. The key to that process is the types of survey completed to determine attitudes amongst Service personnel.

RECOMMENDATION 13: CDF and the Secretary to ensure that Defence has in place a formal, coordinated program of research on personnel wastage management. That program should if necessary involve consultants (para 5.111).

#### Personnel Management

41. Some of the strongest criticism this inquiry received from serving ADF personnel was directed at personnel management practices. Surveys have found that almost two-thirds of ADF officers view personnel management within the Force as unsatisfactory to some extent.

42. Successful personnel management is most likely to be achieved if those responsible are specialists and are given a fair degree of continuity in their posts. In general the ADF does not seem to satisfy either of those criteria. None of the three single Services has a specialist 'personnel management' employment category. Some staff do of course spend the majority of their careers in the personnel area - for example, psychologists, administrative officers, clerical staff and so on - but the fact remains that personnel matters have not been considered sufficiently interesting or important to justify the establishment of a dedicated specialist category.

RECOMMENDATION 14: CDF to:

- a. instruct the single Services to introduce a specialist Personnel Management employment category; and
- b. establish the post of Assistant Chief of the Defence Force-Personnel within HQADF to develop, co-ordinate and oversee ADF personnel policies (para 5.121).

Russell Offices

43. The Minister for Defence Science and Personnel, CDF and DepSec A made a point of stressing to this Committee that the working relationships at Russell Offices are good. Yet during the same hearing CDF singled out the Defence complex in Canberra as having the worst morale in the ADF. Similarly, the Minister drew attention to the introduction of new Defence financial arrangements which will see the devolution of responsibility down to middle-level managers, an initiative which she believes will encourage 'an important culture change in the management of Defence'. The Committee fully supports that action, but in the context under discussion here would suggest that it tacitly acknowledges the need for the civil/military relationship to change.

44. The Committee commented at length on the subject of Russell Offices in its report on The Management of Australia's Defence and does not intend spending much time on the same issue here. However, some points must be made. Our previous report criticised the structure at Russell primarily on the grounds of inefficiency. Central to that criticism was our assessment that the existing organisational arrangements tend to favour the civilian hierarchy at the expense of the military. In the Committee's judgment that situation is likely to diminish the quality of Defence policy by diminishing the military's voice in the key policy determination areas.



45. Ours is a judgment which apparently is shared by those highly-reported middle-level officers - ship captains, battalion commanders and so on - who among others resign rather than work in Russell. Thus, an organisational failing which last year this Committee identified and defined in terms of an unsatisfactory decision-making process also is the root cause of a certain level of personnel wastage which often includes the highest quality officers.

46. Given Russell Offices' unenviable reputation, the Government's continuing refusal to promote more harmonious and efficient working relationships between the broad military and civilian components of the diarchy through fundamental organisational reform remains something of a mystery. As long as senior management continues to subscribe to the absurd euphemism of 'creative tension' as a description of the work environment within the Defence complex, the 'Russell Office syndrome' will continue to generate avoidable wastage.

#### THE SERVICE FAMILY (CHAPTER SIX)

47. The Australian Defence Force recruits soldiers and retains families. In the late 20th century fundamental community and social changes have meant that any failure actively to recognise that dictum will incur high costs.

48. Many of the problems confronting Service families fall within the ambit of 'conditions of service', which we consider in detail in Chapter 7. Specific recommendations on family-related issues made in that chapter include the following:

- a. education;
- b. disturbance allowance;
- c. Defence housing;

- d. removals; and
- e. retail outlets.

49. In Chapter 6 the Committee therefore limits itself to an examination of the other two matters which we believe, together with those conditions of service, encompass the main items of concern for today's Service families. Those matters are geographic stability, and the related subjects of the two-income family, the spouse's career and child care.

#### The Hamilton Report

50. Ms Sue Hamilton's report of April 1986, Supporting Service Families, more than any other recent initiative has recognised the main problems facing spouses of ADF personnel. The Committee commends the Hamilton Report's findings, and supports the implementation of its recommendations. At the same time, we must record our dissatisfaction with the time taken to implement the recommendations.

#### Geographic Stability

51. CDF has directed the Services to aim for a normal posting period of three years, except for 'some clearly specified exceptions'. As well as setting the goal of a standard three-year posting, CDF also has given instructions that, where possible, Service personnel are to be left in the one geographical location for two or even more successive postings. We endorse the actions taken by CDF to improve geographic stability for members of the ADF.

52. Strategic demands play a key part in the Defence Force's siting and, therefore, posting processes. Currently

the establishment of the two-ocean navy and the transfer of air defence assets to the north are forcing significant changes on the RAN and RAAF; while Army will have to deal with the same problem in several years. Those changes are necessary to meet defence objectives and are unavoidable. Less obvious, however, is the rationale for the siting of some of the ADF's functional units, such as training establishments, maintenance and storage depots and administrative headquarters.

RECOMMENDATION 15: CDF to review the location of ADF units and establishments to determine whether changes could be made which would enhance family stability without affecting operational requirements (para 6.28).

#### The Dual-Career Family

53. Dual-career families are increasingly becoming the norm in Australia. There are two main reasons for this: first, the necessity or desire to supplement family income, and, second, the growing number of women who wish to pursue their own careers outside the home. Each of those reasons places pressures on families which move frequently.

RECOMMENDATION 16: The Minister for Defence Science and Personnel to implement a program for the priority employment of Service spouses and dependants on Defence establishments. That program should make as much use as is practicable of permanent part-time work (para 6.33).

RECOMMENDATION 17: The Minister for Defence Science and Personnel to:

- a. develop a policy that recognises the special child care needs of Service personnel and their spouses;
- b. implement a program to meet those needs within the next three years; and
- c. in the interim, grant immediate subsidies to existing ADF child care facilities consistent with the 'user-pays' principle (para 6.39).

#### A Defence Families White Paper

54. It is essential to develop a coherent family program within the context of broader Defence objectives. We believe that while a great deal of activity has taken place in the conditions of service arena in the past 18 months, that activity has essentially been both reactive and applied in a random fashion. Just as force capability is likely to develop far more efficiently if it is directed by a consolidated, rational program, so too will the commitment of the Service family to the ADF be enhanced if those families know that their interests will be promoted in accordance with a specific program, to which the Government, the ADF and the Department of Defence are all committed.

RECOMMENDATION 18: The Minister for Defence Science and Personnel to prepare a Defence Families White Paper containing a coherent, comprehensive and detailed program of action supporting Service families for the next 15 years. The paper should receive Government endorsement (para 6.45).

Communication

RECOMMENDATION 19: CDF to:

- a. make arrangements for copies of the relevant Service newspapers to be made available to Service families through the NCGSS, ADFILS, child care centres, canteens and similar community support services;
- b. arrange for copies of Army's information package 'Conditions of Service - the Facts' to be made available to Service spouses, and request that the introduction on the video accompanying that package be made by the Minister;
- c. request the Prime Minister to make a video for Service organisations to introduce the Defence Families White Paper; and
- d. arrange meetings between the single Service Chiefs of Personnel and Service families
  - (i) in sufficient locations to give every ADF family in Australia an opportunity to attend a meeting with the relevant Chief,

- (ii) to discuss the full range of family, career and conditions of service issues, and
- (iii) which follow a formal schedule and are completed by March 1989 (para 6.47).

#### CONDITIONS OF SERVICE (CHAPTER SEVEN)

55. If the Committee were to identify one issue which has mobilised Service discontent it would be what was in effect the 1982-85 wage 'freeze', implemented by one government and continued by another. It seems probable that the selective application of the wage freeze caused ADF personnel to focus on their conditions of service more strongly than perhaps they ever had before. As a consequence, there is now widespread dissatisfaction with those conditions throughout the ADF. To a considerable extent, conditions of service have become something of a 'rallying point', perhaps because grievances are more easily articulated in regard to conditions than they are to leadership, morale and so on. Thus, while we believe that the root cause of the high separation rate the Defence Force is experiencing essentially arises from disaffection with leadership and lack of career and/or job satisfaction, any coordinated strategy aimed at reducing separations is unlikely to succeed if it does not address the conditions of service anomalies, shortcomings or outright failings identified in Chapter 7. Redressing problems of leadership and career satisfaction is likely to be a complex and lengthy business. In the short-term, the implementation of a thoughtful and reasonable 'conditions of service' package will not only redress unsatisfactory conditions, but also will provide Government and Defence leadership with their best opportunity of showing that they regard the ADF and its members as a unique and valued institution.

56. The Committee notes that in the past year the Minister for Defence Science and Personnel, the ADF and the Department have taken a number of initiatives which appear constructive, but which may not as yet have had time to impact on separation rates.

#### Information

57. Regardless of the actual status and value of many conditions, the fact remains that they are widely perceived to have deteriorated. Any strategy to resolve the wastage problem therefore will have to incorporate an information program which in a constructive manner informs personnel of perceptions and realities related to conditions of service. The Committee is aware that each of the Services has produced information packages. In our opinion Army's package entitled 'Conditions of Service - The Facts' is by far the most effective. Introduced by a video in which the CGS explains its purpose and contents, the package presents a thorough, readable and concise account of the most important conditions of service.

RECOMMENDATION 20: We endorse CGS's action in producing the material 'Conditions of Service - the Facts', and recommend that it be adopted by Navy and Air Force (para 7.8).

#### Remuneration and the Remuneration-Fixing System

58. It is widely believed among ADF personnel that they have been discriminated against in the matter of the determination of pay and allowances. The only effective way to redress that damaging perception is to examine the whole issue, openly, and starting from the premise that the ADF is a

unique institution. In our opinion, considerable and justifiable doubt exists over the correctness of the pay base which the DFRT inherited from the COR.

RECOMMENDATION 21: The Minister for Defence Science and Personnel to direct the Defence Force Remuneration Tribunal to undertake a complete job analysis and job evaluation review of the ADF, exclusive of National Wage Guidelines, for the purpose of establishing wage levels which are based on the recognition of the members of the profession of arms as a distinctive institution (para 7.43).

59. In making that recommendation we note that the review may or may not lead to an increase in Service salaries: the prime issue at stake is that of recognising the ADF as a unique institution and establishing an appropriate remuneration base.

60. The Committee considers that the current ADF remuneration system exposes the CDF to charges of conflict of interest, which in turn can be inimical to the management of the ADF.

RECOMMENDATION 22: The Minister for Defence Science and Personnel to take action to amend the legislation to allow the DFA to appeal independently against DFRT determinations (para 7.50).

RECOMMENDATION 23: CDF and the Secretary to review those components of the ADF and the Department involved in the preparation and presentation of cases to the DFRT to ensure that:



- a. the organisation has sufficient qualified staff;
- b. staff receive specialist industrial relations training before starting duty;
- c. industrial relations activity is recognised as a distinctive, specialist category within the ADF; and
- d. posting policy is controlled so that industrial relations staff
  - (i) serve productive tours (ideally a minimum of three years) within industrial relations areas, and
  - (ii) return regularly to those duties (para 7.54).

RECOMMENDATION 24: The Minister for Defence Science and Personnel to take action to:

- a. amend legislation to remove the Secretary's right to refer matters to the DFRT and to request reconsideration of any Tribunal determination; and
- b. change the membership of the DFPCC to be ACPOL and the three Service Chiefs of Personnel (para 7.57).

RECOMMENDATION 25: CDF to take action to:

- a. secure a remuneration increase for officers of the rank of Lieutenant Colonel equivalent and above which
  - (i) redresses the salary 'compression' now existing above the Major equivalent level, and
  - (ii) recognises the increased responsibility of role and function of those ranks; and
- b. institute a system of incentive payments for Warrant Officer Class 1 equivalents who do not wish to be commissioned but whose services the ADF wishes to retain (para 7.63).

Service Allowance

RECOMMENDATION 26: CDF to:

- a. determine the average weekly hours worked within the ADF and, if justified, seek an increase to Service Allowance; and
- b. take action to standardise as far as possible individual hours worked in the ADF. If that action necessitates an increased level of staffing in those employment areas where extreme hours are worked, the increase should be made (para 7.79).

## Education

RECOMMENDATION 27: The Government to continue to seek to establish a national core curriculum for both primary and secondary education at the earliest opportunity (para 7.86).

RECOMMENDATION 28: The Minister for Defence Science and Personnel to take action such that:

- a. the main criterion for eligibility for Education Allowance be defined as 'the disturbance of schooling at the secondary level';
- b. the allowance be made available for schooling in any locality; and
- c. parental contributions be determined on a sliding scale, related to military salary (para 7.91).

## Disturbance Allowance

61. In our assessment the inadequacy of the Disturbance Allowance is one of the major, justifiable sources of dissatisfaction with conditions of service.

RECOMMENDATION 29: The Minister for Defence Science and Personnel to:

- a. commission an independent survey of

the factors impinging on, and the adequacy of Disturbance Allowance; and

b. in the interim, take urgent action to increase the minimum amount of the allowance to:

(i) \$1,500 for members with families, and

(ii) \$500 for members without families (para 7.96).

#### Temporary Rental Allowance

RECOMMENDATION 30: The Minister for Defence Science and Personnel to take urgent action to ensure that TRA ceilings continuously reflect market prices and that all applications for TRA are finalised within 24 hours of being submitted (para 7.102).

#### The Department of Industrial Relations

62. Concern was expressed to the Committee about the way in which the DIR interacts with the ADF. That concern does not appear to be entirely groundless.

RECOMMENDATION 31: In all determinations made under Section 58B of the Defence Act, the Minister for Defence Science and Personnel, CDF and the Secretary to act to ensure that Department of Industrial Relations staff remain fully accountable for their actions (para 7.111).

## Defence Housing

63. The Committee endorses the establishment, organisational structure and objectives of the Defence Housing Authority.

RECOMMENDATION 32: The Minister for Defence Science and Personnel to:

- a. take formal action to limit the rental paid by ADF personnel for Service accommodation so that Service rentals continue to constitute a bona fide condition of service; and
- b. report to Parliament in May 1989 on the effect the Defence Housing Authority has had on the quality of the repairs and maintenance service (para 7.126).

It is the Committee's intention to continue to monitor activities associated with Defence housing.

## Defence Service Homes Scheme

RECOMMENDATION 33: The Minister for Defence Science and Personnel to:

- a. consider increasing the concessional interest DSH loan to \$35,000, and then indexing that sum to CPI increases;

- b. approve eligibility for that loan for post-May 1985 enlistees; and
- c. examine an alternative DSH scheme based on the following framework:
  - (i) a substantial cash grant in the order of \$15,000 to assist with the deposit on a home, and which should be indexed to CPI increases,
  - (ii) the payment of a continuing mortgage subsidy as long as the member remains in the ADF,
  - (iii) that subsidy to be reduced when an owner is not occupying his house, and
  - (iv) the subsidy to be portable (para 7.142).

#### Defence Force Retirement and Death Benefits Scheme

64. In terms of the cost of providing superannuation DFRDB benefits available to personnel who retire after 20 years are generous. However, the benefits provided are not relevant, in timing or form of payment, to the financial needs

of a former Service man or woman who engages in civilian employment before final retirement.

- RECOMMENDATION 34: In order to enhance the perceived value of DFRDB to Service personnel and thus retain members in the ADF, the Committee recommends the Minister for Defence Science and Personnel commission a review of the Scheme to consider the following benefit amendments:
- a. increase the resignation benefit on termination before completing 20 years service to include an interest credit in respect of the Serviceman's own contributions;
  - b. further increase the resignation benefit to 3.5 times the member's contributions accumulated with interest provided that the benefit is taken in the form of a deferred pension;
  - c. allow all Service personnel terminating before age 60 and who are eligible for a pension the option of receiving a deferred pension commencing at any time after age 55 or on earlier ill health; and
  - d. remove the three per cent per year penalty applying to officers who separate before reaching the notional retiring age (para 7.204).

The terms of reference for such a review must contain a non-detriment clause for current contributors.

#### Members without Families

65. The Committee endorses the Government's program to provide suitable accommodation for members without families.

RECOMMENDATION 35: The Minister for Defence Science and Personnel to take action so that:

- a. the program
  - (i) proceed as a matter of urgency, and
  - (ii) include the provision of covered car parking; and
- b. until suitable accommodation can be provided, members in quarters which are significantly below scales and standards be given increased access to living out allowance (para 7.213).

RECOMMENDATION 36: In relation to removals which are initiated to meet Service needs, the Government to take action to secure the following entitlements for all members without families:

- a. a full removal;
- b. storage costs of furniture; and
- c. a fair level of disturbance allowance (see Recommendation 29) (para 7.221).



**Extending Conditions of Service: A Low-Cost Option**

66. Recommendations 37 to 46 encompass a range of low-cost conditions of service which, if introduced as a package, would have the potential rapidly to boost morale and reduce wastage at little cost.

RECOMMENDATION 37: That a married Service member whose spouse works and who has no children receive full exemption from the Medicare levy (para 7.225).

RECOMMENDATION 38: CDF and the Secretary to institute a system of 'Do-It-Yourself' removals for ADF personnel to conform with the general thrust of para 7.227 of this report (para 7.229).

RECOMMENDATION 39: CDF and the DHA to implement a system of 'Do-it-Yourself' married quarter minor maintenance shops on ADF bases (para 7.232).

RECOMMENDATION 40: The Committee endorses the Minister's action to introduce a system which will obviate the necessity for Service men and women to transfer drivers licences each time they are posted interstate, and recommends that the process be implemented as a matter of priority (para 7.234). The system also should be extended to vehicle registration.

RECOMMENDATION 41: The Minister for Defence Science and Personnel to authorise CDF to negotiate discounted travel for ADF members, using the Defence Force's duty travel expenditure as commercial leverage (para 7.236).

RECOMMENDATION 42: CDF to appoint a team to develop a range of 'recognition of service' benefits, to be presented by 1 June 1989 (para 7.240).

RECOMMENDATION 43: The Minister for Defence to take immediate action to secure approval for all pending Defence Force honours and awards (para 7.244).

RECOMMENDATION 44: The Government to allow subsidised postage for standard letters for members of the ADF within Australia, or to Australia for those on overseas duty (para 7.245).

RECOMMENDATION 45: The Government to provide a telephone subsidy for all members of the ADF who are serving in a locality remote from the extended family of either spouse (para 7.246).

RECOMMENDATION 46: The Government to establish a system of 'Post Exchange/Commissary' retail outlets on Defence bases, with at least the following features:

- a. discounted prices derived from the application of tax exemptions to goods;

- b. the availability of ADF transport to entrepreneurs;
- c. access to the outlets to be restricted to members and former members of the ADF and Reservists; and
- d. profit sharing arrangements between the outlets and the base on which they are located (para 7.248).

### Costing

RECOMMENDATION 47: To assist the Committee in its wish to monitor progress in the implementation of its other recommendations, the Government in its response to this report to provide costings for each of the individual measures proposed in Chapter 7 (para 7.249).

### DEALING WITH CHANGE (CHAPTER EIGHT)

67. Several submissions addressed possibility that the current high wastage rates may not be reduced. The Committee does not accept that to be the case: as we have argued, the problem can be resolved by determined management. Nevertheless, the ideas presented to the Committee on this subject relate directly to the maintenance of ADF capabilities, and that is a matter central to this inquiry. The methods which those submissions advocated to

deal with continuing high wastage involved a greater use of reservists and/or widening the recruiting base. In addition to looking at those proposals, the Committee also reviewed the subject of retention packages, which should be of interest to innovative managers. Like widening the recruiting base, it is a strategy which might be used to preserve Force quality during periods of high wastage.

#### An Expanded Reserve

68. It may be necessary for Defence planners to tackle high personnel turnover by making better and more extensive use of active reserves coupled with the ability to harness effectively the potential inherent in ex-Regulars (and ex-Reservists) who have gone to civil occupations. Our previous recommendations on lateral recruiting and the need for the ADF to retain contact with former regular personnel are relevant to that scheme.

#### A Broader Recruiting Base

69. High wastage rates are harmful to force quality and capabilities. If wastage rates remain high, it will be essential for the ADF to have access to the widest possible range of high quality recruits. While that access might not control separation rates, it would address the important question of quality. Currently the two major sources of recruits which the ADF does not fully utilise are women and Australian citizens from a non-Anglo-Saxon background. Both groups have historically been under-represented in the ADF.

70. The Committee concludes that in the future, the ADF should encourage the increased employment of recruits from those groups presently under-represented in the Force. The objective of any such increase should be to widen the recruiting base without either impacting adversely on wastage rates or decreasing the combat potential of the Force.

#### Selective Retention Packages

71. The Committee believes that the ADF should make greater use of selectively-applied retention packages. Retention bonus/packages might include some or all of the following: telephone, car and spouse-travel allowances; special housing loans; exemption from the graduate tax for tertiary or equivalent students; subsidised combined insurance and investment packages; and increased superannuation benefits. Packages should be flexible enough to meet individual needs.

RECOMMENDATION 48: The Minister for Defence Science and Personnel to investigate the development of a range of selective retention packages for individuals or specialist groups in the ADF (para 8.24).

#### CONCLUSION (CHAPTER NINE)

72. The Committee believes that continuing, vigorous action is necessary to control the present level of personnel wastage in the ADF which, under the existing organisational arrangements, is excessive and inimical to national defence. The recommendations presented in this report have been framed to achieve that objective.



## CHAPTER ONE

### INTRODUCTION

1.1 This report is predicated on three fundamental points. The first two are that Australia must have a high quality defence force, and that people are the Force's most valuable asset and vital resource. It follows from those premises that personnel wastage which exceeds a certain numerical and qualitative level will be inimical to the national defence effort. The third point is that the Australian Defence Force is a unique institution.

1.2 Like most other national endeavours, defence must compete for a finite pool of resources. Within the Defence vote itself there is intense competition for a limited number of dollars. Personnel costs must be evaluated against bids for capital equipment, capital facilities, operating costs, defence co-operation programs, and so on. Senior management must decide whether, at a particular time, one or more functions can perhaps be reduced to a level which may be below their historical average. Such decisions should be taken only after a rigorous appraisal of Australia's strategic circumstances and should be consistent with the broader long term interests of national security.

1.3 It might be argued that if Australia's defence managers consider that a particular wastage rate is acceptable within the context of our strategic circumstances and broader defence planning then, whatever that rate may be, there is no problem. Such an argument would be facile, for while statistics are an essential management tool, the examination of mere numbers is not

in itself sufficient. Any worthwhile analysis of wastage must come to grips with the more subjective, but vital, factors of defence force quality and effectiveness. A central issue is the pattern of wastage, that is, who is leaving and when. It is also important to remember that the lead time to replace a highly skilled and trained individual can be at least as long as that required to introduce into service an item of capital equipment.

### Competing for the Human Resource

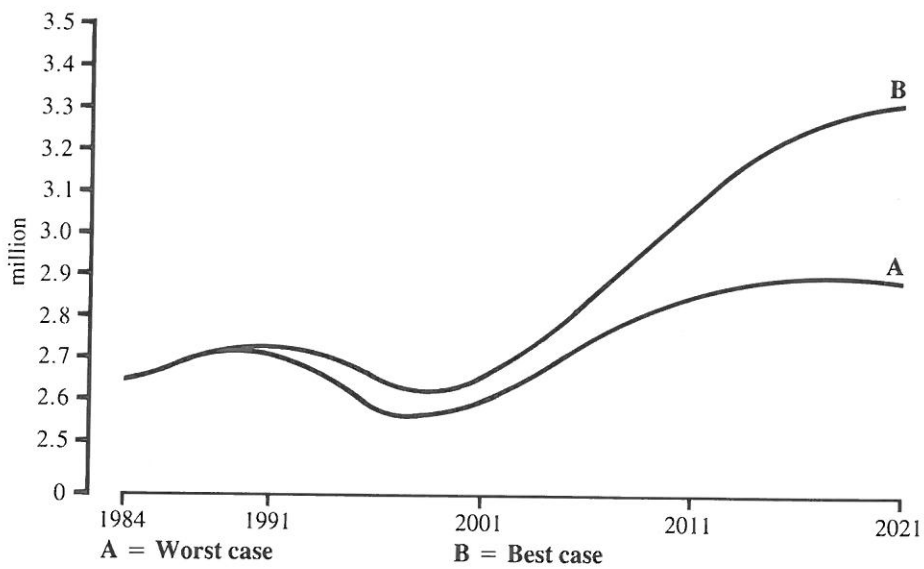
1.4 The environment in which the ADF competes for its men and women is dynamic. If defence planners fail to allow for the changes which currently are affecting the broader Australian society then they will pay a cost. A number of those changes are worth mentioning at this stage.

1.5 First, demographic and social changes between now and the year 2000 could cause difficulties for the ADF in its attempts to attract sufficient numbers of suitable men and women. The Australian Bureau of Statistics has predicted that there will be a decline in the population in the 15 to 24 year old age bracket from 1984 to 2021. The period of particular concern lies between 1989 and 1999 when the projection is for that population group to decrease. Figure 1.1 illustrates this projection, with the worst case marked by low immigration accentuating the overall decline and the best case marked by high immigration.

1.6 The potential effects of this decline in the population of young working age people may be exacerbated by other social and demographic changes, for example, the increasing level of participation in education. Retention in secondary school to year 12 rose from 36 per cent in 1982 to 49 per cent in 1986. The Commonwealth Government's objective is to increase that figure further to 65 per cent by the early 1990s. This greater participation in secondary schooling is matched by the same trend



**Figure 1.1 Projected Population of Young Working Age (15 to 24)**



Source: Australian Bureau of Statistics

in post-secondary school education. Thus, while the population of potential recruits is projected to decline over the next 10 years there will be a simultaneous rise in the standard of education of potential recruits, and greater competition between the Defence Force and education and training institutions for a reduced manpower pool.

1.7 The increased retention rates at secondary and post-secondary institutions partly reflect the Government's program to redress Australia's overall lack of skills training activities as part of the general national economic restructuring. That process in turn is likely to place further pressures on the ADF's ability to manage wastage, as the Defence Force is one of the country's major sources of vocational training, particularly in the technical/electronic fields. As the demand for those skills grows in the commercial sector, so too will the pressures on Defence to retain the people it wants.

1.8 A final general factor which may impinge on strategies to control wastage is a reported increased reluctance on the part of younger people entering the ADF to commit themselves to a long-term career. According to the Regimental Sergeant Major of the Army, Warrant Officer Class 1 K.S. Wendt, many of the thousands of young soldiers with whom he talks join the Army with the intention of completing one tour only. Warrant Officer Wendt assesses that this represents a change in attitude from 10 or so years ago, when more soldiers enlisted with the intention of serving for 20 or more years (Army Presentation, Canberra CAE Seminar, 23 February 1988). His assessment is supported by data from the Australian Bureau of Statistics, which shows that in the past 10 years the number of 15 to 24 year olds who changed their employer or business during the year, expressed as a percentage of persons who worked at some time during that year, increased from 18.8 per cent to 21.2 per cent.

1.9 The purpose of this brief section has been to demonstrate that the ADF is likely to find itself operating in an increasingly competitive environment in the coming decade. That fact needs to be kept in mind during the more detailed examination of wastage which follows.

#### A Unique Institution

1.10 Attitudes within the Australian military have changed during the past decade or so. Previously the dominant employment characteristic of the ADF was that of an institution, in which members committed themselves 'to a presumed higher good which transcends individual self-interest' (McAllister et al, 1988, p 1). With the growth of an advanced industrial society there has been a shift towards a more occupational attitude to defence employment, with a concomitant emphasis on market place rewards for particular skills and expertise and a greater degree of employee involvement in the determination of conditions of service.

1.11 Despite that change, the profession of arms remains unique. Defence Force members are required to serve when, where and as required, often in the most hazardous circumstances. They must follow without question the directions of government, while at the same time demonstrating initiative and originality of thought in the execution of their duties. Hours can be long and irregular. There is no recourse to industrial action, and compensation for overtime is limited to a small, fixed-sum 'disability' allowance. Family moves are regular, sometimes seemingly random and frequently stressful. Demands made on members of the ADF are not limited to the contribution the Force makes to regional stability, the law and order of the nation and the maintenance of national prosperity and trade. During emergencies such as bushfires, cyclones and similar national disasters, it is the ADF to whom the community turns for a vital proportion of the support effort. The ethos of service remains paramount.

1.12 It is essential to maintain the organic connection between a defence force and the wider civilian community it serves. One of the main factors in this process must be the recognition of the special circumstances under which defence personnel and their families live. Some officials seem to believe that recognising those circumstances by providing particular compensations may damage the Force's connection with society. That is a misconceived notion. On the contrary, it is more likely to be the failure to acknowledge those circumstances that will lead to alienation. One manifestation of that alienation will be high resignation rates.

#### Examining Personnel Wastage

1.13 This report is divided into nine chapters. Chapters 2 and 3 contain the greater part of our examination of the first two terms of reference, namely, the extent and magnitude of wastage, and the effects of the current levels of wastage on the ADF's capabilities.

1.14 A considerable amount of discussion has taken place within the defence community over the question of how wastage should be measured and at what stage concern should be felt. The quantitative aspects of wastage, together with the equally important qualitative aspects, are examined in Chapter 2. Conclusions also are reached on both the general extent of any problems which may exist across the ADF and specific issues within the single Services.

1.15 Personnel wastage can affect the operational capability of a military force as much any other single factor, as increases in loss rates can cause substantial adverse changes to the size and quality of the operational force. Chapter 3 reviews the effects of wastage against key indicators such as organisational health, experience, training, financial costs and morale. In sum, deficiencies in those areas can amount to a loss of operational capability.

1.16 The final term of reference required the Committee to report on measures to reduce wastage and to make an assessment of their relative effectiveness. Chapters 4 to 7 address those issues. The titles of those chapters define the matters of major concern, namely:

- . Chapter 4, Policy, Leadership and Morale;
- . Chapter 5, Career Satisfaction and Personnel Management;
- . Chapter 6, The Service Family; and
- . Chapter 7, Conditions of Service.

1.17 Separating issues into discrete sections is often a necessary analytical technique and has been used in those chapters. For many of the issues there is, however, a great deal of overlap. Thus, in Chapter 4, policy, leadership and morale are closely interconnected. A particularly important factor here is the allocation of resources, which currently derives largely from the implementation of the 1987 Policy Information Paper, The Defence of Australia. The way in which the White Paper's policies are applied by Defence's senior management will in turn have a major influence on morale. In the broader context, the level of morale also will reflect the perceived quality of senior leadership. For the ADF this does not simply mean uniformed leadership, as the military ethos of service to the State places imperatives on government.

1.18 The ADF offers employment in some 300 distinct work categories. While that presents great opportunities for career satisfaction it places considerable demands on personnel managers. Chapter 5 examines career satisfaction and personnel management, topics which again are interconnected. A number of aspects of career management in the Defence Force are

particularly significant and warrant special attention. First, for many officers, there can be a dramatic shift in the nature of their employment at about the 12 year mark when, perhaps with little say in the matter, they must forgo an active operational career for staff duties. Second, the ADF has by and large favoured developing its managers through a 'generalist' process in preference to one which promotes the continual acquisition of specialist skills. The generalist policy has implications for both career satisfaction and the management function. Finally, the Defence Force has a strong commitment almost exclusively to train its own personnel. Progression within the Force is through a pipeline system: there is negligible lateral recruiting, and the rise to the top must be through a relatively inflexible system of appointments and promotions. It may be time to question the continuing viability and effectiveness of that practice.

1.19 It is a truism that the Defence Force recruits soldiers and retains families. If a family is dissatisfied with the quality of life the ADF provides, pressure for the Service man or woman concerned to separate will be inevitable. Many of the subjects raised in other chapters are relevant to the Service family, but Chapter 6 focuses on those of main concern, including housing, geographic stability and working spouses.

1.20 Chapter 7 discusses conditions of service matters and is the longest chapter in the report. That does not mean it is the most important, but simply that it deals with a wide range of complex matters such as pay, allowances, superannuation, industrial relations and housing. A separate section of the chapter reviews those conditions as they apply to members without families. Our judgment is that there are other, more subtle factors which have a greater impact on wastage than dissatisfaction over conditions of service. However, to a considerable extent those conditions have become something of a 'rallying point', perhaps because grievances are more easily articulated in regard to conditions than they are to leadership,

morale and so on. Thus, any co-ordinated strategy aimed at reducing separations is unlikely to succeed if it does not address the conditions of service anomalies, shortcomings or outright failings identified in this chapter. That strategy must recognise the unique circumstances of the profession of arms when conditions of service are determined. A feature of the chapter is a series of 'low-cost' options which, we believe, if introduced as a package, would quickly produce a powerful, positive impact on morale at little cost to the Defence budget.

1.21 The measures proposed in Chapters 4 to 7 are based on the assumption that the nature and organisation of the ADF will remain largely as it is for the foreseeable future; that is, an all-volunteer force comprised primarily of regular Service men and women. We believe that is a practical assumption. Nevertheless, as we pointed out at the start of this chapter, this is a period of significant social change. The fundamental economic restructuring which the country is undergoing will ensure the continuance of that change. The ADF will need to respond to the forces of change more than it has to date. Chapter 8 discusses some of the possible responses. While the proposals would involve notable changes to policy we believe they are nevertheless essentially incremental, and could be comfortably accommodated within today's ADF if the will to introduce them existed. They include the greater use of women and reservists, widening the recruiting base, and offering selective retention packages. Chapter 9 is a brief conclusion.

### The Nature of the Inquiry

1.22 The nature of the subject has made this a difficult inquiry. Throughout its deliberations the Committee has been aware of the fact that there is a persistent negative overtone inherent in the topic. If people are asked what is wrong with their organisation and why they are leaving it, then that is precisely the kind of information they will provide: they are unlikely to say much about the positive aspects of their employment.

1.23 Because of the terms of reference this report unavoidably is a critical examination of Defence personnel management. We believe that is proper: without wishing to beg the question of wastage rates in the ADF in our first chapter, the issue has been of concern to this Committee for some years now. The very fact that we have accepted the subject for inquiry is indicative of widespread public concern. The Committee also believes that while at a superficial level this inquiry may appear to be a somewhat negative process, it has been necessary and in the long-term will be of significant benefit to the ADF and the Government. Personnel wastage has been the subject of considerable media attention; indeed, the extent of that attention may even have contributed to wastage. Yet despite that, some senior Defence officials have given the impression that they have not wanted the topic brought into the public arena. That is not a constructive attitude: as the Chief of the General Staff told this inquiry: 'The Parliament, the Department and the ADF must acknowledge that the Army has a wastage problem' (Evidence, 6 July 1988, p 597). This inquiry has opened up a vexed and contentious issue. In the long-term that process will be in the best interests of the ADF.

1.24 Again, because of the critical nature of the reference, Committee members wish emphatically to place on record their respect for the ADF and its members. As an organisation the ADF has attractions which few others can match. It offers comradeship, a sense of adventure, and opportunities to develop both leadership and specialist skills. Above all, it has a compelling ethos of service. During our visits to many ADF establishments and in our discussions with thousands of Service men and women, we were continually aware of the high quality and commitment of those people. The remainder of this report should be read with those admirable features of the ADF and its members clearly in mind.



1.25 The final introductory remark we would make concerns the third term of reference's requirement to make 'an assessment of the relative effectiveness of those proposed measures (to reduce wastage)'. We address that requirement but do so relatively broadly. The reason for that is the necessity to review wastage in organisational terms. A decision to leave the Defence Force is not often taken on the basis of a single issue; to a large extent it is an indicator of organisational health and is reached in response to the varying inputs of a range of factors. Thus it is improbable that one or even several factors by themselves will create wastage. The reality is more likely to be that a decision to leave is made in response to a range of influences which have obtained over a period of time. In other words, it could be misleading categorically to rank in order of significance both the causes of wastage and the likely effectiveness of proposed remedial actions. From that it follows that the implementation of a co-ordinated program of remedial measures, each of which would contribute to improving organisational health, will offer the most effective response to reducing wastage.

## CHAPTER TWO

### THE EXTENT AND MAGNITUDE OF WASTAGE

2.1 The Committee received a large amount of statistical data which related to a wide range of personnel wastage issues. Considerable care must be exercised in assessing that data, as they arise from varying methodologies, represent differing perspectives and interests, and encompass issues from the general to the particular. The danger also exists that, depending on how figures are used, a specific problem area may be masked within apparently satisfactory broader data. Any assessment of wastage therefore must address both the pattern of wastage - that is, who is leaving and when they leave - and the qualitative aspects of the topic. Our approach to examining the data has concentrated on three aspects. First, wastage statistics across the ADF have been reviewed to establish broad trends, which we believe in most circumstances should serve as a basic monitoring tool for senior management. Second, the patterns of wastage and specific problem areas have been examined. Finally, as mere statistics in themselves will rarely tell the full story, we have given consideration to professional judgments on the operational and organisational health of the ADF.

#### A Manageable Wastage Rate

2.2 Considerable discussion has taken place in submissions and public hearings on what might constitute an acceptable or manageable wastage rate. A rate which is too high can lead to experience, training, financial and, eventually, capabilities

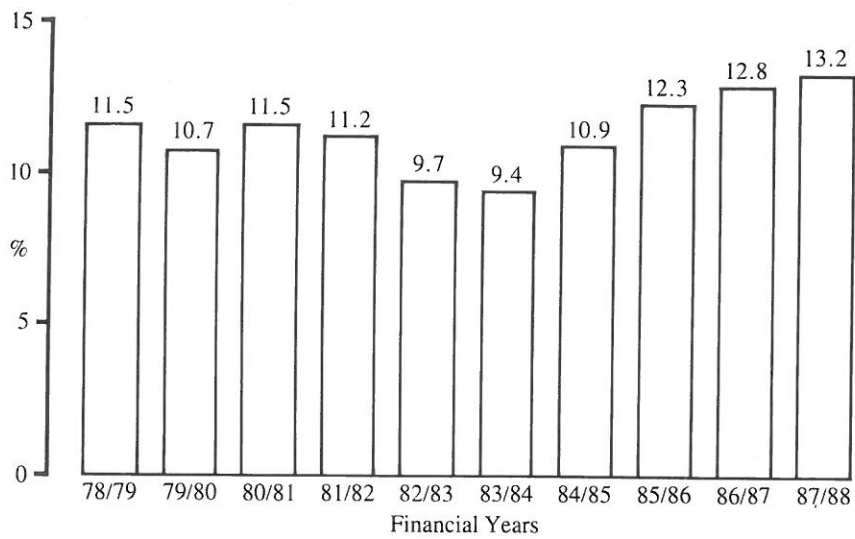
problems; while one which is too low may curtail individual progress, stifle ambition and initiative and create an ageing force. Further, a rate which may be acceptable in a low-skill, low-cost work category may be unacceptable in a category with, say, a five-year replacement cycle. If taken simply at its face value an indicative 'acceptable' wastage rate could be misleading. Nevertheless, we believe that general parameters should be identified as a broad management guide, not only in terms of controlling the numbers of people within the ADF but also as an important indicator of organisational health.

2.3 The Chief of the Defence Force suggested to the Committee that the (then) current 10-year rolling average of 11.2 per cent would provide an adequate base line (Evidence, 14 March 1988, p 69). Navy in its submission stated that 'an annual rate of 12 per cent, if evenly spread, would be manageable but costly', and nominated the substantially lower figure of 10 per cent as their goal (Submission, p S1096). In turn, that figure is significantly higher than the optimum rate of about seven per cent suggested by Dr N. Jans (Jans, 1988, p 1) and the Australia Defence Association (Submission, p S329). Dr Jans in fact considered that a loss rate several points above the figure of seven per cent should be 'cause for alarm'. His judgment was supported by the Chief of the General Staff, who stated in a submission that 'The current high wastage in the Army is of major concern to my Senior Commanders and myself' (Army, Submission, p S1134).

2.4 Personnel wastage rates from other organisations can provide an indicative manageable level, although we must stress that none is directly relevant to the ADF, which has its distinctive organisational characteristics and imperatives, even when compared to other defence forces. According to the Statistical Services Section of the Department of Finance the separation rate for permanent staff of the Australian Public Service was 8.3 per cent in 1986. Within that figure the rate for

Defence public servants was 9.5 per cent. Total exits from the Commonwealth Bank have varied from 11.7 per cent in 1984-85 to 13.2 per cent in 1985-86 and 13.7 per cent in 1986-87. A paper on personnel wastage prepared by the New Zealand Armed Forces in 1987 and given to this inquiry stated that 'the earlier long term average of around 8 per cent p.a. appears to be rising to a new figure around 12 per cent' (Submission, p S2173). The paper noted that the NZAF's current recruiting and training base is designed to handle loss rates of about 10 per cent each year, and that above that rate the effective strength of units starts to fall and resources are diverted away from unit operational readiness training on to individual training. Data from the British High Commission showed that the outflow of United Kingdom Service personnel varied from 8.9 per cent in 1983 to 10.6 per cent in 1985 and 11.4 per cent in 1987 (Submission, pp S2141-58). Both New Zealand and British defence planners have expressed concern over their increasing loss rates. Total attrition rates for the Canadian Forces since 1982-83 have remained at about the 7.5 per cent mark and in 1987-88 were forecast at 7.8 per cent. Those rates seem acceptable to the Canadians, who refer to rates in the 12 to 15 per cent bracket as 'high' (National Defence Headquarters Letter, 21 March 1988).

2.5        Figure 2.1 illustrates total ADF separations as a percentage of total Permanent Service personnel for the past 10 years, with the most notable feature being the continuous increase from 9.4 per cent in FY 1983-84 to 13.2 per cent in 1987-88. The 10-year 'rolling' baseline of 11.2 per cent which was accurate when the CDF gave his evidence has, of course, now been inflated by the loss rate for 1987-88 of 13.2 per cent. Indeed, that example demonstrates one of the shortcomings of using a rolling average to assess loss rates, namely, that when significant variations occur - as is currently the case - the average will be skewed towards those variations, thus possibly masking an important shift.

**Figure 2.1 Total ADF Separations 1978/79 — 1987/88**

2.6 To summarise this section, there is no one 'ideal' wastage rate for the ADF. Clearly, experience shows that a rate somewhere between about seven to 11 per cent is acceptable, with a figure at the lower end of the scale probably giving management better control. The issue really, though, is one of having in place a system which identifies and reacts to significant trends in a timely fashion.

#### Wastage Across the ADF

2.7 Before discussing wastage data in more detail, the Committee feels that some comment on methodologies used to present information is necessary. Most of the data provided to the inquiry naturally originated from the Department of Defence. The Department's perception of issues understandably may not necessarily be that of other organisations. Inevitably there will be different approaches to the use and interpretation of statistics. For example, in its first submission, the Department explained that Defence statistics originally were compiled principally to show overall effective strengths rather than real levels of separations. The Department pointed out that one consequence of this has been that 'the real separation rate has been exaggerated and this has not encouraged an easy understanding of the manpower problems faced by the Services' (Submission, p S1549). As an example of the exaggerated separation rate, the submission then cited the instance of the 1986-87 statistics including 146 Reserve personnel who 'separated' because they had completed a period of full-time duty with the Regular Forces. One might accept that those Reservists should not be included in Regular Force separation figures. On the other hand, the fact that it was necessary to employ 146

Reservists against permanent posts may itself be indicative of problems within the Force. This issue was in fact raised in the 12 May 1988 edition of Army. In a letter to the editor, a WO1 wrote:

As an ARA soldier currently serving in an ARes unit it disturbs me to see the number of ARA positions currently being manned by ARes members on Full Time Service.

This means, of course, that the particular vacancy cannot be filled by a qualified ARA soldier or there are not enough ARA personnel in the system to fill the vacancy.

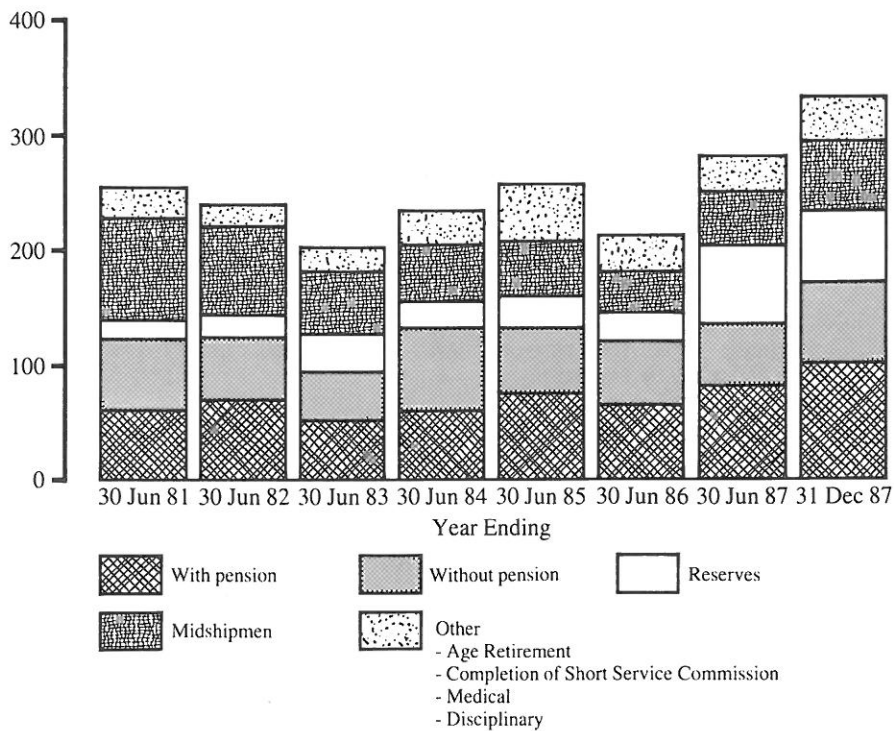
The Army's Director of Personnel Plans responded that:

The statistics tend to confirm WO1 McInness' stated concerns, that we are experiencing difficulty in managing the Army with the right ranks and trades.

This has led to increased numbers of ARes members on Full Time Service filling some of the shortfalls (Army, 12 May 1988, p 11).

A similar point was made by Navy in its submission, in which a figure illustrating 'Components of Officer Wastage' (see our Figure 2.2) highlighted the degree to which Reservists have been used to make up for shortfalls in Navy's middle management ranks since 1986-87 (Navy, Submission, p S1125).

2.8 The same sort of methodology was apparent in Defence's presentation of other data. For example, a graph illustrating the relationship between separations in the ADF and the APS to national workforce separations (see Department of Defence, Submission, p S1548) shows that the APS apparently has a separation rate about three per cent higher than the ADF; that is, to the lay observer, the graph may suggest that the ADF separation rate is less than that of the APS and therefore may not be the problem that some commentators suggest. Those graphs, however, include 'Involuntary/Temporary' separations, a category

**Figure 2.2 Components of Officer Wastage**

— This graph shows the components of Officer Wastage and highlights the degree to which Reserves have been used to make up for shortfalls in Navy's middle management ranks since 1986/87.

— The reduced incidence of Midshipmen separating since 1982 is largely due to increased management attention to counselling of the trainees.

Source: Navy, *Submission*, p S1125



which includes those individuals who are on continuous leave for 12 or more weeks for any reason, for example, maternity leave, sick leave, long service leave and so on. There are two important points relating to 'Involuntaries'. First, most return to full time duty. Second, in recent years the APS has had an average of about 9,000 such staff and the ADF about 1,700. If the Involuntary/Temporary separations were excluded from the graph in question, the APS figure would be about three per cent below the ADF's. This represents a significant change in the presentation of data. Following public questioning of the Department's use of statistics, an amended copy of that particular graph was presented to the inquiry.

2.9 The Committee holds reservations about Defence's practice of using 10-year rolling averages, or grouping statistics into five-year blocks, as a means of drawing comparisons (see, for example, Evidence, 14 March 1988, pp 4-22). Depending on where boundaries are drawn, those methods can either deflate or inflate comparators. They can also be used to provide an ostensibly acceptable baseline as illustrated in our Tables 2.4 and 2.5, in which separations are presented as a percentage variation between a particular year (FY 1986-87) and the 10-year average. As well as skewing the baseline, that practice presents two other problems: first, it is questionable whether the wastage problem only occurred in the 'datum' year and, second, in comparing one period with another, it is statistically incorrect to include the period at question in the comparison group. As an example of this type of practice, consider a situation where one wanted to find out if females scored lower than males on the Australian Scholastic Aptitude Test. Using accepted statistical methods, one would compare the females' scores with the males' scores. Using the statistical method employed in the Defence submission, one would compare females' scores with a combination of males' and females' scores - a method which would by definition reduce any difference which may have been present.

2.10 The ADF presentation also is idiosyncratic in its use of aggregated and disaggregated statistics. For example, the statement is made that almost 50 per cent of the increased separations in FY 1986-87 can be attributed to increased employment of trainees, women and reservists (Submission, p S2455). Using data from Figure 1 of the second Departmental submission (p S2456) and the Department's statistical logic, one could equally claim that about 79 per cent of wastage came from the male pension ineligible and pension eligible categories. Trainees, women, reservists, male pension eligible and male pension ineligible would therefore account for almost 130 per cent of the increase in separations. This obviously is not possible. The explanation for this statistical impossibility is that another category included in that table (male Involuntary/Temporary) had a decrease of 23.8 per cent. The inclusion of that 'negative' separation variation 'reduces' the total ADF percentage variation from +15 per cent to +12.1 per cent, as well as affecting the percentage increase rates of the other five male categories. Yet in its first submission the Department argued that the inclusion of male Involuntary/Temporary separation statistics in overall data served to 'exaggerate the total number of what might, in the everyday sense of the term, be regarded as separations from the ADF' (Submission, p S1552). We would also point out that the methodology represented in Defence's Figure 1 makes no allowance for either the relative proportion of each category or, more importantly, changes in those relative proportions over time.

2.11 One of the issues of major concern for an organisation sustaining high loss rates is a possible decrease in experience levels. Defence's second submission placed some emphasis on a reported increase in average length of service for officers and enlisted ranks (see pp S2467-77); that is, it is implied that the current wastage rate is not undermining experience levels. That 'increase', however, is a natural result of more personnel leaving with relatively little service. With junior personnel

leaving the system in higher numbers than was the case in the past, the lengths of service of those staying will have a disproportionate influence on the mean. The median will be similarly influenced as the half-way cutoff on which the median is based will move up. If, as each of the Services has argued, personnel with shorter lengths of service are leaving, an increase in 'average' length of service need not be the same thing as an increase in or even the maintenance of broader experience levels. For example, a histogram representing the average length of service for Army male officers with less than 10 years in the ADF showed that between 1984-85 and 1986-87 there was an increase of about six months. At the same time, however, the total number of people in that category decreased by 63 (Submission, p S2472). Defence's claim, based on that particular statistical methodology, that there has been 'a general increase in experience levels across the ADF' (Submission, p S2462) runs counter to CDF's assessment that the ADF has suffered a 'dilution of experience ... I do not think there is any dispute that that is what is taking place' (Evidence, 17 August 1988, pp 668 and 688).

2.12 Concern about the way in which statistics are correlated across Defence also was expressed. In her evidence, Dr C. Downes advised the inquiry that statistics initially are collected by the single Services, who use them individually for their own management purposes. For Force-wide analysis those statistics subsequently are standardised by the Department's Management Improvement and Manpower Policy Division (MIMP). According to Dr Downes:

They (MIMP) receive the statistics from the three Services and standardise them. I thought I was doing wonderfully because here I had a set of standardised statistics with which I could sort things through. I went straight back to the Air Force, I sat down and I said, 'These are the statistics here and they clearly prove this'. The wing commander who was sitting opposite me said,

'Just back up there, lady, because we do not pay any attention to those figures. They have no relevance, they are inaccurate and we do not use them'. I asked, 'Whose figures can I use?' He said, 'Ours, of course'. Then I went back to MIMP, or OMR as it was called. They said, 'No. The single Service figures are not standardised, so you cannot use them' (Evidence, 14 March 1988, p 133).

At the least, that exchange is indicative of a substantial co-ordination and communication problem at Russell Offices as far as the management of data is concerned. The Committee comments further on this matter in Chapter 5, 'Career Satisfaction and Personnel Management'.

2.13 In our opinion, the Department of Defence's use of the methodologies and practices mentioned above has served to understate the significance of the recent increase in separations. We nevertheless make some use of the Department's analyses in this report as, having identified their shortcomings, the data provide significant statistical and attitudinal information.

### Total Separations

2.14 Table 2.1 shows ADF separations as a percentage of total strength for the last 10 financial years. Two notable aspects are the continuous, rapid rise in the overall figure in the past six years and the disturbing increase in male officer separations over the same period. Table 2.2 lists total separations by number for the past 10 calendar years. Here, it is interesting to note that prior to 1986 monthly separation figures reached 1000 only once, in January 1982; but in the last 2-1/2 years that figure has been exceeded five times. The Committee also is concerned that the total separations for four of the first five months in 1988 were the highest recorded for those months in 10 years, notwithstanding the fact that the total number of personnel in the ADF is at one of its lowest levels during that period (see Table 2.3).

Table 2.1: ADF SEPARATIONS AS A PERCENTAGE OF TOTAL STRENGTH 1978/79 - 1987/88

	78/79	79/80	80/81	81/82	82/83	83/84	84/85	85/86	86/87	87/88
OFF (M)	8.49	7.95	8.21	8.00	6.68	8.33	8.35	9.39	10.42	12.03
O/R (M)	11.32	10.42	11.23	11.15	9.46	8.84	10.69	12.10	12.45	12.49
ALL (M)	10.86	10.02	10.75	10.65	9.01	8.75	10.30	11.65	12.10	12.41
OFF (F)	15.04	17.10	18.02	13.31	14.35	17.11	14.00	15.13	15.28	18.21
O/R (F)	23.82	21.94	24.22	21.21	20.51	18.75	19.58	20.71	21.08	21.06
ALL (F)	22.79	21.36	23.33	20.01	19.56	18.48	18.64	19.79	20.16	20.60
OFF	8.75	8.35	8.75	8.32	7.14	8.89	8.73	9.81	10.81	12.58
O/R	12.04	11.13	12.03	11.78	10.16	9.46	11.29	12.74	13.18	13.30
ALL	11.52	10.69	11.52	11.23	9.68	9.37	10.87	12.25	12.78	13.17

Note: Officer figures include Officer Cadets

Source: Department of Defence, Submission, pp S1579-1619

Table 2.2: TOTAL SEPARATIONS BY NUMBER 1979-88

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
January	849	905	857	1052	754	786	855	1106	1068	1209
February	792	580	703	566	655	779	715	804	800	836
March	748	630	737	557	611	549	626	800	650	822
April	712	692	785	751	454	489	592	782	791	678
May	791	611	692	406	524	590	661	793	712	793
June	621	578	750	966	432	483	512	581	749	687
July	734	827	906	807	634	870	934	1028	1000	
August	709	650	670	653	568	622	632	733	823	
September	563	616	660	586	490	570	576	671	695	
October	620	624	571	541	426	602	N/A	631	695	
November	480	587	554	603	497	548	550	642	618	
December	433	483	521	446	440	563	N/A	444	513	
	8052	7783	8406	7934	6485	7451	7709	9015	9114	

Table 2.3: AUSTRALIAN DEFENCE FORCE 1979 TO 1988:  
NUMBERS OF PERMANENT SERVICE PERSONNEL

<u>Year</u>	<u>Total Personnel</u>
1979	70,198
1980	71,531
1981	72,518
1982	73,185
1983	72,782
1984	71,642
1985	71,382
1986	70,049
1987	70,761
1988	70,172 (MIMP, June 88 Fact Sheet)

Source: Defence Reports, 1979-88

2.15        Discussing the broad trends in the ADF separation rates, the Department of Defence made the important point that an all-volunteer force operating in a peacetime environment cannot avoid the influence of national economic circumstances. Figure 2.3 illustrates that observation. The ADF separation rate shows a strong positive correlation to real growth in the economy as represented by Gross Domestic Product (GDP) measured in real terms, while a strong negative correlation obtains in relation to the national unemployment rate. As the Department points out, 'The Defence Force reacts as an integral component of the wider community workforce, notwithstanding its unique circumstances, and separation rates can only be viewed from this perspective' (Submission, p S1548).

2.16        Commenting further on the broader forces impacting on decisions to separate, the Department suggested that a number of personnel may have signed on again in the period 1982-85 in the expectation of receiving a catch-up pay rise following the 1982 'pay pause', as well as waiting for an improvement in the national economy (see Figure 2.3). These two factors were seen as contributing to the low separation figures during 1982-83 and accounting in part for a so-called 'lag effect of increasing separations' in 1985-86 and 1986-87 (Submission, p S1547). The Committee does not share that assessment. It is clear from the continual escalation in ADF separations over the past six years that any 'lag effect' is peripheral. We also note that the percentage unemployment rate has flattened in those years. In our judgment, the assessment made in the Department of Defence's second submission that the ADF 'will maintain, if not increase, current separation rates' - an assessment made in the current more favourable economic climate - (p S2466) more accurately represents the situation.



**Figure 2.3 ADF Annual Percentage Separation Rates Compared with percentage unemployment rate and GDP constant price variations**



Source: Department of Defence

## General Trends

2.17 The following section of this chapter examines general separation trends which the Committee considers to be of particular interest. In presenting this information we would reiterate our reservations about using a 10-year rolling average as a desirable, or even an acceptable benchmark.

### Female Separations

2.18 Over the last four years the number of women in the ADF has increased from an average of 4535 in 1983-84 to 5878 in 1986-87. As women historically have separated at a higher rate than men - 20.7 per cent compared to 10.5 per cent - that increase in total female strength has had a small impact on overall wastage figures. In 1986-87 it accounted for 0.4 per cent of the rise in the ADF overall separation rate to 12.8 per cent. The largest single influence on that component of increase was, however, those who left in the Involuntary/Temporary category, most of whom were taking maternity leave. The Committee also notes the Department's conclusion that 'the experience of each of the last five years shows that the rate of pension ineligible separations for women has been below the 10-year average. It is expected that with the increasing career opportunities now open to women the rate of separations under this category will continue to improve' (Submission, p S1551). That conclusion is supported by data which show that for the past 10 years the separation rate as a percentage of average strength for females has decreased by some five points (Department of Defence, Submission, p S1589).

### Male Cadets/Trainees

2.19 The total separation rate for male cadets and trainees has increased markedly in recent years, with 122 more than the 10-year average leaving in 1986-87. This amounted to a +13.0 per cent variation to the average and accounted for +12.7 per cent of the overall 1986-87 separation increase.

2.20 Recent policy initiatives have made it easier for trainees to leave the ADF should they develop reservations about their decision to join the armed forces, and this would have contributed to the increased rate. Given the larger than normal recruit intakes which have been made in recent years, it is also only to be expected that total numbers lost will be greater than before. That of course is only part of the picture, for the fact that more recruits are needed in the first place is indicative of a wider problem.

### Male Pension Eligible

2.21 The 'Male Pension Eligible' category covers males who have separated after qualifying for a DFRDB pension, usually after 20 years service. Table 2.4 shows the variation in separations for this category between 1986-87 and the 10-year average.

2.22 It can be seen from that table that the percentage variation is +27.3 per cent for officers and +11.8 for enlisted ranks, giving an ADF rate of +15.8. The Department of Defence pointed out that these statistics have been significantly affected by RAAF pilot separations. When those separations are excluded, the percentage variation for male officers changes from +31.4 to +21.4 for the RAAF and from +27.3 to +23.8 for the ADF (Submission, p S1553).

**Table 2.4: MALE PENSION ELIGIBLE: VARIATION IN SEPARATIONS  
BETWEEN 1986-87 AND THE TEN YEAR AVERAGE**

	Numerical Variation	% Variation	As a % of the Overall 1986-87 Separation Increases
<b>Male Officers</b>			
Navy	+16.4	+24.6	
Army	+44.8	+25.0	
Air Force	+44.5	+31.4	
ADF	+105.7	+27.3	+11.0
<b>Male Other Ranks</b>			
Navy	+60.1	+22.5	
Army	-55.6	-14.6	
Air Force	+125.3	+27.6	
ADF	+129.8	+11.8	+13.5
Total ADF	+235.5	+15.8	+24.4

Source: Department of Defence, Submission, p S1553

2.23 The Department suggests that in part the marked increase of separations in this category could be explained by the build-up which occurred in the ADF during the Vietnam war in the 1960s and the subsequent separation of some of those people on the completion of 20 years service. Given the larger pension-eligible pools, a larger number of people would leave if a consistent propensity to separate prevailed. According to the Department, 'The increase in the size of the pension eligible pools would account for 99 per cent of the recent increase in other Rank pension eligible separations and 28 per cent of the increase for officers'. The submission continued:

In many respects the numbers in this category of separation have resulted from decisions made at various times through the last 20 or more years to remain in the ADF. It needs to be emphasised that these experienced personnel cannot serve on forever. Nor would the ADF want them to. For there are benefits to the Services in having a steady flow through of personnel. This creates promotional opportunities and keeps the Services fit, energetic and enthusiastic. This is important in maintaining operational effectiveness. For these reasons, in overall numeric terms, the level of separations for the pension eligible category is within acceptable bounds and is not a cause of concern (Submission, pp S1553-4).

2.24 There is no question that it is essential to maintain a minimum level of turnover of personnel in a defence force. However, we do not necessarily share the conclusion that the loss rate among the male pension eligible category 'is not cause for concern'. In the first instance the fact that the so-called 'Vietnam hump' is said to explain 28 per cent of the percentage variation increase for officer separations throws no light on the remaining 72 per cent. Second, the statistics in themselves say nothing about the qualitative aspect of the separation rates. The Committee accepts the general concept of the 20-year career within the ADF, but obviously a certain number of personnel must continue to serve past that point to provide the Force's senior

management. It is equally obvious that an uncontrolled reduction in the size of that 'senior management' pool will impact on the quality of the ADF's management. We would therefore argue that the ADF Male Officer pension eligible percentage variation increase in separations in 1986-87 of +27.3 (Table 2.4) is cause for considerable concern. The validity of that conclusion is perhaps more apparent in the male officer separation data presented in Table 2.1 than it is in the somewhat arcane presentation of Table 2.4. It is significant that in 1987-88 the Male Officer pension eligible category separations increased over the 1986-87 figures by 7.7 per cent, a rate which ran counter to an overall decreasing trend of separations by those with a pension (Evidence, 17 August 1988, p 648). More specific detail on the qualitative issue is presented later in this chapter.

#### Male Pension Ineligible

2.25 This category comprehends those personnel whom it could be said have not completed a 'full' military career if 20 years service is taken as the benchmark. Significant data from Table 2.5 is the percentage increase attributable to this category in 1986-87 for the ADF as a whole, Army and Air Force officers, and Air Force enlisted ranks. The Army officer rate includes a substantial increase of Captains and Majors, while the Air Force figures again reflect the exodus of pilots. As far as the Navy is concerned, the particular methodology shows that the RAN officer percentage variation is in fact negative, and led to the conclusion that 'Navy officer separations are below the 10 year average and are not a cause of concern' (Department of Defence, Submission, p S1555). The Committee notes, however, that there are substantial shortages of RAN junior officers (see Table 2.6) most of whom would be pension ineligible. To some extent therefore the number of Navy officer separations in 1986-87 may have been deflated for the simple reason that there were fewer available to leave. Defence's sanguine interpretation of the

**Table 2.5: MALE PENSION INELIGIBLE: VARIATION IN SEPARATIONS  
BETWEEN 1986-87 AND THE TEN YEAR AVERAGE**

	Numerical Variation	% Variation	As a % of the Overall 1986-87 Separation Increases
<b>Male Officers</b>			
Navy	-1.3	-2.6	
Army	+28.6	+33.5	
Air Force	+21.2	+21.5	
ADF	+48.5	+20.7	+5.0
<b>Male Other Ranks</b>			
Navy	+7.3	+1.1	
Army	+268.6	+16.6	
Air Force	+199.7	+34.9	
ADF	+475.6	+16.6	+49.3
Total ADF	+524.1	+16.9	+54.3

Source: Department of Defence, Submission, p S1554

Table 2.6: SIGNIFICANT RAN OFFICER SHORTAGES

Officers:			Total Number Required	Shortfall	% Shortfall
(1)	Seaman	LEUT	528	121	23%
		LCDR	396	67	17%
(2)	Engineer	LEUT	207	25	12%
		LCDR	154	69	45%

Source: Navy, Submission, p S1100



1986-87 data is badly out of step with Navy's projected assessment for 1987-88 that 'The 87/88 percentage of officers leaving without a pension is the highest for at least 10 years' (Navy, Submission, p S1126).

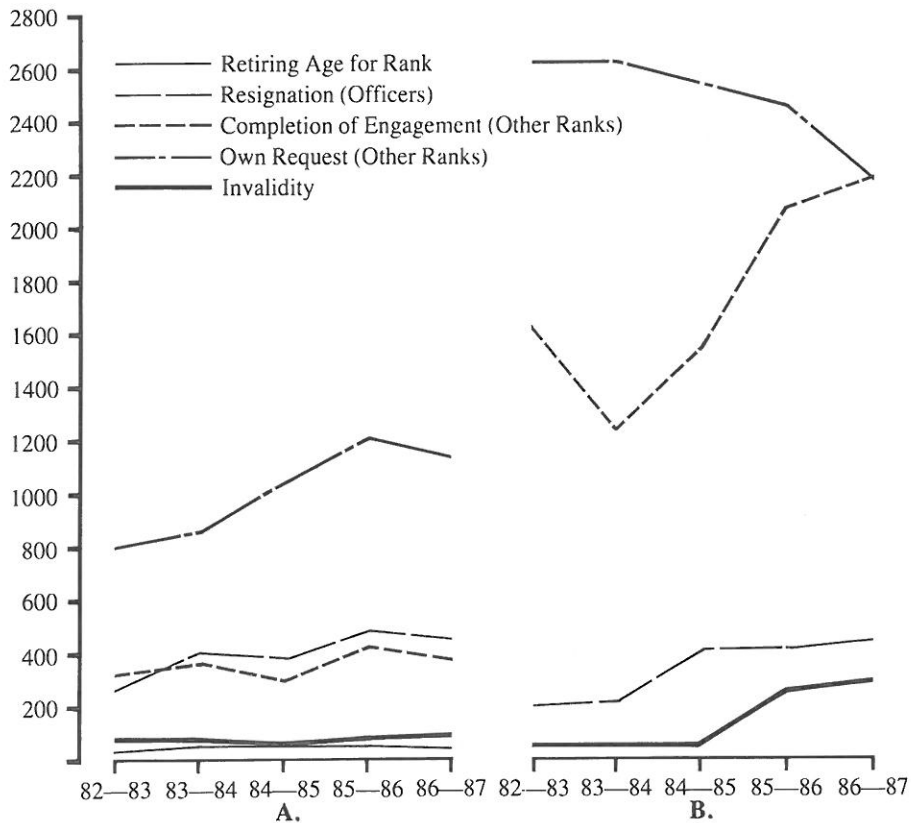
2.26 As was the case in the pension eligible category, a significant feature in 1987-88 was the continuing increase in the loss rate of pension ineligible male officers. The loss rate for the group increased by 18.4 per cent. More female officers also separated, with a percentage increase of 13.1 (Evidence, 17 August 1988, p 648).

2.27 More 'pension eligible/ineligible' data is contained in Figure 2.4, an interesting aspect of which is the increase in 'Exits without Entitlement to Pension' for other ranks on completion of engagement. Until recently, enlisted personnel were engaged for fixed periods and, given the vagaries of this system, it could happen that a career decision point for a substantial number of people could coincide in a particular year. The recent introduction of 'open-ended' engagements for those personnel may ameliorate this undesirable phenomenon.

#### Army General Enlistment Wastage

2.28 The Committee received a valuable submission from Mr Peter Jesser analysing General Enlistment (GE) Wastage in the Army. We believe his paper is of sufficient interest in itself to warrant discussion, while it also seems probable that its major findings will be generally relevant to the RAN and the RAAF. Additionally, there is a substantial body of evidence dealing with officer wastage and this submission is one of the few which focuses specifically on enlisted personnel.

**Figure 2.4 A. Exits with Entitlement to Pension**  
**B. Exits without entitlement to Pension**



Source: DFRDB Authority, *Annual Report 1986-87*, p 9

2.29 Jesser's submission examines wastage patterns among enlisted personnel (Private and equivalent ranks to Warrant Officer Class 1) who enter the Army as General Enlistees; that is, individuals who sign on for a three or six year engagement starting at the rank of Private and progress through the normal Army sequence of basic and corps training. The period examined was from 1977-78 to 1986-87, during which time the strength of the Army was maintained at about 32,000 with a peak in the early 1980s of around 33,000.

2.30 For the purpose of this inquiry, some of the more significant findings are reproduced in Table 2.7, in which the percentage of members discharged by year of enlistment is related to the length of service at discharge. Five separate lengths of service are used, ranging from six months or less to six years or less. Wastage at all intervals of service has increased in recent years, from the initial six months training cycle to completion of the first six years of service. Wastage in the first six months is now approaching 20 per cent of the recruit intake. The significance of this increase - and its associated costs for the ADF - can be judged by the fact that prior to 1986-87 that level of wastage was not approached until the second year of service.

2.31 A similarly disturbing trend can be discerned in Table 2.8, in which the number of discharges is summarised by year, sex and rank. For the last two years of available data (1985-86 and 1986-87) wastage has increased at all rank levels, with the effects being particularly marked for Corporals and above. Jesser's analysis of the data suggested an overall wastage increase of about 15 per cent (Submission, p S742).

2.32 Another specific point that we wish to draw from this submission arises from the data in Tables 2.9 and 2.10. It appears that important 'stay/go' decisions are made at the ranks

Table 2.7: ENLISTMENT COHORTS - PERCENTAGE DISCHARGED

		Percentage discharged by year of enlistment								
		77/78	78/79	79/80	80/81	81/82	82/83	83/84	84/85	85/86 86/87
Length of Service at Discharge										
Males										
<=6 mths	6.6	8.5	8.0	10.4	10.2	11.8	10.5	11.9	14.3	17.8
<=1 yr	11.3	13.1	12.8	15.5	15.3	15.9	14.1	16.3	19.8	
<=2 yrs	19.9	19.0	20.8	21.7	21.5	21.9	18.4	22.9		
<=3 yrs	25.2	24.7	30.7	32.8	27.1	26.0	28.5			
<=6 yrs	53.4	45.5	54.4	61.8						
Females										
<=6 mths	5.5	2.6	4.2	4.8	5.2	4.8	4.1	17.3	17.3	18.3
<=1 yr	8.3	6.6	6.7	7.8	8.3	7.6	7.4	19.3	21.5	
<=2 yrs	13.8	18.3	15.8	12.9	15.8	15.2	10.8	26.0		
<=3 yrs	22.7	30.3	27.1	29.4	26.0	21.6	27.3			
<=6 yrs	60.5	61.1	60.9	67.2						
All GE										
<= 6 mths	6.5	8.1	7.7	9.9	9.7	11.3	9.7	12.4	14.8	17.9
<= 1 yr	11.2	12.7	12.3	14.8	14.7	15.2	13.3	16.5	20.0	
<= 2 yrs	19.6	18.9	20.3	20.9	21.0	21.4	17.4	23.2		
<= 3 yrs	25.0	25.0	30.4	32.5	27.0	25.7	28.3			
<= 6 yrs	53.8	46.5	54.9	62.3						
Discharged as at 31 Dec 87										
Male	71.4	63.1	64.7	65.4	56.5	46.2	38.8	31.3	25.3	22.2
Female	81.1	78.1	74.3	72.4	61.8	51.2	45.3	36.7	24.8	22.7
ALL GE	71.9	64.1	65.5	66.0	56.9	46.6	39.7	31.8	25.2	22.3

Source: Jesser, Submission, p S758

Table 2.8: DISCHARGE COHORTS - NUMBER OF DISCHARGES

Number of discharges  
by year, by sex and rank

	77/78	78/79	79/80	80/81	81/82	82/83	83/84	84/85	85/86	86/87
<b>MGE</b>										
WO1	131	142	139	108	127	120	118	140	162	138
WO2	197	184	164	146	169	173	180	198	216	193
SSGT	72	96	80	67	59	53	62	63	78	62
SGT	181	189	184	153	196	169	176	145	199	221
CPL(E)	425	492	436	482	475	327	336	383	535	604
LCPL(E)	158	190	200	169	201	136	125	137	186	214
PTE(E)	1915	1844	1844	2023	1935	1763	1486	1784	1951	1896
TOTAL MGE	3079	3137	3047	3148	3162	2741	2483	2850	3327	3328
<b>FGE</b>										
WO1	1	1	2		2	1		2		2
WO2	3		2	6	2	1	2	1	1	1
SSGT	3		2	2	1		1	1	1	1
SGT	12	4	3	8	13	4	10	9	13	10
CPL(E)	47	51	70	86	50	72	64	54	57	64
LCPL(E)	32	21	19	15	19	17	13	12	18	17
PTE(E)	168	111	113	147	148	117	159	177	249	273
TOTAL FGE	266	188	211	264	235	212	249	256	339	368
WO1	132	143	141	108	129	121	118	142	162	140
WO2	200	184	166	152	171	174	182	199	217	194
SSGT	75	96	82	69	60	53	63	64	79	63
SGT	193	193	187	161	209	173	186	154	212	231
CPL(E)	472	543	506	568	525	399	400	437	592	668
LCPL(E)	190	211	219	184	220	153	138	149	204	231
PTE(E)	2083	1955	1957	2170	2083	1880	1645	1961	2200	2169
TOTAL GE	3345	3325	3258	3412	3397	2953	2732	3106	3666	3696

Source: Jesser, Submission, p S763

Table 2.9 DISCHARGE COHORTS - AVERAGE TIME IN RANK

Average time in rank worn at discharge  
by year, by sex and rank

	77/78	78/79	79/80	80/81	81/82	82/83	83/84	84/85	85/86	86/87
<u>MGE</u>										
WO1	4.7	4.0	4.0	4.0	4.5	4.1	3.8	3.8	4.1	3.1
WO2	5.9	5.4	5.4	5.4	5.3	4.8	5.0	4.7	5.1	5.2
SSGT	6.0	5.8	5.3	4.5	5.2	4.6	4.9	5.0	4.7	4.3
SGT	6.5	6.4	6.6	5.8	6.1	6.2	5.7	5.5	5.7	5.8
CPL(E)	4.3	4.0	4.1	3.5	3.8	3.8	3.6	3.8	3.7	3.9
LCPL(E)	2.0	2.3	2.1	2.1	2.0	2.3	2.1	2.0	2.2	2.2
PTE(E)	2.9	3.0	2.9	2.8	2.8	2.6	3.0	2.9	3.3	2.9
AVG. TIR	3.6	3.6	3.5	3.3	3.4	3.2	3.5	3.3	3.6	3.4
<u>FGE</u>										
WO1	1.4	1.2	4.7		6.9	1.5		1.9		3.3
WO2	4.3		8.8	7.7	13.7	1.8	7.6	28.1	2.2	2.9
SSGT	0.7		1.4	3.8	2.4		3.9	19.3	4.6	1.7
SGT	3.9	3.4	6.4	1.9	2.8	2.5	3.2	4.3	4.1	4.4
CPL(E)	2.6	3.4	3.0	3.3	2.9	3.3	3.1	3.6	3.9	3.3
LCPL(E)	1.4	1.6	2.1	2.4	2.6	2.2	1.4	1.9	2.4	1.8
PTE(E)	2.7	3.0	2.9	3.2	2.7	2.5	2.9	2.8	2.3	2.2
AVG. TIR	2.6	2.9	3.0	3.2	2.9	2.7	2.9	3.1	2.6	2.4
<u>ALL GE</u>										
WO1	4.7	3.9	4.1	4.0	4.5	4.0	3.8	3.8	4.1	3.1
WO2	5.8	5.4	5.5	5.5	5.4	4.8	5.0	4.8	5.1	5.2
SSGT	5.8	5.8	5.2	4.5	5.2	4.6	4.9	5.2	4.7	4.3
SGT	5.8	6.3	6.6	5.6	5.9	6.2	5.6	5.4	5.6	5.8
CPL(E)	4.2	3.9	3.9	3.6	3.7	3.7	3.5	3.8	3.7	3.8
LCPL(E)	1.9	2.2	2.1	2.2	2.1	2.3	2.1	2.1	2.2	2.1
PTE(E)	2.9	3.0	2.9	2.8	2.8	2.6	3.0	2.9	3.2	2.8
AVG. TIR	3.5	3.5	3.5	3.3	3.3	3.2	3.4	3.3	3.5	3.3

Source: Jesser, Submission, p S766

Table 2.10 DISCHARGE COHORTS - AVERAGE TIME TO REACH RANK

Average time to reach rank worn at discharge  
by year, by sex and rank

	77/78	78/79	79/80	80/81	81/82	82/83	83/84	84/85	85/86	86/87
<u>MGE</u>										
WO1	18.5	17.5	18.5	18.6	17.7	18.0	18.2	17.6	17.7	18.1
WO2	14.5	15.1	15.0	14.5	14.7	15.4	15.0	15.0	15.2	15.0
SSGT	13.3	12.7	13.4	15.0	14.5	15.4	15.0	14.6	14.9	14.9
SGT	10.1	10.5	10.2	10.1	10.8	10.7	11.5	10.9	10.8	10.4
CPL(E)	4.7	5.0	5.2	5.4	5.4	6.0	6.4	6.0	5.8	6.0
LCPL(E)	3.8	4.4	4.2	4.7	4.5	4.4	4.6	4.6	4.3	5.0
PTE(E)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<u>FGE</u>										
WO1	16.6	16.4	14.8		15.0	19.2		19.5		17.8
WO2	6.3		9.1	9.4	6.8	8.2	8.4	*-4.2	8.2	12.1
SSGT	12.0		16.2	10.1	8.8		6.6	5.4	19.4	10.3
SGT	5.8	5.1	7.2	6.8	7.3	6.7	6.6	6.3	8.2	6.1
CPL(E)	2.0	2.3	2.8	3.6	3.4	3.5	3.7	4.2	4.3	4.7
LCPL(E)	2.4	2.5	3.0	3.4	2.7	3.3	3.0	3.6	3.6	3.1
PTE(E)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<u>ALL GE</u>										
WO1	18.5	17.6	18.3	18.6	17.7	18.1	18.2	17.6	17.7	18.1
WO2	14.5	15.1	14.9	14.3	14.6	15.3	14.9	15.0	15.1	14.9
SSGT	13.3	12.7	13.5	14.8	14.3	15.4	14.9	14.5	15.0	14.8
SGT	10.4	10.5	10.2	10.0	10.5	10.6	11.4	10.7	10.6	10.2
CPL(E)	4.4	4.7	4.9	4.9	5.2	5.6	5.8	5.7	5.5	5.8
LCPL(E)	3.6	4.2	4.1	4.5	4.4	4.2	4.4	4.4	4.3	4.9
PTE(E)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

\* The figure of -4.2 represents a re-enlistment who entered the service with seniority from a previous engagement.

Source: Jessor, Submission, p S767

of Corporal and Warrant Officer Class 1, with the time taken to reach those ranks having a considerable impact on the decision. As Jesser states:

For Corporals, it appears that the longer it takes to reach that rank, the more likely it is that the individual will quit the service; presumably future career prospects are evaluated on the basis of past performance and/or rewards. Time to reach the rank of Corporal has increased significantly over the past ten years. For Warrant Officers Class 1, it appears that the earlier the individual achieves that rank, the more likely it is that he or she will quit the service; presumably early success leads to a positive evaluation of the individual's potential, but apart from in-service commissioning the service has little to offer once the GE has reached the rank of Warrant Officer Class 1 (Submission, p S742).

2.33 A number of more general and, we believe, important points remain. While it is sometimes argued that wastage which occurs early in the training cycle represents an ultimate saving, some overseas research indicates that high initial wastage rates tend to be associated with higher wastage at later service intervals (Jesser, Submission, p S747). The argument there is that the initial high loss rate undermines the military socialisation process and creates an expectation that people will not remain with the defence force. On the data presented here, then, Army at least - and, we suspect, Navy and Air Force also - are likely to find their situation becoming worse in the short term. Turning to the later years of service, the increased incidence of separations there suggests that a significant number of trained General Enlistees are finding the option of continued Defence service unattractive when evaluated against the alternatives. As Jesser postulates, while the increase in numbers leaving at that level may not be large in terms of the overall wastage rate, if that increase is the result of growing dissatisfaction with aspects of Service life, the dysfunctional consequences for the ADF may be greater than the simple increase in numbers departing suggests (Submission, p S746).



2.34 The second point returns to the relatively new phenomenon of very high wastage in the first six months of service (Table 2.7). Of particular note is the increase in discharges for medical reasons. The medical discharge rate for Male General Enlistees (MGEs) appears to have increased sharply, rising from a rate of 100-200 per year in 1984-85 to more than 500 in 1986-87. For Female General Enlistees (FGEs) the rise has been even more dramatic, from a dozen or fewer prior to 1984-85 to almost 100 in 1986-87. Jesser found these figures surprising in view of CDF's statement at his press conference on wastage on 15 February 1988 that medical discharges together with other involuntary reasons for discharge for 1986-87 were 'about the 10 year average' and made 'little contribution to the increase' in wastage (Jesser, Submission, p S2706).

2.35 Some overseas research on attrition in the armed Services has suggested that as long as the quality of the recruit material is relatively predictable, changes in wastage rates can generally be attributed to changes in policy. In Jesser's opinion:

Thus, unless the quality of GE recruits entering the service has decreased significantly in recent years, one is forced to conclude that there has either been a formal policy change or a change in attitude on the part of those responsible for training, so that more 'training problems' are now becoming 'wastage statistics'. Following on from the assumption that this situation might be the result of a change in approach or attitude towards training responsibilities, the suggestion in the previous paragraph that the trend towards higher overall wastage might reflect higher levels of dissatisfaction, may be taken to extend to an assumption of an overall lowering of morale and commitment. While one hesitates to suggest that the Army has 'dropped its bundle', the very sharp increase in wastage during the training cycle (roughly the first six months of service) might indicate such a situation (Submission, pp S746-7).

Whether or not the increased wastage pattern identified here is more likely to be attributable to changes in training rather than policy is discussed later in this report.

### The Question of Quality

2.36 A question which often arises in relation to high wastage rates is that of the quality of those leaving an organisation compared to those who stay. Some broad details on this topic were provided to the inquiry by the single Services in response to a question on notice.

2.37 In general the information was somewhat inconclusive. As Army pointed out, many factors which are difficult to quantify are involved in such assessments (Submission, p S2799). Further, particular information which would provide more than simply a 'snapshot' impression was not available. Given those caveats, each of the Services suggested that those officers leaving are fairly representative of the officer corps on the whole, with a tendency towards a reported performance slightly below the average.

2.38 That conclusion seems at odds both with evidence received by this Committee and some of the judgments made by the three Service Chiefs of Staff which are presented later in this report. A case study on the Royal Australian Corps of Signals presented by Lieutenant Colonel R.A. Stuart, and which is examined in detail in this chapter, also argues a different result. In our opinion, it is clear that the ADF is losing too many of its best people.

### Specific Problem Areas

2.39 The information presented in the preceding sections of this chapter indicates in broad terms that the ADF currently is experiencing unusually high wastage rates, that those rates have been increasing for some years now, and that they apply in varying degrees across rank levels. For the remainder of the chapter attention will be focused on more specific problem areas within the single Services.

### The Royal Australian Navy

2.40 Wastage for the RAN as a whole was reasonably constant over the four years to FY 1986-87, when it reached 12.6 per cent of overall numbers borne. In 1987-88 the figure rose sharply to 13.5 per cent, with a dramatic 2.8 percentage point increase in officer separations being the dominant feature. Particular concern exists over those officers in the mid-seniority ranks of Lieutenant Commander, Commander and Captain. Sailor wastage also remains disturbing, with an increase of over one percentage point being recorded in 1987-88.

2.41 Except in some very limited areas, the Navy does not laterally recruit, so it must itself develop all the skills and experience levels required. This process is most efficient if wastage is steady at a reasonable level over the medium to long term so that recruiting and training systems can adjust to provide the right person at the right time. The long term average wastage level for the Navy is 11.8 per cent and the system is based on this rate. Clearly training efficiency would improve if this rate were reduced, as each percentage point represents 157 people to be replaced each year. 12 per cent reducing by 0.2 per cent per year across all branches to 10 per cent would be a

satisfactory long term wastage rate, increasing experience levels and reducing training costs (Navy, Submission, p S1099).

#### Officer Wastage

2.42 The male officer separation rate for 1986-87 was 9.8 per cent. This compares with a 10-year average calculated as 8.7 per cent by the Department of Defence (Submission, p S1598) and 7.4 per cent by Navy (Submission, p S1099). For 1987-88 the male officer separation rate rose to 12.6 per cent (Defence, Submission, pp S2812-4), an increase which can only be described as dramatic. In the first nine months of FY 1987-88, 155 notifications of intent to separate in the ranks of Commander and below were received, against a 10 year average of 98 for the equivalent period. Notices of intent to resign from Captains and above were following the same pattern. It is plain that their impact will be marked, both quantitatively and qualitatively, and should provide cause for serious concern.

2.43 Not all officer specialisations are suffering from increased wastage rates. In general it is the engineer branches - Weapons Electrical (WE) and Marine Engineering (ME) - which have experienced the most dramatic increases. Wastage in those branches for FY 1987-88 was expected to be 16 per cent and 18.1 per cent respectively. Recent policy changes have created greater Australian industry participation in Defence procurement, increasing the demand for these officers in project staff (particularly those with logistics management experience) and increasing the number of naval officers being attracted by highly-paid civilian jobs in defence industry. This explains in part the recent increase in separations which will continue as major Navy projects generate contracts for design and production. Defence views this as an area of growing concern as industry is likely to continue to compete strongly for scarce Navy project management expertise.

2.44 Another specialist area experiencing worrying loss rates is that of Principal Warfare Officer (PWO). In mid-1988 almost one quarter of the established billets for PWOs were vacant, a situation which reflects adversely on the RAN's operational capability (Navy, Submission, p S1100). The time spent in PWO training is in the order of 12 to 15 months and the overall cost of individual training can range from \$50,000 to \$370,000, depending on the expenditure of missiles on particular courses.

2.45 While the categories identified above are those experiencing the greatest difficulties, most officer specialisations experienced increased wastage in FY 1987-88. Table 2.6 illustrates overall officer shortages of major concern as at April 1988.

2.46 An examination of wastage by ranks shows that the loss rates for Commodores and Captains were expected to fall against the long-term average in FY 1987-88, although, as was pointed out above, the numbers of notifications of intent to resign (that is, resignations that have not yet taken effect) suggest that the trend is reversing. The increase in resignations at the Commander and Lieutenant Commander level is, however, unequivocally high. For Commanders, the eight-year average separation rate is 9.8 per cent, and the projected 1987-88 rate was 20.4 per cent; while for Lieutenant Commanders the average rate is 8.7 per cent and the projected 1987-88 rate 13.5 per cent (Defence, Submission, p S2458). Thirty Seamen Commanders left in 1987, 23 more than the long term average of seven. Among those officers five were current or very recent destroyer commanding officers. There are only seven such commands in the RAN, so those selected for the posts are among the best middle ranking officers with clear potential to reach the most senior ranks. Their loss is viewed by Defence as serious. Indeed, the dramatic increases in separations from these two key middle-level ranks is most disturbing, in terms of both the immediate 'hands-on' management of the RAN and the long-term health of the organisation.

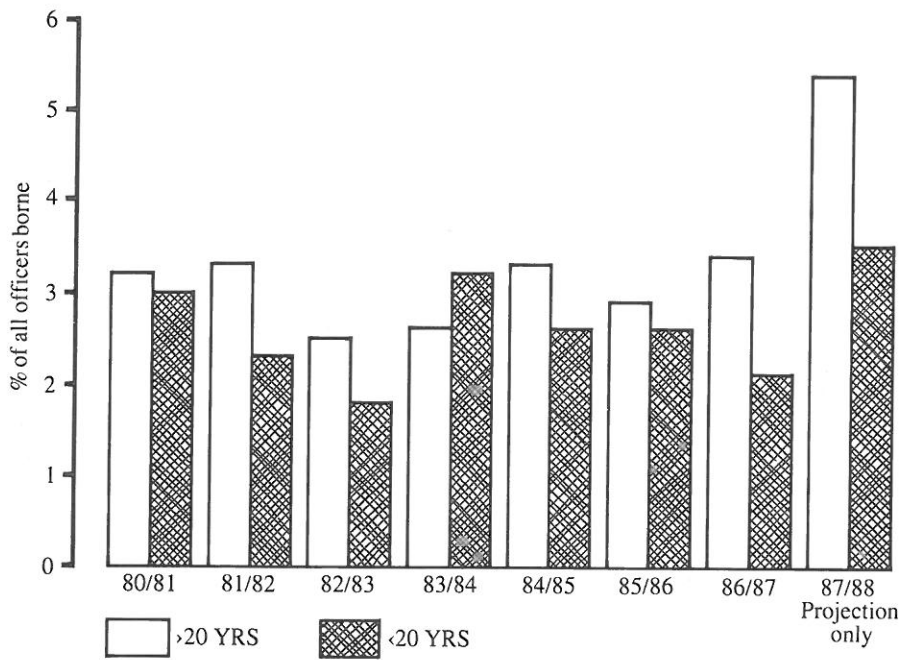
2.47 A review of officer resignations (those exercising the option to leave) highlights the extent of Navy's difficulties (Figure 2.5). Of particular note is the 1987-88 projection of officers leaving without a pension, which is the highest for at least 10 years.

2.48 Navy's problems in retaining well trained and experienced officers are serious and the separation trend is upwards. Increased wastage is occurring at a time when Navy's requirement for experienced specialists to staff the new submarine, the Anzac ship and other projects is also increasing. Shortfalls have so far been met by filling positions with junior, less qualified officers, resulting in lower quality performance and a greater load being borne by those experienced officers remaining. The shortfalls increase pressure on all personnel and become a contributing factor to wastage (Navy, Submission, p S1101).

#### Sailor Wastage

2.49 The separation rate for male sailors for 1986-87 was 12.5 per cent against the 10 year average of 11.7 per cent. For female sailors the respective rates were 18.5 per cent and 21.0 per cent. The rate of female separations is reducing, but the steady increase in the population of female sailors (up from 6.3 per cent to 9.6 per cent in the last four years), together with their higher propensity to separate, tends to increase total sailor separations. Overall, sailor separations were 13.7 per cent in 1987-88, thus continuing the high figures of recent years.

2.50 In various sailor categories manning problems stem not so much from increased wastage but from high wastage levels sustained over a long period. This is particularly true of

**Figure 2.5 Officer Resignations (Exercising option to leave)**

Source: Navy, *Submission*, p S1126

Electronic Technical Systems (ETS), Electronic Technical Power (ETP) and Marine Technical Propulsion (MTP) category sailors, where their ready civil employment skills leads to high wastage of about 15 per cent and in turn diluted experience and excessive demands on training resources. These categories make up about 54 per cent of all Navy's sailor technical personnel. Another problem area is that of Radar Plotters, whose current high loss rates seem related more to disproportionate sea/shore posting ratios, increased job stress and high work loads (Navy, Submission, p S1101). Specific problem areas for sailors are shown in Table 2.11. The Navy has also stated that it has been 'very difficult to retain experienced Submarine Service personnel', without providing precise figures. We note, however, that following a visit to the submarine base at HMAS Platypus and a 24 hour trip on board HMAS Otama, the Shadow Minister for Defence released a statement which identified a shortfall of 115 submariners against a total establishment of 673, which would represent a 17 per cent deficiency (Media Release D43/88, 12 May 1988).

### The Australian Army

2.51 Army has sustained high wastage in recent years from both its soldier and officer ranks. In the two financial years since July 1985 the Regular Army has turned over about 10,000 soldiers and 1,200 officers from an overall authorised strength of around 32,000. The Chief of the General Staff advised this Committee that 'the current high wastage in the Army is of major concern to my Senior Commanders and myself and has the potential to pose significant long-term consequences for national defence' (Submission, p S1134).



Table 2.11: SAILOR WASTAGE - PARTICULAR PROBLEM CATEGORIES

Sailors:	Total Number Required	Shortfall	% Shortfall
(1) Electronic Technical Communications	482	39	8%
(2) Electronic Technical Submarine	26	7	27%
(3) Communications			
(a) Radio Operator Submarines	42	9	21%
(b) Radio Operator Electronic System	56	23	41%
(4) Radar Plot	450	66	15%

Source: Navy, Submission, p S1102

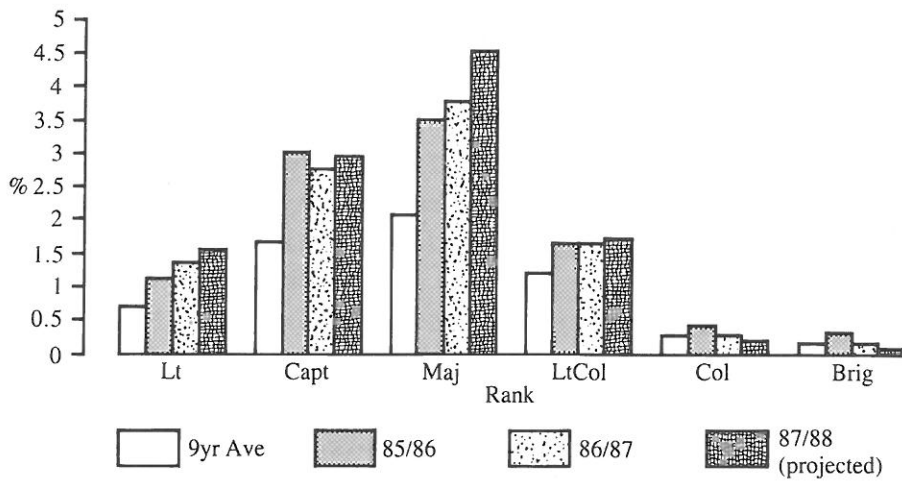
## Officer Wastage

2.52 The yearly average of wastage in FYs 1985-86 and 1986-87 was three percentage points higher than the preceding seven-year average, and constituted an increase of 40 per cent over historical levels (Army, Submission, p S1174). For male officers the 1986-87 separation rate of 10.6 per cent was substantially above the 10-year average of 8.0 per cent. The projected wastage rate for all officers for FY 1987-88 of 12.1 per cent was the largest for at least 10 years (CGS, Evidence, 6 July 1988, p 560). A particular and disturbing feature of Army's statistics is the large number of junior officers separating. In FYs 1985-86 and 1986-87 there was an average numerical increase of separations of 160 above the historical level. Over 84 per cent of that increase was in the ranks from Lieutenant to Major. The trend was persisting in FY 1987-88 (Army, Submission, p S1143). The loss rate of Lieutenants has been more than double the long-term average, and that of Captains greater by a factor of about two-thirds. Figure 2.6 illustrates officer wastage for the three most recent FYs (1987-88 projected) by rank, against the nine year average.

2.53 Army's conclusion that its major problem is those leaving without a pension or with a part pension (Submission, pp S1174-5) flows logically from the high wastage of junior officers. Another interesting but less obvious conclusion which was drawn related to the substantial turnover of Reservists leaving full-time duty. As Army pointed out:

It must be emphasised that Army Reserve members are employed to fill vacancies in the Regular Army officer strength. When Army Reserve members leave full-time duty, a vacancy is still created which needs to be filled by a Regular Army officer. The increase (in separations of Reservists) is a symptom of the increase in wastage, not the cause of it (Submission, p S1174).

Figure 2.6 Army Officer Wastage by Rank



Source: Army, *Submission*, p S1143

2.54 Numerically, Army experienced 421 officer separations in 1985-86 and 388 in 1986-87. The projected figure for 1987-88 was 534. Taking account of Army officers who graduated, were laterally recruited or were commissioned from the ranks, measures adopted by Army permitted it to match its total officer separation in 1986-87. It will be difficult for the Army to sustain this effort over any long term period unless separation rates fall (Defence, Submission, p S2459). This serious problem was presented in more detail by Army in its submission, particularly in relation to the qualitative aspects of wastage.

2.55 Army pointed out that in the post-Vietnam period from 1976 until July 1985, officer wastage typically varied between five per cent and seven per cent of the officer strength. Training facilities and staffing of the Royal Military College had been provided based on those rates. In May 1987, the planning figure of officer wastage for the provision of facilities and other resources at the Royal Military College was increased to allow for replacement of officers wasting at a rate of 8.5 per cent. A proposal is currently being considered for expansion of the Royal Military College to take into account increased numbers of officer cadets. Even with the increased planning figure and a consequent increase in training throughput, the most recent increase in wastage to 10 per cent means that wastage will still exceed production. This problem will compound rather than reduce over time unless wastage falls to pre-1985 levels in the near future.

2.56 Although the number of officers lost is in itself disturbing, the quality and potential of those leaving is of greater concern. From 1 January 1987 to 15 March 1988, 451 officers in the ranks Lieutenant to Major resigned their commissions. This group of officers had the following characteristics (note that categories are not mutually exclusive,

for example, the 54 with tertiary qualifications could also have held sub-unit command):

- a. at least 54 possessed tertiary qualifications, 24 in the Engineering disciplines;
- b. 69 had experienced sub-unit command (squadron, company, battery level of 120 personnel) and could have a reasonable expectation of commanding a unit as a Lieutenant Colonel (command of 600 personnel on average);
- c. 12 were equipment project officers and possessed important managerial skills in the area of the development and introduction into service of new Army equipment;
- d. 18 had attended the Command and Staff College, Queenscliff, and were assessed as being in the top half of their peer group; and
- e. 11 officers had previously received 12 months language training, three in Japanese.

2.57 The Committee shares Army's conclusion that 'this loss of high level talent at the mid-career point is of grave concern. It must inevitably lead to a severe reduction in the number of quality officers available for promotion in the future. This will have an adverse effect on long-term quality of senior management and leadership in the Army' (Army, Submission, p S1150).

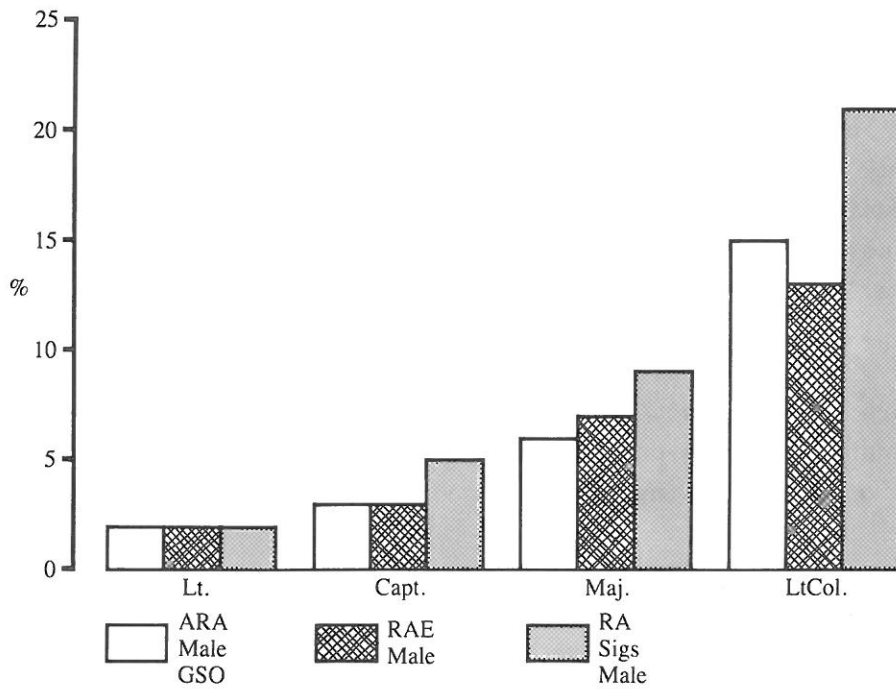
## Royal Australian Corps of Signals

2.58 A great deal of media attention has been directed towards RAAF pilots, and later in this chapter that group is examined as a case study. The media attention has tended to divert serious public examination from other specialist groups in the ADF. One such group is the Army's Signals Corps, on whom an informative case study was submitted by Lieutenant Colonel R.A. Stuart (Submission, pp S1905-51). Stuart's detailed examination of the officer ranks of the Royal Australian Corps of Signals contains findings which are of interest not only in relation to the specific example but also may have some relevance to the general question. As was the case with Mr Peter Jesser's submission on General Enlistee wastage, Lieutenant Colonel Stuart presented original data and analysis which, in the Committee's opinion, provides a valuable insight into ADF personnel wastage.

2.59 Stuart reviewed the extent of the wastage in his Corps by establishing an acceptable loss rate of nine per cent, that being the number of graduating officers the Corps receives annually. In numerical terms the nine per cent translates as a figure of 20. For calendar years 1985, 1986 and 1987 the numbers of officers wasted were 25, 29 and 36 respectively, which against Stuart's parameter constituted an unacceptably high loss rate.

2.60 In Figure 2.7 Stuart compares Signals Corps wastage with that of all Regular Army General Service Officers (GSOs) and the Royal Australian Engineers (RAE). The Regular Force figures serve as a basic comparator for the Signals Corps, while the RAE figures were included as a 'specialist' comparator as the Corps is male-only and similar in numbers and technological personnel base to Signals. It can be seen that the RA Signals Male Officer wastage at Captain to Lieutenant Colonel level over the five year period 1981-86 was higher than both the Army Male GSO average and a similar corps. As Stuart concluded, 'the RA Signals Corps has, comparatively, a high wastage problem' (Submission, p S1911).

**Figure 2.7 Survey of RA Signals Corps Officers — Comparative Data — Percentage of Officers Lost**



Source: Stuart, *Submission*, p S1911

Perhaps more significantly, he further suggested that Signals Officers' high wastage is not influenced to any large extent by their marketability in civil employment, because members of the Engineers have equal if not better marketable skills. Stuart substantiated this deduction by pointing out that 'a large number' of the Signals Corps officers he sampled did not leave the Army to take up employment in specialist communications/electronics positions. The general point arising here is that high wastage is caused by more than specific employability factors.

2.61 The other significant matter raised was that of the 'calibre of wastage'. For this assessment Stuart looked only at Lieutenant Colonels and Majors, using the following criteria as a method of establishing the relative quality of those leaving the Corps:

- a. Lieutenant Colonels - selected for Joint Services Staff College (JSSC) and promotion to higher rank.
- b. Majors - selected for Command and Staff College (C&SC) and promotion to higher rank.

The criteria for selection for attendance at Staff College advised by the Military Secretary-Army is:

- a. JSSC: The officer is to have served not less than two years as a Lieutenant Colonel, achieved an average to above average reporting history, and demonstrated the potential for promotion.
- b. C&SC: The officer is to have demonstrated performance and potential for promotion to higher rank.

Figures 2.8 and 2.9 illustrate the results.



2.62 Stuart concluded that:

From (Figure 2.8) it can be seen that officer wastage includes the loss of high calibre expertise in the Lieutenant Colonel rank. As higher positions are demand-fed this has serious implications for the quality of higher commanders.

From (Figure 2.9) it can be seen that there is a change in the calibre of Officer wastage at Major rank. As Lieutenant Colonel positions are also demand-fed this has ramifications for RA Sigs in terms of its future.

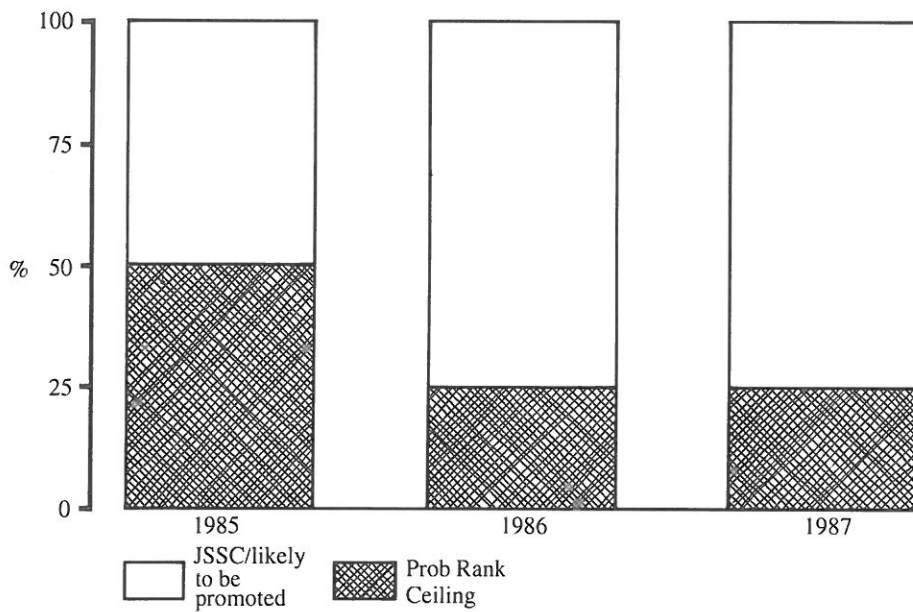
The magnitude of Officer wastage in RA Sigs exceeds that which might be considered acceptable. The extent of the loss is from Lieutenant to Lieutenant Colonel, and critical areas, ie, areas of immediate concern, are the increases in the loss of Captains and Majors. Wastage is now of a different nature and calibre to previous years. RA Sigs is losing large numbers of its best. It is concluded that the problem of officer wastage is of dangerous proportions and bodes ill for the future credibility of the Corps (Submission, p S1914).

### Soldier Wastage

2.63 Soldier wastage in FYs 1985-86 and 1986-87 was 2.5 percentage points higher than average wastage over the period FYs 1977-78 to 1984-85, representing an increase of 20 per cent or an additional 620 soldiers per annum. There has been a significant decrease in wastage in those leaving with a pension or at the completion of a contract, but this has been outweighed by large and significant increases in trainee wastage and those leaving without a pension. The major area of concern is the large increase in soldiers leaving without a pension. Army concluded that:

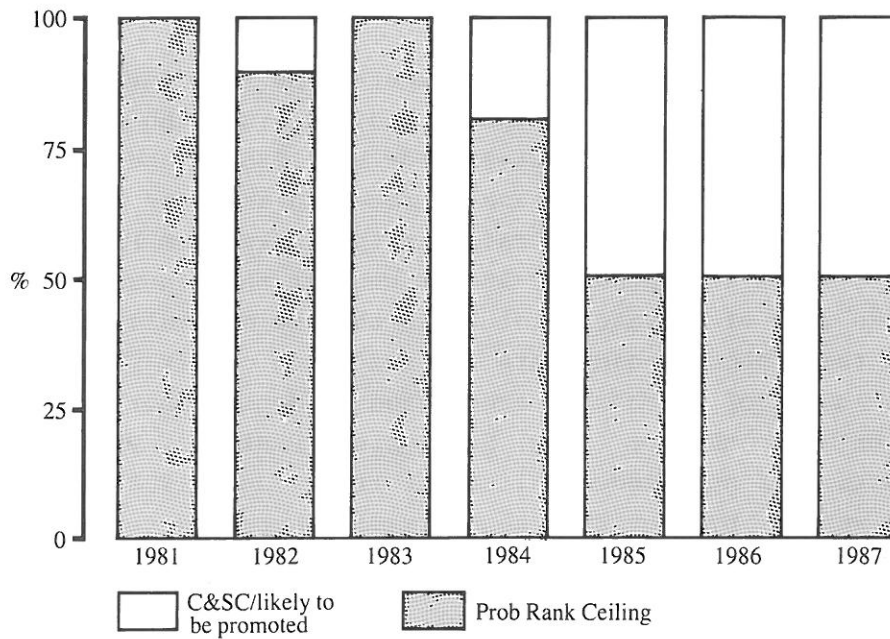
Numbers of persons failing training will increase as a natural consequence of increased numbers being trained to replace those leaving. Like Army Reserve

**Figure 2.8 Survey of RA Signals Corps Officers Calibre of Wastage (Lieutenant Colonel)**



Source: Stuart, *Submission*, p. S1913

**Figure 2.9 Survey of RA Signals Corps Officers — Calibre of Wastage (Majors)**



Source: Stuart, *Submission*, p S1914

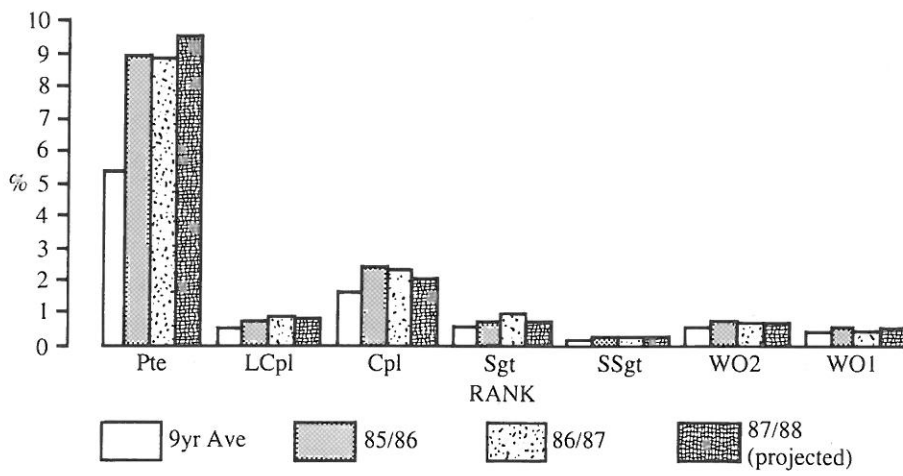
members ceasing full-time duty, increases in the number of training failures is a symptom of increased wastage rather than a cause (Submission, p S1175; emphasis added).

2.64 Figure 2.10 shows soldier wastage by rank for FYs 1985-86, 1986-87 and 1987-88 (projected), against the average figure for FYs 1976-77 to 1984-85. For FYs 1985-86 and 1986-87 the average annual loss increase of some 620 soldiers above historical levels was concentrated in the ranks from Private to Sergeant, which accounted for 93 per cent of that increase. The high loss rate of private soldiers is thought generally to reflect their short engagements (either three or six years), at the conclusion of which they are forced to decide whether to remain or leave the ADF (Army, Submission, P S1144). The introduction of open-ended enlistment from 1 July 1988 may reduce soldier wastage by providing security of tenure and removing the forcible requirement to review the stay/go decision at regular intervals.

2.65 Increased soldier separations most affect units with a large number of specialist tradesmen or with a highly technical role because of the longer training time for these categories. Examples of shortfalls are in the trades of:

- a. carpenter and joiner, which is 31 short (23 per cent of requirement);
- b. electronics technician at the Private and Corporal level, which is 78 short (nine per cent of requirement);
- c. computer operator, which is 34 short (68 per cent of requirement);
- d. aircraft engine fitter, which is 32 short (48 per cent of requirement); and

Figure 2.10 Soldier Wastage by Rank



Source: Army, *Submission*, p S1144

- e. qualified instructors, of whom Army is 22 short (21 per cent of requirement) (Department of Defence, Submission, pp S2459-60; and Army, Submission, p S1152).

Units affected by those shortages are to varying degrees suffering from a loss of capability.

2.66 Army is concerned that high wastage is leading to undesirably early promotions for some enlisted personnel; while others who, under past separation rates would not have been competitive for promotion, are now making the grade. One interesting aspect of this development is shown in Table 2.12, 'Calculations of Rank Movement'. The most notable data are the 'number of years for complete turnover' for each rank in column (n). The brevity of these periods clearly indicates a dilution of professional skills and capabilities.

#### The Royal Australian Air Force

2.67 In FY 1986-87 the RAAF total separation rate was 10.3 per cent compared to the 10-year average of 9.2 per cent. The 1987-88 rate rose further to 11.2 per cent. Those increases were consistent with the trend which has existed since FY 1983-84 (see Defence, Submission, p S1548). Most public interest has been directed towards the exceptionally high resignation rate of RAAF pilots, but there are other areas in which high separation rates exist. Particular problems exist in specialised technical areas, in which the absence of lateral recruiting and the long lead-time needed to train replacement hinders short-term solutions. Overall, Air Force's assessment is that 'the current separation rate is increasing, and is too high because it is exceeding our capacity to replace our losses with trained personnel' (RAAF Presentation, Canberra CAE Seminar, 23 February 1988).

Table 2:12: CALCULATION OF RANK MOVEMENT ARMY ENLISTED RANKS

1. The table below lists the number and percentage movement that is anticipated through the ranks. The wastage rate is based on the period May 86 to Apr 87.

SER	ASSET	RANKS	PTE (1)		CPL		SGT		SSGT		WO2		WO1		PSO		WASTAGE OUT		PROMOTION		TOTAL RANK MOV		NO OF YEARS OF COMPLETE TURNOVER
			NO	%	NO	%	NO	%	NO	%	NO	%	NO	%	NO	%	NO	%	NO	%	NO	%	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)										
1	15410	PTE	11329	73.5	1415	9.2											2666	17.3	1415	9.2	4081	26.5	3.7
2	5869	CPL			4454	75.9	741	12.6									674	11.5	741	12.6	1415	24.1	4.1
3	3197	SGT					2456	77.2	485	15.2							256	8.0	485	15.2	741	23.2	4.3
4	876	SSGT							391	44.6	421	48.1					64	7.3	421	48.1	485	55.4	1.8
5	1857	WO2									1436	77.3	213	11.5			208	11.2	213	11.5	421	22.7	4.4
6	725	WO1											512	70.6			143	19.7	70	9.7	213	29.4	3.4

NOTE: 1. Serial 1.b., is the PTE asset of 15410. Of this number, Serial 1.d. indicates that 11329 or 73.5% will remain as PTE, Serial i.e. indicates that 1415 or 9.2% of the PTE will be promoted to CPL and Serial 1.k. indicates 2666 or 17.3% will waste out. Total PTE movement is shown at Serial 1.m., and, is 4081 or 26.5%, indicating that the complete PTE rank, on average turns over every 3.7 years.

## Officer Wastage

2.68 The RAAF's male officer and officer cadet separation rate for FY 1986-87 was 10.57 per cent, which reflects a consistent rise from 6.9 per cent in FY 1982-83 and was well above the 10-year average of 8.43 per cent (Defence, Submission, p S1600). The wastage rate for 1987-88 of 12.4 per cent in turn exceeded the 1986-87 figure. Junior officer loss rates have been particularly high over the past three years, the most significant component having been pilot resignations. Interestingly, the separation rate for female officers in 1986-87 was 11.1 per cent, compared to the 10-year average of 18.7 per cent. The RAAF's female officer loss rate is significantly lower than the Army's rate of about 17 per cent, and may be related to more positively perceived career prospects in the Air Force (Major K. Quinn, Presentation, Canberra CAE Seminar, 23 February 1988).

2.69 Turning to specialist areas, significant shortages of manpower and experience were evident in the following Branches in early 1988:

- a. Air Traffic;
- b. Administration;
- c. Ground Defence;
- d. Intelligence;
- e. Legal;
- f. Air Defence;
- g. Supply; and
- h. Medical (Doctors only).

Even if Air Force were to increase recruiting and training rates for those Branches, a substantial shortfall in experience levels is expected to obtain for many years (RAAF Presentation, Canberra CAE Seminar, 23 February 1988).



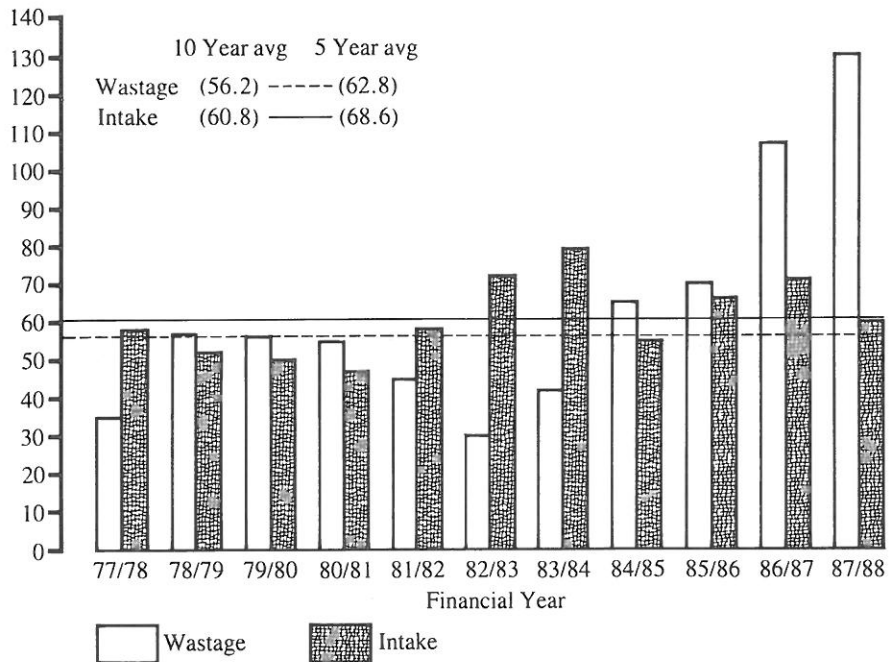
2.70 Air Force is perhaps the most technical of the three Services. The acquisition of technological skills can be a time consuming process, and it is in this area that the RAAF is suffering most. High wastage rates amongst skilled technicians carry a long-term penalty, as long lead times are involved in training replacements. The categories which have been most affected by this are engineers, engineering specialists and pilots.

2.71 The long-term average loss of Air force engineers has been 56 annually, but in 1987-88 it was expected to exceed 80. The increase of 24 is small in ADF terms but highly significant to the Air Force, particularly in view of the difficulty of recruiting engineers and the four year lead-time to train them at ADFA and elsewhere.

#### RAAF Pilots

2.72 The resignation rate of RAAF pilots has been the principal focus of media attention on ADF wastage. Against a long-term average annual loss of 47, 70 pilots left in 1985-86, 107 in 1986-87, and 123 in 1987-88. The fact that 42 pilots had given notification of intention to resign in the first six weeks of FY 1988-89 can only be described as startling. As the number of pilots graduating is only between 55 and 65 annually, a serious loss of experience already exists and is likely to worsen (see Figure 2.11). That problem is exacerbated by the number of specialist pilots - Qualified Flying Instructors (QFIs), Test Pilots, and Fighter Combat Instructors - included among those leaving. Air Commodore B.I.Lane advised the Committee that in the 12 month period from April 1987 to March 1988 13 of the 26 QFIs at the RAAF's Advanced Flying Training School resigned (Submission, p S1064). Because of the very small student-to-instructor ratio in pilot training (2:1), as student

**Figure 2.11 Pilot Wastage/Training Input Financial Years 77/78 —  
86/87: Estimate 87/88**



Source: RAAF Presentation, Canberra CAE Seminar, 23 Feb 1988

numbers increase the additional number of QFIs required increases substantially. For some years the RAAF has trained about 24 QFIs annually, enough to maintain the 140 QFI positions at the squadrons and training schools. However, following three successive years of record separations the RAAF has moved from a position of QFI surplus to a 26 per cent shortfall (Defence, Submission, p S2460). Overall, in April 1988 the Air Force had a strength of 747 pilots against 918 established posts, leaving a shortfall of 171 (Evidence, 11 April 1988, p 258). By June the number of pilot vacancies had increased to 182, including 39 Wing Commanders and 73 Squadron Leaders.

2.73 According to the Chief of the Air Staff, Air Marshal R. Funnell, the level of pilot resignations has reduced the RAAF's effectiveness; for example, flying hours have been cut back, experience levels have decreased, and the number of pilots in fighter squadrons flying the F/A-18 Hornet has been reduced from 18 per squadron to 12 (Sydney Morning Herald, 16 February 1988). This Committee also was advised during inspections of Defence facilities during early 1988 that the front-line air defence Mirage Squadron at Darwin had only seven pilots to fly 20 aircraft, and the F111 strike wing at Amberley had only 16 crews against a normal establishment of 24. Air Marshal Funnell believes that the loss rate should fall soon, but only because there are fewer pilots left in the RAAF who are eligible to resign (The Australian, 16 February 1988).

2.74 Although figures show that at present there are sufficient pilots to maintain flying operations at the current reduced level, recent losses have had a major impact on experience levels and staff positions requiring pilot expertise. There has been a serious reduction in Air Force pilot experience across the middle ranks. As at 1 April 1988, the trained pilot workforce was undermanned by 44 Wing Commanders (81/125), 51 Squadron Leaders (132/183) and 27 Flight Lieutenants (172/199). This is posing serious difficulties in maintaining required

levels of supervision and training in flying units. A further problem is that many Air Force staff positions requiring pilot skills are unmanned, or are being manned by officers from other branches with less appropriate skills. Air Force is also concerned about the reduced numbers of pilots eligible for promotion to fill the large number of vacancies created by the high separation rate (Defence, Submission, p S2460).

2.75 There is no doubt that recent substantial increases in pilot recruiting by civil airlines has played a major part in the RAAF's problems. Cathay Pacific and Qantas in particular recruit significant numbers of former RAAF pilots and are likely to remain as attractive alternative sources of employment for some years: both are expanding rapidly and will have a continuing demand for pilots into the 1990s. The impact of airline recruitment is also evident in the US, where the United States Air Force's annual 'cumulative continuation rate' (ie, retention rate) for pilots with between six and 11 years of service has fallen to 48 per cent against a necessary 'force maintenance' rate of about 60 per cent (Air Force Magazine, February 1988, p 15). The RAAF is of course well aware of the 'airline factor' and, while it cannot match airline salaries, has taken a number of initiatives to try to control the loss rate. These are examined later in this report. Airline recruitment and the promise of a large salary are not, however, the only reason large numbers of pilots are leaving the ADF, as numerous current or former RAAF pilots pointed out (see, for example, Halupka, Submission, pp S271-8; Warfield, Submission, pp S652-5; and Presneill, Submission, pp S625-7). This matter is examined in the sections of the report dealing in detail with the reasons for wastage. It is noteworthy that for the most part, pilots separate for precisely the same reasons as other personnel.

## Airman Wastage

2.76 Total airman and airwoman separation from the RAAF in 1986-87 was 10.3 per cent, against the 10-year average of 9.3 per cent. Again, the figure has risen steadily from a low in 1983-84 of 7.1 per cent (Defence, Submission, p S1611). Within that total figure, male separations were at 9.4 per cent compared to the 10-year average of 8.0 per cent, and females at 17.1 per cent against 24.0 per cent. A notable feature has been the increased wastage of junior airmen in the past few years, with their non re-engagement rate growing from 12 per cent to 20 per cent between 1985-86 and 1986-87. Overall rates continued to rise in 1987-88, reaching 11.7 per cent for total males and females.

2.77 A significant aspect of RAAF enlisted personnel wastage is the high turnover of technical specialists, especially those who are readily employable in the private sector such as electronics tradesmen, radio technicians and instrument fitters. While the overall non re-engagement rate for all RAAF enlisted categories is about 20 per cent, for technical/electronic specialists it is about 30 per cent. In calendar year 1987 the total wastage rate for radio tradesmen was 11.4 per cent which, like pilots, exceeds the RAAF's existing training capacity. It takes about six years to train a proficient radio tradesman, and shortfalls are further compounded by the RAAF's inability to recruit a sufficient number of trainees with tested aptitude which makes them likely to pass their courses (RAAF Presentation, Canberra CAE Seminar, 23 February 1988). Air Force has also experienced shortages in the Aircraft Life Support Systems Fitter mustering.

2.78 Airline recruitment has impacted on Flight Engineers as well as pilots. Increasing losses are being experienced and are of concern. These experienced and carefully selected personnel are drawn from the engineering musterings and are required to be highly versatile. They monitor and control engine performance on

multi-engine aircraft and generally assist the pilot. Against a constrained establishment of 121, manning in May 1988 was 107. The average loss of Flight Engineers has been 15 annually, but in 1987-88 was expected to be 27. The numbers being lost are small in absolute terms but they can have a major impact on air operations, as Flight Engineers are carried on B707, C130, P3C, Caribou and Chinook aircraft (Defence, Submission, p S2460). We would, however, expect that loss rate to decrease as airlines continue to introduce aircraft which do not employ Flight Engineers.

### Project Officers

2.79 Project officers can be drawn from any one of an extensive range of specialist skills, depending on the nature of the particular project with which they are associated. At the same time they need a number of common skills, including professional engineering expertise, and knowledge of personnel management, commercial practices, budgeting, networking, financial and accounting procedures, systems analysis, schedule and program development, and an understanding of the industries and companies concerned. An example of the complexity of the job can be seen with the new submarine project, which involves production in at least nine countries under some 600 sub-contracts. The task has been broken down into more than 1,500 major packages of work resulting in 250,000 events to be scheduled, networked and managed. Because of those singular demands and the importance of the task, the Department earlier this year co-operated with the Darling Downs Institute of Advanced Education in the establishment of a Masters' degree course in Defence Project Management. The Committee strongly endorses that initiative.

2.80 The Government is currently undertaking the largest defence capital investment program in Australia's peacetime history. This program - which the Committee also endorses in principle - demands the support of a substantial number of military project officers, and it is here that the problem lies. Industry, too, requires those same skills, and in the past year or so has recruited heavily from the Services. At a media briefing on ADF personnel separations, the Secretary to the Department of Defence agreed that the Force had suffered serious losses of skilled project managers and engineers and that industry poaching was making these areas very difficult for the Department (The Australian, 13 May 1988).

2.81 The success of the current re-equipment program is largely dependent on ADF project officers. It is essential that Defence retain sufficient skilled, high quality officers to implement that program. There must be some concern at the moment whether that can be assured.

#### Summary

2.82 A manageable wastage rate is one which:

- a. maintains sufficient qualified and experienced personnel at the right time and place;
- b. promotes a steady flow through of personnel to create promotion opportunities and keep the Services fit, energetic and enthusiastic;
- c. permits valid and reliable forecasting of recruit targets leading to a degree of stability in the recruiting system;

- d. provides a constant, predictable demand upon training resources;
- e. maintains force capabilities; and
- f. promotes morale.

It is clear that the present level of wastage is substantially too high and has been so for some time. Further, there has been a clear and consistent trend towards this situation for several years.

2.83 The Committee does not support the Department of Defence's conclusion that wastage is of concern only in 'some specific specialist areas' (Submission, p S1546). That kind of assessment pays insufficient attention to the qualitative aspects of wastage, as well as understating the overall effect and extent of numerical losses. Our assessment is that there is cause for concern across a wide range of ranks and skills. Based on evidence provided primarily by the Department, the ADF and the Services themselves, problems of quantity or quality, or both, exist in general and specific groups.

2.84 Those groups are as follows:

General

- male trainees;
- male pension eligible;
- male pension ineligible;
- male officers;
- junior officers; and



project officers.

Specific

Army Corporals and SNCOs;

Navy officers, Commander and below;

Navy engineers;

Navy principal warfare officers;

Navy technical sailors;

Navy submariners;

Army officers, Major and below;

Signals Corps officers;

Army soldier specialist tradesmen;

Air Force engineers;

Air Force pilots;

Air Force technical airmen; and

flight engineers.

2.85       The extent and magnitude of wastage in some of those areas is such that it will adversely affect the ADF for at least the next decade. It also shows that retention strategies will have to be directed at both the needs of the broader ADF and those of specific specialist groups within the Force.

## CHAPTER 3

### THE EFFECTS OF WASTAGE

3.1 Personnel wastage can affect the operational capability of a military force as much as any other single factor, as variations in loss rates can cause substantial adverse changes to the size and quality of the operational force. The effects of wastage become apparent through the following indicators:

- a. decreased organisational health;
- b. dilution of experience;
- c. increased costs;
- d. training deficiencies;
- e. diversion of manpower;
- f. reactive personnel management; and
- g. loss of morale.

The costs arising from those effects increase exponentially because of the particular consequences associated with the dilution of experience and the gradual institutionalisation of inferior training and management practices. Failings in those areas can cause personnel experience and quality 'gaps' which will remain in a system for years. In sum, the effects of high wastage amount to a loss of operational capability.

### Decreased Organisational Health

3.2 Increases in personnel wastage above a reasonable level inevitably lead to higher than desired job rotation and undermanning. One consequence of this is the greater proportion of people who are given additional duties with no decrease in their nominal workload. Additionally, there will be others who must perform tasks in which they have insufficient experience and/or knowledge. The level of stress and frustration which this situation will cause is magnified each time individuals are moved at short notice to 'resolve' another staffing 'crisis', having just grasped the fundamentals of their previous post. As Dr C. Downes informed the Committee, 'there are mental and physical limits to people's capacity to manage the stresses associated with overtasking, often-inadequate preparation and apparent impotence to influence work circumstances' (Submission, p S1517). Individuals who may already be working long, demanding hours feel yet another turn of the screw as 'more is required from less'. Commitment to the organisation is likely to diminish as people come to feel used by the institution rather than valued by it.

3.3 Staff Sergeant A.J. McAlister provided an example of the kind of work regimen which can undermine an individual's commitment to his Service:

As the number of Army servicemen decreases at an accelerated rate ... (units face) drastic manpower shortages without a corresponding decrease in work programs, training activities, exercises and other unit commitments.

This leads to soldiers at all levels working excessive hours both at work and taking work home to have it completed in time. Examples of this are:

- a. A corporal running his section as well as being deputy fire officer, barracks NCO and other periodic extra regimental appointments.

- b. Warrant Officer/Sergeant doing section or platoon administration, training programs, reports/investigations, fire officer sub-committees and mess appointments.

It is not uncommon for one person to have to do all the duties listed above, leading to an average working week well above 70 to 80 hours (Submission, p S1797).

McAlister concluded with the observation that as soon as their time is up people in that situation 'take their discharge to work for a civilian company which pays them for the hours they work'.

3.4 A similar kind of stress was noted by Commander J.W. Leech, who pointed out that for members of Navy categories which are understrength, the sea/shore posting ratio is now three years at sea to one-and-a-half years ashore, in contrast to the nominal ratio of 3:3. This compressed ratio 'gives little relief to families' and 'the psychological effect' over a period 'is cumulative' (Submission, p S1434). The increasing demands of the sea/shore roster were also brought to the Committee's attention during visits to Naval establishments.

3.5 One key indicator of organisational health is an institution's ability to regenerate itself. A senior Air Force flying instructor informally expressed serious reservations to the Committee about his Service's capacity to do so. In his opinion many current QFIs consistently display an overall lack of maturity and experience, solely because high wastage has forced the RAAF to post comparatively inexperienced pilots onto QFI courses. Because of their limited background, the graduate QFIs do not, in the senior instructor's assessment, train ab initio pilots 'but merely assess them'. Thus there is - or, if one chooses not to accept this particular example, could be - put in place a training system which not only starts from a position of lower expertise but may not be capable of recognising that fact. The inferior system becomes institutionalised when the initial products of the 'high wastage period' return to the training

schools as instructors themselves. Other highly-experienced current QFIs suggested that this situation may already exist. The Chief of the Air Staff's comment that the RAAF is short of 'experienced flying instructors' could be seen as corroborating that opinion (Evidence, 21 July 1988, p 610).

3.6 Another insidious effect of high wastage on organisational health is the loss of confidence in leadership which can develop. Many submissions have indicated that there has been a decline in the faith ADF personnel have in their leaders' capability and desire to act on their behalf to resolve the stressful circumstances under which they work and their families live (see, for example, MacKintosh, Submission, p S907; CARO Soldiers, Submission, p S1468; and Lucena, Submission, p S1335). People who have been socialised with the powerful precepts of military discipline expect that those who command them in turn are powerful and can get results. If those results do not eventuate, the conclusion drawn by subordinates is that their leaders are either unwilling to make changes or incapable of effecting them. In either case, the leaders' position is undermined. It is the Committee's observation that there is a strong belief among many members of the ADF that their leadership is ineffectual or uncaring when it comes to fighting for improved conditions of service. Many comments to that effect were made. The essence of this seemingly widespread disillusionment with organisational integrity was presented with obvious genuine concern by Chief Petty Officer A.C. Woods:

It is quite common now to encounter dissatisfaction, frustration, discontent and bitterness within the navy community. I see this especially in the ranks of Senior sailors. Consequently it is no real surprise to me that retention rates are low ...

The Navy is a disciplined service. I have been trained in a system which demands absolute obedience to authority. There is order in a military organisation, each member knows his job and where he stands. There exists an attitude of trust and loyalty which brings a sense of pride in ones self and the job he is doing.

Over the last two years I have witnessed a growing trend amongst my immediate superiors of openly questioning matters of policy and decision making at a senior level. This is no small matter given the disciplinary considerations, and this alone has compelled me to seek audiences with very senior officers.

Needless to say there is a perceived ground swell of discontent which is also evidence in the officer corps. I can only conclude from this that the Navy is no longer the 'team' it once was ...

I believe that the Navy is no longer fulfilling its role in the management function. For some time now there have been repeated calls for financial restraint, the brunt of which has been felt at the 'coal face'. More and more is being asked of loyal and committed people with little or no giving back. Loyalty and good will will only go so far and in a system which seemingly does not want to listen, the only alternative is to leave (Submission, pp S804-5).

3.7 Abnormal loss rates can be seen as evidence that the organisation's leadership has lost control of events. It is an insidious process as it has the potential to become self-sustaining.

#### Dilution of Experience

3.8 The ADF recruits almost all of its personnel at the lowest point of entry; they then work their way up through a 'pipeline' system, usually spending a certain number of years in each rank. This process is considered by the ADF to be desirable on a number of counts: it exercises the training system; gives individuals time to develop a broad and substantial experience base; facilitates an orderly flow through the promotion and job-rotation cycle; and, because progress - and, therefore, quality - is controlled, maintains a steady flow of 'expansion base' personnel into the civilian workforce. However, if wastage rates become excessive, progress can become so accelerated that the process can cease generating positive effects, and indeed is more likely to produce the opposite as individuals are not given sufficient time at each level to acquire the necessary experience and skills.

3.9 Navy has a policy of promoting sailors to vacancies subject to their meeting stipulated qualifications. Because of that policy shortages usually show up at the junior ranks, so recruiting to those ranks is undertaken to maintain operational strengths. However, in categories with a high turnover, that system cannot sustain the desired experience level. As a consequence experience levels of personnel on sea postings currently are low, 'particularly in the middle level sailor population. This adds to the likelihood of increased numbers of groundings, collisions and accidents at sea' (Navy, Submission, p S1109; emphasis added). The Navy submission added that in recent years concern over the likely consequences of inexperience had grown. This aspect was taken up by another witness:

... levels of experience, knowledge and training are spread thinly as experienced and skilled members leave and cannot pass on their knowledge. It is tragic that one consequence of this reduction in experience levels is an increased potential for accidents. One case in point was the deaths of two RAN sailors in a submarine diving accident in 1987. The investigation into the incident identified the recently-trained status of many of the submarine's crew as a factor which may have had an effect upon the circumstances which led to the accident (Downes, Submission, p S1512).

3.10 The submarine force has had, and continues to have manpower shortages. In 1987 almost half of the active manpower of the branch effectively was under training. Experience levels have been diluted and will remain below the desired standard 'for some years' (Navy, Submission, p S1110).

3.11 Dilution of experience is not restricted to the submarine force. Petty Officer A.C. Sharpe reported the wastage of a large number of 'very experienced non-commissioned ranks' in the Electronic Technical Weapons Systems branch. At the time Sharpe wrote, his ship HMAS PERTH was undergoing a modernisation refit. In his section only 20 per cent of the crew had previous system

experience and only 40 per cent experience on the DDG type. If Sharpe had taken his elective discharge in October this year:

... HMAS PERTH would have come out of refit with no personnel experienced in my section at all. It can be seen from my example that the operational effectiveness of my system and so the operational effectiveness of the ship is and could be seriously affected by the losses of experienced trained sailors (Sharpe, Submission, p S614).

3.12 Within the Army there is concern that personnel are being promoted who would not, given normal wastage rates, be promoted. For example, six per cent of Army's Sergeants are not qualified because the Army is unable to run sufficient additional promotion courses. Further, virtually all Sergeants who qualify for promotion to Warrant Officer are being promoted almost as soon as they qualify. In these conditions, no additional selection is being applied to ensure the quality of those being promoted. This problem will continue to be exacerbated by the current pattern of separations.

3.13 As the greater part of the increase in wastage has taken place in the junior and middle ranks (Private to Sergeant and Lieutenant to Major), there will in the future be a lesser pool of soldiers and officers available to choose from for promotion to command positions. In addition to the loss of professional military skills, rank will lose its meaning and leadership quality will wane if too rapid a rise occurs.

3.14 Wastage has resulted in a degradation of the core of experience gained over years of training and exercises. Such experience is neither quickly nor inexpensively replaced but is essential in preparing soldiers for operational leadership. Inexperienced leadership results in lower training standards and ultimately reduced capability. Problems in this area are compounded by the fact that less than nine per cent of the Army has served under active combat conditions. Put simply, the Army



does not have combat experience to fall back on and must instead rely on realistic training over long periods with units at correct manning levels and retaining those so trained.

3.15 The Committee was told that even the Army's front line 1st Division cannot be shielded from those deleterious effects, particularly at the junior officer/NCO/Private levels. Most units in the Division have shortfalls of Captains: the exception is the Operational Deployment Force (ODF), which receives priority. Those shortfalls can induce the early promotion of Lieutenants, an action which in turn not only produces inexperienced Captains but also drives the turnover-posting turbulence-job dissatisfaction cycle among those ranks, with all its concomitant adverse consequences. The situation in the Division is equally unsatisfactory as far as Corporals and Privates are concerned. In 1987 almost 1000 Corporals - about 10 per cent of the Division - left after completing three to six years service. Corporals are a crucial rank in the Division, as it is the NCO who trains the basic corps element and leads it into battle. Professional judgments made to the Committee put the time for a Corporal to become genuinely effective at about six years, and for a Private at three years (Jeffery, Submission, pp S2758-9). Major L.E.J. Appelbee suggested that the turnover of personnel is occurring so quickly in the Army that the essential depth of skills, experience and knowledge is degrading rapidly (Submission, p S662).

3.16 A graphic example of the impact of the loss of experienced personnel on the RAAF was given in the preceding section of this chapter, namely, the reported diminished experience levels in the crucial post of QFI. That particular example clearly illustrates an immediate short-term loss of experience in addition to the long-term consequences for the RAAF's institutional health. A most disturbing assessment on that issue was made by the Acting Director of Air Force Safety during an appearance before the Defence Force Remuneration Tribunal. A

former category 'A' pilot and QFI with some 6,000 hours flying experience over 20 years, that officer told the Tribunal that:

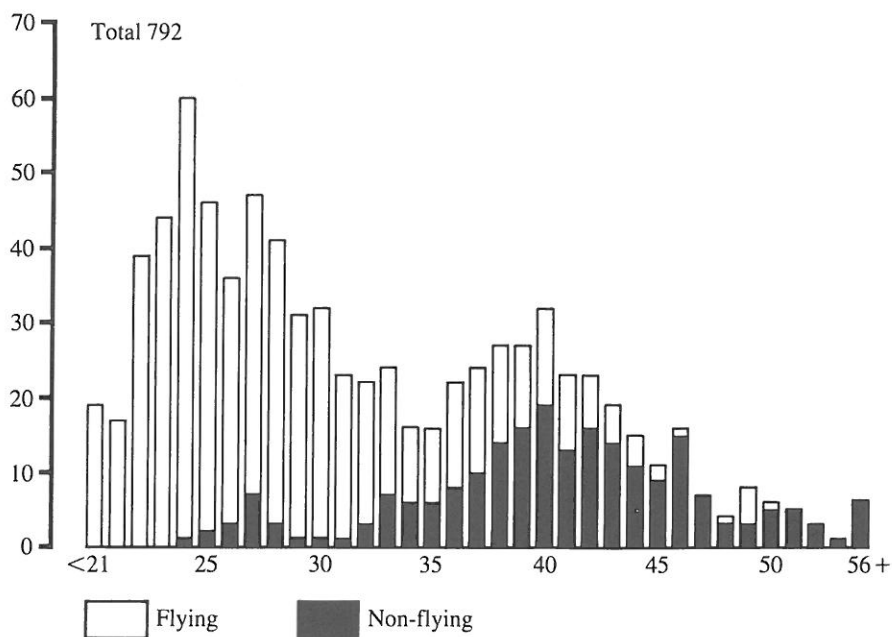
We have had an increasing accident rate in the air force over the last 12 months and especially over the last 6 months. In fact, the first 6 months of this year have been the worst introduction to the year that we have had in the last 20 years ... What we have found ... is that inexperience has been a major factor in aircraft accidents to date ...

I believe that the inexperienced young pilots are not supervised by the older pilots because there are not any, basically. I believe that is the problem (DFRT, Transcript of Proceedings, Flying Allowance, 23 June 1988, pp 921-2, 930).

3.17 The high turnover of professional Air Force engineers also represents a serious experience loss. The effect here, too, is likely to be felt in at least two distinct areas. First and most obvious, the RAAF is dependent on the professional skills of its engineer officers to keep its aircraft flying. Second, RAAF engineers are probably the Service's main contact-level personnel managers because of their supervisory responsibilities in large maintenance organisations. Many comments were made to the Committee about perceived falling standards of leadership and supervision and which related to inexperience (see Appendix 1). Other witnesses suggested that high wastage was damaging the overall proficiency level of technical enlisted staff (Black, Submission p S468).

3.18 Figure 3.1 illustrates very clearly the long-term impact on overall experience levels of high wastage. The histogram groups RAAF pilots by age and employment type. The significant feature is the 'gap' which now exists in the 30-40 year old age group. Because the ADF does not recruit laterally that gap will continue to exist, and will move forward as a deficiency in overall force pilot experience for the next 20 or so years. Regardless of how many pilots are recruited in 1989, 1990 and so

**Figure 3.1 Pilots by Age as at 1 Jan 88 Subgrouped by Employment Type**



Source: RAAF Presentation, Canberra CAE Seminar, 23 Feb 1988

on, in the current 30-40 year old cohorts the RAAF will have fewer experienced pilots to choose from for promotion to senior positions, and fewer to fill other posts in which pilot experience is considered necessary. The 'gap' amounts to an irredeemable long-term experience penalty. It is a penalty which this report has already demonstrated is not confined to RAAF pilots.

### Increased Costs

3.19 It is self-evident that excessive personnel wastage will carry a financial penalty. This section of the report contains a number of estimates of some of those penalties. The figures presented are indicative only, as the Committee received limited data on this subject. We also appreciate that, because the ADF indirectly is a major national vocational training organisation, this issue could be discussed in cost-benefit terms, as much of the training of those who separate continues to benefit the broader community. In that context, the figures used here therefore reflect gross rather than net costs. At the same time, the costs reflect an inefficient 'method' of providing the workforce with civilian skills. The indicative figures also show that excessive wastage is costing the ADF a great deal of money.

3.20 The financial penalty of wastage will vary according to the category of an individual: it costs, for example, about \$0.020M to train a Navy steward over a six year engagement, and about \$2.0M to train an RAAF pilot to operational standard. Given that in the past three financial years 159 more pilots than the long-term average have separated, that category alone has cost the Services in the order of \$318M to train replacements. That sum would be even higher if it included the extra amounts spent on those pilots who entered the RAAF via the RAAF Academy. Further, the figure of \$2.0M might be increased dramatically for a six year career, depending on how costs were attributed and the type of aircraft flown.

3.21 Another high-cost category is the technician and equivalent trades in the RAAF. In a Defence Fellowship study completed in 1978, Squadron Leader M.J. Rawlinson made an assessment of the total replacement cost of an experienced tradesman at unit level. His assessment included as components of that replacement cost the expense incurred during recruiting, recruit training, basic trade training and unit training, and came to a sum in 1988 figures of \$76,399 per person (Rawlinson, 1978, p 236). For the past five years the wastage of technical airmen has been as follows:

1983-84	274
1984-85	343
1985-86	451
1986-87	515
1987-88	559 (Projected as at June)

The fact that the numbers leaving in the past five years have doubled indicates that for this highly-employable group, the RAAF is not as attractive an employer as others. It also indicates that because of high wastage, RAAF technical tradesmen and women are costing the ADF at least \$21.7M more in real terms in 1987-88 than they did in 1983-84.

3.22 For each of the past two financial years Army has lost about an additional 270 recruits above the historical average, which is estimated to cost in the order of \$2.5M annually. Each extra Army recruit costs the nation about \$9,396, as greater numbers of training staff and recruits are absorbed into the 1st Recruit Training Battalion. At the Royal Military College the training rate has reached the capacity of the facilities. An ADFA/RMC graduate costs about \$397,000. The increased officer

wastage in dollar terms for one year (160 officers, 40 per cent of whom are ADFA graduates and 60 per cent RMC graduates) represents a loss of over \$50M (Army, Submission, p S1155). Should it become necessary to extend the facilities at Duntroon to cater for greater training rates, that expense also would be attributable to high wastage.

3.23 Those costs for ADFA graduates relate only to the initial phases of training. Navy made the valid point that even after graduation a Service engineering officer, for example, spends a considerable time in the RAN before becoming effective: the estimate was that in the first 10 years of service, about 70 per cent of that individual's time is likely to be spent in training (Submission, pp S1110-1). The example of the Electronic Technical Weapons System (ETS) tradesman also was cited in view of that highly specialised category's recent annual wastage rate of over 19 per cent. At a total cost of training of \$0.121M per ETS and a training time of 97 weeks over a six year engagement, it was estimated that savings of about \$3.1M could be made each year if the wastage in the ETS category could be returned to historical levels.

3.24 An important final point to be made about training costs is that they extend beyond mere dollars. Increased individual training necessitates the diversion of resources away from operational areas; while the loss of experienced training staff may either lower the training output or necessitate the transfer of experienced operational personnel into training - that is, non-operational - posts. The end result in both cases will be the diminution of the effectiveness of the operational components of the Force.

3.25 Training is only one of the activities in which extra financial costs arise because of high wastage. A second major category is that of additional administration expenses, which are primarily composed of:

a. travel and subsistence for personnel

- (i) leaving the ADF,
- (ii) entering the ADF, and
- (iii) moving as a result of the posting cycle set in train by a separation; and

b. outfitting new ADF personnel.

3.26 In relation to sub-para (iii), it is significant to note that an illustrative study of Army officers showed that a resignation rate of five per cent annually created a need for 15 per cent of the officer strength to be promoted and 'by its very definition, each promotion necessitates a posting' (Peat, Marwick, Mitchell, Review of Australian Defence Force Posting Policies, February 1987, p 19). While not all such postings would involve a removal, the message is clear enough.

3.27 Army calculated that in terms of Travel and Subsistence and outfitting expenses, it costs about \$1,560 to get a female general enlistee to the point of kitting out and about \$1,120 for a male general enlistee. The T&S discharge costs, allowing for subsequent removals generated by the posting chain to replace a discharged member, amount to about \$4,900. Expenses are greater for higher ranks, with the replacement of one Corporal, Sergeant or Warrant Officer Class 2 averaging about \$23,200. Currently about 100 personnel of those ranks above the historical level are leaving the Army, at an estimated annual cost of \$2.3M. Replacement of the additional total Army separations of 714 above the 10-year average in 1986-87 (Defence, Submission, p S1583) is estimated to cost in the order of \$27M for T&S, outfitting and training. Extrapolating those figures very broadly to the RAAF's additional total separations of 265 in 1986-87 (Defence, Submission, p S1584) one could suggest an extra cost there of about \$10M. Navy's total separations in 1986-87 were 14 less than

the 10-year average (Navy's average strength has, however, fallen from 17,427 in 1981-82 to 15,373 in 1986-87 (Defence, Submission, p S1582)).

3.28 Finally, excessive wastage necessarily leads to more money being spent on recruiting. Recruiting costs for the whole ADF have increased in real terms in the past four years by \$2M (Army, Submission, p S1155). That extra money reflects the requirement both for more recruiting staff, and support services such as vehicles, travel, advertising and administration. In its concluding remarks on recruiting, Army stated that they have managed to replace soldier wastage in numbers (but not necessarily in quality) but this replacement of wastage is only achieved at a cost.

3.29 Returning to the point made at the start of this section, in strict financial terms the existing high wastage rates are costing the ADF a great deal of money. Even more disturbing than the financial penalty is the fact that the money diverted to cope with wastage is then not available for operational purposes.

### Training Deficiencies

3.30 High quality and regular training is essential in a peacetime defence force. Without well-trained members a force cannot expect to be effective. Yet realistic training is becoming increasingly difficult in the ADF under the manning constraints resulting from current wastage levels (Army, Submission, p S1148). Lower priority units are established with authorised manning levels which are 'based on a forced compromise' between the manpower available and a personnel strength which - theoretically - permits adequate training. It is clear that in times of high wastage that practice does not work, as units quickly fall below the minimum level needed for effective training. Reduced manning levels give rise to unrealistic



training parameters as, in Army's case for example, formations become easier to manoeuvre, demand less logistic support, generate less firepower, hold less ground, and necessitate an abnormal allocation of duties. As a result incorrect lessons are learned during training exercises (Army, Submission, p S1148; emphasis added). This disturbing consequence of high wastage was brought first-hand to the Committee's attention by platoon and company commanders from operational Regular Army units, as well as in Army's written submission. The Commander of the 1st Division Artillery saw this issue as being of particular significance to junior NCOs and officers, 'as after they qualify for a leadership role they rarely have sufficient men under their command to practice and gain experience' (Dunn, Submission, pp S641-2). Colonel Dunn went on to point out that without troops to lead, the junior officers and NCOs quickly become disenchanted, frustrated and dissatisfied. He also stated that shortages exist even in the 3rd Brigade where some units are at War Establishment strength.

3.31 A further harmful consequence of high wastage on training arises from the increased frequency with which combat soldiers are required to complete extraneous duties such as cleaning, ground maintenance and mess service. The limited number of troops available in combat elements and the continuing demand to complete those extra duties diverts resources from training. Again, this matter was raised regularly during the Committee's visits to Defence establishments (see Appendix 1). An illustrative list of the extra duties assigned to the soldiers of 6 RAR at Table 3.1 gives some indication of the demands made on personnel.

3.32 As well as contributing to unrealistic and unsatisfactory training, high wastage can also adversely affect a training routine by placing excessive demands on instructors. For example, the increased number of soldiers now leaving the Army has contributed to the School of Military Intelligence's requirement

Table 3.1 ILLUSTRATIVE LIST OF EXTRA DUTIES

Serial	Duty	Time Required	Frequency	Manpower	Remarks
1.	Bn Guard	24 hr	Daily	8 men	Bn security
2.	OR's Mess	12 hr	Daily	4 men	Meal preparation, dixie bashing, etc
3.	Officers' Mess	12 hr	Daily	3 men	As per serial 2.
4.	SGTs' Mess	12 hr	Daily	3 men	As per serial 2.
5.	Quartermasters Work Party	8 hr	Mon-Fri	3 men	Stores handling
6.	RSM's Work Party	8 hr	Mon-Fri	3 men	Area maintenance
7.	Driver - Bn	24 hr	Daily	1 man	Duty driver
8.	Driver - Area Med Centre	Permanent Duty		1 man	Permanent detachment
9.	Driver Brisbane Transport Unit	Permanent Duty		2 men	Permanent detachment
10.	Bn Duty Offr	24 hr	Daily	1 man	Control of Bn out of hours spotchecking
11.	Bn Duty Sgt	24 hr	Daily	1 man	As per serial 10.
12.	Bn Duty NCO	24 hr	Daily	1 man	As per serial 10.
13.	Bn Runner	24 hr	Daily	1 man	Phone picquet and runner
14.	Garrison Military Police	Permanent Duty		2 men	Permanent detachment
15.	Garrison Swimming Pool	Permanent Duty		1 man	Permanent detachment 2 mth/yr
16.	Dalziel Club	4 hr	Mon-Fri	4 men	2 mth/yr

NOTE: These figures do not allow for additional garrison duties such as provision of 'one off' workparties, guards or the regular Victoria Barracks Guard.

Source: 6RAR, Submission, p S1777

to conduct an additional Initial Employment Training (IET) course within the Corps each year. Instructors have had to accept a greater workload and other Intelligence courses have been cancelled. Consequently, specialist skills may be diminished, as the Commanding Officer of the School explained:

The 1/88 Interrogation Course was cancelled to allow for the extra IET course. There will be no interrogation course in 1989 for the same reason. This means that there will be a three year gap between the last interrogation course (May 87) and the next (Apr 90). In consequence there will be very few SMI staff (if any) in 1990 who have had experience in conducting an interrogation course (Metcalf, Submission, p S1813).

3.33 The aspect of overloading training staff was raised in a different context by a former RAAF QFI who in his last RAAF post had been training QFIs at the Central Flying School (see Appendix 1). He advised the Committee that in order to try to 'train its way out' of the pilot wastage crisis, the RAAF had increased the number of student QFIs on each course at CFS from 12 to 16. However, the number of instructional staff had remained the same. Workloads inevitably increased sharply. It became difficult to take leave and, in the witness's professional judgment, instructors on occasions were being over-worked. The Committee shares that instructor's reservations concerning the wisdom of tasking flying training personnel at consistently high rates in a peacetime environment. A number of inferences about the impact of this sort of practice on flying safety were made to the Committee, while we have already noted above the Acting Director of Air Force Safety's assessment that 'inexperience has been a major factor in (recent) aircraft accidents'.

3.34 A graphic example of the consequences high wastage can have for training was the RAAF's decision to cancel its Advanced Staff Course in 1989. That course prepares middle-ranking officers for more senior positions, with attendance at it or the Joint Services Staff College generally being a prerequisite for

one-star rank and above. The number of students on the 1988 course had been reduced from the normal 48 to 30, and the cancellation of the 1989 course continues the presumably unavoidable expediency of having to sacrifice long-term training benefits to accommodate a short-term manpower crisis. Air Force has stated that the 15 staff and 30 students who would have been involved with the 1989 course 'would be transferred to fill holes left by those resigning' (The Canberra Times, 10 August 1988, p 3). As a comment on this particular issue, the Committee would point to the fundamental contradiction between the Department of Defence's contention that the ADF's 'real separation rate has been exaggerated' (Submission, p S1549) and the necessity for the RAAF to cancel its premier training course.

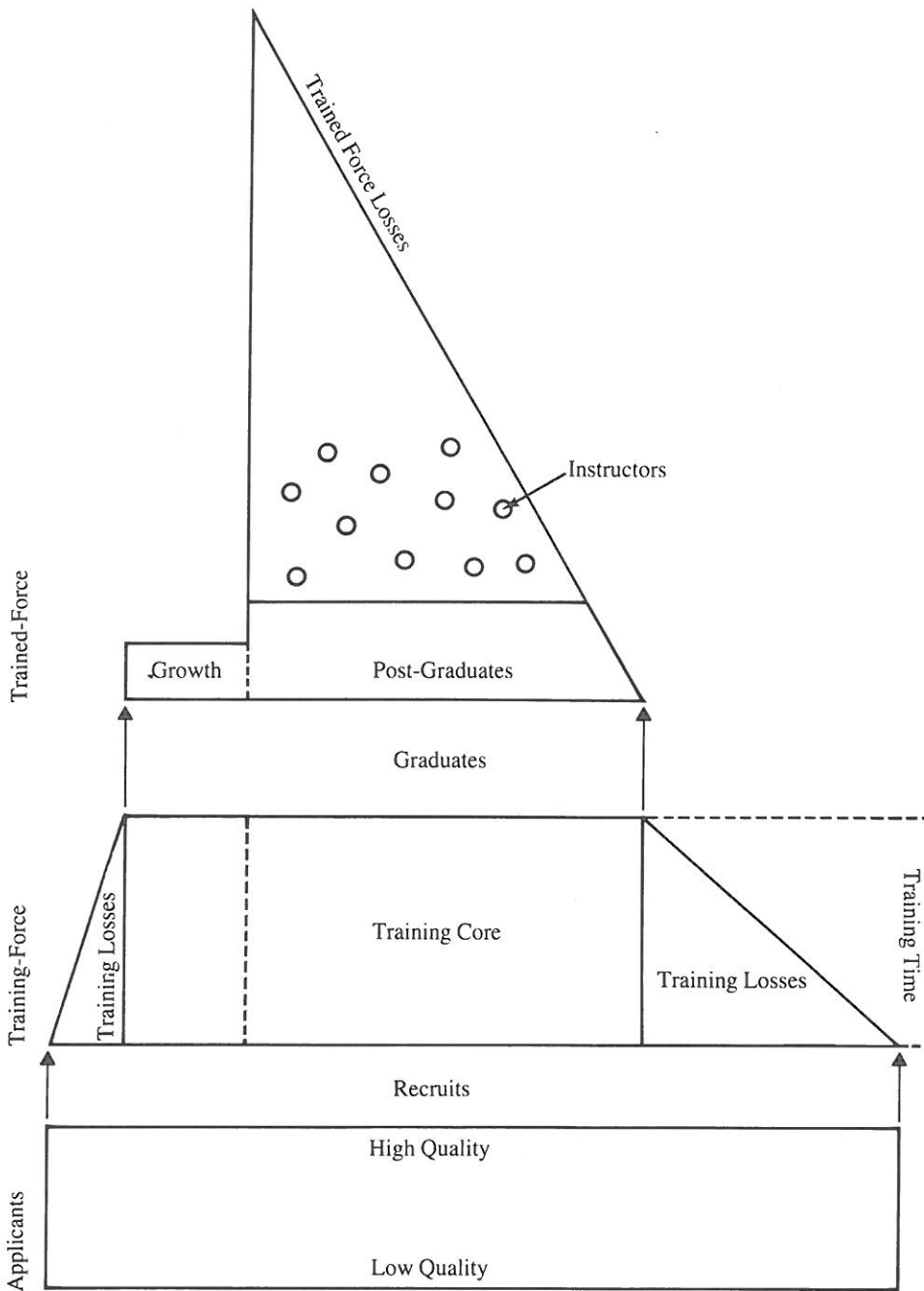
#### Diversion of Manpower

3.35 Increased levels of wastage generate costs not only in terms of the loss of people in whom a valuable investment in training has been made, but also in terms of the requirement to recruit, select and train additional people to replace them. Greater numbers of people and more resources must be taken away from operational and operational support functions and redirected into the recruiting and training tasks.

3.36 A conceptual model for managing Service manpower is illustrated at Figure 3.2. Applicants for the ADF are recruited and progress through the training force into the trained force, with some dropping out during the process. Any growth in or losses from the the trained force are replaced by graduates from the training force, who enter at the lowest ranks and progress via promotion to higher ranks.

3.37 This conceptual model was more or less adopted by the ADF in 1987. As announced in the White Paper, in theory the Force has been divided into two separate components, an 'operational force

Figure 3.2 A Conceptual Model of Service Manpower

Source: Mills, *Submission*, p S90

of trained personnel and a training force which should be varied with rises and falls in separation rates while maintaining the trained force at the strength necessary to meet the objectives set for it by Government' (White Paper, 1987, p 94). The White Paper also acknowledged that with the prevailing higher than normal separation rates, some 'supplementation' of the training component through increased manpower ceilings would be necessary to maintain the trained force at its existing level and capability.

3.38 The division of the allocated manpower into trained and training forces is affected by the following parameters:

- a. the loss rate from the trained force;
- b. any requirement for growth or decrease in the trained force;
- c. the ratio of recruits to graduates; and
- d. the length of training (Mills, Submission, p S91).

Other factors which impact on the effect of trained force wastage include:

- a. the quality of recruits as the recruiting rate is increased;
- b. the length of post-graduate training conducted within the trained force; and
- c. the student/instructor ratios for basic training.

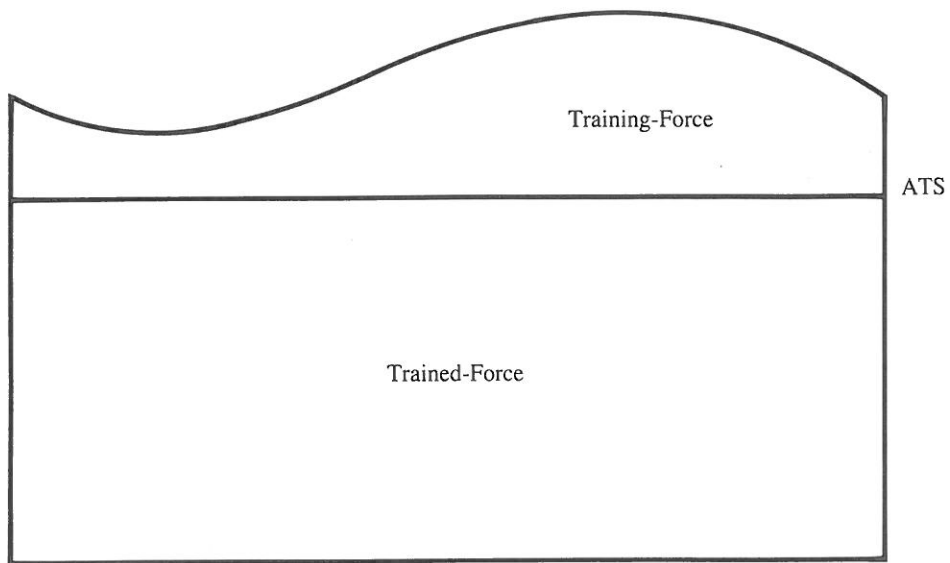
3.39 Assuming a constant Force capability is required, it is relatively straight-forward to determine the manpower needed for a given number of operational units. If those units are to

remain fully manned by trained personnel, then as wastage fluctuates the numbers of trainees, instructors, post-graduates and support staff also must fluctuate. Thus, to maintain a constant Force capability in an all-volunteer Service, the total manpower allocation must fluctuate in direct proportion to the loss rates. Figure 3.3 represents this diagrammatically. Based on the ADF Manpower Statistics issued in May 1988, this principle appears to have been applied only proportionately (Quarterly Progress Statement, May 1988). The additional estimates target average for FY 1987-88 showed an increase of only 86 personnel over the previous target average for the trained force, and an increase of only 106 for the training force. A percentage of the trained force increase presumably will be employed full-time on ab initio instructional duties.

3.40 The 'variable manpower-constant capability' model poses a number of problems when wastage is high. Manpower is an expensive commodity and since loss rates can vary more quickly than budget plans, matching expenditure with estimates can be difficult. Another problem is that of adjusting training rates. Two basic options are available. On the one hand the Services might opt to increase training times and loss rates in order to raise the quality of graduates. Each of those actions will increase costs. Conversely, the Services may opt to reduce training times and failure rates, actions which would decrease the quality of manpower thus reducing Force capability (Mills, Submission, p S103).

3.41 A more subtle factor affecting Force capability is that of the quality of recruits. Potential recruits are graded by ability when they complete pre-entry testing, with those at the lower end of the scale being the last offered a place in the ADF. As losses from the trained force increase, the number of replacement recruits also increases and so the average quality of recruits falls. This is likely to flow-on further as it may become necessary to increase the instructor to student ratio for

**Figure 3.3 Variable Manpower Allocation — Constant Force Capability**



Source: Mills, *Submission*, p S101



poorer quality students, thus diverting more experienced personnel out of the trained force.

#### Reactive Personnel Management

3.42 Personnel and career management in the ADF is regulated by the demands of branch and category structures, the principles of job rotation, the establishment of qualification and time-in-rank criteria for promotion and a structure of trade and promotion courses. High wastage levels 'play havoc with these regulatory mechanisms' (Downes, Submission, p S1515).

3.43 In the first instance, a resignation can itself generate about five more postings. It would be probable that at least one of those 'forced' postings would be incongruent with the wishes of the individual involved, thus possibly precipitating another separation. The process therefore would develop its own dynamic, to the extent that Service personnel managers would be placed in an even more reactive position than is currently the case. It is a prime objective of personnel management to place the most suitable person in the most suitable post, for a sufficiently long period for an effective contribution to be made. Reactive management undermines that objective.

3.44 Similar kinds of pressures also come to bear on promotions and selections for post-graduate training. As Figure 3.1 illustrated with respect to pilots, shortages in junior ranks especially create smaller promotion groups to progress throughout the rank structure of a corps or category. Because of the 'black holes' which are created, there is a greater chance that individuals will be promoted either too soon or beyond their level of competence; while the same circumstances might lead to the selection of lesser performers for valued postgraduate courses.

3.45 Reactive management as exemplified by undesirably high recruiting rates can impact adversely on the career prospects of competent performers. The higher than desired level of recruiting which high wastage forces on personnel managers results in the smaller-sized promotion pool (the 'black hole') being followed by an abnormally large pool, in which competition for promotion, training and attractive billets is intense. People in that group can, however, find their progress blocked by those of lesser ability who have already been promoted from the smaller, preceding pool. This inevitably leads to frustration and dissatisfaction.

3.46 The final point we wish to make on this matter is that reactive personnel management will also affect the personnel managers themselves. High turnover in the personnel branches will be accompanied by all of the adverse effects mentioned above, the end result of which can only be a lesser standard of personnel management across the ADF.

### Morale

3.47 Assessments of morale are subjective. The issue also is one in which it is sometimes difficult to separate cause from effect. Using the personnel wastage example, low morale is likely to increase wastage; conversely, high wastage is likely to lower morale. Regardless of which of those events comes first, the end result is harmful. The process can become even more damaging should the 'demonstration effect' come into force. Confidence in one's own position can be undermined by visible examples of low morale and high wastage, to the extent that more wastage results and so the problem becomes self-sustaining.

3.48 The central importance of morale to a fighting force was clearly presented in Army's submission to this inquiry:

Morale is a state of mind. It is an attitude of confidence and well being in the minds of individuals when they identify themselves with a group and accept group goals. It has often been the quality of morale which has been a deciding factor in battle and is a Principle of War. Morale, firepower and manoeuvre combine to form the basis of combat power. Many factors may influence morale and the most important of these are:

- a. leadership,
- b. unity of purpose,
- c. discipline,
- d. a sense of belonging,
- e. comradeship,
- f. mutual confidence,
- g. dependants' well-being,
- h. job satisfaction,
- i. self esteem,
- j. public image,
- k. Government support,
- l. spiritual belief, and
- m. comfort and welfare.

Morale is an abstract quality for which there is no objective measure in the Army. However, written submissions from two exit surveys currently being run by Army indicate that many soldiers and officers leaving the force are dissatisfied. The high turnover of personnel brought about by high wastage means that members of operational units are not training as a group for as long

as they did in the past. As a result, it is more difficult to mould them into an effective fighting unit. Lack of continuity in training and a lack of confidence in the ability of one's peers to perform their role, as is the case in times of high wastage, will result in decreased morale and a consequent loss of efficiency. The increased demand for training activities to compensate for this lack of continuity places an additional burden on Army's limited budget at a time when due economies must apply. The consequence of high wastage is a lowering of this important combat power component - morale (Army, Submission, p S1154).

3.49 CDF and other senior Defence leaders advised the Committee that in general morale in the Defence Force is 'at least satisfactory and in many cases (is) good' (Evidence, 17 August 1988, p 663). During our trips to Defence establishments we visited units where that undoubtedly was the case. However, based on those visits and the submissions and evidence we received from the Department of Defence and the single Services, and private submissions from senior ADF officers and enlisted personnel, our judgment is that in some areas of the ADF morale is unacceptably low. The reasons for this are discussed in detail in the following chapters.

#### Loss of Operational Capability

3.50 In sum the effects of wastage adumbrated above amount to a loss of operational capability. It is manifestly obvious that the prevailing excessive level of personnel wastage is damaging the organisational health of the ADF. Wastage is undermining the experience and competence levels of personnel. It is impacting on the capacity of the training and personnel management systems to

maintain the Force's integrity. The financial cost arising from the abnormal loss of skilled staff and the increased training effort is enormous. At the psychological level, morale has fallen and the potential has been created for institutional and community polarisation.

3.51 Having reached that conclusion, the Committee would like to emphasise that, in its judgment, the ADF remains a capable organisation, staffed by many high quality and committed individuals. The Force continues to attract praise for its performance in allied exercises. It operates high technology equipment with skill and, as demonstrated by the contingency preparations to evacuate Australians from Fiji in May 1987, can respond rapidly and effectively. Nevertheless, the nation's senior professional single Service military leaders have all acknowledged that the current high wastage rates have reduced capabilities (see Navy, Submission, p S1096; Army, Submission, p S1134; and CAS, in the Sydney Morning Herald, 16 February 1988). These judgments were confirmed by the Chief of the Defence Force when he appeared before this Committee (Evidence, 14 March 1988, pp 44-8). It is clear that, under the existing organisational structure, capabilities will continue to diminish if wastage remains high. The Committee noted with interest the clear distinction drawn by General Gration at a subsequent public hearing between operational 'effectiveness' and 'readiness', with the ADF currently defined as being 'effective' (Evidence, 17 August 1988, pp 667-9). Our interpretation of that distinction is that in a period of intensive capital re-equipment, a particular level of overall Force personnel effectiveness is considered

sufficient. We respect that opinion as representing the ADF's senior professional judgment. At the same time, we would reiterate the crucial point that the lead time for acquiring operationally ready personnel can be just as long as that required to acquire capital equipment.

## CHAPTER FOUR

### POLICY, LEADERSHIP AND MORALE

4.1 This is the first of four chapters which look at measures to reduce wastage in the ADF. Matters of policy, leadership and morale impact on every aspect of institutional activity and are fundamental to the question of wastage. Two current issues make this an area of perhaps even more significance than would normally be the case. The first is the Government's resolve to implement the force structure program detailed in the 1987 Policy Information Paper The Defence of Australia (the White Paper). Given current budgetary restraints, that paper inevitably placed resource management at the forefront, leaving little flexibility for initiatives in other areas. The second issue is that it is now 16 years since Australian forces were withdrawn from Vietnam. Only nine per cent of the Army has combat experience. In such circumstances, it is sometimes difficult for a military force to sustain a sense of identity and value.

#### Policy

4.2 The 1986 Review of Australia's Defence Capabilities by Paul Dibb contained a number of key assessments on defence planning. These were as follows:

- a. Australia faces no identifiable direct military threat. We are one of the most secure countries in the world and there is every prospect that our favourable security circumstances will continue.

- b. There is no conceivable prospect of any power contemplating invasion of our continent and subjugation of our population.
- c. It would take at least 10 years and massive external support for the development of a regional capacity to threaten us with substantial assault, although possibly demanding lower levels of conflict could arise within shorter warning times (Dibb, 1986, p 1).

Dibb went on to point out that his judgments on warning times were central concepts for Australia's defence planning and that they would have to be regularly reviewed and tested.

4.3 Notwithstanding that caveat, Dibb's assessment essentially was that Australia currently enjoys benign strategic circumstances. That assessment was supported in the 1987 White Paper, although it was expressed rather more cautiously (see, for example, pp 19-20 and 25-7).

4.4 Those two major defence planning and guidance documents confirmed the basic approach taken by the Department of Defence for some years of containing personnel and operating costs while emphasising investment in capital equipment and facilities. In a period of assessed low threat and with a new policy information paper to be implemented, circumstances seem ideal to 'replace much of the equipment contributing to fundamental capabilities, acquired in the 1960s, and to develop new facilities directly relevant to the defence of Australia' (Dibb, 1986, p 163). Dibb also determined that the policy of giving priority to the acquisition of equipment and capital works would be further facilitated by the assessment that our 'favourable strategic circumstances' do not require high states of readiness for all elements of the ADF, with the accompanying 'high operating and



personnel costs'. In other words, the time is opportune to emphasise equipment acquisition, the corollary of which is that other major expenditure items - namely, personnel and operating costs - are likely to be constrained. The Minister for Defence acknowledged this in an interview in 1987. In response to the question 'Are the resources required to fulfil the provisions of the 1987 White Paper and the earlier Dibb Report assured in the longer term?' he replied, 'Yes, provided we don't lose our way. We can't afford a single major purchase that would be outside the directions of the White Paper' (International Defence Review, 10/1987, p 1342).

4.5 The Committee supports the re-equipment of the ADF. We believe it is an overdue process, noting that a similar sort of program which flowed on from the 1976 White Paper failed through the combination of unrealistic budgeting and the lack of political will to provide the necessary level of funding. Re-equipment across the three Services is essential to provide Australia with an adequate defence capability. The question, though, is how resources are managed to implement that re-equipment program.

4.6 If a satisfactory balance between expenditure on the major categories of Capital Equipment, Facilities, Personnel and Operating Costs is not maintained then overall ADF capabilities will suffer. In that context, we note the assessment made by the (then) Department of Foreign Affairs in a submission to this Committee in March 1987 that 'The island states (of the South Pacific) are politically stable' (Department of Foreign Affairs, Submission, Inquiry into Australia's Relations with the South Pacific, p S923). We would not suggest that the several graphic instances of political instability which arose shortly after that assessment was made directly threaten Australia's security. They do, however, serve to illustrate the uncertainty of such judgments, which in turn demonstrates the importance of maintaining balanced defence force capabilities. It would be a

most dangerous practice to allow one key element of those capabilities to degrade past a certain level. As an illustration of that observation, we would point to the Chief of the General Staff's decision, made after the August 1988 Federal Budget, to reduce all Army field activity by 10 per cent because of reductions in personnel expenditure and operating costs (Army, 15 September 1988).

4.7 Good, modern equipment will make an important contribution to job satisfaction and morale. However, a policy which can be seen as promoting 'equipment first' can raise perceptions that people are not important; that leadership is insensitive to personnel needs. Plainly such perceptions will lower morale and foster any propensity to resign.

4.8 The Chief of the Defence Force has stated that in the present strategic circumstances of no perceived threat to Australia, the policy of putting maximum effort into modernising and upgrading capital equipment is the correct one. He went on to say:

But we've got to be very careful that we don't hold too tight on the operating costs and the number of people.

If we squeeze the number of people too tight, then we'll simply find that we haven't got enough people to bring the new equipment into service or to man it when it gets there.

If we cut down on operating costs and hence readiness, we are likely to affect the long term balance of the Defence Force (The Australian, 13 May 1988).

The Australian's correspondent then added:

General Gration said he believed that although the balance was still right, personnel numbers and operating costs were getting near the floor. Some critics suggest that they are through the floor.

4.9 A substantial number of the critics who believe that personnel and operating costs are already 'through the floor' are

current or recently-retired Service men and women. The most forceful expression received by this Committee was the RAN's statement that their Authorised Average Strength (AAS) in April 1988 was 500 too few, and that over the period of the current FYDP a total of 1,200 additional personnel is needed (Navy, Submission, pp S1097-8). That shortage was linked to the resource management program contained in the White Paper:

The policy information paper 'The Defence of Australia 1987', presented to Parliament in March 1987, gave a clear exposition of defence policy and is fully supported by Navy. The force structure planned for the Navy is seen by all concerned to be sound and to promise a service which will continue to provide worthwhile careers for its members. However, there is concern that the present personnel shortages will limit this development (Navy, Submission, p S1103).

A similar analysis of current defence policy was presented by Brigadier D.A. Formby, who commented on the adverse effects any over-emphasis on capital expenditure can have on morale and, consequently, force capabilities (Submission, p S1648). His belief that people are being ignored at the expense of hardware was shared by, among others, Lieutenant Colonel M.C. Morrison (Submission, pp S214-5) and Captain R.J. Bayley (Submission, pp S266-70).

### Expenditure and Staff Ceilings

4.10 The allocation of resources is a fundamental element of policy. For this inquiry the key relationship is the one between expenditure on personnel costs and investment items. Table 4.1 shows that over the past 10 years there has been a significant change in expenditure as a percentage of the total defence budget on those items, with Investment (Capital Equipment and Facilities) growing from 18.2 per cent to 29.6 per cent, and Personnel decreasing from 54.3 per cent to 42.2 per cent (Budget) after reaching a low of 40.9 per cent in 1986-87. Those percentages, however, need not in themselves convey an accurate

Table 4.1: EXPENDITURE ON DEFENCE FUNCTION 1977-78 TO 1987-88: MAJOR CATEGORIES AS A PERCENTAGE OF TOTAL

Expenditure Category	<u>1977-78</u> %	<u>1978-79</u> %	<u>1979-80</u> %	<u>1980-81</u> %	<u>1981-82</u> %
Investment	18.2	19.3	19.7	19.6	16.9
Personnel	54.3	52.9	50.6	49.6	54.2
Other Operating Costs	26.5	26.9	28.8	29.7	27.9

NOTE: excludes Defence Cooperation costs.

Expenditure Category	<u>1982-83</u> %	<u>1983-84</u> %	<u>1984-85</u> %	<u>1985-86</u> %	<u>1986-87</u> %	BUDGET <u>1987-88</u> %
Investment	21.8	26.6	30.2	30.8	32.3	29.6
Personnel	49.9	46.6	43.7	43.4	40.9	42.2
Other Operating Costs	28.3	26.8	26.1	25.8	26.8	28.3

Source: Defence Reports, 1977-88

picture as they do not directly express such variables as the real value of the defence budget and numbers of staff. Tables 4.2 to 4.8 address that aspect.

4.11 The Tables are designed to show trends in the pattern of defence outlays over the period 1975-76 to 1986-87 and fall into two main categories. Tables 4.2 to 4.4 identify relative trends in the outlays on ADF salaries as against outlays on new capital equipment. Tables 4.7 and 4.8 take a broader view of defence expenditure, showing relative movements in recurrent versus capital outlays for the defence portfolio as a whole.

4.12 Table 4.2 shows expenditure on ADF salaries and new capital equipment in actual dollar terms. Table 4.3 shows the same expenditure in constant 1986-87 prices. The implicit gross non-farm product price deflator has been used for the purpose of deriving the constant dollar values. Table 4.3 clearly shows the rapid increase in real expenditure on new capital equipment for the ADF. Real expenditure on ADF salaries and allowances, on the other hand, can be seen to have risen from the mid-1970s, reaching a peak in 1981-82, after which it began to decline.

4.13 These trends are emphasised in Table 4.4. The rapid growth in expenditure on new capital equipment has taken those outlays from 7.1 per cent of total defence outlays in 1975-76 to 25.7 per cent in 1986-87. Outlays on ADF salaries and allowances, however, have declined as a proportion of total defence outlays from 37.5 per cent on 1975-76 to 26.5 per cent in 1986-87.

4.14 Those Tables show that between 1975-76 and 1980-81, expenditure on both ADF manpower and new capital equipment increased in real terms, although expenditures on capital equipment increased at a much faster rate. The year 1981-82 is somewhat unusual, in that there was a sharp reduction in outlays on new capital equipment, matched by a significant increase in ADF salaries and allowances. Since 1981-82, real expenditure on

Table 4.2  
EXPENDITURE ON DEFENCE FUNCTION: 1975-76 TO 1986-87  
(\$m)

YEAR	ADF SALARIES AND ALLOWANCES	NEW CAPITAL EQUIPMENT FOR DEFENCE FORCE	OTHER	TOTAL EXPENDITURE ON DEFENCE FUNCTION
1975-76	729.6	138.2	1,075.4	1,943.3
1976-77	797.2	267.3	1,190.2	2,254.7
1977-78	868.0	295.3	1,307.7	2,471.0
1978-79	918.5	383.4	1,394.6	2,696.5
1979-80	1,029.3	457.2	1,626.1	3,112.6
1980-81	1,190.4	517.3	1,951.3	3,658.9
1981-82	1,563.4	454.5	2,246.2	4,264.0
1982-83	1,630.7	752.0	2,557.0	4,939.7
1983-84	1,665.1	1,111.7	2,760.8	5,537.6
1984-85	1,746.7	1,503.5	2,979.1	6,229.2
1985-86	1,945.8	1,724.3	3,312.0	6,982.1
1986-87	2,005.7	1,945.2	3,627.1	7,578.0

Sources: Tables 4.2-4.8 are based on data in Department of Defence - Australian Defence Report. Various years.

Deflators are taken from Australian Bureau of Statistics: Quarterly Estimates of National Income and Expenditure: Australia. June 1987, Cat. No.5206.0.

**Table 4.3**  
**REAL EXPENDITURE ON DEFENCE FUNCTION: 1975-76 TO 1986-87\***  
 (\$m)

YEAR	ADF SALARIES AND ALLOWANCES	NEW CAPITAL EQUIPMENT FOR DEFENCE FORCE	OTHER	TOTAL EXPENDITURE ON DEFENCE FUNCTION
1975-76	1,872.4	354.7	2,759.9	4,987.3
1976-77	1,838.2	616.4	2,744.4	5,199.0
1977-78	1,849.0	629.0	2,785.6	5,263.5
1978-79	1,834.0	765.5	2,784.6	5,384.1
1979-80	1,870.7	830.7	2,954.6	5,655.6
1980-81	1,955.7	849.8	3,205.7	6,011.0
1981-82	2,300.2	668.7	3,304.7	6,273.4
1982-83	2,161.2	996.6	3,388.8	6,546.6
1983-84	2,049.8	1,368.5	3,398.6	6,817.0
1984-85	2,021.5	1,740.0	3,447.8	7,209.2
1985-86	2,102.0	1,862.7	3,577.8	7,542.5
1986-87	2,005.7	1,945.2	3,627.1	7,578.0

\* Shown in constant 1986-87 prices

**Table 4.4**  
**EXPENDITURE ON DEFENCE FUNCTION: 1975-76 TO 1986-87**  
**(%)**

YEAR	ADF SALARIES AND ALLOWANCES	NEW CAPITAL EQUIPMENT FOR DEFENCE FORCE	OTHER	TOTAL EXPENDITURE ON DEFENCE FUNCTION
1975-76	37.5	7.1	55.4	100.0
1976-77	35.3	11.8	52.9	100.0
1977-78	35.1	11.9	53.0	100.0
1978-79	34.2	14.3	51.5	100.0
1979-80	33.1	14.7	52.2	100.0
1980-81	32.5	14.1	53.4	100.0
1981-82	36.7	10.7	52.6	100.0
1982-83	33.0	15.2	51.8	100.0
1983-84	30.1	20.1	49.8	100.0
1984-85	28.0	24.1	47.9	100.0
1985-86	27.9	24.7	47.4	100.0
1986-87	26.5	25.7	47.8	100.0



ADF salaries and allowances has actually declined while expenditure on new capital equipment has continued to increase markedly, implying some degree of substitution of new capital expenditure for expenditure on manpower.

4.15 The above conclusions can be confirmed to some degree by Table 4.5 which shows the number of permanent ADF personnel over the period 1975-76 to 1986-87. The Table shows the gradual increase in the number of permanent personnel from 1975-76 to 1981-82, followed by a decline in numbers from 1981-82 to 1986-87.

4.16 Table 4.6 shows various measures of real expenditure on new capital equipment for the ADF. In Table 4.3, new capital expenditure was deflated using the gross non-farm product deflator. This implies that the cost of new capital equipment is increasing at the same rate as domestic prices. This is unlikely to be the case, as much of our defence equipment is imported and, with the depreciation of the exchange rate over the period in question, import prices are likely to have increased more rapidly than domestic prices. This could explain to some extent the need to increase expenditure on such equipment. As Table 4.6 shows, when new capital outlays are deflated using the import price index, the rate of real new capital acquisition is slightly lower than that derived by deflating with the gross non-farm product deflator. Nevertheless, even using the import price deflator, the increase in real new capital expenditure over the period in question is still very large.

4.17 Tables 4.7 and 4.8 show the total recurrent and capital outlays of the defence portfolio as a whole. It can be seen that the greater portion of defence outlays is recurrent expenditure. Even in 1986-87, recurrent outlays exceeded capital outlays in the ratio of 2 to 1. However, Tables 4.7 and 4.8 again show the rapid increase in capital expenditures relative to recurrent expenditures over the period in question. As Table 4.8

Table 4.5  
PERMANENT ADF PERSONNEL

1975-76	68,774
1976-77	70,081
1977-78	69,870
1978-79	70,198
1979-80	71,531
1980-81	72,518
1981-82	73,185
1982-83	72,782
1983-84	71,642
1984-85	71,382
1985-86	70,049
1986-87	70,761

**Table 4.6**  
**ADF NEW CAPITAL EQUIPMENT**

Year	Actual Value (\$m)	Deflated by Gross Non-Farm Product Deflator	Deflated by Import Price Index
1975-76	138.2	354.7	414.1
1976-77	267.3	616.4	692.5
1977-78	295.3	629.0	670.2
1978-79	383.4	765.5	791.5
1979-80	457.2	830.7	804.2
1980-81	517.3	849.8	834.8
1981-82	454.5	668.7	708.1
1982-83	752.0	996.6	1,075.4
1983-84	1,111.7	1,368.5	1,559.4
1984-85	1,503.5	1,740.0	1,917.8
1985-86	1,724.3	1,862.7	1,892.1
1986-87	1,945.2	1,945.2	1,945.2

**Table 4.7**  
**EXPENDITURE ON DEFENCE FUNCTION: 1975-76 TO 1986-87**  
**(\$m)**

	RECURRENT			CAPITAL		
YEAR	TOTAL (a) SALARIES, ETC.	RUNNING (b) COSTS	TOTAL	EQUIPMENT (c)	LAND/ BUILDINGS (d)	TOTAL
1975-76	1,120.2	541.0	1,661.2	162.1	119.9	282.0
1976-77	1,232.1	607.6	1,839.7	289.0	126.1	415.1
1977-78	1,343.5	672.5	2,016.0	325.6	120.4	446.0
1978-79	1,423.2	748.3	2,171.5	417.0	97.7	514.7
1979-80	1,571.7	923.9	2,495.6	509.9	102.5	612.4
1980-81	1,815.6	1,124.8	2,940.4	585.1	133.3	718.4
1981-82	2,310.9	1,231.3	3,542.2	533.6	188.2	721.8
1982-83	2,466.1	1,399.3	3,865.4	859.1	217.5	1,076.6
1983-84	2,576.3	1,487.9	4,064.2	1,213.4	262.4	1,475.8
1984-85	2,720.7	1,627.4	4,348.1	1,613.9	270.0	1,883.9
1985-86	3,024.8	1,802.5	4,827.3	1,841.8	313.1	2,154.9
1986-87	3,090.7	2,033.2	5,123.9	2,055.3	398.9	2,454.2

(a) Defence Force salaries and allowances; Civilian salaries, wages, etc.; Defence Force retirement and death benefits.

(b) Administrative expenses and other services; Replacement equipment and stores; Repair and overhaul of equipment; Repair of buildings and works; Defence Co-operation expenditure; Rent.

(c) New capital equipment for ADF; Machinery, plant and equipment for Defence Central and Office of Defence Production.

(d) Buildings and works; Building consultants under DHC control; Acquisition of sites and buildings; Advances to States under Commonwealth-State housing agreements.

**Table 4.8**  
**REAL EXPENDITURE ON DEFENCE FUNCTION: 1975-76 TO 1986-87**  
**(\$m)**

YEAR	RECURRENT			CAPITAL		
	TOTAL SALARIES	RUNNING COSTS	TOTAL	EQUIPMENT	LAND/ BUILDINGS	TOTAL
1975-76	2,874.9	1,388.4	4,263.3	416.0	307.7	723.7
1976-77	2,841.0	1,401.0	4,242.0	666.4	290.8	957.2
1977-78	2,861.8	1,432.5	4,294.3	693.6	256.5	950.0
1978-79	2,841.7	1,494.1	4,335.8	832.6	195.1	1,027.7
1979-80	2,855.8	1,678.7	4,534.5	926.5	186.2	1,112.7
1980-81	2,982.8	1,847.9	4,830.7	961.2	219.0	1,180.2
1981-82	3,399.9	1,811.6	5,211.5	785.1	276.9	1,062.0
1982-83	3,268.3	1,854.5	5,122.9	1,138.6	288.3	1,426.8
1983-84	3,171.5	1,831.6	5,003.2	1,493.7	323.0	1,816.8
1984-85	3,148.7	1,883.4	5,032.2	1,867.8	312.5	2,180.3
1985-86	3,267.6	1,947.2	5,214.7	1,989.6	338.2	2,327.9
1986-87	3,090.7	2,033.2	5,123.9	2,055.3	398.9	2,454.2

illustrates, although total manpower costs again peaked in real terms in 1981-82, other running costs have increased steadily over time, such that total recurrent outlays have remained relatively stable in real terms throughout the 1980s.

4.18 The significant factor as far as wastage is concerned is that Tables 4.2 to 4.8 confirm that since 1981-82 there has been a degree of substitution of new capital expenditure for expenditure on manpower. The conclusion here is that the Government has a strong interest in containing both wages and staffing establishments in the ADF and the Department of Defence, and those are consequences which will impact on wastage.

4.19 Based on adjustments which have been made to the Defence budget in recent years, even greater strains may be placed on the personnel resource. The 1986-87 Forward Estimates reflected a planning base for the current FYDP of an annual real rate of increase of three per cent. Within the Budget context that figure subsequently changed to two per cent, a dubious one per cent, and minus one per cent. Following the May 1988 Economic Statement the Minister for Defence announced that Defence spending would increase by half a per cent in 1988-89, with 'continued growth in defence spending over (the) coming years (of) one per cent in 1989-90 and two per cent in subsequent years' (News Release No 87/88). In dollar terms the Minister's statement means there will be a \$69M cut from the Forward Estimates for 1988-89, \$145.8M from 1989-90, and \$155.3M from 1990-91.

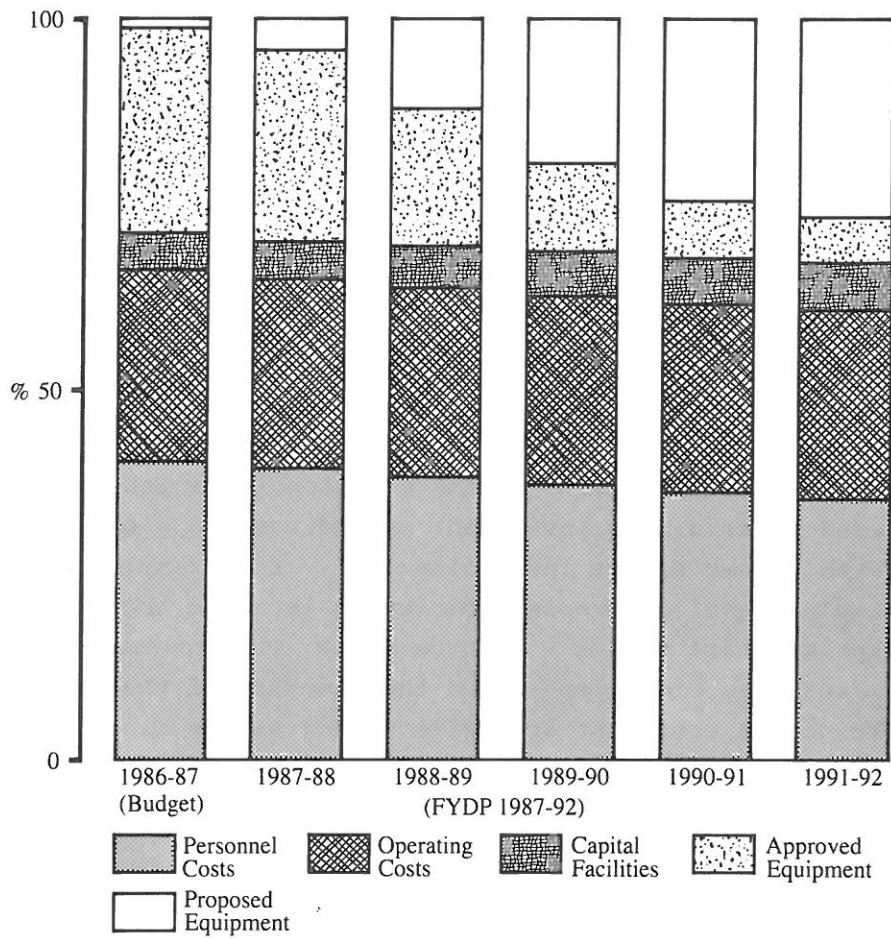
4.20 However, the Minister has been able to offset those cuts by effecting internal efficiency savings which serve to subsidise capital procurement expenditure. Those savings essentially arise from the rationalisation of staff resources through the implementation of organisational restructuring, improved management procedures, the civilianisation of some positions and the removal of inefficient work practices. Examples cited by the

Minister include savings in Defence production facilities equating to a half a per cent rate of real increase in defence outlays, and a one per cent saving from the merging of the Departments of Defence Support and Defence. In line with the Government's policy of containing growth in the Australian Public Service, the Department of Defence has actively pursued a program of reducing civilian numbers. Civilian fulltime staff fell from 38,102 to 36,357 during 1986-87 (Defence Report, 1986-87, p 37) and are targetted to be further reduced to 33,787 in the current financial year (News Release, No 151/88). At the same time, the Committee is concerned that the ADF is having to absorb additional costs associated with the imposition of charges such as the fringe benefits tax, hiring civilian guards, and so on.

4.21 There are limits to the efficiencies which can be effected to subsidise investment expenditure in a military force, as certain 'war effort inefficiencies' - for example, a particular level of excess capacity to increase the production of weapons at short notice - must be borne. The Government's estimates also are dependent on the accuracy of the costing which underpins the equipment acquisition program: as Figure 4.1 shows, by FY 1991-92, the proportion of expenditure on proposed equipment is a dominant feature.

4.22 The real issue here is that personnel resources can be squeezed only so far before dysfunctional consequences develop. If wastage were at a manageable level then it is probable that the overall Defence program could be implemented under constrained establishments. However, high wastage undermines experience and continuity and places increased stress on those who remain. It may be the case, of course, that prevailing high demands on individuals, which in part relate to manpower shortfalls, are a major factor in wastage in the first place. Whatever the sequence of events may be, the process is likely to develop its own dynamic.

**Figure 4.1 Projected Defence Expenditure by Major Category as a Percentage**



Source: *The Defence of Australia*, 1987, p 106



4.23 CDF advised the inquiry that in some areas the more experienced people are having to work harder because of 'tight' manpower ceilings and agreed that this situation has a linkage to resignations. He also argued that the extent of that linkage should not be overstated (Evidence, 17 August 1988, p 667).

4.24 Many submissions suggested that 'more is being asked from less' as the personnel resource is continually squeezed by high wastage and staff ceilings. The connection between this demand and the capital equipment program was in fact acknowledged by the Department of Defence in the Agreement Between the Commonwealth and the Australian Defence Force for the Second Tier Salary Claim of 10 March 1987, in which it was stated in Attachment 9 that:

There are substantial shortfalls in military manpower available because:

- a. expenditure has been focused on new capital equipment necessitating constraint in personnel costs; and
- b. levels of Government tasking have, in some circumstances, increased.

One interesting example cited in the Agreement to justify the second tier claim related to the work practices of QFIs at the RAAF's No 1 Flying Training School:

Aircraft are no longer launched or recovered by a flight line crew. The instructor now performs those functions, eg D Servicing (pre- and post- flight, chocks, strapping and parking (marshalling), and thus has taken on additional tasks and responsibilities while still being fully responsible for the safety and conduct of the training mission (Attachment 6).

4.25 The example from No 1 FTS is one primarily of adjusting work practices to conserve resources: presumably the change was motivated in part by the need to release flight line crew for other duties. Wing Commander G.F.Bates informed the inquiry of a

different kind of example in which seemingly unreasonable demands on personnel were initiated by the combination of the introduction of new equipment, staff ceilings and increased levels of tasking. At the time Bates was an Engineering Officer at RAAF Williamtown:

This was a period of intense pressure because the RAAF was required to introduce a new aircraft with no decrease in effort for the existing Fighter force. Furthermore, the resources available to undertake this task were grossly inadequate as manpower was being milked from the Mirage element to feed the advanced training requirement for the Hornet. Concurrently, facilities were contracting as demolition and rebuilding progressed on site. The flying commitment was increased to adjust for pilot demands and Engineer manning was critical. The throughput for my compliment of four subordinate officers was about 17 in two years (including relief and supernumery manning). In my subsequent appointment at Williamtown, being responsible for a workforce of over 400 personnel and the maintenance of 59 jet aircraft, I worked extensively in my own time to produce a paper to prevent the reduction of my officer compliment from 9 to 6 as part of a RAAF-wide initiative introduced to redress the critical manning of Engineers by arbitrarily reducing their establishment (Bates, Submission, p S2190).

4.26 The Committee would also draw attention to the ADF's argument presented to the DFRT for the July 1987 Service Allowance case that the average weekly hours worked in the Force are 52.8. As a final significant comment on this matter, we refer to Major General P.M. Jeffery, who advised the inquiry that in his view, the Regular Army is undermanned to meet the Government's requirements:

I estimate we are doing a 38,000 man task with a 32,000 man Army. The situation is exacerbated when high wastage rates force others to absorb a greater workload by working longer hours and accepting a degree of responsibility beyond their rank and experience level (Submission, p S2759).

4.27 It is also noteworthy that this situation exists at a time when, according to the Chief of the General Staff, Army

activity rates 'are as high as they have been at any time in my Army career, including Vietnam' (Evidence, 6 July 1988, p 551).

4.28 The implications of the relationship between budgetary allocations, tight manpower ceilings and high wastage are clear. It is a relationship which, in the current circumstances, acts as a catalyst for more wastage. The relationship therefore both jeopardises the capital equipment program and contributes to the current run-down of personnel experience levels and, consequently, the diminution of force capability. To redress this situation it will be necessary, first, to arrest wastage and, second, to set realistic staffing levels. Arresting wastage is the more important of these measures as the retention of experienced, high quality people is essential: in the short- to medium-term, increased ceilings will not resolve that central problem. In the meantime the dynamics of the relationship mean that wastage will continue to create more wastage.

4.29 The Committee believes that the best chance of reducing wastage to manageable levels lies with the implementation of the recommendations contained in this report. The majority of those recommendations are 'low-cost' items and could be easily accommodated within existing budgetary allocations. Exceptions might arise from recommendations related to pay and the Service Allowance (see Chapter 7); however, as we illustrated in Chapter 3, there are enormous savings to be made should wastage be restored to historical levels.

4.30 Increased staff ceilings could present a more knotty problem for government as any such decision would entail a change of policy, as well as either budgetary reallocations or increases, or adjustments to the re-equipment program. The Committee would not favour the latter course: we have already made clear our view that re-equipment of the ADF is essential to provide Australia with an adequate level of defence.

4.31 For some years funding of defence has been steady at about three per cent of GDP and 9.5 per cent of Budget outlays, although for 1988-89 the estimated outlays are 2.4 per cent and 9.3 per cent respectively (News Release, No 151/88). The Minister for Defence has implied that he sees little prospect of that allocation changing (The Australian, 13 May 1988). It may be that continuing staff rationalisation and organisational efficiency initiatives will enable the Government to increase Service personnel establishments without increasing expenditure. There is also the perennial question of the over-staffing of officers at Russell Offices: this issue was highlighted in our 1987 report on The Management of Australia's Defence (pp 176-84) and has again been brought to notice in this inquiry by the Australia Defence Association (Submission, pp S333-41). Without question there is considerable scope for savings from that area.

4.32 Regardless of the outcome of any rationalisation of Service personnel employment, it is clear that a relaxation of staff ceilings will be an integral component of any long-term strategy designed to control wastage. If that policy adjustment were to involve additional funding and accordingly were rejected for that reason, constrained staff ceilings will continue to contribute to personnel wastage.

4.33 The Committee recommends that the Government take action to provide satisfactory levels of staffing in the ADF.

#### Civilianisation of Manpower

4.34 One of the measures introduced by the Government to restrain overall expenditure on personnel is the 'civilianisation' of manpower. This strategy is intended to achieve a more integrated and flexible personnel resource by employing civilians to perform some tasks currently completed by the military. Uniformed personnel are therefore released for

other tasks. The exercise is also believed to save money: the costs associated with civilian staff were assessed by the Efficiency Scrutiny of Australian Defence Force Wholesale Warehouse Manning (March 1987) as about \$8,500 per annum less per member. The Department of Defence expected to save in net terms \$1.8M in 1987-88 and \$7.3M in each of 1988-89 and 1989-90 through civilianisation.

4.35 While the civilianisation policy may seem attractive, the Committee believes it may contain hidden costs which could impact on ADF wastage. Service wastage rates tend to be greatest in high technology categories with direct civilian equivalents. Personnel from those categories also are among the most expensive to train. If those sorts of positions are selected for civilianisation, and given the high mobility of the people concerned, it is not unlikely that the Services will find themselves hiring their ex-apprentices and tradesmen, whom it has already paid to train. Further, the extensive use of civilians can reduce a military force's flexibility. Civilians cannot be tasked with secondary duties, told to work as and when required, or relocated to suit Service needs to possibly unattractive jobs and localities. All of those limitations undermine any savings which an analysis based only on financial costing may suggest will be made. A practical illustration of this point was provided by Group Captain D. Edwards, who cited the example of the introduction into RAAF service at East Sale of the Pilatus PC-9 aircraft. When Edwards received advice that the PC-9 would initially be maintained on his base by civilian technicians he commissioned an economic study of the proposal. That study showed that the hourly costs associated with civilian technicians would be 50 per cent more than for RAAF ground crew (Edwards, Submission, p S2772). Basically this was because the RAAF technicians work longer weekly hours for less pay.

4.36 The matter of relocation is likely to become increasingly relevant as more of the ADF deploys to the north of

the continent. Deployments involving those sorts of distances can also highlight another difficulty which civilian substitution can cause. During the Falklands War an urgent need arose in the British forces for metal turning skills following successful attacks on warships by the Argentine Air Force. All of those positions, however, had been civilianised, and the tradesmen were over 9,000 kilometres away from where they were needed (Downes, Submission, p S1486).

4.37 Civilianisation can also affect the quality of postings available to Service personnel. A good example which bears very strongly on decisions to resign is the RAN's ship-to-shore posting system, in which a ratio of three years at sea and three years on shore is sought. If civilians are substituted in shore billets, the desirable ratio will be reduced, with obvious adverse consequences for family life. The Committee has in fact been notified of dissatisfaction with the sea/shore ratio, and believes that increased civilianisation could exacerbate an already sensitive matter.

4.38 The final point on which we would caution against any widespread substitution of civilian for military manpower is the invidious comparisons which inevitably will arise over the two different employment systems. The relative hardships and extra duties which are imposed without question or (by civilian standards) compensation on the Services can become a source of dissatisfaction when those differences are visible on a regular basis. One area where this already happens is in Naval dockyards, and Leading Seaman P. Norris, for example, commented on the influence this has on wastage (Submission, p S1088). The same point was made by Commander J.W. Leech (Submission, p S1433) and Group Captain D. Edwards. Edwards' reported experience with the PC-9 aircraft encapsulates this whole issue. Continuing with his comparison of civilian and Air Force technicians, he advised the Committee that:

It was also known that any civilian contract personnel travelling off-base on deployments with the PC-9 would receive an allowance of \$200 per day. Finally, the fact that these people would receive pretty handsome overtime payments for the sort of exertion now routine for Air Force technicians was noted in the study. The results of the review were sent to Command HQ and the case against the civilian contract strongly supported.

What happened thereafter is not easy for me to trace. Suffice to say, the word came down that that was how it was to be and get on with implementation.

When the decision was relayed to the RAAF groundcrew a number of pertinent questions were asked:

Why don't they hire civilians to guard the main gate and thus increase the availability of technician hours on the flight line? Why, if civilian maintenance was inevitable, was it not directed at the older types, permitting RAAF people to stay up with the latest in technology? If we are to be the ones to maintain combat aircraft in actual operations, why are we relegated now? One of the hardest things for the troops to have to come to grips with was that hangar workspace and accommodation was prepared for the civilian workers which was of far higher standard than they had to tolerate. They felt this to be assignment of second class status (Edwards, Submission, p S2773).

4.39 The Committee is concerned that a program of civilianisation of manpower conducted primarily on the basis of perceived cost savings may diminish the operational capability of the ADF and contribute significantly to levels of posting turbulence and job dissatisfaction among Service men and women. The program should not be used as a short-term expedient at the expense of maintaining the proper levels of military manpower.

4.40 The Committee recommends that the Minister for Defence review the civilianisation of manpower program on the basis of its likely effect on personnel wastage and force capability.

### Leadership and Morale

4.41 Since World War 2 the Australian Defence Force has been engaged in a number of overseas defence operations including those in Japan, Korea, Malaya, Borneo and Vietnam. It is now some 16 years since Australian forces were withdrawn from Vietnam - a period of extended peace to which the ADF has made a significant contribution - and the experience is something of a new one. There is a natural tendency for Defence personnel to question their role in society when the fundamental rationale for a defence force - extended peace - is actually achieved. Indeed, soldiers may not only question their utility to society but also often feel under pressure to justify their existence and values. In those circumstances someone who is considering resignation may tend to choose a position in which he does not face apathy or even hostility towards his chosen profession.

### Public Perception and Self-Esteem

4.42 The Committee believes it is important to place on record an acknowledgment of the essential contribution made to the community by the ADF. Members of the Defence Force contribute significantly to regional stability, the law and order of the nation, the maintenance of national prosperity and trade, and the protection of valuable off-shore assets. During emergencies such as bushfires, cyclones and similar natural disasters, it is the ADF to whom the community turns for a vital proportion of the support effort. There are many more contributions which the ADF makes to Australian society, a number of which, like those mentioned, involve considerable danger, personal inconvenience and hardship for Defence personnel. Finally, the fundamental reason for the existence of a defence force requires its members to be ready to risk their lives at any time to protect their community. The Committee unreservedly endorses the sentiment



expressed to the inquiry that 'Any thinking member of Society should regard the ADF as a special and highly respected sub-group in our community' (Quick, Submission, p S2345).

4.43 That sentiment regrettably does not seem to have wide currency. Releasing the results of an ANOP survey on public attitudes towards defence in January this year, Mr Beazley placed some emphasis on the finding that 95 per cent of Australians 'want a permanent Defence Force maintained' (News Release, No 9/88). We would suggest that any other conclusion would have been rather startling, and believe that ANOP's other findings that 'just over half of the community feels that Australia could not defend itself effectively' and 'only 12 per cent of young people say they definitely or probably would enlist in the Defence Forces' more accurately represent community attitudes. A Newspoll commissioned by The Australian in May 1988 found that almost 66 per cent of Australians 'feel our defence forces are inadequate to defend our national interests ... these results (were) consistent with surveys in May 1986, May 1987 and October-November 1987'. A more encouraging finding came from a poll conducted by Frank Small and Associates which showed that just over 63 per cent of respondents felt that the ADF plays a useful role during peacetime, although the same poll showed a 'widespread lack of understanding of defence and foreign policy' (The Canberra Times, 7 June 1988). The apathy towards or ignorance about the ADF which those polls indicate broadly exists can be overlain by, in our opinion, ill-considered criticism over such issues as the acquisition of land for bases or training (characterised as 'land-grabs') or essential operational exercising ('expensive war games').

4.44 Submissions received by this inquiry suggest that the cumulative effect of those attitudes has been a significant loss of self-esteem for many Service members. This was a factor identified as crucial to decisions to separate by members of all three Services through the range of rank levels. Comments such as

'not seen as useful', 'not appreciated' and 'second class citizens' abounded:

The profession of arms and soldiering were once honourable pursuits and Australia's soldiers, whether reserve or regular, were held in high regard by the public. This image has changed ... Today there appears to be a barely conscious acceptance of the forces as being perhaps necessary but at the same time a sort of second class vocation. Alone this lack of recognition and prestige is not necessarily critical, but when combined with other disadvantageous features of service life it plays a stronger influence (Petrie, Submission, p S576).

4.45 We were concerned to learn that those negative perceptions are shared at junior ranks. A combined submission from the students of No 1/88 Army Junior Staff Course argued that prevailing community attitudes towards the ADF are inconsistent with the aspirations of ambitious young professionals. The submission pointed out that as a member of the profession of arms, a junior officer anticipates and expects community recognition as a professional. Instead, members of the course had found only indifference and occasional hostility. They concluded that unless an individual had confidence in his or her judgment about the value of the ADF and a military career, 'the junior officer may succumb to social pressures and question the worth of his career. Some officers lose self confidence and resign from the Army to rejoin a society from which they feel alienated' (Submission, p S1896). Particular mention was made of the perceived negative attitude of the Government towards the 1987 Service Allowance review, the outcome of which was seen as an expression that 'ADF work (is) of little value. Junior officers felt betrayed and suffered a loss of self esteem'.

4.46 Two issues central to wastage emerge from the preceding discussion. The first is that self-esteem is a critical factor in decisions to resign from the ADF. That conclusion is perhaps intuitively apparent, but has also been confirmed by rigorous

analysis in both the US and Australia (see Aviation Week and Space Technology, October 5, 1981; and Jans, 1988, passim). It seems probable that it will become an even more critical factor as a greater proportion of the ADF acquires higher levels of education and skills. The second issue is the role government must play in providing leadership for the ADF.

### Political Leadership

4.47 A consistent theme of this report has been that the ADF is a unique institution. That is not to say members of the Defence Force should be separated from society at large; on the contrary, another point we have emphasised is the importance of maintaining the organic connection between the military and civil society. One of the prime means of assuring that connection is by acknowledging the singular demands of Service life, not only through providing satisfactory conditions of service but also through honest and committed leadership. Here, the key role is played by Federal and State politicians in general and the Federal Government in particular.

4.48 Before moving on to the detail of this section, we believe some comment is necessary on the influence of organisational arrangements on Defence leadership in Australia, and how that influence might impact on specific individuals or appointments. Our first point is that in large, complex organisations, generalisations about the quality of leadership are inevitable. This is best illustrated in the Australian context by 'the Canberra' and 'the rest' perception which pervades the ADF, with 'Canberra' (Russell Offices) representing 'bureaucratic inertia and impotent, out-of-touch leaders', and the 'rest' representing the vital and practical operational units. Like any generalisation that one is open to question, although it is clear from our evidence that it is one which enjoys wide currency in the ADF.

4.49 Organisational influences also significantly affect perceptions of individuals. Thus, within Russell Offices and the defence professional community, the Minister for Defence is respected for the intellectual rigor and policy analysis which led to the 1987 White Paper; while the Minister for Defence Science and Personnel is acknowledged for her drive and hard work in sponsoring improvements to conditions of service. Yet at other levels of the Defence Force, especially those remote from the machinations of policy determination and implementation, less favourable opinions are held of the two Ministers. As the following section on 'Military Leadership' illustrates, the same sorts of generalisation are applied there, with field commanders enjoying a greater degree of respect than those in Russell.

4.50 The Committee has reservations about those generalised viewpoints, while accepting that perceptions can be an important reflection on leadership. We would also like to make the point, which we have tried to illustrate with the example of the Ministers, that criticisms of leadership might arise as much from organisational structures and responsibilities, or the appointment held, as from a particular individual's performance and capabilities.

4.51 Like every other Department of State, Defence must be managed by government. However, because of the ADF's ethos of service and obedience at all times to the government of the day, the Defence Force also requires leadership. The evidence received by this inquiry indicates overwhelmingly that Service personnel believe the Government is not particularly interested in providing that leadership, but rather is concerned only with managing the Force. This is perceived through the apparent doctrinaire devotion to the pursuit of 'equality' between the ADF and the rest of the community, manifested through the promotion of fiscal laws based on concepts which apply to the general community; the perceived gradual erosion of special privileges

previously enjoyed by members of the ADF; and a defence policy which is seen to put 'equipment before people'.

4.52 Perhaps even more damaging, though, is the apparent insensitivity to the demands of leadership evident in public statements made by political leaders. The anger, frustration and disillusionment which - perhaps well-intentioned - patronising statements can cause was expressed with great vigor to this inquiry, both in written submissions and at public meetings. Typical examples attributed to Ministers and which were frequently raised with us included the following:

- a. 'wastage is not a problem in the ADF';
- b. the two per cent discounting of the DFRDB scheme does not affect conditions in the ADF because, 'by definition, it affects only people who have retired from the Defence Force'; and
- c. the pilot retention bonus scheme of April 1988 produced a 'highly satisfactory result'.

The point about those few representative statements is that none of them was believed within the ADF; on the contrary, it is clear that many Service men and women feel that such statements are patronising. Lieutenant Colonel D.J. Martindale reacted to that sort of insensitive leadership by advising this Committee that Service personnel 'respond to honesty and commitment. That is what is needed from Government now. Honest leadership and commitment' (Submission, p S1231). Corporal A.D. White made the same point, perhaps more pragmatically: 'Mrs Kelly and GEN Gratton said ... that morale is not low in the defence force. If that is the case, why are so many soldiers and officers getting out?' (Submission, p S2741).

4.53 We should stress that the examples cited were chosen because they are relatively recent, not because they reflect on the present political leadership. Our experience is that no greater degree of credence is given to the Opposition's defence statements. The fact is that government - regardless of political persuasion - is no longer regarded as a trustworthy employer and politicians generally are considered to be uninterested in defence. As a bipartisan Committee, we note that both major political parties are viewed with an equal degree of cynicism within the Services. Sergeant G.F. Weston reflected the Serviceman's even-handed disillusionment with political leadership when he dismissed this Committee's inquiry as a 'snow job', an opinion he suggested was shared by others (Submission, p S2749). Many current and former Service personnel remember with some hurt that they were publicly ignored by both major political groups after their return from Vietnam (where they had fought a war they had not, of course, started); and that some 15 years after the event they finally had a welcome-home march - organised by themselves. A survey conducted by No. 1 Psych Research Unit showed that 56.9 per cent of those interviewed believed politicians need a more positive commitment toward the Defence Force and national defence conditions of service (Officer Resignation Questionnaires - Initial Report, 9 September 1987).

4.54 The end result of a failure of political leadership was trenchantly expressed by Lieutenant Colonel J.F. Hickey:

We in the Services look to the Government for direction, purpose and concern. We are not getting it. I am finding it increasingly difficult to persuade myself and my subordinates that the profession of arms is a worthwhile career (Submission, p S1455).

4.55 Having presented those forceful comments, we would acknowledge the open and constructive opening address made to this inquiry by the Minister for Defence Science and Personnel at a public hearing (Evidence, 17 August 1988, pp 645-62). In

addition to detailing a list of tangible improvements to Service conditions which have been implemented in the past year, the Minister also identified a number of areas in which problems have existed or continue to exist. We believe Service personnel will respond to that kind of openness from their political leadership.

4.56 Major General P.M. Jeffery, Commander of the 1st Division, made the observation that in Parliaments around Australia there are only a few politicians with any knowledge or interest in defence and that soldiers were keenly aware of this apparent indifference. In General Jeffery's opinion, that unfavourable perception will remain until there is physical evidence of improvements in soldiering life and conditions. He went on to add in a more encouraging assessment that those conditions were in fact about to improve, as a consequence of which so also would soldiers' perceptions of their senior leaders and politicians (Submission, p S2764). The basis for General Jeffery's optimism is a number of adjustments to conditions of service which have been either effected or put in train in the past year or so. The Committee has noted those initiatives in this report, especially in Chapter 7, and acknowledged in particular the efforts of the Minister for Defence Science and Personnel and those members of the ADF and the Department of Defence who have achieved that result. At the same time, we believe considerably more must be done, as is evident from our recommendations. We also believe that positive action must be taken to develop the level of political leadership given to the armed forces in Australia. Accordingly, the Committee recommends that the Minister for Defence:

- a. organise regular briefings for Federal and State politicians on Australian defence policy, capabilities and personnel; and
- b. initiate a comprehensive, long-term national public relations campaign supporting the ADF.

## Military Leadership

4.57 If political leaders are not well-regarded by broad sections of the Defence Force, then neither are many senior military officers. In particular, there is a strongly-held belief that at the higher levels in Canberra, those officers are incapable of adequately representing the Service's interests on matters of pay and conditions. Commodore J.S. Dickson attributed much of the blame for this perception on the Russell Offices diarchy, in which he believes control has been wrested from the military who are 'losing out' in their 'power battle with the bureaucrats and politicians' (Submission, p S2730). A less generous assessment was made by Major J.R. O'Connor, who advised the Committee that his peer group feels strongly that the current Service Chiefs are:

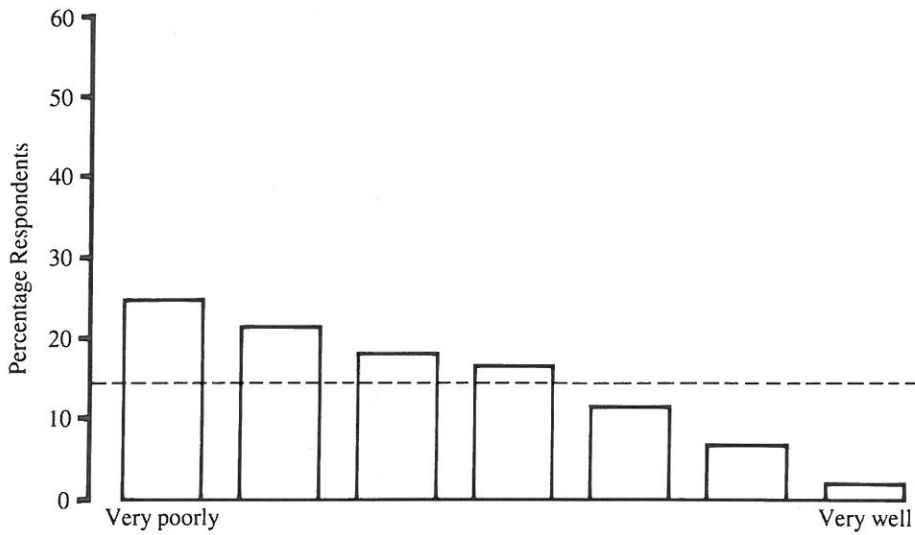
non-confrontationist, too easily influenced by politicians, have not 'stuck up' for servicemen enough, are more interested in their own careers and vested interests than the ADF and do not have enough influence within the Defence decision making cycle (Submission, p S518).

That general opinion was reflected in many submissions. The Committee feels it should go on record as stating that while it understands the frustration and concern that leads to such assessments, they are too general. For example, we would point to the vigorous promotion of their individual Service's interests made by the Service Chiefs in their evidence to this inquiry; additionally, we visited many ADF units whose commanders clearly enjoyed a high degree of respect and loyalty.

4.58 That having been said, there is no doubt that the Services do have problems. Figure 4.2 taken from Army's 1986 Soldier Attitude and Opinion Survey (SAOS) indicates a strong level of dissatisfaction with the way in which Army's senior



**Figure 4.2 Baseline Opinions of Senior Officers' Representations  
On Pay and Conditions of Service**



Source: *The Soldier Attitude and Opinion Survey*, 1986

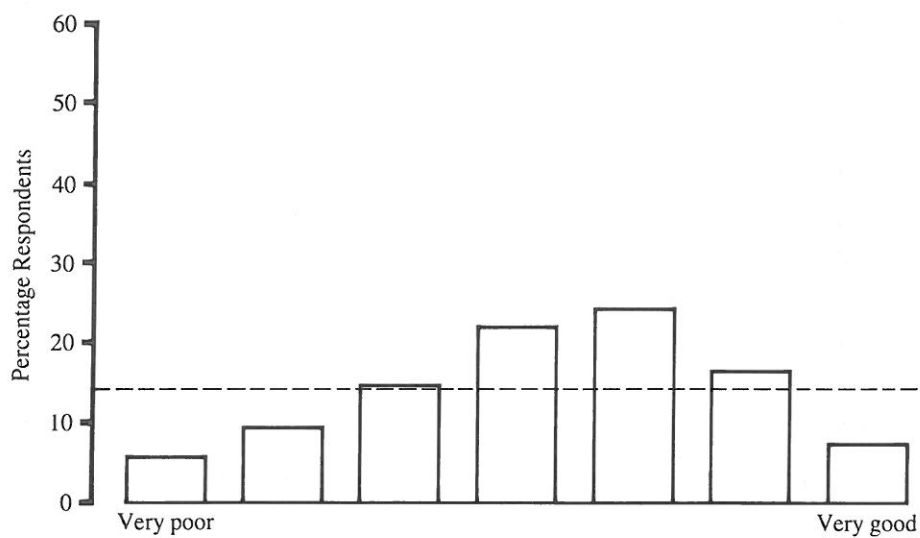
officers represent soldiers' interests in the pay and conditions arena. That attitude is shared within Navy and Air Force (Defence, Submission, p S2462), and is held by officers as well as enlisted ranks.

4.59 The SAOS also tested soldiers' perceptions of the leadership of junior NCOs, senior NCOs and junior officers. While junior NCOs and senior NCOs rated highly for the leadership they provided, junior officers were not well-regarded. Figures 4.3, 4.4 and 4.5 illustrate those findings.

4.60 An equally negative response to leadership emerged from No. 1 Psych Research Unit's Officer Resignation Questionnaires - Initial Report of 9 September 1987. Listed below is the percentage of respondents who indicated that improvements in the particular items shown would have been of moderate to very considerable influence in keeping them in the Army:

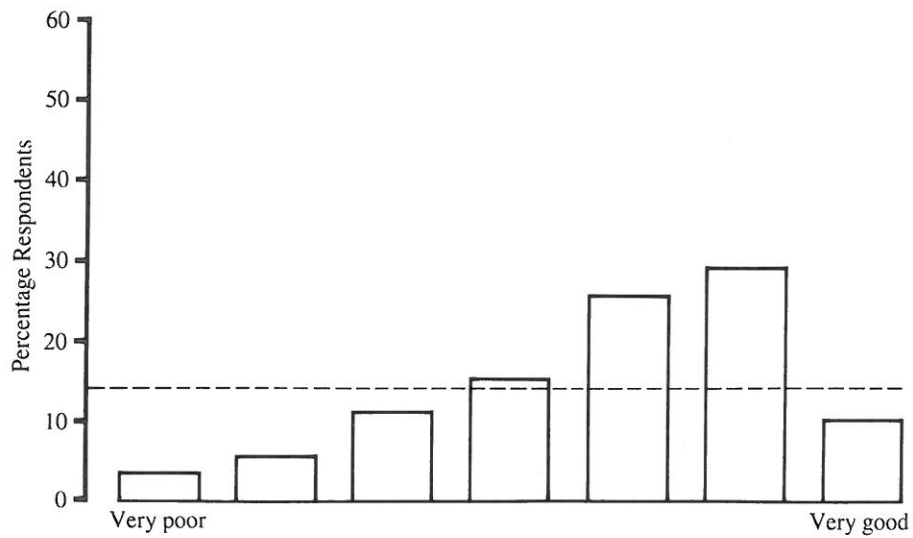
ITEM	PERCENTAGE
a. A more positive commitment shown by senior officers towards service conditions	66.9
b. Better leadership by superiors	58.9
c. Greater loyalty from senior officers	56.6
d. A more positive commitment shown by senior officers towards defence issues	54.7
e. Better communication to all rank levels by senior officers.	48

**Figure 4.3 Baseline Ratings on the Quality of Leadership Displayed by Junior NCO**



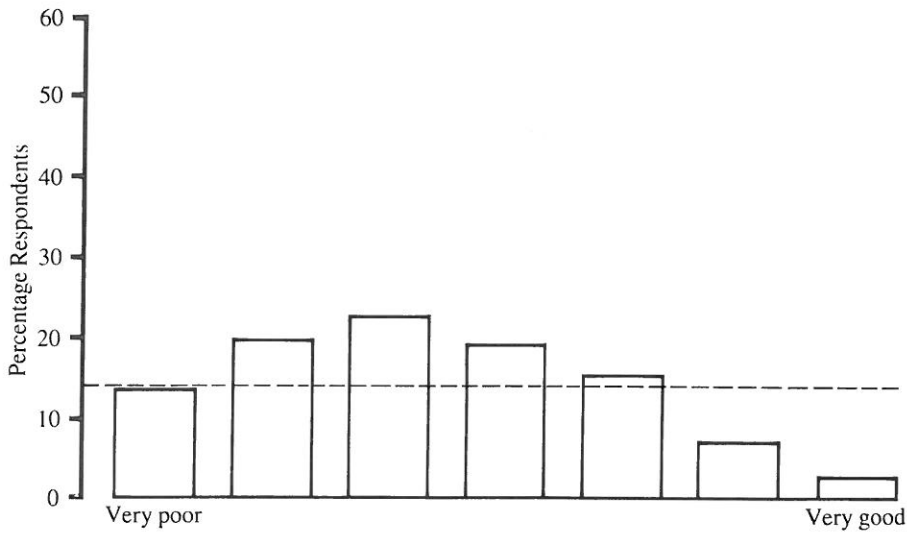
Source: *The Soldier Attitude and Opinion Survey*, 1986

**Figure 4.4 Baseline Ratings of Quality of Leadership Displayed by Senior NCO**



Source: *The Soldier Attitude and Opinion Survey*, 1986

**Figure 4.5 Baseline Ratings of Quality of Leadership Displayed by Junior Officers**



Source: *The Soldier Attitude and Opinion Survey*, 1986

4.61 The same report also questioned officers on matters which were of moderate to very considerable influence on their decision to leave the Army and produced the following results

ITEM	PERCENTAGE
a. Army does not appreciate your worth	47.8
b. Day to day personnel management	38.2
c. General decline in military discipline and/or traditional values	34.7
d. Unwillingness of superiors to delegate	31.2

4.62 Similar conclusions were drawn by Lieutenant Commander C. Le Marshall following a survey he conducted at Defence resettlement seminars. Included in the group of factors exiting sailors most disliked about the RAN were a number which related to leadership, namely:

- a. Not being treated as a professional.
- b. Poor senior management, abuse of power.
- c. Lack of loyalty down (Le Marshall, Submission, p S595).

Le Marshall went on to identify, inter alia, the need for Navy leaders to 'improve communications', do more 'management by walking around' and address the 'perceived lack of loyalty to subordinates' (Submission, p S602).

4.63 Before concluding this section, the Committee wishes to comment on its use of sources. The information used has been taken largely from Army evidence. That has been done, not because we consider Army to have the greatest leadership problem, but simply because it provided the best empirical data. Indeed, based on the openness with which Army has addressed this matter and the unfavourable perceptions of leadership apparent in subjective evidence given by members of the other two Services (for RAAF,

for example, see Dilworth, Submission, pp S913-5; Anthony, Submission, pp S921-3, and Watkins, Submission, pp S1634-40; for RAN see Bayley, Submission, pp S266-270, Anderson, Submission, pp S711-5, and Howe, Submission, pp S513-4) we believe that Army is in fact setting the standard in examining and attempting to resolve this difficult issue.

4.64 Leadership which is strong and respected is fundamental to the effectiveness of the ADF. The perception of poor leadership is difficult to define and quantify as it can mean different things to different people: an individual perception of the quality of leadership is shaped by individual experience. There is no doubt, however, that problems do exist across the ADF. Army has suggested that to some extent information on the actions taken and results achieved by senior officers are not understood, and that many subordinate ranks do not appreciate the limits imposed on the military's ability to achieve change by bureaucratic processes and Government-imposed resource limitations (Submission, p S1164). That assessment implies a lack of communication, which we believe is a significant factor. We note that all three Services have adopted vigorous programs to inform their members on the realities of conditions of service matters. However, the fact that junior and senior NCOs continue to enjoy high leadership ratings (Figures 4.3 and 4.4) and junior officers and some senior officers do not (Figures 4.2 and 4.5) suggests there is more to the problem than that.

4.65 In the past few years each of the Services has developed a range of exit/resignation/opinion surveys and the like. Detailed reviews are now being carried out to try to obtain more specific information on problem areas. The Committee endorses that action, noting however, that it is likely to take some time before valid conclusions can be made and remedial action initiated.

4.66 We believe it would be gratuitous to make any specific recommendations on the practical aspects of leadership given that, on our visits to Navy, Army and Air Force units and bases, individual leadership of a high order was often evident. Rather, we would simply suggest that any leadership problem the ADF currently has is more in the nature of a broad organisational malaise and perceptions than the result of specific individual shortcomings. We would, however, endorse the proposal that it may be timely for the ADF to review current leadership doctrine to determine whether a different approach may be needed in today's peacetime social and economic environment (Army, Submission, p S1166).

#### Morale

4.67 Given that the preceding sections of this chapter have shown that many Defence personnel are being required to work beyond reasonable limits and have low self-esteem, and that political and some military leadership is generally regarded as insensitive, uninterested and ineffectual, it should come as no surprise to find that morale is lower than in the past. In the RAAF the high loss rates of personnel in general and pilots in particular, coupled in some cases with poor or inexperienced leadership and excessive work demands have had a strong impact on morale (see Appendix 1). Navy believes that the morale on ships and in establishments is 'reasonable', but the extent of recent high wastage has left the 'satisfaction of members in some areas lower than normal' (Submission, p S1105). Within the Army, written submissions from two exit surveys indicate that many soldiers and officers leaving the force are 'dissatisfied'. Army sees the consequence of high wastage as 'a lowering of this important combat power component - morale' (Submission, p S1154). Even within the 1st Division the increasing officer wastage at the Captain level reportedly has caused a 'lowering of the standard of training and morale among other ranks' (Jeffery,



Submission, p S2758). The Committee also notes with interest the assessment made by Air Commodore B.I. Lane that 'there is a very serious loss in confidence of a future in the RAAF by Air Force personnel' (Submission, p S1065). In making that assessment Air Commodore Lane linked high personnel loss rates to Air Force perceptions that the RAAF is under siege from the other two Services through bids to subsume RAAF air assets. We do not necessarily accept that issue as one which prompts significant numbers of people to leave the RAAF, but do share the judgment that confidence in the organisation is poor.

4.68 An important perspective on morale was provided by the National Consultative Group of Service Spouses, whom we believe to be uniquely well-placed to draw accurate conclusions based on close association but free from organisational pressure. Their assessment is unequivocally negative:

The morale of the Australian Defence Force is at an all time low. There is in our community a growing sense of despair that no-one in the Government, Public Service or general community cares sufficiently about our position to take the radical action that is now necessary to remedy a situation that for years has been allowed to deteriorate to such appalling levels.

There is deep disillusionment within the ranks of the professional service members, ie, within the middle to senior non commissioned officers and the lower to middle commissioned officer ranks ...

Many of them have now had enough ... The ultimate protest is resignation (Submission, p S2088).

Those sentiments are consistent with the findings of the Hamilton Report, which identified the low morale of Service members and their families as an important cause of resignation (Hamilton, 1986, p 15). Acknowledging the link between members' families and attitudes towards the ADF was the essence of Hamilton's study, and is an issue which we take up in Chapter 6. It is central to morale and, therefore, wastage.

4.69 Dr N. Jans argued that 'morale in the services is presently low and ... is the cause of the present high wastage rates' (Submission, p S868). Jans analyses wastage from a much wider perspective than most, regarding it as one of a number of key indicators of an individual's commitment to an organisation. One of his more interesting conclusions arose from a comparison he made between the attitudes of the same group of Navy officers in 1984 and 1987, and between those officers and a group of Executive Level Public Servants (Table 4.9). We should point out that Navy was used simply because of administrative convenience, and that their attitudes were considered to be representative of the other two Services.

4.70 As Table 4.9 illustrates, Jans determined that Navy officers now believe their Service is less effective than it was in 1984. The item of biggest decline was the assessment of how well the Service looks after the interest of its members (Submission, pp S881-3).

4.71 A more disturbing finding, however, emerged from the comparison of attitudes with APS executives, which showed that the organisational commitment levels of RAN officers were not much higher than those of the civilian group. Specifically, the Public Servants who were surveyed were more positive about their organisation than were the Navy officers, and were more likely to be satisfied with their pay and conditions. They also appeared to have higher self-esteem as they were much more optimistic than were the Navy officers about their chances of securing equally rewarding work elsewhere.

4.72 Jans found reason for alarm in the conclusion that Navy morale 'has so declined that it is now not significantly higher than that of a group of civilians':

Given the proud traditions of the Royal Australian Navy, and the very intense professional socialization of early

Table 4.9  
COMPARISON OF NAVAL OFFICERS IN 1984 AND 1987 AND  
WITH EXECUTIVE LEVEL PUBLIC SERVANTS

Variable	Naval Officers		APS Executives, Cl. 6-11 (N = 346) <sup>a</sup>
	1984(N = 381)	1987(N = 195)	
Organisational Commitment	4.34, 45 <sup>b</sup>	4.16, 37	4.01, 31
Job involvement	4.74, 61	4.88, 66	3.94, 34
Career satisfaction	4.29, 49	4.11, 42	3.48, 25
Organisation effectiveness	3.88, 30	3.54, 18**	3.86, 33
Career-family priorities	4.16, 44	3.65, 33**	2.92, 26
Work-family role conflict	Not measured	4.24, 38	3.43, 27
Life Stress	3.52, 51	3.33, 55	2.43, 48
Satisfaction with pay & conditions	3.46, 28	2.86, 17**	3.52, 39
External prospects	4.48, 53	Not measured	5.51, 80
Institutional orientation	4.19, 41	4.04, 31	Not measured
Occupational orientation	4.12, 36	4.35, 42*	Not measured
Wife's Support 1 <sup>c</sup>	4.93, 67	4.84, 66	Not measured
Wife's Support 2 <sup>d</sup>	4.97, 67	5.37, 77**	Not measured
Wife's feminist values	4.10, 53	5.02, 69**	Not measured
Wife's satisfaction with housing	5.13, 66	4.91, 69	Not measured

NOTES:

- (a) Male public service officers, of class 6 to 11, in a large (17,000) Australian-wide organisation, from an 8 percent proportional survey conducted in 1987, using identical or similar scales to the Navy study.
- (b) The first statistic is the mean on a 7-point scale, with "7" being the high score. The second statistic is the percentage of respondents scoring "high" on the scale (7 to 4.5 is "high"; 3.5 to 1 is "low")
- (c) As measured by a 10-item scale given to the wives in the sample.
- (d) As measured by a single item scale given to the husbands in the sample.

\* p < .05    \*\* p < .01 (differences between Navy scores)

Source: Jans, Submission, p S882

career experience in the services, compared with those of the unnamed civilian organization, these comparative data do appear to indicate cause for concern, if not alarm. We would expect - indeed, service chiefs would require - service morale to be skewed markedly to the high end of any measure. Instead, they are normally distributed (Submission, p S883).

4.73 Mr Peter Jesser also related wastage to morale and organisational commitment in his empirical study of General Enlistment (GE) Wastage in the Army (Submission, pp S741-68 and S2702-23). As we pointed out in Chapter 2, 'The Extent and Magnitude of Wastage', Jesser identified a sharp increase in wastage among General Enlistees, particularly in the first six months of service (see Table 2.7). He then explained that overseas research on attrition in the armed services suggests that as long as the quality of those recruited is relatively predictable, changes in wastage rates can generally be attributable to changes in policy (Submission, p S746). Defence has stated that the ADF 'generally is experiencing little difficulty in recruiting the required number of young Australians. In some categories there are considerable numbers of qualified applicants awaiting the availability of vacancies' (Submission, p S2455). That evidence indicates that the quality of recruits has been maintained. We also note CDF's comment that 'Generally you could say that we meet our recruiting targets ... what we want, we recruit' (Evidence, 14 March 1988, p 18).

4.74 In view of those circumstances, Jesser postulated that higher GE wastage may in fact largely be a consequence of low morale among the training staff at No 1 Recruit Training Battalion, Kapooka. He related this to a possible increase in the workload at Kapooka following the transfer there of Female GE training and an increased throughput of all recruits to compensate for high wastage throughout the Army (the training rate at Kapooka has been increased by an additional 12 platoons of trainees annually - a change described by the CDF as containing 'a penalty') (Evidence, 14 March 1988, p 47).

4.75 The key judgment arising from that section of Jesser's study was that there may have been a change in attitude on the part of those responsible for training, so that more 'training problems' are now becoming 'wastage problems'. The suggestion that the trend towards higher overall wastage might reflect higher levels of dissatisfaction was then extended to an assumption that generalised dissatisfaction and lower morale throughout the Army may manifest itself in a lowering of commitment all round. Training staff who once persevered may now be questioning the point of making an extra effort: 'While one hesitates to suggest that the Army has "dropped its bundle", the very sharp increase in wastage during the training cycle ... might indicate such a situation' (Jesser, Submission, p S747).

4.76 CDF specifically addressed the question of morale during an appearance before this Committee (Evidence, 17 August 1988, p 663). He first made the valid point that it is a difficult subject on which to generalise. Accepting that limitation, he suggested it was a fair assessment that across the board, morale is at least satisfactory and in many cases good. The latter level was most likely to prevail in units where people were doing the job for which they enlisted. The Committee can endorse that judgment, as particularly during our visits to operational units good morale and strong job satisfaction were obvious. At the same time, CDF identified areas in which problems do exist, with people working at Russell Offices constituting a disproportionately large disaffected group. Again, we share General Gration's assessment.

4.77 Any attempt to make individual recommendations specifically intended to produce a sustained improvement in the morale of the ADF would be simplistic. Our primary intention has been to detail the state of morale in the Force. In our opinion, there is clear evidence that in some areas it is below the desired standard.

## CHAPTER FIVE

### CAREER SATISFACTION AND PERSONNEL MANAGEMENT

5.1 So far in this report the Committee has examined wastage data, identified the effects of wastage and drawn conclusions on the rôle played in the ADF's wastage problem by leadership, policy and morale. Succeeding chapters will review aspects of the Service family, conditions of service, and measures the ADF may have to consider if it is to remain effective as Australian society changes. Each of those issues is critical to resolving excessive personnel wastage. In our judgment, however, none is more critical than career satisfaction.

5.2 The predominant impression the Committee has gained during this inquiry is that above everything else, the men and women of the ADF are in the organisation, not because they merely want to do a good job, but because they want to do the best job they can. Recruiting advertisements present the ADF as an elite organisation which challenges an individual intellectually and physically, enjoys positive and inventive leadership, and operates high-technology equipment. Career expectations accordingly are high. Wastage which occurs at the end of an initial engagement is likely therefore to be a result of those expectations not being sufficiently realised. This general point was raised in many submissions (see, for example, O'Connor, Submission, p S518; Appelbee, Submission p S660; and Strong, Submission, p S918). The same point is also evident in Mr Peter Jesser's analysis of General Enlistee wastage (see our Tables 2.7 and 2.8).

5.3 Wastage which occurs following longer periods of service in many cases appears to coincide with an individual's conclusion that overall career or specific job satisfaction is no longer sufficient to overcome the particular disadvantages of Service life. That factor seems to have become particularly strong in recent years (Jans, Submission, pp S881-3), as might be expected given the perceived erosion of conditions of service. There are also crucial periods at which an individual's organisational commitment is likely to be tested more strongly, for example, at critical stages of a dependant's education. If those periods coincide with low career satisfaction or expectations, separation is a likely consequence.

5.4 Low career and job satisfaction will impact adversely on other attitudes which affect retention, with morale being the obvious example. The connection between those issues and wastage has been most effectively argued by Dr N. Jans, who advised this Committee that 'morale in the services is presently low and ... is the cause of the presently high wastage rates ... the reasons for low morale are ... due (primarily) to career, family and organizational factors' (Submission, p S868).

5.5 Career satisfaction is dependent on a number of factors. In the ADF those factors include the belief that one's career will develop both in terms of promotion and specific job satisfaction, the use of specialist skills, excitement and challenge (especially for the combat arms), access to state-of-the-art technology and equipment and, most importantly, the perception that the organisation and its leadership is positive, efficient and dynamic. Those topics are discussed below.

5.6 Career satisfaction is also strongly dependent on good personnel management. It is highly improbable that an organisation will work effectively and happily if its personnel are not well managed. Personnel policies, posting practices,

career development and the quality of the Personnel Branch staff are some of the relevant factors here. The Committee received a great deal of comment on those and related topics.

5.7 While this chapter discusses career satisfaction and personnel management in separate sections, that has been done solely to assist the aggregation and presentation of information. Plainly the two subjects overlap and are interrelated - as also are many of the issues raised in the other chapters dealing with the causes of wastage.

### Career Satisfaction

5.8 Career satisfaction depends on a number of interrelated factors. An individual must have confidence in his organisation and its leaders. Immediate job satisfaction usually is not as important in itself as are perceptions of long-term career prospects, but nevertheless remains significant. In turn an individual's attitude towards career and job satisfaction will be strongly influenced by such tangible experiences as training and exercising, working hours and the quality of the equipment with which he is provided. Like most other issues raised in this inquiry, the sum of the events which shape an individual's level of career satisfaction amounts to a perception of organisational worth.

### Perceptions of the Organisation

5.9 Some inconsistency was evident in the data on this subject. The RAN Officer Retention Survey (Salas 1987, p 3) reported that 75 per cent of those surveyed expressed satisfaction with their Navy careers to date, a response which we would interpret as reflecting favourably on the Navy itself. The



same percentage recorded 'degrees of satisfaction' in their choice of the RAN as a career. By contrast, No.1 Psych Research Unit found that the unmet expectations of the Army was a moderate to very considerable factor in the decision to separate for 52.9 per cent of respondents (Officer Resignation Questionnaires - Initial Report, 1987). A similar finding was made by Jans when he was assessing officers' perceptions of 'Service effectiveness', that is, the belief that the individual's Service is a 'well run and effective organisation'. If an officer views his Service's effectiveness favourably, then his career involvement is likely to be strong; while the reverse also applies. Jans' analysis found that there were almost as many officers with scores on the 'negative' end of the 'Service Effectiveness' scale as there were on the 'positive' end (Jans, 1988, p 60 and p 70). The evidence collected by this inquiry strongly supports the negative response, as is apparent in our preceding discussion of leadership and morale. Speaking to this Committee on the subject of Service effectiveness, CDF stated that many of the surveys conducted by the ADF 'show that our people are not entirely satisfied with the organisation' (Evidence, 14 March 1988, p 53).

5.10 An interesting aspect of this issue is the high level of disillusionment with the ADF as an organisation quickly reached by some junior members. Air Force Personnel staff have reported a loss of confidence of their 'junior people' in the RAAF as an attractive employer, while Navy has suggested that its 'younger resigners' appear to have 'difficulties and dissatisfactions which refer specifically to Service employment'. Disillusionment at the junior level was perhaps expressed most forcibly by the members of Army's No 1/88 Junior Staff Course, who collectively felt that their professional status as Army officers has little value and that there are diminishing benefits and incentives to continued service (Submission, pp S1895-1902). We would not wish to overstate this development, but the present abnormally high separation rates for junior officers and first-tour enlisted personnel indicates that it is an increasingly common attitude.

5.11 While there may be some disagreement about how Service personnel perceive the effectiveness of their organisation, there is none about career management, which is widely seen as ranging from unsatisfactory to inept. We examine the question of career management in detail below, but believe it is necessary at this point to draw the distinction between attitudes towards career satisfaction and career management. That distinction was identified by, among others, RAN psychologist Mr R.G. Salas, who observed that the general level of satisfaction with careers in the Navy is in contrast to the strong perception that Naval careers are not well managed (The RAN Officer Retention Survey, 1987, p 3). This would seem to indicate, first, that despite the personnel problems the ADF is experiencing there is a strong residual belief in the Force and what it stands for and, second, that individuals still derive great personal satisfaction from particular jobs and appointments. Neither of those conclusions should be remarkable given the nature of the Defence Force and the high quality of many of its members. In view of the prevailing high wastage they are, however, points which need to be made. Highlighting the distinction between career satisfaction and career management also serves to direct attention towards the organisational failings which largely drive the wastage process.

#### Job Satisfaction

5.12 In general, immediate job satisfaction is not as important to retention as overall career prospects. Nevertheless it remains a significant issue, and for some groups it undoubtedly is critical. In particular, those groups who see themselves as specialists first and officers, SNCOs or NCOs second are most at risk if the Services persist in using them out of their specialisation and opportunities for outside employment arise. A certain degree of tolerance towards non-specialist posts may be shown by those individuals, but this is most likely to be

in the expectation that there will be a payoff, probably in the form of a unit or section command, or involvement with new generation equipment in their area of interest. There is, however, a limit to the extent of that process, as is evident in the disturbingly frequent resignations of highly-regarded operational commanders - ship captains, battalion commanders, squadron commanders, and so on (see CDF, Evidence, 14 March 1988, pp 44-5).

5.13 The question of job as opposed to career satisfaction concerns members of the combat or operational groups more than others. Table 5.1 shows that, in general, officers from the 'arms' are far more satisfied when serving with an operational unit; while by comparison, officers with non-combat specialisations do not differentiate in preference between operational and non-operational units (Jans, 1988, pp 87-8). The more subjective but nonetheless indicative data collected by this inquiry suggests that the same strong desire to be employed exclusively in a specialist role is, however, becoming more prevalent amongst highly qualified non-operational personnel. Both tertiary qualified and highly trained trade and vocational specialists have expressed their frustration with the Services' failure to exploit their skills (see, for example, Hay, Submission, pp S502-3; Anderson, Submission, pp S713-4; Bates, Submission, p S2189; and Appendix 1, passim).

### Job Specialisation

5.14 The discussion on job satisfaction leads logically to the topic of job specialisation. We believe there is considerable scope for the ADF to offer more opportunity for job specialisation, which in turn would enhance the job satisfaction of those for whom this issue is paramount. The definitive case here is RAAF pilots, as Table 5.1 demonstrates. A quotation cited to this Committee presents even more graphically the viewpoint of

Table 5.1: JOB SATISFACTION BY TYPE OF UNIT  
AND PROFESSIONAL CATEGORY

Professional category	Job satisfaction	
	In operational unit	In non-op unit
<u>Navy</u>		
Seamen	4.97 <sup>a</sup>	4.30 *
Engineer/Supply	4.62	4.46
Specialist	4.88	4.71
<u>Army</u>		
Combat Arm	5.16	4.41 *
Combat Support	4.70	4.62
Logistic Support	4.74	4.53
Specialist	5.05	5.57
<u>Air Force</u>		
General Duties	5.20	3.88 *
Engineer/Supply	4.78	4.43
Specialist Duties	4.47	4.43
Specialist	5.33	4.65

Note: a. Mean values of job satisfaction in each case.

\*  $p < .005$  (difference within professional categories between different types of units)

Source: Jans, 1988, p 87

those whose interest in the ADF is solely vocational:

The Air Force tells me that I am an officer first and a pilot second. I say I am a pilot first and a pilot second (Evidence, 27 May 1988, p 420).

Because so much attention has focused on pilots we have used them here as the main case study. However, they are by no means the only group to which this subject is relevant. The excessive loss rates among some groups of technical specialists, for example, suggest that job specialisation is one of the issues the ADF must address if it is to retain sufficient numbers of radio/electronic staff. Many such staff complete longer courses than pilots and are just as employable in the private sector. We can see only an increasing demand for their skills as the microchip revolution continues and Australia moves to restructure its economy away from its reliance on commodities.

5.15 It must be stressed that job specialisation in itself will not be the complete answer for those concerned. Our discussions with RAAF pilots who had recently joined Qantas showed they had been influenced by precisely the same range of frustrations which induce most separations: poor housing, perceived government and senior officer indifference, concern over the welfare of dependants and so on. In concert with attention to those matters job specialisation should, however, prove attractive to those whose prime wish is to work in the ADF rather than lead or manage elements of it.

5.16 The Committee has identified two job specialisation models which it believes are relevant. The first is designed to meet the demands of a particular specialisation at a particular point in time and is aimed primarily at officers; while the second presents a broader approach to the question and should be most suitable for enlisted ranks.

5.17 According to the Department of Defence the first model, which could be described as 'category specific', is to all intents and purposes currently being implemented for some Air Force pilots (Submission, pp S2460-2). In essence it amounts to a specialist employment scheme which provides limited scope for career (promotion) advancement but maximum opportunity for job satisfaction. Specific measures taken or under review include the following:

- a. **Proposed Specialist Aircrew Scheme.** The RAAF is currently examining the creation of a specialist aircrew scheme which would allow selected members to specialise in flying duties, rather than having to accept employment on staff duties. One proposal is to offer specialist employment to 20 pilots in the first year of the scheme and to 50 in the second.
- b. **Proposed Generalist Stream Concept.** The objective of a generalist scheme is to provide the flexibility to fill senior management and staff positions with selected officers, regardless of their specialist branch or category. This should reduce the proportion of pilot posts at senior officer level and thus reduce promotion demands on junior pilots.
- c. **Increase in Retirement Age.** Currently pilots are required to retire at the age of 45 for Flight Lieutenants, 47 for Squadron Leaders and 50 for Wing Commanders. Air Force is examining the ramifications of increasing these ages to 55 for selected members of the General Duties Branch.
- d. **Retention Bonus Scheme.** On 27 April 1988 the Minister announced that a \$70,000 once-only retention bonus would be paid to pilots meeting specified criteria and who accepted a six-year return of service obligation.

- e. **Flying Allowance.** Following a full review, the DFRT handed down a determination on 23 September 1988 which increased the flying allowance by up to about 135 per cent; for example, the rate for Flight Lieutenants with five years experience and Squadron Leaders increased from \$4,529 to \$11,000.
- f. **Improved Air Force Personnel Management.** The RAAF has stated that in the past 12 months it has implemented a scheme which provides a greater 'individual awareness of an officer's career potential and possibilities'.

5.18 Given that the two key components of the model currently are only propositions, the particular scheme may not work for the particular group at this stage; nevertheless, the concept is sound. The Committee considers that its general thrust could be adapted to meet other specific instances where the requirement to provide continuing job specialisation is a key wastage factor. Army in fact has moved more positively on this matter through its introduction in early 1987 of Specialist Service Officer (SSO) employment for some pilots. Under that scheme, SSOs are signed on for an initial engagement of six years with limited career opportunities but with their employment confined to aviation-related duties. The number of SSOs is controlled to ensure that 'career' Aviation Regiment officers still have satisfactory access to flying posts.

5.19 The second job specialisation model is designed to provide greater incentive and job satisfaction opportunities for enlisted rank specialists. Under the current ADF payment system for those ranks, individuals are placed into one of seven broad skill levels, with those in level seven being the most highly skilled and, therefore, most highly rewarded. Progression through that system is then dependent on promotion. As promotion carries with it managerial and supervisory responsibilities, the system

may not appeal to those whose primary interest is their specialist work. By developing a career profile which places as much emphasis on progression in skill as on promotion in rank, the possibility of giving those individuals continuing job satisfaction with a commensurate level of remuneration would be enhanced. Figure 5.1 illustrates how this task concept would permit advancement both vertically in rank to reward responsibility and horizontally to recognise higher levels of skill, knowledge and experience. The blank area at the top right of the matrix represents an area of flexibility. The key to the concept is of course the expanded scale of recognition for skill, which presents greater opportunities and incentives for those who wish to specialise. As the technological base of the ADF continues to expand, this model is likely to become increasingly cost-effective. There also is no reason why, like the first model, it should not be supplemented at key stay/go decision points by selectively applied retention packages, a subject which is raised in more detail in Chapter 8.

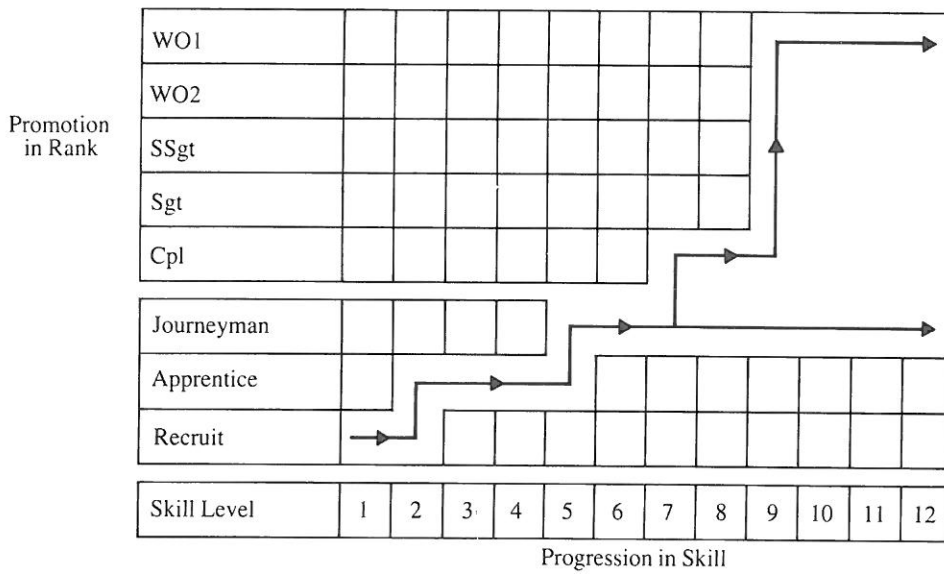
5.20 The Committee recommends that the CDF direct the single Services to develop career profiles which permit job specialisation in accordance with the two models outlined in paras 5.17 to 5.19.

### Training and Exercising

5.21 Frequent and challenging training and exercising is the life-blood of a military force in peacetime. A number of general difficulties with the current training regimen were identified in Chapter 3: these revolve around unrealistic training parameters and the unreasonable demands which high training rates caused by excessive wastage are placing on instructional staff. In addition, many witnesses reported a degree of frustration and disappointment with training which contributed to dissatisfaction with Service life. By far the majority of those reports came from



**Figure 5.1 Career Profile: High Technology Content Occupation**



Army personnel although there were some from Air Force and Navy. Captain W.S. Jolly found training uninteresting and inadequate (Submission, p S1201), the members of No 139 Signal Squadron reported that realism in training often is lacking and 'farcical situations' arise (Submission, p S1771), and Warrant Officer L.E. Strong commented on the adverse impact of inadequate funding on exercises (Submission, pp S916-7). The latter point was also taken up by Major General P.M. Jeffery, who noted that the quality of training has a direct influence on job satisfaction, and reduced operating cost allocations can affect morale immensely (Submission, p S2764).

5.22 The Committee has already discussed the consequences of current Defence budgetary policy (see Chapter 4). As far as the training cycle itself is concerned, we believe that Exercise Kangaroo 89, which will be held in the north of Australia in 1989 and will be the country's largest peacetime exercise, should significantly improve morale and perceptions of training. At the same time, there appears to be a need to supplement that sort of major exercise and the routine platoon/company/battalion training with a stimulating, challenging, low-cost activity.

5.23 That need was also identified by Dr K.R. Smith, who during a survey of 495 Field Force soldiers from three units found that 66 per cent believed the Army did not provide sufficient 'lively and challenging' training (Submission, pp S1240-8). Smith presented a substantial amount of empirical and anecdotal evidence to support his argument that one avenue the Army should be pursuing to redress that shortcoming is adventurous training.

5.24 We strongly support that concept, acknowledging that the ADF already encourages and sponsors some adventurous training. The scheme does, however, seem to have been more enthusiastically adopted by other Services: the New Zealand and British Forces, for example, have both implemented highly successful adventure

training programs. New Zealand has established an Army Adventure Training Centre at Waiouru, where courses are conducted to qualify soldiers to become adventure training instructors themselves for their units. Disciplines covered range from mountain climbing to skiing to white water rafting. We are pleased to note that Australian Army adventure trainers have participated in courses at Waiouru.

5.25 The Committee believes that adventure training offers a good low-cost supplement to routine military exercises. It also presents the Defence Force with opportunities to generate favourable public relations, as the involvement of ADF personnel in Himalayan expeditions in mid-1988 demonstrated. We therefore endorse the Force's involvement in Adventurous Training and recommend that CDF take action to expand the scheme as widely as possible across the ADF. In making that recommendation we would stress that in no way should adventurous training replace regular, demanding and realistic military training. It must be a supplement only: it remains essential for the ADF to receive suitable levels of combat training.

#### Working Hours

5.26 Hours worked by members of the ADF are discussed in detail in other sections of this report dealing with staff ceilings (Chapter 4) and Service Allowance (Chapter 7). We do not intend to pursue the matter further here, other than to point to the fundamental connection between job satisfaction and excessive hours worked; and to repeat the appeal raised in many submissions that throughout the ADF too much is being demanded, and that for many people the well of goodwill has been exhausted.

## Equipment

5.27 Equipment was an issue about which, like training, most of the criticism was directed at the Army. Comments on the inadequacy of such basic items as webbing, backpacks, boots and combat uniforms were usually made with some feeling, and in many instances anger. In our opinion that anger is justified. It seems extraordinary that in the Australian Army of 1988 the quality of those essential personal items can be so bad that many soldiers buy their own from commercial outlets, yet that is the case. According to the Courier Mail on March 8, 1988, a 1987 internal Army survey found that more than half of the soldiers in the Brisbane-based 8th/9th Battalion either discarded Army issue equipment or spent an average of \$350 each on modifications. Other soldiers, including members of the Operational Deployment Force, reported spending much larger sums. The fact that problems have existed for some years with those fundamental components of combat equipment was confirmed by Major General G.J. Fitzgerald, the Deputy Chief of the General Staff, during Senate Estimates Committee hearings on 22 October 1987.

5.28 The consequences for career satisfaction and retention of this sort of mismanagement are fairly self-evident. Young men and women join an organisation they believe to be elite, yet one of their first experiences is that of being issued with inadequate basic equipment; further, when they talk to their colleagues, they find that this situation has prevailed for many years. A laconic observation on the almost inevitable outcome of this was made by Major C.G. Appelton. Commenting on the apparent procrastination which seems to have characterised attempts by Army to bring the Disruptive Pattern Uniform (DPU) into service for about 10 years, he suggested that 'The DPU ceased to be a supply problem years ago. It is a morale problem' (Submission, p S1822).

5.29 The Committee appreciates that measures have been taken to resolve Army's personal equipment problems, and is reassured by the Commander 1st Division's belief that 'matters are now well in hand for redress in 1988/89' (Jeffery, Submission, p S2764). Nevertheless, we remain deeply concerned that this situation was allowed to develop in the first place, and endorse Major General Jeffery's conclusion that the fact that many soldiers have found it necessary to buy 'civilian camping equipment and foreign Army equipment' is an 'unacceptable state of affairs'.

5.30 We recommend that the Minister for Defence take immediate action to review the provision and suitability of personal and camping equipment in the Army. The importance of this matter lies in the considerable failure of management it represents and its damaging consequences for morale. The Committee intends closely following the action taken to resolve the problem.

#### Personnel Management

5.31 The majority of Defence Force personnel are dissatisfied with their Service's personnel management. For many, 'dissatisfied' is an understatement, as descriptions such as 'moribund', 'abysmal' and 'a continual crisis' regularly emerge when personnel matters are discussed. Suggestions that those terms might be rather subjective and emotional are largely refuted by Peat, Marwick, Mitchell's finding that much of the work performed in the Service's postings areas proceeds on a 'crisis management mode and there appears little opportunity to perform any longer term planning' (Review of Australian Defence Force Posting Policies, February 1987, p 18). The posting system is one of the major personnel management problem areas, along with career management and specialisation, the manner in which

Personnel Branches function and policy making. For many officers, the likelihood of increasingly frequent tours at Russell Offices as their career develops also remains a disquieting prospect.

### Career Management

5.32 Dissatisfaction with career management was the single most significant factor to emerge from Army's 1986 Soldier Attitude and Opinion Survey, with 51.1 per cent of respondents stating that they were considerably or very considerably influenced in their decision to leave by Army career management. The percentage was higher among officers, of whom 63.5 per cent reported that career management was a moderate to very considerable influence on their separation (1 Psych Research Unit, September 1987). Percentages were remarkably similar for the Navy, where 62 per cent of officers assessed the quality of personnel management as 'unsatisfactory in varying degrees' (Salas, 1987, p 3). Unfortunately Air Force did not provide the Committee with statistics on this subject, but some subjective evidence suggests that their performance is regarded as being at least as bad as the others (see, for example, NCGSS, Evidence, 26 April 1988, p 305; Mills, Submission, pp S62-3; and May, Submission, p S1092).

5.33 There are a number of key objectives which must be satisfied through career management. The first is the organisation's need to place sufficient numbers of qualified people in the right place at the right time. It is axiomatic that the more successful the organisation is in meeting that objective, the more successful it is likely to be in meeting corporate goals. The second major objective is that of providing long-term career and immediate job satisfaction for the people concerned. Finally - and this factor is closely related to the other two - career development ideally should ensure that selected individuals move through the organisation in a manner

which eventually provides them with the perspective and skills to occupy the most senior posts. That factor currently is seen by the Services as particularly important, given their minimal amount of lateral recruiting and adherence to a largely generalist senior management system.

5.34 Each of those three objectives plainly will suffer during periods of high wastage. The self-sustaining dynamic of wastage will tend to drive events as the necessity to fill high priority posts and maintain the training program will ensure that career management and postings follow a largely reactive pattern. That process will of course affect Personnel Branches, which in turn is likely to lower the standard of management further.

5.35 Given those circumstances, coherent and satisfying career development is likely to be enjoyed by only a small percentage of the Force. That conclusion is supported by the statistics quoted at the start of this chapter. By itself this problem is intractable; it would be pointless to propose 'recommendations' directed solely at improving individual career development. Rather, the problem is an institutional one which, we suggest, will require some fundamental changes to ADF personnel management practices. The two central issues here are those of the generalist employment concept for officers and the Service's resistance to lateral recruiting.

### The Generalist Concept

5.36 There are two distinct generalist models within the ADF. The first is that of the formalised 'general' pool of senior officers above a certain rank who, with some caveats, can be posted to any position within their Service and compete equally for promotion. We support that concept, as beyond a certain rank the main skills required in most posts are those of management

and leadership. Further, restricting particular positions to individuals with particular qualifications can inhibit the progress of others who may have greater overall capabilities and potential. We believe that the RAAF's past insistence on reserving a large number of senior posts for those with pilot qualifications is a good example of that particular questionable practice. The Committee is aware, however, that the present high wastage has in the past few years forced Air Force to open up many of those posts to other than General Duties (ie, aircrew) officers; that is, wastage has to some extent imposed a de facto General List on the RAAF.

5.37 Indeed, Air Force has recently moved to formalise a General List for one-star officers and above (CAS, Evidence, 21 July 1988, p 638). For the reasons we have outlined above, this should be a constructive initiative, although in the long-term the rank level should be reduced to at least Group Captain, and possibly Wing Commander, to broaden the scope of the scheme. In practice, each of the Services now uses some sort of general list career structure for officers above about Colonel(e) level. The Committee supports that procedure.

5.38 The second model of 'generalism' is the practice of placing an officer in a variety of specialist areas throughout his career, the idea being that by the time he reaches senior ranks he will have developed the broad perspective which higher military command is said to demand. It thus is common to find that by the time the rank of Lieutenant Colonel(e) is reached, an officer will have served not only in his basic corps but also, say in the case of an engineer, in personnel, logistics or operational requirements, for example.

5.39 We would question the value of that practice. In the first place it does not necessarily follow that any individual who has not been exposed to that process will lack a broad outlook. There are alternative, less costly and less time



consuming ways of educating people. The Service senior staff courses are in some respects an example of the inefficiencies associated with generalist training. Each year somewhere between 40 and 70 officers from each Service are taken out of the trained force for six to 12 months and given training which is based on a core curriculum. Like any course based on a core curriculum, that process ensures that, given the diversity of backgrounds of the students, subjects must be presented at the level of the lowest common denominator; additionally, for many students, large sections of the course will be superfluous. The Committee questions the cost-effectiveness of that approach. Second, and more critical, the generalist system actively promotes an inherent level of organisational incompetence. This crucial consequence was summarised for the inquiry by Dr N.Jans. While Jans was commenting on the Army, his observation applies equally to Navy and Air Force:

When (officers arrive at a post) they are in the one job for only two years or less. You might arrive in Russell and be in, say, the personnel branch. Two years later you will find yourself in the materiel branch and two years later you will be in the operational branch ... You have this bunch of amateurs wandering around, criss-crossing their paths. There is no time to be in the job for long enough to find out really what you are supposed to be doing, let alone what you might set in motion for the next decade. There is nobody there to tell you: your boss and your subordinates are just as inexperienced as you are. I was in the Directorate of Personnel Plans for three years, a most unusually long tour of duty. There were five staff establishment positions that reported to me. In that time I must have seen about 15 different people go through those five different staff establishments (Evidence, 27 May 1988, p 422).

5.40 Jans' evidence is supported by statistics presented to this inquiry by the ADF. Tables 5.2, 5.3 and 5.4 list the length of occupancy as at April 1988 of officers in key Personnel Branch

Table 5.2

## LENGTH OF POSTINGS FOR KEY PERSONNEL BRANCH POSITIONS (RAN)

	<u>MONTHS*</u>	<u>PRESENT INCUMBENT</u> <u>MONTHS</u>
ACPERS-N	18.5	3
DNPS	12.8	10
DNMP	18.6	6
DGNMT	17.5	6
<u>DNOP</u>	<u>13.2</u>	<u>27</u>
DNT	13.2	4
DNSC	26	28
DGNPS	23	33
DNRC	23	12
DNLS	20	5
DSP	18	4
DGNHS	41	41
DNST-N	45	45
DNM	51	51
DNE	17	5

AVERAGE FOR PERSONNEL BRANCH = 20 MONTHS

The official length for Personnel Division Staff Officer postings is from 2 to 3 years.

\* Based on occupants since 1983 or at least last three occupants.

Source: Department of Defence, Exhibit 2; 25 May 1988

ACPERS-N = Assistant Chief of Personnel - Navy

DNOP = Director of Naval Officers Postings

Table 5.3: ARMY STAFF OFFICERS EMPLOYED IN PERSONNEL  
MANAGEMENT AREAS

(Tenure in years)

POSITION	CURRENT INCUMBENT	PREVIOUS INCUMBENTS			
Chief of Personnel	1-1/3	3	2	1	4
<u>Military Secretary</u>	<u>2-1/3</u>	<u>1</u>	<u>1</u>	<u>2</u>	-
Director of Personnel Plans	1-1/3	3	3	3	-
Director of Service Conditions	2-5/12	2	-	-	-
CO Central Army	1-1/4	4	1	4 1/2	-

Source: Department of Defence, Exhibit 2, 25 May 1988

Table 5.4: DIRECTORATE OF PERSONNEL OFFICERS (RAAF)  
TENURE IN MONTHS

<u>POSITION</u>	<u>PRESENT INCUMBENT</u>	<u>PREVIOUS INCUMBENT</u>
DPO	9	12
POPLANS	20	17
POPOL1	9	17
POPOL2	15	26
POPOL3	4	32
POMPR	36	31
POMAN	11	42
POMAN1	11	11
POMAN1A	4	6
POCAR1	11	23
POCAR1A	4	-
POMAN2	4	12
POCAR2	22	20
POMAN3	4	10
POCAR3	10	18
POMAN3A	21	6
POMAN4	4	24
POMAN4A	27	18
POCAR4	6	36
POMAN5	15	12
POAPPOINT	10	28
POAPPOINT1	4	7
POAPPOINT2	15	24
POAPPOINT2A	9	18
POADMIN	4	6
POER	21	35
POPROM	4	12
POREP	10	24

Source: Department of Defence, Exhibit 2, 25 May 1988

POPOL = PERSONNEL OFFICERS POLICY  
 POMAN = PERSONNEL OFFICERS MANNING  
 POCAR = PERSONNEL OFFICERS CAREER

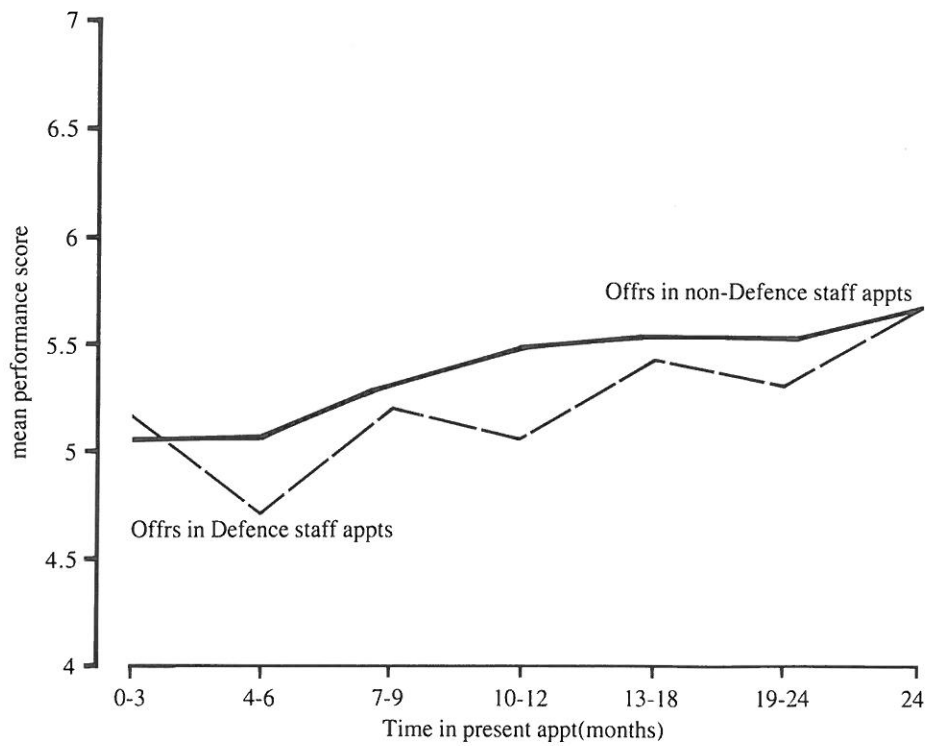
positions for each of the Services. To simplify the example, we have underlined the posts of Director of Naval Officers Postings (DNOP), Military Secretary and Director of Personnel Officers (DPO) - Air Force. Those positions represent probably the critical hands-on management level for most ADF officers, yet the most recent incumbents have managed to stay in the job only 13,19 and 10 months respectively. Submissions to the inquiry indicate that the situation is no different in other branches. As Figure 5.2 illustrates, there is a clearly-identifiable learning curve in Defence staff appointments. It is most significant that performance appears virtually static for the first six months: this suggests that the frequency with which Service officers are moved in fact inhibits the short-term effectiveness benefits which the military ascribes to the generalist concept.

5.41 To some extent the rate of turnover is being driven by wastage. Its adverse consequences are, however, exacerbated when arriving staff have no experience in their new branch. Those consequences might include a less than optimum performance of duties and random career development, resulting in a disaffected officer. The use here of the Personnel Branch statistics is particularly apposite as management shortcomings in those branches will affect every other branch.

#### Career Streaming

5.42 Career streaming, or the 'dual' career, represents one logical response to the kind of problem identified above. The concept applies essentially to the arms officers, although it could be implemented more widely. Under the scheme an officer would follow two main job streams until he reached about the Colonel(e) level. The first stream would be that of his arms corps, and the second a staff stream in materiel, personnel management, operational analysis and so on. Three main objectives are served by the scheme. First, the Force should benefit from

**Figure 5.2 Effect of Time in Job on Self-rated Job Performance**  
Job Performance Over Time in Present Appointment



Source: Jans, 1987, p 7

the greater degree of expertise which should obtain in the various branches. Second, posting turbulence should be reduced as individuals could be expected to be 'cycled' through fewer areas. Finally, career satisfaction should be enhanced as, after one tour in his second 'stream', an officer should quickly be effective each succeeding time he returns to that area. A most important aspect of that latter point is that it is precisely the feeling of inadequacy in a new appointment for the first six or 12 months which makes the Russell Office experience such an unpleasant one for so many otherwise highly competent officers. That is an issue which we examine more closely in the section on Russell Offices, but it is worth making the point here.

5.43 The outline we have presented of career streaming is a little simplistic but it comprehends the essential features. It is by no means a new idea, having been the subject of much debate in the ADF for some years. Perhaps the most informed comment on the subject came from the Regular Officer Development Committee (RODC) which was established in 1976 to 'determine the professional development needs of Regular Army Officers and to produce a program to satisfy those determinations'. The report took 18 months to complete and comprised six volumes. The adoption of career specialisation or streaming was one of its more significant recommendations.

5.44 In making that recommendation the RODC presented the view that research had convinced its members that 'officers should specialize more than they do at present, particularly in staff employment'. That conclusion was supported by the RODC's 'study of the future and by a generally expressed demand for higher levels of job satisfaction'. Specialisation was seen as serving to meet 'many of the changing demands on the Army' and was also assessed as being in accord with comparable changes in Australian society (RODC, 1978, pp 3-11).

5.45 The RODC proposed two main streams for an officer, that is, a 'dual' career. One stream was to be within the officer's corps, and the other within a staff specialisation. Eight basic staff 'employment categories' were identified:

- a. Operations and Force Development;
- b. Personnel Management;
- c. Training Management;
- d. Logistic and Materiel Management;
- e. Information, Data Processing and Financial Management;
- f. Strategic Intelligence;
- g. Public Relations; and
- h. Legal.

The RODC saw employment within an individual's corps specialisation as providing rank progression to Lieutenant Colonel at least, and the staff specialisation to Colonel (RODC, 1978, pp 3-12). At that stage there would be a convergence into the 'general list' concept.

5.46 Army's current Chief of Personnel, Major General P.R. Phillips, was one of the RODC team. Addressing this Committee on the Report some 10 years after it was handed down, he commented that:

(The RODC) did recommend greater staff specialisation in areas such as personnel management. Whilst that recommendation was not accepted in its entirety, there certainly has



been a considerable change in the last 10 years in terms of allowing people greater access to a stream of staff employment (Evidence, 11 April 1988, p 280).

Dr N. Jans believes the RODC was probably the 'high point of military personnel management in the last decade', but considers that staff specialisation was too controversial an issue, and was 'killed off' when it got to the highest levels (Evidence, 27 May 1988, p 425).

5.47 Career streaming remains a controversial issue and the subject of much stimulating debate. Dr G.L. Cheeseman, for example, has argued in favour of specialisation, but in place of the RODC's proposed dual career system of officer development has argued for an even more structured career management system in which 'an individual progresses from being a specialist junior officer to a senior manager at higher levels within a single career stream, which might involve overlapping career sub-streams' (Cheeseman, 1980, p 28). That proposal has merit, but seems to us perhaps too inflexible.

5.48 In our opinion there is a clear need for more career streaming in the ADF, preferably along the 'dual career' path. The prime indicator that this is necessary is the organisational dysfunction evident in excessive personnel wastage. People are leaving because the organisation simply is not meeting their needs past a particular level and outside their specialist field. At the individual level the need is demonstrated by an inability or unwillingness to deal with career change. There also is considerable evidence that in some areas the ADF is not well managed.

## Training Managers

5.49 The conclusion that there is a requirement for more career streaming in the ADF is not the end of the matter. Neither would it be sufficient merely to say that so many officers should go to a particular branch for their second specialisation, so many to another, and so on. That approach would address only part of the problem. The other part, which is complementary to career streaming, is the necessity to distinguish between leadership and management. In our judgment that distinction is not always well drawn in the ADF and is perhaps the major reason why so many highly-regarded operational leaders separate from the Force shortly after concluding the main 'command' component of their careers, an event which occurs at the Lieutenant Colonel(e) level. The Committee considers that in many cases those officers separate because they have not been properly prepared for a staff career and are unable to adjust to the new challenges which are generated by the transition from leadership to management.

5.50 Defence staff work can be a complex and demanding business. It requires skills and knowledge which are not always transferable between postings, and it often demands the determination and persistence to force policies or programs through against the opposition of colleagues and the inertia of a large organisation. Ambiguous patterns of behaviour replace the more direct nature of a military field environment. People who were highly competent in their previous posting suddenly find they are not coping that well in an environment which seems hostile.

5.51 Whether the ADF likes it or not, the ability to operate effectively and forcefully in the bureaucratic and political milieu is a sine qua non of success in the crucial and continual competition for resources and influence. Success rests on different foundations than does the ability to lead men and women in operations. Career streaming must therefore be accompanied by

a selection and training process which produces military managers who in particular can succeed at Russell. The Committee must emphasise that in no way is it advocating the subordination of leadership to management. Leadership will always remain paramount in a military organisation. What we are saying is that there is both the necessity and scope for the ADF to improve its managerial skills.

5.52 The costs which arise from the failure to prepare military leaders for the bureaucracy are not limited to wastage. If the proper balance is to be maintained in defence decision-making, a strong and informed military voice must be heard at all levels of the process. Numerous commentators believe that the ADF's voice in fact is not strong enough (see, for example, JCFADT, The Management of Australia's Defence, pp 97-115), although that conclusion tends to be ascribed to organisational flaws within Defence rather than to management failings within the ADF. We addressed the former proposition at length in our 1987 report and supported the thesis that the Russell Offices diarchy needs reform: we touch on that matter again later in this chapter. However, we also believe that if the military's voice is not strong enough in the political and bureaucratic arenas then the senior officers must shoulder a large share of the blame.

5.53 The Chief of Naval Staff has acknowledged that some 'commanders and senior middle management' officers are not 'mentally prepared' for the transition from an 'upfront operational task to the demands of a staff posting' (Evidence, 6 July 1988, p 545). Admiral Hudson did go on to outline a number of measures being taken to prepare staff officers, including attendance at a range of training institutions, but concluded that 'there is more that we can do at the more junior level to educate people in higher defence management' (p 546). His assessment was supported by the Chief of the Air Staff, who agreed that the preparation of officers for work in the bureaucracy is inadequate (Evidence, 21 July 1988, pp 629-30).

5.54 Gary Brown reached the same conclusion in his article reviewing this Committee's report on The Management of Australia's Defence (Brown, 1988, pp 10-12). Brown argued that the only viable solution to the problem would have to include two features. The first would involve identifying and training at an early stage officers suitable for duty in 'essentially bureaucratic' positions; while the second would be 'the creation of conditions in which ADF officers who master Defence Central requirements are not lost to the system by long postings out of Canberra'. We endorse those conclusions.

5.55 The Committee appreciates that the ADF conducts a reasonable amount of management-related training through a diverse range of institutions, including universities and CAEs in Australia, the Australian Administrative Staff College, individual Service staff courses, JSSC and allied military Services. However, many of the courses offered are at the post-graduate level, which in our opinion is too late. If the ADF is to exert its proper influence in the Defence decision-making processes then it is necessary to educate a stream of suitable officers in sufficient numbers from the undergraduate stage in such areas as business and public administration, public policy and operational analysis. Post-graduate training will still be necessary but in the true post-graduate sense rather than as an introduction to a discipline.

5.56 Implicit in that proposition is the possibility of a more pronounced division between the operational and bureaucratic elements of the Defence Force. Regardless of that, we do not believe there is any option. The ADF depends ultimately on its effectiveness in the bureaucratic forum for the adequacy of funding, equipment and policy guidance, and must respond accordingly. It is essential for the ADF to come to grips with operating in Russell Offices. Brown summarised the issue well in his article:

This aversion to Defence Central postings is without question one of the most counterproductive tendencies evident in the ADF: it contributes significantly to the inability of the military to make its voice heard in Russell Hill's complex round of administrative and financial decision making and thus feeds the military's grievances against civilians seen as usurping powers or functions which should, in the military's view, belong to it (Brown, 1988, p 11).

We also believe that if a sensible dual career training program which starts from junior levels were implemented, the potential for uncomfortable divisions between the operational and managerial components of the ADF would be minimal. The Australian Defence Force Academy is one obvious medium through which the two goals of individual specialisation and corporate unity can be pursued simultaneously.

5.57 A beneficial side-effect of the system we have outlined would be the greater opportunity for those officers with no interest in or aptitude for staff work to specialise in their combat corps. We have addressed that matter in our section on job specialisation by reference to RAAF pilots (without suggesting that pilots do not have the aptitude for higher staff posts).

5.58 The Committee appreciates that the same sorts of difficulties which can arise with job specialisation may affect streaming. Many of those difficulties stem from the comparatively small size of the ADF. With limited numbers to choose from the Services could find it hard to support a scheme which inherently is less flexible than the existing one. The pool of talent suitable for management tasks could prove marginal if there were a degree of resistance to the concept. This problem would become particularly marked during periods of high wastage.

5.59 Having said that, we must return to the central problem. As we have demonstrated, the existing system of preparing the ADF's managers is not achieving the desired results; on the contrary, it is generating wastage. Additionally, to the extent that the ADF does lack influence in Russell, part of the cause lies in deficiencies in the preparation and training of officers for the task. Until that fundamental failing is addressed the problem is unlikely to be resolved.

5.60 The Committee has a number of recommendations to make on this matter. Personnel management is, however, a complex issue and is best dealt with as a whole rather than as discrete items. We believe that there is an important complementary subject which must be addressed before making recommendations on career streaming and management. We refer here to lateral recruitment, a practice which if adopted more widely by the ADF could offer a solution to problems which may be caused by limited selection pools and high wastage. Lateral recruitment also can be a most effective technique for improving organisational quality.

#### Lateral Recruiting

5.61 Lateral recruiting is the enlistment of individuals who already possess desired qualifications or skills. Those qualifications may have been gained either from educational institutions or previous employment. In theory there is no reason why someone who is recruited laterally cannot be brought into an organisation at any level; indeed, it is a common practice in the private sector for senior managers to be recruited laterally.

5.62 It is something of an article of faith amongst senior ADF officers that the military cannot recruit laterally. There are undoubtedly some particular skills which are peculiar to the military and for which lateral recruiting would not be feasible. In general that limitation applies to the combat areas: the

civilian community does not train destroyer, tank and F111 crews and the like. Accepting that caveat, the Committee believes that the ADF is too rigid in its approach to lateral recruiting. The civilian community does train, for example, merchant ship, heavy vehicle and transport aircraft crews, each of which has an equivalent category in the Defence Force. Perhaps more importantly, the civilian sector remains a relatively untapped source of management skills and qualified professionals and tradesmen.

5.63 Taking the latter groups first, there is already a degree of lateral recruiting into the ADF from professional groups such as lawyers and medical practitioners. Those people are recruited because the Force needs specialist skills for which it is impractical to carry out in-house training. The emphasis in the process must remain fixed squarely on its rationale: doctors and lawyers are recruited laterally because the ADF needs their skills. That is the imperative, and if the military now needs other skills which, because of wastage, they can no longer produce in-house, then the system must change. The obvious areas of need are those which are most affected by high wastage, such as radio/electronic tradesman, engineers and pilots.

5.64 Lateral recruiting into those and other affected disciplines would not only meet an immediate need for the particular skills but also would reduce the workload on ADF training establishments, thus making an additional, indirect contribution to easing the effects of wastage. To attract those skilled personnel, it would be necessary to offer some form of additional reward in recognition of the qualifications already held. This could take the form of extra pay, other kinds of remuneration or rank. A precedent exists in the extra rewards given to Defence Force doctors and lawyers. People who are recruited laterally may require military training and perhaps some additional trade training, but their existing civilian skills would represent a significant saving in training costs to the ADF.

5.65 Recruiting individuals laterally for their general or specialist management skills could perhaps be even more useful to the Force than recruitment undertaken to meet an immediate need for specific vocational skills. There are two main reasons for this. First, as we pointed out in the sections on career streaming and training managers, attempts to improve the management of the ADF by career streaming may be inhibited by the relatively small pool of officers available. This factor is likely to be especially significant during periods of high wastage, when a greater than normal degree of flexibility will be necessary in posting practices and career management. By recruiting laterally into senior management posts - say from Major(e) level upwards - the ADF would benefit in a number of ways:

- a. Posting turbulence can be reduced. Despite the best intentions, a certain number of postings will always continue, as high priority jobs must be filled. By recruiting laterally, the ADF would reduce the chain-reaction of postings which results from a single move.
- b. Organisational flexibility would be enhanced. This would facilitate the career streaming concept, which in turn should enhance efficiency.
- c. Stability within the organisation would be improved; again, this would benefit career management and streaming.

5.66 The second major reason for the lateral recruitment of managers relates to organisational efficiency. We have already expressed our belief that in certain areas the ADF is not well-managed. An obvious example is the personnel management branches, which clearly have not managed the wastage problem but rather have reacted to it.



5.67 The Committee sees no good reason why expert managers could not be recruited up to senior levels within some single Service and HQADF non-combat related staff functions. We accept that the procedure would not lend itself to universal application, but that should not be allowed to obscure instances of specific relevance. In addition to the personnel area, the logistics, technical services, information processing and management, some aspects of training and public relations areas could all be considered.

5.68 A limited form of lateral recruiting into Defence Central staff posts is in fact already in force, through the fairly widespread use of Reserve officers. Largely because of manning problems caused by wastage, the Services over the past few years have been making increasing use of those officers, particularly at about the Lieutenant Colonel(e) level. In many cases those officers are employed in positions in which they are specialists. Their employment in essence is another example of crisis management, representing as it does a reaction to a situation which is already a problem.

5.69 Recruiting laterally on a wider scale would therefore only be taking a practice which is already in place one step further. It would, however, be a step taken for the fundamentally different reason of improving the long-term management of the ADF, rather than merely responding to a crisis or plugging another gap. The Committee appreciates that any lateral recruitment for an extended period of ex-Servicemen who are receiving DFRDB benefits raises some problems. Those are technicalities which require further study. In any case, we consider that the practice could be extended to encompass a wider recruitment base than ex-Servicemen.

5.70 To summarise the interrelated issues of career streaming, training managers and lateral recruiting, the objectives of any

changes to existing practices must be those of enhancing both organisational effectiveness and individual career satisfaction. Our judgment is that the generalist career system widely applied across the Services up to about Lieutenant Colonel(e) level is inimical to those objectives. Indicators that the existing system is not achieving the desired outcome include high personnel wastage, manifest managerial inefficiencies in some areas, and the distaste for Russell Offices held by many members of the ADF.

5.71 The Services need to foster a much greater degree of career specialisation through the implementation of the 'dual career' streaming system for officers. Further, that streaming process must recognise the distinction between leadership and management. Officers who have the capacity to succeed in the bureaucratic environment must be identified and properly trained at an early stage. The Committee reiterates: whether the ADF likes it or not, the ability to operate effectively and forcefully in the political and bureaucratic milieu is essential to success in the crucial and continuing competition for resources and influence. We also would repeat two other important points: first, we are not advocating the subordination of leadership to management, but rather the need for considerable improvement in the latter skill; and, second, emphasising streaming and management training should provide more opportunities for those who wish to serve only in the combat elements of the ADF to do so. Finally, career streaming and management training should be supplemented by the much wider use of lateral recruitment as a means of improving organisational efficiency and providing flexibility in personnel management.

5.72 The Committee recommends that CDF:

- a. direct the single Services to implement a 'dual career stream' system for officers which

- (i) starts when an officer is commissioned, and

- (ii) consists of a Corps (or equivalent) specialisation and a staff specialisation within one of the employment categories outlined in our paragraph 5.45;
- b. direct the single Services to develop a personnel management system which
  - (i) identifies at an early stage those officers with the capacity for managerial expertise, specifically within the Defence bureaucracy, and
  - (ii) provides those officers with appropriate training; and
- c. take action to facilitate lateral recruitment into the ADF on a wide-ranging basis, for both managerial and professional and trade specialists, and to senior management levels if necessary.

The Committee appreciates that those recommendations would require, inter alia, a fundamental reappraisal of some aspects of officer staff training. We believe that would be a productive process.

#### Re-engagement and Lateral Recruiting

5.73 An effective program of lateral recruiting will extend further than simply re-employing former Service men and women. Nevertheless that group can be a valuable resource, as is illustrated by the current substantial reliance on Reservists to fill the vacancies and experience shortfalls caused by wastage.

5.74 Many high quality people leave the ADF reluctantly, often to meet pressing family needs, such as a wish to provide stability during the critical stages of a dependant's schooling.

In those sorts of circumstances, the pressures on the Service man or woman concerned are time-limited. Once the immediate need has been satisfied, the individual may be keen to resume his or her military career. If that is the case, and if valuable skills and experience which will be immediately effective are available, it clearly is in the ADF's interests to be able to contact those members and offer them employment on a more permanent basis than currently is possible.

5.75 The success of such a program would be partly dependent on knowing where ex-Service members are and what they had done since separating. To do that efficiently, there should be a schedule for contacting former Service personnel so that manpower planners would remain up to date on their whereabouts, current employment status (which may indicate the acquisition of new skills) and attitude towards further Defence service.

5.76 As we mentioned above, at the moment administrative difficulties exist in re-engaging people who are receiving DFRDB benefits. However, as we also pointed out, that is a detail which would not deter any senior manager who was serious about the matter. The terms under which individuals might be re-engaged would have to be examined carefully, taking into account the needs of the ADF and the person concerned, as well as recognising the position of those who serve continuously despite the inherent disadvantages of military life.

5.77 A interesting model exists in the New Zealand Defence Force's Reserve Force Special Service List, which enables the NZDF to re-enlist for short periods former members of the Regular Forces, including those who have superannuated. The main entry conditions are as follows:

- a. age not more than 55 years;
- b. same medical standards as those which apply to Regulars;

- c. pay rates about 80 per cent of the Regular scale;
- d. rank is set at the Service Chief's discretion, but it must be seen to represent a reduction in status compared to those contemporaries who remained in service;
- e. the period of re-engagement is not to exceed three years;
- f. special service list personnel are not eligible for further superannuation and do not pay further contributions; and
- g. there is no entitlement to service housing or terminal benefits.

The Reserve Force Special Service List may not exceed one per cent of the overall Service ceiling without a Chief's approval.

5.78 Some of those conditions may seem rather restrictive in the context of trying to bolster Force quality and minimise posting turbulence during a period of high wastage. We believe that in some cases it could be in the ADF's best interests to allow someone who has re-engaged to pursue his career to the highest level of which he is capable, competing with others for advancement solely on merit. Nevertheless, the NZDF scheme is a sound framework which Australian Defence managers could use as a guide in developing a scheme to meet their particular needs.

5.79 The Committee recommends that CDF:

- a. implement a program under which Service Personnel Branches regularly contact selected former Service men and women to determine their current employment status and attitude towards further Defence service; and

- b. develop a scheme for the re-engagement of former Service personnel.

### Using Reservists

5.80 On several occasions the Committee has drawn attention to a growing trend in the ADF to use Reservists on fulltime duty. That practice is indicative of wastage problems but is a form of lateral recruitment which can produce immediate benefits, particularly in categories which are sustaining significant losses of experienced personnel. For example, we endorse CDF's strong advocacy of the need for the Air Force to make far more use of Reserve pilots (Evidence, 17 August 1988, p 674). In our judgment the RAAF's reported opposition to that proposal (The Australian, 18 August 1988, pp 1-2) is not in the best interests of the ADF.

5.81 The Committee recommends that CDF take action to facilitate the use of Reservists in the ADF, on both fulltime and scheduled part-time duty.

### Accelerated Promotion

5.82 Measures which have been proposed so far in this chapter have been drafted with the prime intention of improving the efficiency of the ADF as part of an overall strategy to reduce wastage. Those measures have concentrated on the way in which people are employed in the Defence Force. In view of that, they would be incomplete without an examination of the philosophy for promotion and retention, particularly as it applies to senior ranks.

5.83 A promotion philosophy for Army was developed by the RODC. It identified three main characteristics, as follows:

- a. The primary purpose for promotion is to fill appointments at a higher level and to staff the organisation from the top down.
- b. The rationale for a promotion system is to provide a career service for all, but to staff the upper levels of the organisation with the most able officers.
- c. All officers should experience a common period of career 'apprenticeship' followed by promotion at a rate and to a level which is consistent with comparative merit (RODC Report, 1978, pp 3-15).

That philosophy would seem relevant to each of the Services.

5.84 Unlike many organisations the ADF imposes formal restraints on the rate at which individuals can progress. Although scope remains for talented officers and NCOs to advance more rapidly than the norm, there are minimum times which must be spent in each rank. The Director General, Defence Force Administration Policy has drawn an analogy between this and the Japanese model of manager development. That model was reported as requiring any executive, regardless of ability, to spend the first 10 years in a firm going through a very structured and slow development process to ensure that a good grasp of the basics is acquired before accelerated promotion starts (Evidence, 11 April 1988, p 221).

5.85 The Committee agrees with the general proposition that executives in any large organisation are likely to benefit from a thorough grounding during their first 10 or so years in employment. Past that, however, we have reservations about the ADF's adherence to a comparatively rigid system. As an example of this rigidity, the Chief of Naval Personnel told the Committee that under the present promotion system it would not be possible

for anyone to reach his position by the age of 40. In response to a question on the Service's capacity to accommodate 'high fliers', Rear Admiral Carwardine stated that 'at 40 you could be at very best a Captain - at very best. That is Colonel level. It is just simply not possible (to progress any faster) under the present rank structure and the way we do business' (Evidence, 14 April 1988, p 220).

5.86 Some commentators have argued that after 10 years in the Defence Force an officer is still inexperienced, and that it takes in the order of 20 years to train a senior commander properly (RSL, Evidence, 27 May 1988, pp 474 and 510). The Committee cannot accept that. There is the obvious example of wartime commanders leading major formations at about the age of 30; while some of Australia's most successful Generals have been 'citizen-soldiers'. A more contemporary illustration is provided by the Commonwealth Departments of Treasury, Finance, and Prime Minister and Cabinet, where 50 per cent of the Senior Executive Service is under 40 years of age (The Canberra Times, 12 July 1988). A number of the country's most powerful businessmen also are well under 40.

5.87 Our point here is not to denigrate military leadership or training, but rather to suggest there is justification for examining promotion practices. There is clear evidence that many middle-ranking ADF officers leave the Service at that level because of job frustration, dissatisfaction with career management or the wish to take up a new challenge. Equally it is clear that the resignation of officers at that stage can deprive the Force of some of its best talent: this disturbing matter was acknowledged on a number of occasions by senior Defence officials during this inquiry (CDF, Evidence, 14 March 1988, p 44; and CPERS-N, Evidence, 11 April 1988, p 253). The departure of those individuals not only costs the ADF their services in future years, but also reduces the quality of the pool from which future senior management will be selected.



5.88 Returning to the promotion philosophy developed by the RODC, key concepts included those of staffing the upper levels of the organisation with 'the most able officers' and promoting individuals 'at a rate and to a level which is consistent with comparative merit'. The Committee questions the current application of that philosophy in the ADF. In many Australian enterprises in 1988, the most talented executives can expect to be senior managers by the time they are 40, both in the private and public sector. In the ADF, however, unless an individual is in one of the relatively few operational command posts, he or she can expect to be nothing more than a middle-level manager who will have to wait about five or more years before genuine authority can be exercised. That circumstance encourages wastage which in turn erodes the quality of the management base. We believe in sum it presents a case for accelerated promotion at a rate which would enable the exceptional officer to reach 2-star rank about 20 years after receiving his commission.

5.89 At some stage it may be necessary to consider management initiated retirement to facilitate accelerated promotion. If an organisation's best performers are to be given the most important jobs at the earliest opportunity, room has to be made for them. Further, periods of high wastage lead to heavy recruitment. When those abnormally large recruitment cohorts reach senior levels, and assuming that normal distributions of ability obtain, there will be a larger than usual pool of above-average performers competing for the usual number of senior posts. They are likely, however, to be 'blocked' by predecessors of lesser ability who were selected for promotion from a less-competitive (because of wastage) cohort. Finally, under the ADF's present personnel management system, once an individual has reached a particular rank, the organisation is obliged to find him a post at that rank for as long as he remains in the Service. At the most senior levels where there are relatively few posts, that inflexible practice can be damaging if performance ceases, or indeed fails

to match the position. Management initiated retirement is a practice which should be used only in exceptional circumstances. It would also be essential for anyone subject to such action to receive a specially structured and generous package of termination benefits.

5.90 The Committee recommends that the Minister for Defence Science and Personnel take action to implement personnel management procedures which allow accelerated promotion at a rate which enables exceptional officers to reach 2-star level about 20 years after receiving their commission.

## Second Careers

5.91 The preceding recommendations propose fundamental changes to a number of existing Defence Force personnel management practices. In our opinion those changes are essential if the ADF is to modernise its practices and deal most effectively with high wastage. Because several of the recommendations could, in the interests of enhanced efficiency, limit career opportunities for some personnel, they should be accompanied by a scheme which recognises that fact.

5.92 One such scheme is the Canadian Forces' Second Careers Assistance Network (SCAN), which helps personnel to plan the point at which they will leave the Service, ideally at the most favourable time and under the most favourable circumstances for all concerned. As Dr C. Downes has pointed out, SCAN also is a sensible response to the fact that, despite the emphasis placed on career commitment, proportionately fewer military personnel actually complete a period of service which is career-length in a civilian sense (Submission, p S1532). While there are a number of key points at which people usually elect to leave the ADF, few of them are free from concern, particularly for those individuals who may not possess readily-transferable skills. Downes presented

the argument that very often people take precipitant action in deciding to leave the military, 'motivated by the same rationale employed by the foreign currency buyer - it may prove better to act now than wait to see if circumstances change for the worse'.

5.93 By helping individuals to plan a possible career outside the ADF, a SCAN system should help to reduce the numbers of people who leave prematurely because of rumours and employment scares, as well as dealing with the types of concerns which may arise from the introduction of such efficiency-oriented changes as accelerated promotion and lateral recruitment. According to Dr Downes, the Canadian scheme has proved that if people are able to plan ahead, they are less likely to leave at the first opportunity (Submission, p S1533). Additionally, the associated increase in individual planning will generate more information on which to base institutional manpower resource planning.

5.94 The Committee recommends that CDF direct the single Services to introduce a Second Careers Assistance Network scheme.

#### Managing Personnel Statistics

5.95 The Chief of the Air Staff informed the Committee that while his Service has in place a system for monitoring separation data, the extent of the current loss rate had not been expected (Evidence, 21 July 1988, p 605). An inability to manage wastage data rather than merely react to it indeed seems to have characterised the Defence organisation's use of personnel statistics. During an extended session of questioning, none of the CDF, the Secretary or DepSec A was able to give the Committee a convincing answer to the question of whether data is used as a proactive management tool. The clear impression gained was that the system is essentially reactive (Evidence, 14 March 1988, pp 35-40). The Minister for Defence Science and Personnel subsequently acknowledged shortcomings in the way in which

Defence has recorded and produced separation statistics (Evidence, 17 August 1988, p 649).

5.96 Other witnesses were critical of Defence's approach to managing personnel statistics, both on the grounds of poor co-ordination across the Force and the way in which information is - or is not - collected and used. Dr C. Downes argued forcefully that the rationale for collecting data is not as constructive as it might be:

There is a fundamental need for agreement to be reached between the three Service Offices and MIMP in order to develop standardised statistical bases, collection methods and category determinations. Currently, each Service Office employs different accounting methods, categories and groupings within statistics collected. These statistics are then standardised by Defence Central staffs in the Organisation and Manpower Resources Division (OMR), recently renamed the Management Improvement and Manpower Policy Division (MIMP). Service Office personnel managers do not regard these standardised figures as functional management tools. The collation and analysis of personnel statistics by MIMP appears to be driven more by the perceived need for an informational base with which to scrutinise the proposals and staff work of various Service staffs and the requirement to present a set of ADF personnel employment statistics for Parliamentary accountability. It is argued that this latter task is of a lower priority to that of research and development of responsive and effective techniques and analytical tools, including the development of effective predictive indices of personnel wastage, required for more planned personnel and manpower resource management. In this way MIMP could make a significantly more constructive and informative contribution to the proposals and staff work undertaken by the Service staffs, rather than merely acting as watch-dog or whistle-blower (Submission, p S1523).

5.97 Peat, Marwick, Mitchell also experienced problems with statistics during their 1987 Review of Australian Defence Force Posting Policies (pp 5-6). A central part of that review was the collection of data on postings and their associated costs. The review team found it very difficult to identify and locate statistical information. Some of the data were not readily available while the timeframe and cost which would have been associated with obtaining the rest would have been 'too great'. The analysis of statistics also proved difficult 'due to the lack of information as well as the effort expended in trying to identify and collect the required data from the services'. Members of the review team expressed their surprise at the fact that those involved in managing and administering the posting process had little or no access to actual numbers and concrete data, which reduced their ability accurately to track variations outside normal guidelines. The review team felt that this by and large supported the view that much of the work performed in the postings area was carried out in a 'crisis management mode' and that there appeared to be little opportunity to undertake any longer term planning (p 18). Comments on the use of data bases were included in the team's conclusions on 'organisational considerations'. Noting that Air Force posting staff are greatly assisted in their work by their particular computer system, the team recommended that 'Navy obtain a similar system as a matter of urgency'. Within Army a 'plethora of systems exist', and a need was identified to converge those into a single 'system'.

5.98 While Peat, Marwick, Mitchell's conclusion was primarily concerned with personnel statistics as they relate to the management of postings, the general thrust plainly is applicable across the full range of personnel management data collection, as Dr Downes has argued. Defence itself has recognised the problem. Commenting on structural factors affecting wastage and retention management, the (then) OMR noted in November 1986 that inadequate data prevented the Division, first, from analysing the impact of increased numbers of pension-eligible personnel on wastage; and

second, from analysing the possible impact of age and enlistment period choices on retention. The Division concluded that:

The lack of an ADF wide data base of sufficient detail on officer and other ranks cohorts severely limited examination and assessment of the impact of structural personnel resource variables on retention. The data is held by each Service Office (COMR Minute 575/86, 14 November 1986, p 4).

This Committee in fact experienced first-hand the kind of difficulties which can arise with Defence statistics. During the compilation of data to determine the total number of separations for FY 1987-88, two different figures, differing by 125 separations, were found. Each was derived from official, publicly-available MIMP data.

5.99 A pertinent comment on the quality of Defence's data base also came from Mr Peter Jesser. During his analysis of Army General Enlistee (GE) wastage, Jesser noted that GE education levels are not always recorded on enlistment or in the early stages of the training cycle. Under Army's current system, that data is unlikely to be recorded until about a soldier's third or fourth year of service, when involvement in promotion exams starts (Jesser, Submission, p S747). Jesser made a telling observation in his comment that the lack of attention given to recording GE education in the early stages of a career suggests that GE are not a valued resource and are not managed as such. His conclusion reflects little credit on the way in which Defence is controlling its data base in order to manage its most valuable resource:

Such an approach to personnel management does not sit well beside the assumption that a more educated soldier is required to meet the technological demands of the modern defence force, and would almost certainly have implications for the way more educated personnel come to evaluate their prospects in

pursuing a service career (Jesser, Submission, p S747).

5.100 It is essential for Defence to establish a comprehensive, centralised manpower data base. The main components of the Force which would be involved are HQADF, the three single Services and the Management Improvement and Manpower Policy Division (MIMP). The purpose of establishing a central data base would be to standardise information, collection methods and category determinations. From that foundation, manpower managers should be able to move forward from a system which seems largely occupied with generating descriptive statics (see Evidence, 14 March 1988, pp 35-40) to one which facilitates rigorously-determined, timely management action.

5.101 The Committee believes that this centralisation of data could be effected in two broad stages. First, the single Service data bases and manpower management/planning cells should be aggregated under the direction of HQADF. Once that process had been completed, the unified military system should then be centralised with MIMP. We would stress that the intention of this process would be solely to enhance the quality of the system. Decision-making would remain the responsibility of the system's individual users.

5.102 The Committee recommends that CDF and the Secretary establish a comprehensive centralised Defence manpower planning data base.

5.103 One final point should be made on the issue of centralising data. At a time when considerable effort is being made to contain personnel costs in the ADF and the Department, there is a tremendous amount of duplication in manpower planning within the Force. Rationalisation of the current disparate - and on occasions competing - elements should create massive savings in personnel. When the costs of some of the recommendations contained in this report are assessed, so also should be those

attributable to a ponderous, inherently manpower-intensive diarchic organisation.

5.104 In addition to establishing an effective data base, the other major issue associated with personnel statistics is that of developing a predictive approach to managing wastage. The key to that process is the type of surveys undertaken to determine attitudes amongst Service personnel.

5.105 The Services now conduct a range of surveys which go by a variety of titles: 'retention', 'resignation questionnaires', 'attitude and opinion', 'discharge' and 'exit' and the like. Those surveys have been conducted both amongst those leaving the ADF and those who are remaining. The primary purpose of the surveys has been to identify the problem areas and then 'to do something about them' (CDF, Evidence, 14 March 1988, p 50). Information from those surveys has been used to revise policy and to support claims for improvements to conditions of service, each of which could be used positively to manipulate wastage rates. The Committee strongly endorses those initiatives.

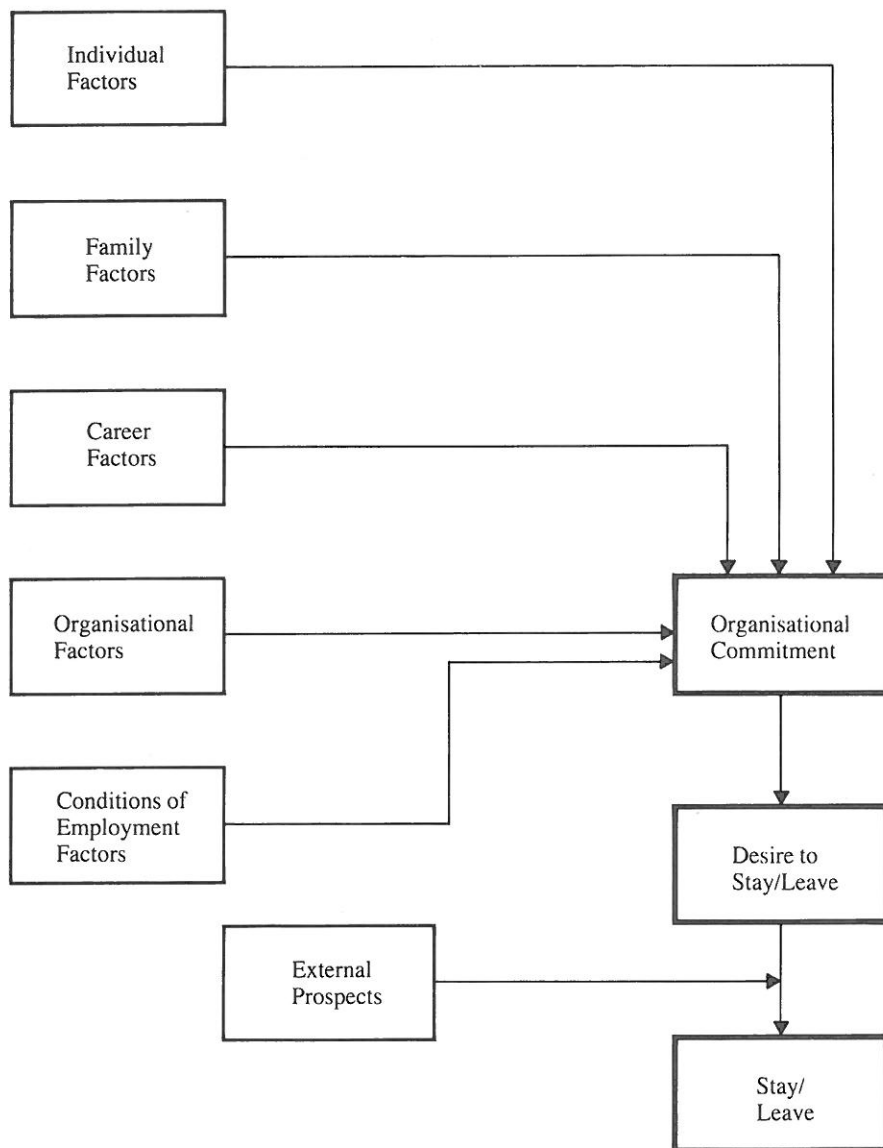
5.106 Notwithstanding the value of the kinds of survey mentioned above they are, with the possible exception of Army's Soldier Attitude and Opinion Survey, essentially reactive. This may reflect the advice given to Army's Directorate of Personnel Plans by the Central Studies Establishment in 1986 that an accurate wastage prediction system is not practicable (Army Presentation, CCAE Seminar, 23 February 1988). More optimistic advice on the development of predictive wastage data was presented to the Committee by two research psychologists, Mr R.G. Salas and Dr N.A. Jans. The research of each appears relatively sophisticated and at this stage seems to have something to offer the ADF.



5.107 Salas is employed by the RAN. As part of his work he has analysed data from a recent Naval Officer Retention Survey to produce a Resignation Propensity (RP) scale. A high score on this scale indicates that the respondent is 'likely to be ... vulnerable to resignation influences' (Submission, p S1982). Analysis of the scale itself has revealed that it is a statistically sound and reliable instrument 'suitable for its envisaged task of successfully identifying RAN officers likely to be at risk of resignation at the time of their responding'. The RP scale places an officer in a percentage risk category. It would then be up to Naval Personnel managers to decide what level of risk was acceptable for a particular individual before any intervention intended to reverse his resignation propensity was taken (Submission, p S2103). Individual RPs can also be aggregated to determine an overall rate. Salas calculated an overall resignation propensity rate of 10.1 per cent from his data, which was close to the actual RAN officer resignation figure for the same period. While Salas acknowledges that the technique will always contain inaccuracies, largely because of the difference between what people say they will do in questionnaire surveys and what they actually do at decision-time, the RP scale nevertheless remains indicative of the direction research on ADF wastage management could take.

5.108 Dr Jans' model focuses on measuring an individual's organisational commitment and morale as likely indicators of wastage. His model recognises that there are many reasons why people feel committed to or alienated from an organisation; further, while many of those factors may be outside the organisation's control, it is still necessary to monitor them to assess the feasibility of intervention to resolve a potential wastage problem (Jans, Submission, p S872). The model is illustrated at Figure 5.3.

5.109 An important feature of the model is the wide view it takes of wastage and the factors which drive it. Perhaps even

**Figure 5.3 A Model of Organisational Commitment**

Source: Jans, *Submission*, p S873

more significant is the attention it pays to the antecedent variables which predict wastage. As Jans has pointed out, as a management tool of analysis the 'organisational commitment' model does not really have to measure wastage per se, since past research has shown that the focal dependent variable (that is, organisational commitment) is a good predictor of wastage. A number of useful outcomes are achieved from this system:

- a. Wastage levels can be predicted although not necessarily with precision. Since it is assumed that organisational commitment is an antecedent of wastage, rises or falls in wastage can at least be anticipated.
- b. The likely causes of wastage can be attended to simultaneously with wastage itself.
- c. Other dimensions of organisational commitment can be addressed, for example, not just the desire to stay or leave, but also loyalty, effort and identification.
- d. Data can be gathered prior to wastage becoming a problem, that is, it is not necessary to wait for people to leave before beginning to identify the reasons why they might eventually leave.
- e. The reliability and validity of measuring techniques can be tested, again before wastage occurs.
- f. Comparisons can be made within the one organisation at different times, between different parts of the same organisation, or between different organisations on the variables in question (Jans, Submission, pp S874-5).

5.110 In addition to those submissions, the Committee received a briefing on a 'failure avoidance' model of personnel management, which appeared to be considerably more sophisticated

and advanced than the kinds of management methodologies currently being applied in the ADF. That model was used in the development of the US Army's Total Army Personnel Model, and reportedly was cited by the Deputy Chief of Staff for Personnel as making a significant contribution to the program.

5.111 The Committee considers that the kind of research outlined in paras 5.106-110 above is essential if the ADF and the Department are to manage personnel wastage. We recommend that CDF and the Secretary ensure that Defence has in place a formal, co-ordinated program of research on personnel wastage management. That program should if necessary involve consultants.

#### Personnel Management Staff

5.112 Some of the strongest criticism this inquiry received from serving ADF personnel was directed at personnel management practices. We have already highlighted a number of those comments in our introductory observations on personnel management (see paras 5.31-35 above). In essence, surveys have found that almost two-thirds of ADF officers view personnel management within the Force as unsatisfactory to some extent. Peat, Marwick, Mitchell concluded that much of the posting process proceeds on the basis of 'crisis management' in which there is 'little opportunity to perform any longer term planning' (Review of Australian Defence Force Posting Policies, February 1987, p 18). An example of that crisis management approach is apparent in the informal comment made by one Serviceman to this Committee that he once received three different postings in three days. That kind of story is not uncommon, and doubtless forms much of the background to opinions such as that expressed by the Convenor of the National Consultative Group of Service Spouses that 'personnel management ... in some Services is appalling' (Evidence, 26 April 1988, p 303). In his 1986-87 Annual Report, the Defence Force Ombudsman

strongly criticised 'the endemically long times it takes to resolve some of the complaints of serving members - whether internally in the Defence Force or by complaint to me ... I remain dissatisfied with the Department's and the Defence Force's inability to respond to many of my inquiries within a reasonable period' (p 72).

5.113 Personnel management is the shop-front of an organisation for its employees. More than any other activity it will make or break impressions on the organisation's worth. As education and work value continue to break down barriers between 'management' and 'staff', the importance of efficient personnel management will grow. Many technical enlisted rank personnel may now be equally as skilled and as well educated as many officers. The odds are that they are more likely to question on the grounds of logic management decisions which affect them personally.

5.114 Successful personnel management is most likely to be achieved if those responsible are specialists and are given a fair degree of continuity in their posts. In general the ADF does not seem to satisfy either of those criteria. None of the three single Services has a specialist 'personnel management' employment category. Some staff do of course spend the majority of their careers in the personnel area - for example, psychologists, administrative officers, clerical staff and so on - but the fact remains that personnel matters have not been considered sufficiently interesting or important to justify the establishment of a dedicated specialist category.

5.115 The Chief of the Air Staff expressed the opinion to this inquiry that 'if people overspecialise on the personnel side they miss the flavour that comes from the operational side. For example, if you had no-one with an engineering or technical background in the area in which engineering and technical personnel were posted, I do not think that would be a very good thing, even though they were personnel specialists' (Evidence, 21

July 1988, p 633). The Committee agrees that vocational specialists should be involved in career management but cannot accept the suggestion that it would not 'be a very good thing' if people were to 'overspecialise on the personnel side'. That notion is, we believe, inconsistent with the extreme degree of specialisation and expertise which characterises the ADF's approach towards most other employment categories. It is even more inconsistent with the 1987 White Paper's assertion that people are the ADF's 'most valuable asset and vital resource'.

5.116 Turning to the matter of continuity of appointment, we have already noted the disturbingly short periods spent in office by most key personnel staff (see Tables 5.2, 5.3 and 5.4). Those tables were presented as a general example to illustrate the turnover rates which obtain in all employment categories across the ADF. They obviously have specific relevance to this section of our report. More data on the continuity of office and experience in personnel management for each of the Services are presented in Table 5.5. Those data appear to provide cause for serious concern.

5.117 The figures are drawn from each of the Services and relate to the main personnel management areas. They have been restricted to officers of the rank of Major(e) and above, those being the key decision-making ranks. Just to highlight some of the information which emerges:

- a. 88 per cent of Army are on their first posting to their Directorate;
- b. only 21 per cent of Navy have more than two years experience in their current post; and
- c. only 19 per cent of Air Force have more than two years experience in their current post.

Table 5.5: CONTINUITY AND EXPERIENCE IN PERSONNEL MANAGEMENT

- A - Establishment  
 B - Strength  
 C - No. of officers on their first posting to the Directorate  
 D - No. of officers on their first posting to the Branch  
 E - No. of officers on their first posting to the Division  
 F - No. of officers with more than one year in current post  
 G - No. of officers with more than two years in current post

Service	A	B	C	D	E	F	G
(1) Navy	76	71	58	49	49	36	15
(2) Army	53	52	46	38	N/A	21	9
(3) Air Force	32	31	19	20	21	20	6
TOTALS	161	154	123	107	-	77	30

Notes

- (1) Includes officers of Lieutenant Commander and above from Naval Personal Services and Naval Manning and Training Branches
- (2) Includes officers of Major and above from Directorate of Personnel Plans, Office of the Military Secretary, Director General of Personnel Operations and Central Army Records Office
- (3) Includes officers of Squadron Leader and above from Manpower Branch

Source: Department of Defence, Submission, pp S2790-8

Overall, 69 per cent of officers of Major(e) rank and above were on their first posting to their particular Personnel Branch when these figures were compiled. An extreme example of this obtained in the Central Army Records Office (CARO), where not one of the serving 14 Majors and above had been either previously posted to CARO or had more than two years experience at the unit (Defence, Submission, p S2797). Thus, while the Services provided this inquiry with impressive lists of management training courses to which they send people, one would have to question the cost-effectiveness - let alone the basic effectiveness - of that training given the turnover of the staff concerned.

5.118 Personnel management staff cannot be immune from the posting turbulence which high wastage will to some extent inevitably generate. Nevertheless, the level of turnover and the degree of inexperience apparent in Tables 5.2 to 5.5 can in no way be attributed to that relatively recent phenomenon. As the group we have examined are all Major(e) rank and above, they would all have been in the ADF for a minimum of about 12 years, many for a great deal longer; that is, most of their service has been during periods of manageable wastage. Yet the great majority of them have not previously served in their current personnel branch. That fact, together with the conclusion that the present wastage problem has not been well managed by Defence, suggests that personnel management has not in the past been viewed as a particularly important function.

5.119 If personnel management is to improve in the ADF it must be recognised as a specialist function and not as something that anyone who has commanded a unit can intuitively master: again, the military must recognise the distinction between 'leadership' and 'management'. The Personnel Branches must receive their fair share of the best people, and those people must be given proper training and continuity of office. Our previous recommendation on career streaming is relevant here, as are those on lateral recruiting and the use of Reservists to provide posting stability and immediate expertise.



5.120 Further, the inchoate management of Service personnel policy, characterised by separate staffs, separate policies and in some instances duplicated effort, needs to be rationalised under the direction of HQADF. Given the central importance of personnel in the ADF, we believe the position of Assistant Chief of the Defence Force-Personnel (ACPERS) should be established within HQADF to control personnel policy. The post should be at two-star level, and the positions of the incumbent and his staff offset against existing Defence posts. The implementation of policy would remain a single Service responsibility.

5.121 The Committee recommends that CDF:

- (a) instruct the single Services to introduce a specialist Personnel Management employment category; and
- (b) establish the post of Assistant Chief of the Defence Force-Personnel at two-star level within HQADF to develop, co-ordinate and oversee ADF personnel policies.

The posts of ACPERS and his staff should be offset against existing Defence posts.

#### Russell Offices

5.122 Reference has already been made to the jaundiced opinion many Service personnel hold of Russell Offices. One survey has found that only half of the middle-level officers at Russell are satisfied with their jobs and are optimistic of achieving results. By contrast, 67 per cent of officers outside Russell are satisfied with their jobs and 71 per cent are optimistic about

satisfied with their jobs and 71 per cent are optimistic about producing results (Jans, 1988, p 201). A further interesting contrast exists between those disaffected middle-level officers and senior military leaders in Canberra. Almost without exception, officers of one-star rank and above who appeared before this inquiry expressed general satisfaction with the way in which business is conducted at Russell (see, for example, CNS, Evidence, 6 July 1988, p 536; and CAS, Evidence, 21 July 1988, p 629). Plainly, the fact that the most senior officers do not share the disaffection of their subordinates reflects their ability to influence events in a large bureaucracy. It may also be one reason why little has been done over the years to try to improve circumstances for the Lieutenant Colonels and others.

5.123 Preparing individuals properly for staff duties would be one of the most effective ways of addressing the 'Russell Office syndrome'. We have made recommendations to that effect in a preceding section of this chapter. In addition, the Committee considers that the structure of the Russell complex is flawed, such that for many it creates an adversarial work environment which inevitably generates disaffection and wastage.

5.124 The Minister for Defence Science and Personnel, CDF and DepSec A made a point of stressing to this Committee that the working relationships at Russell Offices are good (Evidence, 17 August 1988, p 656). Yet during the same hearing CDF singled out the Defence complex in Canberra as having the worst morale in the ADF (p 663). Similarly, the Minister drew attention to the introduction of new Defence financial arrangements which will see the devolution of responsibility down to middle-level managers, an initiative which the Minister believes will encourage 'an important culture change in the management of Defence' (p 656). The Committee fully supports that action, but in the context under discussion here would suggest that it tacitly acknowledges the need for the civil/military relationship to change.

5.125 The Committee commented at length on the subject of Russell Offices in its report on The Management of Australia's Defence and does not intend spending much time on the same issue here. However, some points must be made. Our previous report criticised the structure at Russell primarily on the grounds of inefficiency. Central to that criticism was our assessment that the existing organisational arrangements tend to favour the civilian hierarchy at the expense of the military (p 114). In the Committee's judgment that situation is likely to diminish the quality of Defence policy by diminishing the military's voice in the key policy determination areas. This structural flaw is most apparent in the following organisational arrangements:

- a. the Secretary to the Department of Defence controls those divisions within Defence Central - specifically SIP and FDA - which play a key role in the development of defence policy and in deciding the allocation of resources;
- b. the development of key planning and guidance documents - especially the Strategic Basis and the Defence Force Capabilities Paper - is the responsibility of the Secretary to the Department;
- c. the majority of the higher defence committees are chaired by civilians; and
- d. the Services have only limited representation in Defence Central and on the major policy advisory committees.

5.126 The imbalances generated by those arrangements are exacerbated by the 'rank equivalence' system, in which a Major(e) who may have had 15 years experience and commanded more than 100 people is nominally equated to a Clerk with perhaps three years work experience and the most superficial understanding of military life.

5.127 Ours is a judgment which apparently is shared by those highly-reported middle-level officers - ship captains, battalion commanders and so on - who among others resign rather than work in Russell. Thus, an organisational failing which last year this Committee identified and defined in terms of an unsatisfactory decision-making process also is the root cause of a certain level of personnel wastage which often includes the highest quality officers.

5.128 An article by journalist Jack Waterford which appeared in The Canberra Times on 6 August 1988 unintentionally highlighted one of the main failings with the Defence bureaucracy. Commenting on the Chief of the General Staff's evidence to this inquiry (Evidence, 6 August 1988), Waterford argued that any personnel problems the Army might have were attributable not so much to wastage but rather to the over-staffing and ranking of officer posts which exists in Russell Offices. As an examination of wastage the article was superficial as it failed to mention either the qualitative aspects of the problem or the institutional dysfunction caused by general inexperience and the demands of increased basic training. It did, however, get to the heart of the problem at Russell, albeit for the wrong reasons:

General O'Donnell ... inherited a service bloated with middle-ranking and senior officers ...

The bloating has developed as a result of a 15-year old reorganisation of the Department of Defence and the abolition of the old service departments which saw the military wanting to match senior defence bureaucrats with roughly equally paid military staff.

The result has been that military bureaucracy is even more mind-boggling than civilian bureaucracy, that the jurisdiction and power of the average middle to senior officer declines daily as functions become sliced thinner and thinner, with more and more officers spending all their time 'coordinating' one another's efforts.

It also actively inhibits the development of a risk-taking spirit - since no decision can be made without going through a welter of committees of under-employed military bureaucrats eager to justify their existence by finding errors (The Canberra Times, 6 August 1988, p 9).

5.129 Any 'bloating' which exists at Russell is not the fault of CGS, just as it is not the fault of the other single Service Chiefs. Rather, it is a consequence of the 1973 Tange reorganisation of the Defence group of departments, which put in place a flawed organisational structure, the essential characteristic of which is an unhealthy degree of competition between the separate military and civilian components. In that environment, over-staffing and over-ranking are almost inevitable. The blame for that situation rests squarely on successive Ministers, CDFs and Secretaries who through their acquiescence have endorsed 'creative tension' as an acceptable modus operandi.

5.130 Notwithstanding the superficial and peremptory nature of the Government response to this Committee's recommendations on the organisation of Defence Central (see Government Response to the Report on the Management of Australia's Defence, tabled but not debated by the Minister for Defence, 3 June 1988), we note that a number of those recommendations have been implemented. Measures announced in recent months by the Government include a reduction in the numbers of civilian staff at Russell, especially at the Senior Executive Service level, and the strengthening of CDF's capacity to influence events by increasing the support staff in HQADF. The devolution of authority for 'much military planning' to the Joint Force Commanders and the expressed intention to examine the possibility of reducing 'the number of Service officers in Canberra by rationalisation between HQADF and the Service Offices' also are consistent with our recommendations to enhance the military's effectiveness and, consequently,

improve organisational health. In particular, those initiatives acknowledge that the Russell complex is top-heavy and over-staffed, and has given insufficient attention to senior military judgments.

5.131 The Committee does not intend to make recommendations again on this topic: we consider those made in The Management of Australia's Defence remain apposite. We would, however, reiterate that the continuing high wastage rates being experienced by the ADF are largely attributable to organisational failings. One of the more significant of those failings is the way in which the so-called 'joint process' is effected at Russell Offices. As we noted last year, many of the deficiencies and weaknesses associated with the defence establishment in Australia stem from the diarchic structure of the higher organisation which continues to separate the military and civilian staffs and thereby ensures that defence policy-making proceeds by a process of confrontation and bargaining rather than mutual cooperation and collaboration. Despite the fact that both Utz (1982) and Dibb (1986) noted the corrosive nature of that process, little constructive action has been taken by government to try to remedy the situation.

5.132 Given Russell Offices' unenviable reputation, the Government's continuing refusal to promote more harmonious and efficient working relationships between the broad military and civilian components of the diarchy through fundamental organisational reform remains something of a mystery. As long as senior management continues to subscribe to the absurd euphemism of 'creative tension' as a description of the work environment within the Defence complex, the 'Russell Office syndrome' will continue to generate avoidable wastage.

## CHAPTER SIX

### THE SERVICE FAMILY

6.1 'The Australian Defence Force recruits soldiers and retains families.' In the late 20th century fundamental community and social changes have meant that any failure actively to recognise that dictum will incur high costs. The days in which a Serviceman<sup>1</sup> would put the demands of his job above everything else, including his family, have gone. Community norms now place far more emphasis on the immediate role of the father in raising families. That role has extended past simply providing income and a home, and includes active involvement in child care, education and personal development. Higher family expectations are held for quality of life factors such as good housing, geographic stability and employment opportunities; while in many cases encouragement and opportunity for the spouse's career also is needed. With a demanding employer like the ADF, those sorts of requirements will generate an inherent tension or conflict in the pattern of relationships. On the one hand the quality of family life can be enhanced by the challenge and level of career involvement in the Services, while on the other hand the issues mentioned above will act against that positive outcome.

6.2 An indication of the paramount importance of family matters to wastage was contained in No.1 Psych Research Unit's Officer Resignation Questionnaires - Initial Report of September 1987. Among the top five factors which respondents listed as being of moderate to very considerable influence on their decision to leave the Army, four related specifically to families. That trend persisted through the report, as Table 6.1

---

1. As by far the majority of married ADF personnel are male, most issues in this chapter are considered in that context.

Table 6.1: FACTORS OF MODERATE TO VERY CONSIDERABLE INFLUENCE ON  
DECISIONS TO LEAVE THE ARMY

Rank Order	Item	Percentage
1	To spend more time with child/children	100
2	The effect of moving home on your children's education	69.7
4	A desire to stay in one place	68
5	Desire to live in your own home	67.8
9	Expected frequency of location changes	58.9
12	Future work locations	54.5
14	The effect of a move on spouse's occupation/career	53.5

Source: 1 Psych Research Unit, Officer Resignation Questionnaires  
- Initial Report, September 1987



shows. A survey of 69 per cent of Australian Service families found that the areas of greatest concern to parents were, in median rank order, frequent postings, childrens' educational opportunities, father absences, housing standards and salary and allowance levels (reported in Stolk, 1988, p 4).

6.3 Many submissions to this inquiry either explicitly or implicitly brought to the Committee's notice the powerful influence exerted on morale in the ADF by families (see, for example, NCGSS, Submission, pp S2087-2099; and NCGSS, Cairns Branch, Submission, pp S1790-5). We have acknowledged the importance of morale on retention rates in preceding chapters of this report.

6.4 Another matter on which the Committee has placed emphasis throughout this report is the unique nature of and demands made by Service life. Those factors unquestionably extend to Service families and may have deleterious effects. A study conducted by Ms Yvonne Stolk, a research psychologist with the Victorian Department of Health, found that a higher rate of psychological disorder exists among Service wives than in the general population, which led her to suggest that Service life is 'uniquely stressful'. Stolk sampled 232 Service wives, 116 from each of Air Force and Army. There were no significant differences in the scores registered by each group. Among the hypotheses tested by Stolk was the 'rate of psychological disorder'. Scores for the Service wives showed that 44 per cent scored at or above the 'cut-off' score of two, while 30 per cent showed 'severe disturbance' with a score of four or more. In comparison, a general population survey of Australian married women found that 26 per cent were at or above the cut-off score of two, while 12 per cent scored four or more (Stolk, Stress, Social Support and the Psychological Health of Service Wives, Unpublished M.A. Report, University of Melbourne, March 1988). Thus, while many Service families find their special circumstances - powerful socialisation, sometimes challenging locations, frequent moves,

irregular hours, always being on call, and the like - stimulating, others apparently respond less positively to those conditions.

6.5 It is in the ADF's interests to cushion the negative influences of Service life on families. The fact is that many Service families will no longer accept treatment they consider discriminatory or unfair. The most obvious example of the modern Service family's refusal to accept treatment which dependants now see as creating unreasonable stress is, of course, the prevailing high wastage rate. This attitude was most evident in the powerful reaction to perceived discriminatory treatment when HQADF tried to establish guidelines for behaviour for meetings held on Defence establishments between Service spouses and the Minister for Defence or the Minister for Defence Science and Personnel (ACPOL Minute 2325/1987, October 1987). Those guidelines were considered gratuitous and insulting. No other group in the community, it was felt, would have been subjected to such patronising treatment (The Australian, 25 November 1987). The depth of feeling evident in the reaction clearly showed that Service families will not accept being treated as second-class citizens. Yet again, the Committee returns to the crucial point that any coherent strategy designed to arrest the existing excessive wastage rate must recognise the singular circumstances of members of the ADF - and their families.

6.6 Many of the problems confronting Service families fall within the ambit of 'conditions of service', which we consider in detail in Chapter 7. Specific recommendations on family-related issues made in that chapter include the following:

- a. education;
- b. disturbance allowance;
- c. Defence housing;

- d. removals; and
- e. retail outlets.

6.7 In the remainder of this chapter the Committee therefore will limit itself to an examination of the other two matters which we believe, together with those conditions of service, encompass the main items of concern for today's Service families. Those matters are geographic stability, and the related subjects of the two-income family, the spouse's career and child care. We also make brief comment on the marital status of the ADF and review Ms Sue Hamilton's report of April 1986, Supporting Service Families, which more than any other recent initiative has recognised the main problems facing spouses of ADF personnel. The Hamilton Report represents something of a milestone in its explicit recognition of the importance of Service families, as does the establishment of the Australian Defence Families Information and Liaison Staff (ADFILS) - perhaps Hamilton's key recommendation. Acknowledgment must also be given to the rapid development of the National Consultative Group of Service Spouses (NCGSS) and the constructive role they are already playing in supporting Service families. At the same time, the Committee is concerned by the delay which attended the implementation of many of Hamilton's recommendations and believes that a good deal more remains to be done.

#### The Marital Status of ADF Personnel

6.8 Any doubts about the significance of the Service family to Defence managers should be laid to rest by Table 6.2, which demonstrates the high incidence of marriage within the Force, especially among the officer corps. The most recent figures in the table show marriage rates of 66 per cent for Air Force officers, 73 per cent for Army and 63 per cent for Navy. By

Table 6.2: THE MARITAL STATUS OF ADF PERSONNEL

## RAAF OFFICERS

	Married	Single	Total	% Married	% Single
1984-85	2,769	1,420	4,189	66.0	34.0
1983-84	2,786	1,322	4,108	68.0	32.0
1982-83	2,807	1,281	4,088	69.0	31.0
1981-82	2,779	1,319	4,098	68.0	32.0
			Average	67.75	32.25

## RAAF OTHER RANKS

	Married	Single	Total	% Married	% Single
1984-85	11,349	7,325	18,674	61.0	39.0
1983-84	11,126	7,428	18,554	60.0	40.0
1982-83	10,938	7,486	18,424	59.5	40.5
1981-82	10,525	8,088	18,613	56.5	43.5
			Average	59.25	40.75

## ARA OFFICERS

	Married	Single	Total	% Married	% Single
1985-86	3,185	1,181	4,366	73.0	27.0
1984-85	3,327	1,242	4,569	73.0	27.0
1983-84	3,280	1,080	4,361	75.0	25.0
1982-83	3,344	1,191	4,535	74.0	26.0
1981-82	3,308	1,126	4,434	74.5	25.5
			Average	74.0	26.0

## ARA OTHER RANKS

	Married	Single	Total	% Married	% Single
1985-86	14,034	13,574	27,608	51.0	49.0
1984-85	14,617	13,406	28,023	52.0	48.0
1983-84	13,529	12,832	26,361	51.0	49.0
1982-83	13,441	15,315	28,756	47.0	53.0
1981-82	13,234	15,234	28,620	46.0	54.0
			Average	49.5	50.5

## RAN OFFICERS

	Married	Single	Total	% Married	% Single
1984-85	1,572	929	2,501	63.0	37.0
1983-84	1,791	940	2,731	65.5	34.5
1982-83	1,636	943	2,579	63.5	36.5
1981-82	1,632	917	2,549	64.0	36.0
			Average	64.0	36.0

## RAN OTHER RANKS

	Married	Single	Total	% Married	% Single
1984-85	5,709	7,451	13,160	43.5	56.5
1983-84	5,783	7,975	13,758	42.0	58.0
1982-83	5,549	8,665	14,214	39.0	61.0
1981-82	5,447	9,224	14,671	37.0	63.0
			Average	40.25	59.75

NOTE: The category of "Married" includes de facto or separated.  
The category of "Single" includes divorced or widowed.

Source: Downes, Submission, p S1498

comparison, in 1986 just over 60 per cent of all Australians over the age of 14 years were married (Downes, Submission, p S1498).

6.9 Of families with children, Army wives had an average of 1.9 children and Air Force wives 2.1, against the national average of 2.1. Only eight per cent of Air Force families and 12 per cent of Army families have no children (Stolk, 1988, p 8: these statistics apply only to the families surveyed). Stolk found the modal age of Army children to be 0-4 years and of Air Force children 5-9 years. Those data were consistent with previous surveys of Service families which found there is a high proportion of young children. Together with the high rate of mobility and husband absences, the preponderance of young children was seen to show that Service families 'experience a unique set of stressors which clearly mark them off from the general population' (Stolk, 1988, p 9).

#### The Hamilton Report

6.10 In November 1985 the Minister for Defence commissioned Ms Sue Hamilton from the Office of the Status of Women to conduct a study into the main problems facing spouses of service personnel. The report was titled 'Supporting Service Families' but is more commonly known as the Hamilton Report. It was presented in April 1986 and quickly received strong support from most sections of the Defence community. Hamilton's major recommendations dealt with 'quality of life' and 'conditions of service' issues, and are listed at Appendix 2 to this report. Those recommendations were relatively modest in their scope and did not involve significant financial cost. As a package, however, they clearly had the potential to generate a significant, perhaps even dramatic, improvement in the morale of the ADF. The key to any such result would have rested in the prompt implementation of the recommendations as a package.

That kind of response would have required a deal of effort and co-ordination but experience suggests that it would have been effort well-expended. Ms Hamilton proposed an implementation strategy which called for a 'full-time secretariat whose responsibility it should be to co-ordinate within six months the implementation of those recommendations that can be given immediate effect, and to prepare within the same period a detailed strategy of implementation for those with longer-term implications' (Hamilton, 1986, p 14).

6.11 Service expectations for improved conditions following Ms Hamilton's prompt discharge of her brief were high. However, instead of producing a positive outcome, the Hamilton Report ironically may have, in the short-term at least, added to the level of disillusionment with conditions in the ADF (see Cattigan, Submission, pp S774-5; and Newman, Submission, p S957 and pp S1034-6). Some two years after the report was submitted only a handful of the recommendations had been fully implemented. As the Navy submission to this inquiry pointed out, Hamilton was first published in April 1986, but not one of the financial conditions recommended was implemented until 15 January 1988 (p S1114). Even those recommendations that had been acted on tended to be less generous than the level proposed by Hamilton: for example, reunion flights for members on unaccompanied postings were reduced from the recommended six per year to four; while a proposed child care allowance during removals was reduced from \$35 per day to \$20. The real problem, though, was the delay in implementing the recommendations, despite the best endeavours of the Implementation Team. A most disturbing aspect of this delay is the conclusion drawn by Dr C. Downes that 'it is evident that tactics were employed by some Departmental officials to delay and obstruct their (Hamilton's recommendations) implementation' (Submission, p S1504; emphasis added). Dr Downes' conclusion was supported by evidence given to this inquiry by CDF and CGS, both of whom referred to apparently avoidable delays in the implementation of Hamilton. That conclusion, if correct, has

serious implications for Government and Defence leadership, particularly in relation to the organisational health of the Russell Offices diarchy (this matter was raised in more detail in Chapter 5). As far as conditions of service are concerned, the delays have made any subsequent improvements appear less attractive, with the response to their eventual implementation being one of 'about time, too', rather than an acknowledgement that things may be improving.

6.12 Part of the rationale for Hamilton's proposals to improve conditions of service was her finding that many Service men and women were suffering from low self-esteem, which in turn generated wastage:

The overwhelming impression I gained from the service spouses I talked to in the course of the study was their feeling that they and the contribution they make in support of the Australian Defence Force are not valued either within the service community or in the community generally. They perceive the service hierarchy as generally unsympathetic to the special problems that service life creates for a family and inflexible in responding to those problems. They see the civilian community generally as placing little value on defence activities and having little or no esteem for those who choose defence as a career or for their families.

In spite of these perceptions, most of the people I spoke to were very proud of their spouse's service career; but they saw that career being pursued at a cost to family life that many Australians would not be prepared to tolerate; and they sought some recognition of that fact.

It is hard to quantify the impact on service morale of this feeling of low self-esteem, but it was quite clear from my observations that dissatisfaction on the part of families was having a significant impact on the morale of serving members; and in many cases was an important cause of resignation from the services (Hamilton, 1986, p 15).

Regrettably, the delays in actioning the Hamilton Report may well have exacerbated that level of dissatisfaction.

6.13 Having made that observation, the Committee acknowledges the endeavour of the Minister for Defence Science and Personnel, who since her appointment in mid-1987 has energetically pursued the implementation of Hamilton's recommendations. Her report to Parliament on Government support for Service families in April 1988 was welcome comment on the progress of many of Hamilton's recommendations (Hansard, 27 April 1988).

6.14 The Committee commends the Hamilton Report's findings, and supports the implementation of its recommendations. At the same time, we must record our dissatisfaction with the time taken to implement the recommendations.

#### Geographic Stability

6.15 Reference back to Table 6.1 illustrates the importance of geographic stability, at least to a significant proportion of the ADF at certain career stages. As Jans has demonstrated comprehensively (Jans, 1988, Chapters VII and VIII, passim), the greatest need for that stability is likely to coincide with the crucial periods of childrens' education. It seems probable that the desire to stay in one location for extended periods will grow stronger as the perception increases that dependants must be given the best possible educational opportunities in an increasingly competitive society. Another factor applying here is the larger number of working spouses - in the ADF's case, almost exclusively wives - who are less willing to forgo their careers.

6.16 An Army survey on the reasons why soldiers choose not to re-engage further refined some of the key stages at which geographic stability assumes increasing importance:



- a. The effects of relocation on children's education, particularly for those in the 20+ years of service category is very significant.
- b. The desire to stay in the one location is strong among those who are married and increases with years of service.
- c. A desire to live in one's own home is rated as very influential for those with more than nine years of service.
- d. The effects of being away from the family become very influential for those who are married and have three or more years of service (Soldier Attitude and Opinion Survey, 1986).

6.17 The frequency with which Service families are required to move can be startling. Major A.C. Grecian advised of a posting cycle which for his family resulted in:

- a. eleven houses in sixteen years;
- b. five primary schools in five States and PNG in seven years for one child; and
- c. four schools in four States in five years for a second child (Submission, p S522).

Accounts of similar experiences abounded throughout the submissions.

6.18 One survey of Air Force and Army wives found that on average families had lived in their current home for 24 months (median 18 months), with 19 per cent having arrived six months

ago or less. Whereas 15 per cent of the general population change residence within a 12 month period, 36 per cent of the Service wives had done so (Stolk, 1988, p 8). Compared to the average two-year removal cycle common to the military, Stolk reported that one community survey found that 55 per cent of residents had lived in their homes for more than five years.

6.19 There are of course essential Service reasons for transferring individuals. The ADF's posting policy must:

- a. satisfy the Service's needs for the right kinds of skills and experience at all levels and in all employments;
- b. control the duration of postings to ensure the efficient functioning of the Defence Force; and
- c. promote career development.

There is, however, clearly a need to pay more attention to family preferences.

6.20 The damaging effects of posting turbulence on personnel retention were somewhat belatedly acknowledged by the ADF in April 1986 following the Hamilton Report's recommendation that there should be a review of postings and promotions policies, to include but not be limited to:

- a. identifying as many cases as possible where geographic stability over at least three years can be achieved in peacetime for those serving members who prefer it; and
- b. recommending ways in which current systems can be redesigned to ensure that relevant and important family related considerations, such as crucial stages in children's education, the severe illness of extended family members, or the special needs of children with disabilities, can be taken into account at some times in a member's career without jeopardy to long-term career

development (Hamilton, 1986, pp 4-5).

6.21 In April 1986 CDF Policy Directive No. 19/86 titled 'Duration and Location of Personnel Postings' was issued. A review of ADF postings policies also was commissioned: completed by Peat, Marwick, Mitchell Services, its findings were presented in February 1987.

6.22 The main points to emerge from those reviews and directives were described by the CDF to this Committee during a public hearing (Evidence, 14 March 1988, p 53). CDF has directed the Services to aim for a normal posting period of three years, except for 'some clearly specified exceptions'. He commented that it 'will be difficult to achieve but the pressure is on all of us in the Services to minimise this geographic turbulence'. As well as setting the goal of a standard three-year posting, CDF also has given instructions that, where possible, Service personnel are to be left in the one geographical location for two or even more successive postings.

6.23 The Committee appreciates the difficulties of developing a posting process which is likely to provide geographic stability for a large proportion of the Defence Force. Strategic imperatives alone will continue to demand the positioning of units and facilities in particular areas of our vast continent, while the enormous training commitment of the ADF generates further unavoidable family moves. Given those kinds of pressures, we believe the actions taken within the ADF to improve geographic stability for its members are reasonable and sensible. We endorse the actions taken by CDF to improve geographic stability for members of the ADF.

6.24 As we mentioned above, strategic demands play a key part in the Defence Force's siting and, therefore, posting processes. Currently the establishment of the two-ocean navy and the transfer of air defence assets to the north are forcing

significant changes on the RAN and RAAF; while Army will have to deal with the same problem in several years. Those changes are necessary to meet defence objectives and are unavoidable. Less obvious, however, is the rationale for the siting of some of the ADF's functional units, such as training establishments, maintenance and storage depots and administrative headquarters.

6.25 In many cases those sorts of units were placed where they are for historic, economic, political or operational reasons. While in some cases the final three reasons may remain valid, we believe that in others they do not. Further, even where particular economic or political interests may continue to obtain, they might not be as significant as the costs imposed on the ADF by high wastage. A good example of this is the Army's Command and Staff College located at Queenscliff, Victoria. Each year some 70 Army Majors are posted to Queenscliff specifically to complete that course. Because there are no other units located near the College, a posting to the course involves two postings and two removals for each family. By comparison, the RAAF's equivalent course is held in Canberra and the RAN's in Sydney, each of which is a major centre for the respective Service. The chances accordingly are good that an Air Force or Navy officer can come from a posting onto staff course and then go to a new posting without changing locality.

6.26 The possibility of relocating 'support' units to areas which are more suitable to family needs was raised by Major N.R. Bamford, who cited the case of Army's Headquarters Training Command. Bamford suggested that Training Command could be moved from Sydney to Brisbane as Brisbane is 'by far the most sought after posting locality in the Army' (Submission, p S709). Officers and SNCOs in particular might then be able to be posted between the training unit and the operational 1st Division at Enoggera without necessarily having to move house, a concept also suggested by Colonel P. Dunn (Submission, p S644).

6.27 It may be the case that neither of those two examples is suitable. The Army in fact has spent a considerable amount of money in recent years upgrading the facilities at Queenscliff. By the same token, if retaining the staff course at Queenscliff causes the resignations of officers who are not prepared to move their families twice in a 12 month period, then that upgrading may have been a case of throwing good money after bad. Regardless of the suitability or otherwise of the examples cited, we believe the argument has merit.

6.28 The Committee recommends that CDF review the location of ADF units and establishments to determine whether changes could be made which would enhance family stability without affecting operational requirements.

#### The Dual-Career Family

6.29 Dual-career families are increasingly becoming the norm in Australia. There are two main reasons for this: first, the necessity or desire to supplement family income, and, second, the growing number of women who wish to pursue their own careers outside the home. Each of those reasons places pressures on Servicemen to remain in a location in which the spouse can either pursue her career or at least gain employment. The importance of this can be seen from the statistic that in 1988, 78 per cent of RAN officer's wives worked, half reportedly to maintain living standards (Navy Presentation, CCAE Seminar, 23 February 1988).

6.30 For the family which has a second working spouse primarily to supplement income, Service life can cause particular problems. The first and most obvious is that each time the serving member - almost invariably the husband - is posted, the wife loses her job and, of course, her income. It is inevitable that after several such experiences the family will start to

examine its commitment to the Defence Force, especially if the spouse is in a job which is enjoyable and well-paid. As Dr S.K. Mugford noted, 'Insofar as dual-career families become the norm, a family that cannot develop a dual-career structure will be financially disadvantaged compared to others' (Submission, p S220). The pressure for the husband to resign is also likely to increase if the wife finds it difficult to get work at each new locality. Senator Jocelyn Newman brought this problem to the Committee's attention, citing evidence which suggests some employers may discriminate against Service wives because of the transient nature of their life-style:

It becomes harder and harder to get a job. Employers are not too happy in the first place about giving a job to someone they know will leave in two year's time. And then once you are over 40 and have ... a job record that shows you changed jobs every two years or so, it becomes increasingly difficult to find any kind of work (Submission, p S958).

Working-age children of Service members would also be subject to similar disadvantages.

6.31 We believe that the Government and the ADF have a considerable capacity to resolve this problem by providing work for the wives and dependants of Service personnel within Defence establishments. In her survey of Service wives, Stolk found that clerical jobs were the most frequently cited current or recent occupation (Stolk, 1988, p 8). There are many opportunities for clerical work of varying skill levels on Defence establishments. It is also probable that most service and child care-related jobs generally would be readily transferable; that is, as one spouse departed following a posting, a newly-arrived spouse could fill the vacancy. In a large number of cases jobs could be shared on a permanent part-time basis, a practice which not only makes more positions available but also often suits those with young families. Should there be any local civilian community resentment towards Service spouses being given positions which in the past had contributed to civilian employment needs, the creation of

more positions through permanent part-time work would be an even more desirable practice.

6.32 Numerous positive side-effects would flow-on to the ADF if more spouses were to work for Defence: there would be a commitment to the organisation, an increased belief that Service families are important to the 'system', confidence that living standards could be maintained regardless of postings, and so on. Given the importance of those factors for retention, we believe there is a compelling case for spouses to be employed by Defence on a priority basis.

6.33 The Committee recommends that the Minister for Defence Science and Personnel, the ADF and the Department implement a program for the priority employment of Service spouses and dependants on Defence establishments. That program should make as much use as is practicable of permanent part-time work.

6.34 Our preceding discussion was concerned with employment undertaken primarily to increase family income. While perhaps not too many people would work for nothing, self-fulfilment through the pursuit of a successful career is for many at least as important as remuneration. Employers who transfer staff regularly, and who wish to retain their services, cannot in 1988 ignore the needs of career-oriented spouses. Specifically, female job participation has risen steadily since the early 1960s, as has the proportion of women completing higher education and gaining work which has a career aspect (Mugford, Submission, p S219). It seems highly likely that career-oriented spouses will become increasingly reluctant to accept that their progress should be disrupted to accommodate their husband's posting. That reluctance can be expected to intensify when a posting is to a remote locality lacking satisfactory employment opportunities, and as the spouse's career develops. Families in that position are likely to reach the following logical conclusion:

... dual-career families can only sustain their preferred pattern of existence under a limited set of conditions. In the current labour market, the only sensible strategy is to remain in a major city, where both can pursue their careers while staying in the same (residential) place while moving, if necessary, between places of employment (Mugford, Submission, p S219).

6.35 Clearly there are limits to the extent to which the ADF can accommodate those sorts of needs. The strategy therefore must be to minimise losses caused by the pressures of dual careers. Recognition of the problem is the first and most crucial step. CDF's instructions on geographical stability are evidence of positive action here. There may also be scope for the Defence Force to offer some personnel long-term postings where, say, specialist skills meet particular Service needs, and the individual concerned might be prepared to offset promotion against that stability. This concept is also relevant to job satisfaction and was discussed in Chapter 5.

#### Child Care

6.36 Any program intended to support the dual-career family will have only limited success if adequate child care services are not available. Because of the demands of the posting system many ADF parents are unable to call on the support of extended families. Without the traditional family and neighbourhood assistance, there is a greater reliance on the full range of organised child care - short and long term day care, after school care and school holiday care (NCGSS, Submission, p S2092). That reliance becomes stronger should husbands (in most cases) be subject to the frequent and lengthy absences which characterise the ADF's operational units. Another problem is the isolated or remote areas in which Defence units often are located, and which may not have the usual (metropolitan) range of community services. At the same time, there is a higher community demand



for child care services and, with waiting lists often unavoidable, the more transient members of the population are at a disadvantage.

6.37 The argument for the Government to provide child care for ADF families was forcefully presented in the Hamilton Report:

There are strong arguments that the Australian Defence Force as an employer has a responsibility to assist in the provision of a suitable mixture of occasional and all-day care for the below-school-age children of its employees. These arguments have their roots partly in the special demands that a defence career places on those who choose it, and partly in the disadvantages that families suffer as a result of frequent geographical moves. The benefits for both employer and employee of responding to the special child care needs of service families have already been recognised by a number of overseas defence forces, including the United States and in Scandinavia (Hamilton, 1986, p 31).

Hamilton made a point of stressing the fact that the provision of child care facilities 'in the vicinity of defence bases' rests on different and more cogent arguments than those relating to work-based child care for other Commonwealth employees.

6.38 Child care centres do exist on some bases. The 1st Division, for example, has built facilities on a self-help basis in Sydney, Brisbane and Townsville. The Division is, however, unable to meet the full running costs. Those facilities were established because 'the itinerate nature of service life generally precludes families from accessing civilian facilities, even if any exist' (Jeffery, Submission, p S2763). In many instances, where on-base child care is available it has developed on an ad hoc basis in substandard buildings, and, as is the case with the 1st Division, 'is poorly resourced' (NCGSS, Submission, p S2092). The 1st Division's experience in this matter has led its Commander, Major General Jeffery, to conclude that an annual 'partial financial subsidy of around \$30,000' per centre is necessary.

6.39 The Committee believes that the correct course of action on child care was proposed by Ms Hamilton and has based the first part of its recommendation on paragraph 29 of her report. We recommend that:

- a. the Minister for Defence Science and Personnel adopt a policy that recognises the special child care needs of Service personnel and their spouses;
- b. a program be implemented to meet those needs within the next three years; and
- c. in the interim, immediate subsidies be granted to existing ADF child care facilities consistent with the 'user-pays' principle.

6.40 In making that recommendation the Committee acknowledges the strong and active support given to this issue by the Minister for Defence Science and Personnel, noting in particular her statement to Parliament on 27 April 1988 that:

I am currently working on a comprehensive defence policy on provision of child care support for defence families. I am committed to improving the level of support available to defence families in recognition of the special pressures which Defence Force employment imposes in a society which is changing. Self-help will continue to be an important element though, in my view, some employer support by defence is also warranted. I hope to have policy guidelines formulated in time for consideration in the lead up to the August Budget (Hansard, 27 April 1988, p S2158).

The same statement contained details on the establishment of 'limited child care facilities' at some bases and shared facilities with the civilian community at other centres.

### A Defence Families White Paper

6.41 The 1987 White Paper The Defence of Australia stated that 'Our people - the men and women of our fighting forces and our defence civilian staff - are our most valuable asset and a vital resource in the security of Australia' (p 90). Yet the paper devoted only eight of 112 pages to examining personnel issues, and only half of those eight pages addressed family and conditions of service matters.

6.42 In our report of November 1987, The Management of Australia's Defence, we commented on the need for a more detailed defence guidance or capabilities paper to bridge the gap between the broad directions contained in the White Paper and the far more specific guidance essential for the implementation of the policies (see pp 207-13). A recommendation to that effect was made and was endorsed by the Minister for Defence in his response to our report. That recommendation dealt specifically with defence strategies and force capabilities. We now believe that a similar initiative should be taken for families. Throughout this report we have stressed the unique nature of the ADF. Australia's Defence Force is an institution, not merely an employer. As such, it has an obligation to recognise the contribution made to the corporate well-being by Service families. If the ADF does not meet that obligation, then it will bear the costs, one form of which will be high personnel wastage.

6.43 It is essential to develop a coherent family program within the context of broader Defence objectives. We believe that while a great deal of activity has taken place in the conditions of service arena in the past 18 months, that activity has essentially been both reactive and applied in a random fashion. Just as force capability is likely to develop far more efficiently if it is directed by a consolidated, rational

program, so too will the commitment of the Service family to the ADF be enhanced if those families know that their interests will be promoted in accordance with a specific program, to which the Government, the ADF and the Department of Defence are all committed.

6.44 The Committee accordingly considers that the Minister should prepare a Defence Families White Paper. That paper should present a coherent, comprehensive and detailed program of action supporting Service families for about the next 15 years. The paper ultimately should be endorsed by the Government. It should address at least the following topics:

- a. a philosophy of Government, ADF and Department of Defence commitment to Service families;
- b. public relations;
- c. communications between Service families and the Defence organisation;
- d. posting policies;
- e. Service spouse and dependant career needs;
- f. child care;
- g. education;
- h. housing;
- i. removals;
- j. home loans; and
- k. 'recognition of service' benefits (eg, discounted travel and holiday accommodation).

The working party formed to draft the paper should contain a wide cross-section of interest groups, including representatives from ADFILS, the NCGSS, ArFFA and the RSL.

6.45 The Committee recommends that the Minister for Defence Science and Personnel prepare a Defence Families White Paper containing a coherent, comprehensive and detailed program of action supporting Service families for the next 15 years. The paper should receive Government endorsement.

#### Communication

6.46 A consistent theme which emerged from Committee discussions with members of Service families was the poor communication between Defence officials and the families. The majority of dependants and spouses we spoke with felt that they were largely ignored by Defence management. This contributed significantly to the growth of the belief that the Service hierarchy is indifferent and uncaring and that Service families are considered 'second class citizens'. The Committee notes that any blame for problems which exist in this area are not just attributable to senior management, as it was a common complaint among spouses that their husbands never bring home copies of their Service newspaper for them to read. As we observed elsewhere in this report, those newspapers are now a good source of information on conditions of service matters.

6.47 There is obvious value for Defence leadership in establishing continuing and positive communications with Service families. The Committee recommends that CDF:

- a. make arrangements for copies of the relevant Service newspapers to be made available to Service families through the NCGSS, ADFILS, child care centres, canteens,

and similar community support services;

- b. arrange for copies of Army's information package 'Conditions of Service - the Facts' to be made available to Service spouses, and request that the introduction on the video accompanying that package be made by the Minister;
- c. request the Prime Minister to make a video for Service organisations to introduce the Defence Families White Paper; and
- d. arrange meetings between the single Service Chiefs of Personnel and Service families
  - (i) in sufficient locations to give every ADF family in Australia an opportunity to attend a meeting with the relevant Chief,
  - (ii) to discuss the full range of family, career and conditions of service issues, and
  - (iii) which follow a formal schedule and are completed by March 1989.

## CHAPTER SEVEN

### CONDITIONS OF SERVICE

7.1 If the Committee were to identify one issue which has mobilised Service discontent it would be what was in effect the 1982-85 Service wage 'freeze', implemented by one government and continued by another. It seems probable that the selective application of the wage freeze caused ADF personnel to focus on their conditions of service more strongly than perhaps they ever had before. As a consequence, there is now widespread dissatisfaction with those conditions throughout the ADF. To a considerable extent, conditions of service have become something of a 'rallying point', perhaps because grievances are more easily articulated in regard to conditions than they are to leadership, morale and so on. Thus, while we believe that the root cause of the high separation rate the Defence Force is experiencing essentially arises from disaffection with leadership and lack of career and/or job satisfaction, any co-ordinated strategy aimed at reducing separations is unlikely to succeed if it does not address the conditions of service anomalies, shortcomings or outright failings identified in this chapter. Redressing problems of leadership and career satisfaction is likely to be a complex and lengthy business. In the short-term, the implementation of a thoughtful and reasonable 'conditions of service' package will not only redress unsatisfactory conditions, but also will provide Government and Defence leadership with their best opportunity of showing that they regard the ADF and its members as a unique and valued institution.

7.2 Determining the conditions of service for a defence force presents singular problems, which arise from the unique nature of the organisation itself. Defence Force personnel are liable to serve when and where required, perhaps with little notice and in hazardous circumstances. The military code of discipline can intrude outside the workplace, affecting family and social life. Further exceptional pressures can be placed on family life by frequent and largely unpredictable postings. Long-term careers are the exception rather than the norm, while there is no career protection in terms of recourse to industrial associations.

7.3 One submission to this inquiry suggested that the essential characteristic which distinguishes military service is the obligation to serve wherever and whenever required (Morrall, Submission, p S310). Morrall argued that this obligation is fundamental to the ADF's 'operational requirement', and should be the benchmark by which rewards are assessed:

A true Condition of employment or working practice is I suggest one that can logically and directly be related to the operational requirement via the obligation. Thus the provision of Pay, Housing, Uniforms, Medical/Dental, Compensation and Death Benefits and Retirement Schemes are Conditions of Service. Defence Force Home Loans, Home Purchases and Sale Allowances and Superannuation Schemes are not (Morrall, Submission, pp S310-11).

This Committee believes that a much wider interpretation of what constitutes a condition of service must apply.

7.4 While national defence imperatives must always take priority over personal needs, it is unlikely that a Defence Force will achieve desired levels of effectiveness if its members are not rewarded adequately and if those rewards do not recognise the singular demands of Service life. In addition, the ADF should as far as is practicable reflect the society it defends. Rewards



should be framed to make the Force socially representative and to attract and retain suitable men and women. Conditions of service thus should encompass not only pay and allowances but also a comprehensive range of compensations relating to family and social issues, superannuation, hours of work, housing and organisational privileges. The Committee endorses the definition of conditions of service presented in the Parliamentary Library's Legislative Research Service's Basic Paper No 6, in which the essential components of those conditions were described as follows:

The single most important item is salary. A salary structure which recognises the nature of employment in the 'defence industry' must be able to attract and retain suitable young Australians. Essential components of a salary structure include compensation for arduous and dangerous situations, for long working hours, and for disabilities to families caused by Service life. Expenditure necessarily incurred as a result of Service requirements should be met in the first instance, or reimbursed. Provisions for transition to civilian life, recognising the members' disadvantage compared with those who have always pursued civilian careers, should be made. A retirement scheme tailored to the unique nature of Service careers is the final ingredient (LRS, Conditions of Service in the Regular Defence Force, 1984, p 3).

An important element in the nature of conditions of service is the concept of compensation for the unique demands of military life.

7.5 Conditions of service are widely perceived to have deteriorated in the 1980s. A survey of recently-resigned RAN officers found that 88 per cent of those questioned considered the 'erosion of benefits and conditions of service' was a 'serious' resignation factor (The RAN Officer Retention Survey, August 1987, p 4). Twenty-nine per cent held that view 'very strongly'. The belief that conditions of service have

deteriorated substantially was a consistent theme in submissions to this inquiry (see, for example, Campbell, pp S125-31; Dart, pp S279-82; and Kelly, p S287).

Specific examples cited included the following:

- a. the introduction of charges for rations and quarters;
- b. the Medibank levy;
- c. the wage freeze of the early 1980s;
- d. loss of postal concessions for ships deployed overseas;
- e. reduced staffing and messing standards;
- f. the two per cent discounting of DFRDB entitlements;
- g. reduced repair and maintenance funds;
- h. the failure of the Service Allowance to maintain some kind of parity with both the CPI and increasing working hours;
- i. limited access to education allowance;
- j. a perceived reluctance by government to maintain the Defence Services Home Loan scheme at a worthwhile level;
- k. cancellation of the Services Vocational and Educational Training Scheme (SVETS); and

- i. loss of the small business and primary producers re-establishment loans.

That list is by no means exhaustive.

7.6 The belief that conditions have eroded has built up over a period of years, so the accompanying disillusionment with those who are considered responsible has been cumulative and appears deep-seated. Many associate the perceived loss of conditions with an unreliable leadership:

the arbitrary manner in which these conditions of service have been lost has had as great or greater impact than the loss of the conditions themselves ... (the process) is regarded as betrayal by many. In most cases personnel regarded these Conditions of Service as a contractual obligation in return for services rendered. (In all cases these Conditions of Service were used as inducements to join the Services) (Foster, Submission, p S579).

For example, Service men and women note that they are subject to automatic, regular increases in married quarters or rations and quarters charges, but believe that they have to fight the Government and the Public Service for every adjustment to a condition of service.

7.7 Even if there are fundamentally different forces driving the present high level of separations, conditions of service must be an essential component of any retention strategy. The purpose of this chapter is to review conditions of service in the context of personnel wastage, that is, to assess whether rewards and compensations are appropriate and adequate. The focus of the review primarily is on those issues related to retaining personnel in the ADF and which were most commonly mentioned in submissions. Before examining those matters the Committee notes that in the past year the Minister for Defence Science and Personnel, the ADF and the Department have taken a number of

initiatives which appear constructive, but which may not as yet have had time to impact on separation rates.

7.8 Finally, comment must be made on the nature of this issue. Regardless of the actual status and value of many conditions, the fact remains that they are widely perceived to have deteriorated. Any strategy to resolve the wastage problem therefore will have to incorporate an information program which in a constructive manner informs personnel of perceptions and realities related to conditions of service. The Committee is aware that each of the Services has produced information packages. In our opinion Army's package entitled 'Conditions of Service - The Facts' is by far the most effective. Introduced by a video in which the CGS explains its purpose and contents, the package presents a thorough, readable and concise account of the most important conditions of service. We endorse CGS's action in producing the material, and recommend that it be adopted by Navy and Air Force.

#### Pay and Allowances

7.9 The single most important component of conditions of service is pay. It is customary when setting the level and extent of rewards for service to relate the tasks involved and the circumstances under which they are to be undertaken to similar service and relevant community standards. Clearly, for many defence tasks this cannot be done; further, while the ADF employs a large number of people with skills which are comparable to their civilian counterparts, the conditions under which those skills are exercised often are vastly different.

7.10 ADF officers generally are paid against a common salary scale according to rank. For non-commissioned members the salary structure consists of seven broad-banded pay levels related to

civilian industrial standards, with level one applying to non-skilled tasks and level seven to highly technical employments. Salaries are where applicable supplemented by a range of 'allowances in the nature of pay', which compensate members for a range of special circumstances.

#### Relative Movements in ADF Salaries and Allowances

7.11 A comparison of movements in the average real remuneration of ADF members (taking into account both salaries and allowances) with movements in real average weekly earnings throughout the Australian economy, for the period 1976-77 to 1986-87, is presented in Figure 7.1 and Tables 7.1 and 7.2.

7.12 There are two notable features of this analysis. The first is the marked increase in ADF salaries and allowances in the early 1980s, which put ADF remuneration levels well ahead of average weekly earnings for the wider community. That increase reflected the Fraser Government's implementation of the Committee of Reference's (the Coldham Report) recommendations on ADF Pay and Allowances. The second feature is the failure since 1981-82 of ADF remuneration levels to keep pace with movements in average weekly earnings. The effect of this has been that the work-value related gains made in the early 1980s have been negated by the selective wage-freeze imposed by successive governments in 1982-85.

7.13 Defence Force personnel were awarded a second tier wage increase of four per cent, based on improved efficiency and work practices, on 21 January 1988. They were among the first groups in the community to receive the increase. Similarly, the three per cent National Wage increase was approved with effect from 13 October 1988, with the additional \$10 a week to be introduced in April 1989.

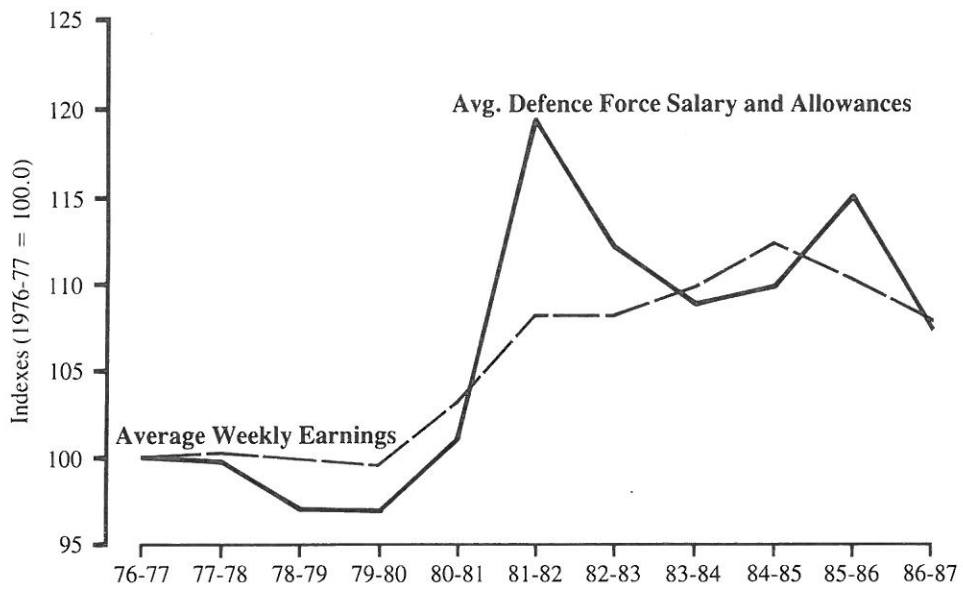
**Figure 7.1 Real Average Defence Force Salary and Real A.W.E.**

Table 7.1: TOTAL DEFENCE FORCE SALARIES AND ALLOWANCES,  
ACTUAL AND REAL

Financial Year	Actual	Real(a)
	----- \$m -----	-----
1976-77	797.048	1,137.016
1977-78	867.798	1,131.419
1978-79	918.244	1,106.318
1979-80	1,029.287	1,126.135
1980-81	1,190.361	1,190.361
1981-82	1,563.382	1,416.107
1982-83	1,630.748	1,324.734
1983-84	1,665.056	1,265.240
1984-85	1,746.716	1,273.117
1985-86	1,945.822	1,308.555
1986-87	2,005.670	1,233.499

(a) At 1980-81 prices. Deflated by the CPI

Sources: Department of Defence Annual Reports, various.  
Consumer price Index ABS (6401.0)

Table 7.2: AVERAGE DEFENCE FORCE SALARIES AND ALLOWANCES AND  
AVERAGE WEEKLY EARNINGS, ACTUAL AND REAL

Financial Year	Actual		Real (a)			
	Defence Force (b)	AWE (c)	Defence Force	AWE	Defence Force	AWE
	\$p.a.	\$p.a.	\$p.a. (1980-81 prices)	\$p.a. (1980-81 prices)	Index (1976-77) = 100.0	Index (1976-77) = 100.0
1976-77	11,373	9,272	16,224	13,227	100.0	100.0
1977-78	12,420	10,185	16,193	13,279	99.8	100.4
1978-79	13,081	10,973	15,760	13,221	97.1	100.0
1979-80	14,389	12,048	15,743	13,182	97.0	99.7
1980-81	16,415	13,676	16,415	13,676	101.2	103.4
1981-82	21,362	15,836	19,350	14,344	119.3	108.4
1982-83	22,406	17,636	18,201	14,327	112.2	108.3
1983-84	23,241	19,123	17,661	14,531	108.9	109.9
1984-85	24,470	20,423	17,835	14,885	109.9	112.5
1985-86	27,778	21,722	18,681	14,608	115.1	110.4
1986-87	28,344	23,225	17,432	14,283	107.4	108.0

(a) Deflated by the CPI.

(b) Total Defence Force Salaries and allowances divided by the number of permanent service personnel at June 30.

(c) Average Weekly Earnings for all male employees converted to an annual salary.

Sources: Department of Defence Annual Reports, various.  
Consumer Price Index ABS (6401.0).



## Remuneration as a Separation Factor

7.14 As might be expected, wastage rates are related to levels of pay. Evidence generally suggests, however, that pay is only one of a number of factors influencing decisions to separate and should by no means be regarded as decisive. For some skill categories which are in high demand outside the Services the matter of pay undoubtedly does assume major proportions. Currently the most notable example is that of pilots. According to a former Chief of the Air Staff, Air Marshal J.W. Newham, the very high salaries on offer from some airlines provide compelling reasons for those with young families to leave the RAAF. Air Marshal Newham pointed to the instance of a 39 to 40 year-old pilot recruited by Cathay Pacific who could on appointment receive \$A87,000 per annum, which would be taxed at only 17 per cent in Hong Kong. In Newham's opinion:

It's a tremendous incentive which I don't believe we can compete with. We have younger pilots who can go to Qantas and within six years earn more than the Chief of the Air Staff (who gets about \$80,000 a year), or equal to the pay of an Air Commodore (about \$54,000) within three years.

... (Additionally) RAAF pilots could not only go to Government airlines like Qantas and Australian and get much higher salaries after expensive training by the RAAF, but they could get jobs with the Department of Aviation which in some areas paid higher salaries than in the Services (Defence Industry Newsletter, 29 July 87, pp 3-4).

7.15 While those particular salaries probably represent the top of the range available to most who leave the ADF, the high employability of other categories such as electronic/computer specialist engineers and technicians has meant that they too are likely to be offered wages which the ADF cannot expect to match, and which will influence those groups more than others. The obvious conclusion is that retention strategies for those people must concentrate, first, on other desirable aspects of Service

life and, second, on providing remuneration incentives at carefully selected career points.

7.16 However, as was pointed out above, for many Service members pay in itself is not necessarily the decisive factor. An officer resignation survey conducted by the Army's No.1 Psychological Research Unit in October 1987 showed that of those questioned, 47.3 per cent listed the expectation of a better income outside the Army as a reason for leaving. The corollary of this, of course, is that 52.7 per cent did not consider their pay to be a major issue. A similar finding emerged from the Navy's RAN Officer Retention Survey of August 1987, which concluded that 45 per cent of those surveyed were dissatisfied with pay; that is, 55 per cent of those surveyed did not consider the issue to be one of prime importance (see Table 7.3).

7.17 The Australia Defence Association supported the contention that pay is only one of a number of factors influencing decisions to separate, arguing that compared to civilian non-government standards, Service personnel are reasonably well-paid (Submission, pp S342-3). The Association also drew attention to the ADF's superannuation scheme, which it considers comparatively generous, and the range of disability allowances, noting that while the community gets good value from the Services, ambitious middle-level managers in the private sector are required to work just as hard and also endure frequent family separations.

7.18 Where discontent with wages was expressed in submissions, it often was as part of a general dissatisfaction with overall conditions of service rather than as a discrete issue in itself. Sergeant B.R.Kelly made the point that while wages may 'generally appear adequate they do not, in many cases, match those in civilian employment ... Service personnel are subjected to many expenses not experienced by civilians' (Submission, p S289); while Mrs Janelle N.Kent suggested that a

Table 7.3: SATISFACTION WITH SERVICE PAY  
%

		SBLT	LEUT	LCDR	CMDR	CAPT	MALE	FEMALE
Very Dissatisfied	1	3	5	9	8	9	7	1
	2	10	13	15	20	18	16	1
	3	12	20	23	26	27	22	10
	4	12	17	14	13	19	15	19
	5	30	22	21	18	15	21	25
	6	25	18	15	13	12	16	32
Very Satisfied	7	8	5	3	2	0	3	13

NOTE: It must be noted that, at present, female officer numbers are biased towards LCDR and below.

Source: Salas, RAN Officer Retention Survey, August 1987

fall in living standards she had noticed was related to an inflexible pay/leave nexus, in which an apparently adequate base salary is not 'topped-up' to compensate for long hours of overtime (Submission, pp S58-9). Kent's assessment was supported by Leading Aircraftman Richard Black, who argued that compensation for overtime should be financial rather than in the form of 'leave-in-lieu' (Submission, p S470). Numerous other contributors bracketed concern over pay with other contentious issues such as the DFRDB Scheme, housing loans and Temporary Rental Allowance.

7.19 The Committee accepts that, for the majority of Service personnel, pay may not be an over-riding issue in a decision to separate. However, given the psychology of the situation, especially in view of the widely-held belief that the Services have been selectively discriminated against financially, any strategy aimed at arresting the current wastage rate must examine carefully the key aspects of the Defence remuneration system. It is also apparent that unreasonable anomalies exist in some areas of Service pay, and that in the current climate these are likely to cause increasing levels of dissatisfaction if they are not rectified.

#### The Pay-fixing System

7.20 The key element in setting remuneration is the pay-fixing system. In the case of the Defence Force two distinct mechanisms are relevant: the first which existed pre-1984 when determinations were considered by a Committee of Reference for Defence Force Pay (COR); and the second which has obtained post-1984 following the establishment of an independent Defence Force Remuneration Tribunal (DFRT).

### Kerr/Woodward and The Committee of Reference

7.21 The COR, which was headed by Justice Coldham of the Conciliation and Arbitration Commission, was formed in 1973 on the recommendation of the Kerr/Woodward Committee of Inquiry into Service conditions and produced four reports on the adequacy of Defence Force remuneration. Those reports addressed changes in work value, a new independent structure for Service salaries, and the philosophy of defence remunerations. They are referred to as the COR or Coldham Reports.

7.22 A consequence of the remuneration system as it evolved from Kerr/Woodward and the COR was the notion of a significant degree of relativity between Defence Force and Australian Public Service salaries. Kerr/Woodward had discussed the 'common employer' principle when linking Defence Force and APS pay conditions and had concluded that 'the process of establishing levels of salary within the Services by making broad comparisons with rates in the Commonwealth Public Service is a fair and just method', provided that special features of Service life were taken into account (Kerr/Woodward Committee of Inquiry, Final Report, March 1973, para 50). As a result, salary points in the Defence Force were related to specific points in the APS:

all non-commissioned salaries were related closely to APS physical grades, with insufficient adjustment for NCO responsibility or technical training; movements in the salaries of officers from Second Lieutenant to Colonel generally followed the professional grades of the APS; and Brigadier and Major General moved with the APS Second Division all under the 'common employer' principle (LRS, Conditions of Service in the Regular Defence Force, 1984, p 9).

A list of ADF/APS salary comparators identified by the COR is detailed at Table 7.4.

Table 7.4: ADF/APS COMPARATORS IDENTIFIED BY THE COR

## DEFENCE FORCE/AUSTRALIAN PUBLIC SERVICE SALARY COMPARATORS

Serial	Defence Force	Australian Public Service Classification	Reference
1.	Private Pay Level 4	Fitter and Turner	Third Report para 6.13
2.	Private Pay Level 6	Technical Officer Gr 1	Third Report para 6.13
3.	Sergeant Pay Level 4	Foreman	Fourth Report para 14.7
4.	Warrant Officer Class 1	Senior Technical Officer Grade 2	Third Report paras 3.13, 6.22 Fourth Report para 14.7
5.	Lieutenant Colonel	Clerk Class 11	Third Report paras 7.31, 7.32 Fourth Report para 14.7
6.	Colonel	AS Level 1	As above
7.	Brigadier	AS Level 2	As above
8.	Major General	FAS Level 4	As above

7.23 Notwithstanding that degree of relativity, the Third Report of the Committee of Reference in fact recognised the Defence Force as a unique industry, noting that:

the tasks and needs of (the ADF and the APS) are directed to the achievement of different goals by way of different procedures per medium of servants operating in entirely different environments. A consideration of entry standards, training proposals, promotion criteria, rank, contracts of service, discipline and uniforms are but a few manifestations of the differences to which we have referred (COR 3, 1981, p 14).

However, the extent to which the concept of a distinctive defence industry has been recognised in practice remains open to question, and is discussed later in this section.

7.24 The COR mechanism suffered from serious deficiencies. The Committee apparently lacked statutory jurisdiction and powers of investigation, while there were no statutory obligations governing its procedure for the investigation and determination of facts (Quick, 1987, p 20). Even more unsatisfactory was the Committee's inability to initiate investigations, instead of producing reports at the request of government. Its sole obligation was to respond to references from the Minister for Defence, that is, the employer. This plainly was iniquitous, as events in the early 1980s demonstrated.

7.25 In 1981 the COR recommended a change in the Defence Force salary structure and increases in salaries. It also warned that, because of general community wage rises then taking place, the increases recommended for the ADF would soon be inadequate. In order for Defence personnel to maintain a fair level of wages, the COR strongly recommended that a further review would be necessary by the end of 1982; and thereafter at least annually.

7.26 The Fraser Government ignored the recommendation to review Service salaries in 1982. A general wage pause was subsequently applied but, even when that pause was lifted in October 1983, the Hawke Government 'steadfastly refused to recommit the matter to the Committee of Reference' (Quick, 1987, p 21). In 1984 legislation to establish an independent Defence Force Remuneration Tribunal was introduced. That legislation also established the position of Defence Force Advocate, a specialist independent legal officer who presented the Defence case to the DFRT. Following the establishment of the DFRT, the COR's recommendation eventually was referred to the new body - some four years after it was first passed to government. Commenting on the matter, the Defence Force Advocate wrote:

Had the Tribunal not (come into existence) probably nothing more would have happened. Once the Tribunal was established, in 1985, the matter was taken to it. The Tribunal determined that members of the Defence Force had not received the full range of wage movements which took place in this country between the end of the first round of wage indexation in 1981 and the commencement of the second regime of wage indexation in October 1983. The shortfall was to the extent of almost six per cent. The refusal of Government to refer the matter to the Committee of Reference cost members of the Defence Force not less than six per cent of their salaries for at least a year (Quick, 1987, p 21; emphasis added).

It did not escape the notice of Service personnel that in mid-September 1982 the Arbitration Commission granted the Public Service a 6 to 6.5 per cent wage increase.

7.27 Before examining aspects of the current pay fixing machinery based on the DFRT, this Committee believes that comment on the management practices apparent in the 1982-85 'wage freeze' is necessary. For the period in question, members of the ADF were subjected to discriminatory and, therefore, unfair treatment. In our opinion the discontent this caused was related only in part



to the financial penalty applied. According to Lieutenant Colonel R.A.Kershaw, 'no one joins the services to get rich, the degradation of pay and conditions does not affect those in uniform as negatively as their perception of their esteem and value to the country' (Submission, p S403). Perhaps what was most objectionable to Service personnel in this instance was that they were singled-out, apparently because they had no recourse to industrial action. It is precisely that kind of arbitrary and inept management which can provide the final straw for individuals who may be considering separation. There is no doubt that the handling of this issue caused strong resentment in the ADF.

#### The Defence Force Remuneration Tribunal

7.28 The Defence Legislation Amendment Act of 1984 established the Defence Force Remuneration Tribunal and the office of the Defence Force Advocate, defining the powers of each. The mechanism by which this relatively new system operates is central to ADF conditions of service and, as a consequence, personnel retention rates. Principal features of the system were described by the Defence Force Advocate (Quick, 1987, pp 21-22) as follows:

- a. The Tribunal consists of three members who are required to have specific qualifications which are appropriate. They are appointed on a part-time basis. They have security of tenure for a period of five years and may be removed during that period only by act of the Governor-General and then only on grounds of misbehaviour or physical or mental incapacity.
- b. The Tribunal has jurisdiction to inquire into and determine salaries and allowances in the nature of pay which are to be paid to members of the Defence Force. It may exercise that power of inquiry and determination of its own motion and from time to time. The legislation prescribes a maximum time between general

reviews of salary. The maximum time between general reviews of salary is now two years.

- c. The Tribunal has a secondary jurisdiction which it may not exercise of its own motion but only on reference from the Minister or the Secretary of the Department or the Chief of the Defence Force. This jurisdiction enables the Tribunal to inquire into and make determinations with respect to allowances other than allowances in the nature of pay, ie allowances relating to recompense for expense incurred eg Disturbance Allowance.
- d. The Tribunal is empowered to inform itself in such manner as it sees fit and is not bound by the rules of evidence. The relevant statutory provisions do not oust the requirements of the rules of Natural Justice. This means that the Commonwealth or the DFA have access to every communication of relevance made to the Tribunal.
- e. The Defence Force Advocate and a person representing the Commonwealth are entitled to be present and to make submissions to the Tribunal during any proceedings before the Tribunal.
- f. The determinations of the Tribunal have the force of law and any regulations or ministerial directions inconsistent with the Tribunal's determination are - to the extent of that inconsistency - of no effect.
- g. The Tribunal is required, in making a determination, to have regard to such principles or decisions of the Australian Conciliation and Arbitration Commission as the Tribunal considers relevant. This means that the Tribunal will look at and consider Commission decisions without being bound to follow them. In practice the Tribunal has closely followed National Wage Case principles making due allowance for differences between the ADF and employer-employee relations generally.
- h. From a determination of the Tribunal there is no appeal, strictly so-called. The legislation does however enable the Minister, the Secretary of the Department and the Chief of the Defence Force to request a reconsideration of any determination made by the Tribunal. A

reconsideration of any determination made by the Tribunal is an inquiry into the original subject matter again by the Tribunal.

The machinery of investigation and determination of rights is in many respects not unlike that which obtains in the Australian Conciliation and Arbitration system.

7.29 The legislatively defined functions of the Defence Force Advocate are:

- a. to prepare submissions on behalf of the Defence Force concerning matters before the Tribunal;
- b. to represent the Defence Force before the Tribunal; and
- c. to advise the Chief of the Defence Force in relation to matters within the limited secondary jurisdiction of the Tribunal.

The Defence Force Advocate has tenure for a period of three years from appointment or re-appointment and may be removed from office by the Minister and then only on grounds of misbehaviour or physical or mental incapacity.

7.30 Specialist Service advice in the process is directed by the Defence Force Pay and Conditions Committee (DFPCC), whose membership comprises:

- a. the Assistant Chief of the Defence Force (Policy);
- b. the three single Service Chiefs of Personnel; and
- c. First Assistant Secretary Human Resources.

The Defence Force Advocate may be invited to offer advice to the DFPCC.

7.31 A typical proposal for a review of an allowance might originate with one of the Services. It would then be processed through the office of the Director General of Service Conditions, a one-star officer in HQADF who is responsible to ACPOL. From there the proposal would go to the DFPCC who, if satisfied, would forward it to the CDF and the Secretary. As the conclusion of this process, it is the DFA's responsibility to prepare a case in the form to be used before the DFRT.

7.32 It is important to note that not all determinations which compensate the Services financially are necessarily taken by the DFRT. Under Section 58H of the Defence Act the Tribunal is responsible for considering pay and a number of 'major', largely specialist, allowances, such as Service Allowance, Flying Allowance, Field Allowance, Hard Lying Allowance and the like. A number of other 'prescribed' allowances such as Temporary Accommodation, Meal Allowance, Uniform Maintenance Allowance and Disturbance Allowance are routinely reviewed by the Minister for Industrial Relations under Section 58B of the Defence Act. However, if any of the Ministers, the CDF or the Secretary is not satisfied with that process, he may refer the matter to the DFRT (see para 7.28c above). The Committee understands that this action has not been taken since the current wage-fixing system was established in 1984. We are also aware that many Service men and women are intensely dissatisfied with the current level of payment of a number of the allowances determined under Section 58B: Disturbance Allowance and Uniform Maintenance Allowance, for example, were the subject of many critical submissions to this inquiry. That problem is discussed later in this report.

7.33 There has been both implied and explicit criticism that the arbitration system of wage-fixing represented by the DFRT is at odds with the traditional ethos of a loyal military service which is rewarded directly on the determination of a paternalistic government (see Army, Submission, p S1164; and

Downes, Submission, pp S1521-2). The Committee believes that such perceptions owe as much to myth as reality, as the decidedly unpaternalistic 1982-85 selective wage freeze imposed on the ADF by both Labor and Coalition Governments illustrates. Indeed, many submissions argued the contrary case that government, regardless of political persuasion, is an untrustworthy employer. In our opinion the establishment of the DFRT has introduced at least two major advances for ADF men and women. First, the Tribunal is independent of government, and its decisions are binding. Second, the process makes it essential for the ADF's management to accept full responsibility for the conditions under which the people for whom they are responsible work and fit into the broader Australian society. We believe that this can only be a beneficial process for all concerned, even though, while experience is being gained, difficulties (such as inexperience in presenting cases) are likely.

7.34 The Committee therefore endorses the establishment of the DFRT. At the same time, some problem areas do exist. If the system is going to serve the reasonable rights and expectations of Defence personnel it must operate openly, recognise the Services as a unique industry, be free from conflicts of interest, and employ qualified, specialist personnel in the preparation and presentation of cases. We are not convinced that those criteria are adequately satisfied.

#### A Unique Institution

7.35 The establishment of the DFRT represents a significant step in the process of recognising the Defence Force as a unique industry. However, whether that process has gone far enough remains open to question. The Committee is concerned that the determination of ADF salaries and allowances still rests on a base which may not satisfactorily recognise the special nature of military employment. A central issue arising here is the

insistence in some quarters of trying to establish 'equivalence' between Service members and public servants.

7.36 As has been pointed out above, the pre-1984 system placed some emphasis on the 'common employer' principle in establishing a measure of commonality between ADF and APS pay scales. While the COR in its Third Report (1981) recognised the concept of a distinctive Defence Force industry, in its final report it returned to the proposition that work relativity comparisons with the APS remained relevant, stating that:

Whilst also of the view that specific 'one for one' alignments with the Australian Public Service may not always constitute appropriate comparisons, we see rates in that Service as continuing to be of significant influence (COR 4, 1982, p 87).

7.37 How much weight the COR wanted to place on each of those two key assessments - that is, Defence relativity with the APS on the one hand yet distinctiveness as an industry on the other hand - is not entirely clear. Reference to Figure 7.1 suggests that the impact of the final COR Reports in the early 1980s was to generate wage rises which recognised the Services' unique work conditions. However, the wage freeze applied in 1982 interrupted the implementation of the COR recommendations and, when the freeze ended, the pay structure returned to a relationship with Public Service pay similar to pre-freeze levels. Table 7.5, for example, shows that, notwithstanding the fact that the ADF and the APS have separate wage-fixing tribunals, a substantial degree of parity continues to apply for certain supposedly 'equivalent' ADF and APS 'rank' levels. Thus, while the present wage-fixing system in principle acknowledges the distinctiveness of the profession of arms, it seems that in practice it reflects a legacy of unrelated comparators.

7.38 The Committee is concerned by this philosophical anomaly, noting the Australia Defence Association's contention that 'the nexus between Service ranks and designated levels in

Table 7.5: ADF/APS COMPARABLE PAY RATES AT VARIOUS DATES

Listed below are some generally comparable pay rates at various dates. In each grade the lowest pay level has been taken.

	31.3.75	7.5.81	6.10.83	19.4.84	14.11.85	10.7.86	9.3.87
Private Level 1	6,373	10,109	12,516	13,029	14,695	15,033	15,555
Clerk Class 1	5,830	10,724	12,985	13,517	14,683	15,021	15,543
Lieutenant on Promotion	7,995	14,460	17,940	18,676	21,064	21,548	22,070
Clerk Class 4	8,406	15,044	18,388	19,142	20,794	21,272	21,794
Lieutenant Colonel	16,419	28,575	34,732	36,156	40,778	41,716	42,238
Clerk Class 11	16,360	27,203	35,170	36,612	39,771	40,686	41,208
Major General	25,690	43,919	54,236	56,460	63,677	65,142	65,664
SES Level 4	25,690	43,594	54,601	56,840	61,744	63,164	63,686

the Public Service must be broken. They are farcical in concept and cumbersome in practice' (Submission, p S340). We also note that the question of the COR's investigative practices was raised by the Defence Force Advocate in the ADF's submission to the DFRT on Service Allowance, when he argued that:

recommendations of the COR were not awards within the meaning of the Principles enunciated in the June 1986 National Wage case ... it was claimed for this and other reasons that the assessments of the COR were not an appropriate base (p 14) ...

It was further argued that 'The exigencies of the situation which confronted the ADF when the Tribunal was established did not permit the ADF to challenge the correctness of remuneration levels then obtaining '(quoted in DFRT, Determination No 5 of 1987, p 42).

7.39 The query over the COR's practices was continued in a submission to this inquiry, in which it was argued that while the Committee's membership was independent, it was strongly controlled by government, as it was government which framed the terms of reference for any inquiry, decided when an inquiry might be undertaken, and ultimately decided whether to implement any recommendations (Quick, Submission, pp S2352-3). Quick further questioned the investigative machinery of the COR, which he described as inquisitorial by nature and 'whilst not secretive, could not be said to go even part of the way to complying with the rules of natural justice which apply in arbitration generally':

A classic example of what I mean concerns the COR investigation into hours of work. It seems that two clerks employed by the COR went to a number of service establishments and ships. Neither of them was trained to any significant extent in gathering statistical data or in the analysis of it. Having spoken to a number of officers, NCOs and men, in a number of establishments these clerks concluded that the ADF works on average 44-45 hours per week. This was a critical finding and largely affected the COR in its assessment of Service



Allowance. To my knowledge the ADF have little, if any, opportunity to question the competence of the clerks doing this assessment and to question the accuracy of what they had done, let alone to question whether the places from which information had been gathered were typical or sufficiently representative to enable accurate assessments of hours to be made (Quick, Submission, pp 2353-4).

7.40 Government also strongly influenced submissions made to the COR by the Services themselves. The Defence Force had to rely either on counsel from within its ranks (which was inexperienced) or from the Industrial Division of the Department of Defence which was itself an instrument of government policy. As a result, the 'submissions of the ADF were hardly those of a body capable of independent decision-making having received independent advice' (Quick, Submission, p S2355). The Committee notes that in its early submissions to the DFRT, the ADF made it clear in both its written and oral submissions that it did not necessarily agree with the general wage levels fixed by the COR (Quick, Submission, p S2360-1).

7.41 Accordingly, while we support the establishment of the DFRT, we believe that the wage base from which percentage increases awarded by the Tribunal apply may be wrong; at the least, the method by which that base has evolved is questionable. As long as that base remains unchallenged, therefore, doubts about the adequacy and correctness of ADF salaries will justifiably continue. This unsatisfactory circumstance is compounded by the fact that the DFRT has prevented any inquiry into the correctness of the COR determinations by consistently holding itself bound by National Wage Case Guidelines (DFRT, Submission, p S2754). Consequently, Service personnel have found themselves locked into a system in which the starting-point may be unfair, but the rules have prevented any challenge.

7.42 This Committee has been advised that the ADF is considering conducting a work-value study as a means of reviewing current wage levels (DGSC, Evidence, 11 April 1988, pp 205-6). We

do not believe that to be an appropriate response. A work-value study only measures change in a given period, and therefore accepts as valid the wage level obtaining at the start of that period. In this instance, that wage level rests on the determinations made by Kerr/Woodward and the COR and they, of course, are the question at issue. The correct approach would be that of carrying out a complete and open assessment of ADF salaries, uninhibited by National Wage Guidelines. In reaching that conclusion, the Committee acknowledges that wage restraint is a central element of national economic strategy. On the other hand, we believe that the establishment of a fair wage-fixing base is an obligation arising from the terms of reference of this inquiry.

7.43 We recommend that the Minister for Defence Science and Personnel direct the Defence Force Remuneration Tribunal to undertake a complete job analysis and job evaluation review of the ADF, exclusive of National Wage Guidelines, for the purpose of establishing wage levels which are based on the recognition of the members of the profession of arms as a distinctive institution.

7.44 In making that recommendation we note that the review may or may not lead to an increase in Service salaries: the prime issue at stake is that of recognising the ADF as a unique institution and establishing an appropriate remuneration base. It is widely believed among ADF personnel that they have been discriminated against in the matter of the determination of pay and allowances. The only effective way to redress that damaging perception is to examine the whole issue, openly, and starting from the premise that the ADF is a unique institution.

## Conflicts of Interest

7.45 When the mechanism of the DFRT was made public, considerable attention focused on a perceived conflict of interest in the CDF's role. The CDF is the principal figure in initiating remuneration claims and appeals; that is, he holds the prime responsibility for the financial welfare of Defence Force members. He is also, however, the head of management of the ADF and as such is intimately involved in force structure planning. Regardless of personal propriety, he is therefore placed in an invidious position if, say, proposed remuneration increases are likely to impact on (perceived) essential re-equipment programs. As an example of this, had the DFRT awarded the full amount claimed in the July 1987 Service Allowance determination, Defence would have had to have found annually a sum of about \$350 million - an amount which, each year for the next 10 years, will be needed to fund the Anzac light frigate project. We believe it improbable that the amount would have come from additional funding.

7.46 The previous Defence Force Advocate has argued that any conflict in CDF's role in the remuneration process is more imaginary than real. The points he made were:

- a. any 'so-called conflict of interest' is plain for all to see, and the CDF will be held publicly accountable for any apparent weakness in meeting his 'chief of personnel' responsibility;
- b. independent advice, free from vested career interests, is provided to the CDF by the DFA;
- c. ADF salaries must remain 'fiercely competitive' if the all-volunteer force is to attract and retain suitable personnel; and

- d. unlike the Arbitration Commission, the Tribunal does not merely settle a dispute, but has a 'general duty to examine and determine appropriate salaries and allowances ... the activities of the CDF ... do not necessarily limit the areas of consideration or the magnitude of any determination which the Tribunal might make' (Quick, 1987, pp 24-5).

7.47 The Committee is not convinced of the force of that argument. It is plain, for example, that pilots' salaries have not remained 'fiercely competitive'; impartial advice carries no executive authority in itself; while the DFRT has to date shown no inclination to adopt innovative reviews of its own volition. The fact is that in its present form, the wage-fixing system subjects the CDF to a conflict of interest by making him the leading representative of both employees and management. It is a situation in which perceptions become as important as realities. Thus, the CDF's decision not to appeal against the July 1987 Service Allowance case - in which a \$716 per annum increase was granted against a \$4,583 per annum claim - was widely seen as serving the interests of management rather than those of employees. The handling of the case was extremely harmful to ADF morale.

7.48 Resolution of this problem can only be effected within the limits necessarily imposed by the military code of discipline. As Colonel J. MacBride has pointed out, the ADF does not have a satisfactory mechanism for complaints against such decisions (Submission, p S417). In a conventional arbitration system, it would be a straightforward matter to have employees represented by their own association. The Services' code of discipline and the principle of the authority of military command militate against the formalisation of any such process in the ADF. Strict limits must apply to collective action. This Committee would reject any proposal which could undermine the principle of command authority.

7.49 We believe it is essential for the CDF, as Commander of the Defence Force, to remain in the remuneration system, but that he needs to be protected against the system's inherent contradictions. The ADF's employees are entitled to a similar degree of protection. The most simple and efficient solution would be that of allowing the DFA to appeal independently against Tribunal decisions. The Advocate already represents employees' interests in proceedings and, because of his role, would be able to appeal without undermining CDF's authority. If CDF chose to appeal then it would be his prerogative to do so; if the DFA appealed, CDF could remain impartial; if both chose not to appeal, then CDF's stand would be vindicated by the support of the independent specialist.

7.50 In summary, the Committee considers that the current ADF remuneration system exposes the CDF to charges of conflict of interest, which in turn can be inimical to the management of the ADF. We recommend that the Minister for Defence Science and Personnel take action to amend the legislation to allow the DFA to appeal independently against DFRT determinations.

#### Defence Force Industrial Relations Staff

7.51 When the DFRT was established, the employer's case initially was presented by the Department of Defence. This plainly was untenable for, with the ADF being responsible for presenting the employee's claims, the Defence organisation was arguing against its own members, with the CDF and the Secretary heading the opposing parties. In 1987 this conflict was resolved by transferring responsibility for Defence Force remuneration from the Minister for Defence to the Minister for Industrial Relations. This was a necessary move, but in the short-term it may have deprived the Services of the specialist skills which are essential in the preparation of ADF submissions to the Tribunal.

Lieutenant Commander T.D.Hay advised this inquiry in February 1988 that although posted to Russell Offices in an industrial relations position he, 'like all other uniformed members of the (industrial relations) staff (had) received no industrial relations training at all. It is a ludicrous situation' (Hay, Submission, p S504). His case was supported by Captain S.K. Calvin, who noted that in the 1987 Service Allowance case, the ADF submission was prepared by three officers, each with less than two years industrial experience; while the Commonwealth case opposing the proposed increase was in contrast prepared by 'about a dozen public servants, each with entire careers spent in industrial relations' (Calvin, Submission, p S494).

7.52 The likely consequences of this kind of situation were outlined by the President of the Armed Forces Federation of Australia when he summarised the outcome of the Service Allowance case:

The case presented was the responsibility of the Defence Force Remuneration Review Committee. The strategy was based on a questionnaire completed by a sample of some 6,000 ADF personnel in October, 1985. On the basis of that survey, it was contended that the average working week of some 70,000 personnel had risen to 52.5 hours per week, or 7.5 hours per week more than in 1981.

Having no 'fall back' or alternative position built into the case, the strategy was unnecessarily narrow and lacking in depth. The weaknesses were:

- The questionnaire only sampled the ADF. It was within the capacity of the Service Offices to arrange a 100% data collection. With the stakes so high, the failure to do so was incredible.
- The questionnaire was suspect and subjective. It sought personnel responses on the number of hours worked by respondents without adequate arrangements to ensure no self-interest element crept into the responses. The basis for the extra-hours-worked claim was destined not to convince the Tribunal.

- The questionnaire did not cover Lieutenant-Colonels (equivalent) and above, and no substantial argument for flow-on to their salaries was presented.
- The delay in preparing the Defence Force case was excessive. Knowing that back-dating of determinations is rare, it must have been clear that every month's delay lost money for the ADF. Yet the time spent in developing the submission reflected no urgency and no sense of the accumulating sacrifice of ADF personnel.
- There was no pre-hearing consultation or negotiation with the Commonwealth.

It would appear on these points that the DFRRRC failed, not by the turn of events but by its own inadequacy. Theirs presumably was the task of deciding the best plan.

During the hearings, the CDF was represented by a small, inexperienced and lowly-ranked single service team in comparison with the powerful Commonwealth (employer) team with senior representatives of the Secretaries of Defence, and Employment and Industrial Relations. Even a good case would be disadvantaged in these circumstances. Nevertheless, the ADF team plodded on heroically with no real chance of success (Copley, 1987, p 5).

7.53 We appreciate that the current Defence remuneration system is relatively new and that the changes which have been implemented have involved a learning curve. That observation, however, will be of little comfort to Service personnel, who do not have recourse to the usual array of industrial relations resources and avenues of appeal and see themselves being penalised because of their singular industrial circumstances. For the satisfactory functioning of the DFRT process, it is essential that the ADF possesses an Industrial Relations Unit with sufficient resources and staff, and which is protected by posting and training policies which ensure continuity of office and expertise.

7.54 The Committee recommends that the CDF and the Secretary review those components of the ADF and the Department involved in the preparation and presentation of cases to the DFRT to ensure that:

- a. the organisation has sufficient qualified staff;
- b. staff receive specialist industrial relations training before starting duty;
- c. industrial relations activity is recognised as a distinctive, specialist category within the ADF; and
- d. posting policy is controlled so that industrial relations staff
  - (i) serve productive tours (ideally a minimum of three years) within industrial relations areas, and
  - (ii) return regularly to those duties.

#### The Role of Departmental Officers

7.55 CDF's participation in the remuneration system is essential because of his command responsibilities. The Committee sees no good reason, however, why the Secretary to the Department of Defence should play an active role other than that associated with his Departmental administrative responsibilities. Unlike the CDF he is not directly concerned with 'leadership' in the ADF; further, determinations made by the Defence Force Remuneration Tribunal have no bearing on the conditions of service for public servants. Yet the Secretary shares with the Minister and the CDF the authority to refer matters to the DFRT and to appeal against its determinations. This circumstance appears to be an example of



the needless duplication which results from the diarchic structure at Russell Hill. The arrangement amounts to nothing more than another instance of the gratuitous subordination of the ADF to the Public Service, and that is an issue which impinges on Service wastage (see Chapter 5).

7.56 A comparable organisational arrangement is the presence of the First Assistant Secretary, Human Resources on the Defence Force Pay and Conditions Committee. We believe that the advice passed to CDF by the DFPCC should be based solely on a military perspective of conditions of service: if it is otherwise, there is a strong possibility that the right of individual Service men and women to have cases presented to represent their interests will have been compromised. That is unacceptable. Any comment FASHR may wish to make on a proposed reference to the DFRT should be passed to the Secretary, who could then raise the matter with CDF after the Chief had received the DFPCC's submission. FASHR's opinions should not, however, intrude on the distinctively military perspective which alone should shape DFPCC considerations.

7.57 The Committee recommends that:

- a. legislation be amended to remove the Secretary's right to refer matters to the DFRT and to request reconsideration of any Tribunal determination; and
- b. membership of the DFPCC be ACPOL and the three Service Chiefs of Personnel.

## Wage Anomalies

7.58 The review of the basis from which Service wages are determined which was recommended in para 7.43 above is likely to be a complex and lengthy affair. In the interim, a number of unsatisfactory anomalies in pay rates need to be addressed. The first of these is the 'compression' of the salaries paid to middle-ranking officers. One of the most graphic examples of this occurs at the Major/Lieutenant Colonel(e) level. Using the pay rates listed in Army, March 17, 1988, p 8, a Major on maximum increments was paid a fortnightly military salary of \$1,600-52 (military salary consists of pay plus Service Allowance). By comparison, a Lieutenant Colonel on appointment was paid a military salary of \$1,696-92. After the Lieutenant Colonel has paid higher DFRDB contributions and, possibly, higher married quarter rental, the difference in pay could be as little as \$5 a day. An even more iniquitous situation existed at RAAF Flying Training Schools before the September 1988 Flying Allowance increase. The Wing Commander Commanding Officer, receiving no Service Allowance and a smaller Flying Allowance than the instructors for whom he was responsible, received \$41 per annum gross more than some of those instructors, and in fact less net after DFRDB and married quarter charges were deducted (RAAF Presentation, CCAE Seminar, 23 February 1988). The September 1988 Flying Allowance determination, which gave Wing Commanders an increase of \$1,782 more than a Flight Lieutenant on appointment, only partly redressed that imbalance. To round out this point on a tri-Service note, Commander E.G. Hack advised the Committee that there has been 'a compression of salaries' such that 'the difference between a LCDR and CDR is now about \$2 a day net' (Hack, Submission, p S563). This kind of salary compression is manifestly wrong: it not only fails to provide financial incentive for promotion but also does not recognise the demands of responsibility.

7.59 One straightforward way of resolving this anomaly would be that of paying the Service Allowance to officers of Lieutenant Colonel equivalent rank and above (Stevens, Submission, p S810).

The decision not to pay the Allowance to that group was made by the COR in its Third Report in 1981, when its members concluded that:

In the public and private sector, payment for long and irregular hours disappears at a point which approximately corresponds with Lieutenant Colonel. The increased margins for rank in that part of the structure are designed to reflect the changes of role and function which have been experienced by members in those ranks (COR, quoted in DFRT, Determination No 5 of 1987, p 63).

That conclusion was endorsed by the DFRT in its July 1987 decision, when Tribunal members argued that officers of Lieutenant Colonel(e) rank and above received increased margins of salary which reflect the changes of role and function applicable to those ranks. The Tribunal confirmed that officers of the rank of Lieutenant Colonel and above should be paid a consolidated salary which gives full recognition to their responsibilities, and which allows for the fact that those individuals will not receive Service Allowance. In the DFRT's opinion, 'any compression in relativities as a result of this decision is ... minimal' (DFRT, Determination No 5 of 1987, p 64).

7.60 Given the evidence presented to this inquiry, that conclusion is no longer apposite: an extra \$2 to \$5 per day net is not, in our opinion, a satisfactory reward for the increase in responsibilities accompanying a promotion from Major to Lieutenant Colonel equivalent ranks. If the philosophical rationale for the Tribunal's decision not to pay those ranks Service Allowance is unlikely to change, then, in the interests of providing a wage scale in keeping with the increasing responsibilities and demands of rank, it is essential that CDF seek suitable increases at the earliest opportunity.

7.61 Salary 'compression' of a different nature was identified by Colonel P.J.Dunn, who pointed out that a Warrant Officer Class 1 can reach that rank at about 37 years of age 'and then never receive a significant wage increase related to responsibility thereafter' (Submission, p S644). As Dunn commented, there is then little financial incentive for those highly trained and experienced personnel to remain in the ADF. He suggested that:

An examination should be made of the incentives provided by industry to people of such seniority to see which, if any, are applicable to the Services. As a first step, however, increased responsibility gained by increased rank should be visibly rewarded by reasonable salary increases (Dunn, Submission, p S644).

7.62 Using the criterion of 'operational capability' as a key measurement of the effects of wastage, it is clear that the ADF can ill-afford to lose the experience and skills of 20-year Warrant Officers who have risen to that rank at a young age - thereby demonstrating personal merit - and who could serve for many more years. Unless those individuals seek and are given a commission, there is no financial incentive for them to undertake that service. We also believe it is important to point out that, given the structure of military organisations, it may well offer more to the ADF's operational capability to retain as Warrant Officers some of those individuals who may not wish to apply for a commission.

7.63 The Committee recommends that CDF take action to:

- a. secure a remuneration increase for officers of the rank of Lieutenant Colonel equivalent and above which
  - (i) redresses the salary 'compression' now existing above the Major equivalent level, and

(ii) recognises the increased responsibility of role and function of those ranks; and

- b. institute a system of incentive payments for Warrant Officer Class 1 equivalents who do not wish to be commissioned but whose services the ADF wishes to retain.

7.64 The second major area of concern is that of an apparent increasing trend for members of the ADF to move (downwards) into pay brackets which make them eligible for social security payments. Lieutenant Colonel D.A.Cran observed that 'Married soldiers, particularly those with several children are struggling. The latter group is obliged in some cases to seek assistance from social welfare to enable them to reach the poverty line' (Submission, p S538). Cran's point was supported by Sergeant P.R.Collins, who advised the inquiry that a 'Private Soldier, married with two children when paid in the Army is entitled to Government assistance because he is below the poverty line' (Submission, p S666). The Committee also was told informally that at a major RAAF unit, No 2 Stores Depot at Regent's Park in Sydney, nine per cent of the Air Force personnel are eligible for the Family Allowance Supplement.

7.65 The concern of Service personnel over this matter seems to be as much one of philosophy as of remuneration: the underlying issue is that of whether members of the armed services should have to seek 'social service' payments to attain a reasonable wage. Perhaps in isolation this comparatively new (for the Services) phenomenon might not have attracted undue interest, but in the prevailing climate of the perceived continual erosion of conditions, it may represent a graphic example of that perception, and confirm beliefs that Government and Defence leadership 'does not really care'.

7.66 In one sense this is yet again a case in which perceptions over-ride realities, the reality here being that Government economic strategies in the past few years have led to a fall in real wages for PAYE income earners, which in turn has increased the number of families eligible for the Family Allowance Supplement. Eligibility for that assistance also has been broadened. In November 1987 40,000 families were receiving the Family Income Supplement, while by July 1988 140,000 families were receiving the Family Allowance Supplement. The Committee considers that in that context, those Service personnel who are eligible for the Family Allowance Supplement are no different from many members of the wider community, in the sense that there will always be some low income earners in any representative group. Here, we note that some 11 per cent of full time wage and salary earners are on 50 per cent or less of average weekly earnings, and some 44 per cent on 75 per cent or less (Minister for Social Security, Hansard, 16 March 1988, p 900). In the prevailing economic climate, we consider the Family Allowance Supplement a reasonable response to the circumstances of low income earners.

7.67 Perhaps the real problem with the perceived 'drift' of Defence personnel onto 'welfare' payments has been the poor handling of public information about the Family Allowance Supplement. By way of contrast, until the child endowment/family allowance payment became means tested in 1987, it was drawn by all sections of the community and in no way was regarded as a 'welfare' payment. Unfortunately, the public information program which accompanied the introduction of the Family Allowance Supplement in 1987 does not seem to have engendered positive attitudes towards the new scheme. That, however, is no justification for recommending change. The Committee understands that the Defence leadership has committed itself to informing members of their entitlements under the new scheme and to promoting it as an entitlement and not a welfare 'handout'. We endorse that action.

### Service Allowance

7.68 Defence salaries are supplemented by a range of allowances in the nature of pay to compensate for various disabilities or exceptional circumstances. The most significant of these is Service Allowance, which was established in February 1973 and is paid to all Service personnel with the exception of officers of the rank of Lieutenant Colonel(e) and above and most trainees. In making its recommendation for the allowance, the Committee of Inquiry (Kerr/Woodward) stated that it had 'inquired into the incidence of the inherent demands and exigencies of Service life' and had concluded that it was 'appropriate that financial compensation should be extended to Service men and women in recognition of those special features of employment which, we believe, are unique to the Armed Forces' (quoted in DFRT, Determination No 5 of 1987, p 3). The special features referred to were:

- a. the need to be on call at all times and to work long and irregular hours, as required;
- b. the need at times to live and work in uncomfortable conditions short of those situations for which separate provision was made at that time;
- c. the requirement to submit to discipline and control in many matters in which a civilian has some freedom of choice; and
- d. the general turbulence in postings, to the extent that such disruptions are not compensated in on-occurrence allowance.

In September 1988 the allowance was \$4,002 per annum, following the award of a \$716 per annum increase in July 1987 and the

January 1988 four per cent second tier increase. It is noteworthy that the ADF had in fact at the 1987 hearing sought an increase in Service Allowance to a minimum total of \$7,715, primarily on the argument that members were on average working about 52.5 hours a week - an argument that was rejected by the DFRT. According to the President of ArFFA, the Tribunal's decision and the presentation of the case by Defence left a lot to be desired:

(The increase) was much less than (Service members) felt was deserved. It also left many personnel questioning the worth of the Remuneration Tribunal and the commitment and competence of the senior officers who planned the case on their behalf ...

The allowance is important to the self-esteem and morale of service personnel because of the special recognition inherent in it. It is, of course, a significant part of their pay which, at the present time, is not generous, having increased at only half the rate of increase of average weekly earnings of Australians in recent years ...

By comparison (to Service Allowance), a Ministerial Assistant in the Australian Public Service receives an allowance of some \$8000 per annum in lieu of overtime (Copley, 1987, p 3).

That 21 per cent increase of \$716 stands in marked contrast to the 140 per cent, \$6,000 increase awarded, on average, to pilots under the Flying Allowance Determination of 23 September 1988.

7.69 Because the allowance is paid at a flat rate to those who receive it, it is open to criticism on the following grounds:

- a. it makes no distinction between the effects of the four 'disability' components listed above between individuals, that is, one soldier might work 55 hours a week and have two postings in a particular



period, compared to another's 38 hour week and no postings; and

- b. the allowance's 'catch-all' nature allows it to be used to rationalise work practices which might be considered questionable.

7.70 Dealing with the latter point first, Service Allowance in one sense compensates those who receive it for overtime. The payment of overtime in the usual way does not occur in the ADF as members are required to be available 'as and when required'. Because that clearly disadvantages some groups within the Force, a system of compensation in the form of 'leave-in-lieu' or 'short leave' has been adopted. That system generally consists of a 'one-for-one' compensation and can be awarded at the discretion of commanders. Short leave is normally required to be taken soon after it is granted.

7.71 The iniquities inherent in this system were pointed out in a submission from Mrs Janelle L.Kent, who believes the use of short leave instead of overtime payments penalises Service families:

I feel that the leave in lieu system in operation at this time is causing a lot of this (wastage) problem as it allows no flexibility to the wage. I feel that my husband is losing out greatly by this system as he often works very long hours (as do most ground crew) and has nothing to show for it. It is all right to say we are compensated by the time off but mostly that has to be taken at the Air Force's convenience and not when it is most beneficial to us. Time off does not pay the bills and it's no good having time off when you've got no money to do anything anyway (Submission, pp S58-9).

Mrs Kent's argument was supported by Wing Commander Chris Mills, who suggested that Service Allowance is used to compensate Servicemen for 'exigencies of the Service' and therefore is used

as 'an excuse to avoid ... fair recompense (to) individuals for what they actually contribute' (Submission, p S65). In other words, there may be a link between a flat-rate Service Allowance and discriminatory work practices within the ADF.

7.72 The wider iniquities of the Service Allowance - that is, those arising from each of the four factors listed in sub-paras 7.68a-d above - are self-evident and have been the subject of a number of reviews and considerable criticism in the past. Mills has argued that allowances in general should be paid solely on the principle of reward for service. On that basis, he believes that the Service Allowance should be abrogated, and the funds released redistributed in a system which would define far more accurately the level of disability sustained by each member (Submission, pp S65-7).

7.73 This issue was also examined by the members of the Committee of Reference, who in their Third Report in 1981 presented the results of a survey they conducted to try to determine the average hours worked in the Defence Force, in the context of a review of Service Allowance. The COR concluded, inter alia, that:

Other ranks, generally, work significantly less additional hours in Canberra than at bases and other establishments. Officers below the rank of Lieutenant-Colonel work approximately the same number of additional hours whether they are posted to Canberra or elsewhere. No marked difference in additional hours was discernible between the ranks of Lieutenant, Captain and Major. Officers above the rank of Lieutenant-Colonel work significantly longer hours than do lower ranks, particularly in Canberra.

Because of their supervisory responsibilities and the requirement to certify work done, middle range NCOs work longer hours than lower ranks.

Significantly longer hours are worked in the technical areas than in clerical and supply areas. Hours worked for most other employments vary

significantly according to posting and in certain other areas substantial additional hours are always worked. Members in the latter areas include firemen, security guards and police. Some members are involved in shift work or broken shifts, for example, cooks, stewards, communication employments, police and security guards.

Time may be worked, for example, in evenings or on weekends or public holidays with a consequential loss of family contact. The compensation is often granted on week-days when the member has less chance to be with his family (COR 3, 1981, pp 59-60).

Those findings especially illustrate the anomalies in the component of Service Allowance which compensates for being 'on call' and working 'long and irregular hours'. It is also noteworthy that the Committee of Inquiry considered that particular component to be the major element in the allowance (COR 3, 1981, p 61).

7.74 One possible conclusion arising from the forgoing is that the existing flat-rate Service Allowance should be replaced by a multi-structured allowance. This notion was extended by Mills, who argued that the Minister should initiate a determination of working hours, in which individual hours would be accurately recorded and overtime paid instead of that component of Service Allowance (Submission, pp S65-6). Mills acknowledged that it would be inappropriate to pay overtime during periods of defence crisis or peacetime exercises: he proposed that on such occasions a field allowance should be paid but only to those actually in the field.

7.75 The opposing point of view was put by the Committee of Reference, who suggested that a multi-structured allowance could have a divisive effect by making certain postings more appealing than others; further, differing rates might lead to a call for maximum weekly hours for a basic salary rate which in turn could initiate work practices inconsistent with the ethos of military service and discipline. Consequently, the COR concluded that:

In view of the special nature of the Defence Force, its versatility and integrity of purpose, we have come to the same conclusion as previous review bodies, that the most sensible method of expressing Service Allowance is to determine a common level of payment for all ranks who are entitled to the allowance (COR 3, 1981, p 62).

7.76 This Committee supports that conclusion, even though the fact remains that, regardless of the amount of Service Allowance paid, some postings are intrinsically more appealing than others, and personnel in those posts therefore enjoy a comparative advantage. However, were the level of Service Allowance to be made contingent upon specific work environments, individuals assigned to, say, an unpopular but essential position which attracted minimum Service Allowance because it required only regular hours to be worked, would effectively be 'penalised' twice. As most Service men and women have little direct control over the posting system, this plainly would be unfair. It is equally unfair, however, for a combination of a low rate of Service Allowance and 'unwanted' short leave (see para 7.71 above) to be used to justify the application of questionable work practices.

7.77 Two main points arise from this. First, Service Allowance must be set at a suitable level. In rejecting the ADF's case for an increase of \$4,583 to the Allowance in July last year, the DFRT was critical more of the methodology the ADF used to establish an average working week for Defence personnel of 52.8 hours, than of the actual figure itself. (At the same time, we note that the DFRT continues to accept the basis of the COR's determinations on Service working hours, even though the method used by the COR itself has been strongly questioned - see para 7.39 above.) The high demands made of many Service men and women was in fact subsequently acknowledged in the Agreement Between the Commonwealth and the Australian Defence Force on the Second Tier Salary Claim, 10 March 1987 (Attachment 9):

Moves towards civilianisation are being made to allow Service manpower to be employed on more operational and higher priority tasks. There are substantial shortfalls in the military manpower available because:

- a. expenditure has been focused on new capital equipment necessitating constraint in personnel costs; and
- b. levels of Government tasking have, in some circumstances, increased.

7.78 It clearly is important for the ADF to establish authoritatively, at the earliest opportunity, the average weekly hours worked within the Defence Force and, if justified, to seek an immediate, appropriate increase to Service Allowance. Second, it is also clear that consideration should be given to increasing the levels of staffing in those employment areas where extreme hours are worked. Here we note with concern Navy's statement that they need an additional 1,200 people to meet the planned developments of the next few years, and that if they do not get more people, existing activities will have to be stopped and personnel will be subject to increasing stress (Submission, p S1098). Significantly, Navy also believes that the positive effects on others of having an establishment level that does not demand too much of people 'would lead to a large improvement in wastage rates in the medium to long term'.

7.79 The Committee concludes that it is necessary to set a more satisfactory level of Service Allowance and minimise iniquities in the system, while at the same time protecting the integrity of purpose of the ADF. To achieve this, we recommend that CDF:

- a. determine the average weekly hours worked within the ADF and, if justified, seek an increase to Service Allowance; and

- b. take action to standardise as far as possible individual hours worked in the ADF. If that action necessitates an increased level of staffing in those employment areas where extreme hours are worked, the increase should be made.

### Other Allowances

7.80 Service Allowance remains the most substantial remuneration other than pay for most members of the ADF, but it is complemented by a wide range of specific allowances. The levels at which those allowances have been set have been the subject of strong criticism. Child care, disturbance allowance, reunion travel, entitlements related to unaccompanied postings, education allowance and expenses related to removals were among the areas identified in the Hamilton Report (pp 10-14) as being in need of attention. Similarly, inadequate allowances were cited in numerous submissions to this inquiry as contributing to financial disabilities, family stress and, eventually, as a factor in decisions to separate (see, for example, Campbell, Submission, pp S400-4; and MacBride, Submission, pp S411-20).

7.81 The Committee appreciates that the Minister for Defence Science and Personnel, the ADF and the Department have made a concerted effort since about mid-1987 to enhance many of the allowances which impinge on conditions of service. Within a six month period increases were approved for, inter alia, the following allowances:

- a. field allowance (which compensates for uncomfortable living and working conditions experienced in the field while undergoing operational training);

- b. submarine service allowance;
- c. sea going allowance;
- d. disturbance allowance; and
- e. hard lying allowance (for those living on a Defence Force vessel under certain conditions).

Areas in which new compensations were approved included:

- a. a submarine escape training facility allowance;
- b. a 3 RAR parachute allowance;
- c. reunion travel;
- d. extra (education) tuition;
- e. child care during removal; and
- f. official leave for removals.

Additionally, cases were still being processed seeking the introduction of, or changes to the following:

- a. clearance diving and shallow water diving allowance;
- b. old locality housing;
- c. pet relocation;
- d. flying allowance; and

e. disturbance allowance.

It seems probable that a number, if not all, of those pending cases will have been finalised by the time this report is tabled.

7.82 The Committee has reservations regarding the level of payment and/or the eligibility criteria for some of those allowances. We are also concerned about the outcome of the review process conducted by the Department of Industrial Relations under Section 58B of the Defence Act, and examine the specific examples of Education and Disturbance Allowances in detail later in this chapter. Apart from those reservations, we commend the endeavour of those involved in introducing or upgrading such a wide range of compensations in a relatively short period. While the enhancement of individual allowances in themselves is unlikely to impact significantly on retention rates, as a package those recent initiatives represent a worthwhile, consolidated improvement to members' welfare. Perhaps more importantly, in a situation in which perceptions are critical, they also should indicate to Service personnel that efforts are being made to promote their interests. We note that these initiatives have received positive, widespread publicity in Service newspapers and journals and, again, we commend the Defence leadership for taking a constructive role in letting those who depend on them know that action is being taken.

## Education

7.83 The Committee believes that particular attention must be given to supporting the education of Service members' dependants. In a community in which competition for employment is becoming increasingly strong, the pressure on families to provide dependants with a good education has grown. It is plain that Service personnel generally are extremely concerned about the possible adverse consequences frequent postings may have on their family's education. The ARA's Officer Resignation Questionnaire -



Initial Report, of 9 September 1987, showed that almost 70 per cent of those surveyed cited 'the effect of moving home on your children's education' as a 'moderate to very considerable' factor in their decision to separate; while the Hamilton Report identified education as 'the most worrying problem for most of the groups (Hamilton) spoke to':

Frequent changes of schools cause great concern to families, particularly when these involve interstate moves into unfamiliar school systems and when the children are in secondary school (p 20).

7.84 Hamilton's finding that education is one of the 'most worrying' problems confronting Service families was corroborated by the evidence presented to our inquiry. Lieutenant Colonel R.A. Kershaw's submission was typical of the many statements received:

Education for children is a factor which is looming larger for the Services ... The requirement to achieve higher qualifications for jobs and the longer assessment periods for the HSC mean more children need stability from their families during these important years. I have just moved to Canberra and my 2 teenage daughters have returned to Queensland to start boarding at school. I did not attend a private school and I never intended that my children would. The dilemma is to try and guess what is right, we thought continuity in the school was more important than keeping the family together during the high school years. This dilemma affects many servicemen. I have colleagues who have lived apart from their family during a posting, others have refused promotion to remain in situ ... and others, of course, decide that it is better to get out ...

Many faced with the problem I have, do not have a boarding option because they cannot afford it ... Even with the allowances being granted the financial load for the parents is heavy. With the education problem, it is just a case of picking your least worst option. Education allowance should be available to all to at least give all parents a full range of options (Kershaw, Submission, pp S401-2).

7.85 Hamilton made a number of recommendations, which this Committee supports, relating essentially to widening access to, and increasing the range of educational support services in the location of military establishments. The tuition allowance and the establishment of Regional Educational Liaison Officers are both positive recent developments in that respect. The tuition allowance can be applied for by Service families through unit commanders and, if approved, may cover up to 85 per cent of the cost of six weeks private tuition needed for a student to adapt to a new education system in the last two years of primary and throughout secondary school. The Regional Educational Liaison Officers are appointed in each State and Territory as part of the ADFILS system, and are intended to provide families with information on schools and educational resources in their local areas. We also commend the introduction of a pilot scheme which should see students and their families provided with a portfolio of academic progress, to be presented to new schools following a posting (Ministerial Statement No 53/88, 30 March 1988).

7.86 An additional encouraging initiative was announced by the Minister for Employment, Education and Training in his statement of 23 May 1988 on 'strengthening our schools'. One of the key elements of the Minister's proposal was the objective of overcoming the 'fragmentation of effort' which characterises the disparate State education curricula. The Minister went on to identify the need for a national 'common curriculum framework'. In the particular case of the ADF, such a move would not only generate the education benefits envisaged by the Minister, but also should bring much greater stability for Service dependants who move with their families. We therefore recommend that the Government continues to seek to establish a national core curriculum for both primary and secondary education at the earliest opportunity.

7.87 The Committee considers that in addition to the initiatives mentioned above, access to the education allowance must be broadened. Prior to 1988 education allowance was paid primarily against the criterion that a change of school would cause 'serious interference' to a child's secondary education. 'Serious interference' was defined in terms of a student being within two years of a public examination or similar assessment. The allowance was payable at three different levels and consisted of one or both of boarding and tuition components. Members receiving the allowance were required to meet a fixed amount of the costs.

7.88 Despite the fact that this issue impacts on so many Service families, in October 1987 only 87 families out of a total ADF population of some 70,000 were receiving an education allowance (Senate Hansard, 28 October 1987, p 1390). The Minister responsible has acknowledged the 'key issue of providing education and educational stability, noting that the 'take-up rate of the (educational) allowance is very low' (Hansard, 27 October 1987, p 1495).

7.89 In January 1988 the provisions for education allowance were changed to give wider discretionary powers to approving authorities. It will now be possible for the consideration of applications for the allowance in cases where serious interference to secondary education would otherwise occur in the following situations:

- a. when parents return from overseas and do not return to the locality of the child's present school;
- b. a posting within a state will result in significant interference;
- c. a child is placed in a school at a locality not being the member's present or future posting;

- d. a member can show that serious interference is likely to occur at the end of a posting; and
- e. a family with a handicapped child is transferred to a locality where there are no appropriate facilities available.

7.90 The Committee views those changes as little more than a 're-expression' of the group of students a delegate can look at, and which have the effect of removing some iniquities. We understand that in July 1988 - some six months after the eligibility criteria were broadened - the total number of approvals for the allowance had risen by only 11, comprising seven RAAF, four Army and no RAN. The new provisions plainly have not come to terms with the two main problems of the scheme. First, the retention of the definition 'serious interference' perpetuates a delegate's authority arbitrarily to reject applications. A number of surveys have suggested that it cannot objectively be proved that relocated students are disadvantaged, and those findings can be cited to support refusals - a circumstance which the extremely small take-up rate of education allowance in the past indicates may have prevailed. The point, however, is that Service parents believe that their children will be disadvantaged, and it is those beliefs on which they act - and resign (Jans, 1988, pp 309-10). We also consider that the social ramifications of moving children away from their peers at possibly critical life-stages must be catered for: that is, the concept of continuity must be recognised and reflected in the provisions. Secondary education must be regarded as a five-year package, embracing social and geographic stability as well as educational continuity and quality. Finally, as Hamilton also noted, the fixed scale of parental contributions discriminates against lower income earners. As the allowance is a condition of service, all ADF parents should have fair access to it.

7.91 We believe that the Education Allowance is likely to assume increasing significance as the gradual implementation of the 1987 White Paper sees more personnel deployed to the north of Australia to live in localities which, because of either their remoteness or small size, are likely to offer comparatively limited educational support. The Committee recommends that:

- a. the main criterion for eligibility for Education Allowance be defined as 'the disturbance of schooling at the secondary level;
- b. the allowance be made available for schooling in any locality; and
- c. parental contributions be determined on a sliding scale, related to military salary.

#### Disturbance Allowance

7.92 Disturbance Allowance is paid to assist members with unreimbursed costs associated with a removal and accelerated depreciation of furniture and effects. It may also encompass telephone reconnection and certain motor vehicle charges. The allowance is reviewed annually by the Department of Industrial Relations. In April 1988 the allowance was paid to married members at the following basic rates:

- |    |                             |                   |
|----|-----------------------------|-------------------|
| a. | 1st and 2nd removals        | \$510 per removal |
| b. | 3rd and 4th removals        | \$610 per removal |
| c. | 5th and subsequent removals | \$700 per removal |

An additional allowance of \$95 could be claimed for full-time student children. On 21 September 1988 the rates for Disturbance Allowance were changed as follows:

**Members with family**

a. 1st and 2nd removals	\$ 510 per removal
b. 3rd and 4th removals	\$ 680 per removal
c. 5th and 6th removals	\$ 850 per removal
d. 7th and subsequent removals (new tier)	\$1,020 per removal

**Members without family**

	<u>To new locality</u>	<u>Within locality</u>
a. Living-out to living-out	\$225	\$130
b. Living-out to living-in	\$130	\$ 65
c. Living-in to living-out	\$130	\$ 65

The Committee supports the increase in the allowance, but believes that it nevertheless remains substantially inadequate in both the form and amount.

7.93 In its submission to this inquiry the Department of Finance noted that all of the components contributing to Disturbance Allowance are recognised as being common to both the ADF and the APS, but that married APS personnel do not receive the increasing scale of payments after a second removal (Submission, p S1425). This comment appears to show little understanding of the strains on family life and the wear and tear on possessions caused by regular removals. Few Public Servants would move more than several times in a career because of employment-generated requirements, whereas for Service men and women at least 10 moves in 20 years is common, and 15 or more not uncommon. Of all the removals made at Commonwealth expense, 85 to

90 per cent are for the ADF. In our opinion it is, therefore, ill-advised to try to compare the rates at which Defence personnel are paid to other groups in general, and those who rarely move in particular.

7.94 Having made that important point, we would take up the other key issue by arguing that the allowance paid to the Services has been inadequate for many years. Included in the submission presented by Senator Jocelyn Newman was a detailed list of removal expenses incurred by an Air Force Group Captain, and which came to \$1,543 (Submission, pp S1032-3). The substantial difference between this amount and the \$800 or so that the officer would have been paid is by no means atypical. During our visits to Defence bases, for example, another Air Force officer advised us that he was \$2,000 out of pocket after his last removal (see Appendix 1). Many similar examples were cited.

7.95 As far as the structure of the Disturbance Allowance is concerned, the Committee has reservations over the sliding scale of payment as the number of moves increases, and the fixed scale of payment regardless of the distance of a move. Additionally, we believe it may be sensible for the allowance to recognise the climatic changes which a posting may involve.

7.96 For an organisation in which regular and frequent removals are the norm, a system of adequate compensation is essential. The manner in which the \$70,000 pilot retention bonus was offered in April 1988 indicates that problem areas involving financial payments can be quickly addressed when the political will exists. In our assessment the inadequacy of the Disturbance Allowance is one of the major, justifiable sources of dissatisfaction with conditions of service. Based on the

submissions received by this inquiry, the Committee recommends that the Minister for Defence Science and Personnel:

- a. commission an independent survey of the factors impinging on, and the adequacy of Disturbance Allowance; and
- b. in the interim, take urgent action to increase the minimum amount of the allowance to:
  - (i) \$1,500 for members with families, and
  - (ii) \$500 for members without families.

#### Temporary Rental Allowance

7.97 Married Service men and women are entitled to Defence-provided accommodation. If a married quarter of the correct grade is not available, a member is allowed to draw Temporary Accommodation Allowance (TRA) to enable him to rent housing at his approved standard. TRA payment ceilings vary from region to region, according to the local market. Those ceilings are reviewed periodically. The authority for an individual to draw TRA which does not exceed the local limit is vested in a regional delegate. However, if the TRA sought is more than a certain amount above the approved ceiling, then authority must be sought from the relevant Service office or, ultimately, the Director General, Service Conditions (DGSC).

7.98 Evidence presented to the Committee indicates that the system for approving TRA payments does not always work efficiently, and that as a consequence Service personnel have to bear unreasonable financial costs for periods of up to about six weeks. The problem is most marked in a volatile, high-rent market, as has been the case in Sydney for some time. If a TRA



ceiling is not kept 'absolutely current', the level of payment which regional delegates can authorise is continually exceeded. That sets in motion the time-consuming process of applying for payment above the ceiling through the Service office and, perhaps, DGSC. In the meantime, Service families must continue to meet costs without any compensation and which, in a place like Sydney, can be very high. Major W.E. Johnson provided an example, using figures quoted in the newspaper Army, of a soldier having to 'find nearly \$2,000 and pay it to a real estate agent before getting a cent advanced to him' (Submission, p S1724). During a visit to RAN establishments in Sydney, the Committee was advised of one case in which the combined bond and rental payments put a Navy officer \$4,300 out of pocket in an eight week period.

7.99 DGSC confirmed that he 'handles about an average of 25 or 30' requests for TRA payments above a regional delegate's ceiling every day, which he agreed was 'a condemnation of the system'. Using the Sydney area as an example, DGSC told the Committee that:

It is very difficult in a volatile rental market to keep your ceilings absolutely current. Sydney was examined some time ago and a fairly realistic ceiling was approved, but by the time it was approved it lagged a little behind. That is inevitable. Our attempt is to contain 90 per cent of the applicants for temporary rental allowance within the ceiling and when it reaches that 90 per cent number we seek a review of the ceiling. But, as I say, it is a long, drawn out process (Evidence, 11 April 1988, p 223).

7.100 The Committee does not accept that delays in the payment of TRA should be 'inevitable'. If the current method for reviewing ceiling payments 'lags' behind market rises, then that method should be changed. We also note that there is no upper limit to the delegation held by DGSC.

7.101 We are aware that the Minister has announced plans for the implementation of 'new Defence financial arrangements', which will include greater devolution of accountability to regional commanders (News Release, No 117/88). That would appear to offer one avenue for timely authorisation of TRA ceilings and payments. There also appears to be scope for DGSC to use his delegation more authoritatively. Those are details. The real issue is that it is unacceptable for Service families to be subjected to what in some cases amounts to severe financial strain because their employer is inefficient.

7.102 The Committee recommends that the Minister for Defence Science and Personnel take urgent action to ensure that TRA ceilings continuously reflect market prices and that all applications for TRA are finalised within 24 hours of being submitted.

#### The Department of Industrial Relations

7.103 The Committee noted in para 7.82 above that many Service men and women brought to our attention their dissatisfaction with the processing of a number of allowances determined under Section 58B of the Defence Act by the Department of Industrial Relations (DIR). This chapter has examined and made recommendations on the amount of and eligibility for a number of those allowances. A separate and most important matter is the way in which DIR interacts with the ADF. According to a submission made by Lieutenant Colonel A.J. Molan, the DIR may not always observe 'normal' industrial practices in its dealings with the Defence Force. In turn, Molan suggests, the anger and frustration caused by the practices which are used leads to personnel wastage.

7.104 Lieutenant Colonel Molan illustrated his case by referring to the review in 1987 of the Uniform Maintenance Allowance (UMA) (Molan, Submission, pp S2404-12). UMA is an allowance paid to all members of the ADF to assist in maintaining an approved scale of uniforms in good order and condition.

7.105 The key point of Molan's submission was the acceptance in 1981 by all members of the Defence Conditions of Service Committee (DCSC) of a methodology for regular review of the UMA. Notwithstanding that agreement, in 1987 the DIR reduced the proposed increase of 9.67 per cent - a figure reached in accordance with the approved methodology - to 3.5 per cent, an action described as an 'arbitrary decision which would never be tolerated by the normal industrial community' (Molan, Submission, p S2405). Molan argued that in essence, DIR's action denied members of the ADF monies due to them from a previous period, as the annual review is based on data from the previous year: 'DIR has rejected the recommended increase for no other reason apart from the fact that they consider the result of the previously agreed methodology to be "anomalous" that is, to be slightly higher than in the past' (p S2408-9).

7.106 By way of comparison, Molan suggested that the course of events in a similar situation between a responsible employer and any other group in the community would have been as follows:

- a. The employer notices what he considers to be an anomalous result from the annual process of updating an allowance.
- b. The employer requests information to determine whether the result is in fact anomalous or not.
- c. If the anomaly was caused by a change in a long running and agreed methodology used to adjust the allowance, then the employer would be justified in only paying that amount based on the agreed methodology.
- d. If the agreed methodology was not varied, then a responsible employer would have no choice but to pay the full amount derived from the methodology.

- e. If the agreed methodology was not varied, and the employer paid the due increase, but was still unhappy about the methodology, then the employer would be required to convince the employee that a joint review was needed. In convincing the employee that a review was needed, the employer would need to state his arguments as to why a review was needed and how equity for both parties would be assured.
- f. In any case, the current agreed methodology would not be unilaterally declared invalid by either party until the employer had a subsequent agreement with the employees.
- g. If agreement could not be reached, either party could request conciliation or arbitration assistance (Submission, pp S2408-9).

7.107 Lieutenant Colonel Molan concluded from this case that the ADF is treated in the manner described above solely because DIR staff are fully aware that no dispute in this unique industrial situation can ever result in strike action being taken by the employee:

DIR staff are never held responsible for actions which in the normal industrial arena would result in the immediate referral of the issue to arbitration, and where the depth of feeling of the employee and the desire for a speedy resolution could be accentuated by the withdrawal of the employees' labour. In conclusion, because those DIR staff have no responsibility for the efficient running of the ADF and apparently having no brief to treat the ADF in a similar manner to any other industrial group in the community, their decisions in this and many other matters have been cavalier in the extreme (Submission, p S2405).

7.108 The Committee believes that this case as described by Lieutenant Colonel Molan encompasses an important matter of principle and precedent. We also note that the sequence of events as described in Molan's submission was known to his superiors within HQADF (Molan, Submission, p S2404), and that a similar example of apparent intransigence on the part of the DIR was cited by the RSL during a public hearing (Evidence, 27 May 1988, p 482). Indeed, the Minister for Defence Science and Personnel

told this Committee that the processing of considerations for the ADF by the DIR has been disappointing, and that she intends pursuing the matter with her ministerial counterpart (Evidence, 17 August 1988, p 684).

7.109 It would be intolerable if the ethos of service which characterises the ADF were to be abused by relying on that ethos to deny Service men and women industrial equity. Further, as we pointed out in Chapter 3, high personnel wastage is related to the kind of 'societal indifference, governmental opportunism, departmental obstructionism and impotence of the military hierarchy' which this submission suggests exists in the review of allowances under Section 58B of the Defence Act. It is an issue which is connected not only to conditions of service, but also to leadership, management and morale.

7.110 The Committee understands that since Lieutenant Colonel Molan's submission was made, 'behind the scenes' negotiations have resulted in a reversal of the DIR's decision to ignore the agreed methodology for reviewing UMA, and that an increase consistent with the agreed methodology will be awarded. While that outcome is satisfying in itself, it does not answer the question of why the allowance was decreased in the first place; indeed, it serves to corroborate the suggestion that the original decision was indeed arbitrary.

7.111 Under the Defence Legislation Amendment Act of 1984 which established the DFRT, the Minister, CDF and the Secretary have the authority to refer matters which come under Section 58B to the DFRT, thus taking them out of the hands of the DIR. That action could have been taken in this instance but was not. While there may have been good reasons for the failure of those three most senior officials to act, we believe that it is essential that DIR staff are held responsible for their actions, and that they are seen to be responsible. We recommend that in all determinations made under Section 58B of the Defence Act, the

Minister for Defence Science and Personnel, CDF and the Secretary act to ensure that Department of Industrial Relations staff remain fully accountable for their actions.

### Defence Housing

7.112 Dissatisfaction with Service housing is widespread and vocal, as even a cursory examination of submissions will show. The comment made by Ms Sue Hamilton in her report that 'In many cases I found it profoundly embarrassing that people were being asked to live under the conditions I was shown' (Hamilton, 1986, p 20) regrettably encapsulates the situation. In many cases, the problem of a sub-standard dwelling is exacerbated by its location in an undesirable area, as the following typical comment illustrates:

The 'married patch' was situated in a section of the Housing Commission estate. I was away from home for nearly six months of the year, and this area had one of the highest robbery rates in New South Wales. We were fortunate in only being robbed once, our neighbours were robbed three times. Needless to say, we would never choose to live in such an area (Warfield, Submission, p S653).

7.113 Another correspondent wrote of living in a quarter adjacent to both a brothel and a house which was raided regularly by police, as a consequence of which his 'home' had become like a fortress, with the windows 'screwed closed with security grills over them and extra locks and bolts on the doors' (Morris, Submission, p S1857). Evidence taken by the Committee abounds with that kind of anecdote. We can only conclude that the way in which Service housing has been allowed to run down over the past 40 or so years reflects little credit either on government - regardless of political persuasion - or those charged with commanding and administering the Defence Force who allowed this situation to develop.

7.114 As previous sections of this report addressing family and social issues demonstrated, the expectations of Service families for 'quality of life' matters reflect those of the wider community; consequently, those families have become increasingly unwilling to accept sub-standard housing, education and the like if other options are available. For many, one obvious option is resignation. A survey of officers conducted by Dr N.Jans showed that 'satisfaction with housing' was one of six major determinants influencing the quality of family life (Jans, 1988, pp 317-20). Jans concluded that the higher the satisfaction with the dwelling occupied, the better the quality of family life was considered to be. Satisfaction is highest when a family is in its own home and lowest when the family is in a married quarter. While a number of factors contribute to that 'satisfaction level', the quality of the quarter and its location are critical (see, for example, Denham, Submission, pp S433-4; and Wauer, Submission, p S548). The ARA's No 1 Psychological Research Unit's initial report on officer resignations (9 September 1987) corroborated those conclusions, finding that 68 per cent of those questioned listed a desire to live in their own home as a reason for leaving the Army, while 42 per cent cited the poor standard of Service quarters as an additional factor in that decision.

#### Married Quarters

7.115 The Committee does not intend to comment at length on the deficiencies of much of the existing stock of married quarters as this was adequately covered by the Task Force on Australian Public Service and Defence Force Housing Programs in 1984. We also appreciate that the recently-established Defence Housing Authority is already moving vigorously to redress those deficiencies. We shall instead limit ourselves to listing the major areas of concern identified in submissions we received; commenting on the inspections we made of quarters this year; and

making a number of observations we believe are pertinent to the success of the Defence Housing Authority.

7.116 Submissions to the inquiry drew attention to the following problems:

- a. the sub-standard homes provided by State Housing Authorities (generally described as 'welfare housing');
- b. housing located in 'welfare' areas, with a concomitant high level of crime and vandalism (a particular problem when spouses are frequently absent);
- c. inadequate and slow maintenance;
- d. inadequate security;
- e. poor management of married quarters by the Services;
- f. peremptory and humiliating inspection requirements;
- g. poor fittings;
- h. no floor-coverings or curtains;
- i. contradictory, apparently illogical regulations relating to entitlements (eg cooling is provided in some tropical/sub-tropical areas but not in others);
- j. few quarters which meet specified scales and standards;



- k. inadequate storage areas;
- l. insufficient large quarters; and
- m. inadequate motor vehicle protection.

The existence of those serious problems has been accepted by the Minister for Defence Science and Personnel, who has described various aspects of Defence housing as 'very patchy and at worst appalling'. The Minister has also expressed concern about the number of families housed in State welfare housing and the fact that over half of the existing Defence Force stock is considered sub-standard (Canberra Times, 22 January 1988).

7.117 Having noted those serious shortcomings, the Committee is pleased to state that, during our tours of defence establishments this year, progress in rectifying the problems, ranging from adequate to excellent, was observed. In the 'adequate' category, the refurbishment of existing stock at Darwin appeared sensible and well-received, with the possible exception of the lack of air conditioning. (We understand, however, that a five-year program to install air cooling in Darwin married quarters is to begin in FY 1988-89.) Committee members generally were impressed by the acquisition and building program associated with the build-up of the 'Indian Ocean' navy at HMAS Stirling near Fremantle: quarters on-base and in Rockingham and Kwinana were inspected, and, with the exception of some houses in Kwinana, were of a good standard. Tenants who spoke informally to the Committee were in most cases very satisfied. At the 'excellent' end of the scale, the new accommodation at Tindal was most impressive and would appear to set the standard in meeting the needs of Service people from the 1990s onwards.

### The Defence Housing Authority

7.118 The Committee endorses the establishment of the Defence Housing Authority (DHA) as a major step towards providing acceptable Service accommodation. There are three essential elements which must be incorporated in any strategy intended to achieve that goal:

- a. a guaranteed level of funding;
- b. the existence of a single organisation to provide and manage Defence housing; and
- c. the application in that management process of business enterprise and expertise.

In theory at least, the DHA gives Defence for the first time an organisation which satisfies those criteria.

7.119 The organisation has been structured and established with the prime objective of providing Defence personnel and their families with good housing which is consistent with community standards and will improve their quality of life. In pursuing that objective, the DHA is required to meet Defence operational needs, follow sound commercial principles and be a 'responsive, innovative and dynamic organisation'.

7.120 When the Authority became operational on 1 January 1988, the Defence housing stock consisted of about 23,000 dwellings, as follows:

- a. 8,600 Defence-owned houses;
- b. 14,000 State-owned houses provided by Commonwealth funds under the Commonwealth State Housing Agreement - Servicemen (CSHA(S)); and

- c. 800 houses leased from the private market.

7.121 Capital has been guaranteed by the Minister for Defence Science and Personnel, who has committed the Government to spending \$750 million on Defence housing, through the agency of the DHA, over the next 10 years (Hansard, 27 October 1987, pp 1515-16; Ministerial News Release 4/88, 21 January 1988). The announcement by the Minister on 19 April this year that an additional \$46 million had been allocated to the DHA to spend in FY 1987-88 was well-received as evidence of that commitment. That extra money was used for the spot purchase of over 200 good quality houses around Australia.

7.122 The Authority has the following operational priorities:

- a. renegotiation of the CSHA(S) to allow greater management control over the total Defence housing stock, thereby enhancing the DHA's capacity to trade, to pursue cost-effective upgrading, and to recoup some costs where relocation is necessary to meet ADF operational requirements;
- b. improvement of the repairs and maintenance service by
  - (i) establishing Regional Management Centres which should be more sensitive and responsive to clients needs, and
  - (ii) introducing pilot self-help maintenance projects, which should not only improve service but also help to engender tenant pride;

- c. placing the Authority on a sound commercial base in order to facilitate innovative and cost-effective methods of program delivery, including joint venture projects;
- d. developing closer relationships with clients by
  - (i) involving tenants in DHA decision making on program priorities, and
  - (ii) co-operating with existing consultative processes such as the National Consultative Group of Service Spouses (NCGSS) and the Australian Defence Families Information and Liaison Staff (ADFILS); and
- e. maintaining co-operative relations with the ADF and the Department of Defence in order to be fully aware of Defence requirements.

7.123 The Committee is pleased to note that a bipartisan political approach to the DHA has been adopted, with the Opposition Shadow Defence Minister supporting the 'general thrust of the Defence Housing Authority Bill' and describing the 'setting up of the Defence Housing Authority (as) ... a major step in the right direction' (Hansard, 27 October 1987, p 1516). We also are aware that the ADF has conducted a positive publicity campaign to inform Service personnel that a time frame of five to 10 years must be allowed before much of the Authority's efforts are widely visible. Constructive publicity is an essential adjunct to the DHA's activities, as it could be counter-productive to raise expectations unrealistically in the short-term.

7.124 Given the current level of progress in and support for Defence housing, the Committee believes it would be inappropriate to comment in detail or to make recommendations which may intrude unnecessarily on the DHA at this early stage. There are, however, two points which we do wish to make. During the second reading debate on the Defence Housing Authority Bill 1987, the Minister for Defence Science and Personnel stated that the Authority would have a guaranteed level of income by charging the Department of Defence full commercial rents. She continued: 'I stress that this does not mean tenants will pay commercial rents, and their rentals will continue to be separately determined as a condition of service' (Hansard, 27 October 1987, p 1515; emphasis added). As the standard of Service housing is raised it is inevitable that the market rates which the DHA is required to charge the Department of Defence will also rise. Notwithstanding the Minister's assurance, we are concerned that, over time, there will be an inevitable pressure for the Department to reduce the level of rent subsidy it pays to the DHA as a means of diverting funds to other categories of Defence expenditure, particularly as from now on any 'blame' for increased rents is likely to be directed at the DHA. The Committee supports the Minister's position that rental paid for Service accommodation should be viewed as a condition of service, and considers formal action should be taken to safeguard that condition.

7.125 The second point concerns repairs and maintenance. It is clear from many submissions that in some locations the standard of service provided is disgraceful: repeated requests for repairs are ignored, delays of up to four months are not uncommon, and workmen are careless and discourteous (see: Appendix 1; Banks-Smith, Submission, p S1662; and Fotheringham, Submission, p S528). This is an area of intense dissatisfaction and one in which we believe it is reasonable to expect prompt action from the DHA. A marked improvement in the provision of repair and maintenance support to married quarters is likely to generate a significant improvement in Service morale. We are aware that the

DHA is treating this matter with priority, and that housing management centres are being established in each major housing locality with the necessary authority and funds to ensure that repairs and maintenance are carried out promptly and adequately.

7.126 In summary the Committee:

- a. endorses the establishment, organisational structure and objectives of the Defence Housing Authority; and
- b. recommends that the Minister for Defence Science and Personnel
  - (i) take formal action to limit the rental paid by ADF personnel for Service accommodation so that Service rentals continue to constitute a bona fide condition of service, and
  - (ii) report to Parliament in May 1989 on the effect the Defence Housing Authority has had on the quality of the repairs and maintenance service.

7.127 It is the Committee's intention to continue to monitor activities associated with Defence housing.

#### Defence Service Homes Scheme

7.128 The Defence Housing Assistance Program is commonly known as the Defence Service Homes Scheme. Established in 1918 to assist those who had served overseas during the First World War to resettle themselves in civilian life, the scheme's benefits subsequently were extended to include those who served, or were appointed or enlisted to serve, overseas in the Second World War

and later conflicts. In order to attract and retain regular Service men and women in an all volunteer force following the abrogation of conscription by the Whitlam Government, the benefits of the Scheme were extended in 1972 to all members of the Defence Force who completed a specified qualifying period. That period has been changed on a number of occasions since then.

7.129 When the scheme was extended on 6 December 1972, Service personnel became eligible for its benefits after three years effective full-time service. The qualifying period was increased on 17 August 1977 to six years. On 14 May 1985 the Treasurer announced that persons joining the Defence Force after that date would not qualify for benefits under the program: instead, those persons would be eligible for home ownership assistance under a scheme to be developed. Some 3-1/2 years later, details of that scheme had yet to be announced, although a statement from the Minister for Finance in October 1988 advised that those details were expected to be 'settled shortly' (Press Release No. 41/88).

7.130 The benefits of the pre-1985 housing assistance program include a long-term housing loan at a concessional rate of interest and arrangements to assist borrowers to retain ownership of their home, including home owners' insurance cover (Defence Service Homes Corporation, Annual Report 1986-87, pp 6-7). Since 1980 the maximum loan has been \$25,000, with three interest rates applying:

- . 3.72 per cent on the first \$12,000
- . 7.25 per cent on the amount between  
\$12,000 and \$15,000
- . 10 per cent on the amount above \$15,000

On the maximum loan this translates as an effective (concessional) interest rate of 6.85 per cent.

7.131 A worthwhile home loan is seen by the Services as a significant retention incentive. Arguing in the context that access to the loan needs to be widened and that some members separate in order to use their DFRDB commutation as a deposit on a home, Navy pointed out that:

The mid-career officer or sailor usually has a family with school-age children, often a single income due to young children at home and is either struggling with a mortgage or cannot afford a mortgage at all. The availability of a significant lump sum of money, such as a low interest loan would be very attractive and would decrease the likelihood of members leaving the Service solely to achieve this aim by realising their DFRDB entitlements. This loan should be available from the six year mark and if it included some contractual agreement to serve a stipulated period of service would be a means of improving retention. Such a scheme should be very attractive to RAN members, and would significantly slow the separation rate of members (RAN, Submission, p S1115. Emphasis added)

7.132 The Treasurer's statement of 14 May 1985 announced the Government's intention to arrange for private institutions to provide loans that would include a substantial interest concession and to administer existing loans. Consistent with this decision institutions were invited through newspaper advertisements on 12 December 1986 to express interest by 11 March 1987 in providing new loans and managing the existing portfolio of mortgages and the insurance option. According to the Defence Service Homes Corporation, the evaluation of the responses had not been completed at 30 June 1987 (Annual Report 1986-87, p 6). In fact, the sale of the portfolio was again advertised nationally on 20 January 1988, with the closing date for proposals set as 26 February 1988. On 11 October 1988 the Minister for Finance announced that agreement had been reached with Westpac Banking Corporation on the proposed purchase by Westpac of:



- a. the existing loan portfolio of the Defence Service Homes Corporation; and
- b. the right to provide new loans on concessional terms to persons eligible for such assistance.

Before examining the terms of that agreement, we consider that some comment on the recent administration of the Scheme is necessary.

7.133 The Committee appreciates that part of the rationale for the decision of 14 May 1985 was to eliminate the (then) 10-month waiting period for a Defence loan, enable access to additional finance at first mortgage rates without additional fees and charges, and to provide portability. Regrettably, it appears that for many Defence personnel, those admirable objectives have been largely obscured by the delay in implementing the plan. One submission to this inquiry, made on behalf of the Regular Army soldiers, 16 RWAR, made the following observation:

Defence Service Homes Corporation. The procrastination by Government since May 1985 ... (is) seen as a major example of the Government, and the Department, showing a 'couldn't care less' attitude to the long term welfare of soldiers. This condition of service, if not positively resolved, will continue to exert a most negative influence on soldiers' attitude to the Department (Appelbee, Submission, p S571).

7.134 A second and perhaps even more damaging action associated with the home loan was the proposal announced in the 1987 Federal Budget, apparently without prior consultation with Defence Force personnel or Associations, to replace the \$25,000 loan with a \$10,000 non-repayable, non-taxable cash grant for home acquisition. Under the proposal, those Service people currently waiting for a DSH loan were to have the option of accepting a cash grant instead of a loan but all new applicants were to be offered a cash grant only. The Government's action was

linked to the Treasurer's statement of May 1985, and apparently was intended to resolve the uncertain future of the scheme. It was also announced that following the introduction of the grant there would no longer be a formal waiting period for DSH benefits (Ministerial Statement, 15 September 1987).

7.135 The announcement caused considerable concern and confusion among Service personnel, with the following aspects being singled out for criticism:

- a. the lack of prior consultation;
- b. suggestions that a \$10,000 grant did not equate to a \$25,000 low-interest loan;
- c. insufficient detail about the proposal; and
- d. uncertainty about the status of those in the process of acquiring a home or about to leave the Service.

As a consequence, the episode fuelled perceptions that conditions of service had been further eroded; while the lack of consultation was seen as characteristic of an uncaring, insensitive leadership (Calvin, Submission, p S492).

7.136 After some equivocation, a Defence Service Homes Review Group was formed to report on the matter. Following consideration of that report by Cabinet, the Minister for Veterans' Affairs advised Parliament on 9 December 1987 of revised conditions for the benefit:

- a. the \$25,000 dollar concessional interest rate loan would continue to be available to all eligible (ie. pre-May 1985 enlistees) applicants;

- b. the proposal that future assistance be provided by way of a \$10,000 cash grant would not proceed;
- c. no further applications for grants would be accepted - individuals who had lodged an application for a grant could convert that to a loan request;
- d. future DSH loans would be over a term of 25 years instead of the previous 32 years; and
- e. future loans will be fully portable from home to home (Hansard, 9 December 1987, pp 3081-2).

7.137 Under the new DSH arrangements announced after the October 1988 agreement with Westpac, all of those benefits will be available. The following aspects are particularly noteworthy:

- a. the 10 month waiting period for a DSH loan will no longer apply - in the past this had meant many borrowers had incurred expensive bridging finance;
- b. eligible borrowers who require more than the maximum DSH loan of \$25,000 will have access to 'top up' loans from Westpac at first mortgage housing interest rates on the same terms and conditions as other Westpac customers, without incurring two lots of fees or charges. In many cases, this will avoid the need to take up alternative forms of additional borrowing; and
- c. loan portability will give Service personnel a greater degree of flexibility to buy and sell homes, which will facilitate home ownership as they change geographic locations.

For a loan of \$85,000 consisting of the DSH concessional component of \$25,000 at 6.85 per cent and a Westpac 'top up' component of \$60,000 at a current (nominal) first mortgage rate of 14.5 per cent, the effective interest rate would be about 10 per cent.

7.138 The Committee supports the basic thrust of the new scheme, and believes that it should go some way towards restoring a valued condition of service, although it is likely to be several years before the damage to morale caused by the uncertainty of the recent administrative problems is repaired. Further, two points of concern remain:

- a. the amount of the concessional interest rate loan has been fixed at \$25,000 for eight years; and
- b. there is continuing uncertainty over the loan conditions which will apply to post-May 1985 enlistees.

7.139 Considerable dissatisfaction exists with the amount of the concessional loan. It has been fixed at \$25,000 for eight years now, yet in that period the cost of living as measured by the Consumer Price Index has risen by 73 per cent; that is, in real terms, the loan is worth about \$14,500. When it was last increased it represented about 55 per cent of the national median price for a home; today, it represents about 27 per cent. For the loan to be a valued condition of service, its worth needs to be increased and indexed to inflation. It currently is widely seen as either inadequate (Moore, Submission, p S444; Cran, Submission, pp S539-40) or, worse in terms of wastage, scarcely worth having. As far as post-May 1985 personnel are concerned, some degree of dissatisfaction will persist until the uncertainty over their position is resolved.

7.140 There are three fundamental issues which should be observed when the structure and level of payment of the DSH loan are considered:

- a. the loan is an important condition of service;
- b. it must be set at a realistic level if it is to attract and retain people; and
- c. the loan should be viewed as a means of reducing the Services' demands for married quarters and TRA, that is, home ownership loan costs could be offset against significant capital, repair and maintenance and TRA savings.

7.141 While the Committee supports the thrust of the Government's arrangement with Westpac, we believe that consideration should be given to restoring the value of the concessional component of the loan. Further, in relation to sub-paragraphs 7.141b and c above, alternative schemes which place more emphasis on ongoing conditional benefits may be more effective in retaining people in the ADF and reducing recurrent housing costs. One such scheme could be the granting of a one-off cash bonus in the order of \$15,000 to assist with the deposit on a home, and then paying a continuing mortgage subsidy as long as the individual remains in the ADF. We note in relation to that suggestion the Department of Finance's estimate 'that the average subsidy being granted to the some 5,700 married members who rent on the market with Temporary Rental Allowance ... is ... in the order of \$6,500 per annum' (Submission, p S1395). Using Finance's estimate, it is clear that there is a large amount of money which could be diverted from TRA to finance a home ownership scheme. In order to control TRA outlays if such a scheme were introduced, the subsidy should be reduced if an owner were not occupying his home.

7.142 The Committee recommends that the Minister for Defence Science and Personnel:

- a. consider increasing the concessional interest DSH loan to \$35,000, and then indexing that sum to CPI increases;
- b. approve eligibility for that loan for post-May 1985 enlistees; and
- c. examine an alternative DSH scheme based on the following framework:
  - (i) a substantial cash grant in the order of \$15,000 to assist with the deposit on a home, and which should be indexed to CPI increases,
  - (ii) the payment of a continuing mortgage subsidy as long as the member remains in the ADF,
  - (iii) that subsidy to be reduced when an owner is not occupying his house, and
  - (iv) the subsidy to be portable.

#### Defence Force Retirement and Death Benefits Scheme

7.143 The DFRDB Scheme was established by the DFRDB Act 1973 and is a contributory superannuation scheme. The Scheme, which came into operation with effect from 1 October 1972, provides an occupational superannuation scheme for members of the Defence Force who became contributors on or after 1 October 1972 and for

members who were contributors to the Defence Forces Retirement Benefits (DFRB) Scheme on 30 September 1972 and who transferred as contributors on 1 October 1972.

7.144 The DFRB Scheme, established by the Defence Forces Retirement Benefits Act 1948, was closed to new contributors from 1 October 1972. The DFRB Scheme continues to provide for the benefit entitlements of those members who ceased to be contributors before 1 October 1972 and their spouses and children.

#### Principal Features

7.145 The Defence Force Retirement and Death Benefits Scheme (DFRDB) has been designed specifically to meet the particular employment circumstances of Service members. In order to maintain the operational capabilities of the Defence Forces, Service personnel are required to retire at relatively young ages and may be retired even earlier on the grounds of invalidity whilst still capable of performing adequately in civilian employment.

7.146 A retirement benefit is payable from the DFRDB Scheme to any Service man or woman who retires for any reason after completing 20 years service or who retires at the maximum permitted age for rank after completing 15 years service. The basic retirement benefit is a pension based on length of service: the minimum pension is 30 per cent of final pay after 15 years increasing to 35 per cent of final pay after 20 years with a maximum of 76.5 per cent of final pay for 40 or more years. All pension entitlements include a reversionary pension to the member's spouse. Pension rates are illustrated in Table 7.6.

7.147 A portion of the retirement pension may be commuted for a lump sum. The maximum lump sum increases over a period of 20 years from four to five times the annual rate of pension on

retirement prior to any commutation. The reduction in pension to provide the lump sum is based on an expectation of life factor. Maximum commutation factors are shown in Table 7.7.

7.148 A non-commutable pension benefit is available for Servicemen who are incapacitated for duty and unfit for civilian employment. A modest lump sum benefit is available for those who are retired on the grounds of incapacity before completing 20 years service but who are not considered seriously incapacitated for civilian employment.

7.149 The family protection benefits offered by DFRDB's death and invalidity provisions are a special feature of the scheme which do not always seem to be well-understood.

7.150 Member contributions of 5.5 per cent of salary are deducted fortnightly from Service pay and paid into the Consolidated Revenue Fund. On termination of service without becoming eligible for any of the above benefits a contributor may receive a return of his own contributions without any interest credit.

7.151 Officers who voluntarily retire or are discharged on disciplinary grounds before reaching notional retiring age (as specified in Schedule 2 of the DFRDB Act 1973) have a penalty applied to the calculation of their retirement pay in accordance with sub-section 23(3) of the DFRDB Act 1973. The penalty is a three per cent reduction in retirement pay for each year or part of a year that the age on retirement is less than the notional retiring age. The imposition of the three per cent per year penalty is widely seen as discriminatory and a disincentive to seek promotion. According to Flight Lieutenant W. May, that penalty originally was imposed on officers, first, to encourage them to serve to their notional retiring age and, second, because they enjoyed an 'open-ended' engagement, whereas enlisted ranks were given fixed-term engagements and thus did not exercise the



Table 7.6: RETIREMENT PAY EXPRESSED AS A PERCENTAGE OF ANNUAL RATE OF PAY

Completed Years	%	Completed Years	%	Completed Years	%
15	30.00	24	41.00	33	57.75
16	31.00	25	42.50	34	60.25
17	32.00	26	44.00	35	62.75
18	33.00	27	45.75	36	65.25
19	34.00	28	47.50	37	67.75
20	35.00	29	49.25	38	70.50
21	36.50	30	51.25	39	73.50
22	38.00	31	53.25	40 <	76.50
23	39.50	32	55.50		

Source: DFRDB Authority, Annual Report 1986-87, p 32

Table 7.7: MAXIMUM COMMUTATION FACTORS APPLICABLE  
FROM 1 JULY 1983 TO 30 JUNE 2002

Year at 1 July	Factor	Year at 1 July	Factor	Year at 1 July	Factor	Year at 1 July	Factor
1983	4.05	1988	4.30	1993	4.55	1998	4.80
1984	4.10	1989	4.35	1994	4.60	1999	4.85
1985	4.15	1990	4.40	1995	4.65	2000	4.90
1986	4.20	1991	4.45	1996	4.70	2001	4.95
1987	4.25	1992	4.50	1997	4.75	2002	5.00

Source: DFRDB Authority, Annual Report 1986-87, p 32

same control over employment termination. As May pointed out, that is no longer the case, as the Services have moved to introduce open-ended engagements for enlisted ranks following an initial period of employment (Submission, p S1874).

7.152 The DFRDB Act 1973 and the DFRB Act 1948 provide for annual adjustments in periodic payments based on the percentage movement in the Consumer Price Index (CPI) during the 12 months to 31 March, and payable from the first pay day in July. However, in 1986 separate legislation was enacted which provided that the pension increase of 9.2 per cent based on the increase in the CPI for the year ending March 1986 was reduced by two per cent from pay day 23 October 1986. The Government indicated that this reduction was due partly to the need for general economic stringency, and also to ensure equitable treatment between those who retired before 1 July 1986 who received the advantage of all or part of the 9.2 per cent increase, and later retirees whose pensions were calculated on salaries which had taken the two per cent reduction as a result of the July 1986 National Wage Case discounted increase.

7.153 In December 1987 the Minister for Defence Science and Personnel announced that ADF personnel would receive a superannuation productivity benefit (to operate independently of the DFRDB Scheme); and that a review would be held on the invalidity and dependent benefits of the DFRDB scheme. The extra benefit was in line with the June 1986 decision of the Conciliation and Arbitration Commission which allowed for a three per cent superannuation payment to all Australian workers; while the review was initiated in response to frequent representations to the Government that existing invalidity benefits and benefits payable to widows and children of deceased members are unfair. The Minister stated that she would be looking for 'greater uniformity in the formulae' used to determine those benefits (Ministerial Statement No 205/87, 21 December 1987). Additionally, under the Defence Legislation Amendment Bill 1988

provision was made to allow election to commute some three months before members retire, rather than having to wait until they have left the Service as was previously the case. (This amendment will remove the financial disadvantage attached to the previous provisions.) The Committee supports all of those initiatives.

7.154 In summary the DFRDB Scheme provides a pension for life commencing when the contributor has completed 20 years service or attained his maximum age for rank or earlier in the case of invalidity. Whilst any of these occurrences would be considered a respectable end to a Service 'career' the retired Serviceman is considered in civilian terms to be in mid-career and not immediately in need of a long-term income support.

#### Other Schemes

7.155 This section places DFRDB into some perspective by outlining the Commonwealth Superannuation Scheme (CSS) and a typical private sector scheme covering skilled private employees.

7.156 The Commonwealth Superannuation Scheme covers public servants and the long term employees of the statutory authorities. The technical and skilled manual workers employed by such authorities as Telecom, Australia Post, the ABC and Australian National Railways are eligible to contribute to the CSS.

7.157 The main benefit provided by the CSS is a pension on retirement after attaining age 55 years or on earlier invalidity. The amount of the employer-financed pension on age retirement is a function of the contributor's age, length of service and salary prior to retirement. A pension of 50 per cent of final salary is payable on retirement at age 65 after 30 years service. An invalidity pension equivalent to the contributor's potential pension at age 65 is available to those who were retired because

of ill health but whose retirement was not attributable to a medical condition evident at the time of joining the CSS. All entitlements include a reversionary pension to the member's spouse. The employer-financed pensions payable from CSS are increased annually in line with movements in the Consumer Price Index.

7.158 Members contribute five per cent of salary to the CSS. The members' contributions to the CSS are invested in a wide range of shares, properties and bonds managed by the Superannuation Fund Investment Trust. The actual investment earnings are distributed to members via an annual interest credit. On termination of service for any reason a member's contributions are refunded together with interest. Members becoming entitled to pension benefits may receive non-indexed pensions in lieu of a refund of contributions.

7.159 Contributors who leave service without qualifying for a pension have the option of leaving their contributions in the CSS and receiving a deferred pension on retirement after attaining age 55. The employer-financed part of the deferred pension approximates to the pension which could be purchased by a sum equal to 2.5 times the member's contributions accumulated with interest until the date of retirement. The member's accumulated contributions may be refunded or used to purchase a non-indexed pension through the CSS.

7.160 Selected points of comparison between the DFRDB Scheme and the CSS are illustrated in Tables 7.8, 7.9 and 7.10. With respect to those tables, it should also be noted that, unlike CSS contributors, a DFRDB contributor who resigns without becoming eligible for a pension - even, say, after 19 years service - receives no interest on his contributions, which might be in the order of \$40,000.

Table 7.8: COMPARISON OF PENSION OUTCOMES UNDER THE DFRDB SCHEME AND THE CSS

ADF: DFRDB	APS: CSS
<b>Case A: Lower Income Earner - Married at retirement</b>	
a) Joins at age 17	a) Joins at age 17
b) Serves to retiring age of 55 and retires as Sergeant	b) Retires at age 55 on salary level approx ASO 4.
c) Salary on retirement = \$27,918	c) Salary on retirement = \$27,918
d) Pension percentage of final pay = 70.5%	d) Government financed pension percentage of final pay = 37.44%
e) Pension = \$19,682	
f) Commutation = \$84,633 member financed = \$71,890 (See Note 4) Government financed = \$12,743	f) Estimated amount of member's contributions with interest paid at retirement = \$65,360
g) Residual indexed pension = \$15,269 nil member financed \$15,269 Government financed	g) Government financed indexed pension = \$10,453
h) Estimated value at retirement of Government financed indexed pension plus Government financed commutation and non-indexed widow's pension = \$311,870	h) Estimated value at retirement of Government financed pension = \$205,370 (See Note 3)

NOTES:

- (1) DFRDB members pay 5.5% of salary into consolidated revenue during service. CSS members pay 5.0% of salary into Superannuation Fund Investment Trust.
- (2) In place of the lump sum members may take a non indexed pension. The surviving spouse of a DFRDB pensioner receives a non indexed pension irrespective of the member's commutation choice.
- (3) The annuity factors used to value the indexed pension including widows reversionary pensions from DFRDB and CSS are 19.44 and 19.65 respectively. The annuity factor used to value the non indexed widows pension from DFRDB is 0.844.
- (4) The member financed portion of the commutation lump sum is the estimated amount of the member's contributions accumulated with interest.

Table 7.9: COMPARISON OF PENSION OUTCOMES UNDER THE DFRDB SCHEME  
AND THE CSS

ADF: DFRDB	APS: CSS
<b>Case B: Medium Income Earner - Married at retirement</b>	
a) Joins at age 20.	a) Joins at age 20.
b) Serves to retiring age of 40 and retires as Major	b) Resigns at age 40 on salary level approx ASO 8.
c) Salary on retirement = \$41,728	c) Salary on resignation = \$41,728
d) Pension percentage of final pay = 32.9%	d) Government financed pension percentage = nil
e) Pension = \$13,728 pa	e) Government financed immediate indexed pension = nil
f) Commutation = \$59,033 member financed = \$45,300 (See Note 4) Government financed = \$13,733	f) Estimated amount of member's own contributions with interest paid at resignation = \$41,180
g) Government financed Residual pension = \$11,874 pa	g) See Note 5
h) Estimated value at retirement of Government financed indexed pension plus Government financed commutation and non-indexed widow's pension = \$307,929	h) Estimated value at resignation date of Government financed deferred pension payable on final retirement = \$102,950 (See Note 5)

NOTES:

- (1) DFRDB members pay 5.5% of salary into consolidated revenue during service. CSS members pay 5.0% of salary into Superannuation Fund Investment Trust.
- (2) In place of the lump sum members may take a non indexed pension. The surviving spouse of a DFRDB pensioner receives a non indexed pension irrespective of the member's commutation choice.
- (3) The annuity factor used to value the indexed pension including widows reversionary pensions from DFRDB is 24.75. The annuity factor used to value the non indexed widows pension from DFRDB is 0.163.
- (4) The member financed portion of the commutation lump sum is the estimated amount of the member's contributions accumulated with interest.
- (5) CSS members may leave their own contributions in SFIT until at least age 55 and then receive a government financed pension valued at 2.5 times the members own contributions with interest.

Table 7.10: COMPARISON OF PENSION OUTCOMES UNDER THE DFRDB SCHEME AND THE CSS

ADF: DFRDB	APS: CSS
<b>Case C: Higher Income Earner - Married at retirement</b>	
a) Joins at age 20.	a) Joins at age 20.
b) Serves to retiring age of 57 and retires as Major General	b) Retires age 57 on salary level approx SES Level 4
c) Salary on retirement = \$68,604	c) Salary on retirement = \$68,604
d) Pension percentage of final pay = 67.75%	d) Government financed pension percentage of final pay = 40.986%
e) Pension = \$46,479pa	
f) Commutation = \$199,860 members financed = \$121,910 Government financed = \$ 77,950 (See Note 4)	f) Return of member's accumulated contributions with interest paid as a lump sum = \$110,830
g) Government financed residual indexed pension = \$35,187	g) Government financed indexed pension = \$28,118 pa
h) Estimated value at retirement of Government financed pension plus Government financed commutation and non-indexed widow's pension = \$797,667	h) Estimated value at retirement of Government financed pension = \$529,378

NOTES:

- (1) DFRDB members pay 5.5% of salary into consolidated revenue during service. CSS members pay 5.0% of salary into Superannuation Fund Investment Trust.
- (2) In place of the lump sum members may take a non indexed pension. The surviving spouse of a DFRDB pensioner receives a non indexed pension irrespective of the member's commutation choice.
- (3) The annuity factors used to value the indexed pension including widows reversionary pensions from DFRDB and CSS are 18.61 and 18.83 respectively. The annuity factor used to value the non indexed widows pension from DFRDB is 0.971.
- (4) The member financed portion of the commutation lump sum is the estimated amount of the member's contributions accumulated with interest.



7.161 A typical private sector scheme for skilled technical and clerical staff would provide lump sum benefits only. The retirement benefit would be available at any time after age 60 and calculated as 15 per cent of final average salary, payable over the last three years of service, for each year of scheme membership. The lump sum benefit payable on death or total and permanent disablement would be equal to the retirement benefit which would have been available at age 65 if the member had remained in service and his salary had remained unchanged.

7.162 Members are entitled to a return of their own contributions with interest on leaving service without becoming entitled to any other benefit. The resignation benefit is usually increased by around 10 per cent of the member's contributions with interest for each year of service in excess of five years. The maximum resignation benefit of twice the members' contributions is generally available after 15 years service or immediately in cases of retrenchment or ill health which is not considered to constitute total and permanent disablement.

7.163 Members would contribute five per cent of salary to such a scheme. The balance of the cost would be covered by regular employer contributions at a rate recommended by the actuary to the scheme. The assets of the scheme would be invested through professional investment managers.

#### New Entrant Contribution Rates

7.164 One means of comparing the values of different superannuation packages is to consider the percentage of salary which would need to be contributed to a fund throughout the membership period of a group of new entrants of a specified age in order to have financial resources just sufficient to pay all the benefits to which these new entrants and their dependants are expected to become entitled. The resulting percentage of salary

is termed the new entrant contribution rate for the age specified. The new entrant contribution rates are independent of the current membership and funding method of the superannuation scheme being considered. Hence the calculation of new entrant contribution rates enables a comparative value to be placed on the superannuation benefits available from public sector schemes even though no monies are set aside to fund these benefits during the periods of service to which the benefits relate.

7.165 The following new entrant contribution rates have been derived by calculating the discounted value on appointment of the benefits which would be expected to become payable to a male new member of a particular age, and dividing by the discounted value of one per cent of the member's expected salary payments and deducting the percentage of salary which the member is required to contribute. In order to calculate the discounted value of the benefits which would be expected to become payable it is necessary to make assumptions regarding the rates at which members become eligible for the various benefits and the financial conditions in which the fund operates. The following new entrant contribution rates have been calculated using similar financial assumptions in each case but with rates of termination of service for each case based on the experience associated with the relevant type of employment. Thus the rates of termination of service on account of ill health or withdrawal for the various schemes are significantly different.

7.166 New entrant contribution rates have been included for the typical new entrant and, where available, for new entrants at specified ages. The DFRDB average new entrant theoretical contribution rate is a weighted average of the theoretical rates for the three Services, calculated using their typical spreads of ages at entry and proportion of officers. In practice the DFRDB rate for typical new entrants is close to the expected rate for entrants aged about 18 years whereas the 'normal new entrant' to a private sector superannuation arrangement for skilled employees

would be aged 30-35 years depending on the particular employer. The higher average age of new entrants in the private sector reflects the mobility of skilled employees and the non-discriminatory recruitment practices operating in industry.

NEW ENTRANT CONTRIBUTION RATES AS A PERCENTAGE OF MEMBER'S SALARY:

AGE AT ENTRY	DFRDB % Salary	CSS % Salary	PRIVATE SECTOR SKILLED % Salary
Member's contribution all ages	5.5	5.0	5.0
Employer			
age 18		18.9	3.2
age 40	N/A	31.6	8.7
Average new entrant	27.4	21.5	5.7

7.167 The DFRDB Scheme is more costly to the employer than either the CSS or a typical private sector scheme for similar young male skilled employees. The additional costs of DFRDB principally relate to the payment of pension benefits from a relatively early age. The cost of an indexed pension of \$100 per annum initially is \$2,066 for a single male aged 40 years whereas for a male aged 60 years a similar pension would cost only \$1,280.

7.168 Additionally, the requirement that all Servicemen maintain a relatively high standard of physical fitness results in a heavier incidence of invalidity than is expected for public sector employees, thereby contributing to the higher costs of DFRDB. In contrast private sector schemes normally pay only an enhanced resignation benefit in cases of ill health which are not deemed to be total and permanent disablement.

7.169 The trend of new entrant contribution rates to increase with increasing age at entry is a reflection of the lower resignation rates prevailing at higher ages. In addition the CSS has a higher rate of benefit accrual for older entrants which results in further significant increases in the contribution rates for mature entrants.

7.170 Regardless of the comparatively high rate of employer funding, DFRDB does not appear to satisfy many contributors' expectations of a good superannuation scheme. The remainder of this section examines proposals to enhance DFRDB to meet those expectations and improve retention.

#### Elective In-Service Commutation

7.171 A number of submissions argued the case for introducing elective in-service commutation of DFRDB benefits as a means of retaining personnel within the Defence Force (see, for example, Calvin, Submission, p S495; Petrie, Submission, p S575; and Ryan, Submission, p S667). The most detailed and cogent presentation on this issue was that provided by Wing Commander C.L. Mills (Submission, pp S68-86). In essence, Mills argued that giving members that option would provide them with access to a lump-sum at a life-stage in which family financial demands are likely to be at their highest, with education fees, mortgages, clothing costs and the like all at peak levels. Because Service members can get a substantial lump-sum from DFRDB by resigning after 20 years - that is, at about the demanding family stage - Mills and others argue that it becomes tempting to resign. Elective in-service commutation, however, would let those members get the money when they most need it while at the same time allowing them to stay in the ADF.

7.172 The Committee acknowledges the constructive intent of this concept, but believes that the DFRDB Scheme should continue

to serve the rationale that underpinned its introduction. As the Minister for Defence pointed out in a letter to Wing Commander Mills in January 1987 (Mills, Submission, pp S82-6), if the basis of payment of commutation amounts were to change by the introduction of an in-service election, then the clear policy intent of the scheme - 'the provision of retirement income and availability of a lump sum amount on termination of a career in the Defence Force and resettlement into civilian life' - would no longer apply, so that the need for the continuation of those key elements of the DFRDB Scheme would be called into question. The Committee agrees with the Minister's conclusion that the proposal 'could lead to the demise of the very entitlements - pension after 20 years service and commutation - on which it is founded'. In our opinion the Scheme should continue to serve its original purpose. Financial adjustments to conditions of service intended to control wastage should be applied through other measures such as housing loans, retention packages and the like, as recommended in this report.

#### Extending the Qualifying Period

7.173 Like a number of other correspondents, Squadron Leader C.W. Goodwin suggested that the fact that an individual can leave the Services at a relatively young age after 20 years and receive a (partial) pension serves as a positive inducement to separate; and that as a way of controlling this undesirable phenomenon, the qualifying period for a pension should be extended to 25 or more years (Goodwin, Submission, p S783). The same line of argument was presented by the Department of Finance (Submission, pp S1415-8), who noted that those individuals voluntarily ceasing their employment with the ADF with retirement benefits have amounted to about 25 per cent of total separations: from this and other supporting data, Finance concluded that 'the availability of early retirement benefits under the DFRDB scheme provides a major incentive for the majority of members who serve to the 20 year point to voluntarily separate from the ADF'.

7.174 While accepting Finance's analysis of the specific example, we believe that at least as much attention should be paid to the 75 per cent of personnel who do not reach 20 years service. Army made the important point that its major problem in officer wastage 'are those leaving without a pension and those leaving with a part-pension' (Submission, pp S1174-5); and Navy reflected the same perception with the observation that the percentage of officers leaving the RAN without a pension in 1987-88 was the highest for at least 10 years (Submission, p S1126). Indeed, Dr N.A. Jans' studies have suggested that if it were not for the prospect of financial benefits at the 20 year mark, many individuals would separate even earlier than they do; that is, the existing scheme actively serves to retain in service people who otherwise would have left much earlier. Jans determined that an officer's decision to 'stay/leave' is largely influenced by his or her commitment to the organisation, which in turn is likely to be different at certain key decision points during a career cycle. Jans concluded:

In particular, like most people in any walk of life, many officers go through a 'career rethinking' phase in their late 20's-early 30's, a point which for most coincides with reaching the 12-13 years service point. Many would leave their service to make a fresh career start 'whilst I am still young enough' were it not for the relative proximity of the pension qualification point. Move this point another five years off (ie, 12-13 years away from this life decision point), it would not act as sufficient incentive for most to stay, as it presently does (Jans, Submission, p S886).

7.175 In other words, the existing DFRDB provisions for early retirement with a partial pension are well matched to the pattern of organisational commitment over the career cycle as far as serving as an inducement to stay are concerned: after about 12-13 years of service, there is a strong element of 'economic conscription' holding those who otherwise might leave. The

Committee therefore again considers that the existing DRFDB provisions are generally sound. We would also caution against any short-term, fundamental changes to the scheme which might produce the opposite result to that intended by triggering a mass exodus, noting the Department of Defence's conclusion that 'in overall numeric terms, the level of separations for the pension eligible category is within acceptable bounds and is not a cause of concern' (Submission, p S1554).

### The 1986 Discounting

7.176 A considerable number of complaints were made in submissions that the two per cent reduction in the indexation of DFRB and DFRDB pensions applied by the Government in 1986-87 was unfair and discriminatory, and impacted adversely on morale. The Committee can see how this discounting may have been perceived - rightly or wrongly - as 'another' instance of the erosion of conditions of service and may consequently have contributed to decisions to separate. We note, however, that the two per cent discounting was applied across the community as a component of Government economic policy. Further, the provisions of the DFRB and DFRDB Acts do not constitute a contract, so that the reduction did not represent improper discrimination against Service people. We therefore see no reason why the ADF should have been exempt from this action; on the contrary, we believe it right that, in the prevailing circumstances, community norms should have applied. It follows, therefore, that if consideration were to be given to restoring the amount, it should be done only as part of a conditions of service package, the purpose of which would be as much symbolic as financial.

## Taxation on Lump Sums

7.177 Perhaps more than any other financial consideration, fears that taxation will be increased on lump sums - that is, for Service personnel, DRFDB commutation - seem to be the straw that breaks the camel's back as far as a decision to separate is concerned. Writing on behalf of the Regular Army soldiers of 16 Battalion, The Royal Western Australian Regiment, Major L.E.J. Appelbee stated that:

Perhaps the greatest fear expressed by the soldiers is that contrary to the often-express statement that the DFRDB will not be changed, a change detrimental to serving members will be thrust upon the serviceman. This fear is a prime reason why eligible members are resigning or retiring at the earliest opportunity (Appelbee, Submission, p S571).

It is possible that those concerns are particularly strong in the Defence Force, given the apparent high level of distrust of political leadership (see Chapter 4) and the mandatory requirement for combat personnel to retire at comparatively young ages. Ironically, as reported in numerous newspapers (see, for example, the West Australian, 4 March 1988) a similar concern triggered the early retirement of significant numbers of Qantas pilots, which in turn increased civil aviation's demand for RAAF pilots.

7.178 Despite the apparent depth of concern over tax on superannuation, we believe the members of the ADF should have been reassured by the May 1988 Economic Statement. As the Minister for Defence Science and Personnel pointed out following the statement, there would be 'no effect on lump sums taken immediately on retirement' (News Release, No. 89/88). Additionally, retired members who roll over a lump sum into an approved deposit fund will be better off. The Committee notes that in the 1987 White Paper, the Government clearly stated that there is no intention of reducing the basic DFRDB entitlements.



## Reviewing the Scheme

7.179 Some attention in June this year focused on an article in Australian Investment entitled 'Defence Force Super - It's a Scandal' (pp 57-65). Much of the criticism in the article revolved around the fact that those who leave without qualifying for a pension receive only their contributions; while there was also a suggestion that those who retire with a part-pension after 20 years will be unable to exist on the DFRDB payments if they cannot establish a second career. Regarding the first point, the Committee notes the answer given to a Question without Notice by the Minister Representing the Minister for Defence Science and Personnel in the Senate on 18 May 1988:

My attention has been drawn to the article referred to by Senator McLean. It is the case that contributions to the Defence Force retirement and death benefits scheme are paid to Consolidated Revenue and are not invested. This arrangement is in accordance with the recommendations of the Joint Select Committee on Defence Forces Retirement Benefits Legislation, known otherwise as the Jess Committee, an all-party committee of the Parliament which in 1970 to 1972 inquired into the retirement benefits for the Defence Force. The reasons given by the Committee for not supporting the payment of interest included that a substantial increase in overall costs would result, interest might lead to increased withdrawals, further adding to the drain on the scheme, and, finally, the member leaving without pension received ample consideration for his or her contributions in the form of insurance type protection in the event of death in service and a pension in case of invalidity retirement. The present arrangements reflect the recommendations of that Joint Select Committee.

If interest on contributions were introduced it would impact on both pensionable and non-pensionable personnel. It would add to the cost of the scheme, which in 1986-87 cost \$319m in net terms, after deducting contributions paid to Consolidated Revenue (Senate Hansard, 18 May 1988, p 2398).

We acknowledge the complex issues raised by Senator Ray, but believe this matter should be examined. As far as the second point is concerned, the numbers of people leaving the ADF to establish second careers after 20 years would indicate this is not a problem.

7.180 Those criticisms and Senator Ray's response lead to the wider question of the relevance of the DFRDB Scheme some 16 years after its inception. The issue is examined here by discussing DFRDB in light of recent developments in superannuation schemes in Australia and the apparent needs of Service men and women in the late 1980s.

7.181 The average 'retiring' Serviceman is aged about 40 years with skills which should enable him to secure civilian employment at a comparable earning level to his Service pay. In civilian terms the retired Serviceman is a skilled, disciplined worker ready for a new long-term position.

7.182 DFRDB provides a pension on termination after 20 years service, which could be as early as age 38 years for an officer. Whilst part of the pension may be commuted for a lump sum of slightly more than four times the initial retirement pension the remainder must be taken as a pension commencing on 'retirement' from the Services.

7.183 That residual retirement pension amounts to about a quarter to a third of Service pay. It constitutes a significant additional income for an employed person but it is insufficient income on its own to provide a reasonable standard of living.

7.184 On eventual retirement from the workforce the residual pension from DFRDB may be sufficient to replace the Age Pension without providing a comfortable income for the person who terminated soon after completing 20 years service with the Defence Force.

7.185 The lack of perceived value from the DFRDB pension benefits may be associated with the timing rather than the value of the benefits. The option to receive a larger pension on final retirement from the work force rather than a reduced pension immediately on retirement from the Services may be attractive to those Servicemen transferring directly into the civil workforce. Such a deferred pension would be calculated to ensure that the value of the deferred pension and the associated spouse's benefit would be the same as the value of the immediate pension and associated spouse's benefit available on retirement from the Services.

7.186 Retiring Servicemen have the option to commute part of their pension for a lump sum. At least part of this money is usually required for resettlement, including such uses as purchasing a home or starting a business. There is always a risk that such large sums could be mismanaged by persons who are not financially aware and who have no specific plans for investing their lump sums. On the other hand, many former Servicemen are able to earn adequate incomes from their new occupations and are therefore able to invest significant portions of their lump sums for their eventual retirement.

7.187 The lump sums payable from DFRDB constitute eligible termination payments which are taxable. However, the rate of taxation levied is reduced if the lump sum is retained in an approved deposit fund (ADF) or deferred annuity contract until at least age 55. As from 1 July 1988 the investment income of these contracts has been subject to tax at the rate of 15 per cent offset by any dividend imputation credits available in respect of the actual investments held by the fund concerned.

7.188 Approved deposit funds operate in a similar manner to bank accounts with each participant's capital plus credited interest being repayable at short notice. Monies must be repaid

by age 65 or on earlier death. In order to ensure the security of the capital invested, ADFs generally concentrate their assets in fixed interest securities which would be subject to the 15 per cent tax rate.

7.189 Currently long-term government bonds can be purchased to yield 12.6 per cent to maturity. Thus it would be possible for a Serviceman retiring now to have his lump sum invested by an ADF to yield 10.7 per cent per annum, that is, 12.6 per cent net of tax at 15 per cent, for a period of about 12 years. A slightly lower yield would be expected if the ADF contract were to extend beyond the 12 year period of the longest-dated government bonds currently available.

7.190 In contrast the fixed pension of a retiring Serviceman is converted into a lump sum using commutation factors based on life expectancy factors, that is, an interest rate of zero in conjunction with the mortality table known as Australian Life Tables 1960-62. The use of a zero interest rate for the commutation factor produces a higher value for the fixed pension commuted than would be available if commercial interest rates were used. However, the reference to population mortality rates of 1960-62 imputes a lower value to the fixed pension than the expected cost of pension payments on the basis of current mortality rates and the anticipated improvements in the longevity of the population. The combined effect of using the 1960-62 mortality table together with a zero rate of interest is to produce a lump sum benefit which is significantly greater than the cost of providing a comparable fixed annuity through a funded superannuation scheme.

7.191 It should be noted that the fixed reversionary spouse's pension is not surrendered when the retiring Serviceman commutes his fixed pension for a lump sum. The perceived value of the fixed reversionary pension to a spouse is small since the amount of this pension is not adjusted for inflation either during the lifetime of the Serviceman or during the term of payment.

7.192 The relative amounts involved in the conversion of fixed pensions to lump sums may be illustrated by the example of a male retiring from the Services at age 40 with a maximum lump sum entitlement of \$100,000.

- . Amount of maximum lump sum \$100,000
- . Amount of fixed pension per annum =  $\$(100,000 \div 31.84)$   
= \$3,141
- . Value of fixed pension assuming:
  - a commercial long term interest rate of 10% pa net of tax
  - mortality as per Australian Life Tables 1980-82
- =  $\$(3,141 \times 9.671)$
- = \$30,377

7.193 If the lump sum of \$100,000 were invested in an ADF yielding 10 per cent per annum net of tax, then the expected lump sum available at age 65 years would be \$920,950 before tax on the lump sum payout, but after allowing for the proposed 15 per cent tax on payments into an ADF. The resultant sum could be used to purchase a fixed annuity of about \$140,000 per annum on the basis of the annuity contracts currently offered by life insurance companies. The purchased annuity would cease on the death of the purchaser: there would be no reversionary annuity to a spouse or guarantee that a minimum number of payments would be made.

7.194 A third area in which DFRDB benefits are significantly less than the community standard relates to the benefit available on resignation without an entitlement to a pension benefit.

Private sector superannuation schemes are required to pay terminating members a minimum of their own contributions with interest credited at a rate equivalent to the investment earning rate of the superannuation fund concerned.

7.195 Members of CSS have their contributions invested by the Superannuation Fund Investment Trust in a wide range of equity and fixed interest securities. The investment earnings of the Trust include dividends, interest and rents together with net movements in market values and realised capital gains and losses. At the end of each financial year the investment income of the Trust is distributed to contributors by means of an interest credit to each contributor's account. A small part of the investment earnings is retained in a reserve account which may be utilised to smooth the interest rate credited to member accounts in times of rapid change in investment earnings. The rates of interest credited to member accounts during the last five years have been as follows:

YEAR ENDED 30 JUNE	PRESCRIBED INTEREST RATE %
1983	10.787
1984	13.49
1985	14.968
1986	16.714
1987	22.676

7.196 The resignation benefit from DFRDB could be brought into line with the minimum standard for private sector superannuation schemes by the crediting of interest to a Serviceman's contributions. Since member contributions to DFRDB are paid into consolidated revenue there are no invested assets to earn income. Thus it is not possible to use the 'net earning rate of the assets of the fund' to determine the interest to be credited to contributions. Hence it may be desirable to utilise a 'benchmark' rate of interest for the purposes of determining interest credits

in the short-term. The return on 12 month deposits with a bank or the yield on a long-term government bond may be an acceptable benchmark interest rate for this purpose. However, in the longer term member contributions to DFRDB may need to be invested in identifiable assets by means of a trust fund in a similar manner to member contributions to CSS. The actual earnings of the DFRDB trust fund could then be credited to the contributors.

7.197 The community generally expects that a portion of the employer's contribution to a superannuation scheme should vest in the employee if a minimum of five years service is completed. In the case of the CSS an employer-financed resignation benefit is only available to members who have completed five years service and who elect to defer payment of their own accumulated contributions until retirement. On retirement after age 55 the employer-sponsored benefit takes the form of an indexed pension of equivalent value to 2.5 times the member's contributions accumulated with interest until the date of retirement. When the deferred pension commences the former member may receive either a fixed pension or a lump sum payment in respect of his own accumulated contributions. The CSS deferred resignation benefit does not merge into the final salary-based early retirement pension available from age 55 and hence may not constitute a good model for a possible improvement in DFRDB resignation benefits.

7.198 In addition to having their contributions accumulated with interest, most private sector employees would expect to have the resignation benefit increased by means of an employer-financed component. The extent of the employer component or vesting varies markedly between schemes.

7.199 In the case of union sponsored schemes the employer's contribution is credited to the member's account and is available in full whenever the member's service is terminated. A more common provision among defined benefit schemes is for the resignation benefit to be increased by say 10 per cent for each

year of membership in excess of 10 years until a maximum benefit of twice or three times the member's accumulated contributions is achieved.

7.200 A deferred pension based on the period of service completed and a salary component may provide a suitable employer-sponsored resignation benefit for Service personnel. If the deferred pension were to maintain its value during the period of deferment the salary component may require indexing to changes in the consumer price index or current Service pay levels.

### Summary

7.201 The DFRDB Scheme provides superannuation benefits tailored to the income requirements of Service personnel whose lifetime employment is with the Defence Force. Overall costs of DFRDB benefits represent a higher proportion of members' salaries on average than do the benefit provisions of the CSS or a typical private sector superannuation scheme for skilled employees.

7.202 In terms of the cost of providing superannuation the benefits available to Service personnel who retire after 20 years are very generous. However, the benefits provided are not relevant, in timing or form of payment, to the financial needs of a former Serviceman who engages in civilian employment before final retirement.

7.203 The payment from DFRDB to Service men and women who separate before becoming entitled to a pension benefit is a return of the member's contributions without interest. This level of benefit is less than the minimum community standard required of private sector superannuation schemes: a standard with which public sector schemes will be expected to comply by July 1990. Because of those shortcomings in particular, many Service men and women believe the DFRDB Scheme is now 'behind the times' and does not provide an incentive to serve past the initial engagement term.



7.204 In order to enhance the perceived value of DFRDB to Service personnel and thus retain members in the ADF, the Committee recommends the Minister for Defence Science and Personnel commission a review of the Scheme to consider the following benefit amendments:

- a. increase the resignation benefit on termination before completing 20 years service to include an interest credit in respect of the Serviceman's own contributions;
- b. further increase the resignation benefit to 3.5 times the member's contributions accumulated with interest provided that the benefit is taken in the form of a deferred pension;
- c. allow all Service personnel terminating before age 60 and who are eligible for a pension the option of receiving a deferred pension commencing at any time after age 55 or on earlier ill health; and
- d. remove the three per cent per year penalty applying to officers who separate before reaching the notional retiring age.

The terms of reference for such a review must contain a non-detriment clause for current contributors.

#### Members without Families

7.205 The term 'members without families' is used to describe those Service men and women who are not entitled to 'married' conditions of service, and for whom rations and quarters (R&Q) are provided at Service bases. In his report to the Prime

Minister in October 1987 the Commonwealth and Defence Force Ombudsman stated that his experience in office had led him to conclude that Service members without families are treated inequitably when compared to their colleagues with families. Specific areas of discrimination identified included the standard of living quarters, lack of entitlement to removal at public expense, the denial of living out allowance even when a member has been given permission to live out, the unavailability of allowances for expenses incurred in the purchase or sale of a home, and allowances overseas (Commonwealth Ombudsman and Defence Force Ombudsman, Annual Report 1986-87, p 71). A frequent theme noted by the Ombudsman in the complaints he received was that the Defence Force has failed to recognise that members of mature age and without families have justified expectations of sharing community living standards, and that it is unrealistic to think of those members being provided with only a small room - probably shared - in a mess, with access only to public mess rooms and the right to only limited possessions.

#### Quality of Life

7.206 The issues touched on by the Ombudsman were identified far more forcibly during a 'quality of life' review of 'singles' issues conducted by the RAN between 2 November and 11 December 1987. The general conclusions reached in that review were that the quality of life offered in RAN shore establishments is generally poor; that living-in is unpopular; and that conditions are below those generally accepted in the Australian community. While those conditions were assessed by the RAN as being worse in the Navy than in the other two Services, they nevertheless seem representative. The specific findings of the review were as follows:

- a. Naval people who live-in are mostly dissatisfied and critical of their lot;

- b. the Defence Force live-in policy seeks to avoid the obligation of providing live-in accommodation for the majority of single service members;
- c. a large proportion of category O and MS members live ashore at their own expense or are on LOA;
- d. the vast majority of on-base accommodation is below scales and standards and Navy is in a considerably worse position than either of the other two Services in this respect;
- e. in the few establishments that offer pockets of scales and standards accommodation, that accommodation suffers from several deficiencies and is already below the reasonable expectations of modern, single, professional people;
- f. another comprehensive review of the adequacy of scales and standards is warranted;
- g. the upgrading of accommodation standards has been relatively low priority as is evidenced by the current state of accommodation;
- h. the junior sailors' living conditions at KUTTABUL are of a disgracefully low standard and are significantly aggravated by renovation works of senior sailors accommodation currently underway; the whole accommodation area should be closed until the refurbishment programme is completed;
- i. the Navy has been negligent in that it has failed to make reasonable efforts to eliminate substandard accommodation, as had been undertaken by the Services to the Kerr/Woodward Committee in 1972, and was a condition leading to rations and quarters charges being imposed in the current form;
- j. recreational facilities for sport and or alcohol consumption are generally well established, however, facilities that do not involve sport and provide for people who do not wish to, or are not permitted to consume alcohol, are lacking;
- k. food is mainly of a high standard and only the conditions for serving food require review in some establishments;

1. the Navy has a considerably greater pro-rata duty watch commitment in shore establishments (and at sea) than the other Services and is much less willing and able to offer compensatory leave, this is a significant quality of life factor that is symptomatic of the stretch being felt, particularly in smaller establishments;
- m. many of the rules and regulations imposed on people who live in establishments are outdated and unnecessary; there is a distinct double standard between the restrictions on those who live onboard and the majority (married and single) who live ashore; people should be left alone to lead as 'normal' a life as possible outside working hours; some unpopular rules are unavoidable because of the unsatisfactory state of the accommodation;
- n. people accept the payment of a rations and quarters charge but are critical of and dissatisfied with the way in which it is applied, the recommendations of the Burke Report are largely still valid;
- o. senior sailors are disadvantaged in relation to their contemporaries from the other two Services in respect of the provision of steward service;
- p. the 'Singles Issues' are seen as a major negative quality of life factor and will remain so until favourably resolved; and
- q. greater use should be made of LOA provisions to compensate for substandard accommodation than is currently the case; long term members should have preference for LOA with people visiting and on short courses using substandard on-base accommodation to reduce the travelling expenses bill; the Navy is able to avoid obligations to a large proportion of category O and MS members by providing substandard, unpopular accommodation, thereby encouraging them to live ashore (RAN, The Quality of Life, 29 January 1988, pp 1-3).

7.207 Evidence received by this Committee is consistent with those findings, and it is clear that widespread dissatisfaction exists among members without families about particular 'singles' conditions of service; it is also clear that this dissatisfaction contributes significantly to decisions to separate (see, for example, Gover, Submission, pp S813-86; Berryman, Submission, pp S18-57; and Foster, Submission, pp S1682-97). The aspects of this matter which we believe are in most immediate need of attention are those related to the provision of rations and quarters, and removal and storage rights on posting.

#### Rations and Quarters

7.208 All members without families in the ADF are eligible to occupy 'living-in' accommodation at their unit or base. Where that accommodation is not available, or when 'compelling reasons of a compassionate or personal nature' exist, a Commanding Officer may approve an application to live out, in which circumstances the member will be paid a Living-Out Allowance (LOA) to subsidise private rental or boarding expenses. LOA accommodation and meal costs are subsidised because those amenities are provided at reduced costs to those living-in. As at September 1988 the all-inclusive Rations and Quarters (R&Q) charge for living-in members varied from \$46.90 per week for members below the rank of Sergeant to \$62.30 per week for officers. In some circumstances those charges are not levied at all, for example, during sea or field deployments.

7.209 The Department of Finance has argued that the provision of accommodation and meals at a subsidised cost represents a substantial benefit to the recipients:

on current rates the actual saving on normal living expenses which the average living-in member or the

member in receipt of LOA receives can be estimated (on the basis of the average LOA subsidy) as being in the order of \$5,000 to \$6,000 per annum (Submission, p S1399).

Finance's interpretation of the LOA clearly is one which sees the allowance as a benefit, rather than as a compensation arising from the special demands of Service life. There also is little doubt that the strictly monetary perspective would not be shared by those members of the ADF for whom the provision of free messing was seen as a 'condition of service' when they joined and who consequently viewed the introduction of charges by the Whitlam Government as a breach of faith, if not of 'contract'. (In making that observation the Committee would like to point out that we are aware that the determination of ADF salaries prior to the introduction of charges for R&Q involved an element of discounting for 'free' messing.) As we have already stated, the Committee's view is that conditions of service should be seen largely in terms of compensation.

7.210 The findings of the RAN review regarding R&Q were corroborated by submissions received by this Committee. Corporal M.R. McDonald advised the inquiry that the standard of messing provided to enlisted ranks living in Service establishments can vary from 'reasonable to atrocious to disgusting' (Submission, p S483). As well as intense dissatisfaction with the standard of accommodation, a number of submissions drew attention to the failure of Defence to provide living-in members with carports, despite a long-standing commitment to do so (see Foster, Submission, p S1684). There was frustration expressed at the apparent unwillingness of senior officers and Defence officials to seek advice from single members about proposed changes to their quarters (Berryman, Submission, p S19; and Norris, Submission, p S1089); while Major A.C. Grecian pointed out what appears to be a questionable practice as far as the granting of living out allowance is concerned:

Living standards in barracks, although being addressed in part have been of concern to soldiers for years. Living density has been increased as more outlying units are concentrated into major barrack areas. Soldiers will put up with a lot for valid reasons but overcrowding in their 'home' causes aggravation. The effect is to drive soldiers out into rental situations for privacy and security of their personal belongings. However, rules applied across the board for areas are limiting the numbers of these soldiers receiving Living-Out Allowance to subsidise their rent. This is the case in Enoggera. A unit's living-in density was higher than that necessary to receive LOA, however, the overall barracks figure was less so those soldiers did not receive any financial assistance. They still preferred however, to live away from the barrack's Spartan accommodation, substandard environment due to long overdue repairs, excessive noise of the barracks and the lack of personal privacy. These have influenced soldiers to initially live away from their unit and subsequently elected not to re-engage (Submission, pp S524-5).

7.211 Against that unsatisfactory background, the Committee is encouraged to note the Government's intention, announced by the Minister for Defence Science and Personnel, to spend \$240 million on barracks during the next five-year period (Hansard, 27 October 1987, p 1547). This program is likely to involve 118 buildings and provide 4,568 bedrooms. The Minister also referred to 'new initiatives' to provide alternative forms of housing, such as transferring hostels to the Services and the purchase of motel-style accommodation (Hansard, 20 April 1988, p 1851). The purchase of two motels in Cairns in May 1988 was an early instance of this policy coming into force.

7.212 This Committee's inspection of the new RAAF base facilities at Tindal in March 1988 included a tour of the living-in quarters, which are excellent; and we are aware that significant sums of money have already been spent improving on-base accommodation at Enoggera, East Sale, Williamtown and Townsville. It appears, therefore, that there are grounds for optimism that the problem will be much reduced by the early

1990s. In the meantime, however, enormous disparities exist between different localities in the standard of accommodation provided to Service personnel living on-base; while much of the accommodation in our opinion is unacceptable. Until that situation is rectified we consider that provisions relating to LOA should be relaxed to allow those members living in sub-standard accommodation to receive the allowance and live off-base in rented accommodation.

7.213 The Committee endorses the Government's program to provide suitable accommodation for members without families. We recommend that:

a. the program

- (i) proceed as a matter of urgency, and
- (ii) include the provision of covered car parking; and

b. until suitable accommodation can be provided, members in quarters which are significantly below scales and standards be given increased access to living-out allowance.

7.214 Apart from the poor quality of accommodation for members without families, the other aspect relating to R&Q provisions which appears to be a focus for discontent is the practice of charging personnel for all meals, regardless of whether they actually attend their mess: exceptions to this practice are made only when members are on approved leave for periods of three days or more. Numerous submissions argued that this is unfair because it discriminates in favour of married members who might use a mess at mealtimes, but only pay when they do so; while Sergeant B.R. Kelly pointed out that under prescribed circumstances a civilian who lives in Service accommodation is reimbursed the cost of every meal not consumed (Submission, p S288).



7.215 The Committee's impression is that this particular issue is not so much one of the quality of meals and the cost involved, but rather one in which an easily-identifiable, apparently discriminatory practice has become the focus of the general frustration felt by many living-in members with the restrictions on their life style. We would be cautious about recommending any changes to the current charging system for R&Q, noting the advice offered by the Chief of Air Force Personnel that 'any attempt to review the (R&Q) charge or to separate the charge into accommodation and meal components would only guarantee the implementation of the financiers' recommendation that charges should be substantially increased to reflect the actual cost of providing living-in accommodation and meals' (CAFP Letter, in Foster, Submission, p S1690). In our assessment the current range of R&Q charges is not inconsistent with the provision of R&Q as a condition of service. We also are aware that the operational requirement for the ADF to maintain on-base accommodation generates its own imperatives.

7.216 Our judgment is that action is not required on this issue, which would be resolved by the implementation of the recommendations in para 7.213.

#### Removals

7.217 The second issue of major concern to members without families is the provisions relating to removals. At the time this inquiry commenced single members had an entitlement only for a removal of a 'reasonable quantity of personal effects'. Members with families by contrast are entitled to have all of their effects removed and, if circumstances dictate, stored at Commonwealth expense. On 31 March 1988 the Government announced new provisions for single members who live off base and are receiving living out allowance. Those members will now have their

furniture and effects moved and stored at Government expense, and if they are required to live on-base at a new posting, storage costs will continue to be met by the Commonwealth (Minister for Defence Science and Personnel, News Release No. 55/88).

7.218 While that decision represents a step forward, it will only improve circumstances for a small number of members without families. In itself it does not remove the discrimination - both financial and on life style - which the existing provisions cause, and which continue to apply to the great majority of single Service people. The iniquities which can arise from this situation were forcefully highlighted in several submissions (see, for example, Gover, Submission, pp S813-52; and Foster, Submission, pp S1682-97). Those iniquities can disadvantage single members financially and inhibit their capability to share general community standards of living.

7.219 The rationale for the different removal provisions was explained in the CAFPS Letter included in Squadron Leader R.J.Foster's submission (p S1688). That letter was dated 10 July 1987 and stated, inter alia, that:

Even if conditions of service differ between the two groups, unfairly discriminatory or inequitable circumstances will not necessarily exist. The conditions of service for the two categories of member should be examined in terms of separate discrete packages designed to meet the total needs of the member in an equitable and non-discriminatory manner, while enabling the operational requirements of the ADF to be met. Under this concept, service conditions may not be precisely the same in every area, or for both groups.

The basic philosophy behind the range of living, travel and removal related allowances in INDMAN is to provide entitlements/reimbursements on an equitable basis having regard to needs and to the nature of personal circumstance which derive from ADF employment. Crucial to judging what is equitable is recognition of the material difference

between the two broad groups of personnel (ie those with and without family). The benefits for each group deriving from similar employment circumstances may be substantially different because of the material differences in the domestic situation or personal obligations of each group.

7.220 The Committee's judgment is that if the ADF is to continue to be seen as an attractive employer by the young people who constitute the majority of members without families, then the definition of what constitutes 'equitable recognition' of the 'material needs' of those members must include the right to own a common range of household effects. From this it follows that those members must be given equitable entitlements relating to their effects when they are removed to meet Service requirements; and that provisions which serve to inhibit reasonable quality of life expectations should be changed.

7.221 We recommend that, in relation to removals which are initiated to meet Service needs, the Government and CDF take action to secure the following entitlements for all members without families:

- a. a full removal;
- b. storage costs of furniture; and
- c. a fair level of disturbance allowance (see para 7.97).

#### Extending Conditions of Service: A Low-Cost Option

7.222 The Committee is fully aware that a number of the recommendations made in the preceding sections of this chapter could involve considerable expenditure, which would have to come either from additional funding for Defence or from a reallocation

of the current Defence budget, neither of which would be an easy or attractive course. We would reiterate that in our opinion the recommendations should be implemented if the Government wishes to contain wastage in the ADF and protect the Force's operational capabilities. If, of course, the assessment is that in the prevailing strategic circumstances the current funding allocations should be retained and that the relatively high wastage rates therefore are acceptable, then that remains a matter of judgment for the Government.

7.223 In an attempt to contain the costs which inevitably will be associated with reducing personnel wastage, a number of witnesses to this inquiry proposed low-cost options. This section of the report addresses those options. The Committee considers that 'Low-Cost' proposals should be introduced to supplement the more substantial recommendations already made, while recognising that in themselves these new proposals, if processed and presented as a package, have the potential to boost morale and restore some faith in leadership. While many witnesses raised one or a number of the issues which follow, we wish particularly to acknowledge Dr C. Downes, whose evidence and submission provided the basis of the proposals (Evidence, 14 March 1988, pp 81-138; and Submission, pp S1474-1538).

#### Medicare

7.224 For many years free medical and dental care was provided to Service men and women as a standard condition of service. That is no longer the case as only single members receive a full exemption from the Medicare levy: married members are required to pay a 50 per cent levy as a contribution towards their spouse's and dependant's cover. This requirement has caused a great deal of resentment amongst married members who have no children and whose spouse works. As the working spouse must pay the full levy, and there are no dependants, Service personnel in that situation

see themselves effectively 'paying for (their) "free" medical treatment' (Yates, Submission, p S902). As Captain Yates continued, 'I am discriminated against for having a working wife and no other dependants'.

7.225 The Committee's interpretation of this issue is that it is very much one of principle rather than money; that it is the resentment of a perceived discriminatory practice which angers those affected (see Hodge, Submission, p S648; and Anthony, Submission, p S922). Regardless of any other perspectives which may be presented, it is indisputable that a married member of the ADF whose spouse works and who does not have children is unfairly treated compared to single members. It is also our perception that this issue, while perhaps appearing trivial to some, is a focus of resentment which in turn probably fuels other dissatisfactions. We therefore recommend that a married Service member whose spouse works and who has no children receive full exemption from the Medicare levy.

#### Household Removals

7.226 Household removals remain a major irritant for Service personnel. Apart from the expense and social disruption, the experience can involve exasperating confrontations both with bureaucracies and removalists who do not consider themselves directly responsible to those they are removing because they are on government contract. The Committee believes that there is considerable scope to improve this major source of anxiety and, in many cases, distress, by giving Service personnel more control over the process.

7.227 In the United States Armed Forces a 'Do-it-Yourself' (DIY) removals scheme has been set up. Under this system the Services obtain commercial quotes for a removal. If the member elects to 'DIY' his removal, an administrative charge is deducted

from that commercially set quote, and the remainder of the money is given to the member. How he then effects the removal and at what cost is his own business. Should he, for example, choose to do the removal himself, any money remaining after truck hire etc. is his to be used as he and his spouse see fit. In many cases, such 'saved' funds could and would be used to help fit out the new home. At the same time, the commercial removal option is retained either for those who do not wish to 'DIY' or to satisfy particular Service needs.

7.228 The DIY removal system does not involve any extra costs for government. It does, however, give the Service man and woman a choice, thereby increasing their control over their own lives, and giving them the chance to bypass the bureaucracy and use personal initiative. As a consequence of this particular development in the United States, removal firms have modified their services to meet the new market demand, offering owner-participation packing and 'u-drive' deals and the like. According to the US Navy newspaper Navy Times of 26 October 1987, in FY 1986-87 US Navy personnel completed 18,000 DIY moves at a cost saving to the Defence budget of about \$A250 per move and \$A4.75M overall.

7.229 The Committee recommends that the Minister for Defence Science and Personnel institute a system of 'Do-It-Yourself' removals for ADF personnel to conform with the general thrust of para 7.227 of this report.

#### Fixit Shops

7.230 The United States Army has extended the 'do-it-yourself' concept to include not only removals but also minor maintenance on married quarters. Each base has a DIY housing 'fixit' shop which provides supplies such as paint, wallpaper, tiles and so on, which tenants can use to effect minor repairs and

maintenance. The stores also lend garden tools and household maintenance equipment, and provide plants and shrubs each Spring. The system thus facilitates rapid, personal attention to many of the shortcomings which presently bedevil the ADF married quarter system, while at the same time promoting tenant pride. It also again introduces an important element of choice.

7.231 Apparently in the past in Australia, this sort of proposal has foundered on the resistance of the Department of Administrative Services and its predecessors and trade unions, the former objecting on the grounds that self-help may interfere with planned maintenance and the latter because jobs may be threatened. The Committee considers that neither of those possibilities should arise with a sensible, well-managed program. We accept that the overall management of married quarter maintenance must remain firmly within the ambit of the DHA, but consider there is scope to introduce 'fixit' shops as means of improving the quality of living and morale of tenants.

7.232 The recommendation is that the Government direct CDF and the DHA to implement a system of 'Do-it-Yourself' married quarter minor maintenance shops on ADF bases.

#### Motor Vehicle Licences

7.233 One of the most frequently-voiced irritants associated with interstate moves is that of having to change motor vehicle registration and drivers licences. It is not a matter of costs, as those are reimbursed as a component of Disturbance Allowance. Rather, it is the sheer frustration of having to spend about one full day in the middle of a removal, usually during the height of summer, completing a bureaucratic process which in itself contributes nothing tangible to setting up a new home. There is also concern that a recently-posted member who may be involved in an accident but has not changed his licence or vehicle

registration may not be covered by normal legal and insurance safeguards (Watkins, Submission, pp S1634-7).

7.234 The Committee appreciates that the Minister for Defence Science and Personnel directed a consultant to liaise with the States and develop a process to resolve this matter, and that in September this year the Minister and State Transport Ministers announced they had reached agreement on the introduction of a 'new standard licensing system for Defence Force Personnel and their spouses and dependants'. We endorse the Minister's action to introduce a system which will obviate the necessity for Service men and women to transfer drivers licences each time they are posted interstate, and recommend that the necessary legislation be implemented as a matter of priority. The system also should be extended to vehicle registration.

#### Discounted Travel

7.235 Reunion travel is an important activity and a substantial expense for Service members who are separated from their immediate and/or extended family. We acknowledge recent improvements to reunion travel as a condition of service (see para 7.81 above). There is, however, considerable scope to expand the access of Defence personnel to discounted travel. In the United Kingdom, Service members are entitled to discounted travel on British Rail. We believe that scope exists to provide a similar benefit for the ADF, particularly in view of the commercial leverage which the Services' existing travel activity confers. Like any other large organisation which generates a large amount of business to meet corporate needs, the ADF should be able to use that business as a bargaining chip to secure concessions for the private benefit of its employees. The travel concessions ideally should encompass air, road and rail transport.



7.236 The Committee recommends that the Government authorise CDF to negotiate discounted travel for ADF members, using the Defence Force's duty travel expenditure as commercial leverage.

7.237 In making that recommendation, we note that the Services have already successfully secured discounted accommodation rates with certain hotel and motel chains.

#### Recognition of Service

7.238 A consistent complaint made to this Committee during its visits to Defence establishments was that little recognition is given to the high level of commitment and excellence demonstrated by many Service personnel. It is an issue we have touched on in relation to leadership and job satisfaction in other parts of this report. As far as recognising service through the 'conditions' medium of reward, we find it surprising that an organisation with the resources of the ADF has not been able to do more for its people. The Canadian Forces, for example, encourage supervisors to nominate deserving personnel for overseas flights on Defence Force aircraft when suitable circumstances arise. As the RAAF now operates a fleet of six B707s and 24 Hercules, in addition to the VIP Squadron aircraft, we would find it hard to accept that similar 'recognition of service' - a special public reward for commitment and excellence - could not be instituted in the ADF. For the same reason, and again at very little cost, it may be possible to give long-serving and valued members upgraded travel entitlements.

7.239 The two examples presented above are partly illustrative: an energetic team with the resources and commercial force of the ADF behind it should be able to identify many more.

7.240 The Committee recommends that CDF appoint a team to develop a range of 'recognition of service' benefits, to be presented by 1 June 1989.

7.241 Recognition of service for members of a defence force goes beyond financial or similar compensations. Consistent with the ADF's ethos of service is the award of defence medals which recognise the service an individual has given to his country. That recognition is valued by those who receive it.

7.242 It is a matter for considerable regret that successive governments have taken an apparently indifferent attitude to this issue, which bears strongly on morale. Almost three years ago the Minister for Defence announced that the Australian Service Medal was to be awarded to ADF members who had served in peacekeeping and other non-war operations, and that there was an 'immediate requirement' for the medal: priority would be given to implementing it. The medal has still to be introduced.

7.243 Other awards which have been announced but not introduced include:

- a. Medal for Champion Shot of the ADF;
- b. Australian Unit Citation for Gallantry; and
- c. Meritorious Unit Citation.

Additionally, approval has not yet been given for those members who served with the Multinational Force and Observers (MFO) to wear their medal.

7.244 Committee recommends that the Minister for Defence take immediate action to secure approval for all pending Defence Force honours and awards.

### Subsidised Postal and Telephone Services

7.245 Military service usually involves posting to locations remote from extended families at some stages of a career. Recognition of this feature of Service life by granting a postal concession would also amount to public and political acknowledgment of the special circumstances of Service families. We recommend that the Government allow subsidised postage for standard letters for members of the ADF within Australia, or to Australia for those on overseas duty.

7.246 Precisely the same rationale applies for the argument that Defence families living in remote localities should receive subsidised telephone services. Accordingly we recommend that the Government provide a telephone subsidy for all members of the ADF who are serving in a locality remote from the extended family of either spouse.

### Retail Outlets

7.247 The 'PX' (Post Exchange)/Commissary system of retail outlets is one of the best-known features of US military service, valued not only for the discounted shopping it offers but also because of the recognition it accords the unique circumstances of Service families. We believe that there are sufficient concentrations of ADF members, their dependants, and Reserve and retired members at certain locations around Australia to make a similar service commercially viable here. For isolated locations, entrepreneurs could be assisted by being given access to ADF transport. A PX scheme could be extended further by including a profit-sharing agreement under which, in return for permission to operate a retail outlet on a Defence premises, an entrepreneur would return a share of the profits directly to the unit concerned for the provision of community facilities on that base.

7.248 The Committee recommends that the Government establish a system of 'Post Exchange/Commissary' retail outlets on Defence bases, with at least the following features:

- a. discounted prices derived from the application of tax exemptions to goods;
- b. the availability of ADF transport to entrepreneurs;
- c. access to the outlets to be restricted to members and former members of the ADF and Reservists; and
- d. profit sharing arrangements between the outlets and the base on which they are located.

#### Costing

7.249 In the light of the considerations brought forward in paragraph 7.222, and to assist the Committee in its wish to monitor progress in the implementation of its other recommendations, we recommend that in its response to this report, the Government provide costings for each of the individual measures proposed in this chapter.

## CHAPTER EIGHT

### DEALING WITH CHANGE

8.1 Throughout this report the Committee has identified a number of significant community and attitudinal changes which the ADF will have to accommodate if it is to maintain its capabilities and standards. The nature of some of our recommendations reflects the fact that in certain areas Defence managers must take relatively radical action; for example, in the field of career satisfaction and personnel management, the introduction of lateral recruiting, accelerated promotion and management initiated retirement would represent a marked contrast to prevailing practices. A similar approach is reflected in our recommendations arising from family and certain conditions of service matters.

8.2 While the introduction of those sorts of measures would represent a significant change of direction and require a considerable change in outlook from some quarters within Defence, they nevertheless could be accommodated within the existing basic framework of the ADF, namely, an all-volunteer, regular force. The Committee believes the recommended measures are appropriate because, as we have mentioned in preceding chapters, the existing framework is unlikely to be substantially altered over the next decade, even if it were possible to do so within a relatively short time-frame. However, that does not mean that the structure of the Force either should not or will not change in future. Excessive wastage from an all-volunteer force could be one catalyst of change should, for example, the Government fail to arrest the present abnormally high loss rate.

8.3 Several submissions addressed that possibility. The methods which they advocated to deal with continuing high wastage involved a greater use of Reservists and/or widening the recruiting base. Those proposals are discussed briefly in this final chapter. We appreciate that they arise from an assumption that the current wastage rates may not be reduced and that such an assumption may be considered to fall outside our terms of reference. The Committee does not accept that the current high wastage rates cannot be reduced: as we have argued, the problem can be resolved by determined management. Nevertheless, the ideas presented to the Committee on this subject relate directly to the maintenance of ADF capabilities and that is a matter central to this inquiry. In addition to looking at those proposals, the Committee also reviews the subject of retention packages, which should be of interest to innovative managers. Like widening the recruiting base, it is a strategy which might be used to preserve Force quality during periods of high wastage.

#### An Expanded Reserve

8.4 The major submission on the topic of expanding the Reserve came from Colonel J.O. Langtry from the Strategic and Defence Studies Centre. Langtry's proposition was based on two main points. First, he argued that the current problems of personnel wastage in the ADF should be analysed from the viewpoint of the armed forces and the civil community as a whole, rather than in the narrower context of the ADF's Regular component. Second, Langtry suggested that in 'almost all contingency scenarios' each of the Services is heavily dependent to varying degrees on both active and inactive reserves for rapid expansion and 'mobilisation of civil (untrained) personnel for operations which are large in scale or longer in term' (Langtry, Submission, pp S476-79). The conclusion drawn from those premises

was that a reasonably rapid rate of turnover of personnel through the Regular and/or Reserve units would in fact be beneficial, as the pool of trained expansion/mobilisation personnel available would be far larger than is currently the case; thus, 'a more rapid force expansion could be achieved in order to cope with those contingencies which arise unexpectedly and at short notice' (Submission, p S476).

8.5 Several important organisational arrangements which would be necessary for such a scheme to work were highlighted. A flexible approach would have to be taken both to recruiting former Regulars into the Reserve and in setting their continuation training requirements. Age, experience, currency, specialist skills and seniority would be some of the factors which would have to be taken into account. Terms of engagement in the Regular forces might have to be set to suit an individual's forecast transfer date to civilian employment and service with the Reserve.

8.6 Langtry acknowledged that reservations are held by some commentators about the quality of irregular forces. Against that, he cited Israeli reserve tank crews and Swiss militia fighter pilots as examples of the high standards which reserve forces can reach. He also pointed out that, contrary to the claims of some critics, there are reserve forces which can mobilise as quickly as any standing forces. The Swiss claim they can be fully mobilised in 48 hours and the Swedes in 72 hours, while the Israelis have recorded a time of 22 hours (Langtry, Submission, p S478). It is important to note that in each of those examples a period of continuous training precedes entry to the reserves. Also, each of those forces regularly completes high quality combat/mobility training.

8.7 Finally, it was argued that the costs of part-time forces are less than those for comparable standing forces. Three main reasons were identified:

- a. Because reservists perform national security duties for only a relatively small proportion of the year, they are only paid for that time.
- b. Rates of equipment usage - hours flown, track-kilometres, steaming hours, ordnance expended, and so on - tend to be less.
- c. Reserve personnel are not entitled to the 'non-pay' conditions of service provided for regulars, except when they are on full-time duty.

8.8 Colonel Langtry concluded by suggesting that Defence planners should be tackling high personnel turnover by making 'better and more extensive use of active reserves coupled with the ability to harness effectively the potential inherent in ex-Regulars (and ex-Reservists) who have gone to civil occupations'. The Committee supports the general thrust of that proposal, noting that our previous recommendations on lateral recruiting and the need for the ADF to retain contact with former regular personnel would be relevant to the scheme.

#### Expanding the Recruiting Base

8.9 This inquiry has demonstrated that high wastage rates are harmful to force quality and capabilities. If, as is assumed in this chapter, wastage rates remain high, it will be essential for the ADF to have access to the widest possible range of high quality recruits. While that access might not control separation rates, it would address the important question of quality. Currently the two major sources of recruits which the ADF does not fully utilise are women and Australian citizens from a non-Anglo-Saxon background.



## Recruiting Women

8.10 The ADF has one of the highest proportions of women members of any Western country with a figure of 9.5 per cent of the total force. Between 1983-84 and 1986-87 the number of women in the Defence Force increased from 4,535 to 5,878. At the same time, however, the actual number of positions open to women increased from about 16,000 to 22,000, with the latter figure representing about 35 per cent of all ADF posts. Thus, while Australia may be leading its allies in the actual percentage of women employed, there clearly is scope for expansion.

8.11 Some limitations will however continue to affect how the Defence Force uses women in the foreseeable future. In 1986-87 the largest single influence on separations as a result of the increasing number of women in the ADF was in the Involuntary/Temporary category. Nearly all of the increase of 175 in this category was in the use of maternity leave. The increase in the incidence of maternity leave alone accounted for 18.1 per cent of the total increase in all ADF separations in 1986-87 over the 10-year average and 76 per cent of the increase of all female separations (Defence, Submission, p S1550). Obviously there is a limit to any organisation's capacity to absorb such losses.

8.12 The employment of women is further limited by the Sex Discrimination Act of 1984, which precludes their use in combat or combat-related duties, respectively defined as:

Duties requiring a person to commit, or to participate directly in the commission of, an act of violence against an adversary in time of war; and

Duties requiring a person to work in support of, and in close proximity to, a person performing combat duties, being work performed

in circumstances in which the person performing the work may be killed or injured by an act of violence committed by an adversary.

8.13 There are some practical reasons for excluding women from particular combat posts. For example, Mr Peter Jesser has shown that there has been a significant increase in the number of Army Female General Enlistee (FGE) discharges on psychological grounds since FGE training was transferred in 1985 to Kapooka, where male General Enlistees are trained (Submission, p S2710). Jesser referred to the findings of the Canadian Defence Force that the the application of uniform standards to men and women in physical training will exclude many women, particularly at the higher levels of selection. From that he postulated that in fully integrated training establishments, women may become demoralised if they are not able to perform up to the standards of men (Submission, p S2710). The Committee is aware that lower standards of physical training have already been set for women at ADFA and RMC. On the other hand, the Canadians have opened-up combat posts to women in which physical strength is not essential: for example, women are eligible to pilot F/A-18 aircraft and tactical helicopters. In September 1988 the Royal New Zealand Air Force lifted the restriction on women flying combat aircraft. Similarly, women have 'combat equality' in the Danish Navy.

8.14 Some commentators have suggested that the greater reliance on women, who in turn will be more likely to separate, is the major factor in the current high wastage rate. As we have pointed out above, there is a limit to the losses attributable to, for example, maternity leave, which can be sustained. At the same time, evidence shows that, if given satisfying career prospects, women are likely to remain in the ADF for longer periods. An examination of female wastage statistics in Table 8.1 clearly reveals that the greater the career opportunities which are made available, the more likely women are to remain in the ADF. In July 1988 the percentage of positions open to women in

each Service were RAAF 62, RAN 30 and ARA 17. It is noteworthy that the RAAF has by far the best retention rate for women; indeed, its 1986-87 separation rate for female officers and cadets of 11.1 per cent was significantly less than the total ADF rate of 12.8 per cent. The general substantial reduction in separations across the Force in the past 10 years also shows that women in the Defence Force share with their civilian contemporaries an increasing commitment to their careers.

8.15 The Committee acknowledges that the ADF has acted promptly to recognise both the letter and the spirit of equal opportunity legislation. We believe that at this stage it would be ill-considered to suggest that the employment of women in the ADF could be taken to the extent of interchanging males and females in all postings. Given those reservations, we consider that there is scope for Defence managers to reduce the effects of high wastage by the judicious employment of more females. That employment should not try to channel various types of abilities into the same mould, but rather should capitalise on the differences between men and women to achieve maximum effectiveness in any situation. Further, and specifically in relation to wastage, women should be assured that there are no procedural barriers to their career advancement.

### Ethnic Recruiting

8.16 The Australian Bureau of Statistics' projections of Australian population indicate that there will be a decline in the 15 to 24 year age group over the period up to 1999. However, the impact of this will be reduced by the effect of immigration.

Table 8.1: OFFICER, OFFICER CADET AND OTHER RANK SEPARATIONS  
(FEMALES)  
(AS A PERCENTAGE OF AVERAGE STRENGTH)

	<u>1977-78</u>	<u>1986-87</u>
ADF	25.8	20.2

OFFICERS AND CADETS

ADF	19.9	15.3
RAN	17.1	18.9
ARA	20.1	17.1
RAAF	20.9	11.1

OTHER RANKS

ADF	26.5	21.1
RAN	31.2	18.5
ARA	20.2	26.9
RAAF	30.2	17.1

Source: Department of Defence, Submission, pp S1579-1619

The immigrant population represents a significant portion of Australia's population. One in five of all Australians is foreign born. The average migrant to Australia is five years younger than the average Australian and, therefore, more migrants tend to fall into the 15 to 24 year old age group - the prime age group for enlistment.

8.17 Non-Anglo-Saxons have historically been under-represented in the ADF. Table 8.2 presents a comparison between the participation rate as a percentage of the work force and as a percentage of the armed forces both for a variety of immigrant groups and Aborigines and Torres Strait Islanders.

8.18 There are good reasons why Defence should recruit more extensively from those groups: these include the desirability of the Force reflecting the community as far as is possible, spreading the burden of national security among all sections of the community, and promoting national cohesion. In the context of this inquiry the main reason, however, again is that of trying to give the ADF access to the widest range of community skills and qualities. The Committee concludes that in the future, the ADF should encourage recruitment from those groups presently under-represented in the Force. The objective of any such increase should be to widen the recruiting base without either impacting adversely on wastage rates or decreasing the combat potential of the Force.

### Retention Packages

8.19 Offering selective retention packages to individuals whose services an organisation values is a common practice in the private sector. Retention/recruitment schemes have also existed

TABLE 8.2

Participation Rates of Immigrant Groups and  
Aborigines and Torres Strait Islanders in the ADF

	% of workforce	% of Armed Forces
Total UK and Ireland	9.53	12.37
Total North and South America	0.74	0.94
Italy	2.58	0.19
Greece	1.41	0.05
Yugoslavia	1.42	0.20
Lebanon	0.34	0.01
Vietnam	0.22	0.0
Total Asia	2.81	1.32

ABORIGINES AND TORRES STRAIT ISLANDERS

	% of workforce	% of Armed Forces
Aborigines	0.45	0.26
Islanders	0.07	0.06

Source: Australian Bureau of Statistics

in the ADF for years, primarily in the de facto form of extra pay to special skill groups such as medical practitioners and lawyers. The fact that the Force has been able to attract people to serve in those categories indicates that giving special recognition to those whose services are in higher demand has been at least partially successful. The same rationale is evident in the September 1988 Flying Allowance Determination by the DFRT, in which average increases in the order of 135 per cent were awarded to ADF aircrew in part because of 'very serious problems in maintaining (Defence Force) operational capacity due to increased losses of experienced pilots'.

8.20 The ADF has also used retention bonuses, with limited success. For some years a general re-engagement bounty of \$1,000 was paid to enlisted ranks who signed on again. That bounty eventually was withdrawn. As Squadron Leader M.J. Rawlinson has pointed out, examination showed the general bounty to be a source of increased manpower costs (Rawlinson, 1978, pp 251-2). For a re-engagement bounty to generate cost savings it needs to be selective in application and confined to technician and other categories which have high replacement costs. Because of the large surplus payment which will be made to personnel who will re-engage regardless, re-engagement rates of about 55 per cent need to be experienced before a bounty is introduced. Rawlinson suggested that:

When paid, the bounty requires to be a significant fraction of salary such as to achieve civilian earnings parity over the bounty period. Calculations should be based upon a minimum rate of 'unavoidable' wastage of 15 per cent and all relevant economic factors carefully considered (Rawlinson, 1978, pp 251-2).

Plainly the \$1,000 general bounty did not comply with those criteria. As Rawlinson pointed out, it lacked 'economic rationale in respect of personnel replacement costs'.

8.21 Most recently, a \$70,000 once-only retention bonus was offered to ADF pilots in return for a six-year return of service commitment. Despite initial Government claims to the contrary, that initiative has not been successful to date. The group the Government really needed to target was the RAAF's fast-jet and heavy-transport/multi-engine pilots. Instead, the highest take-up rate - almost 100 per cent - was among Army pilots, who are not as attractive to the airlines. In the RAAF, the highest take-up rate has been amongst rotary-wing pilots who also are likely to be less acceptable to civil airlines. Only 53 per cent of eligible Air Force pilots accepted the initial offer of the bonus, while only 33 per cent accepted from the second round. Accordingly, one could question the manner in which the scheme has been managed, as in many cases it seems probable that the Government simply has given \$70,000 to people who would have stayed in the ADF regardless of any bonus payment. The management of the bonus seems to have been poor. There appears to have been some confusion over how it was to apply, with the Assistant Chief of Personnel-Air Staff first advising pilots that 'resignation provisions have not altered as a consequence of the pilot-retention bonus', then seven days later having to reverse that announcement by confirming the six-year obligation. Perhaps even more inefficient was the apparent failure of senior Defence management to carry out a survey to determine the likely success rate of the scheme. Such a survey would had to have included those specialists who were not eligible for the bonus, and who in fact may have decided to resign because they were excluded. In the long-term, the pilot bonus may prove to have been counter-productive. The point is that the range of possible outcomes should have been surveyed in advance.

8.22 Notwithstanding the relative failure of the general re-enlistment and pilot retention schemes, the Committee considers that if high separation rates continue to undermine the quality of the ADF personnel base, attractive retention packages



may become essential. Those packages would have to be properly managed and not presented as a knee-jerk reaction to an apparent crisis. Their preparation and management would benefit from the kind of proactive wastage analysis which this report has argued the ADF needs, and any scheme should be implemented only in the light of a thorough assessment of the likely costs and benefits. Further, and most important, as the issue under discussion here is one of quality, we would see such packages being offered on a far more selective - that is, individual - basis than has been the case in the past. As the Chief of the Air Staff argued to this Committee, attractive retention packages should be offered 'to the good people' (Evidence, 21 July 1988, p 606).

8.23 Retention bonus/packages might include some or all of the following: telephone, car and spouse-travel allowances; special housing loans; exemption from the graduate tax for tertiary or equivalent students; subsidised combined insurance and investment packages (see Juddery, 1988); and increased superannuation benefits. Packages should be flexible enough to meet individual needs.

8.24 The Committee recommends that the Minister for Defence Science and Personnel investigate the development of a range of selective retention packages for individuals or specialist groups in the ADF.

## CHAPTER NINE

### CONCLUSION

9.1 A central theme of this report has been that the ADF is a unique institution. It is essential to maintain the organic connection between a defence force and the wider civilian community it serves; and one of the main factors in that process must be the recognition of the special circumstances under which defence personnel and their families live.

9.2 That recognition must also extend to an understanding of the contribution the ADF makes to the Australian community. Members of the Defence Force contribute significantly to regional stability, the law and order of the nation, the maintenance of national prosperity and trade, and the protection of valuable off-shore assets. During emergencies such as bushfires, cyclones and similar natural disasters, it is the ADF to whom the community turns for a vital proportion of the support effort. There are many more contributions which the ADF makes to Australian society, a number of which, like those mentioned, involve considerable danger, personal inconvenience and hardship for Defence personnel. Finally, as the 1987 Defence White Paper stated, 'Australians have a right to expect that their nation is able to defend itself. That is at the core of nationhood, and has long been an Australian aspiration'. That fundamental reason for the existence of a defence force requires its members to be ready

to risk their lives at any time to protect their community. The Committee unreservedly endorses the sentiment expressed to the inquiry that 'Any thinking member of Society should regard the ADF as a special and highly respected sub-group in our community'.

9.3 The ethos of service which characterises the ADF demands strong and supportive leadership, from both government and senior defence officials. That leadership should promote public support for the Services, and provide efficient and innovative management, challenging and satisfying careers, and a range of conditions of service which reward and compensate Service men and women for the singular demands which the profession of arms imposes. This Committee believes that continuing vigorous action is necessary in those areas to control the present level of personnel wastage in the ADF which, under the existing organisational arrangements, is excessive and inimical to national defence. The recommendations presented in this report have been framed to achieve that objective.

(G N Bilney, MP)

Chairman

## DISSENT

## Dissent By Senator Jo Vallentine

I disagree with the report in the following areas:

## Normalisation

1. There is a contradiction between the call for a normal way of life for Service families (6.1) and the view of the profession of arms as unique (1.11) and the ADF as a unique institution (1.1 and 4.47). If life in the military was treated as just another ordinary vocation as it is in many other smaller countries and if the mystique and glamour around life in the military was dismissed as it should be, then many of the personnel problems referred to in the Report would not have to be raised. In this respect I cannot endorse the sentiment that the ADF is a special sub-group in our community (4.42).

2. I suggest that the kind of advertising referred to in 5.2 be modified to remove the emphasis on the elite nature of the ADF in line with references to a more normal occupational approach.

3. Examples of the glamour approach to the military that I object to would include Military Tattoos, the Naval Review, Air Shows and military recruitment adverts such as that for the RAN in the Women's Weekly in September 1988 (pp. 90-1).

4. I take strong exception to the recommendations made in 4.56 that Federal and State politicians should receive regular briefings on Australian defence policy, capabilities and personnel along with making regular visits to ADF facilities and units. If the ADF is to be regarded as a normal occupation like any other it should not be singled out for special treatment like this. Briefing on defence policy is a different matter as the ignorance of politicians referred to by Major General Jeffery in 4.56 also derives from excessive government and bureaucratic secrecy.

5. There is also a contradiction with regard to the concept of Servicemen and Servicewomen being socialised with powerful precepts of military discipline (3.6) and not having recourse to industrial action (1.11). Trade Union activity would form more of a part of everyday Australian existence along with the growing recognition of life in the armed forces as being more of a normal occupation than serving in some unique institution.

6. Submissions to the Enquiry indicated that Service families are seeking a more normal lifestyle. Such normalisation will be increasingly difficult with greater concentration of defence facilities in remote areas referred to in 4.36 and 6.24. e.g. Tindal, Derby, Cape York.

7. The proposed removal of a large part of the RAN to Jervis Bay also exacerbates this problem as many families have expressed strong opposition to removal from Sydney. Such a move can hardly be reconciled with the increasing number of RAN officers' spouses pursuing their own careers referred to in 6.29.

8. In this respect I also find myself unable to agree with the reference in 4.43 to 'ill-considered criticism over such issues and the acquisition of land for bases and training or essential operational exercising'. I would agree that some acquisition does amount to land grabs and that some exercises are expensive war games.

#### Community Service

9. The role of Servicemen and Servicewomen in terms of service to the community and providing emergency support in time of crisis is addressed in 1.11 and 4.42. This role should be extended and publicised which would result in Servicemen and Servicewomen being valued more greatly by the wider Australian community. Their jobs would also be more fulfilling, particularly in light of the unusual restrictions referred to in 7.207, the dreariness of certain mindless military duties implied in 5.22, and the sometimes hard and special conditions of service mentioned in 1.11 and 7.68.

#### Equipment Versus Personnel

10. There is a contradiction between orders for expensive and unnecessary military equipment from overseas and money which would be better spent on the kind of personnel improvements recommended. The balance referred to in 4.6 between Capital Equipment, Facilities, Personnel and Operating Costs - and the imbalance since 1981-82 referred to in 4.14 - are political issues which should be addressed more fully.

## Transarmament

11. Much of the time spent away from home by Servicemen and Servicewomen is caused by Australia's military alliance commitments. A policy of genuine self-reliance, that is non-alignment and defensive defence, would do a great deal to provide more stability for Service families by reducing commitments for overseas engagements. This would also help to reduce the sea-shore posting ratio of 3 : 1-1/2 years referred to in 3.4.

12. With more emphasis on the Reserve, as stressed by Colonel Langtry in 8.4, as well as a rundown in the Russell Hill bureaucracy, there will be a reduction in wages and related costs allowing for greater expenditure on the recommendations suggested, including housing improvements and better service conditions. Ultimately, through a strategy of transarmament leading to civilian-based or social defence, there will not be any need for a professional military force at all.

---

These points of dissension should not be interpreted as showing disregard for the goodwill and dedication of members of the ADF. Neither do they reflect a lack of caring about current conditions of service. I share with other members of the Committee great concern about pressures on Service families and look forward to improved conditions which will alleviate some of the problems.

Jo Vallentine  
Senator

## VISITS TO DEFENCE ESTABLISHMENTS

1. During the course of the inquiry the Committee visited numerous Defence establishments. Some visits were undertaken primarily to give members an opportunity to gain first-hand perceptions of Australia's defence from those charged with its implementation in the field and to view some of the basic force structure elements of each of the Services; while others were scheduled for the sole purpose of discussing separation issues with Service men and women of all ranks and musterings. Regardless of the purpose of any visit, the Committee found that Service personnel generally were aware of the debate on separations and were usually keen to discuss the topic. Exchanges almost invariably were forthright, and it was plain that for many feelings on the subject were strong.

2. This appendix summarises the major points on personnel wastage which arose during field trips. No attempt has been made to relate particular items to particular establishments or individuals, as discussions were informal and we do not believe it would be appropriate to present the information in other than a general fashion. Some issues, of course, clearly will relate to an identifiable Service or unit.

3. While our findings here are presented in a general format, we should stress that there was wide agreement across the Force on the main points at issue. The factors which are contributing to the unusually high separation rate from the ADF tend to be the same regardless of rank or mustering. We would also emphasise that the opinions reported in this section are those of the Service personnel with whom we spoke, and not necessarily the Committee's.



## Units Visited, 1988

29 February	.	HQ 3rd Brigade, Townsville
	.	RAAF Base Townsville
1 March	.	RAAF Base Darwin
	.	HQ 7th Military District
2 March	.	Darwin Naval Base
	.	RAAF Base Tindal
3 March	.	NCS Harold E Holt
	.	HMAS Stirling
2 May	.	HMAS Kuttabul
3 May	.	RAAF Base Amberley
	.	1 Division Units, Enoggera
4 May	.	ODF Units, Townsville
	.	RAAF Base Townsville
12 May	.	Army and RAAF Units, Shoalwater Bay
15/16 August	.	HMAS Waterhen, HMAS Penguin

4. Discussions were also held with former RAAF pilots at the Qantas Jet Base, Mascot, on 2 May, while Committee members made numerous private visits to Defence units.

### Observations

5. Listed below are the issues which most commonly arose. The Committee acknowledges that the nature of the inquiry tends almost inevitably to focus on negative aspects of Service life. Notwithstanding that, our judgment is that on balance the concerns reported here are genuinely felt and contribute in varying degrees to the present high rate of separations from the Defence Force.

#### Job Satisfaction

6. Almost without exception a lack of job satisfaction was cited by individuals who had or were about to resign. Specific issues included:

- . Poor equipment. This was particularly strong in the Army, where dissatisfaction with boots, webbing and combat uniforms was widespread. Apparently it is not uncommon for a combat soldier to spend in the order of \$1,500 of his own money to buy a decent backpack, fatigues and wet weather gear.

An operational platoon commander told the Committee that his Brigade was deficient in such basic items as compasses and watches.

- . Training. Again, dissatisfaction with training was most keenly felt in the Army. Many exercises were said to be boring and repetitive, and of little value. Two other significant issues arose. First, a number of soldiers and SNCOs expressed concern with the low experience level of many junior officers and NCOs, a situation they

attributed to high wastage rates. That inexperience, it was suggested, contributed to unsatisfactory training. Second, the high wastage rate was linked to the prevailing constrained personnel establishment levels, with the end result being undermanned units.

Two company commanders stated that, against an establishment of 118 personnel for an infantry rifle battalion, one had 42 soldiers and the other 43. Consequently, training was unrealistic and inadequate, to the extent where it could be counter-productive.

- . Misemployment. Many members stated that they were employed out of their specialist category. Extreme resentment was expressed by soldiers at having to undertake 'demeaning' mess duties in officers' and SNCOs' messes even though they had been recruited to be and had become qualified as highly skilled specialists.

The Committee was told of the case of an RAAF Airfield Defence Squadron whose members are trained in such skills as airfield/aircraft assault and sniping, yet who for 12 months were employed full-time on guard duties at three RAAF bases, checking traffic in and out.

- . Staff Duties. Some personnel felt that their training for staff postings was unsatisfactory and that their performance suffered accordingly. A strong antipathy towards the prospect of employment in the Russell Offices complex was expressed, particularly by 'combat' corps officers from all three Services. Russell was seen as a stultifying and depressing work environment because of a perceived Public Service domination and the inability of individuals to achieve anything.

## Leadership and Morale

7. A disturbing theme which emerged at all establishments was an apparent loss of faith and confidence in leadership at governmental and higher Defence levels. To a large extent this seems to originate from the belief that the Government no longer sees the Defence Force as special, instead viewing it as just another 'union' organisation but which, because it does not exercise industrial power, does not have to be listened to like other organisations. Many Service personnel we spoke with also believed that the Government had decided to concentrate on equipment at the expense of people. Specific leadership issues which repeatedly arose included:

- . perceived ill-advised and ill-considered statements that either there was not a wastage problem in the ADF, or that wastage was a 'good' thing for the Defence Force;
- . the selective wage-freeze applied to the ADF in 1982-85;
- . the fact that senior ADF officers are in a different wage-fixing system to the personnel they lead; and
- . the failure of CDF at least to appeal against the 1987 Service Allowance decision.

8. There was a strong feeling among many that their work was no longer appreciated by their leaders. This belief impacts with particular force in an organisation in which the essential ethos remains one of duty, loyalty and service.

9. The over-riding sentiment expressed towards the higher defence organisation in Canberra is one of cynicism and distrust. Two distinct Defence Forces were identified by many of the Service men and women with whom we spoke: Canberra and the rest. There is a pervasive belief that 'Canberra' is out of touch. A

Navy officer observed that the RAN has only 12 front-line surface ships, yet there are 12 Rear Admirals in Canberra.

10. Communications downwards was said to be a significant problem. A Colonel-equivalent officer mentioned an instance in which, in the interests of keeping his personnel well-informed, he sought advice from Canberra regarding a particular allowance. He was advised that no action was expected in the immediate future, and so advised his soldiers accordingly. Several hours later a ministerial announcement was made notifying personnel of significant changes to that condition of service. As the officer concerned pointed out, this incident undermined his credibility and authority. Similar kinds of communications breakdowns were cited by other commanders.

11. Many soldiers, sailors and airmen believe that the ADF's 'Generals' are impotent when it comes to fighting for resources and improved conditions with the bureaucrats in Canberra. In that context, the kind of incident referred to in the preceding paragraph would be mentioned, along with the 1982-85 wage freeze, the eventual 5.9 per cent anomaly pay catch-up in 1985 ('too little too late ... the damage had been done by then') and the 1987 Service Allowance case. Senior officers were seen by some more as politicians than soldiers. That sort of perception has the potential to be very damaging to the morale of the Defence Force.

12. A most disturbing suggestion was that made by a group of SNCOs that the loss of confidence in the leadership has undermined discipline and made it difficult for supervisors to enforce their authority.

### Excessive Overtime and Workloads

13. At a number of units the Committee was advised that long to excessive working days are the norm rather than the exception. A general consensus emerged that the ADF can no longer do 'more with less'; that the limit had either been reached or exceeded. It was stated that large amounts of unrecompensed overtime are being worked - that is, members of the ADF are subsidising the Government and the Force to unreasonable levels. It seemed that the impact of high wastage was being exacerbated by the constrained manpower ceilings which apply in the ADF. Examples mentioned included the following:

- . Four former RAAF pilots who had recently joined Qantas had left the Air Force with 83, 63, 48 and 39 days credit of recreation leave respectively, and had little chance of taking that leave had they remained in the ADF. One of the pilots also had 25 weekend days leave accrued.
- . An RAAF maintenance engineer advised that technical airmen in his squadron were working a total of 400 hours unrecompensed overtime a month
  - most airmen were owed four days leave
  - some airmen had accumulated 150 to 200 hours of short leave.
- . At the ODF, personnel stated that they were working through scheduled meal and rest times because of staff shortages
  - one individual advised that prior to going on an exercise he had worked for two weeks out of hours to complete essential maintenance on his unit vehicle, as during the day he had been rostered on mess duties.

- . Naval personnel advised that many billets are not filled, which places greater demands on everyone. A group of senior officers assessed that the rate at which people are worked has increased significantly in the past couple of years.
- . At some units it was claimed that it is effectively impossible to take long service leave: the leave will only be granted if the unit agrees that no replacement is necessary. If they accept that condition, they leave themselves liable to the charge that the position cannot be critical, and that it should be disestablished.

#### Constrained Staff Ceilings

14. There is a nexus between constrained staff ceilings, high wastage rates and low morale. A former RAAF Qualified Flying Instructor (QFI) made the judgment that the combination of high wastage and inflexible staff ceilings was placing units under severe stress. At the RAAF's Central Flying School, for example, the number of students undergoing QFI training reportedly had been increased from 12 per course to 16, in an attempt to redress the extremely high loss rate of pilots; however, no increase had been made to the instructional staff. Consequently, he felt, the QFIs were under real pressure. He further pointed out that when QFIs were attached away from the unit for courses (which sometimes might last six weeks) no relief manning was provided. The Committee was told that members of the Roulettes aerobatic team - who fly in the team as a secondary role to their instructional duties - had only a nine-day break in December 1987 between the completion of their instructional duties for the year and starting to practise their aerobatic routine for their Bicentennial commitments.

15. Senior RAN personnel stated that on a number of Navy ships operational billets are being filled by personnel who are still under training. This greatly increases the pressure on the more experienced staff, who find that they are required to complete more 'hands-on' work themselves simply to keep a ship running, which in turn is likely to reduce their time and capacity satisfactorily to supervise less experienced personnel.

16. The critical operational category of Principal Warfare Officer has a 25 per cent staffing shortfall. Some officers saw this as seriously undermining the RAN's operational effectiveness.

17. Within some sections of the Army's 1st Division there was palpable resentment towards the increasing involvement of ARes units, which was seen as a direct consequence of undermanning and wastage in Regular units.

#### Capabilities

18. Members of all three Services on a number of separate occasions stated that wastage was undermining force capability, which in turn lowered confidence and bred cynicism in leadership, and so engendered more wastage. It was strongly inferred that lower experience levels and the pressures on experienced staff had or were likely to contribute to serious accidents.

#### Personnel Management

19. Service men and women tend to have a very poor opinion of their organisation's personnel management procedures, with Air Force members being particularly critical.



- . **Personnel Staff.** Members were keenly aware that there is no specialist personnel branch within the ADF and little formal training. The high turnover of staff which wastage causes was also seen as affecting the career managers, further reducing what little capacity there is to manage. A number of RAAF officers were critical of the domination of personnel matters by pilots, whom they claimed were often disinterested or had no previous personnel management experience.

The apparent lack of a coherent Force-wide personnel policy was seen to reflect on the responsible Branches' capabilities.

- . **Liaison.** Once again, the argument that Canberra-based staff are out of touch was raised. Poor communication down the line was considered a major issue, to the extent that personnel liaison teams going into the field had a credibility problem. Many people believe that they simply are not listened to - a belief which is reinforced by the sometimes seemingly incongruous postings which result from high wastage.
- . **Posting Turbulence.** The adverse consequences of unwanted postings are difficult to overstate. The need for stability at critical career and family stages was one of the most commonly raised factors associated with prompting a resignation.
- . **Career Development.** Dissatisfaction was expressed with the absence of logical career development. Highly specialised personnel in particular experienced marked frustration at being employed out of category. A significant number suggested it was time for the ADF to move away from the 'generalist' career concept for officers in particular, and promote a more specialised

career structure. The failure by a Service to utilise an individual's skills and training was seen to cause professional frustration and ultimately resignation.

- . **The \$70,000 bonus.** The \$70,000 bonus offered to certain pilots in mid-1988 was generally seen as an ill-considered and divisive move. Qantas pilots said that it would have made no difference to their decision to leave, and some serving pilots thought that the bonus would be accepted only by those who were going to stay anyway. The failure of the Government and senior Defence management to consult with personnel before announcing the initiative was resented. In general the exercise was seen as 'showing no goodwill' to the rest of the ADF. Many members believed it denigrated their efforts.

#### Members without Families

20. A large proportion of the ADF is categorised as 'members without families', that is, they are usually single and live on Service establishments. Strong resentment was expressed from all three Services about the discrimination the 'single members' are subjected to over conditions of service. Items which invariably were raised included the following:

- . **Removal of Effects.** In most circumstances unmarried members are not entitled to a full removal of their effects on posting. This is seen as unfair and unrealistic. The recent relaxation of that regulation to permit members who are receiving Living Out Allowance a full removal was not seen as adequate, as it only applies to a small number of people.
- . **Disturbance Allowance.** Similarly, there was considerable resentment at the reduced amount of disturbance allowance paid to single personnel.

- . Barracks Accommodation. Some of the comment about barracks accommodation was scathing. In 1988, many young single people are not prepared to live in rooms that may be run-down, over-crowded, hot/cold at the wrong time and poorly furnished. Some single enlisted personnel told the Committee they were living off-base at considerable expense because the accommodation provided by the ADF was not acceptable.
- . Rations and Quarters. Personnel of the same rank group pay the same amount for rations and quarters (R&Q) regardless of the standard of accommodation and food provided. This was considered iniquitous.
- . Constraints on Lifestyle. The Services' intrusion into the lifestyle of those who live on-base was seen as gratuitous and quite out of step with the times. People resented the enforcement of regulations prohibiting drinking alcohol and entertaining guests; while inspections and similar activities were described as unnecessarily intrusive. They were all restrictions to which married members were not subjected, and therefore were seen as discriminatory.

#### Conditions of Service

21. There is no doubt that dissatisfaction over conditions of service is very strong. In some instances the Committee felt that the dissatisfaction was ill-founded, but also accepts that is not necessarily the issue: the point is that people believe their conditions have been allowed to worsen by an insensitive and/or incompetent leadership. Thus, a focus on conditions of service may be misleading. By the same token, because so much attention has centred on those conditions, it is likely that conditions

will have to be addressed if morale is to be raised. It further appears that the perceived erosion of conditions of service has been a progressive phenomenon, building up over a number of years.

## Pay

22. Without doubt the 1982-85 pay freeze has been of major importance in causing disaffection in the ADF. Comment focused on the discriminatory enforcement of the freeze, especially in comparison with the Public Service. The anomaly payment of 5.9 per cent when it came was a severe disappointment, being seen as too little too late. All in all, the episode appears to have been most harmful to Force morale.

23. As well as the wage freeze, mention frequently was made of salary compression. This was commented on particularly in relation to the Major(e) and above level, and for Warrant Officers. In the latter case, the absence of increments after reaching the WO1 level was considered to provide little incentive to continue serving more than a few years in that rank; while for the former case, many officers gave examples in which promotion to Lieutenant Colonel(e) resulted in only a few dollars more per week, despite the substantial increase in responsibility. One RAN officer presented the example of his subordinate receiving \$30 a week more than he.

24. Opinions over levels of pay varied somewhat. The case was often put that, in particular, engineers could earn a deal more if they left the ADF; while there was concern that a married Corporal with two children could be below the official poverty line.

### Service Allowance

25. There can be no doubt that the decision not to appeal against the DFRT's 1987 determination has been a public relations disaster for HQADF. Personnel appear to view the Service Allowance primarily as an overtime payment, and for those working over 50 hours a week - and in some cases not even receiving compensatory short leave - the current level of \$4,002 is regarded as quite inadequate. Perhaps more important, though, was that personnel wanted to see their leadership at least challenge what was considered to be an unsatisfactory determination by the DFRT.

26. Coming after the disappointment of the wage-freeze, the handling of the Service Allowance case caused intense dissatisfaction.

### Housing

27. Defence Force members seemed to be well-informed on the progress of the Defence Housing Authority, about which great expectations exist. The benefits of the Government's housing program are already evident at HMAS Stirling, and in turn this was apparent in the positive comments there on this matter. There was considerable optimism at Darwin over the married quarter refurbishment program, while at Tindal the standard is uniformly excellent.

28. For many other localities, however, housing remains one of the major problems. In 1988, disgracefully sub-standard housing in welfare areas is no longer acceptable to ADF personnel, and the fact that so much Defence housing still falls into that category constitutes a major factor in decisions to resign. A further serious shortcoming identified at all locations was an often abysmal standard of repairs and maintenance, in

which there appeared to be a high incidence of slow response (four months delay was said to be not uncommon), and disinterested and discourteous workmen. Again, it was expected that the DHA would rectify that serious source of resentment.

29. It is plain that the very poor quality of Defence Housing has been a major factor in the development of the belief that Service men and women are regarded as second class citizens by the community they serve. The resolution of this long-standing problem would have a significant positive impact on morale.

#### Temporary Rental Allowance

30. The provisions for Temporary Rental Allowance are manifestly inadequate for certain locations. A good case in point was provided by Navy personnel in Sydney, where a large number of people are located with the Fleet and Support Command Headquarters. As at May 1988 rental for an 'adequate' three bedroom house started at \$350 per week - if indeed one could be found within a reasonable distance of the Headquarters. If the house also had a garage or study (for storage) the rent would rise to at least \$370. Yet even for an RAN Captain the TRA ceiling was only \$293. For lower ranks the position was worse.

31. At the start of a posting when that upper level of TRA may have to be paid, it sometimes takes up to six weeks before TRA payments are received. The Committee was advised of one case in which the combined bond and rental payments put a Navy officer \$4,300 out of pocket over an eight week period. Many members simply cannot afford that kind of money, while others find that they suffer hardship.

32. There was a belief that those with the authority to pay TRA excess are reluctant to do so, even though members may have looked at many houses.

## DFRDB

33. Younger officers suggested that the DFRDB scheme may be a little outdated. Others, however, cautioned against playing around at the margins with a scheme which, they felt, still provided a good level of benefits. Most of those who raised the topic agreed that the 2 per cent discounting applied in 1986 should be restored. Areas of the scheme which some suggested should be looked at included:

- . the 3 per cent per annum penalty applied to officers who retire below their notional retiring age;
- . the increased taxation levels payable on lump sums introduced in 1986, which is seen as unfair to those ADF combat personnel who have a relatively young compulsory retiring age;
- . inability to take the superannuation entirely as a lump sum; and
- . the fact that those who leave the ADF without qualifying for a pension receive only their contributions - minus an administrative charge - that is, there is no interest earned.

## Disturbance Allowance

34. The May 1988 maximum level of Disturbance Allowance of \$700 is considered to be about half of that which would be fair. It was argued that the allowance simply does not compensate for moves involving reasonable climatic change, minor damage to effects, loss of club membership, changing bank accounts,

transferring insurance, accommodation improvements, school expenses, house furnishings and the like. A senior RAAF officer told the Committee that his most recent move had left him \$2,000 out of pocket.

#### Flying Allowance

35. Some aircrew pointed to the apparent anomaly of Department of Transport pilots receiving a flying allowance of between \$10,000 and \$12,000 per annum, compared to the ADF's \$3,5000 (this comment was made prior to the September 1988 Flying Allowance determination).

#### Defence Service Home Loan

36. The Government's inability to decide what should happen to the DSHL since the previous scheme was abrogated in May 1985 was seen as another instance of unreliable leadership and the erosion of conditions. Further, the confusion in late 1987 over the 'on again, off again' decision to replace the loan with a grant was universally viewed as a fiasco which was indicative of incompetent management. For a few unfortunate personnel, that prevarication cost them a substantial amount of money.

37. The amount of the loan is widely seen as inadequate. It was also said that, depending on one's financiers, it is in fact useless, as some institutions will not accept a first mortgage, and by itself the loan will not buy any sort of accommodation.

#### Education Allowance

38. With the focus of Australia's strategic outlook shifting towards the north, access to education allowance is seen as



increasingly important as parents posted to remote localities seek educational stability for their children. The current provisions for Education Allowance are considered far too narrow. Frequent mention was made of the fact that from a Force of some 70,000 people, only about 80 families (in May 1988) were getting the allowance.

#### Uniform Maintenance Allowance

39. Personnel at the lower pay scales in particular were extremely dissatisfied with the annual UMA payment of \$240. Service personnel are required to maintain a high standard of appearance - indeed, formal disciplinary action can be taken against them if they do not - and, with one pair of jungle greens costing \$7.50 to clean, \$240 does not go far. That situation is exacerbated by the necessity to buy replacement items, which in the past could have been exchanged.

#### Delays in Processing Allowances

40. Throughout the ADF there seems to be a considerable resentment towards perceived Public Service-initiated delays in paying or processing claims. Whether or not this is true, the perception exists and does little to help ADF morale or the smooth functioning of the Force. It is a matter which needs the serious attention of senior management.

#### Short Leave

41. Short leave or leave-in-lieu can be granted by a commander to compensate individuals for 'overtime'. It appears to be a common practice to stipulate when an individual can take short leave, that is, they take it when it is convenient to the

ADF and not necessarily to themselves. Many personnel questioned the 'recuperative' value of leave taken in those circumstances.

### Conclusion

42. The observations presented here represent the findings of discussions with hundreds of Service men and women throughout the ADF. We believe the similarity of these findings to those presented in written submission is noteworthy, and further indicates that there are some considerable personnel management problems within the Defence Force.

43. The Committee wishes to record its thanks to the senior managers of the Defence organisation who facilitated our visits to Defence units, to base and unit commanders who made local arrangements, and to the many Service men and women who met and spoke with us, presenting the issues as they saw them in a frank and forthright manner. Finally, while the question of personnel wastage is a vexed and negative matter for the ADF, we should say that almost without exception we were impressed by both the high standard at which routine activities associated with our visits were completed, and the commitment and quality of the Service people with whom we met.

## HAMILTON REPORT

## SUMMARY OF RECOMMENDATIONS

1. This section summarises the package of recommendations included in this report, and aims to give an overview of that package. It does not necessarily follow the order in which recommendations occur in the report. For a complete understanding of the detail of individual recommendations reference should be made to the relevant paragraphs in the body of the report.

2. The costings given are intended to be indicative of the order of costs involved. In many cases more accurate costings would not have been possible because the necessary demographic information about service families was not readily available. I have suggested in my recommendations that the proposed new Australian Defence Families Information and Liaison Service should address itself to the needs for information in this area, to assist it with its own planning and development activities.

## RECOMMENDATIONS

## Immediate commitment to improved family morale

3. There should be an immediate clear directive at Ministerial level that the issue of family morale in the Australian Defence Force is one of high priority and that a

Careful examination should be made of ways in which adequate resources can be directed to dealing with problems in this area.

#### Review of postings and promotion policies

4. A senior person should be appointed to undertake a thorough examination of postings and promotion policies in all three services. The objectives of this review should include, but not be limited to:

- . identifying as many cases as possible where geographic stability over at least three years can be achieved in peacetime for those serving members who prefer it;
- . recommending ways in which current systems can be redesigned to ensure that relevant and important family related considerations, such as crucial stages in children's education, the severe illness of extended family members, or the special needs of children with disabilities, can be taken into account at some times in a member's career development.

#### Australian Defence Families Information and Liaison Service

5. An Australian Defence Families Information and Liaison Service should be created, with a small central co-ordinating unit headed by a Senior Executive Service officer or a person of equivalent rank in the Australian Defence Force.

6. This new Families Information and Liaison Service should absorb elements of the existing Navy Personal Services Organisation, Army Community Services and some RAAF administrative functions into a co-ordinated family support structure for all three services.

7. It should also have a number of new functions, which would be particularly suitable for the employment of spouses of service personnel. Positions to perform these functions should be created on a job sharing basis, both to meet the high demand for part-time work and to give some continuity in the event of postings where spouses of service personnel are employed. The positions would be for family liaison officers, spouse employment officers and education liaison officers. In some areas the employment and education components could be two elements of one shared job. Salary and related costs for these new positions would be in the order of \$4 million, assuming a generous level of staffing. They could obviously be phased in gradually, with a monitoring of the optimum staffing levels. If necessary, these positions could be obtained by redirecting other positions currently being abolished within the Department of Defence as a result of changes in administrative arrangements.

8. Family liaison officers would be the most numerous of these positions, preferably with at least one at each major service establishment or in an area where there are a group of small establishments. They would be a first point of contact for families of service people in the area and would act as information and referral points. They would preferably be accessible to families without the need to come on to a defence base.

9. Their functions would include:

- . helping families to settle into new areas and producing attractive and up-to-date local information material;
- . encouraging family days at bases;
- . developing family support programs to operate at times when serving members are away from home for service reasons;

- . mobilising volunteers from service families in the area to take part in self-help and mutual support projects;
- . facilitating the access of service spouses to emergency house-keeping services;
- . ensuring that spouses living in married quarters around bases have adequate access to facilities such as banking, shopping, and community health services;
- . assisting families with special needs, such as families with disabled children, single parents with special child care needs, separated spouses and Asian spouses.

10. They would also administer a local family liaison fund, made up of contributions through the central co-ordinating unit of the Families Information and Liaison Service, the proceeds of local fund raising efforts and contributions from mess funds. This fund would pay for the production of local information materials, cover expenses for volunteers and support the family liaison officer's community development activities.

11. Spouse employment officers would have an important role in helping spouses of service personnel obtain work if they wanted it. They would:

- . maintain a register of spouses seeking work in the area, and their skills;
- . act as a first point of contact for spouses who were coming into the area and seeking work there;
- . develop a good knowledge of the local employment market, and contacts with employers and the local Chamber of Commerce;

- . take an active role in marketing the skills of service spouses to local employers;
- . promote the employment of spouses of service personnel in suitable civilian positions on bases;
- . counsel spouses coming into the area and those seeking to enter or re-enter the workforce on possible local opportunities, and encourage them to extend their marketable skills by participation in volunteer programs in support of other service families.

12. Education liaison officers (positions which would provide useful employment opportunities for qualified teachers married to service personnel) would assist families in coping with the stresses of education disruptions. They would:

- . liaise with schools about patterns of postings into their area and provide other information useful for the schools' planning purposes;
- . encourage schools to conduct detailed individual assessments of pupils moving out of the area;
- . be a source of information for parents about local curriculums and their differences from other States, and assist students in making transitions between different education systems;
- . draw on a fund administered by the central Families Information and Liaison Service to provide additional tuition for students who need special assistance in making educational transitions;

- . provide additional tuition for students themselves in areas where they are qualified;
- . assist spouses living in the area who want to pursue further education to make informed choices about the options available to them.

13. The central co-ordinating unit of the Families Information and Liaison Service would have the initial function of designing and implementing the integration of existing support services into a co-ordinated system, and of establishing the new functions described above.

14. It would also:

- . support and monitor the activities of its various out-posted officers and evaluate their effectiveness;
- . develop national strategies for
  - improving family support programs for the families of Australian Defence Force members,
  - dealing with the problems of educational turbulence,
  - improving the general employment opportunities of spouses to take up civilian employment with defence establishments;
- . monitor the need for and assist in the development of family counselling and information programs;
- . develop and monitor national and State consultative arrangements to give spouses an opportunity to influence decisions that directly affect their lives.



15. It would act as a central source of up-to-date information for individual spouses and for the out-posted liaison officers on matters of particular relevance to highly mobile families, such as curriculum and other educational differences from State to State, provisions for transferring professional qualifications between States and different States' requirements in relation to adoptions.

16. It would be responsible for apportioning the central contribution to the family liaison fund to be administered by family liaison officers. This contribution would be supplemented by local fund raising activities. I suggest that initially the central contribution be \$5 per year for each service family in the area supported by the family liaison officer (ie not more than about \$190,000 per year once national coverage is achieved).

17. It would administer the fund drawn on by education liaison officers to provide extra tuition at times of educational transition. This is one area where an accurate costing is particularly difficult because it is hard to establish how many children of relevant ages move in any year, and how many of those would need the extra assistance. Based on some very generalised assumptions about these factors, I would estimate that \$300,000 per year might be needed to provide national coverage. Both this fund and the family liaison fund could be phased in gradually as out-posted officers are appointed.

18. The central co-ordinating unit would also develop policy on the desirable balance between service-based support systems and local community-based support facilities. It would administer a small fund I have recommended to provide modest grants to community organisations which have a particularly heavy demand on their services by defence force families. The cost of this fund would be \$150,000 per year.

19. Finally, it would promote the collection of statistical material on the characteristics of service families in Australia, to provide it with a sound base for its own planning and development activities.

#### Internal public relations strategy

20. A co-ordinated internal public relations strategy should be implemented as soon as possible. It should be designed to reinforce the self-esteem of service families and to improve their access to information about the Australian Defence Force and about service life and conditions. There should be a focus on simple and understandable information materials (including non-print material) to cover some of the major areas highlighted in this report. I suggest that \$1 million be devoted to this activity in its first full year of operation. The development of a network of family liaison officers as information and referral points for families will also assist in this area.

#### Child care

21. The Department of Defence should adopt a policy that recognises the special child care needs of service personnel and their spouses and should implement a program to assess the particular needs in this respect of each defence base or location and to devise, within 12 months, strategies for meeting those needs over a phasing in period of five years. I have not attempted to cost the outcome of this process, because I believe a thorough assessment of the various local needs and the appropriate strategies for meeting them is necessary before this can be done.

### Increase in disturbance allowance

22. There should be an increase in the rate of disturbance allowance payable on removals, based on the outcome of a recent survey of member's expenses in this area. Special attention should also be given to the allowance available in respect of each school-age child and to the allowance for the removal of household pets, especially guard dogs. Cost will depend on what is established by the review as a reasonable recompense for expenses incurred.

### Housing

23. I have refrained from making specific recommendations about housing because of the level of activity already taking place in this area. However, I have made a number of observations which may be of interest to those involved in establishing the new Defence Housing Authority. They cover the maintenance of married quarters, dissatisfaction with houses leased from State housing authorities, the management of service housing, poor security, poor fittings, shortages of 4-bedroom accommodation, problems in relation to cleaning houses and some perceived penalties of home ownership.

### Superannuation provisions

24. Any future review of benefits for survivors under the Defence Force Retirement and Death Benefits Scheme should take careful account of their perceived impact on spouses.

#### Reunion travel for families

25. With a view to facilitating reunion travel to a family's home base, there should be an investigation of whether, within the constraints of service requirements, a more reliable system of using empty space on RAAF flights for this purpose could be developed. If this is not possible, other methods of facilitating reunion travel will need to be explored.

#### Entitlements related to unaccompanied postings

26. Where serving members who are entitled to an interstate removal for their family elect to take an unaccompanied posting instead, whatever the reason for that choice, members should be entitled to six domestic economy return airfares between the place to which they are posted and their family's location for every twelve months of the posting. The fares should be transferable to the spouse or dependant children at the member's discretion. While it is difficult for costing purposes to establish how many members would take up this option, costs should be significantly offset by savings on removals and temporary accommodation allowance, and by savings on use of a married quarter or temporary rental allowance where families remain in their own homes.

27. As a general principle, families who opt to remain in the old location while the member takes an unaccompanied posting should be able to retain a married quarter or temporary rental allowance to avoid disrupting their living arrangements. However, there may need to be exceptions to this principle in some special circumstances.

## Health services

28. Qualified medical personnel attached to isolated bases should generally be encouraged to seek local registration and offer a service to dependants in the area, as now occurs in some places.

29. Special attention should be given to the adequacy of obstetric services in the Katherine area to meet the needs of families posted to the new RAAF base at Tindal, as lack of such services causes particular problems of family support in remote or isolated areas.

## Separated spouses

30. The spouse of a serving member who reports the breakdown of the marriage and ceases to claim service benefits in respect of that spouse should be entitled to a removal within Australia. Where spouses prefer to settle in the area where the breakdown occurs they should be able to seek the advice and assistance of the local family liaison officer, particularly where they are occupying a married quarter.

## Education

31. Apart from the assistance with educational transitions which has been recommended as a function of the Families Information and Liaison Service, mid-year moves for families with school-age children should be avoided wherever possible. Where a member accepts a mid-year posting but the spouse and children remain at the old location to the end of a school year, family reunion assistance on the basis described in paragraph 26 should be available pro rata.

32. A small group of qualified teachers who are married to service personnel should be commissioned to redesign, in consultation with relevant service personnel, the individual pupil assessment form currently supplied by the Department of Defence. The maximum cost of this in fees and travel should be \$20,000.

#### Removals

33. Where a serving member cannot be available, for service reasons, to assist his or her spouse during a removal, a special allowance should be made to cover the costs of child care or other domestic assistance for one day at the old location and one day at the new. This allowance would currently need to be set at about \$35 a day. Hopefully the existence of this allowance would act as a disincentive to arrangements that prevent serving spouses from assisting at their own removals, and it would in practice be restricted to the very limited number of families who move while the serving spouse is at sea or on a course or exercise.

34. To ensure that families do not suffer undue stress at the time of the removal, there should be a firm entitlement to at least two nights motel accommodation for a family leaving an area, rather than the variable local arrangements that currently exist.

35. All areas should carefully examine their management of movements into and out of their location by service families, particularly in relation to the use of motel accommodation, as there seems to be significant scope for greater efficiency, and hence reduced stress on families, in this area.

36. The current review of removals to tropical areas, which is examining whether families should be permitted to have their own furniture removed to those areas, should make every effort to accommodate the element of choice that most families are seeking in this respect.

37. A high priority should continue to be given to securing satisfactory arrangements for service families in respect of the interstate transfer of drivers licences and car registrations, which are a source both of considerable expense and of personal inconvenience. Meanwhile, local information kits should include clear advice on local obligations.

38. The Spouses Working Party on Removals, which liaises with the Department of Local Government and Administrative Services on all matters relating to service removals, should note that while recent improvements in removals were reported, there are still extensive complaints about the standards of service provided by removalists and the service provided by the Department of Local Government and Administrative Services in relation to claims for repairs and compensation.

#### Implementation

39. Deputy Secretary A in the Department of Defence, jointly with the Assistant Chief of the Defence Force (Policy), should be responsible for co-ordinating the implementation of these recommendations by relevant areas of the Department and the Australian Defence Force. They should be supported in this by a small, full-time secretariat whose responsibility it should be to co-ordinate within six months the implementation of those recommendations that can be given immediate effect, and to prepare within the same period a detailed strategy of implementation for those with longer-term implications. A progress report should be submitted to the Minister for Defence

at that stage and the brief and composition of the secretariat reviewed and adjusted as necessary.

40. A National Consultative Group of Service Spouses should be established to act as a source of advice on the implementation of these recommendations. The group should be appropriately balanced in representation by service, State or Territory, and rank of serving spouse. The maximum cost of this in fares and sitting fees should be \$15,000.



## APPENDIX 3

## WRITTEN SUBMISSIONS

Sub. No.	Author	Page	Date Authorised for Publication
1	Mr R J C Ridges, OAM	S 2	8 December 87
2	Mrs Helen Berryman	S 18	8 December 87
3	Mrs J L Kent	S 58	8 December 87
4	WGCDR Chris Mills, AM(RAAFGR)	S 61	8 December 87
5	Mr Graeme E Giles	S113	8 December 87
6	Mr Barry Campbell	S125	8 December 87
7	Service SNCO - Anonymous	S132	8 December 87
8	Mr A T Kenos	S135	8 December 87
9	SQNLDR C J Giddings, RAAF	S139	8 December 87
10	Mr John H Robinson	S211	8 December 87
11	Lt Col M C Morrison, RL	S214	16 February 88
12	Dr S K Mugford	S218	16 February 88
13	Mr J Reavell	S225	16 February 88
14	Mr James L Van Dam	S263	16 February 88
15	CAPT R J Bayley, RANEM	S266	16 February 88
16	SQNLDR O Halupka, RAAF	S271	16 February 88
17	Mrs H Dart	S279	16 February 88
18	Mr Richard A Gerdes	S283	16 February 88
19	LSSR P Fricker, RAN	S285	16 February 88
20	SGT B R Kelly, RAAF	S287	16 February 88
21	Mr Ian Lockett, RAN	S290	16 February 88
22	WGCDR P L Morrall, AM, RAAF	S309	16 February 88
23	LEUT D R Burrowes, RAN	S316	16 February 88
24	CPO B Ballantyne, RAN	S319	16 February 88
25	Nation Council of the Australia Defence Association	S321	16 February 88
26	LCPL J Kealy, ARA	S350	16 February 88
27	LEUT P R Ellis, RAN	S352	16 February 88
28	Australian Study Group on Armed Forces and Society at the Australian Defence Force Academy	S356	16 February 88
29	LTCOL R A Kershaw, ARA	S400	16 February 88
30	Mr B Eames	S405	16 February 88
31	COL J MacBride, (Rtd)	S411	16 February 88
32	Mrs A Kiem	S421	16 February 88
33	Mr F Long	S422	16 February 88
34	SGT E C Watkins, RAAF	S423	14 March 88
	SGT E C Watkins, RAAF	S1634	11 April 88
	- SUPPLEMENT		
35	Mrs M L Denham	S432	14 March 88
36	POETP3 James H Moore, RAN	S444	14 March 88
37	Mr H N Trowbridge	S446	14 March 88
38	MAJ W H Davies, ARA	S451	14 March 88
39	LAC R Black, RAAF	S467	14 March 88
40	LCPL P Pyke, ARA	S472	14 March 88

Sub. No.	Author	Page	Date Authorised for Publication	
41	J D Alford	S475	14 March	88
42	COL J O Langtry (Rtd)	S476	14 March	88
43	Mr and Mrs T Molne	S481	14 March	88
44	CPL M R McDonald, RAAF	S482	14 March	88
45	CAPT S K Calvin, ARA	S490	14 March	88
46	LCDR T D Hay, RAN	S502	14 March	88
47	Marian Ruyter	S510	14 March	88
48	LEUT B M Howe, RAN	S512	14 March	88
49	FSGT G Paton, RAAF	S515	14 March	88
50	MAJ J R O'Connor, ARA	S517	14 March	88
51	MAJ A C Grecian, ARA	S521	14 March	88
52	Mrs Sharon C Fotheringham	S527	14 March	88
53	CAPT R N Bridges, ARA	S529	14 March	88
54	SGT J L Haslehurst, RAAF	S534	14 March	88
55	MAJ J P Opie, ARA	S535	14 March	88
56	LTCOL D A Cran, ARA	S537	14 March	88
57	SGT S C Dawson, ARA	S546	14 March	88
58	Portsea Area Branch of the National Consultative Group of Service Spouses	S548	22 March	88
59	Mr I M Scott	S551	22 March	88
60	CMDR E G Hack, RAN	S560	22 March	88
61	Regular Army Soldiers, 16 RWAR	S570	22 March	88
62	LTCOL J D Petrie, ARA	S573	22 March	88
63	SGT M Foster, ARA	S578	22 March	88
64	LCPL K P Jennings, ARA	S582	22 March	88
65	LCDR C Le Marshall, RAN	S586	22 March	88
66	PO Allan C Sharpe, RAN	S613	22 March	88
67	FSGT V J Meade, RAAF	S616	22 March	88
68	FSGT G R Till, RAAF	S618	22 March	88
69	Wife of a Serviceman - Anonymous	S623	22 March	88
70	Mr Gary Presneill	S625	22 March	88
71	LTCOL N J Sutton, ARA	S628	22 March	88
72	D W Belham	S632	22 March	88
73	LT J L Condliffe, ARA	S636	11 April	88
74	L A Smith	S639	11 April	88
75	COL P J Dunn, AM, ARA	S641	11 April	88
76	Mrs Dianne Hodge	S648	11 April	88
77	LEUT T A Clarey, RAN	S650	11 April	88
78	Mr Murray R Warfield	S652	11 April	88
79	WO2 K E Rundell, OAM, ARA	S656	11 April	88
80	MAJ L E J Appelbee, ARA	S659	11 April	88
81	SGT P R Collins, ARA	S665	11 April	88
82	CAPT D A Ryan, ARA	S667	11 April	88
83	Copeland Consultants	S669	11 April	88
84	CPL N G Page, ARA	S692	11 April	88
85	WO2 J L Filgate, ARA	S693	11 April	88
86	WO2 G M Dudycz, ARA	S698	11 April	88
87	Mrs D Smith	S706	11 April	88
88	MAJ N R Bamford, ARA	S708	11 April	88
89	LTCOL M A Hill, ARA	S710	11 April	88
90	SBLT P P Anderson, RAN	S711	11 April	88
91	CMDR M Pike, RAN	S716	11 April	88

Sub. No.	Author	Page	Date Authorised for Publication	
92	SSGT S Bensen, ARA	S731	11 April	88
93	Mr Peter S Jesser	S741	11 April	88
	Mr Peter S Jesser - SUPPLEMENT	S2702	24 August	88
94	LAC L P Donaldson, RAAF	S768	11 April	88
95	WO2 W R G McIver, ARA	S771	11 April	88
96	Mrs A Cattigan	S773	11 April	88
97	SQNLDR C W Goodwin, (Rtd)	S776	11 April	88
98	LTCOL M De Vries, ARA	S790	11 April	88
99	LTCOL I Ferguson, ARA	S801	11 April	88
100	CPOWS A C Wood, RAN	S804	11 April	88
101	Shoalhaven Area Branch of the National Consultative Group of Service Spouses	S807	11 April	88
102	Officers and Soldiers of the 1st Field Regiment, RAA	S810	11 April	88
103	CPO D Gover, RAN	S813	11 April	88
104	Dr N A Jans	S864	11 April	88
105	FSGT G B Hill, RAAF	S896	11 April	88
106	CAPT S N Yates, ARA	S900	11 April	88
107	MAJ C N Mackintosh, ARA	S906	11 April	88
108	Mr D W Bishop	S911	11 April	88
109	E J Dilworth	S913	11 April	88
110	WO2 L E Strong, ARA	S916	11 April	88
111	Mr J M Anthony	S921	11 April	88
112	LCDR C J L Wolzak, RAN	S924	11 April	88
113	LSWTR R R Pope, RAN	S927	11 April	88
114	Senator J Newman	S944	11 April	88
115	AIRCDRE B I Lane, RAAF	S1064	11 April	88
116	SGT K J Chatfield, ARA	S1067	11 April	88
117	SGT P Horton, RAAF	S1071	11 April	88
118	LSM P Norris, RAN	S1087	11 April	88
119	FLTLT W May, RAAF	S1091	11 April	88
	FLTLT W May, RAAF - SUPPLEMENT	S1872	19 April	88
120	Royal Australian Navy	S1096	11 April	88
121	Australian Regular Army	S1133	11 April	88
122	CAPT L Phillips, ARA	S1194	11 April	88
123	The Australian Cadet Forces Association	S1199	11 April	88
124	CAPT W S Jolly, ARA	S1200	11 April	88
125	I J MacKinnon	S1203	11 April	88
126	MAJGEN K J Taylor, AO, RL	S1216	11 April	88
127	LTCOL D J Martindale, ARA	S1231	11 April	88
128	SQNLDR P Gunnell, RAAF	S1233	11 April	88
129	Dr K R Smith	S1238	11 April	88
130	Warrant Officers and Senior Non- Commissioned Officers of the Australian Army Armoured Regiment	S1261	11 April	88
131	AREs Warrant Officers, Non Commission Officers and Other Rankings of C Company, 16 Battalion, The Royal West Australia Regiment	S1274	11 April	88
132	Non Commission Officers and Other Rankings of C Company, 16 Battalion, The Royal West Australia Regiment	S1278	11 April	88

Sub. No.	Author	Page	Date Authorised for Publication	
133	SGT P Terrell, ARA	S1281	11 April	88
134	GPCAPT N J Ford, RAAF	S1284	11 April	88
135	ARA Component of 16 FD BTY RAA	S1326	11 April	88
136	ARA Personnel of Hobart Workshop Platoon, Royal Australian Electrical Mechanical Engineers	S1330	11 April	88
137	Department of Finance	S1338	11 April	88
138	CMDR J W Leech, RAN	S1432	11 April	88
139	SQNLDR A F Fookes, RAAF	S1442	11 April	88
140	LTCOL J F Hickey, ARA	S1454	11 April	88
141	SGT T W Lomax, BEM, ARA	S1456	11 April	88
142	PTE D Josling, ARA	S1457	11 April	88
143	FLT LT K A McRae, RAAF	S1458	11 April	88
144	Officers and Soldiers of the Australian Army Central Records Office	S1465	11 April	88
145	Dr Cathy Downes	S1474	11 April	88
146	Department of Defence (1st Submission)	S1539	11 April	88
147	LTCOL J H Catchlove, ARA	S1620	11 April	88
148	LTCOL J D Healy, ARA	S1628	11 April	88
149	BRIG D A Formby, ARA	S1641	11 April	88
150	LSM J Banks-Smith, RAN	S1661	11 April	88
151	SQNLDR M L Longland, RAAF (Rtd)	S1664	11 April	88
152	SQNLDR G D McDougall, RAAF	S1669	11 April	88
153	Officers & Soldiers of units in the Australian Army 5th Military District	S1674	11 April	88
154	SQNLDR R J Foster, RAAF	S1682	11 April	88
155	Victorian Branch of the Army Reserve Association	S1698	11 April	88
156	Mrs E Fuller	S1701	19 April	88
157	SQNLDR P N Campbell, RAAF	S1707	19 April	88
158	MAJ P G Marshall, ARA	S1719	19 April	88
159	MAJ W E Johnson, ARA	S1723	19 April	88
160	Mr P G Raue	S1727	19 April	88
161	Officers & Soldiers of the Australian Army Directorate of Supply	S1732	19 April	88
162	Mr M J Scanlan	S1761	19 April	88
163	COL P R Rose, ARA	S1763	19 April	88
164	CPL M A Thorpe, ARA	S1767	19 April	88
165	Officers & Soldiers of 139 Signal Squadron, Australian Army	S1771	19 April	88
166	6th Battalion, The Royal Australian Regiment	S1774	19 April	88
167	1st Field Regiment, Royal Australian Artillery	S1778	19 April	88
168	Cairns Branch of the National Consultative Group of Service Spouses	S1790	19 April	88
169	SSGT A J McAlister, ARA	S1796	19 April	88
170	Soldiers of 8th/9th Battalion, Royal Australian Regiment	S1799	19 April	88

Sub. No.	Author	Page	Date Authorised for Publication	
171	LTCOL J D Healy, ARA	S1805	19 April	88
172	WO1 N S Howarth, ARA	S1809	19 April	88
173	LTCOL K Metcalf, ARA	S1813	19 April	88
174	Soldiers of Administration Company 1st Battalion, Royal Australian Regiment	S1815	19 April	88
175	MAJ C C Appleton, ARA	S1821	19 April	88
176	Soldiers of A Company, 1st Battalion, Royal Australian Regiment	S1823	19 April	88
177	Soldiers of BHQ Platoon	S1832	19 April	88
178	Soldiers of 18th Field Squadron, 2nd/3rd Field Engineer Regiment	S1836	19 April	88
179	Soldiers of Support Company, 1st Battalion, Royal Australian Regiment	S1839	19 April	88
180	CAPT (RL) and Mrs L Arnould	S1843	19 April	88
181	LAC R Blincko, RAAF	S1855	19 April	88
182	SGT L Morris, RAAF	S1857	19 April	88
183	LCDR J P D Hodgman, RAN	S1859	19 April	88
184	SSGT A R Seymour, ARA	S1866	19 April	88
185	Students of the 1988 Army Junior Staff Course, Australian Army Land Warfare Centre	S1895	19 April	88
186	WOFF J A Terriss, RAAF	S1903	19 April	88
187	LTCOL R A Stuart, ARA	S1905	19 April	88
188	SBLT M B C Purkiss, RAN	S1952	19 April	88
189	Mr R G Salas	S1982	19 April	88
	Mr R G Salas - SUPPLEMENT	S2102	19 April	88
190	Armed Forces Federation of Aust. Armed Forces Federation of Aust. - SUPPLEMENT	S2051	19 April	88
		S2724	21 July	88
191	National Consultative Group of Service Spouses	S2087	19 April	88
192	Soldiers of 2 Field Supply Battalion, 3 Brigade, ARA	S2106	19 April	88
193	Soldiers of B Company, 1st Battalion Royal Australian Regiment	S2113	19 April	88
194	British Defence Liaison Staff British High Commission, Can.	S2118	19 April	88
195	New Zealand Defence Liaison Staff, New Zealand High Commission, Can.	S2162	26 April	88
196	CMDR J C Marrs, RAN	S2183	26 April	88
197	SGT R E Smee, ARA	S2185	26 April	88
198	WGCDR G F Bates, RAAF	S2188	26 April	88
199	The Returned Services League of Australia	S2198	26 April	88
200	The Defence and Foreign Affairs Committee, A.C.T. Division of the Liberal Party of Australia	S2259	26 April	88
201	MAJ R A Hall, ARA	S2264	17 May	88
202	LTCOL W E Shennan, MBE, ARA	S2274	17 May	88

Sub. No.	Author	Page	Date Authorised for Publication	
203	LEUT K D Stone, RAN	S2307	17 May	88
204	H E (Lynn) Clark	S2317	17 May	88
205	CAPT A E P Pavey, ARA	S2326	17 May	88
206	Mr D J Coffey	S2327	17 May	88
207	Mr D M Quick, QC	S2330	23 May	88
208	LTCOL A J Molan, ARA	S2404	23 May	88
209	Anonymous - Coffs Harbour, NSW	S2413	23 May	88
210	WGCDR L C Williamson (Rtd)	S2417	6 July	88
211	SGT D Daly, RAAF	S2421	6 July	88
212	Department of Industrial Relations	S2439	6 July	88
213	Department of Defence - 2nd Sub.	S2450	6 July	88
214	National Defence Headquarters, Canadian Forces	S2493	6 July	88
215	CDRE J S Dickson, RAN	S2727	6 July	88
216	SGT J J Kelly, RAAF	S2734	6 July	88
217	CPL A D White, ARA	S2738	6 July	88
218	SGT R Warrander, ARA	S2742	6 July	88
219	SGT G F Weston, ARA	S2745	6 July	88
220	LCPL R Speirs, ARA	S2750	6 July	88
221	PTE S Virgo, ARA	S2751	6 July	88
222	PTE L B W Whiteman ARA	S2752	6 July	88
223	Defence Force Remuneration Tribunal	S2753	6 July	88
224	MAJGEN P M Jeffery, AM, MC, ARA	S2755	6 July	88
225	Mr D Edwards	S2770	21 July	88
226	Department of Defence	S2776	24 August	88

## APPENDIX 4

## LIST OF WITNESSES

	Date	Place
<b>Parliament</b>		
Hon R.J. Kelly, MP Minister for Defence Science and Personnel	17 August 1988	Canberra
Senator J.M. Newman	23 May 1988	Canberra
<b>Australian Defence Force</b>		
General P.C. Gration, AO, OBE Chief of the Defence Force	14 March 1988 17 August 1988	Canberra Canberra
Vice Admiral M.W. Hudson, AC, RAN Chief of Naval Staff	6 July 1988	Canberra
Lieutenant General L.G. O'Donnell, AO Chief of the General Staff	6 July 1988	Canberra
Air Marshal R.G. Funnell, AO Chief of the Air Staff	21 July 1988	Canberra
Major General P.R. Phillips, MC Chief of Personnel - Army	11 April 1988	Canberra
Rear Admiral A.M. Carwardine, AM, RAN Chief of Naval Personnel	11 April 1988	Canberra
Commodore P. James, RAN Director General, Service Conditions	11 April 1988	Canberra
Brigadier G. Hellyer Director General, Defence Force Administration Policy	14 March 1988 11 April 1988	Canberra Canberra
Air Commodore R.V. Richardson, AFC Acting Chief of Air Force Personnel	11 April 1988	Canberra
<b>Department of Defence</b>		
Mr A.J. Woods, AO Secretary	14 March 1988	Canberra
Mr R.N. McLeod Deputy Secretary A	14 March 1988 11 April 1988 17 August 1988	Canberra Canberra Canberra

## Returned Services League of Australia

Brigadier A.B. Garland State President, ACT	27 May 1988	Canberra
--	-------------	----------

Mr I.J. Gollings National Secretary	27 May 1988	Canberra
--	-------------	----------

Mrs J.M. Healy Deputy National Secretary	27 May 1988	Canberra
---	-------------	----------

Air Commodore H.A.H. Pickering Member, Conditions of Service Committee	27 May 1988	Canberra
--	-------------	----------

Major General D. Vincent Officer of the League	27 May 1988	Canberra
---	-------------	----------

National Consultative Group of  
Service Spouses

Ms J.E. Cook Convenor	26 April 1988	Canberra
--------------------------	---------------	----------

Mrs J. Long NT Delegate, Air Force	26 April 1988	Canberra
---------------------------------------	---------------	----------

Mrs K.A. McDonald Sydney-Hunter Delegate, Navy	26 April 1988	Canberra
---	---------------	----------

Mrs V.L. Sanderson South-West Sydney Delegate	26 April 1988	Canberra
--	---------------	----------

## Armed Forces Federation of Australia

Lieutenant Colonel R.J. Copley Federal President	17 May 1988	Canberra
---	-------------	----------

Colonel M.J. Bindley Executive Officer	17 May 1988	Canberra
---	-------------	----------

## Private Citizens

Dr C.J. Downes Australian National University	14 March 1988	Canberra
--	---------------	----------

Dr N.A. Jans Canberra College of Advanced Education	27 May 1988	Canberra
---	-------------	----------

Wing Commander C.L. Mills	14 March 1988	Canberra
---------------------------	---------------	----------

Mr D.M. Quick, QC	27 May 1988	Canberra
-------------------	-------------	----------



## LIST OF EXHIBITS

Exhibit No	TITLE	Date Received
1	Album of Photographs of ADF Married Quarters, from NCGSS	26 April 1988
2	Department of Defence documents containing information on: <ul style="list-style-type: none"> <li>. Wastage rate by rank and seniority</li> <li>. Wastage rate by length of service</li> <li>. Wastage rate by age</li> <li>. Wastage rate by specialisation and rank</li> <li>. Period of employment in Personnel Management Positions</li> </ul>	25 May 1988
3	Department of Defence documents containing information on: <ul style="list-style-type: none"> <li>. Personnel seeking discharge from the Navy, Army and Air Force while under a return of service obligation (ROSO) or before recognised break points</li> <li>. Applications for Long Service Leave</li> <li>. Payment of Living-Out Allowance by Navy</li> <li>. Extracts from the Officer Discharge Questionnaires November 1986 to March 1988</li> <li>. The current RAAF Manpower Planning Manual.</li> </ul>	29 June 1988

## SEPARATION FACTORS IDENTIFIED IN SUBMISSIONS

Factor	Rank Order	No. of Submissions in which identified
Housing/Married Quarters	1	75
DFRDB	2	72
Leadership - Government	3	67
Pay	4	66
Posting Turbulence	5	61
Personnel Management	6	51
Job Satisfaction	7	50
Children's Education	8	47
Home Loan	9	46
Allowances (General)	10	45
Leadership - ADF	11	43
Morale	12	42
Equipment	13	36
Training	14	33
Spouse's Career	15	28
Service Allowance	15	28
Removals	17	24
Disturbance Allowance	18	16
Education Allowance	19	9
Child Care	20	4

## ADF RANKS

Navy	Army	Air Force	Stars
Admiral	General	Air Chief Marshal	Four Star
Vice Admiral	Lieutenant General	Air Marshal	Three Star
Rear Admiral	Major General	Air Vice Marshal	Two Star
Commodore	Brigadier	Air Commodore	One Star
Captain	Colonel	Group Captain	
Commander	Lieutenant Colonel	Wing Commander	
Lieutenant Commander	Major	Squadron Leader	
Lieutenant	Captain	Flight Lieutenant	
Sub Lieutenant	Lieutenant	Flying Officer	
Midshipman		Pilot Officer	
Warrant Officer	Warrant Officer Class 1/2	Warrant Officer	
Chief Petty Officer	Staff Sergeant	Flight Sergeant	
Petty Officer	Sergeant	Sergeant	
Leading Seaman	Corporal	Corporal	
Able Seaman	Lance Corporal	Leading Aircraftman	
Seaman	Private	Aircraftman	

## SELECT BIBLIOGRAPHY

- Air Force Association, 'Heading Off a Hemorrhage of Talent', in Air Force Magazine, November 1982
- Armed Forces Federation of Australia, Submission No.1 of 1985 to Defence Force Remuneration Tribunal, Canberra, May 1985
- Australian Army 1 Psych Research Unit, Officer Resignation Questionnaires - Initial Report, Canberra, September 1987
- Australian Army 1 Psych Research Unit, Survey Report - Other Ranks Discharge Questionnaire - January to June 1987, Canberra, September 1987
- Australian Bureau of Statistics, Projections of the Populations of Australia, States and Territories 1984 to 2021, Canberra, 1985
- Australian Defence, (White Paper), Presented to Parliament by the Minister for Defence, the Hon. D.J. Killen, Canberra, AGPS, November 1976
- Australia Post, Personnel Statistics Bulletin 1986-87
- Aviation Week and Space Technology, Service Pilot Retention Problems Ease, 5 October, 1981
- Ayling, S.H., Hare, D.C., and Parkyns, R.C., 'Retention of Trade Qualified Warrant Officers Class One after twenty years service', in Signalman, 15/85, 1985
- Babbage, R., Ball, D., Langtry, J.O., and O'Neill, R., The Development of Australian Army Officers for the 1980s, SDSC, ANU, Canberra, 1978.
- Beazley, the Hon K.C., Government Response to the Report of the Defence Sub-Committee of the Joint Committee on Foreign Affairs, Defence and Trade on the Management of Australia's Defence, 3 June 1988
- Blades, P.J., 'The Effects of Changing Trends and Standards on a Disciplined Service', in Journal of the Australian Naval Institute, February 1987

Brown, Gary, 'The Management of Australia's Defence', in Defence Force Journal, No. 70, May/June 1988

Cheeseman, G.L., 'The RODC: It's not too late to change', in Defence Force Journal, No. 20, Jan/Feb 1980

Committee of Reference for Defence Force Pay, Adequacy of Defence Force Remuneration, Third Report, November 1981

Committee of Reference for Defence Force Pay, Adequacy of Defence Force Remuneration, Fourth Report, August 1982

Cooksey, R.J., Review of Australia's Defence Facilities, Canberra, AGPS, 1988

Copley, R.J., 'The Meaning of Service Allowance', in Rusi Journal, September 1987

Defence Force Remuneration Tribunal, Agreement Between the Commonwealth and the Australian Defence Force, Second Tier Salary Claim, 10 March 1987

Defence Force Remuneration Tribunal, Reasons for Decision and Determination No.5 of 1987, (Service Allowance), July 1987

Defence Industry Newsletter, 29 July 1987

Defence Service Homes Corporation, Annual Report 1985-86, Canberra, AGPS, 1986

Defence Service Homes Corporation, Annual Report 1986-87, Canberra, AGPS, 1987

Department of Defence, Defence Report 1977, Canberra, ACPG, 1977

Department of Defence, Defence Report 1978, Canberra, AGPS, 1978

Department of Defence, Defence Report 1981, Canberra, AGPS, 1981

Department of Defence, Defence Report 1981-82, Canberra, AGPS, 1982

Department of Defence, Defence Report 1983-84, Canberra, AGPS, 1984

Department of Defence, Defence Report 1984-85, Canberra, AGPS, 1985

Department of Defence, Defence Report 1986-87, Canberra, AGPS, 1987

Department of Defence, Policy Information Paper, The Defence of Australia, 1987, (White Paper), Canberra, AGPS, 1987

- Dibb, P., Report to the Minister for Defence, Review of Australia's Defence Capabilities, Canberra, AGPS, 1986
- Downes, C., High Personnel Turnover, Canberra, ANU, 1988
- Faris, John H., 'Economic and Noneconomic Factors of Personnel Recruitment and Retention in the AVF', in Armed Forces and Society, Vol. 10, No. 2, Winter 1984
- Griffiths, D.R., 'Retention of Highly Trained Poses Serious Problem', in Aviation Week and Space Technology, 5 November, 1979
- Groothuis, A.P., (Air Force Office Psychology Service), An Update Report on the Officer Resignation Questionnaire, March 1985
- Hamilton, Sue, Supporting Service Families, April 1986
- Hogan, G.P., 'The Profession of Arms and Officer Career Development', in Defence Force Journal, No. 69, March/April 1988
- Jans, N.A., Careers in Conflict, Canberra, Canberra College of Advanced Education, 1988
- Jans, N.A., 'Main Findings of the Services Officers Careers Study' in Defence Force Journal, No 65, July/August 1987
- Joint Committee on Foreign Affairs, Defence and Trade, The Management of Australia's Defence, Canberra, AGPS, 1987
- Jones, W.D., 'Navy-Marine Corps Pilot/NFO Attrition' in Proceedings, United States Naval Institute, April 1981
- Juddery, B., 'The CBD Storms the Barracks', in Australian Business, Vol. 8 (37), 27 July 1988
- Keisling, Phil, 'Soldiers of Good Fortune', in The Washington Monthly, May 1983
- Kelly, J.F., 'Retention: The Pressure is on', in Proceedings, United States Naval Institute, April 1980
- Kirkby-Jones, W., An Address to the Australian Study Group on Armed Forces and Society, Housing the Defence Force, Canberra, 3 July, 1987
- Legislative Research Service, Parliamentary Library, Conditions of Service in the Regular Defence Force (Basic Paper No. 6), Canberra, 1984

- Lynch, D., 'The Retention of Soldiers', in Combat Arms, October 1984
- Madonna, Raymond C., 'Mid-career Transition: Taking care of our own', in Marine Corps Gazette, January 1981
- McAllister, I., Smith, H., and Moss, S., Survey of the Military Profession in Australia, Canberra, ADFA, June 1988
- Munton, J., 'Defence Forces Super - It's a Scandal', in Australian Investment, June 1988
- Peat, Marwick, Mitchell, Review of Australian Defence Force Posting Policies, Sydney, February 1987
- Pratt, G., 'The Development of Military Industrial Relations in Australia', in Journal of Industrial Relations, Vol. 29 (3), September 1987
- Quester, A.O., and Thomason, J.S., 'Keeping the Force: Retaining Military Careerists', in Armed Forces and Society, Vol. 11, No. 1, Fall 1984
- Quick, D., 'An Independent Arbitrator: The Defence Force Remuneration Tribunal', in H.Smith (Ed.), Rewarding the Defence Force, ADFA, December 1987
- Rawlinson, M.J., Labour Turnover in the Technician and Equivalent Trades of the Royal Australian Air Force: An Economic Analysis, (unpublished thesis), University of Melbourne, 1978
- Report of the Joint Select Committee on Defence Forces Retirement Benefits Legislation (the Jess Report), Canberra, CGPO, 1972
- Report of the Regular Officer Development Committee, Australian Army, Defence Printing Establishment, 1978
- Report to the Congress of the United States by the Comptroller General, Attrition in the Military - An Issue Needing Management Attention, 1980
- Reynolds, N.J., and Hall, W.H., Soldier Attitude and Opinion Survey, 1987
- Salas, R.G., The RAN Officer Retention Survey, Melbourne, 1987
- Scheider, W., 'Personnel Recruitment and Retention: Problems and Prospects for the United States', in Annals, AAPSS, 457, September 1981

- Smith, H., (Ed.), Rewarding the Defence Force, ADFA, December 1987
- Smith, K., 'Attitudes Towards Adventurous Training Activities', in Defence Force Journal, No. 67, Nov/Dec 1987
- Stackhouse, J., 'Defence 87', in The Bulletin, 21 July 1987
- Stolk, Y., Stress, Social Support and the Psychological Health of Service Wives, unpublished M.A. Paper, Melbourne, March 1988
- U.S. News and World Report, April 18, 1988, 'The Military's New Stars'
- Utz, J., (Chairman), The Higher Defence Organisation in Australia, Canberra, AGPS, 1982
- Woolner, D., Funding Australia's Defence, Working Paper No. 77, Strategic and Defence Studies Centre, Australian National University, Canberra, December 1983
- Woolner, D., The Impact of Resource Pressure on Defence Planning, Legislative Research Service, Department of the Parliamentary Library, Canberra, 1986-87