

CHAPTER 5

CURRENT CONDITIONS OF SERVICE

Introduction

5.1 Chapter 1 referred to the unique nature of military service. Media coverage of ADF operations in Timor, Bougainville and the Solomon Islands has enabled Australians to witness this service and recognise its hazardous qualities. More recently, the ADF has played a major role in handling illegal immigrants and has been put on notice to assist in a multinational campaign against terrorism. It should be no surprise, then, that ADF personnel expect special conditions of service in return for providing unique service. Over the past decade, a collection of departmental and independent reports and surveys have indicated that many ADF personnel do not believe they receive adequate remuneration for their service. The commonly held view is that conditions of service are being ‘eroded’ and that this is causing experienced people to separate from the ADF. Unfortunately, this belief was repeated in the evidence presented to the Committee during this Inquiry. This chapter discusses specific conditions of service that are affecting recruitment and retention of **full-time** ADF personnel.

Pay and allowances

Background

5.2 Under present remuneration arrangements, ADF personnel receive a rank-based salary. Allowances are added to this salary according to the nature and location of duty being conducted by the member. The Committee notes that ADF pay and allowances are currently being adjusted and reviewed in accordance with the ADF Enterprise Productivity Arrangement. This Arrangement was heard before the Defence Force Remuneration Tribunal on 11–12 November 1999 and resulted in a two-year program of adjustments to ADF salaries and salary-related allowances. This included a 3.5 per cent per annum salary increase to be phased in between 11 November 1999 and 9 May 2002.¹

5.3 At the time of preparing this Report, the Committee was aware that Major General Barry Nunn was reviewing remuneration arrangements for ADF personnel. The Nunn Review was handed to the Minister for Defence on 31 August 2001. Unfortunately, the fact that the recommendations of the Nunn Review have not yet been made public has prevented the Committee from taking them into account when preparing this Report.

1 Mr Adrian Wellspring, Acting Director-General, Personnel Policy and Conditions Branch, *Statement to Committee*, 21 September 2001, p. B-1

5.4 The Committee received a variety of views on ADF pay and allowances whilst conducting this inquiry. Many respondents indicated that pay was not as significant a retention issue as career management and family support.² However, an equal proportion argued that the level of ADF pay and allowances was the single most important retention issue.³ The Committee was not structured to investigate all aspects of ADF pay and allowances in the same manner as the Nunn Review. Therefore, rather than microscopically exploring all remuneration entitlements, the Committee took the broad approach of investigating those strategic factors that influence ADF pay and allowances.

Base Salary: discrimination by rank or responsibility?

5.5 The ADF salary structures have a number of salary increments at each rank.⁴ In broad terms, these increments represent a time-based progression entitlement and are designed to recognise the level of competency, experience and responsibility usually associated with the rank. However, in real terms, the level of responsibility associated with the rank varies between appointments. For example, the Commander (RAN) appointed to HMAS Anzac carries a greater degree of responsibility for personnel, finance and materiel than the Commander (RAN) appointed as an instructor at the Australian Command and Staff College. Yet each rank level receives the same base salary regardless of responsibility.

5.6 The Committee does not accept the Acting Director-General, Personnel Policy and Conditions Branch view that ‘the additional responsibilities of command can be recognised through non-salary benefits such as the provision of a vehicle or allocation of a tied residence’.⁵ Under existing arrangements, a vehicle is only provided for duty hours and very few Defence Housing Authority (DHA) houses are tied to ADF command appointments. Salary discrimination is clearly a retention issue. An ADF member is discouraged from service if they cannot associate a tangible benefit with additional rank and responsibility. The Committee came to the view that the Department of Defence should develop a system of remuneration that recognises responsibility as well as rank. This view was reinforced by the fact that the issue of salary discrimination was reflected in a great deal of the evidence presented to the Committee. For example:

Another issue is pay, which is probably not given the attention that it warrants. I understand that it is restricted to, say, Public Service rates of pay. But at the key levels, such as commanding officer, there is a lot of risk

2 Flight Lieutenant Andrew Fickling, submission no. 71, p. 1

3 Witness D, *Committee Hansard*, 18 July 2001, p. 46

4 Mr Adrian Wellspring, Acting Director-General, Personnel Policy and Conditions Branch, *Statement to Committee*, 21 September 2001, p. C-2

5 Mr Adrian Wellspring, Acting Director-General, Personnel Policy and Conditions Branch, *Statement to Committee*, 21 September 2001, p. C-3

associated with being at that level, yet the pay does not necessarily reflect the risk which is part of that rank.⁶

Taxation

5.7 Taxation is another broad issue impacting on ADF pay and allowances. Members of the ADF accept that their salary is taxed at the same rates as other Australian Government employees. However, evidence from hearings and submissions indicated that new taxation procedures for ADF allowances have had a detrimental impact on morale. Some allowances are taxed and this reduces the benefit originally intended by the allowance. For example, the 15-year retention benefit of one year's salary is taxed.

5.8 A greater problem occurs when a member receives a reportable fringe benefit. Benefits are only reported when the total taxable value of fringe benefits for a member in a Fringe Benefit Tax (FBT) year exceeds \$1000. This is the case with allowances such as Reimbursement of Removal Expenses when moving from Defence Housing to Own Home in the same locality. The Committee is aware that on 16 February 2001 the Minister Assisting the Minister for Defence announced the Government's decision to exempt Defence personnel from reporting a fringe benefit removal carried out at Department expense, however this does not apply to removals to Own Home in the same locality.⁷

5.9 The fringe benefit amount is not used to assess the amount of income tax paid. However, according to Mr Adrian Wellspring, the Acting Director-General Personnel Policy and Conditions Branch, 'it will be used in certain tests for Government benefits and obligations such as the Medicare levy, superannuation surcharge, termination payments surcharge, HECS repayments and child support obligations'.⁸ For example, a Private in Darwin with a spouse and two children suffers a drop on \$890 per annum in Family Tax Benefit Part A by reporting fringe benefits of District Allowance and Remote Locality Leave Travel.⁹ Another soldier said that his Centrelink family and child support payments increase by reportable fringe benefits on his payments certificate. The general debilitating impact of taxation on benefits is summed up by one witness as follows:

Fringe benefits affects members in many different ways. Once it is shown on the group certificate, although the member is not required to pay any more tax on his income, what happens is that the ATO see that amount of fringe benefits and they add it to the member's taxable income for the year.

6 Witness 2, *Committee Hansard*, 23 July 2001, p. 202

7 Minister Bruce Scott, Minister Assisting the Minister for Defence, *Media Release*, 16 February 2001, p1

8 Mr Adrian Wellspring, Acting Director-General, Personnel Policy and Conditions Branch, *Statement to Committee*, 21 September 2001, p. 4

9 Mr Adrian Wellspring, Acting Director-General, Personnel Policy and Conditions Branch, *Statement to Committee*, 21 September 2001, p. C-6

If the member is paying child support – which I happen to be paying - their income for that year increases by the amount of the fringe benefit; therefore my child support payments increase. Also what happens is that my family tax benefit, which I receive for the child I am looking after, decreases. ...they are not really fringe benefits at all.¹⁰

Remote locality

5.10 As a result of the Force Structure Review many ADF units are now based in remote areas of Australia. Personnel posted to these locations receive specific benefits and allowances to compensate them for serving in a remote locality. In order to develop an understanding of the recruitment and retention issues associated with service in remote localities, the Committee visited ADF personnel in Darwin, Katherine, Puckapunyal, Townsville and Wagga Wagga.

5.11 The Committee discovered that there are many inconsistencies in the allocation and application of remote locality benefits and allowances. Many of these inconsistencies can be attributed to the Department of Defence definition of a 'remote locality'. For example, Townsville is designated a remote locality, yet it has better access to many services than Puckapunyal and Wagga Wagga which are not deemed as remote localities. ADF personnel in Wagga Wagga cited the fact that electricity costs were higher and that there was a shortage of medical services in comparison to Townsville.¹¹ The Committee also heard that the Electricity Allowance (used to run airconditioners in the wet season) is granted to ADF personnel posted to RAAF Base Tindal but not in Darwin, yet the climatic conditions would appear to be similar.¹² Such inconsistencies in the definition of a remote locality have contributed to dissatisfaction and low morale amongst many ADF personnel.

5.12 Another issue associated with isolated posts is the application of Remote Locality Leave Travel (RLLT). This benefit involves free travel for an ADF member and their dependants to the nearest capital city in order to 'provide relief from the climatic and isolated conditions associated with living in a remote locality'¹³. This benefit is in the form of an airline ticket and Defence has a contract with Qantas (effective April 2000) for an airfare valued at 68 per cent of the normal fare.¹⁴ Of course, a member may offset the airfare entitlement to fund travel by an alternative means, to an alternative destination, or to pay for a relative to visit them in the remote locality. However, it appears that the establishment of the discount airfare with Qantas means that members who elect to offset their entitlement do not receive the same

10 Witness 42, *Committee Hansard*, 24 July 2001, pp. 288-289

11 Witness 39 and Witness 40, *Committee Hansard*, 24 August 2001, pp. 647-649

12 Witness 30, *Committee Hansard*, 23 July 2001, p. 256

13 Mr Adrian Wellspring, Acting Director-General, Personnel Policy and Conditions Branch, *Statement to Committee*, 21 September 2001, p. C-1

14 Mr Adrian Wellspring, Acting Director-General, Personnel Policy and Conditions Branch, *Statement to Committee*, 21 September 2001, p. C-3

benefit as other government employees in the same locality. The Committee heard that ADF personnel in Katherine received \$1,236 per adult if they elected to offset their RLLT airfare while other government employees in the same area received a larger lump sum 'into their bank account every 12 months'.¹⁵ It is natural to expect that ADF personnel do not feel they are receiving a return for unrestricted service when their remote posting benefits do not match or exceed other government employees providing restricted service.

Conclusion

5.13 The Committee concluded that no single pay or allowance issue was causing ADF personnel to separate from the Service. Rather, a number of pay and allowance related problems have combined to give ADF personnel the impression that their unique service is not valued. The key strategic factors affecting ADF pay and allowances are the discriminators for base salary, taxation and the definition of a remote locality. The Committee felt it was important to include the level of responsibility as a discriminator for calculating base salary, remove the negative impact of reportable fringe benefits on salary, and more accurately define remote localities for allowance purposes. These measures would provide unique pay and allowances for ADF personnel in fuller recognition of the unique nature of their military service.

Recommendation 17

The Committee recommends that the Government instigate a salary system for uniformed personnel that recognises their appointed responsibility in addition to rank, competency and experience.

Recommendation 18

The Committee recommends that the Government review ADF benefits currently reported as fringe benefits on members' payment certificates where those fringe benefits have an unintended and unfair effect on family-related benefits and payments.

Recommendation 19

The Committee recommends that the Department of Defence investigate and review its classification of remote locality postings in order to ensure a more equitable distribution of benefits.

15 Witness 43, *Committee Hansard*, 24 July 2001, p. 290 (confirmed by Mr Adrian Wellspring, Acting Director Personnel Policy and Conditions Branch)

Recommendation 20

The Committee recommends that the Department of Defence align the RLLT entitlement to match other government employee entitlements.

Equity

Background

5.14 The Committee noted the release of the Burchett Report on 16 August 2001, regarding Harassment in the ADF. While many submissions indicated that media reports of harassment in the Navy and Army had affected recruiting levels, the Committee received no evidence of widespread harassment in the ADF or any associated retention issues. However, the Committee received several submissions regarding discrimination in the ADF and the impact of this on recruitment and retention. These submissions focussed on discrimination against gay and lesbian service personnel.

Policy issue

5.15 The key issue regarding discrimination against gay and lesbian service personnel is spousal recognition. Existing ADF conditions of service recognise the opposite sex partners of service personnel for benefits such as relocation, housing, leave and travel entitlements, and service related death or injury benefits. Several submissions to the Committee have correctly pointed out that ‘these benefits are not extended to the same sex spouses of service personnel’.¹⁶ Further, these submissions argued that, as a result of this discriminatory policy:

...many good, qualified, experienced and enthusiastic members of the general community decline to join the ADF. Equally, many good, qualified, experienced and enthusiastic members of the ADF leave.¹⁷

5.16 The Committee asked the Department of Defence to respond to this issue during a public hearing on 25 June 2001. The Department reported that its current policy on same-sex spouse recognition is aligned with the Marriage Act (1961), which defines marriage as the union of a man and a women, and the Sex Discrimination Act (1984), which defines a defacto spouse as a person of the opposite sex.¹⁸ In addition, the Department indicated that, according to exit surveys, ‘equity is not one of the primary reasons’ for personnel to leave the ADF.¹⁹

16 Mr Rodney Croome, Tasmanian Gay and Lesbian Rights Group, submission no. 77, p. 2

17 Senator Brian Greig, Australian Democrat, Western Australia, submission no. 98, p. 2

18 Major General Simon Willis, Head, Personnel Executive, Australian Defence Organisation, *Committee Hansard*, 25 June 2001, p. 29

19 Ms Justine Greig, Director, Strategic Personnel Planning and Research, Australian Defence Organisation, *Committee Hansard*, 25 June 2001, p. 31

Conclusion

5.17 Whilst accepting Defence equity policies, the Committee notes that same sex relationships are recognised to varying degrees in other Government departments, such as the Department of Foreign Affairs and Trade.²⁰ This fact, combined with the number of submissions received on the issue, led the Committee to conclude that recruitment and retention of ADF personnel might be improved if Defence policies on spousal recognition were to be reviewed.

Recommendation 21

The Committee recommends that the Department of Defence investigate its spouse recognition policies to ensure they are equitable and aligned with other Government departments.

Housing and accommodation assistance

Background

5.18 According to the Department of Defence, housing assistance is provided to ADF personnel in the form of either home purchase assistance or accommodation assistance.²¹ Home purchase assistance is delivered in the form of a subsidised home loan under one of the Defence Service Home Loans Schemes and also in the form of Home Purchase Assistance Scheme (HPAS) cash grant. Accommodation assistance is provided via either Defence-owned housing or a payment to rent a house.²² The Committee was able to view the different standards of accommodation available to ADF personnel and gather individual comments during its tour of Defence establishments.

Housing and accommodation assistance issues

5.19 The main comments received by the Committee regarding housing and accommodation were those in relation to the standard of housing assistance and the flexibility of arrangements for accommodation assistance. Firstly, in terms of housing assistance, some respondents argued that the new HPAS allowance was a flat rate and did not provide the same financial assistance as the previous Home Purchase or Sale Expense Allowance (HPSEA), which reimbursed members for all costs. This appeared especially the case for those members purchasing a house in an expensive real estate region such as Sydney. As one witness explained:

..I got paid \$6400 towards my house but I had close to \$17000 worth of fees and charges in buying a house in Sydney. The fact that I bought a house in

20 Department of Foreign Affairs and Trade, Certified Agreement 2000–2003, paragraph 2.10

21 Mr Adrian Wellspring, Acting Director–General, Personnel Policy and Conditions Branch, *Statement to Committee*, 21 September 2001, p. C–8

22 Mr Adrian Wellspring, Acting Director–General, Personnel Policy and Conditions Branch, *Statement to Committee*, 21 September 2001, p. C–10

Sydney shows what I was saying about not being on bad money, but that allowance would have been fully re-imbursable under the old HPSEA scheme 12 months ago. So I am net \$10000 negative under the current scheme.²³

5.20 Other personnel explained that changes to policy on occupying own home or DHA housing in their posted locality reduced the incentive for them to purchase their own home. The new policy directs personnel to make release-clause arrangements when leasing out their own home so that they can occupy that home if it meets their family requirements (and not a DHA home) when they return to that posting locality. The difficulties with this policy were explained by one witness in Puckapunyal:

In the past, if you had a posting order and you had your own home and you had a tenant signed up in your own home, you could still get a married quarter. This new release now says that you should not be signing up people for 12 months because you might get a posting order. We all know that, but if we have received a posting order for two years, we would like to think that we can sign up our tenants for at least 12 months. It says here that you should try and get a three-month release clause in. We have a house in Canberra, and Canberra was one place where you could always get a release clause in. You cannot anymore; it is not industry practice.²⁴

5.21 Secondly, in terms of accommodation assistance, the Committee heard of inconsistencies in the standard of accommodation provided around Australia for single and married service personnel. Married ADF personnel in Darwin and Inner Sydney criticised DHA for not developing plans to provide married quarters closer to their place of work:

I think that DHA serves the purpose of DHA, rather than the service community. I would expect to be provided with a reasonable standard of accommodation within a reasonable distance of where I work. DHA seems to be running along the lines of some giant real estate corporation selling up expensive stuff in the inner city close to work and then buying up further and further out, so that eventually we will get to East Perth and that will be it.²⁵

5.22 Single personnel at HMAS Cerberus and RAAF Base Tindal indicated that the standard of on-base accommodation had deteriorated to unacceptable standards. One witness spoke of defects and maintenance with fire doors that 'were outstanding for some 12 months' and situation where 'we also had trainees sleeping on broken bed

23 Witness25, *Committee Hansard*, 1 August 2001, p. 439

24 Witness32, *Committee Hansard*, 27 July 2001, p. 403

25 Witness 13, *Committee Hansard*, 1 August 2001, p. 428

bases on the floor.²⁶ The Committee is aware of departmental efforts to progressively improve accommodation for single personnel at Defence bases.²⁷

5.23 The Committee also received complaints about the standard of customer service provided by DHA for housing allocation and removals. Some personnel felt that the allocation of these services to a commercial provider had created efficiency but reduced effectiveness. One witness in Sydney explained:

I dealt with DHA—in fact, I never dealt face-to-face with anyone; I dealt with them over the phone—and I was told pretty much the same sort of thing; ‘We’ve got a house for you. If you don’t like it—bad luck buddy!’ I also had to deal with the removals organisation that had been privatised to a large extent. There are three to four people in the administration chain, all of whom appear to be making money, and I had to threaten legal action in the end to get them to listen to my case when they had destroyed a lot of my furniture in storage.²⁸

Department of Defence housing and accommodation assistance activities

5.24 The Committee received evidence from the Defence Housing Authority (DHA) on 27 August 2001 and the Acting Director–General Personnel Policy and Conditions Branch on 21 September 2001. The DHA became operational on 1 January 1988 and manages approximately 19,500 houses.²⁹ The organisation has recently assumed additional responsibilities for tenancy management (1 July 2000) and removals management (1 July 2001).³⁰ Meanwhile, Personnel Policy and Conditions Branch has continued to monitor and assist the development of allowances and benefits associated with housing and accommodation assistance.

5.25 In response to criticisms regarding the standard of housing assistance and in particular the arrangements for HPAS, the Personnel Policy and Conditions Branch advised the Committee that ADF members were also eligible for the Federal Government grant of \$7000–\$14000 under the First Home Owner Grant Scheme (FHOGS). According to Policy and Conditions Branch, the HPAS and FHOGS together ‘provide very valuable assistance to ADF members to buy and live in their own homes’.³¹ The Committee disagrees with this assessment because the FHOGS will cease at a time of Government choosing and neither benefit compensates the

26 Witness 1, *Committee Hansard*, 26 July 2001, p. 333

27 Defence Estate Organisation, *Strategic Plan for Defence Estate*, September 1999 (improvements have been made in Townsville and are programmed as part of base redevelopments)

28 Witness 12, *Committee Hansard*, 1 August 2001, p. 427

29 Mr Keith Lyon, Managing Director, Defence Housing Authority, *Committee Hansard*, 24 August 2001, p. 651

30 Mr Keith Lyon, Managing Director, Defence Housing Authority, *Committee Hansard*, 24 August 2001, p. 652

31 Mr Adrian Wellspring, Acting Director–General, Personnel Policy and Conditions Branch, *Statement to Committee*, 21 September 2001, p. C–10

member for higher costs in expensive real estate areas of Australia. Accordingly, the Committee feels that HPAS should be reviewed to ensure it provides equitable benefit in all real estate regions of Australia.

5.26 The Policy and Conditions Branch provided no evidence to respond to criticisms regarding the policy for ADF members to arrange short leases and occupy their own home if posted to the locality of that home. This policy requires further investigation by the Department of Defence to ensure ADF members are not disadvantaged.

5.27 The Committee heard that the DHA has a corporate plan to invest \$570 million over the next three years to improve the standard of housing in Darwin, Sydney, Newcastle, Puckapunyal and Katherine, and to address issues such as security, air conditioning and outdoor living areas.³² This action is commended by the Committee because it follows the general improvement in the standard of DHA housing that has occurred in the past five years and should go some way to addressing the concerns of some ADF personnel regarding Housing in remote localities. However, more needs to be done to address the current policy of selling old housing stock in established communities near military bases and forcing defence personnel to occupy housing considerable distances from their base.

5.28 The Committee also heard that the DHA has launched several initiatives to improve customer service satisfaction. These include participation in Defence exit surveys, the establishment of a web-based house database and selection system, establishment of focus groups with spouses to design DHA housing, and the employment of spouses in customer service areas.³³ While these initiatives are likely to improve the service provided by DHA, the Committee believes that a group independent of the Department of Defence should conduct any survey of customer satisfaction levels.

Conclusion

5.29 The Committee noted several concerns among ADF personnel regarding housing and accommodation assistance. These concerns are, in the view of the Committee, contributing to retention problems within the ADF. Whilst DHA and the Department have attempted to monitor and improve standards, the primary issue is achieving a consistency in the level of assistance and customer service provided. To that end, the Department of Defence should review key areas of assistance and allow an independent assessment to be made of customer satisfaction.

32 Mr Keith Lyon, Managing Director, Defence Housing Authority, *Committee Hansard*, 24 August 2001, p. 653

33 Mr Keith Lyon, Managing Director, Defence Housing Authority, *Committee Hansard*, 24 August 2001, pp. 654–652

Recommendation 22

The Committee recommends that the Department of Defence review HPAS to ensure it provides equitable housing assistance to ADF members in all real estate regions of Australia.

Recommendation 23

The Committee recommends that the Department of Defence review the policy regarding own-home lease arrangements for ADF personnel to ensure they are not disadvantaged.

Recommendation 24

The Committee recommends that Defence Housing Authority review its policy of selling old housing stock in established communities near bases and forcing Defence personnel to occupy housing considerable distance from their base.

Recommendation 25

The Committee recommends that the Government conduct an independent survey to assess the level of customer satisfaction with the accommodation assistance provided by DHA and recommend improvements.

Family support

Background

5.30 The Department of Defence has established a network of family support for ADF personnel. At the strategic level, the National Consultative Group of Service Families (NCGSF) provides advice to the Chief of the Defence Force and Head of DPE on family support issues. This is reinforced by the Defence Community Organisation (DCO), which provides welfare support, advice and assistance to ADF members and families in each region. The family support programs established within individual units underlay both of these networks.

5.31 The expectation that a member's dependants will receive a high standard of support is an important clause in the 'psychological contract' adopted by ADF personnel upon enlistment. In order to assess the current level of support provided to ADF personnel, the Committee:

- visited regional Defence Community Organisations (DCO) in Katherine, Darwin, and Perth;
- collected evidence from representatives from the National Consultative Group of Service Families (NCGSF); and
- conducted discussions with Service spouses in Katherine, Puckapunyal, Wagga Wagga and Townsville.

5.32 Family support issues received critical attention in the Hamilton and Cross Reports of the 1980s. Both these reports made important recommendations to enable the improvement of family support services. The Committee was very disappointed to discover that many of the issues raised in the Hamilton and Cross Reports were still alive or had only been partly addressed. Indeed, the Committee received considerable evidence to suggest that the co-ordination and level of family support provided in areas of spouse employment and child education was unacceptable and contributing to recruitment and retention problems.

Co-ordination and communication

5.33 A plethora of strategic communication methods have been established to convey family support information to Defence families. These range from local newsletters and information booklets to Family Information Network for Defence (FIND) phone lines and Internet web sites. There are two issues associated with the co-ordination and communication of information. The first issue is ensuring that the spouse of a new recruit understands clearly the lifestyle they are about to inherit. It was noted that some recruiting units conduct 'married enlistment interviews' with spouses and social workers.³⁴ Similarly, the Committee was informed of a 'spouse induction program' being established in Victoria Barracks, Brisbane.³⁵ In the view of the Committee, these initiatives must become standardised to assist recruitment and retention of ADF personnel and avoid the situation explained by one witness:

One point that stands out large for me is that I had a wife in to see me last week. She said to me, 'If I knew at the beginning what I know now, I would not have encouraged my husband to join.'³⁶

5.34 The second issue is delivering consistent standards of support and information. The Committee noted that Defence families receive a varied level of support depending upon their sponsor unit, location and access to information. Spouses in Townsville indicated that the level of support provided to families varied markedly between sponsor units.³⁷ Also, newsletters were being delivered to families in married quarters, but not to families residing in their own home. Clearly, the Department of Defence must investigate and adjust the co-ordination and communication of support to Defence families to ensure a common standard.

Spouse employment

5.35 Evidence received by the Committee suggests that spouse employment and child education are the main areas of dissatisfaction associated with the requirement for ADF personnel to regularly move. Frequent postings mean that a spouse is

34 Witness 31, *Committee Hansard*, 24 August 2001, p. 634

35 Witness 27, *Committee Hansard*, 17 August 2001, p. 582

36 Witness 20, *Committee Hansard*, 24 August 2001, p. 625

37 Witness 29, *Committee Hansard*, 17 August 2001, p. 576

continually changing employment and family finances are adversely affected. One witness explained:

But for some people who have another wage coming in or whose wife is working, when they get posted they could be losing 50% of their income for X amount of time. If they go into a position in an area where there is a lot of unemployment, they could halve their wage for the time of that posting. When it comes to someone saying 'You are being posted,' and your wife is on \$60,000, then the button gets pushed. That has to be looked at, because you are losing a person who really does not want to get out of the Defence Force but, financially, they can go out and get the same money.³⁸

5.36 The Committee wants to make it quite clear that, from the evidence given the Committee throughout the inquiry, spouse employment is **fundamental** to retention. In Australian society today, as in many or most other Western societies, dual income is essential for most couples or families, to enable them to have a reasonable life. The same applies to ADF members and their spouses. If spouses cannot work, their standard of living declines appreciably.

5.37 Many discharges are the result of spouses unhappy with a range of disadvantages stemming from Service life. With the move to northern Australia and large bases outside urban areas, spouse employment becomes more difficult, especially spouses with professional or other specialised occupations.

5.38 To its credit, the Department of Defence has provided several initiatives to address the problem of spouse employment. These include computer support for resume preparation, Internet access to employment agencies and access to job network providers (paid for by Defence) for training and case management into employment.³⁹ The Committee notes that DCO, DHQ, Toll Transitions and NCGSF are currently discussing other spouse employment assistance measures⁴⁰. However, this issue could also be addressed in terms of career management and allowing longer-term postings where spouse employment has been established.

5.39 There is no easy solution to the problem of spouse employment. Ultimately, the strength of feeling amongst ADF personnel regarding spouse employment support suggests that it needs priority attention from the Department of Defence, especially in the career management area.

Child education

5.40 Many previous reports on the provision of support to ADF families have highlighted the difficulties created by the **absence of a national education standard**.

38 Witness 24, *Committee Hansard*, 23 July 2001, p. 246

39 Mr Lindsay Kranz, Director General, Defence Community Organisation, *Statement to Committee*, 21 September 2001, p. 4

40 Mr Lindsay Kranz, Director General Defence Community Organisation, *Statement to Committee*, 21 September 2001, p. 4

The problems have been accentuated by the posting turbulence that currently prevails in certain parts of Defence because of staff shortages. Unfortunately, these problems continue to affect ADF personnel and their families. The Committee heard evidence that Defence families moving on posting encountered difficulties with **school entry ages, grading systems and handwriting standards**. One frustrated witness elaborated:

We were due to get posted this year up to Oakey in Queensland. We were happy to go until I rang up Toowoomba and spoke to guidance officers and everybody in the area. We were informed that, because my children started school here at age four, they would automatically have to repeat. It was purely an age based thing. I spoke to all sorts of people about it. When we went back to DOCM and told them we were not happy to go to Oakey on that basis, I was told that I was whingeing, it was a flimsy excuse, it is a condition of service that we move around and it was bad luck; my children just had to put up with that.⁴¹

5.41 The Committee notes that the Department of Defence has a network of child education support initiatives to deal with the problems created by regional education systems. The Education Assistance Scheme (EAS) and DCOs Families with Special Needs Program each provide a form of financial support for families for child tutoring, boarding and special support.⁴² Similarly, the system of Regional Education Liaison Officers does provide suitable advice and support for families.

5.42 Career managers and posters should also take some account of the problems of children's education. They should be aware of what difficult sequences of postings on educational grounds and try to avoid such sequences for members with children who might be affected by the differences among the State and Territory education systems. That is not to say that education should be an overriding factor. It would, however, make some postings more palatable and avoid some discharges. Whenever a member discharges for family reasons as a result of a posting that the member had sought hard to avert, someone else has to be found anyway.

5.43 However, these measures avoid the strategic problem of a national education system, which must be addressed by Federal, State and Territory Governments. This is an issue that has been on the national education agenda for a long time. It covers mainly starting ages, handwriting styles and curricula. Differences among the States and Territories cause immense difficulty and frustration for Defence personnel and all other people who move from State to State with their employment or for other reasons. It is time that Commonwealth and State and Territory Education Ministers get national consensus for at least **starting ages and handwriting styles**.

41 Witness 36, *Committee Hansard*, 27 July 2001, p. 405

42 Mr Lindsay Kranz, Director General, Defence Community Organisation, *Statement to Committee*, 21 September 2001, p. 3

Conclusion

5.44 The ADF is experiencing difficulty recruiting and retaining personnel because of family support issues. These issues centre on coordinating and communicating a consistent level of support to Defence families before, during and after postings. The provision of assistance in spouse employment and child education are specific areas of concern during posting. While the Department of Defence has introduced several initiatives to address these issues, a wider solution is required.

Recommendation 26

The Committee recommends that the Department of Defence review its strategic communication plan for conveying family support information to Defence families to ensure a consistent message and availability of information.

Recommendation 27

The Committee recommends that the Department of Defence adopt a mandatory pre-enlistment spouse induction program as part of the ADF recruiting process.

Recommendation 28

The Committee recommends that the Department of Defence ensure that all current and available resources are being used in the matter of spouse employment assistance and, as a matter of priority, investigate and implement additional lateral measures to provide spouse employment assistance.

Recommendation 29

The Committee urges Commonwealth, State and Territory Education Ministers to reach consensus on the introduction of national standard school starting ages, standard grades and standard handwriting requirements.

Superannuation

Background

5.45 Current serving ADF personnel are supported by one of two Superannuation Schemes. These are the Defence Force Retirement and Death Benefits (DFRDB) scheme and the Military Superannuation and Benefits Scheme (MSBS). The DFRDB scheme was closed to new members in 1991. The MSBS is subject to the new Superannuation Industry Supervision (SIS) Regulations. The most common comment from ADF members in public hearings and submissions was that the DFRDB scheme contributed more to recruitment and retention of personnel than the newer MSBS.

Superannuation issues

5.46 Under the DFRDB, many personnel elected discharge after 20 years continuous service because they could access their retirement benefits at that point. This created vacancies for promotion and a natural balance between experienced and

fresh ADF personnel. Under MSBS, fewer personnel are electing discharge after 20 years service because they cannot access their retirement benefits. Instead, personnel are either leaving the ADF shortly after their initial engagement or serving on to the mandatory retirement age of 55. The Committee heard that the MSBS is creating a log-jam for promotion in some ranks and trades.⁴³ However, the development of new ADF terms of employment and a graduated system of retention benefits would solve this problem, as discussed in Chapter 4.

5.47 The main complaint regarding Superannuation was related to the question of access to MSBS benefits between the mandatory retiring age of 55 and preservation age of 60. This was summarised by one witness as follows:

There is no incentive for people to stay in beyond the minimum term. Look at the superannuation: they can only stay in until they are 55 but under new legislation people born after 1960, I think it is, cannot get their superannuation until they are 60.⁴⁴

5.48 The Committee found that this complaint was partly founded on a lack of understanding of the MSBS amongst ADF personnel. The increase in preservation age does apply to a person born after 1960 but the Government has given a concession to ADF personnel to the effect that they may access employer benefits as a non-commutable lifetime pension at their mandatory retirement age. Therefore, MSBS benefits at aged 55 are:

- **A lump sum member benefit** of member contributions and interest earned up to 30 June 1999 (member benefit contributions and interest earned after 1 July 1999 are payable when a member reaches their preservation age).
- **A preserved employer benefit** that may be taken as a lump sum or converted in part or full to an indexed pension (unless the member has a preservation age greater than 55 whereupon this benefit may only be taken as a non-commutable pension).⁴⁵

5.49 The Committee believes that, despite some Government concessions on access to MSBS benefits at the mandatory retirement age, more could be done to recognise the unique nature of military service. This might include the removal of all preservation age restrictions and allowance for lump sums to be paid at the compulsory ADF retirement age of 55. In the Commonwealth Public Service and in private enterprise, there is no mandatory retirement age of 55. If people have a preservation age of between 55 and 60, they can continue in their jobs until the preservation age is reached. As ADF personnel have a mandatory 55 retirement age,

43 Witness 1, *Committee Hansard*, 25 July 2001, p. 323

44 Witness Q, *Committee Hansard*, 18 July 2001, p. 65

45 Mr Adrian Wellspring, Acting Director-General, Personnel Policy and Conditions Branch, *Statement to Committee*, 21 September 2001, p. C-8

they are being discriminated against because they are not allowed to access all their superannuation benefits at their mandatory retirement age.

5.50 A final Superannuation issue raised by ADF personnel relates to the rules regarding continuous service. The Committee was informed of a case where a female Air Force member lost recognition of her previous service for the MSBS retention benefit after taking maternity leave.⁴⁶ Under the rules of MSBS, if a member takes leave without pay for a period of greater than 21 days (like maternity leave) the cessation of MBSB contribution will effectively negate any previous service.⁴⁷ The Committee agreed that this rule should be amended because it was discriminatory against female members and not in the spirit of recognising the unique nature of military service.

Conclusion

5.51 The Committee received overwhelming evidence of dissatisfaction with the existing Superannuation arrangements for ADF personnel. While some of this dissatisfaction is due to poor communication, there is enough evidence to support further amendments to the rules associated with the payment of benefits under the MSBS.

Recommendation 30

The Committee recommends that the Government apply a concession to the Superannuation rules of MSBS to allow ADF personnel to access member and employer benefits as either lump sums or indexed pensions at the mandatory retiring age.

Recommendation 31

The Committee recommends that the Department of Defence amend the rules governing continuous service and eligibility for the MSBS Retention Benefit in the case of Maternity Leave.

46 Witness 3, *Committee Hansard*, 24 August 2001, p. 618

47 Air Commodore Jim Cole, Director-General, Personnel-Air Force, *Statement to Committee*, 21 September 2001, p. B-2

