

**SENATE FOREIGN AFFAIRS, DEFENCE AND TRADE
REFERENCES COMMITTEE**

**INQUIRY INTO RECRUITMENT & RETENTION
OF DEFENCE PERSONNEL**

SUBMISSION

Submission No: 83

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No. of Pages: 5

Attachments: No

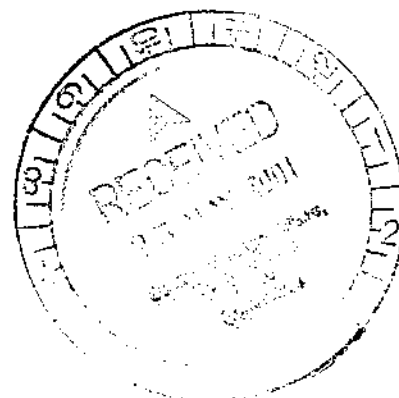
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17 May 2001

The Secretary
Senate Foreign Affairs
Defence and Trade References Committee
Parliament House
CANBERRA ACT 2600



Dear Secretary,

Submission – ‘Inquiry into Recruitment and Retention of Defence Personnel’

The enclosed submission reflects my long-standing interest in ADF recruitment, retention and Reserves. Following 35 years service in the RAAF, I left the ADF to contest the 1998 Federal Election. I have since undertaken project work for the Defence National Support Division as a member of the RAAF Reserve Staff Group. I hold the academic qualifications : MCom, BSc, BA, BEcon, DipCD .

In part my submission refers to a Defence Fellowship I undertook in 1978 entitled – ‘Labour Turnover in the Technician and Equivalent Trades of the Royal Australian Air Force – An Economic Analysis’.

I have since worked in RAAF Officer Personnel Plans and held appointments of Chief Instructor ADFA, Commandant RAAF College and Director of Education and Ground Training – Air Force. My relevant expertise has been in workforce planning, with involvement in the recruiting and retention of ADF Officers, RAAF Aircrew and Technicians.

The attached submission does not address current data, but includes observations that I believe the Committee will find useful. I can elaborate on any aspect if required

Yours faithfully,

Mike Rawlinson

Senate Foreign Affairs, Defence and Trade References Committee

'Inquiry into Recruitment and Retention of Defence Personnel'

Submission by Air Commodore M.J. Rawlinson, RAAF (Retd)

May 2001

This submission contains pertinent findings from my 1978 Defence Fellowship Report and observations in respect of the massive changes of the last 10 years and a variety of 'other factors'.

Defence Fellowship Report 1978 – 'Labour Turnover in the Technician and Equivalent Trades of the RAAF – an Economic Analysis'

While much has changed since 1978, a number of my findings are still valid and should be borne in mind when appraising current data.

- Measures of Labour Turnover are often misinterpreted.
- The total number leaving the Service in any one year divided by the average strength is a relevant statistic for replacement, recruiting, training, promotions and future management. However, it is not the 'rate of labour turnover' commonly spoken of in the community, and has little or no bearing on the reasons for labour turnover.
- Factors which complicate an understanding of Service labour turnover statistics are the existence of 'fixed-term engagements' and 'return of service obligations', and the varying size of annual entry cohorts.
- The pattern of labour turnover is closely related to length of service and provides a causal reference to explain retention. Taking length of service as the independent variable, the rate of turnover that relates to causal explanations, is the number who leave taken as a percentage of the number who are eligible to leave. Because of fixed period enlistments, at any time most members are not eligible to leave. At the first re-engagement point (the first time members become eligible to leave) the rate of separation is relatively constant, but as the size of annual entry cohorts varies markedly, the number leaving fluctuates accordingly.
- The essence of good workforce management is to stabilise personnel flows through time. This maximises efficiency in recruiting, training and housing and also produces rational promotion expectations. (When downsizing, good workforce planners adjust the population in all length of service cohorts to stabilise on the new mean.) In the RAAF, for various reasons, this policy has not always been followed resulting in large humps in the force's length of service profile. The humps are repeated at re-engagement points and create waves or cycles. For example a severe reduction in recruiting during downsizing has produced 'black holes' in the length of service profile of many employment categories which will probably be with the force for another 20 years.

- It needs to be recognised that Service people are different from the general community. Service culture is a distinct sub-set of community culture although it reflects community mores. It follows that the uncritical imposition of community standards and workplace relations policies upon the Services is likely to be dysfunctional.
- Similarly the three Services are different and have different cultures that relate closely to their operating environments. The uncritical application of standard personnel policies (based on Army) across the three Services is very likely to be dysfunctional in Navy and Air Force. The operative word here is 'uncritical'. Standardisation of policy and processes can achieve both savings and greater responsiveness, but short-term benefits can be counterproductive if important differences have been ignored. In the longer term demonstrable failure to accommodate cultural differences will be a factor contributing to labour turnover.
- There is a perception that labour turnover is bad. In an economic sense there is an optimum pattern of labour turnover, an either excessive or insufficient turnover at the various lengths of service can be wasteful. The youth of the combat force needs to be maintained and this can only occur if there is labour turnover. Conversely, in the support force where youth is less of a factor, the knowledge and experience of technicians can be used up to retiring age of 55.
- To fully utilise the training investment that has been made, all suitable former permanent members below retiring age should be retained on the Reserve for two to five years.
- My study correlated responses to an employment survey administered to airmen due for re-engagement with their subsequent re-engagement decisions. An important finding for exit surveys was that many negative factors identified by airmen who separated from the service, were also held by those who re-engaged. Although these factors were prominent, they were not in fact causal factors affecting labour turnover.
- For RAAF pilots, engineers and technicians, who all have scarce civilian skills, retention is closely related to the economic cycle.

Changes in the last 10 years that affect Retention

- **Superannuation.** In 1991 a new military superannuation scheme was introduced – MSBS. This replaced the DFR&DB Scheme. The main point from a workforce planning point of view is that the time-based incentives effecting retention of the two schemes are completely different. MSBS has neutral characteristics in respect of labour turnover. In stark contrast its predecessor DFR&DB, was designed for a youthful force comprised wholly of combatants, and provided a reduced pension after 20 years service irrespective of age, but few benefits for those with less than 15 years service. An outcome was a 'lock-in effect' of members with 17-20 years service, and for technicians a shortening of the experience/length of service profile – a 20 year Air Force. From the Air Force's point of view this was a perverse and

expensive outcome, as while technicians could serve until age retirement at 55, the non-commissioned length of service profile soon shortened from 55 to 40.

- **New Bases.** Changes in Strategic disposition of Forces mainly flowing from the Force Structure Review of 1991 are probably responsible for an increase labour turnover.
 - The creation of a two ocean Navy, by developing the Stirling Base in Western Australia. The former one ocean 'Sydney centric' Navy, had much to recommend it for family support. More recent policies to co-locate Navy training and operations to reduce posting turbulence (and cost) has put family stability to the fore, but addresses only part of the problem – the stable location needs to be where families want to be. In this respect Rockingham, South of Perth in WA is qualitatively different from Sydney.
 - Similar qualitative differences relate to the Army's presence in the North at Darwin, and the Air Force's move of its second fighter base from Butterworth in Malaysia to Tindal in the Northern Territory. In the 1970s a junior fighter pilot could expect to spend half of his flying career in Williamstown and half at Butterworth in then 'exotic' Malaysia. The present day combination involving several postings to Tindal is a much less attractive proposition.

I have no criticism of the current strategic disposition of forces, but make the observation that these changes are all likely to have had negative effects on labour turnover and involve costs that do not appear to have been taken into account.

- **Reform Turbulence.** Reforms involving rationalisation, downsizing, civilianisation and contracting-out of support functions have destroyed the expectations and career aspirations of many members. The years of confusion of 'packages to go' and 'bonuses to stay' have made the ADF much more 'occupational'. Not unexpectedly the response to lower job security and loyalty is repaid by feelings of insecurity, lessened loyalty and higher labour turnover. These effects are unavoidable consequences of the downsizing, but could be reversed by several years of relative stability.

Other Factors

- **Bonus Payments.** My 1978 Report recommended the payment of retention bonuses, but warned about the timing, sensitivity and undesirable side-effects involved. In the 1980s bonuses were used to ameliorate the damaging flow of pilots to the airlines. These bonuses were spectacularly unsuccessful and wasteful. Most of the pilots who were going to leave had already left; and I doubt whether the quantum involved would have influenced those leaving initially. What the airlines were offering was a highly remunerated flying career to age 65. For Army pilots, very few of whom went to the airlines, the retention bonus was a windfall gain. The effect of the bonus on other categories who were not favoured was most divisive. If bonuses can be avoided they should be. Paying a market related salary, not necessarily a market salary, but without large discrepancies, is the best arrangement.

- **Performance Based Pay.** Performance based pay is inappropriate for the armed forces. It is too hard to measure comparatively, and there is no evidence that it causes professionals to do a better job. In fact it's an ideological and commercial con, generally advocated by consultants who make a living designing performance pay packages, and adopted by executives who see themselves as beneficiaries. While it may have some application in private enterprise, it does not fit well with government and is particularly ill-suited to the armed forces.
- **Downsizing.** Irrespective of its comparatively benign implementation in the ADF, downsizing represents a 'significant emotional event' for the culture of any organisation, and recovery to new norms, including the rebuilding of trust, will probably take several years.
- **Outsourcing.** Outsourcing of major support functions including deeper level maintenance of ADF aircraft, needs to be accompanied by a significant cultural change by uniformed support personnel in respect of their careers. A career in defence logistics now needs to be seen as naturally encompassing uniformed, private sector and possibly non-uniformed public sector phases. ADF personnel policy that complements these changes is mostly already in place, but the culture appears to be stuck in the early 1990s.
- **A Lack of Adventure.** While Army, Navy and the RAAF transport fleet have seen action over the last 10 years, high-speed jets have not been involved. I raise the question of whether a lack of adventure in this high technology part of the ADF acts as a disincentive to recruiting and retention? For example the last time that our tactical fighters were used in a campaign was in Thailand in the late 1960s. Our F/A18s and F-111s have never been used in actual theatres.
- **An Understanding of Remuneration Packages.** A welcome development of recent years has seen information made readily available that enables the value of ADF remuneration packages to be easily compared with private sector packages. My observation was that in the past Service people tended to undervalue the non-salary components of their remuneration, and I know of many who have left to find that they were not as well off as they imagined.
- **Pilots– Eyesight Requirements.** Stringent eyesight requirements are a constraint on the numbers of potential recruits who can be accepted for pilot training. Air Force flight surgeons have traditionally applied very conservative standards that make near perfect eyesight an important selection hurdle. However, it is normal for spectacles to be worn by fast-jet pilots who have developed eye problems after completing their training. If current standards were applied to eyesight 'corrected' by spectacles, the pool of potential trainees could be expanded significantly. This would also admit candidates with high pilot aptitude who are currently rejected on eyesight criteria.