



# **Australian Government**

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## **Department of Defence**

### **REVIEW OF THE AUSTRALIAN DEFENCE FORCE RETENTION AND RECRUITMENT (R2) PROGRAM**

PEOPLE STRATEGIES AND POLICY GROUP  
AUGUST 2010

**REVIEW OF  
THE AUSTRALIAN DEFENCE FORCE  
RETENTION AND RECRUITMENT (R2)  
PROGRAM**

**VOLUME 1 – QUANTITATIVE EVALUATION**

WORKFORCE PLANNING BRANCH  
PEOPLE STRATEGIES AND POLICY GROUP  
AUGUST 2010

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Initiative level performance was assessed against the key performance indicators (KPIs) associated with each initiative and additional measures as appropriate. The interactions existing between many of the R2 Program initiatives, combined with the timing of implementation means precise attribution of the exact impact of each initiative is problematic. Where appropriate, however, an estimation of the effect has been made.

The majority of KPIs that could be measured were achieved. A number of KPIs, however, were identified as poor measures of performance and the importance of setting appropriate and measurable KPIs is discussed.

Key results from initiative level analysis suggest the Critical Employment Category Retention Bonus (CECRB), Army Expansion and Rank Retention Bonus (AERRB), Army Trade Transfer Bonus (ATTB) and Navy Capability Allowance (NCA) were successful in influencing the retention of the members they were targeted at. Additionally, further decreases in separation rates after the introduction of the second phase of the Graded Other Ranks Pay Scale (GORPS) indicates this initiative had a substantial and positive impact on the retention behaviour of those impacted.

### **Discussion**

A number of issues are raised relating to the collection of baseline data, setting appropriate and measurable KPIs and interdependencies between initiatives. Research from other militaries examining the effect of cash rewards, such as bonuses, on recruitment and retention has been plagued by similar issues and results in this area of research are inconsistent. What is commonly accepted, however, is the short-term benefit of such initiatives and the requirement for more holistic strategies to affect longer-term retention and sustained recruitment. A brief discussion around the effectiveness of bonuses on retention is included and the importance of appropriate and measurable KPIs to the evaluation and review process is highlighted.

This evaluation identified the concurrent nature of many of the R2 Program initiatives, a number of which targeted the same or overlapping workforce segments, as the most significantly confounding factor in evaluating its impact. The period since the first initiative was implemented in Dec 06 has seen many changes to both the internal and external environment and these are discussed throughout the report with an emphasis on their effect on analysis and recommendations for future evaluation.

Collectively these issues are used to support the recommendation for a Retention Assessment Framework made as part of the *Audit of the Compliance and Effectiveness of ADF Retention Initiatives* undertaken by Audit Division.

### **Conclusion**

The R2 Program was implemented during a period of increased focus on personnel management in the ADF, with strategies such as Sea Change and Stay Army underway. It was designed to achieve a specific aim; to grow the ADF workforce by increasing the recruitment and retention of full-time members. To this end, the R2 Program achieved its goal. Separation rates are well below the desired 10% and enlistment has consistently been above the 6,500 target since FY 07/08.

#### **Key Recommendation**

- It is recommended Defence, through the PSG, guides and monitors the development of the Retention Assessment Framework to ensure it meets the requirements set out in the *Audit of the Compliance and Effectiveness of ADF Retention Initiatives* report and addresses the methodological issues exposed by this evaluation.

#### **Additional Recommendations**

- Regular environmental analyses of Australian youth programs and youth markets be conducted in order to assess any potential impact on changes being considered to the size of Defence Force Cadets.
- The department's involvement in the TTCP be used to monitor and report the progress by other militaries relevant to the implementation and evaluation of bonuses and allowances.
- Future initiatives designed to increase retention and/or recruitment have the following features as a minimum:
  - clear and well-documented decision-making processes in relation to the requirement for the initiative and alternative options including the cost of doing nothing,
  - baseline data and the capacity for ongoing data collection,
  - identification of potential second order effects,
  - appropriate and measureable performance indicators and a resourced and embedded evaluation and review process, and
  - risk management strategies for the transition from the bonus period back to standard remuneration.

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## CHAPTER 1. INTRODUCTION.

- 1.1 The purpose of this report is to present the results of a review and evaluation of the Australian Defence Force (ADF) Retention and Recruitment (R2) Program. In approving and funding the R2 Program, the government of the day directed the program be subject to a departmental review in financial year (FY) 09/10, and an interdepartmental review in FY 11/12.
- 1.2 This report constitutes the departmental review, and is presented in two volumes. Volume 1 presents a quantitative analysis of the effectiveness of the R2 Program and its constituent initiatives, while Volume 2 focuses primarily on management and governance issues. Inevitable, however, there is some degree of overlap between the two volumes.
- 1.3 The purpose of Volume 1, prepared by Workforce Planning Branch, is to present the results of a quantitative evaluation of the effectiveness, to date, of the R2 Program and associated initiatives.

### BACKGROUND

#### R2 Program

- 1.4 The R2 Program is a series of government funded initiatives designed to increase ADF recruitment and retention.<sup>1</sup> The R2 Program was approved by the government of the day in 2006 and the first initiative was implemented Dec 06.<sup>2</sup> A timeline showing the implementation date and, where relevant, the end date for each initiative is included at Annex A. The program consists of 12 separate initiatives, each designed to address specific retention and/or recruitment opportunities. The initiatives and their objectives are listed below:
  - a. **Retention Bonuses and Allowances.** Short and medium term remediation measures, designed to improve retention in critical categories and targeted ranks and groups. The bonuses and allowances included in this initiative were;
    - (1) Critical Employment Category Retention Bonus (CECRB),<sup>4</sup>
    - (2) Army Expansion and Rank Retention Bonus (AERRB),
    - (3) Army Trade Transfer Bonus (ATTB),
    - (4) Army Military Instructor Allowance (AMIA),
    - (5) Navy Military Instructor Allowance (NMIA), and
    - (6) Navy Recruit Training Instructor Allowance (RTIA).
  - b. **Navy Capability Allowance (NCA).**<sup>5</sup> Intermediate remediation measure designed to improve Navy retention.
  - c. **New Defence Force Recruiting (DFR) Model.** Enduring change designed to increase recruitment through the redesign of recruitment processes and improved management of potential enlistees.
  - d. **ADF Gap Year (GY).** Ongoing program designed to offer young Australians an introduction to the ADF via experiential employment opportunities for up to 12 months.

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<sup>1</sup> See Volume 2 of the R2 Review Report for details on the funding, implementation and governance of the R2 Program.

<sup>2</sup> The first R2 Program initiative to be implemented was the ATTB which was offered from 15 Dec 06 and expired 30 Jun 10.

<sup>3</sup> *Australian Defence Force Retention and Recruitment Strategy Implementation Plan, Version 2.09* or reported by Deputy Director, Recruitment and Retention.

<sup>4</sup> It should be noted, this initiative is commonly referred to as Individual Retention Bonus (IRB) within Navy

<sup>5</sup> Originally, Sea Going and Submarine Service (Disability) Allowance.

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- e. **Remuneration Structure Reform.** Long-term reform designed to increase retention by introducing a more balanced and flexible pay structure, appropriately recognising members' skills.<sup>6</sup>
  - f. **Defence Home Ownership Assistance Scheme (DHOAS).** Ongoing scheme designed to support both ADF recruitment and retention by assisting members to achieve home ownership.
  - g. **Enhanced Fleet Support (EFS) and Enhanced Submarine Capability (ESC).**<sup>7</sup> Long-term reform designed to increase Navy retention by reducing demands on members when ships are in port and providing a tax-exempt deployment allowance for submariners in line with taxation rulings on other ADF deployment allowances.
  - h. **Medical Officer Professional Development (MOPD).** Ongoing initiative designed to increase the retention of ADF Medical Officers by providing additional funding for continued professional development.
  - i. **Marketing and Service Branding (MSB).** Ongoing initiative designed to increase recruitment via targeted marketing strategies and improving the branding of the three Services.
  - j. **Expanding Cadets.** Long-term initiative designed to support recruitment by increasing the pool of ADF Cadets.
  - k. **Defence Technical Scholarships (DTS).**<sup>8</sup> Ongoing initiative designed to support recruitment via technical scholarships to year 11 and 12 students with an interest in Defence.
  - l. **Candidate Referral Program (CRP).** Ongoing program designed to support recruitment through the use of a service provider to source, screen, prepare and refer to Defence Force Recruiting (DFR) potential candidates for Defence technical trades.
- 1.5 Key Performance Indicators (KPIs) measuring the overall performance of the R2 Program were not specified at the commencement of the program. The aim of the program, however, was to increase the size of the full-time ADF workforce by introducing strategies designed to improve recruitment and retention. The specific objectives of the program are listed below:<sup>9</sup>
- a. Reduce the full-time ADF workforce separation rates to less than 10% per annum;
  - b. Sustain the full-time ADF workforce separation rates at less than 10% per annum;<sup>10</sup>
  - c. Increase full-time enlistment in the ADF to 6,500 per annum; and
  - d. Sustain full-time enlistment in the ADF at 6,500 per annum.<sup>11</sup>
- 1.6 KPIs were identified for each of the initiatives associated with the R2 Program. A number of these KPIs have undergone review and change since the implementation of the program (see Volume 2 of this report for more detail). Annex B details the original and current KPIs for each initiative. Table 1 in the *Results* section of this report provides a summary of achievement against the KPIs for each R2 Program initiative.

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<sup>6</sup> This reform initiative was underway when the R2 Program was funded and subsequently implemented. Phase 2 of the Graded Other Ranks Pay Scale (GORPS) was funded from R2 Program monies.

<sup>7</sup> Originally, Sea Change: Enhanced Fleet Services and Submarine Deployment Allowance.

<sup>8</sup> Originally, Defence Apprenticeship Sponsorship Scheme.

<sup>9</sup> *Australian Defence Force Retention and Recruitment Strategy Implementation Plan, Version 2.09*

<sup>10</sup> Note. The *Australian Defence Force Retention and Recruitment Strategy Implementation Plan, Version 2.09* does not identify a quantifiable timeframe for the "sustain" function of this objective.

<sup>11</sup> See footnote 9.



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## Rationale for Evaluation

- 1.7 The approval and implementation of the R2 Program allowed for two main points of review and evaluation; a departmental review in FY 09/10, and an interdepartmental review to be conducted FY 11/12. This evaluation contributes to the departmental review of the R2 Program.

## RELATED RESEARCH

- 1.8 The vast amount of employee-related research clearly demonstrates recruitment and retention is dependant on multiple interdependent factors. Factors influencing the recruitment of new employees include perceived organisational fit, job and organisational characteristics, recruiter behaviours, and the recruiting process itself.<sup>12</sup> While factors relating to retention can work to “push” employees into a decision to leave, or externally “pull” them in the direction of alternative employment.<sup>13</sup> The relevant research, however, is less conclusive regarding the effectiveness of cash rewards, such as bonuses and allowances, on either the recruitment of high value employees or the retention of current members. Generally, bonuses and allowances are understood as providing short-term relief, while longer-term retention and sustained recruitment requires the implementation of more holistic strategies.<sup>14</sup>
- 1.9 While a detailed literature review of recruitment and retention research is beyond the scope of this paper, the following sections summarise relevant work in three main areas; evaluating policy, additional R2 Program reviews and findings, and other military research relating to cash rewards such as bonuses and allowances.

### Evaluating Policy

- 1.10 A number of papers and public lectures have been published recently highlighting the need for improved evidence-based policy making in the federal arena. The Productivity Commission’s 2009 Roundtable is one such example.<sup>15</sup> The background paper to this Roundtable discussion highlights the need for robust evaluation of implemented policy, such as the R2 Program, and suggests while there is no “gold standard” approach, all evaluations need to have been established (and resourced) at the commencement of the policy.

“...the ability to measure whether there has been progress (or not) depends on taking an upfront decision on what to measure, gathering baseline data (the measurement of initial conditions) and setting up a system to monitor results...” (p.55).

- 1.11 Similarly, Banks (2009) highlights the need for all government programmes to be designed and funded with future review and evaluation processes embedded, specifically the identification and collection of robust baseline data.<sup>16</sup> Furthermore, the requirement to formulate appropriate and measurable KPIs is a key component of any effective evaluation. The Corporate Leadership Council suggests the organisational impacts from failing to set valid and reliable KPIs include:
- a. Hesitant, delayed or inappropriate action;
  - b. Organisational mistrust of reports and analyses and loss of credibility; and
  - c. Overlooked opportunities for improvement.<sup>17</sup>

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<sup>12</sup> Chapman, D.S., et al. (2005). *Applicant Attraction to Organizations and Job Choice: A meta-analytic review of the correlates of recruiting outcomes*. *Journal of Applied Psychology* 90(5), p.928-944.

<sup>13</sup> Allen, N.J. (2003). *Organizational Commitment in the Military: A discussion of theory and practice*. *Military Psychology* 15(3), p.237-253.

<sup>14</sup> Wang, Z. (2010). *Recruiting and Retaining Military Personnel: An exploration of cash reward programs and their effectiveness*. Technical Panel HUM-TP3. The Technical Cooperation Program.

<sup>15</sup> Productivity Commission. (2010). *Strengthening Evidence-Based Policy in the Australian Federation, Volume 2: Background paper*. Productivity Commission, Canberra.

<sup>16</sup> Banks, G. (2009). *Challenges of Evidence-Based Policy Making*. Productivity Commission, Canberra.

<sup>17</sup> Corporate Leadership Council. (2005). *The Metrics Standard: Establishing standards for 200 core human capital measures*. Corporate Executive Board, Washington DC.

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### Additional R2 Program Reviews

- 1.12 Along with single Service reporting on the initiatives impacting their own workforces and mandated R2 Program reporting, two additional reviews have been undertaken: an audit of the compliance and effectiveness of ADF retention initiatives by Audit Branch, and a review of the R2 Program and initiatives by Noetic Solutions Pty Limited for Head Personnel Policy (see Volume 2 of this report for a detailed discussion of the results and recommendations arising from these reviews).
- 1.13 Broadly, these two reviews concluded, due to a variety of confounding factors, it was not possible to state with certainty what impact the R2 Program and/or individual initiatives had on ADF recruitment and retention. This evaluation goes some way to addressing this gap, although the extent to which workforce growth is attributable to the R2 Program will remain the subject of further analysis.
- 1.14 Relevant to this evaluation, however, are the recommendations made as a result of the *Audit of the Compliance and Effectiveness of ADF Retention Initiatives*.<sup>18</sup> The audit task concluded, as KPIs did not provide sufficient information to draw valid conclusions about the effectiveness of the R2 Program initiatives, identifying the impact of specific bonuses on retention was not possible. In consultation with People Strategies and Policy Group, it was recommended Workforce Planning Branch, in conjunction with the Services, develop a Retention Assessment Framework. The framework would allow Defence to:
- Assess options when considering a retention initiative, including but not limited to bonuses; and
  - Measure the impact of retention initiatives on workforce outcomes and capability.

### Other Military Research

- 1.15 A recent paper written for the Technical Cooperation Program (TTCP) notes that while TTCP militaries – Australia, Canada, New Zealand, United Kingdom, and the United States (US) – all employ recruitment and/or retention bonuses and allowances, there has been little systematic and empirical research reviewing the effectiveness of cash rewards on military recruitment and retention.<sup>19</sup> The paper makes the point that TTCP militaries identify retention bonuses as short-term measures due to their potential negative implications. Such implications include, but are not limited to, fostering expectations of continuing entitlement, retaining personnel with low commitment and loyalty, and rising perceptions of unfairness (see Hoglin (2009) for a comprehensive review of the application of retention bonuses and their potential negative impact in the Australian military context).<sup>20</sup>
- 1.16 The TTCP paper (written for the Canadian Forces – CF) recommends the CF employ an econometric modelling approach to evaluate the effectiveness of cash rewards on recruitment and retention behaviours. Such an approach would need to account for both economic and psychological theories. Any research conducted in this area has potential benefit for the ADF in planning, implementing, managing and evaluating its own payment and cessation of short-term bonuses and allowances.

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<sup>18</sup> It should be noted, at the time of this evaluation the audit had not been finalised. A draft report, however, had been disseminated and PSPG had provided their response, agreeing to the recommendation outlined here.

<sup>19</sup> Wang, Z. (2010). *Recruiting and Retaining Military personnel: An exploration of cash reward programs and their effectiveness*. The Technical Cooperation Program, Technical Panel HUM-TP3.

<sup>20</sup> Hoglin, P. (2009). *The Burden of Bonuses*. Australian Army Journal, VI (1), p.157-178.

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- 1.17 RAND Corporation recently published the results of a research project designed to provide information to the US Congress on the number and average amounts of bonuses paid by the US military and on metrics of bonus performance.<sup>21</sup> In assessing the performance of bonuses in this context, researchers used the following three criteria:
- a. Bonuses must support force management goals;
  - b. Bonuses must be used flexibly (be able to be adjusted quickly to meet emerging needs); and
  - c. Bonuses must be efficient in achieving goals (relative to other resources).
- 1.18 Results from this research concluded, overall cash bonuses were effective and efficient in both recruiting new members and retaining those currently serving. Interestingly, the paper also suggested bonuses are always likely to be more cost-effective than across the board increases in pay. It should be noted, however, this research was limited by a number of confounding factors, specifically in regards to retention bonuses. These factors, combined with the inherent differences between the ADF and the US military mean results are not easily generalisable across the two populations. Notwithstanding, the methodology and evaluation approach adopted for this research and the discussions included in the paper regarding potential alternatives, while outside the scope of this evaluation, raise interesting questions. Any further work by the department to examine the impact of the R2 Program or similar initiatives should take these discussions into account.

### REPORT STRUCTURE

- 1.19 The following report is divided into five main sections:
- a. **Introduction.** Provides background to the R2 Program, a summary of related research and the rationale for evaluation.
  - b. **Methodology.** Outlines the methodology employed.
  - c. **Results.** Reports program and initiative level results.
  - d. **Discussion.** Provides discussion around results, the appropriateness of current KPIs and the confounding factors limiting evaluation. Areas for future research and work are highlighted.
  - e. **Conclusion.** Provides a summary of the report and the recommendations drawn from results and discussion.

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<sup>21</sup> Asch, B.J., et al. (2010). *Cash Incentives and Military Enlistment, Attrition, and Reenlistment*. RAND Corporation, Santa Monica CA.

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## CHAPTER 2. METHODOLOGY.

- 2.1 The purpose of this evaluation is to provide quantitative data and analysis to assist with the departmental review of the R2 Program. Results are presented at the program level and against individual initiatives. The evaluation was conducted by Workforce Planning Branch and addressed the following questions:
- a. What impact, if any, did the R2 Program have on ADF workforce behaviour?
  - b. What impact, if any, did individual initiatives have on workforce behaviour?
  - c. Has the R2 Program achieved its stated objectives?
  - d. Have the individual initiatives achieved current KPIs?
    - (1) Are current KPIs appropriate?
    - (2) Could the current KPIs be improved to better measure performance?

### SCOPE

- 2.2 This evaluation will use quantitative data and analysis to answer the key questions listed above. The evaluation has been designed to examine the effectiveness of the R2 Program and initiatives against two broad measures; recruiting achievement and retention behaviour.
- 2.3 This evaluation does not address the efficiency of the R2 Program, nor does it attempt to determine if bonuses and allowances were set at the most cost-effective level required to achieve desired results. The cost-benefit analysis required to determine efficiency of the R2 Program and to identify if initiatives were set at optimal levels is beyond the scope of this evaluation.
- 2.4 This evaluation utilises existing data sources for analysis and reporting. Where additional data may have been available but was not sourced, it has been noted.

### LIMITATIONS

- 2.5 In assessing the effectiveness of the R2 Program a number of external and internal factors need to be taken into account including the impact of the economy, interdependencies between initiatives and Defence's own internal environment during this period.
- 2.6 Given the timeframe for this evaluation, the advanced statistical modelling required to control for at least some of these confounding factors could not be undertaken. As such, while this evaluation provides some rigour regarding the effect of the R2 Program, it has not been possible to directly attribute any specific quantifiable impact to any of the R2 initiatives.

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## EVALUATION APPROACH

- 2.7 Given the short timeframe and overall purpose of this evaluation – to provide the quantitative evidence necessary to augment a wider departmental review – advanced statistical modelling was not undertaken. Rather the evaluation used the following analytic approach:
- a. Evaluation at the program level examined the available quantitative data in terms of:
    - (1) Recruiting achievement,
    - (2) Separation rates,
    - (3) Propensity to leave,
    - (4) Survival profiles, and
    - (5) The overall strength of the full-time ADF.
  - b. Individual initiatives were first examined in terms of their achievement against KPIs and secondly, where applicable, against additional measurable performance indicators. This approach ensured all available measures of achievement were accounted for and enabled a detailed examination of the impact, if any, of initiatives on workforce behaviour;
  - c. Given some of the R2 Program initiatives were broad in their impact, and others were targeted at a specific Service, rank and/or employment groups, it was possible to determine a percentage change in separation behaviour that was shared across the entire ADF workforce. This observed common change was used as a proxy benchmark to represent the combined effects of collective R2 impacts along with other internal and external factors influencing the ADF workforce as a whole. Such an approach enabled identification of the impact on workforce behaviour of those initiatives targeting vulnerable segments of the population.

### Utility of Results

- 2.8 This volume is intended to inform and contribute to the departmental review of the R2 Program. Results and discussion will be drawn together with the review of the governance and implementation of the R2 Program contained in Volume 2 and presented to the People Steering Group (PSG) for further Group/Service input before consideration by the Defence People Committee (DPC). It is anticipated this combined review and evaluation will satisfy the requirements for a departmental review of the R2 Program with the next evaluation being the interdepartmental review in FY 11/12.
- 2.9 It is also anticipated the results and recommendations presented here will be used to inform the development of a framework enabling the robust evaluation and review of future personnel initiatives within the department.
- 2.10 This evaluation will be made internally available via the Directorate of Workforce Intelligence website: [http://intranet.defence.gov.au/pspg/sites/WorkforceIntelligence/comweb.asp?page=41975&Title=Welcome\\_to\\_Workforce\\_Intelligence](http://intranet.defence.gov.au/pspg/sites/WorkforceIntelligence/comweb.asp?page=41975&Title=Welcome_to_Workforce_Intelligence)

## CHAPTER 3. RESULTS.

- 3.1 As can be seen from Annex A, many of the R2 Program initiatives were implemented concurrently, or at least consecutively, and as a result it is likely the effects of the initiatives had a complementary or cumulative effect on one another. Although this chapter will consider the results of each of the R2 Program initiatives for which measurable data exists, it is useful to first consider the known program level results in order to place the initiative results in context.

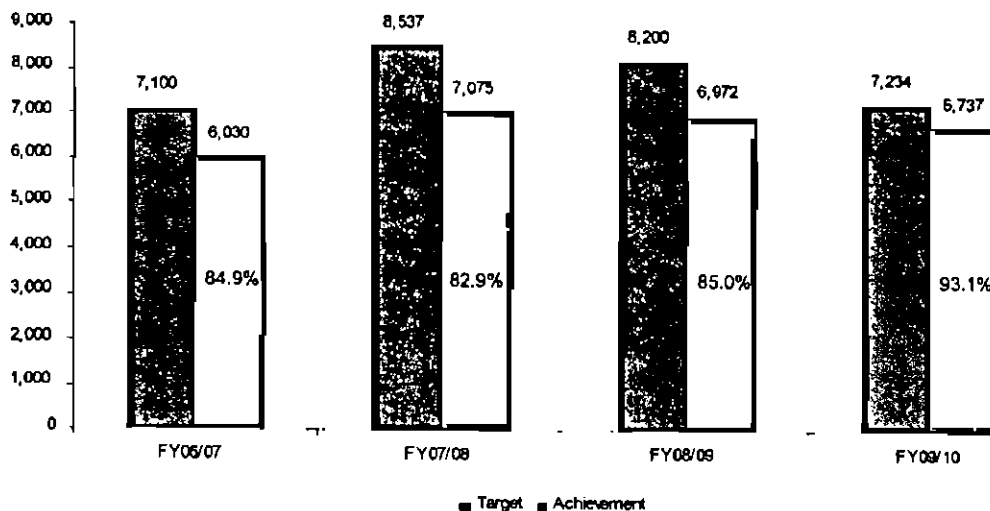
### PROGRAM LEVEL RESULTS

- 3.2 Program level results can be assessed from the two over-arching R2 dimensions of recruiting performance and retention behaviour. Both of these dimensions have several measurable attributes which can be analysed at the aggregate level. Although some granularity is lost, it is necessary to consider the overall impact of R2 at this level before decomposition to the impact of particular initiatives on certain target workforce segments. This section will examine program level results in terms of recruiting achievement, separation rates, propensity to leave, survival profile, and the overall strength of the ADF.

#### Recruiting Achievement

- 3.3 Many of the R2 Program initiatives specifically focussed on increasing recruiting achievement or developing efficiencies through changes in recruiting processes. The objectives of the R2 Program, relevant to recruiting, are:
- Increase full-time enlistment in the ADF to 6,500 per annum; and
  - Sustain full-time enlistment in the ADF at 6,500 per annum.
- 3.4 As can be seen by Figure 1, these objectives have been met for each full FY the R2 Program has been implemented to-date.<sup>22</sup>

Figure 1. ADF Recruiting and Achievement FY 06/07 – FY 09/10



Source: DAR and COSC BTL

<sup>22</sup> Recruiting achievement as discussed in this report relates to the recruitment of full-time personnel across all recruiting categories (*ab-initio*, prior service and lateral transfers), unless otherwise noted.

- 3.5 The key measure of recruiting success is recruiting achievement. Recruiting achievement can be measured in terms of raw achievement (actual number of recruits) and achievement against target (number of recruits as a percentage of the target). Given variations in recruiting targets, an analysis of recruiting success may draw different conclusions depending on which measure is used. In this case, as can be seen from Figure 1, achievement against target has improved across the three full FYs the R2 Program has been in effect, although raw achievement declined.
- 3.6 Changes in force structure resulted in recruiting surges commencing FY 07/08. As can be seen by Figure 1, since this period raw achievement has consistently exceeded the R2 Program objective of 6,500. Recruiting targets, however, have ranged from 6,737 to 8,537 over the same period. Hence, despite exceeding the 6,500 enlistment objective, achievement against target has ranged from 82% to 93%. The *Discussion* section of this evaluation highlights the problems inherent in setting such narrowly defined program level objectives and considers more appropriate measures.
- 3.7 Finally, the data presented here points to further discussion, although outside the scope of this evaluation, regarding the level of recruiting achievement the Australian population can sustain in the long-term, and the increases in funding and changes in processes/policy required to affect marginal improvements.

#### Separation Rates

- 3.8 The majority of the R2 Program initiatives were designed to influence retention in the ADF and initiatives targeted both the overall ADF workforce and specific vulnerable workforce segments. The objectives of the R2 Program, relevant to retention, are:
- Reduce the full-time ADF workforce separation rates to less than 10% per annum; and
  - Sustain the full-time ADF workforce separation rates at less than 10% per annum.
- 3.9 As can be seen from Figure 2, ADF separation rates show a general downward trend since mid-07 and have been consistently below 10% since Jan 09.<sup>23</sup>

Figure 2. ADF 12-month Rolling Separation Rates Jan 05 – Jul 10



Source: DAR and COSC BTL

- 3.10 Separation rates remain one of the most frequent measures of workforce behaviour and, as can be seen from Figure 2, ADF separation rates decreased from 11.3% to 7.0% between Jul 07 and Jul 10. As the decrease in separation rates commenced in mid-07, not long after the introduction of the first R2 Program initiative, and has continued through to present, it is reasonable to conclude the R2 Program has had a

<sup>23</sup> For the purposes of this evaluation, 'separation rate' refers to the 12-month rolling separation rate.

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positive impact on ADF workforce behaviour. A cautionary note is required here, however, as other factors, including the economic conditions of the time, may have also played a part in reducing separation rates. Figure 3 shows 12 month rolling separation rates for the ADF and key R2 Program and other significant events.

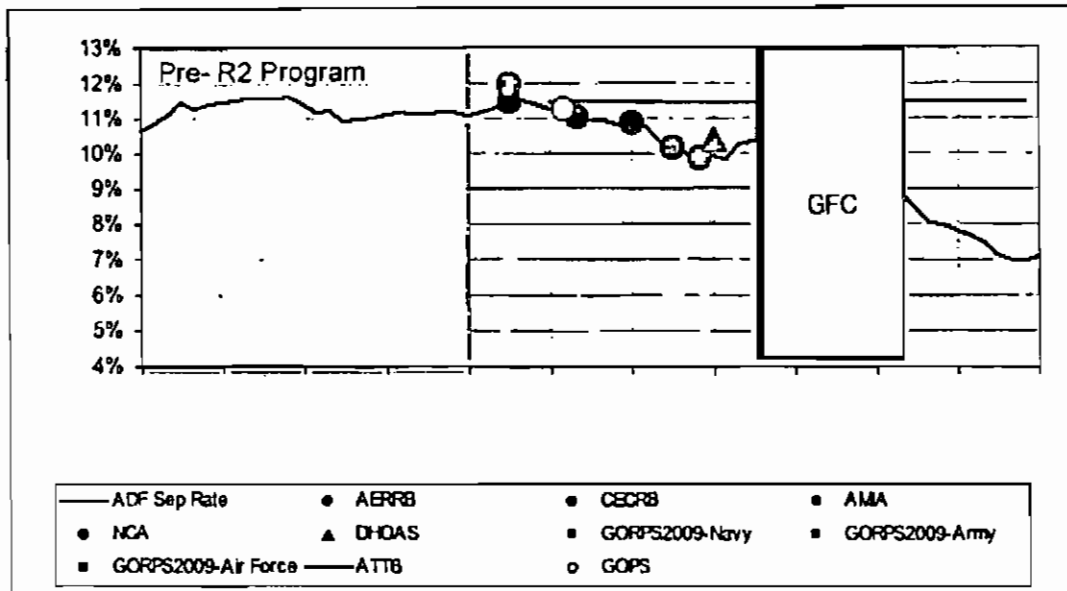
- 3.11** Not only has the reduction in separation rates been observed across the ADF, it is significant that these reductions have been exhibited in all Services and all ranks despite some Services and/or ranks being targeted by more initiatives than others (in order to influence Service specific growth requirements). This observation is important as several segments of the ADF workforce were only eligible for the broad initiatives such as remuneration reform and DHOAS. This result supports an extension that broad initiatives had an impact on reducing separation rates which may be measurable. Figure 4 shows Service specific separation rates and Figure 5 breaks down the separation rates to Officers and Other Ranks (OR), for each Service. Key observations include:
- a. **Navy Separation Rates.** Navy separation rates decreased 4.1% points from 12.3% in Jul 07 to 8.2% in Jul 10. This decrease, however, was more erratic than observed in the other Services with a significant period of increasing separation rates, particularly for Officers during the period Aug 08 to Aug 09. This period of increasing separation rates for Officers is interesting as it incorporates, what has come to be known as, the Global Financial Crisis (GFC) and is, perhaps, counterintuitive to what would anecdotally be expected to occur.<sup>24</sup>
  - b. **Army Separation Rates.** In aggregate, Army separation rates have been decreasing since mid-07, falling 4.6% points from over 12.0% in Jul 07 to 7.4% by Jul 10. It is interesting to note, however, in the first eight months of these decreasing separation rates, Officer separations held relatively steady while OR separations fell. Significant decreases in separation rates for Officers were not observed until early 2008.
  - c. **Air Force Separation Rates.** Air Force separation rates have historically been lower than either Navy or Army and this trend has remained constant despite the other Services demonstrating significant decreases in separation rates. Air Force separation rates decreased 3.7% points from 9.0% in Jul 07 to 5.2% in Jul 10.
- 3.12** The separation rates for all three Services increased against the trend between Aug 08 and Oct 08 before resuming their decrease. There is no obvious explanation for this simultaneous increase in separation rates as it does not appear to coincide with any R2 Program initiative, anniversary of an initiative, or any other internal or external influence. Interestingly, this increase in separations occurred in the months immediately prior to the peak or start point of the GFC.
- 3.13** In terms of quantifying the effect of the reduced separation rates, the decrease from 11.3% in Jul 07 through to 7.0% in Jul 10 represents a net reduction in separations of almost 4,000 personnel over the three years. Despite an increase in strength from approximately 51,200 in Jul 07 to 57,800 in Jul 10, annual separations have fallen from over 5,700 in FY 06/07 to just 4,000 in FY 09/10.

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<sup>24</sup> For the purposes of this evaluation the GFC is understood as the period between Sep 08, with the collapse of Lehman Brothers and US Treasury interventions, and Sep 09, when GDP declines had slowed or ended in most advanced world economies. See [www.worldbank.org](http://www.worldbank.org) for detailed coverage and analysis.

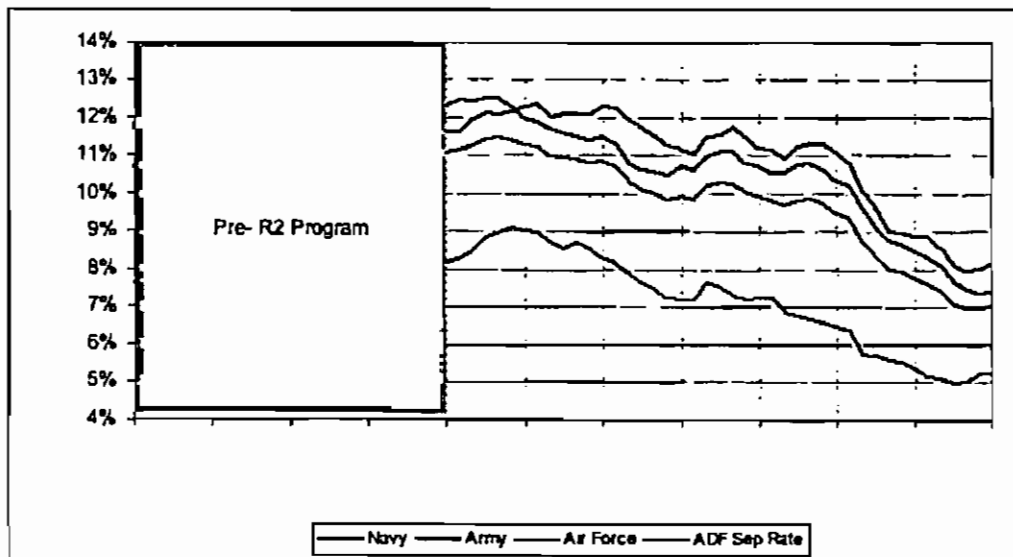


Figure 3. ADF 12 month Rolling Separation Rates Jan 05 – Jul 10: Showing key events



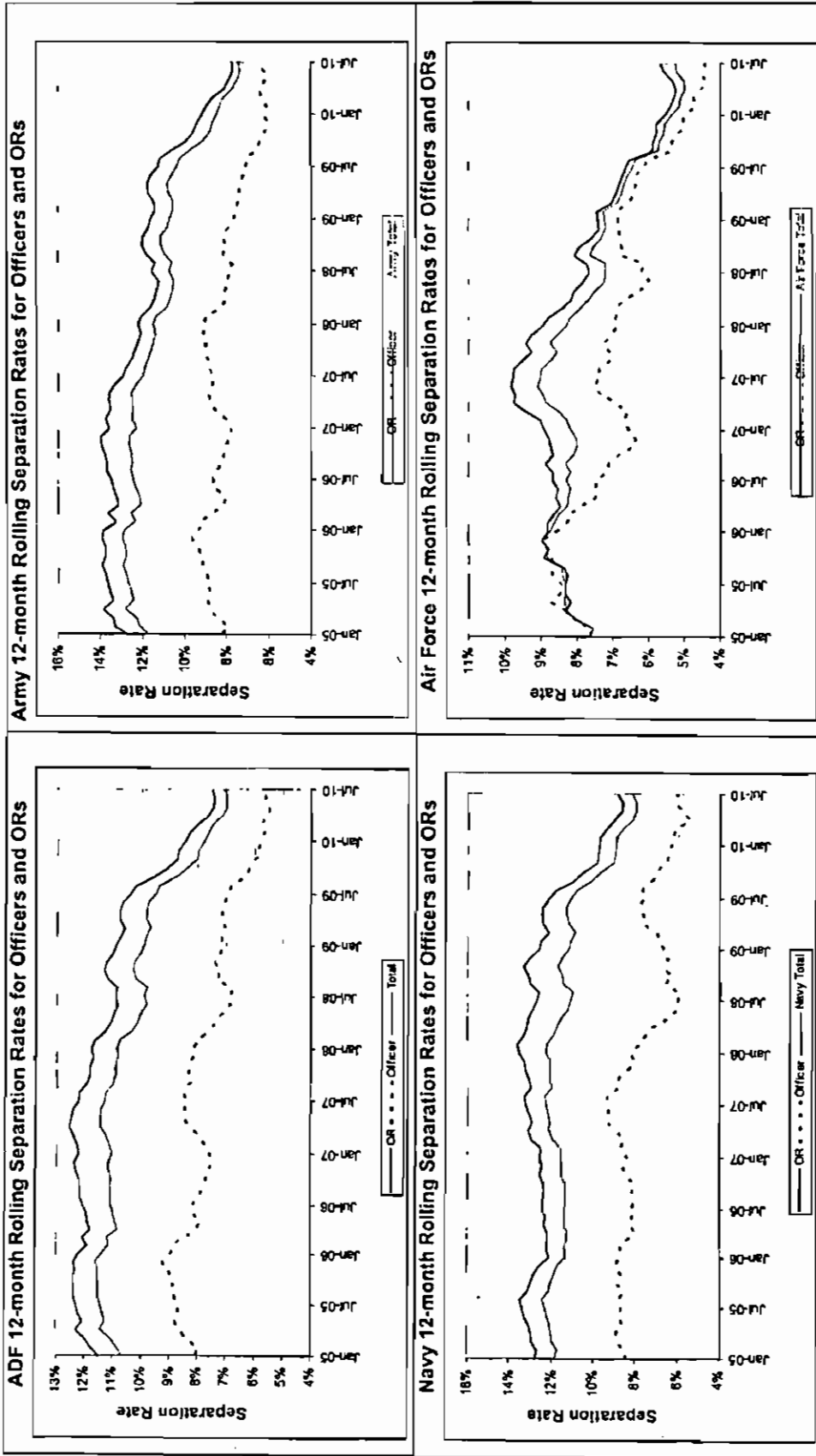
Source: DWMFA

Figure 4. ADF 12-month Rolling Separation Rates Jan 05 – Jul 10 by Service



Source: DWMFA

Figure 5. Service 12-month Rolling Separation Rates Jan 05 – Jul 10 by Officers and ORs

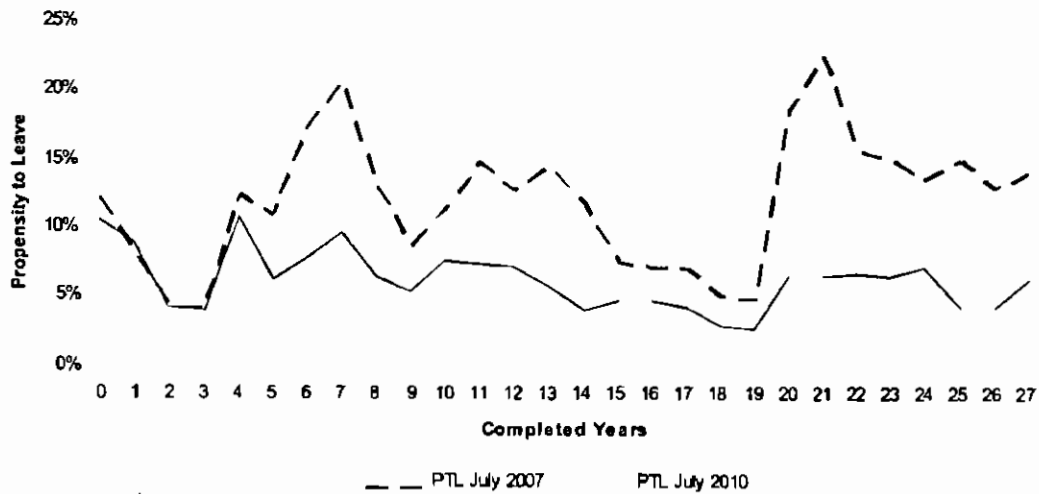


Source: DWMFA

### Propensity-to-Leave

- 3.14 One weakness in using separation rates for analysis is these rates typically aggregate results across an entire rank or Service. Some retention initiatives, however, were targeted at members in a specific cohort or rank/s. The Propensity to Leave (PTL) measurement provides the statistical likelihood that an individual will separate from the ADF given they have completed a particular length of service (LOS). This measurement provides an indication of when individuals separate during their career and allows analysis of whether those initiatives targeting certain ranks have had an impact.
- 3.15 Figure 6 shows the PTL in Jul 07 compared with Jul 10. The reduction in PTL at all lengths-of-service with exception only to the first four years (a period characterised by the Initial Minimum Period of Service) shows the extent to which changes occurring since mid-07 have affected separation behaviour. Although changes have occurred everywhere, the PTL in the 8<sup>th</sup>, 12<sup>th</sup> – 14<sup>th</sup>, 21<sup>st</sup>, and 22<sup>nd</sup> years demonstrate the greatest decrease.

Figure 6. ADF Propensity to Leave Jul 07 and Jul 10

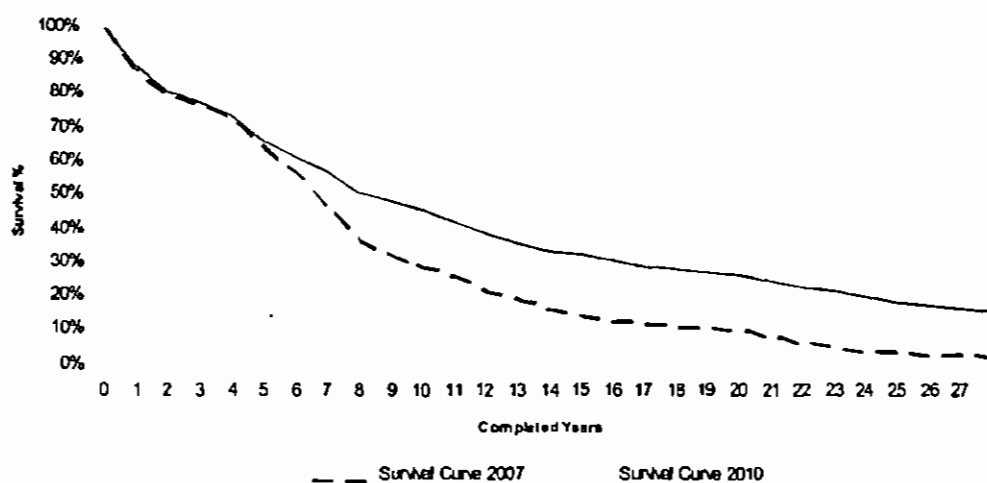


Source: PMKeyS data extracted by DWMFA.

### Survival Curves

- 3.16 A final measure, usually referred to as a survival curve, is derived from the PTL and predicts how many personnel from a starting cohort remain in the ADF after each year. Figure 7 shows two survival curves, Jul 07 and Jul 10. As can be seen, there are differences in the survival rates calculated for each cohort, with the Jul 07 curve indicating 29.4% of the cohort will complete their 10th year of Service and only 10.3% will complete 20 years. The Jul 10 curve, however, identifies 45.5% of the cohort remaining at the end of their 10<sup>th</sup> year and 26.4% serving 20 years.

Figure 7. ADF Survival Curves Jul 07 and Jul 10



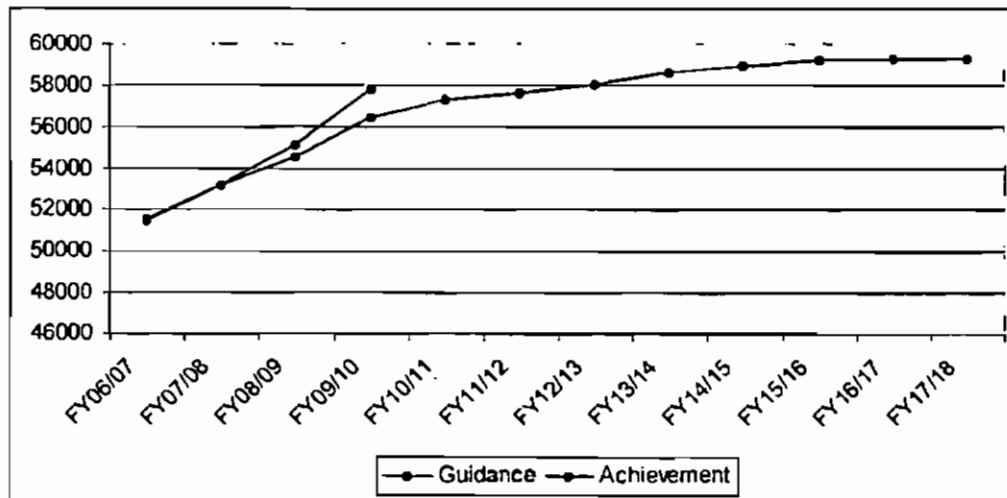
Source: PMKeyS data extracted by DWMFA.

- 3.17 Combined, the separation rates, PTL, and survival curves provide an indication of the substantial change in ADF workforce behaviour since Jul 07. Significantly, the change in separation behaviour has occurred at all ranks and all stages in the career progression of individuals even though some initiatives have not had a wide application. This result may indicate the extent of the impact that R2 Program initiatives designed to have wide application and longer-term effects, such as remuneration structure reform and DHOAS, may have had on ADF workforce behaviour.

### ADF Strength Increases

**3.18** The combination of recruiting achievement and reductions in separation rates has resulted in an increase in ADF strength faster than anticipated. As at 30 Jun 10 the Average Funded Strength (AFS) achievement through FY 09/10 was 57,696, well ahead of the required growth path (guidance = 56,434). Figure 8 shows AFS achievement against guidance for FY 06/07 to FY 09/10. While the extent to which the growth is attributable to the R2 Program will remain the subject of further analysis, it is arguable *prima facie* that the R2 Program was introduced to achieve a specified affect in a given environment, and this has been achieved.

**Figure 8. AFS Achievement and Guidance FY06/07 – FY09/10**



Source: ADF Pay Data, ADF Guidance Trails as at 22 July 2010

#### Key Points

- The R2 Program objectives, as stated in implementation documents, have all been achieved to-date.
- Recruiting achievement against target has improved across the three full FYs the R2 program has been in effect.
- ADF separation rates fell 4.3% from 11.3% in Jul 07 to 7.0% in Jul 10 and have been consistently below 10% since Jan 09.
- Improvements in retention have been observed for all Services and across all ranks.

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## INITIATIVE LEVEL RESULTS

- 3.19** The R2 Program, as implemented, consisted of 12 initiatives all of which had specific quantitative KPIs identified. This section will provide a summary of achievement against KPIs and, where applicable, report against additional measurable performance indicators.
- 3.20** The interactions existing between many initiative level results, combined with the timing of the initiatives, means precise attribution of the exact impact of each initiative will remain problematic. An estimate, however, of the effect of each initiative is made where appropriate. In some instances it has not been possible to obtain the data required to report against KPIs and this has been noted. Table 1 summarises performance against KPIs for each initiative.<sup>25</sup>
- 3.21** Some initiatives, such as remuneration structure reform and DHOAS, were broad in their application and targeted a wide population from all of the Services. This means it may be possible to associate a common change in separation behaviour which occurred in all the Services to these common initiatives. The observed common change in separation behaviour was a reduction in separation rate over the period of at least 3.75% which potentially represents the effect of common factors.<sup>26</sup> Unfortunately this figure cannot be attributed entirely to the common retention initiatives as it also includes the effect of other external and internal factors which affected all three Services, such as any potential effects of the GFC.
- 3.22** This common change in separation behaviour of 3.75% occurring in each of the Services provides a proxy benchmark for measuring the effects of other initiatives which were not common between the Services. Changes in separation behaviour above (or below) this benchmark could be attributed to individual initiatives which were more specifically targeted at particular workforce segments and were not broad in their implementation or acceptance.<sup>27</sup>
- 3.23** The risk in this approach of establishing a benchmark is it makes the assumption that the common initiatives affected the Services equally. We know, however, the age, LOS, and rank profiles of the Services are different and since the common initiatives are likely to affect these demographic groups differently we can also assume the effects of the common initiatives were not the same between the Services. As such, there is an unknown degree of error in this methodology. In the absence of other available information, however, it is necessary to at least provide an estimate for further analysis.

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<sup>25</sup> Intranet website: <http://intranet.defence.gov.au/pspg/sites/ADFRetentionRecruitment/> provides further details on many of the initiatives.

<sup>26</sup> Air Force exhibited a decrease in separation rate of 3.75% between Jul 07 and Jul 10. Furthermore, the only retention initiatives Air Force personnel were eligible for was the common GORPS and DHOAS. Navy and Army exhibited decreases greater than this, therefore the combined effects of GORPS, DHOAS and other common internal and external influences, are estimated to be approximately 3.75%. Changes in separation behaviour above this figure represent the influence of a factor not common to all Services, or a different impact of a common initiative on one Service compared with others.

<sup>27</sup> Ideally the common change in separation behaviour would be measured at separate intervals, however: the timing of initiatives and the lag between the initiative and any effects being observed makes this difficult to interpret any results in a useful manner.

Table 1. Summary of R2 Program Initiatives: Achievement against KPIs.

R2 Program Initiative	KPI	2009-10 Target	Achievement 31 Mar 10
<b>Retention Bonuses &amp; Allowances</b>			
<b>CECRB</b>	Number of Navy critical trades reduced	█	█
<b>CECRB</b>	% reduction in shortfalls of trained Navy personnel	14.5%	11.5%
<b>CECRB</b>	% of positions filled in Army categories offered CECRB (Mar 07/May 08/Nov 08)	Not identified	85%/70%/78%
<b>AERRB</b>	Decreased separation rates for CPL/SGT	11.7%/18.4%	6.8%/5.0%
<b>AERRB</b>	Decreased separation rates for MAJ/LTCOL	7.6%/9.8%	4.8%/5.7%
<b>ATTB</b>	% of Army employment category A positions filled	80%	91%
<b>ATTB</b>	% of Army employment category B positions filled	90%	85%
<b>AMIA</b>	% of Army military instructor positions filled	85%	Bonus no longer offered
<b>NMIA</b>	% of Navy military instructor positions filled	85%	90%
<b>RTIA</b>	% of Navy recruit training instructor positions filled	85%	94.2%
<b>NCA</b>	Reduce separation rates for critical sailor categories	11%	6.3%
<b>New DFR Model</b>	% of overall full-time enlistment targets achieved	90%	92.3%
	Reduce conversion rates of inquiries to applications to enlistment	11:3:1	12.3:2.5:1
	Reduce candidate processing time - GE	█	█
	Reduce candidate processing time - Officer	█	█
	Reduce candidate processing time - Reserve	█	█
	Reduce % of candidates unaccounted for in process	█	█
	% of candidates satisfied with their recruiting experience	█	█

R2 Program Initiative	KPI	2009-10 Target	Achievement 31 Mar 10
<b>ADF GY</b>	Achieve ADF GY recruiting targets Achieve target for % of personnel retained in part-time service following their GY Achieve target for % of personnel retained in full-time service following their GY Achieve target for % of GY members enlisting in full-time service after studies	100% Not Identified Not Identified Not Identified	100% 32.9% 31.1% Not Measured
<b>Remuneration Structure Reform</b>	Increase % of ORs satisfied with their pay Decrease the % of ORs indicating pay was a considerable influence on their decision to leave	40% 24%	51% 29%
<b>DHOAS</b>	Number of members taking up scheme % of members indicating the scheme influenced their decision to remain in the ADF	3019 15%	3976 57%
<b>EFS &amp; ESC</b>	Reduced demands on ship personnel when in port (baseline on 24 hr duty every four days 1:4) Reduce separation rates for Submariners	1:5.7 10%	1:1.2 4.6%
<b>MOPD</b>	Increase average years of service for MOs % of MOs who undertake the program	2.5 years 80%	Under Review 67%
<b>MSB</b>	% of 16-24 yr olds considering employment in the ADF % of 16-24 yr olds more likely to consider an ADF career as a result of marketing Number of inquiries to DFR	35% 40% 110,000	25% 43% 82,478
<b>Expanding Cadets</b>	Increase cadet numbers by 1000 over 10 years % of Cadets indicating participation had provided positive life and employability skills % of Cadets indicating an indication to join the full-time or part-time ADF workforce % of ex-cadets enlisting in the ADF/% of ADF members with previous Cadet experience	22,200 60% 65% 17%	21,919 <sup>28</sup> 38.7% 42.1% Not Available
<b>DTS</b>	Number of scholarships awarded	9%	22%
<b>CRP</b>	Proportion of candidates referred deemed eligible for a technical trade in the ADF Number of candidates referred	 ■	 ■

<sup>28</sup> It should be noted, Cadet data is not collected quarterly and the numbers reported here are accurate as at Jun 09.



3.24 As can be seen from Table 1, the majority of KPIs that could be measured were achieved. There are, however, a number of exceptions most notably those relating to recruitment and Expanding Cadets. These initiatives are discussed in more detail in Volume 2 of this report. It is worth noting, however, many of the current KPIs, including those relating to the new DFR Model and MSB, require review. The importance of appropriate and measurable KPIs is highlighted in the *Discussion* section of this evaluation.

**Critical Employment Category Retention Bonus**

3.25 The purpose of Army's CECRB which was closed to new entrants from 1 Jul 09, was "to offer a retention bonus to encourage retention of members and reduce shortfalls in critical trades in the Army" and consisted of a \$25,000 bonus for a 24 month return of service.<sup>29</sup> CECRB data is not yet available for detailed analysis however the acceptance rate for each offer was:

- a. Mar 07 offer: 575 potentially eligible, 354 paid.
- b. May 08 offer: 548 potentially eligible, 223 paid.
- c. Nov 08 offer: 348 potentially eligible, 183 paid.<sup>30</sup>

3.26 As with other initiatives, many personnel who were eligible for the CECRB would also have benefited from the pre-R2 Program remuneration changes (such as the first phase of GORPS) and isolation of the effect of the bonus is difficult. Additionally, several members are known to have rejected the CECRB in preference for the AERRB; while members could be eligible for both bonuses they could choose to accept only one.

3.27 Further confounding the analysis on CECRB is the number of changes which have occurred within categories since implementation of the initiative. [redacted] are categories which are either obsolete or have been subject to Employment Category Reviews. Ongoing analysis of the effect of CECRB is therefore compromised for these categories. Table 2 shows the categories which were offered the CECRB with enduring categories shown in bold.

**Table 2. Categories Offered the CECRB**

WEF 01 Mar 07		WEF 01 May 08		WEF 24 Nov 08	
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

<sup>29</sup> PACMAN Chapter 3 Part 5 Division 20, Army Critical Employment Category Retention Bonus.  
<sup>30</sup> Source: DPP-A as at Feb 10.

The changes in separation rate in the categories impacted by CECRB can be measured in comparison with other Army categories. The figures below demonstrate the significant reductions which have occurred in all categories eligible for the CECRB

- a. **Mar 07 Offer.** For the categories offered the CECRB in Mar 07 the separation rate decreased 8.9% points from 22.7% to 13.8% in the 12 months to Mar 08. Since Mar 08 the separation rate for these categories has continued to decrease and was 9.5% as at 1 Jul 10. The initial decrease of 8.9% points compares favourably with a decrease of only 2.2% points for the remainder of the Army over the same period.
- b. **May 08 Offer.** For the categories offered the CECRB in May 08 the separation rate decreased 1.9% points from 12.3% to 10.4% over 12 months and continued to decrease to 5.6% by 1 Jul 10. This initial decrease of 1.9% points compares favourably to a decrease of 0.4% points exhibited by the remainder of the Army over the same 12 month period.
- c. **Nov 08 Offer.** For the categories offered the CECRB in Nov 08 the separation rate decreased from 15.1% to 10.5% over 12 months and continued to decrease to 5.7% by 1 Jul 10. This decrease of 4.6% points compares favourably to a 2.2% decrease exhibited by the rest of the Army.

All of the categories offered the CECRB exhibited reductions in separation rates greater than the relative Army decreases over the same 12-month period since the respective offer. As at 1 Jul 10, only those categories offered the bonus in Mar 07 now exhibit separation rates higher than the rest of Army. The significant fall in separation rates far below the 3.75% benchmark mentioned earlier implies a strong retention effect due to the CECRB.<sup>31</sup>

The Navy CECRB was a retention bonus paid for a return of service obligation of two years targeted at individuals in a critical category.<sup>32</sup> The amount of bonus varied depending on the provisions in the determination, which confounds the ability to determine the impact of the initiative. Analysis conducted within Navy People Branch indicates of the 395 offers made, 326 were accepted. Of those, 8.6% have discharged, 3.7% are intending to separate, 34% are still serving under a return of service obligation (ROSO) agreement, and 53.7% have completed their ROSO and remain in Navy.<sup>33</sup>

In a similar discussion to that proposed in relation to the AERRB results below, the fact only 82.5% of eligible members accepted the bonus is curious. Given the return of service obligation was only two years, and there were no penalties for not completing the obligation aside from pro-rata repayment of the bonus; understanding reasons for the low take-up may be revealing. Although the CECRB was targeted, 326 is only marginally higher than the number who would have been expected to stay in the absence of a bonus if the Jul 07 separation rate persisted for two years. Unless the bonus was targeted at personnel whose separation was imminent, the effectiveness of the bonus is questionable.

#### Expansion and Rank Retention Bonus

The purpose of the AERRB was "to pay a bonus to members in certain ranks to encourage them to serve longer in those or higher ranks" and consisted of a commencement bonus of \$10,000 followed by a four-year completion bonus of \$30,000.<sup>34</sup> Notably, the reduction in separation rates in Army commenced at around the same time the AERRB and CECRB was offered. Unlike other Army initiatives, the effects of AERRB and CECRB have been enduring since the commencement of the R2 Program and benefits continue to be realised.

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1.75% benchmark cannot be used effectively for the May 08 and Nov 08 offers as it applies to the trends in separation rate since Jul 07. Although Mar 07 pre-dates the benchmark, the separation behaviour is able to Jul 07 as shown in Figure 3.

MAN Chapter 3 Part 5 Division 21: Navy – Individuals critical to Navy capability.

provided by Deputy Director Navy Workforce Management Analysis, 16 Aug 10.

MAN Chapter 3 Part 5 Division 19: Army Expansion and Rank Retention and Completion Bonus.

- 3.33 Two rounds of offers were made with the first offer in Mar 07 and the second, targeting those who had rejected the first offer or subsequently become eligible for the bonus, made in Mar 08. Of the 4,648 personnel eligible in Mar 07, 3,945 were paid the bonus and in Mar 08, 1,223 of the eligible 1,865 were paid. The combined acceptance rate was 77% which prompts a discussion about a low acceptance rate given the lack of penalties associated with paying the bonus back should the service obligation not be completed.
- 3.34 Although it is difficult to ascertain what the separation rate would have been in the absence of AERRB, it is known that this initiative, combined with all other initiatives and internal and external factors, contributed to an overall decrease in separation rate in Army from 12% in Jul 07 to 7.4% in Jul 10, a decrease of 4.6%. The common decrease exhibited by all Services was 3.75% implying the non-common initiatives, including AERRB, contributed another 0.85% to the overall decrease in Army separation rates since Jul 07. If accurate, the AERRB portion of this additional 0.85% reduction would have occurred in the eligible ranks of CPL, SGT, CAPT and MAJ.
- 3.35 An internal Army analysis into the AERRB over its first three years indicates Army has retained between 347 and 515 more personnel than expected if separations had continued at 2007 rates.<sup>35</sup> The report, however, also states this increased retention cannot be attributed to AERRB exclusively.

#### Army Trade Transfer Bonus

- 3.36 The purpose of the ATTB was "to encourage Army members in non-technical trades to transfer to technical trades that have critical workforce shortages".<sup>36</sup> The initiative was closed to new entrants from 1 Jul 10 and involved a bonus of \$25,000 or \$17,500 depending on the category. Analysis on the effectiveness of the bonuses is difficult as the trade transfer targets varied considerably between FY 07/08 and FY 09/10, several categories were permitted to over-recruit in FY 07/08 and FY 08/09, and non-R2 Program initiatives such as Stay Army and Project Boomerang are likely to have impacted on achievement.<sup>37</sup> Comparison between pre-R2 Program initiative trade transfer rates are therefore confounded by concurrent initiatives occurring during the same period.
- 3.37 Combined with the CECRB (which targeted personnel already in some of these categories) and reductions in separation rates, many establishment gaps have closed in the categories offered the ATTB. Although some categories continue to experience personnel deficiencies, by Apr 10 all categories targeted through ATTB had been removed from the Army Critical Category List, and only [REDACTED] remained on the down-graded Serious Category List.<sup>38</sup>
- 3.38 Table 3 shows the trade transfer achievement against the target between FY 07/08 and FY 09/10 inclusive. The variation in the target and achievement is evident and no comprehensive conclusions on trends can be drawn. The data, however, includes all trade transfers and may include personnel not eligible for the ATTB.

<sup>35</sup> DWMFA-A Report 03/10. *Three-Year Update of the Analysis of the Army Expansion and Rank Retention Bonus*. Directorate of Workforce Modelling Forecasting and Analysis, Canberra.

<sup>36</sup> PACMAN Chapter 3 Part 5 Division 23, Army Trade Transfer Bonus.

<sup>37</sup> Stay Army is an initiative aimed at retaining Army personnel in the ARA, Army Reserve or Standby Reserve <http://intranet.defence.gov.au/armyweb/sites/STAYARMY/>

<sup>38</sup> Since implementation of the initiative ECN 405 has been re-designated ECN 665.

**Table 3. Trade Transfer Achievement Against Targets for ATTB Categories**

Category A (achievement/target)	07/08	08/09	09/10	Total
	0/0	0/4	1/1	1/5
	7/6	3/5	1/6	11/17
	5/0	4/5	6/8	15/13
	4/1	13/5	9/10	26/16
<b>Category A Total</b>	<b>16/7</b>	<b>20/19</b>	<b>17/25</b>	<b>53/51</b>
Category B (achievement/target)	07/08	08/09	09/10	Total
	8/13	8/13	15/17	31/43
	0/2	1/2	3/3	4/7
	2/2	3/6	2/4	7/12
	26/15	19/20	21/23	66/58
<b>Category A Total</b>	<b>36/32</b>	<b>31/41</b>	<b>41/47</b>	<b>108/120</b>

Source: Soldier Training Information Generator

#### Army Military Instructor Allowance

**3.39** The AMIA was a \$5,000 allowance paid to qualified personnel "to offer incentive payments to members who complete 12 months in military instructor positions".<sup>39</sup> The allowance ceased from 1 Jul 09 after 1,454 of the 1,721 eligible members accepted the bonus between 1 Jul 07 and 1 Jul 09 (an additional 393 temporary instructors received a pro-rata payment).

**3.40** The medium-term affect of the bonus on retention is not able to be measured as personnel posted as military instructors return to employment in their original category. Although 91% of military instructor positions were filled before expiry of the scheme, accurate attribution to the initiative is not possible due to the changes in Army workforce, including an overall increase in strength over the period. As with many other initiatives it is also likely eligible personnel were also eligible for other retention initiatives. There have also been no follow-on studies of bonus recipients to indicate whether the bonus affected their decision to undertake employment as an instructor, or increase their satisfaction for those who were already employed as instructors.

#### Navy Military Instructor Allowance

**3.41** The NMIA fell under the same determination as the AMIA. As with the AMIA, the medium-term affect of the bonus on retention is not able to be measured as personnel posted as military instructors return to employment in their original category. At this stage there is no data available with which to analyse the effect of the NMIA other than to examine how many positions/billets were filled before and during the allowance. This measure, however, is subject to a variety of influencees including structural changes in categories, posting priorities, and the overall strength of Navy.

#### Navy Recruit Training Instructor Allowance

**3.42** The RTIA was a \$10,000 allowance paid "to Navy members who complete 12 months of duty as a recruit training instructor".<sup>40</sup> The allowance was similar to the NMIA and recognised instructors in more demanding appointments than NMIA. This initiative is also unable to be analysed further as there is insufficient data at this stage.

<sup>39</sup> PACMAN Chapter 3 Part 5 Division 25: Military Instructors Scheme and PACMAN Chapter 3 Part 5 Division 28: Military Instructor on Temporary Duty.

<sup>40</sup> PACMAN Chapter 3 Part 5 Division 24: Navy – Recruit Training Instructors Scheme.

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### Navy Capability Allowance

- 3.43** The NCA was aimed at retaining experienced Navy personnel and had relatively broad application across sailor ranks; the allowance ceased for new applicants from 1 Jul 10. The allowance included different schedules for general sailors and submariners with the sailors receiving a commencement of \$6,000, additional \$6,000 after six months, and a final \$12,000 after a further six months. Submariners received a commencement of \$15,000, additional \$15,000 after six months, and a final \$30,000 after a further six months.<sup>41</sup> Of 5,374 eligible personnel, 4,383 applications for the bonus had been received.
- 3.44** As this was the most significant R2 Program initiative for Navy in addition to the broad ADF initiatives, it is possible to estimate an impact noting the remainder of the ADF had only ongoing initiatives active (with exception to the small CECRB). Over the 12 months from Apr 08 to Apr 09 the combined Air Force and Army OR separation rate fell from 10.3% to 10.2%, a modest decrease of just 0.1% points. Yet the Navy OR rate fell from 13.2% to 12.4% over the same period, a decrease of 0.8% points suggesting a potential impact of as much as 0.7% points.
- 3.45** In real terms, an impact of 0.7% points on Navy OR suggests around 70 fewer separations than would otherwise have been expected. It is known, however, a much larger number of sailors had revoked their discharges. Unfortunately, the Graded Other Ranks Pay Scale (GORPS) was introduced at the time the completion bonus was payable hence the revoking of discharges is most likely a response to the combined effects of GORPS and NCA and not just NCA. This also means NCA offers after Apr 08 would be affected by over-lapping initiatives and even the initial offer would have been impacted due to the consecutive implementation GORPS.
- 3.46** An analysis of the NCA take-up rate of 86.2% can lead to differing interpretations. Although high, the take-up rate raises the question of why 13.8% did not accept the bonus given the non-existence of penalties (aside from pro-rata repayment).<sup>42</sup> As the Navy OR separation rate at the commencement of the initiative was 13.2% it appears the take-up rate may not necessarily have made inroads into the separating population. The separation behaviour of those personnel not accepting the bonus requires detailed analysis in order to inform future bonus initiatives.
- 3.47** Unlike AERRB, CECRB and the instructor allowances, the NCA may result in a surge in separation behaviour if the fundamental propensity to leave in individuals has not been changed, but simply deferred by one year. Any increases in separation behaviour resulting from a diminishing effect of the combined GORPS and NCA initiatives may commence 12 months after the last offer which was made in Jun 10.

### New Defence Force Recruitment Model

- 3.48** The New DFR Model was designed to increase recruitment through the redesign of recruitment processes and the improved management of potential enlistees. This initiative is discussed in more detail in Volume 2 of this report. It should be noted, however, many of the KPIs associated with this initiative rather than measuring achievement (i.e. increases in recruitment) monitor performance of the process itself. The importance of setting appropriate and measurable KPIs is highlighted in the *Discussion* section of this evaluation. The KPIs associated with this initiative should be amended to accurately measure the outcomes of the initiative and enable evaluation rather than monitoring the minutiae of the process itself.<sup>43</sup>

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<sup>41</sup> Defence Force Remuneration Tribunal Determination No 9 of 2008, Navy Capability Allowance.

[http://intranet.defence.gov.au/navyweb/sites/DNEC/docs/Signed\\_Navy\\_Capability\\_Allowance\\_9\\_Apr\\_08.pdf](http://intranet.defence.gov.au/navyweb/sites/DNEC/docs/Signed_Navy_Capability_Allowance_9_Apr_08.pdf)

<sup>42</sup> Data provided by Deputy Director Navy Workforce Management Analysis, 10 Aug 10.

<sup>43</sup> Note, however, the KPIs relating to candidate time in process and conversion rates are based directly on the objectives of the initiative as approved by Cabinet and reflected in the R2 Program Implementation Plan. While these KPIs are not ideal in measuring strategic performance, from a governance perspective these KPIs are not optional.

## ADF Gap Year

- 3.49** The aim of the ADF GY is to provide young men and women with a meaningful experience that allows them to gain a better understanding of the opportunities available to them in the ADF.<sup>44</sup> The initiative provides young Australians who have recently completed school the opportunity to experience military training and lifestyle in the ADF for up to one year. The outcomes of the GY initiatives are addressed separately in *Evaluation Report: Evaluation of the Australian Defence Force Gap Year Program* prepared by Noetic Solutions Pty Ltd for Head People Policy Apr 10; the key conclusions include:
- a. The ADF GY was successful in meeting its primary objective of providing young Australians with experiential service in the ADF;
  - b. The ADF GY provided participants with an enjoyable and challenging experience, enabling them gain an understanding of the opportunities available to them within the ADF and return to their communities with a positive attitude of their experience and a willingness to recommend the ADF friends and family; and
  - c. The ADF GY be retained but reduced to 5% of full-time enlistment targets and current KPIs be replaced with a new suite of KPIs designed to better measure and monitor the ongoing impact of the GY on recruitment and the ADF workforce.

## Remuneration Structure Reform

- 3.50** The remuneration structure reform was one of the initiatives which had a broad target and affected the Services approximately equally. In general, all personnel received an increase in salary, albeit a different increment, and the initiative is now a condition of service.<sup>45</sup> After the implementation of GORPS, all three Services exhibited a faster decrease in separation rates than had previously been observed.
- 3.51** Unlike other retention initiatives and previous remuneration increases such as the Graded Officer Pay Scale (GOPS) and the first phase of GORPS, the second phase of GORPS (that funded by R2 program monies) occurred at a time when other retention initiatives were well established and the effect on retention would most likely have already been realised or diminishing. This means decreases in separation rate in the 12 months after the implementation of the second phase of GORPS could be largely attributable to the effect of GORPS. Decreases for each of the Services in the 12 months from GORPS was:
- a. Navy (Apr 09 – Apr 10): 3.4% points from 12.4% to 9.0%.
  - b. Army (Jun 09 – Jun 10): 3.9% points from 11.6% to 7.7%.
  - c. Air Force (May 09 – May 10): 1.5% points from 6.8% to 5.5%.
- 3.52** It should also be noted, the second phase of GORPS was implemented during the GFC, and period of economic uncertainty may have had an impact on the retention behaviour of those targeted by GORPS. Despite this, separation rates continued to decrease for all three Services for another seven months after the Australian economy began its recovery.
- 3.53** Figure 4 suggests the effect of GORPS on RAAF OR was not as great as that exhibited for the other Services. It is also noted, however, RAAF separation rates were already low and it is possible the marginal retention initiatives required to reduce Air Force separation rates further is greater than that of the other two Services.

<sup>44</sup> DI(G) Pers 5-10, Australian Defence Force Gap Year, Canberra, 2008.

<sup>45</sup> PACMAN Chapter 3 Part 1: Salaries

### Defence Home Ownership Assistance Scheme

- 3.54** The aim of DHOAS is to improve ADF retention rates, by making home ownership easier for members in today's competitive housing market.<sup>46</sup> It is likely DHOAS, as a broad and ongoing initiative, is now considered a condition of service. Unfortunately its effect on retention cannot be adequately separated from other broad initiatives, especially since its implementation occurred at approximately the same time as remuneration structure reforms. However, there are some indications of a potential effect in certain key demographics.<sup>47</sup>
- 3.55** The PTL (Figure 5) identified significant decreases in the propensity of personnel to leave the ADF in the 8<sup>th</sup> and 12<sup>th</sup> years (amongst others). These milestones also occur at a time when there is an increasing DHOAS entitlement. Again, attribution of the decreases in PTL in the 8<sup>th</sup> and 12<sup>th</sup> years to DHOAS is not possible with the data available. As at 30 Jun 10, 21,175 subsidy certificates had been issued and 12,084 loans had been drawn suggesting the initiative is at least attractive and likely to have some retention effect, although a detailed analysis of those in the scheme is warranted.<sup>48</sup>

### Enhanced Fleet Support and Enhanced Submarine Capability

- 3.56** The objective of the EFS initiative was to reduce the demands on Navy personnel when ships are in port by utilising contract staff to undertake support services. The initiative, which is difficult to measure of itself, created a subordinate initiative known as the Minimum Duty Watch (MDW). MDW is credited with allowing between two and four additional leave days, per person, to be taken during the Christmas 08 holiday period.<sup>49</sup>
- 3.57** The objective of the ESC initiative was to provide a tax-exempt deployment allowance for submariners in line with taxation rulings on other ADF deployment allowances. This initiative received Prime Ministerial approval Feb 09 and implementation began immediately.

### Medical Officer Professional Development

- 3.58** The MOPD initiative is aimed at enhancing or maintaining competencies gained through the MO Specialist Officer Career Structure via participation in professional development activities.<sup>50</sup> Assessing the effectiveness of the initiative is not possible as there is no ability to determine what would have happened in the absence of the initiative. As a result, the only KPI available is an indication of the use by MOs of the funding available. While only 44.1% of the funding available for the initiative was used in FY 09/10, feedback from Joint Health Command indicates approximately 80% of MOs accessed the funding to some degree, however, few were able to spend their complete entitlement.<sup>51</sup> As with GORPS and DHOAS, it is likely this initiative is now considered a condition of service.

<sup>46</sup> See <http://www.dhoas.gov.au/www/html/497-overview.asp>

<sup>47</sup> Defence Home Owner Assistance Scheme Act 2008, No 27 of 2008, ID C2010C00452. Available from [www.comlaw.gov.au](http://www.comlaw.gov.au)

<sup>48</sup> Subsidy certificates are valid for 12 months. As such, although 21,175 subsidy certificates were issued, a small number of individuals may have been issued a second certificate if they had not drawn the loan during the period of the first certificate.

<sup>49</sup> *Review of the Australian Defence Force Retention and Recruitment Strategy*, Noetic Solutions Pty Ltd, Canberra, 2010 p 65.

<sup>50</sup> PACMAN Chapter 3 Part 5 Division 26: Medical Officers professional development financial support scheme. See also DI(G) Pers 5-17 Medical Officer Professional Development

<sup>51</sup> Feedback received by Deputy Director Recruitment & Retention from SO1 Medical Officers, Joint Health Command, 20 Jul 10.

### Marketing and Service Branding

- 3.59** This initiative was designed to increase recruitment via targeted marketing strategies and improving the branding of the three Services.<sup>52</sup> This initiative is discussed in more detail in Volume 2 of this report. It is worth, noting, however, while inquiries fall short of the target set in the KPIs for this initiative, feedback from DFR suggest inquiries are not below year-to-date internal targets.<sup>53</sup> It would appear prudent the KPIs for this initiative are reviewed to ensure they are consistent with current targets.

### Expanding Cadets

- 3.60** This initiative was designed to support recruitment by increasing the pool of ADF Cadets from around 22,000 to 23,050 over ten years and is discussed in more detail in Volume 2 of this report. It should be noted, however, the Hickling Review of Defence Force Cadets made several recommendations aimed at efficiencies within the management of cadets which would eventually increase participation.<sup>54</sup> As many of these recommendations, including the merging of Cadet Policy Branch with Reserve and Employer Support Division, have only been implemented since 09 it remains too early to comprehensively analyse the effectiveness of any changes in increasing cadet numbers. Feedback from Vice Chief of the Defence Force Group, however, indicates substantial progress has been made since 2009, with cadet numbers currently 579 above target.<sup>55</sup>
- 3.61** Given, however, the reasonable assumption that in many of the locations where cadet units are represented there will also be numerous other youth organisations, the capacity for growth in cadet numbers should be subject to further review, including an environmental analysis of wider youth programs.<sup>56</sup> Attracting greater numbers to cadets requires a degree of market competitiveness for those with a propensity to join the military, in a youth environment where such competition is generally unpalatable.
- 3.62** Whilst it is acknowledged the youth participating in cadets have a high propensity to join the military, it is also feasible their participation indicates a pre-existing interest in the ADF. That is, young people may join cadets because they are already pre-disposed to a career in the ADF rather than developing this goal as a result of the scheme. As such, increasing the size of cadets will only increase the numbers flowing through to the ADF if the scheme is able to attract additional youth with an original propensity to join. This does not lessen the importance of the cadet scheme in facilitating a transition to the ADF of those youth with a high propensity to join; rather it questions the practical ability of the scheme to increase both its own numbers from this population and those of the ADF.

<sup>52</sup> See <http://intranet.defence.gov.au/pspg/sites/ADFRetentionRecruitment>

<sup>53</sup> Feedback received by Deputy Director Recruitment & Retention from Director Recruiting Plans and Governance, 29 Jul 10.

<sup>54</sup> Hickling, F., Woodroffe L., & Winner T. (2008). *Review of the Australian Defence Force Cadets Scheme*. Canberra. Available:

[http://www.defence.gov.au/dpe/cadetreview/documents/ADFC\\_Review\\_Final\\_Report\\_Nov\\_2008.pdf](http://www.defence.gov.au/dpe/cadetreview/documents/ADFC_Review_Final_Report_Nov_2008.pdf) with Responses to recommendations:

[http://www.defence.gov.au/dpe/cadetreview/documents/Review\\_Recommendations.pdf](http://www.defence.gov.au/dpe/cadetreview/documents/Review_Recommendations.pdf)

<sup>55</sup> Feedback received by Deputy Director Recruitment & Retention from Deputy Head Cadets, Reserves and Employer Support, 29 Jul 10.

<sup>56</sup> Other programs competing for youth, which may also accommodate those with a propensity to join the military include the Scouting and Guide movements, PCYC, adventure clubs, team and individual sporting clubs. <http://www.youth.gov.au/Documents/YoungPeopleReport.pdf>



### Defence Technical Scholarship

- 3.63** The purpose of the DTS was to increase the technical trade recruiting pool by sponsoring year 11 and 12 students who are interested in an ADF career to stay at school and study subjects that make them eligible for technical trade employment.<sup>57</sup> Year 11 recipients receive \$2,000, paid over two semesters and successful Year 12 students receive \$3,000, paid over two semesters. There is no obligation to join the Navy, Army or Air Force after finishing school. Five hundred and sixty scholarships were awarded in 2009 and 700 in 2010. Current KPIs for this initiative do not adequately measure performance and should be reviewed and amended to enable the evaluation of the impact of this initiative on the technical trade recruiting pool.

### Candidate Referral Program

- 3.64** This initiative was designed to support recruitment through the use of a service provider to source, screen, prepare and refer to DFR potential candidates for Defence technical trades. This initiative is discussed in more detail in Volume 2 of this report. Although not attributable to the CRP, it should be noted DFR report improvements in technical trade recruitment, with achievement against target for Permanent Force General Entry (Technical) rising by 16% from FY 08/09 to above 95% for all three Services.

#### Key Points

- The majority of initiatives achieved current KPIs.
- All of the categories offered the CECRB exhibited reductions in separation rates, in the 12 months following the offer, greater than those observed for the remainder of Army over the same period. This result implies the CECRB was successful in influencing the retention of the members it was targeted at.
- Analysis suggests the AERRB had a positive impact on the retention of members at the ranks of CPL, SGT, CAPT and MAJ.
- Although difficult to quantify the exact contribution of the ATTB, all categories targeted by this initiative have been removed from the Army Critical Category List and only two remain on the down-graded Serious Category List.
- Results suggest NCA had a positive impact on the retention behaviour of Navy OR.
- KPIs associated with the New DFR Model do not accurately measure the performance of the initiative and should be reviewed and amended to enable more accurate evaluation of this initiative.
- Further decreases in separation rates, across all three Services, after implementation of the second phase of GORPS suggest this initiative had a substantial and positive impact on the retention behaviour of OR.

<sup>57</sup> For details on application and process see: <http://www.defencejobs.gov.au/education/dts/>

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## SUMMARY OF RESULTS

- 3.65** Strength data clearly shows the ADF has increased in strength since the commencement of the R2 Program. Not only has the ADF separation rate decreased from 11.3% to 7.0% in just three years, the Service separation rates, rank separation rates and propensity to leave figures all show that the decrease has occurred in almost every demographic. Additionally, recruiting performance has shown consistent improvement in achievement against targets over the last three FYs contributing to the strength increase of the ADF.
- 3.66** Although program level results clearly show a change in the workforce and its behaviour, the extent to which this change can be attributed to the R2 Program alone remains unclear. The impact of factors such as Operational Tempo, changing demographics (including superannuation scheme membership), and the GFC could all have contributed to observed changes. Similarly, the individual impact of the R2 Program initiatives remains ambiguous at best.
- 3.67** In some cases an effect of initiatives can be derived, albeit indirectly. For example, data suggests the AERRB and NCA have had their own discreet affect on separation behaviour in addition to the effect from broad reaching initiatives such as GORPS and DHOAS. Although estimated, the effects may not necessarily be due to AERRB and NCA in isolation but rather an interaction between these initiatives and other initiatives and factors.
- 3.68** The results presented in this chapter have, to a large extent, been compiled from data sources existing prior to the implementation of R2. Although the implementation of concurrent initiatives combined with internal and external factors was always likely to confound analysis, the absence of structural processes to capture and report on each of the initiatives has further disrupted an ability to determine the effectiveness of the R2 Program. Although KPIs were determined and outlined in the implementation plan, a dedicated process for the capture and reporting of relevant data was not developed, therefore, the true impact of some initiatives will most likely never be quantified.

## CHAPTER 4. DISCUSSION.

- 4.1 The R2 Program was implemented during a period of increased focus on personnel management in the ADF, with strategies such as Sea Change and Stay Army underway. It was designed to achieve a specific aim: to grow the ADF workforce by increasing the recruitment and retention of full-time members. To this end, the R2 Program achieved its goal. Separation rates are well below the desired 10% and enlistment has consistently been above the 6,500 target since FY 07/08.
- 4.2 Determining the magnitude of effect the R2 Program had on the ADF workforce and identifying the contribution of individual initiatives has, however, proven problematic. A number of issues have been raised relating to the collection of baseline data, setting appropriate and measurable KPIs and interdependencies between initiatives. Research from other militaries examining the effect of cash rewards, such as bonuses, on recruitment and retention has been plagued by similar issues and results in this area of research are inconsistent. What is commonly accepted, however, is the short-term benefit of such initiatives and the requirement for more holistic strategies to affect longer-term retention and sustained recruitment.
- 4.3 This chapter of the report provides a brief discussion around the effectiveness of bonuses on retention and highlights the importance of appropriate and measurable KPIs to the evaluation and review process. Collectively these issues are used to support the recommendation for a Retention Assessment Framework made as part of the *Audit of the Compliance and Effectiveness of ADF Retention Initiatives* undertaken by Audit Division.
- 4.4 This evaluation identified the concurrent nature of many of the R2 Program initiatives, a number of which targeted the same or overlapping workforce segments, as the most significantly confounding factor in evaluating its impact. The period since the first initiative was implemented in Dec 06 has also seen many changes to both the internal and external environment, including the economy and employment markets and policy-driven changes within the ADF, such as the reducing number of DFRDB members. These confounding factors are discussed in this chapter with an emphasis on their effect on analysis and recommendations for any future evaluation.

### RETENTION BONUSES

- 4.5 As previously mentioned, research examining the effect of financial incentives, such as bonuses, on retention has produced inconsistent results. Additionally, much of the relevant literature is from the US where conditions of service and other environmental factors are different from the ADF. In the Australian context, detailed analysis of the effectiveness of bonuses is scarce. Given, however, there were eight bonuses implemented as part of the R2 Program some discussion seems warranted.
- 4.6 There are a number of potential second order effects from introducing bonuses that have been documented in both the Australian and overseas literature. These effects include, but are not limited to, the creation of inequitable work value remuneration structures, variation in cohort sizes, disruptions to force structure, increased in time-in-rank, increased competition for promotion and postings, and the development of bonus expectations.<sup>58</sup> It is critical, therefore, that any financial incentive scheme is both targeted to a specific audience and monitored for overall effect.<sup>59</sup>

<sup>58</sup> Hoglin, P. J. 'The Burden of Bonuses', *Australian Army Journal* p157, Canberra, 2009.

<sup>59</sup> Major General (Retd) Barry Nunn, *Review of Australian Defence Force Remuneration 2001*, Department of Defence, Canberra, 2001, p126.

- 4.7 The bonuses implemented as part of the R2 Program were designed to retain vulnerable segments of the ADF workforce while longer-term initiatives, such as DHOAS, GORPS and other non-R2 Program strategies had time to influence retention behaviour. The decision processes and rationale behind payment schedules, however, have not been well documented and are inconsistent between schemes with similar objectives. Bonuses within the R2 Program were applied across one, two or four years, and had different payment schedules ranging from up-front payments, progressive payments, and commencement / completion payments.
- 4.8 Although reasonable flexibility should be permitted to enable bonuses to be targeted in the appropriate areas (and at the appropriate times), a solid understanding of the benefits of the various implementation methods should first be achieved. This would allow maximum return on investment and a maximising of the intended effect of the bonus. Any future programs undertaking the payment of a bonus should take into account recent research from the US and the discussions in TTCP literature and apply a robust framework to support the lifespan of the process; from decision-making through implementation, monitoring and evaluation.

### KEY PERFORMANCE INDICATORS

- 4.9 Setting appropriate and measurable KPIs and collecting the baseline data required to evaluate against them is critical to the review process. In many instances it has been difficult to evaluate the true performance of R2 Program initiatives and indeed the program overall due to the poor quality of the KPIs. The narrowly defined and fixed numbers of the R2 Program objectives are counterproductive to the inherently fluid nature of ADF strength targets. Similarly, setting a "sustain" objective for both recruitment and retention without having a quantifiable timeframe against which to measure this aim leaves evaluation open to subjective assessment.
- 4.10 In setting KPIs a number of considerations need to be taken into account, predominately that they measure performance not process and that the performance measured can be quantified, has associated baseline data and the capacity for continued data collection. It is also critical the performance being measured can be influenced by the program or initiative with which it is associated. For example, the MOPD initiative was designed to increase the retention of ADF MOs by providing additional funding for continued professional development. As can be seen below, its associated KPIs, however, do not easily measure this end-state:
- a. **Increase In average years of service for MOs.** This KPI is currently under review as "years of service" is somewhat ambiguous for MOs, depending on the point in their training and/or career they enlist. A more appropriate KPI should measure the direct impact of the initiative on MO retention and in this case collecting both baseline and ongoing data on the number of MOs leaving and citing a lack of opportunity/resources for professional development as a reason for their termination would have greatly aided evaluation;
  - b. **Percent of MOs who undertake the program.** This KPI is a measure of availability, opportunity and interest and does not measure the impact of the initiative on the separation behaviour of MOs.
- 4.11 The KPIs associated with the New DFR Recruiting Model are another example of how evaluation is hindered by inappropriate measures. While the first KPI associated with initiative (Increase the percent of overall full-time enlistment targets achieved) may reflect the outcome desired, the remaining KPIs monitor the performance of the process itself and not the performance of the initiative in achieving its objectives<sup>60</sup>.
- 4.12 Undertaking a complete review of the KPIs associated with the R2 Program initiatives appears warranted in light of the imminent interdepartmental review in FY 2011/12. It should be noted, however, amending KPIs at this stage of implementation impacts any capacity for longitudinal evaluation. If what is being measured, however, does not allow for robust evaluation, any longitudinal results have already been compromised.

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<sup>60</sup> See footnote 43.

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## METHODOLOGICAL ISSUES

### Internal Factors

- 4.13 Multiple Benefits.** The implementation of the suite of initiatives that comprised the R2 Program resulted in a substantial proportion of members potentially benefiting from more than one R2 Program initiative at any given time. For example, members benefiting most from changes to remuneration, due to their rank or career stage, may also have been eligible for a retention bonus and a higher DHOAS entitlement; in effect a triple-benefit. Additionally, this same group may also have been approaching eligibility for extant benefits such as the Military Superannuation Benefits Scheme (MSBS) retention bonus. Identifying the initiative of most impact is problematic, although as detailed in Chapter 3, this evaluation posits salary-based remuneration initiatives had the greatest ongoing influence on all workforce segments.
- 4.14 Pre-R2 Initiatives.** Additional confounding factors in identifying the effectiveness of many of the R2 Program initiatives, particularly retention initiatives, include the many non-R2 Program remuneration changes occurring prior to the formal commencement of the R2 Program, such as GOPS and the initial phase of GORPS. It is likely impacts on the ADF workforce from these initiatives would have continued through the implementation phase of the R2 Program and, without advanced statistical modelling, it is not possible to account for the differing impacts of various initiatives.
- 4.15 Superannuation Membership.** The period since the commencement of the R2 Program has also seen the superannuation profile of the ADF change. Prior to 2008 the majority of personnel reaching their 20<sup>th</sup> year of service were members of the DFRDB scheme, a scheme in which there was significant financial benefit in reaching 20 years. Since 2009 this dynamic has changed and from 2010 the majority of personnel completing 20 years will be MSBS members. These two segments of the ADF workforce currently behave very differently, with 21.8% of DFRDB members leaving in their 20<sup>th</sup> year of service compared with just 4.1% of MSBS members.<sup>61</sup> This observed difference in retention behaviour occurs in the same demographic benefiting from bonuses, receiving a significant DHOAS increment, and eligible for the MSBS retention bonus.
- 4.16 Concurrent Non-R2 Program Initiatives.** New Generation Navy, Stay Army and Project Boomerang are among several initiatives aimed at increasing the length of service, retaining, retraining, or re-hiring ADF personnel. While these initiatives complement and reinforce several R2 Program initiatives, they confound the ability of analysts to attribute an effect to any single initiative.
- 4.17 Lagged Effects.** This evaluation has made the assumption most initiatives result in an observable workforce impact shortly after implementation. While this may be a sound generalisation, it is worth acknowledging the feasibility of lagged effects. These can take several forms:
- Anticipation Lag.** Retention initiatives are rarely announced without the workforce to whom they are targeted having prior knowledge of their implementation. This is especially true of remuneration-based initiatives. It is possible personnel may defer any separation decision until they have obtained a greater awareness of the impact of the initiative, in some cases this may result in separation decision being delayed by several years. This can be exhibited in data by a reduction in separation rates before the initiative commences (there is some evidence of this prior to GORPS).
  - Positive Delayed Lag.** Any positive effects of initiatives may take several months to be evident in data. Recruiting initiatives are the most likely to suffer from a delayed lag although separation rates may also take time to exhibit an effect.

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<sup>61</sup> DWMFA-A Report 05/10. *Effect of a Decline in Serving DFRDB Members*. Directorate of Workforce Modelling, Forecasting and Analysis, Canberra.

- c. **Negative Delayed Lag.** Negative lags, often associated with second-order negative effects of initiatives may take several years to become evident. These negative effects are often difficult to associate with the original cause due to the passing of time but may include such examples as a sudden increase in separation behaviour after the completion of a return of service obligation.

#### External Factors

- 4.18 Economy.** Although the GFC may have contributed to maintaining the momentum of separation rate decreases, it is not currently possible to identify its impact on separation rates over and above other contributing factors. While the relationship between separation rates and the wider economy – specifically unemployment rates – is well documented in overseas literature, the same relationship is not evident in the ADF. Recent studies conducted by Workforce Planning Branch show ambiguity in the relationship between unemployment rates and ADF attrition. The continued collection of separation data will add to this body of knowledge. Similarly, controlling for other variables suspected to affect attrition may also enable the relationship between the economy and ADF separation rates to be more firmly established.<sup>62</sup> Unemployment rates may not be the most effective economic indicator against which changes in the ADF workforce are measured, and work is currently underway within Workforce Planning Branch exploring the use of alternative indicators and measures.
- 4.19 Operational Tempo.** Although not external to Defence, operational tempo is external to the workforce. Where operational tempo is associated with changing workforce behaviour it may obscure the effects of retention initiatives, either positively or negatively. Work is currently underway in Workforce Planning Branch examining the impact of operations on retention. The first phase of this project, a scoping study, has been finalised and work on defining and scoping the main study has begun.

#### Concurrent Initiatives and Interdependencies

- 4.20** While this evaluation, in order to meet its objectives and timeframe, has considered initiatives independently, this may have resulted in the incorrect attribution of effects. It is likely, for example, the effectiveness of NCA was enhanced by the implementation of GORPS. Likewise, the combined benefit to the ADF workforce of both DHOAS and GORPS is feasibly greater than the individual attributable impact of either initiative alone. Similarly, DFR have reported the performance of the New DFR Model was substantially affected by the additional enquiries generated by the MSB initiative.<sup>63</sup>
- 4.21** The effect of introducing a large number of retention and recruitment strategies over a short period of time cannot be separated from the effect of the program overall. It is not possible to conclude with any confidence that any one initiative would have achieved the same results without the added influence of the remainder of the program. As such, the implementation of multiple retention initiatives targeting the same population segments at the same time needs to be carefully considered for an overall effect.

<sup>62</sup> DWMFA-A Report 04/10. *Effects of the Economy on Army Separation Rates*. Directorate of Workforce Modelling, Forecasting and Analysis, Canberra. See also <http://www.rba.gov.au/publications/bulletin/2010/mar/1.html>

<sup>63</sup> *Review of the Australian Defence Force Retention and Recruitment Strategy*, Noctic Solutions Pty Ltd, Canberra, 2010 p 42.

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## FUTURE RESEARCH

4.22 The issues discussed above all highlight a common theme; the need for methodological rigour in providing the evidence required to make, implement and evaluate good policy. The background paper to the recent Productivity Commission Roundtable made the following key point:<sup>64</sup>

"Evidence-based policy requires more than good policy formulation methodologies and data. It requires institutional frameworks that encourage, disseminate and defend good evaluation, and that make the most of opportunities to learn." (p.iv).

4.23 In conjunction with PSPG, the following recommendation was made as part of the *Audit of the Compliance and Effectiveness of ADF Retention Initiatives*:

a. Workforce Planning Branch, in conjunction with the Services, develop a Retention Assessment Framework. The framework would allow Defence to:

- (1) Assess options when considering a retention initiative, including but not limited to bonuses; and
- (2) Measure the impact of retention initiatives on workforce outcomes and capability.

4.24 The requirement for such a framework is highlighted by the difficulties encountered in evaluating the R2 Program. The program achieved its objectives, the majority of the initiatives achieved their KPIs and yet it is not possible to quantify the magnitude of any individual effect on the ADF workforce. The development and implementation of a framework such as the one described above would go a long toward addressing the issues highlighted in this paper.

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<sup>64</sup> Productivity Commission. (2010). *Strengthening Evidence-Based Policy in the Australian Federation, Volume 2: Background paper*. Productivity Commission, Canberra.

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## CHAPTER 5. CONCLUSIONS AND RECOMMENDATIONS.

### CONCLUSIONS

- 5.1** The R2 Program was implemented during a period of increased focus on personnel management in the ADF, with strategies such as Sea Change and Stay Army underway. It was designed to achieve a specific aim: to grow the ADF workforce by increasing the recruitment and retention of full-time members. To this end, the R2 Program achieved its goal. Separation rates are well below the desired 10% and enlistment has consistently been above the 6,500 target since financial year (FY) 07/08.
- 5.2** The purpose of this evaluation was to provide quantitative data and analysis to assist with the departmental review of the R2 Program. Results were presented at the program level and against individual initiatives. The overall aim of the program was to increase the size of the full-time ADF workforce via the specific objectives listed below:
- a. Reduce the full-time ADF workforce separation rates to less than 10% per annum;
  - b. Sustain the full-time ADF workforce separation rates at less than 10% per annum;
  - c. Increase full-time enlistment in the ADF to 6,500 per annum; and
  - d. Sustain full-time enlistment in the ADF at 6,500 per annum.
- 5.3** Strength data clearly shows the ADF has increased in strength since the commencement of the R2 Program. Not only has the ADF separation rate decreased from 11.3% to 7.0% in just three years, the Service separation rates, rank separation rates and propensity to leave figures all show that the decrease has occurred in almost every demographic. Additionally, recruiting performance has shown consistent improvement in achievement against targets over the last three FY contributing to the strength increase of the ADF.
- 5.4** Key results from initiative level analysis suggest the CECRB, AERRB, ATTB and NCA were successful in influencing the retention of the members they were targeted at. Additionally, further decreases in separation rates after the introduction of the second phase of GORPS indicates this initiative had a substantial and positive impact on the retention behaviour of those impacted.
- 5.5** More broadly, issues have been highlighted regarding the evaluation and measurement approach of the R2 program. For example, the scope to improve performance indicators and baseline data to provide the most robust assessment of specific initiatives and overall program objectives. The key features of an effective evaluation program have, in turn, been identified, particularly to assist the aims of the Retention Assessment Framework, as recommended by Defence Audit Division in the *Audit of the Compliance and Effectiveness of ADF Retention Initiatives* report.



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## RECOMMENDATIONS

### Key Recommendation

- It is recommended Defence, through the PSG, guides and monitors the development of the Retention Assessment Framework to ensure it meets the requirements set out in the *Audit of the Compliance and Effectiveness of ADF Retention Initiatives* report and addresses the methodological issues exposed by this evaluation.

### Additional Recommendations

- Regular environmental analyses of Australian youth programs and youth markets be conducted in order to assess any potential impact on changes being considered to the size of Defence Force Cadets.
- The department's involvement in the TTCP be used to monitor and report the progress by other militaries relevant to the implementation and evaluation of bonuses and allowances.
- Future initiatives designed to increase retention and/or recruitment have the following features as a minimum:
  - clear and well-documented decision-making processes in relation to the requirement for the initiative and alternative options including the cost of doing nothing,
  - baseline data and the capacity for ongoing data collection,
  - identification of potential second order effects,
  - appropriate and measureable performance indicators and a resourced and embedded evaluation and review process, and
  - risk management strategies for the transition from the bonus period back to standard remuneration.



**REVIEW OF  
THE AUSTRALIAN DEFENCE FORCE  
RETENTION AND RECRUITMENT (R2)  
PROGRAM**

**VOLUME 2 – MANAGEMENT AND  
GOVERNANCE**

DEPUTY DIRECTOR, RETENTION AND RECRUITMENT  
PEOPLE STRATEGIES AND POLICY GROUP  
JULY 2010

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## EXECUTIVE SUMMARY

The ADF Retention and Recruitment (R2) Program was approved by Cabinet in December 2006 and the 2007-08 Budget, with the aim of expanding the ADF from around 51,000 full-time personnel in 2005-06 to 57,000 by 2016-17. The target size has since been amended to 59,000 upon further modelling of workforce requirements.

New funding of \$3.1bn was allocated over a ten-year period to a range of initiatives aimed at increasing enlistment from 4,700 per year to around 6,500, and reducing the annual separation rate of around 11 per cent to below 10 per cent.

In approving the program, the government of the day directed that the program be subject to a departmental review in 2009-10, and an interdepartmental review in 2011-12. This report constitutes the departmental review, and is presented in two volumes: (1) quantitative evaluation, and (2) management and governance review.

The purpose of Volume 2 is to present and assess the results of several studies of the management of the R2 Program that have been conducted to date, and make recommendations based on the collective outcomes of those studies.

### Conclusions

This volume draws a number of conclusions, as detailed in section 7. Overall, the review concludes that the R2 Program was introduced to achieve a specified effect in a given environment, and it has been successful in this. In terms of meeting Key Performance Indicators, the majority of R2 initiatives, including all the retention measures, have also been successful.

In relation to program management and governance, the review concludes that as time passes reporting on achievement against the budget allocated by Cabinet is growing increasingly difficult and of limited value, although monitoring and reporting on workforce outcomes remain of continuing relevance (and are achieved through HRMeS and other reporting mechanisms as well as via the current R2 regime). It proposes that new governance and reporting arrangements could be developed such that each R2 initiative is incorporated into Groups' and Services' "business as usual" rather than continuing under a centralised program management approach, noting that many will cease soon.

Finally, the review concludes that although it would create some difficulties in longitudinal comparisons, Defence would be better positioned for the 2011-12 Interdepartmental review if all initiative KPIs and baselines were reviewed and revised.

### Recommendations

The review makes three key recommendations:

#### Key Recommendation 1

It is recommended that the 2011-12 Interdepartmental review mark the end point of R2 as a program. In preparation, governance and reporting mechanisms for each initiative should be developed by the responsible Group or Service (supported by PSPG), with the aim of ceasing distinct R2 reporting by the end of the 2010 calendar year.

An additional recommendation arising from Key Recommendation 1 is that, under guidance from central APS agencies, Defence cease R2 expenditure reporting while incorporating performance reporting at a more strategic, outcome-oriented level into existing quarterly workforce reporting, and continuing to report R2 initiative KPIs via HRMeS.

#### Key Recommendation 2

It is recommended that PSPG conduct a full review of all initiative KPIs and baselines as soon as possible, so as to ensure sufficient data is available in time for the 2011-12 Interdepartmental review. The exercise must maximise continuity with existing data. KPIs must be practicable to collect and valid in measuring each initiative's effect, so as to both (i) be sustainable by Groups/Services and (ii) contribute usefully to the Interdepartmental review.

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In relation to the implementation of future workforce initiatives:

**Key Recommendation 3**

PSPG is to work with the Service Groups to develop and implement a Retention Assessment Framework within the Defence People Strategy, which can be used to:

- evaluate options and priorities for retention initiatives, particularly bonuses, under consideration; and
- measure the impact of retention initiatives (versus other factors) on retention outcomes and Defence capability.

An additional recommendation arising from Key Recommendation 3 is that within the framework, cost effectiveness assessments should be undertaken for all future retention initiatives – noting however that cost-effectiveness is unlikely to be the sole design criterion.

Further recommendations relating to lessons learnt for the implementation of future workforce initiatives are:

- (i) in order to both minimise duplicated spending and enable valid evaluation and attribution of outcomes, future workforce initiatives should be designed and implemented such that overlaps between target groups are minimised; and
- (ii) bonuses should only be introduced as part of a strategy that pays conscious attention to what happens next, with a focus on non-remunerative solutions.

A number of additional recommendations are made in relation to specific R2 initiatives. In relation to the New Defence Force Recruitment Model, Defence Force Recruiting is engaged in continuing efforts to improve performance through better pipeline management, and to replace the current interim service contract with a more long-term arrangement. In doing so, it is recommended that the two strands of activity are not conducted in isolation from one another.

Noting that the Medical Officer Professional Development (MOPD) initiative consistently underspends its budget, it is recommended that Joint Health Command investigate other uses for unspent funds that are consistent with the objectives of MOPD, and that measures of retention effectiveness for both the current and new strands of MOPD are implemented.

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## CHAPTER 1. INTRODUCTION

- 1.1 In approving the ADF Retention and Recruitment (R2) Program in 2006-07, the government of the day directed that the program be subject to a departmental review in 2009-10, and an interdepartmental review in 2011-12.
- 1.2 This report constitutes the mandated departmental review. It aims to bring together data and analysis from a number of sources to evaluate the program's performance to date and recommend any adjustments necessary.
- 1.3 The report is presented in two volumes. Volume 1 presents a quantitative analysis of the effectiveness of the R2 program and its constituent initiatives, while Volume 2 focuses primarily on management and governance issues. However, there is inevitably a degree of overlap between the two volumes.
- 1.4 This volume of the report will summarise and assess the findings of relevant studies and research conducted to date, before drawing conclusions about selected individual initiatives. It will then discuss governance issues, outline conclusions at both the program and initiative levels, and draw out lessons for the management of other People programs in Defence. Finally it will make recommendations about the management of the current R2 Program and selected individual initiatives, about considerations in the design and implementation of future similar programs, and about work required to develop Workforce Planning Branch's measurement

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## CHAPTER 2. HISTORY OF R2 PROGRAM

### Retention and Recruitment Program

- 2.1 The R2 Program was approved by the government of the day in December 2006 and the 2007-08 Budget, with the aim of expanding the ADF from around 51,000 full-time personnel in 2005-06 to 57,000 by 2016-17. The target size has since been amended to 59,000 upon further modelling of workforce requirements.
- 2.2 New funding of \$3.1bn was allocated over a ten-year period to a range of initiatives aimed at increasing enlistment from 4,700 per year to around 6,500, and reducing the annual separation rate of around 11 per cent to below 10 per cent.
- 2.3 The overall approach was a simple one. Financial incentives were introduced quickly, with a view to stem the immediate outflow of members. This was intended to buy time during which more substantial reform could be undertaken, in both financial and non-financial dimensions.
- 2.4 In implementing the program, a team of around ten people headed by a Brigadier was established to coordinate the development and approval of proposals, financial arrangements, project responsibilities, governance arrangements etc. The team, known as the Retention and Recruitment Implementation Staff (RRIS), developed a comprehensive Implementation Plan specifying governance arrangements, project milestones and interdependencies, resources, risk management treatments and performance measures. The plan was agreed by both Defence stakeholders and relevant authorities within the Department of Prime Minister and Cabinet.
- 2.5 After approximately 18 months, once implementation activities were largely on track, the team was disbanded. One EL1 officer (Deputy Director, Retention and Recruitment – DRRR) was assigned to ensure subsequent implementation proceeded in line with the Implementation Plan and to undertake residual monitoring, reporting and governance activities. DRRR now provides monthly oral updates to the Personnel Steering Group (PSG) and quarterly written reports to COSC and the Ministers.
- 2.6 The R2 program consisted of the following approved initiatives:

#### Initial financial incentives

- a. Army Retention Bonuses and Allowances – increasing retention of serving members with critical trades, skills and/or experience. Includes Army Expansion Rank Retention Bonus, Army Critical Employment Category Retention Bonus, Army Trade Transfer Bonus, and Army Military Instructor Allowance.
- b. Navy Retention Bonuses and Allowances – increasing retention of serving members with critical trades. Includes Navy Critical Employment Category Retention Bonus, Navy Military Instructor Allowance and Navy Recruit Instructor Allowances.

Early Navy attempts to secure additional staffing to support a systemic approach to the implementation of its R2 measures were largely unsuccessful (with the exception of additional ADFGY-N staff). As a result, despite the best efforts of the staff involved, Navy may not have gained the maximum possible benefit from initiatives such as bonuses.

- c. Enhanced Submarine Capability (originally Submarine Deployment Allowance). As originally implemented, this initiative provided a deployment allowance for submariners. However, a number of factors including changing deployment patterns for submarines meant that fewer submariners than planned were receiving the bonuses, and the effect was therefore less than hoped.

Consequently, the approach was reviewed, and the funding supplemented to introduce new initiatives aimed at: reducing the hours submariners are required to work when alongside (Subwatch); enhancing internal and external submariner recruitment efforts; and enhancing submarine crews with additional members.

- d. Navy Capability Allowance (originally Review of Sea Going and Submarine Service (Disability) Allowance) – encouraging greater proportions of Navy personnel to continue service by provision of monetary incentives.



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Longer term reform – retention measures

- e. Remuneration Structure Reform – through GORPS Phase II, introducing a much simpler, more balanced and more flexible pay framework that will enable the ADF to appropriately recognise its members' skills through the pay system.
- f. Defence Home Ownership Assistance Scheme – providing ADF members with improved assistance to achieve home ownership.
- g. Enhanced Fleet Support – reducing demands on RAN personnel when ships are in homeport by utilising contract staff to undertake support services. Since initial implementation, a second element has been introduced to this initiative – the introduction of software across the fleet to streamline personnel administration processing.
- h. Medical Officer Professional Development – providing enhanced financial support for medical officers to attend professional development activities and acquire additional skills and qualifications appropriate to their military career path.

Recruitment Measures

- i. Reform of Defence Force Recruiting (DFR): Job Options Service – encouraging retention and re-enlistment through access to independent remuneration and career advice about realistic opportunities for employment in the ADF and expectations for transitioning to the civilian world. Implementation has been shelved over the period 2008-09 to 2013-14, providing SRP savings.
- j. Reform of DFR: Financial Advice Scheme – providing independent financial advice to all members with specific advice available for personnel in receipt of bonuses to enable members to make informed financial decisions. This initiative has since been cancelled, providing SRP savings.
- k. Reform of DFR: New Recruitment Model – improving recruitment achievement through a more candidate-focussed, streamlined and efficient recruiting process.
- l. Marketing and Service Branding – raising awareness and marketing reach of the ADF and individual Services to a wider pool of people, thus increasing the ability to positively influence the community on the ADF as a career option.
- m. Defence Technical Scholarship. Originally conceived as the Defence Apprenticeship Sponsorship Programme, providing opportunities for young Australians to undertake sponsored community-based training for up to two years prior to enlistment in the ADF. However, there were significant policy barriers to implementing it in this form, and it was recast as a scholarship program for students undertaking technically-oriented subjects in years 11 and 12. There is no obligation on the recipients of a scholarship to join Defence at the completion of their studies, although they are encouraged through the provision of visits and other ADF-oriented activities to consider a trade career in the ADF.
- n. Candidate Referral Program – using a service provider to source, screen, prepare and refer candidates for Defence technical trades.
- o. Expanding Cadets – increasing opportunities for participation in the ADF cadets program, which is traditionally a strong source of ADF recruits.
- p. ADF Gap Year (ADFGY) – providing young Australians who have recently completed school the opportunity to experience military training and lifestyle in the ADF for up to one year.

### Performance measurement – original and amended targets

- 2.7 **Program level.** At the most fundamental level, the R2 Program was introduced to achieve growth in the fulltime ADF workforce. The target at the time was 57,000 by 2016-17. Changes to the ADF's strategic tasks due to the 2009 White Paper and Strategic Reform Program have led to revisions to the growth plan, and the target is now over 59,000. Figure 1 below presents both sets of annual targets, as well as achievement to date.

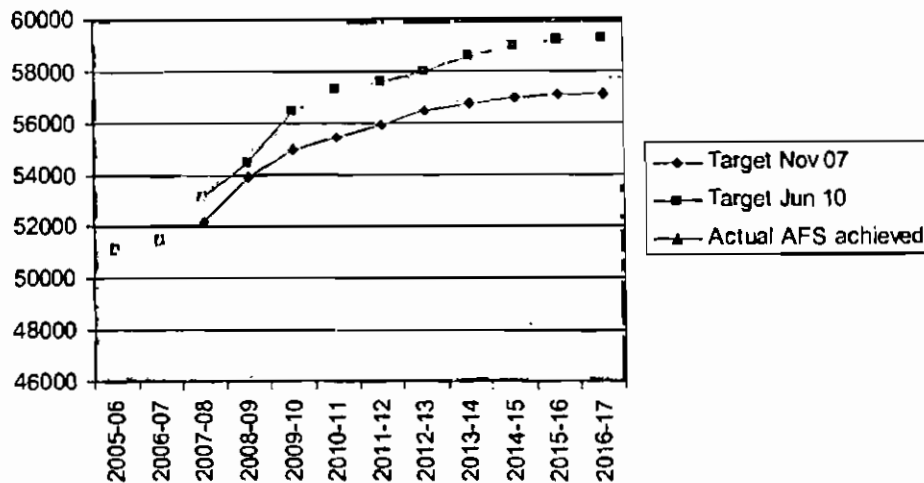


Figure 1: ADF Average Funded Strength (AFS) targets and achievement

- 2.8 As at 01 May 2010 AFS achievement was 57,537, well ahead of the required growth path. While the extent to which the growth is attributable to the R2 Program is the subject of ongoing study due for completion in August 2010, it is arguable *prima facie* that the R2 Program was introduced to achieve a specified effect in a given environment, and it has been successful in this. Volume 1 of this review contains a more comprehensive discussion on this subject.
- 2.9 **Initiative level.** In addition to updating the growth targets for the program overall, a number of changes have also been made to the performance measures for individual initiatives. These changes were made as experience showed that some measures were impossible or impractical to collect, or that new measures would provide a more genuine indication of performance. Given that the process for setting the KPIs in the first place involved compromise between action areas, the RRIS team and the Department of Prime Minister and Cabinet (PM&C), it is not surprising that some KPIs proved suboptimal in practice and that further work on the KPIs and targets is still required. Notably, when questioned in June 2008 on the process for amending KPIs, PM&C advised that it was purely a Defence matter and no further PM&C involvement was needed.
- 2.10 Annex B lists the original and revised KPIs for each initiative, while Annex C summarises achievement against the KPIs for each initiative as at 31 Mar 10. By and large performance indicators are being met, with the following exceptions.
- Expanding Cadets.** Cadet numbers are essentially required to grow by 100 per year over a 10 year period, from 22,000 to 23,000. Instead 2008-09 performance was 21,984 and current performance 21,919 (against a target of 22,200) – a small but consistent decrease. It is worth noting that cadet data is not collected quarterly, and the March 2010 figure dates back to June 2009. Since this snapshot, the June 2010 figures have been produced, and show a dramatic turnaround. There are now 22,879 cadets, exceeding the June 2010 target of 22,300 by almost 600.
  - New Defence Force Recruitment Model.** There is mixed performance against the various KPIs for this initiative. Perhaps most importantly, percentage achievement of recruiting targets is at or near ten year highs, and although it is not currently amongst the

KPIs for this initiative, the cost per recruit of enlistment is low. At the bottom line, this initiative has been a success.

However, secondary KPIs include processing times and enquiry/enlistment ratios, and the new model has not resulted in improvements in these dimensions. It is worth noting that both these quantities could reasonably be expected to deteriorate given the recent period of high enquiry rates and falling targets. On the other hand, despite their process-oriented focus, they are not insignificant as they directly reflect goals of the initiative as approved by Government and recorded in the R2 Implementation Plan.

To address these issues, DFR is investigating mechanisms to improve identification of priority recruiting candidates and matching of quality candidates with the recruiting targets currently available. This includes the implementation of an Enquiry Management package of 11 projects focused primarily on the filtering and migration of candidates into the Service Delivery Model. It also includes the ongoing development of pipeline management strategies to improve processing.

- c. **Marketing and Service Branding.** While the percentage of young people more likely to consider an ADF career as a result of advertising is strong, both the number of young people considering ADF jobs and the number of active recruitment enquiries are below target. In relation to the number of young people considering ADF jobs, further analysis of the survey results has shown that the figure excludes respondents who would consider an ADF job in the future. When these are taken into account the target is substantially exceeded (46% against a target of 35%).

Noting that the rigour of the original process for setting performance targets left something to be desired, the number of enquiries is not a significant issue for the time being, given the large numbers currently in the recruitment pipeline. However, it coincides with a handback of \$9m of the advertising budget in 2009-10 and an SRP mandate to save a further \$11.9m over the forward estimates period. Ongoing monitoring and occasional corrective action will be necessary to ensure that momentum is not lost as economic conditions improve and alternative employers become increasingly competitive.

- d. **Defence Technical Scholarships.** Although many schools registered interest in the program, only around half the planned scholarships were awarded in 2009-10 owing to a small number of applications. Although this represented a substantial improvement on the previous year (the first time the scholarships had been offered), it was nonetheless somewhat disappointing noting that the eligibility criteria had been broadened.

Noting that the program is in its infancy, it is perhaps not surprising that the full quota of 1500 scholarships annually has not been achieved to date, and the targets might have been more realistically set from the beginning. Nonetheless, work is being undertaken to identify ways to further improve performance. DFR also advises that it will monitor DTS winners who subsequently apply to join the ADF, although robust data will not be available for a further 12 months. Both strands of research are critical in ensuring the program achieves its intended outcomes.

- e. **Candidate Referral Program.** Although the CRP target is [REDACTED] referrals per year, a total of only [REDACTED] referrals are recorded since the contract was established in November 2007. The service provision arrangement has two contractors providing overlapping services, which together with the pipeline management issues outlined above have resulted in systemic problems. Noting that the current contract with the CRP provider expires in November 2010, DFR efforts to develop a more appropriate contractual arrangement are important and timely.

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**Studies conducted to date**

- 2.11 Audit Division.** A number of studies have been undertaken to date that are of relevance in assessing the performance of the R2 program. Originally initiated in November 2008, though subsequently re-scoped and begun in earnest in April/May 2009, Audit Division undertook an audit of the retention bonuses offered under the R2 program, in particular:
- The accuracy of cost capture and financial reporting of these bonuses;
  - The outcomes of the initiatives and whether the measures of initiative effectiveness are adequate; and
  - The accuracy of bonus payments.
- 2.12 Recommendations** focussed largely on the development of common policies on the design, implementation, monitoring and evaluation of bonuses.
- 2.13 Noetic Solutions Pty Ltd.** In February-May 2010, Noetic undertook a wider study of the R2 program, contracted by People Strategies and Policy Group (PSPG) specifically in order to contribute to this review. Outcomes from the study will be discussed below, but it is important to note that it had to conclude before key findings from relevant quantitative analysis being undertaken by Workforce Planning (WP) Branch were available.
- 2.14 PSPG studies.** Additionally, work conducted by WP Branch and Army has examined the effectiveness of the AERRB on ARA separation rates. This analysis compares what would have happened, had the initiatives not been implemented, against what actually occurred (ie expected separation rates versus actual observed rates).
- 2.15** Finally, work is currently at a very early stage within PSP Group on ten Foundation Projects to enable the delivery of a consistent, sustainable and affordable people capability for Force 2030. A number of the projects will have a bearing on retention and recruitment performance, with some having the potential to completely reshape the context within which retention and recruitment efforts take place. Key amongst these is work in WP and Personnel Policy and Employment Conditions (PPEC) Branches to improve Defence's total employment offer and its remuneration strategy respectively.

**Other Defence workforce reform programs**

- 2.16** The R2 program is not the only cluster of workforce reform projects under way in Defence, and aspects of the experience gained in implementing and managing R2 should be applicable in other contexts.
- 2.17** The White Paper People Initiatives comprise 27 projects across all Services and most Groups, worth a total of \$2.6bn over ten years and commencing in July 2009. By comparison with R2 it is somewhat smaller in expenditure but both the budget and responsibility for implementation are distributed more widely across Defence, resulting in greater complexity. But unlike R2 no program office was established to coordinate implementation activities. Perhaps as a result, monitoring and managing the program are now problematic, particularly with regard to financial aspects.
- 2.18** Related examples include the Workforce and Shared Services (WSS) and Non-Equipment Procurement (NEP) streams of the Strategic Reform Program (SRP). Each also involves activity across all Services and Groups, and has a range of workforce reform elements. Small secretariats have been established within PSPG and Defence Support Group (DSG) respectively to undertake program management tasks; otherwise responsibility for monitoring implementation is more devolved than R2 was at the equivalent stage.

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## CHAPTER 3. FINDINGS AND RECOMMENDATIONS OF STUDIES

### Audit Division

- 3.1 The August 2010 Audit Division report on R2 retention bonuses found the following:
- a. Linkage and common use of R2 bonus measures – the retention bonus performance measures are a mix of strategic and operational level measures. Some measures are not linked directly to the retention bonus outcome.
  - b. Identifying the impact of specific bonuses on retention – the measures do not provide sufficient information to draw a valid conclusion about the effectiveness of the R2 retention bonuses.
  - c. Design and setting of retention bonuses – there is no Defence policy to guide consideration of the impact of variations in the amount or conditions of a bonus on effectiveness.
  - d. Cost effectiveness assessment – there has been no assessment of the cost-effectiveness of the bonuses since their implementation.
- 3.2 The draft report made four recommendations.
- (i) PSPG and the Service Groups design a Retention Assessment Framework within the Defence People Strategy, which can be used to:
    - evaluate options and priorities for retention initiatives under consideration; and
    - measure the impact of retention initiatives (versus other factors) on retention outcomes and Defence capability.Defence must specify the necessary supporting business processes, accountabilities, quality assurance requirements and research needs to ensure effective implementation of the framework.
  - (ii) Within the Retention Assessment Framework, PSPG and the Service Groups develop a standard set of retention bonus measures of effectiveness, with direct linkage to the bonus being measured, to enable assessment of the performance outcomes of the future bonus payments.
  - (iii) PSPG and the Service Groups develop a common policy approach to the design and setting of retention bonuses to assist future development of bonus business cases. The approach should consider the degree to which a standard retention bonus determination can be used to reduce the complexity of the administration of the bonuses.
  - (iv) The Service Groups undertake cost effectiveness assessment of all future retention bonuses.
- 3.3 In response to these recommendations as well as some from the Noetic Solutions study, PSPG has instigated a project to implement recommendations 1, 2 and 4, which were originally proposed by WP Branch in response to earlier Audit Division proposals.
- 3.4 In relation to recommendation 3, a framework for a proposed standardised retention bonus system had already been agreed by the Personnel Steering Group in December 2009, and a Determination is under preparation. The Determination will provide a common standardised entitlement and flexible criteria for future bonuses. Each addition will be captured in a schedule to the Determination.

### Noetic Solutions

- 3.5 The Noetic Solutions study examined R2 at both the program and initiative levels. Overall findings were that:
- a. There has been a net increase in the number of ADF personnel enlisted when compared to the five year period immediately prior to the implementation of the R2 Strategy, though

this is still less than the peak number of ADF enlistments achieved in FY 01-02. However, the Army in particular has significantly increased the number of permanent *ab initio* enlistments.

- b. Noting that the ADF is required to grow during this period, the achievement of *ab initio* full-time recruitment targets are the lowest they have been over a ten-year period.

[Note that in making this finding, Noetic (i) did not have EOFY data for FY 2009-10, and (ii) was referring to percentage achievement of targets – 77% in 2007-08 and 76% in 2008-09. However, the actual numbers recruited in 2007-08 and 2008-09 are second only to 2001-02 over the decade in question – the low percentage achievement was due to unusually high targets set to achieve the required growth. Additionally, 2009-10 performance is clearly far higher even in percentage terms.]

- c. Counterbalancing the recruitment figures are the current low separation rates, particularly for the Air Force, and a substantial increase in prior service enlistment (incorporating lateral recruitment, reserve transfer and re-enlistment).
- d. The combination of these factors is that ADF is significantly over strength (by at least 900 personnel). It would appear that this is due to decreasing separation rather than increased recruitment.

### 3.6 Recommendations regarding program management were:

- (i) The financial accounting responsibility for initiatives should reside with the initiative manager. Financial reporting should be on a cash basis as this was the accounting method endorsed by the DPC.
- (ii) Consideration should be given when drafting similar cabinet submissions to the level of detail provided with an emphasis on being descriptive of the intent rather than prescriptive of the process so as to enable some flexibility in implementation, without having to go back to Cabinet to effect minor changes while maintaining the intent.
- (iii) Risk management measures are put in place to mitigate the single point of failure in relation to the ongoing monitoring and program management of the R2 strategy.
- (iv) Consideration is given to developing a more diverse range of KPIs that enable a structural rather than numerical analysis of the ADF.
- (v) Consideration is given to establishing a financial reserve for the R2 strategy from underspends on initiatives to be used at the discretion of the program manager.

### 3.7 Further recommendations related to actions in preparation for the 2011-12 interdepartmental review:

- (vi) The development of a methodology whereby Defence can produce a metric to periodically determine the R2 contribution to workforce growth.
- (vii) Development of baselines for all R2 initiatives where appropriate.
- (viii) Development of an [approved] cost of turnover model.
- (ix) Finalisation of retention bonus payment figures.
- (x) Development of general principles for longer-term evaluations of workforce policies and initiatives in Defence (with a focus on quantitative methodologies).
- (xi) Provision of additional data to evaluate initiatives [a number of statistics on specific initiatives were suggested, which Noetic believed would assist subsequent quantitative evaluation].

### 3.8 At the initiative level, Noetic examined each initiative to determine whether it should remain unchanged, be modified or be discarded. The only initiative for which modification was recommended was Expanding Cadets, for which the recommendation was that "ongoing funding should be contingent on a financial

audit to determine how existing R2 funds have been expensed [sic] and determine where additional funding will be directed and the expected outcomes of providing this funding". All other initiatives were recommended to remain unchanged.

- 3.9** A table summarising Noetic's initiative-level recommendations (including explanatory comments) appears at Annex D.
- 3.10** The Noetic study suffered from data not being available within the required timeframe, notably quantitative modelling data anticipated to be available to augment Noetic's descriptive analysis, and in some cases from poor use of the data available. With this in mind, the following comments are made against the recommendations:

- (i) *The financial accounting responsibility for initiatives should reside with the initiative manager, and reporting should be on a cash basis.* This is already the case, although to date both PSPG and CFOG have been required to undertake substantial verification efforts.

As time passes, further adjustments have been applied to funding lines, and many initiative budgets now include funds from other sources. Additionally, initiatives such as *Remuneration Structure Reform*, all or part of the budget for which is in salaries, cannot be reported on and must instead be estimated or modelled, as Defence's payroll systems do not distinguish between different sources of funding. Finally, some other (non-salary) budget elements are not sufficiently distinguished within ROMAN to allow them to be tracked readily.

As a result, accounting and reporting are becoming increasingly abstract for many initiatives, and reports to COSC are close to providing a misleading sense of rigour. Moreover, since Cabinet's endorsement of the *Rebalancing the Defence Budget* submission, Defence has the authority to reallocate funds into and out of R2 initiatives without further reference to Cabinet.

Consequently, reporting on achievement against the budgets allocated by Cabinet for each initiative is becoming less valuable, while determining what the current budgets are is problematic due to definitional ambiguity. By contrast, reporting on workforce outcomes remains of continuing relevance.

- (ii) *Cabinet submissions should be descriptive of the intent rather than prescriptive of the process so as to enable some flexibility in implementation.* Had the R2 Cabinet submission contained less detail many problems would have been avoided, such as the Army Trade Transfer Bonus not applying to some critical trades because of an inconvenient use of the word "technical" in the Cabinet submission. Other adjustments would have been made more promptly.

However, decisions on emphasis and level of prescription are inevitably based as much on judgements about the political context as on the technical aspects of the issue at hand, so this recommendation should be regarded as aspirational.

- (iii) *Risk management measures are put in place to mitigate the single point of failure in relation to ongoing monitoring and program management.* This recommendation refers to the single position now responsible for R2 program management, described as insufficient for "proactive program management/risk management activities, including the maintenance of the comprehensive program documentation".

A number of proactive management measures have been left undone, at times to the detriment of Services and Groups. Examples include annual Gap Year rebalancing exercises and the development of practicable financial reporting mechanisms (before the latter became close to impossible with the passing of time). Additionally, the minimal backup means that the officer concerned has limited absence management options. There is a mismatch between current staffing arrangements and the belief that R2 is (and is managed as) a program.

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- (iv) *Consideration is given to developing a more diverse range of KPIs to enable a structural rather than numerical analysis of the ADF. KPIs are considered in Volume 1 of this report, which concludes that a review of KPIs is warranted. It is, however, worth noting that the R2 program was not designed to address micro level structural issues within the ADF workforce and, as such, this recommendation risks attempting more than the program is capable of.*
  - (v) *Consideration is given to establishing a financial reserve for the R2 strategy from underspends on initiatives to be used at the discretion of the program manager. A financial reserve would be a convenient and responsive way to manage underspends, overspends and emerging ideas, and would be consistent with DMO capability development practices. However, it does not appear to be compatible with the current financial management environment in Defence.*
  - (vi) *The development of a methodology whereby Defence can produce a metric to periodically determine the R2 contribution to workforce growth. This task will be picked up within the Retention Assessment Framework project.*
  - (vii) *Development of baselines for all R2 initiatives where appropriate. A number of R2 initiatives require further review to ensure their KPIs provide a valid measure of performance, and/or to develop baselines against which to compare future performance. This work has been outstanding since mid 2009.*
  - (viii) *Development of an approved cost of turnover model. An interim indicative cost of turnover model is available via the Human Resource Metric System (HRMeS). Further refinement to this model and its assumptions are currently being undertaken.*
  - (ix) *Finalisation of retention bonus payment figures. Noetic was not able to obtain authoritative figures from Navy on the number of members receiving retention bonuses. Navy has these figures, and is able to supply them if requested.*
  - (x) *Development of general principles for longer-term evaluations of workforce policies and initiatives in Defence (with a focus on quantitative methodologies). As described earlier, PSPG has instigated a project to develop a Retention Assessment Framework within the Defence People Strategy.*
  - (xi) *Provision of additional data to evaluate initiatives. A number of statistics on specific initiatives are suggested, which Noetic believes would assist subsequent quantitative evaluation. It is worth exploring these statistics with DFR, DSG and the Services in conjunction with the KPI review outlined above, to determine whether they are practical to collect, or if not, what equivalent data can be collected.*
  - (xii) *Ongoing funding for Expanding Cadets should be contingent on a financial audit. The conduct of an audit is consistent with the Hickling Review, and will shed light on the question that is occasionally raised, of whether R2 Cadet funding was used to replace rather than supplement Service Cadet budgets. An audit is now in progress, with initial results expected by late 2010. Moreover, from 2010-11 funds will be allocated to Service cadet organisations based on projected expenditures, in contrast to the previous proportional allocations.*

#### **Workforce Planning (WP) Branch**

- 3.11** Since the introduction of the R2 Program a number of additional items have been included in the Defence Attitude Survey (DAS). These include *GORPS has influenced my decision to stay in the Service* and *The retention bonus system has influenced my decision to stay in the Service*. While further collection of data against these items will benefit the identification of trends and may inform the 2011-12 interdepartmental review, 2009-10 results indicate 32% of ADF DAS respondents agreed the retention bonus system had influenced their decision to stay, while 17% of enlisted members agreed GORPS has influenced their decision to stay in the Service.



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## CHAPTER 4. INDIVIDUAL INITIATIVES (BY EXCEPTION)

- 4.1 Noting that Noetic's recommendations concerning each initiative are summarised at Annex D, this chapter will provide comment by exception on those initiatives for which further conclusions can be drawn.

### Enhanced Fleet Support

- 4.2 This initiative experienced a shift in emphasis after early implementation activities revealed technical and legal problems with one of the original intentions – to use contractors for maintenance and repair when ships were in homeport. Instead, the focus was directed toward supplementing the other targeted homeport duty (watch keeping) with technological solutions in addition to contractor support. In addition, an IT system, Manpower Analysis Planning System (MAPS), was developed to streamline personnel management processes at sea thus allowing managers to concentrate more on their core roles.
- 4.3 Under the new approach, the number of ship's personnel required on duty in homeport has decreased substantially, although a greater benefit has so far been experienced by junior sailors than by senior sailors or officers. This has seen most Force Element Groups experience increased leave clearance rates over the last two Reduced Activity Periods. While in itself this is unlikely to determine a member's decision to join or stay with the Navy, and quantitative data to determine its contribution to retention will always be problematic, it is clearly a factor in improving conditions of service.
- 4.4 Learning from the experience, the two main arms of the strategy are now being adopted by the Submarine Force Element Group as key strands of its Enhanced Submarine Capability initiative, which has been introduced to supplement the Submarine Deployment Allowance. Enhanced Fleet Support is a strong example of revisiting a program's objectives and refocussing its strategies to achieve a Cabinet intent.

### Medical Officer Professional Development

- 4.5 This initiative increased the budget available to each Medical Officer (MO) for professional development activities from \$2,000 per year to \$10,000. Take-up has been strong, with 95% of MOs accessed the fund in 2008-09 against a target of just 80%, but budget achievement has been poor because few MOs have spent the full \$10,000 annual allocation. Expenditure in 2007-08 and 2008-09 was 46% and 59% of budget respectively.
- 4.6 A second issue is that the more significant of the two KPIs for the program (an increase in the average years of service for MOs) needs to be revisited to provide a more meaningful measurement, as some MOs enlist early in their training and consequently serve several unproductive years, while others enlist much later and are productive almost immediately. Consequently the only measurement to date has been of take-up, and there is no indication of whether the program has impacted on MO retention.
- 4.7 The opportunity exists for Joint Health Command to investigate other uses for unspent funds that are consistent with the objectives of MOPD, and that measures of retention effectiveness for both the current and new strands of MOPD are implemented.

### New Defence Force Recruitment Model

- 4.8 As discussed in paragraph 2.10 above, this initiative has been very successful with percentage achievement of recruiting targets at or near ten year highs, but the new model has not resulted in reduced processing times or enquiry/ enlistment ratios. It remains to be determined to what extent this is due to factors such as the contractual difficulties experienced over the past two years a surge in enquiries, pipeline constraints, increased applications from marginal candidates, imprecise KPI definition and even the model itself.
- 4.9 DFR is engaged in substantial improvement to the operation of the recruiting pipeline, and has commenced work on a project to replace the current interim service contract with a more long-term arrangement. It is important that during the process the two strands of activity are not conducted in isolation from one another, that the above possible causal factors are considered, and that the fundamental process design is not taken for granted as the only or best solution.

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## CHAPTER 5. GOVERNANCE

- 5.6** Almost four years since the development of the first R2 initiatives, a number of factors have combined to complicate R2 program governance. Authority and responsibility for financial management, including changing the allocations to any or all initiatives have rested within Defence since early 2010. However, it is not yet clear whether the authority to make non-financial changes is now held within Defence or remains with either the Prime Minister or Cabinet (as was previously the case).
- 5.7** At the same time, periodic reporting to COSC and the Ministers is losing its validity. Financial reporting, as pointed out in paragraph 3.10 above, is approaching the point where it will provide a misleading sense of rigour, as (i) adjustments have been applied to funding lines, (ii) many initiative budgets now include funds from other sources, and (iii) some budget elements are not sufficiently distinguished within ROMAN and/or ADFPAY to allow them to be tracked. In relation to reporting on activities and achievements, most initiatives have reached a "business as usual" stage and each report presents only minor changes from its predecessor.
- 5.8** As a result, the R2 reports provide little genuine decision-making support to COSC or the Ministers. Other reports such as the quarterly workforce report or White Paper People Initiative reporting cover similar issues and require input from similar stakeholder groups. This leads to the potential for either duplication or efficiencies, and at the moment the former holds sway.
- 5.9** Other aspects of program governance include proactively managing policy review, risks, schedules, milestones, interdependencies etc. The currently available resources (approximately 0.6 X EL1) are not sufficient to undertake these functions. Consequently despite best intentions R2 is effectively no longer being managed as a program.
- 5.10** In the current environment the prospect (and indeed the desirability) of devoting further resources to R2 program governance is minimal, and substantial change to the governance approach is warranted.

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## CHAPTER 6. CONCLUSIONS

### Success of R2 Program

- 6.1 As at 01 May 2010 AFS achievement was well ahead of the required growth path. The R2 Program was introduced to achieve a specified effect in a given environment, and it has been successful in this (paragraph 2.8).
- 6.2 In achieving this AFS growth, it is probable that collectively the retention bonuses achieved their intended purpose of providing a short-term 'fix' to allow time for the longer-term improvements to Defence's overall employment offer to be put in place. Had the longer-term measures not been introduced, the effect of the bonuses would have been negated once they expired, as new ones would likely have been required. Bonuses address the symptom of high separations in a given workforce segment, not the cause, and cannot be relied upon as a standalone retention measure.
- 6.3 In terms of meeting Key Performance Indicators, the majority of R2 initiatives, including all retention measures, have also been successful. The exceptions are in some pre-recruitment and recruitment initiatives: Defence Technical Scholarships (number of scholarships awarded very low), the New Defence Force Recruitment Model (successfully meeting recruitment targets but falling short on processing times) and the Candidate Referral Program (referral targets underachieved) (paragraph 2.10).
- 6.4 Expanding Cadets has experienced a recent turnaround from consistent under-performance to strong achievement. It cannot be confirmed whether this represents a trend or a one-off result until future data collection activities have taken place.
- 6.5 The work under way in PPEC to develop a determination for a standardised retention bonus system will be of great benefit in enabling new bonuses to be introduced quickly in response to emerging pressures. It is important, however, that (as planned) the flexibility for Services to introduce bonuses outside the framework be retained, to allow for circumstances where a different approach or structure is required (paragraph 3.4).

### Program management and governance

- 6.6 The ongoing monitoring and visibility to senior management of programs such as the WSS and NEP streams of SRP or the early stages of R2 is more effective than that of the White Paper People Initiatives or R2 in its current form, particularly in relation to financial performance. The distinguishing factor seems to be that the former have (or had) a program management office or secretariat while the latter do not (paragraphs 2.16-2.18). The effective management of a number of activities as a program requires dedicated resources – if resources are not available it is counterproductive to attempt a program management approach.
- 6.7 Reporting on achievement against the R2 budget is growing increasingly difficult and of limited value (paragraph 3.10). By contrast, monitoring and reporting on workforce outcomes will remain of continuing relevance as labour market conditions change and Defence responds through a range of workforce interventions, some of which may involve changes to R2 initiatives. A new governance and reporting framework is required, in order to maintain a focus on achieving retention and recruitment outcomes while not becoming sidetracked by efforts to achieve and report against notional targets (paragraphs 3.10 and 5.6-5.8).
- 6.8 If the new governance and reporting arrangements are sufficiently incorporated into "business as usual" and explicitly correct the impression that R2 is managed as a program, the officer currently assigned to R2 could be redeployed elsewhere once transitional activities were complete (paragraphs 3.10, 5.9 and 5.10).
- 6.9 Navy's refocussing of the Enhanced Fleet Support initiative is a strong example of revisiting a program's objectives and refocussing its strategies to achieve a Government intent. Undertaken with minimal involvement by PSPG, it demonstrates that R2 objectives can be achieved as readily through sound management of individual initiatives as through a centralised program management approach (paragraphs 4.2-4.4).

- 6.10 The development of future retention initiatives has the potential to become more strategic and evidence-based if the proposed Retention Assessment Framework is successfully designed and introduced (paragraph 3.3).
- 6.11 KPIs for the R2 initiatives are of varying quality and efficacy, and many are in need of re-baselining. Although it creates some difficulties in longitudinal comparisons, reviewing and revising all KPIs and baselines would position Defence better for the 2011-12 Interdepartmental review. The exercise would best be undertaken by DRRR and a DGWP representative in close consultation with initiative managers, and take note of the Noetic Solutions' data suggestions as listed at Annex E to this report (paragraphs 3.1, 3.6, 3.7 and 3.10).

## CHAPTER 7. RECOMMENDATIONS

### Program management and governance

- 7.1 Although R2 has been referred to as a program since its inception, the initiatives comprising it have become less and less linked since the initial implementation stage. Given the other structures and processes in place to manage and report on the state of the Defence workforce, there seems little need for R2 to maintain a distinct identity as a program (paragraphs 6.7-6.8).

#### Key Recommendation 1

It is recommended that the 2011-12 Interdepartmental review mark the end point of R2 as a program. In preparation, governance and reporting mechanisms for each initiative should be developed by the responsible Group or Service (supported by PSPG), with the aim of ceasing distinct R2 reporting by the end of the 2010 calendar year.

- 7.2 In achieving this, PSP Group must obtain clarification from the Departments of Prime Minister and Cabinet (PM&C) and Finance and Administration (DOFA) on the authority to make non-financial changes to R2 initiatives (financial adjustments having now been brought within Defence's control – paragraph 3.10), and on the requirements for reporting outside Defence on (i) performance and (ii) expenditure. The aim would be to cease expenditure reporting while incorporating performance reporting at a more strategic, outcome-oriented level into existing quarterly workforce reporting, and continuing to report R2 initiative KPIs via HRMeS (paragraphs 3.10, 6.7 and 6.8).
- 7.3 Should further assurance be required that the Government's intent for R2 is still being achieved, particularly after the Interdepartmental review, periodic audits of all or a subset of the initiatives could be undertaken by PSPG and/or Audit Division.
- 7.4 In preparation for the arrangements outlined above, and drawing on paragraph 6.11 above:

#### Key Recommendation 2

It is recommended that PSPG conduct a full review of all initiative KPIs and baselines as soon as possible, so as to ensure sufficient data is available in time for the 2011-12 Interdepartmental review. The exercise must maximise continuity with existing data. KPIs must be practicable to collect and valid in measuring each initiative's effect, so as to both (i) be sustainable by Groups/Services and (ii) contribute usefully to the Interdepartmental review.

### R2 initiatives

- 7.5 It is imperative in consolidating the recent improvement in performance of the Expanding Cadets initiative that CRESO and Service cadet organisations continue actions in line with Defence's response to the Hickling Review. The audit currently under way is a positive step in the process, and will help demonstrate that doing so will continue the improvement (paragraph 6.4).
- 7.6 Noting that the New Defence Force Recruitment Model has fundamentally been highly successful, DFR is engaged in continuing efforts to improve performance against some KPIs through better pipeline management, and to replace the current interim service contract with a more long-term arrangement. In doing so, it is important that the two strands of activity are not conducted in isolation from one another, and that all possible causes of the pipeline management difficulties are considered, including factors such as an aberrant surge in enquiries, inherent pipeline constraints, increased applications from marginal candidates, imprecise KPI definition and even the nature of the model itself (paragraphs 4.8, 4.9 and 6.3).
- 7.7 It is strongly recommended that Joint Health Command investigate other uses for unspent funds that are consistent with the objectives of the Medical Officer Professional Development (MOPD) initiative, and that measures of retention effectiveness for both the current and new strands of MOPD are implemented (paragraphs 4.5-4.7).

### Future measures

- 7.8 Bonuses should only be introduced as part of a strategy that pays conscious attention to what happens next. This might be either the implementation of longer-term measures that identify and address the cause

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of an exodus through improvements to the employment offer for that workforce segment, or a reliably forecast change to the labour market conditions that originally led to the exodus (eg a "poaching" exercise by a private company that has a known end date) (paragraph 6.2).

7.9 In line with its response to the Audit Division audit of R2 retention bonuses (paragraph 6.10):

**Key Recommendation 3**

PSPG is to work with the Service Groups to develop and implement a Retention Assessment Framework within the Defence People Strategy, which can be used to:

- evaluate options and priorities for retention initiatives, particularly bonuses, under consideration; and
- measure the impact of retention initiatives (versus other factors) on retention outcomes and Defence capability.

7.10 Within the framework, cost effectiveness assessments should be undertaken for all future retention initiatives – noting however that cost effectiveness is unlikely to be the sole design criterion (paragraph 6.10).

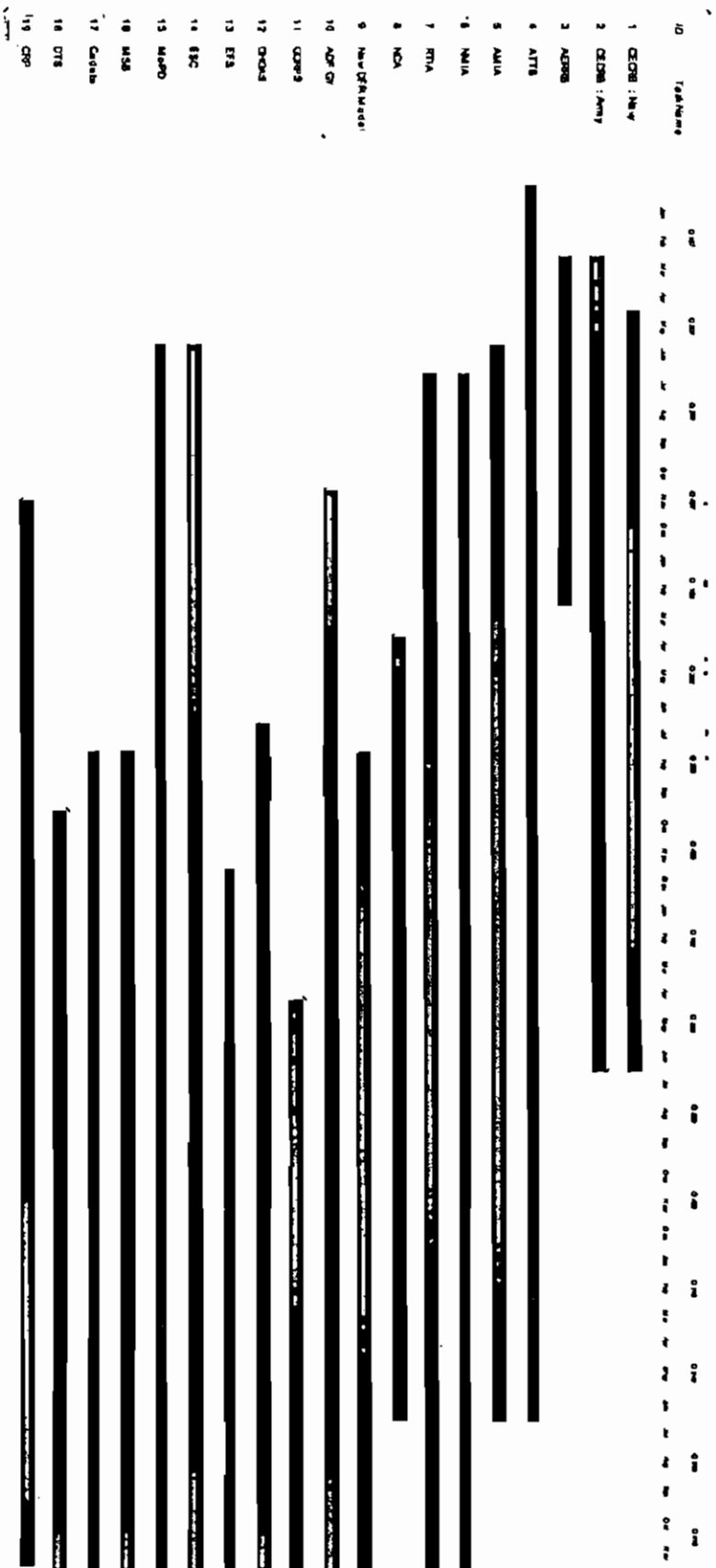
# **REVIEW OF THE AUSTRALIAN DEFENCE FORCE RETENTION AND RECRUITMENT (R2) PROGRAM**

## **ANNEXES**

### **List of Annexes**

- A. R2 Program Timeline
- B. R2 Program – Key Performance Indicators
- C. Achievement at 31 March 2010 against Key Performance Indicators
- D. Noetic Solutions – Recommendations for R2 Initiatives
- E. Noetic Solutions – Recommended Additional KPIs for R2 Initiatives

R2 Program Timeline





R2 Program – Key Performance Indicators (showing amendments)

Measure (from R2 Implementation Plan)	2007-08 target	2008-09 target	2009-10 target	2010-11 target	Measure (as at February 2009 update)	2007-08 target	2008-09 target	2009-10 target	2010-11 target
<b>Retention Bonuses and Allowances</b>									
<b>Critical Employment Category Retention Bonus</b>									
Navy critical trades are reduced and no further trades become critical	█	█	█	█	The number of Navy critical trades is reduced <sup>65</sup>	█	█	█	█
% reduction in shortfalls of Navy trained personnel (Currently 8.35%)	8%	7.50%	6.70%	6%	% reduction in shortfalls of Navy trained personnel <sup>66</sup>	15%	15%	14.5%	14%
Reduction in the number of Army critical categories that have an expected time frame of recovery over 5 years	█	█	█	█	Percentage of positions filled in categories offered Army CECRB in Mar 07/May 08/Nov 08 <sup>67</sup>	TBA	TBA	TBA	TBA
<b>Army Expansion Rank Retention Bonus</b>									
Retention rate of CPLs offered the bonus is greater than for a corresponding population prior to the retention	>88%	>78%	>68%	>59%	Separation rate for CPLs <sup>68</sup>	11.7	11.7	11.7	11.7
Retention rate of SGTs offered the bonus is greater than for a corresponding population prior to the retention	>88%	>78%	>68%	>59%	Separation rate for SGTs	8.4	8.4	8.4	8.4
Retention rate of CAPTs offered the bonus is greater than for a corresponding population prior to the retention	>91%	>82%	>74%	>66%	Separation rate for CAPTs	7.6	7.6	7.6	7.6
Retention rate of MAJs offered the bonus is greater than for a corresponding population prior to the retention	>91%	>82%	>74%	>66%	Separation rate for MAJs	9.8	9.8	9.8	9.8

<sup>65</sup> July 2008: targets modified because the way certain categories are divided (and therefore counted) changed shortly after the initial targets were established, so they no longer made sense.

<sup>66</sup> July 2008: targets modified to allow a more precise focus on trained personnel.

<sup>67</sup> February 2009: metric updated to more directly reflect impact of CECR bonus. Targets to be determined.

<sup>68</sup> July 2008: 4 X AERR metrics modified to be more readily understood and measured, and more meaningful in workforce management terms.

Measure (from R2 Implementation Plan)	2007-08 target	2008-09 target	2009-10 target	2010-11 target	Measure (as at February 2009 update)	2007-08 target	2008-09 target	2009-10 target	2010-11 target
<b>Army Trade Transfer Bonus</b>									
% of Army employment category A trade transfer positions filled	80%	80%	80%	80%	% of Army employment category A trade transfer positions filled	80%	80%	80%	80%
% of Army employment category B trade transfer positions filled	90%	90%	90%	90%	% of Army employment category B trade transfer positions filled	90%	90%	90%	90%
<b>Military Instructor Allowance</b>									
% of Navy military instructor positions filled (Baseline 80% of 600 positions)	-	85%	85%	85%	% of Navy military instructor positions filled	-	85%	85%	85%
% of Army military instructor positions filled (Baseline 80% of 1620 positions)	-	85%	85%	85%	% of Army military instructor positions filled	-	85%	85%	85%
<b>Navy Recruit Instructor Allowance</b>									
% of Navy recruit training instructor positions filled (Baseline 80%)	-	80%	85%	85%	% of Navy recruit training instructor positions filled	-	80%	85%	85%
<b>Review of Sea Going and Submarine (Disability) Allowance (subsequently Navy Capability Allowance)</b>									
Reduce separation rates for critical officer categories (Baseline 9%)	9%	8.90%	8.70%	8.50%					
Reduce separation rates for critical sailor categories (Baseline 11.40%)	11.40%	11.40%	11%	10.50%	Reduce separation rates for critical sailor categories <sup>69</sup>	11.40%	11.40%	11%	10.50%
<b>ADF Gap Year<sup>70</sup></b>									
Achievement of ADF Gap Year targets into the Services	100%	100%	100%	100%	Achievement of ADF Gap Year recruitment targets	100%	100%	100%	100%
# of requests for ADF Gap Year information packs by 1 November 2007	7000	Performance to be benchmarked after 1 <sup>st</sup> year with targets determined for subsequent years			% of personnel retained in part-time service following the ADF Gap Year	Performance to be benchmarked after 1 <sup>st</sup> year with targets determined for subsequent years <sup>71</sup>			

<sup>68</sup> July 2008: Second metric relating to critical officer categories removed, as NCA only applies to sailors.

<sup>70</sup> ADF Gap Year KPIs are modelled on a calendar year rather than financial year to align with the program. Note that Gap Year KPIs will be revisited as a result of the separate Gap Year review undertaken in parallel with this review.

<sup>71</sup> Benchmarking was not undertaken, as Gap Year KPIs 2 and 3 reflect a side-benefit of the Gap Year rather than its stated purpose.

Measure (from R2 Implementation Plan)	2007-08 target	2008-09 target	2009-10 target	2010-11 target	Measure (as at February 2009 update)	2007-08 target	2008-09 target	2009-10 target	2010-11 target
# of formal enquiries received by Defence Force Recruiting by 1 November 2007	3500	Performance to be benchmarked after 1 <sup>st</sup> year with targets determined for subsequent years	Performance to be benchmarked after 1 <sup>st</sup> year with targets determined for subsequent years	Performance to be benchmarked after 1 <sup>st</sup> year with targets determined for subsequent years	% of personnel retained in full-time service following the ADF Gap Year	Performance to be benchmarked after 1 <sup>st</sup> year with targets determined for subsequent years	No measurement until after 2011	No measurement until after 2011	No measurement until after 2011
% of personnel retained in part-time service following the ADF Gap Year	Performance will be benchmarked after 1 <sup>st</sup> year with targets determined for subsequent years	Performance will be benchmarked after 1 <sup>st</sup> year with targets determined for subsequent years	Performance will be benchmarked after 1 <sup>st</sup> year with targets determined for subsequent years	Performance will be benchmarked after 1 <sup>st</sup> year with targets determined for subsequent years	% of ADF Gap Year members enlisting in full-time service after studies	% of ADF Gap Year members enlisting in full-time service after studies			
% of personnel retained in full-time service following the ADF Gap Year	Performance will be benchmarked after 1 <sup>st</sup> year with targets determined for subsequent years	Performance will be benchmarked after 1 <sup>st</sup> year with targets determined for subsequent years	Performance will be benchmarked after 1 <sup>st</sup> year with targets determined for subsequent years	Performance will be benchmarked after 1 <sup>st</sup> year with targets determined for subsequent years	% of ADF Gap Year members enlisting in full-time service after studies	% of ADF Gap Year members enlisting in full-time service after studies			
% of ADF Gap Year members enlisting in full-time service after studies	No measurement until after 2011	No measurement until after 2011	No measurement until after 2011	No measurement until after 2011					
<b>New Defence Force Recruitment Model</b>									
% of overall full-time enlistment targets achieved	86%	88%	90%	95%	% of overall full-time enlistment targets achieved	86%	88%	90%	95%
Reduce conversion rate of inquiries to applications to enlistments	12:3:1	11:3:1	11:3:1	10:3:1	Reduce conversion rate of inquiries to applications to enlistments	12:3:1	11:3:1	11:3:1	10:3:1
Candidate time in process – General Entry	■	■	■	■	Candidate time in process – General Entry	■	■	■	■
Candidate time in process – Officer Entry	■	■	■	■	Candidate time in process – Officer Entry	■	■	■	■
Candidate time in process – Reserve Entry	■	■	■	■	Candidate time in process – Reserve Entry	■	■	■	■
% of candidates unaccounted for in the process <sup>72</sup>	■	■	■	■	% of candidates unaccounted for in the process <sup>8</sup>	■	■	■	■
% of candidates (successful and unsuccessful) satisfied with their experience in the recruiting process <sup>73</sup>	■	■	■	■	% of candidates (successful and unsuccessful) satisfied with their experience in the recruiting process <sup>9</sup>	■	■	■	■

<sup>72</sup> Candidates not followed up after initial inquiry

<sup>73</sup> Candidates surveyed prior to knowing the outcome of the recruitment process

Measure (from R2 Implementation Plan)	2007-08 target	2008-09 target	2009-10 target	2010-11 target	Measure (as at February 2009 update)	2007-08 target	2008-09 target	2009-10 target	2010-11 target
<b>Remuneration Structure Reform</b>									
% of OR satisfied with pay <sup>74</sup>	39%	37%	40%	42%	% of OR satisfied with pay <sup>75</sup>	39%	37%	40%	42%
% of OR leaving who indicate pay was a considerable influence on their decision to leave. <sup>76</sup>	24%	27%	24%	20%	% of OR leaving who indicate pay was a considerable influence on their decision to leave. <sup>76</sup>	24%	27%	24%	20%
<b>Defence Home Ownership Assistance Scheme</b>									
# of members who indicate that the scheme influenced their decision to stay beyond 4, 8, 12 years of service	200	200	400	500	# of members taking up scheme <sup>77</sup>	0	3360	3019	2797
# of members taking up scheme compared to statistics from previous schemes.	720	1798	1869	1953	Percentage of members who indicate that the scheme influenced their decision to remain in the ADF	0	15%	15%	15%
<b>Enhanced Fleet Support</b>									
Reduced demands on ship personnel when in port (Baseline one 24-hour duty every four days or 1:4)	1:04	0.85:4	0.7:4	0.7:4	Reduced demands on ship personnel when in port (Baseline one 24-hour duty every four days or 1:4) <sup>78</sup>	-	1:4.7	1:5.7	1:5.7
<b>Enhanced Submarine Capability (formerly Submarine Deployment Allowance)</b>									
Reduce separation rates for critical submarine officer categories (Baseline 6%)	6%	5.80%	5.50%	5.30%	Reduction In SM separation rates <sup>79</sup>	-	10%	10%	10%
Reduce separation rates for critical submarine sailor categories (Baseline 18.8%)	18.80%	18%	16%	14%					

<sup>74</sup> Figures obtained through the Defence Attitude Survey

<sup>75</sup> Nov 2007: figures to be obtained through the Defence Attitude Survey.

<sup>76</sup> Results obtained from historical Exit Surveys

<sup>77</sup> July 2008: Targets increased from 2008-09 onward.

<sup>78</sup> July 2008: Target ratios remain unchanged, but now presented in a less confusing way.

<sup>79</sup> January 2009: KPIs simplified when Enhanced Submarine Capability replaced Submarine Deployment Allowance, to capture the overall effect of the suite of initiatives. SMFEG undertook to develop and maintain a more comprehensive performance framework as part of the approval process for the change.

Measure (from R2 Implementation Plan)	2007-08 target	2008-09 target	2009-10 target	2010-11 target	Measure (as at February 2009 update)	2007-08 target	2008-09 target	2009-10 target	2010-11 target
<b>Medical Officer Professional Development</b>									
Increase in average years of service for MOs undertaking the programme (Current average years of service for those that take up extant programmes is 10 years)	1	2	2.5	2.5	Increase in average years of service for MOs undertaking the programme (Current average years of service for those that take up extant programmes is 10 years) <sup>60</sup>	1	2	2.5	2.5
% of MOs who undertake the programme (In 05-06 it was 69%)	70%	75%	80%	85%	% of MOs who undertake the programme (In 05-06 it was 69%)	70%	75%	80%	85%
<b>Marketing &amp; Service Branding</b>									
% of members indication that MSB influenced their decision to apply	75%	75%	75%	75%	% of 16-24 year olds who are considering employment in the ADF	-	35	35%	35%
% of 16-25 year olds who are considering employment in the ADF	30%	30%	35%	35%	% of this group who are more likely to consider an ADF career as a result of advertising	30%	30%	40%	40%
Number of quality enquiries to DFR	90,000	100,000	100,000	100,000	Number of active enquiries to DFR	90,000	100,000	100,000	100,000
<b>Expanding Cadets</b>									
Establish seven new Cadet units <sup>61</sup>		1 new Unit	1 new Unit	2 new Units					
Establish an extra 1000 Cadet positions	70 extra positions	90 extra positions	150 extra positions	275 extra positions	Increase Cadet numbers by 1000 over ten years <sup>62</sup>	22,000	22,100	22,200	22,300
% of Cadets indicating that their participation provided positive life and employability skills (ADF Cadet Survey). No historical data.	30%	45%	60%	75%	% of Cadets indicating that their participation provided positive life and employability skills (ADF Cadet Survey). No historical data.	30%	45%	60%	75%

<sup>60</sup> Metric requires further review, as "years of service" is ambiguous for MOs – some enlist early in their training (and consequently serve several unproductive years) while others enlist much later. DHSD to propose alternative metric.

<sup>61</sup> Aug 2008: KPI removed in an attempt to reduce the number of KPIs for this initiative. Rationale: increasing the number of Units is an intermediate step toward the ultimate aim of increasing the number of participants. Additionally, Defence has limited influence over Unit closures or amalgamations, which often occur when motivated parents lose interest once their child is no longer a member, or when local demographics change.

<sup>62</sup> Aug 2008: KPI amended from "establish an extra 1000 Cadet positions" as the old measure did not prevent the establishment of new positions being negated by the disestablishment of old ones.

Measure (from R2 Implementation Plan)	2007-08 target	2008-09 target	2009-10 target	2010-11 target	Measure (as at February 2009 update)	2007-08 target	2008-09 target	2009-10 target	2010-11 target
% of Cadets indicating an intention to join full-time or part-time service (ADF Cadet Survey). Current percentage is 48%.	55%	55%	65%	65%	% of Cadets indicating an intention to join full-time or part-time service (ADF Cadet Survey). Current percentage is 48%.	55%	55%	65%	65%
% of ex-Cadets enlisting in the ADF (ADF Entrant Opinion Survey) Current four-year average 11%	13%	15%	17%	20%	% of ex-Cadets enlisting in the ADF (ADF Entrant Opinion Survey) Current four-year average 11%	13%	15%	17%	20%
% of ADF with previous Cadets experience (Defence Census). No historical data.	5%	5%	10%	10%	% of ADF with previous Cadets experience (Defence Census). No historical data.	5%	7%	9%	10%
% of Cadets staying to age 17 or older. No historical data.	3%	5%	7%	10%	.				
<b>Defence Apprenticeship Sponsorship Program (replaced by the Defence Technical Scholarship)</b>									
# of trainees sponsored	100	>100	>100	>100	Number of scholarships awarded	-	-	1500	1500
<b>Candidate Referral Program</b>									
# of members referred by CRP provider	█	█	█	█	Proportion of candidates referred by CRP provider who, after completing a YOU session, are deemed to be eligible for a technical trade position within the ADF	█	█	█	█
Conversion rate of members referred by CRP provider from application to receipt of letter of offer for a technical trade	█	█	█	█	# of members referred by CRP provider	█	█	█	█

## Achievement at 31 March 2010 against Key Performance Indicators

Measure (as at February 2009 update)	2009-10 target	Performance at 31 March 2010	
<b>Retention Bonuses and Allowances</b>			
<b>Critical Employment Category Retention Bonus</b>			
The number of Navy critical trades is reduced	■	■	●
% reduction in shortfalls of Navy trained personnel	14.5%	11.5%	●
Percentage of positions filled in categories offered Army CECRB in Mar 07/May 08/Nov 08	TBA	85% / 70% / 78%	●
<b>Army Expansion Rank Retention Bonus</b>			
Separation rate for CPLs	11.7%	6.8%	●
Separation rate for SGTs	8.4%	5.0%	●
Separation rate for CAPTs	7.6%	4.8%	●
Separation rate for MAJs	9.8%	5.7%	●
<b>Army Trade Transfer Bonus</b>			
% of Army employment category A trade transfer positions filled	80%	91%	●
% of Army employment category B trade transfer positions filled	90%	85%	●
<b>Military Instructor Allowance</b>			
% of Navy military instructor positions filled	85%	90%	●
% of Army military instructor positions filled	85%	Bonus no longer offered	-
<b>Navy Recruit Instructor Allowance</b>			
% of Navy recruit training instructor positions filled	85%	94.2%	●
<b>Navy Capability Allowance</b>			
Reduce separation rates for critical sailor categories	11%	6.33%	●
<b>ADF Gap Year</b>			
Achievement of ADF Gap Year recruitment targets	100%	100%	●
% of personnel retained in part-time service following the ADF Gap Year	Not yet bench-marked	32.9% of former participants	●
% of personnel retained in full-time service following the ADF Gap Year	Not yet bench-marked	31.1% of former participants	●

Measure (as at February 2009 update)	2009-10 target	Performance at 31 March 2010	
% of ADF Gap Year members enlisting in full-time service after studies	Not yet measured	Not yet measured	-
<b>New Defence Force Recruitment Model</b>			
% of overall full-time enlistment targets achieved	90%	92.3%	●
Reduce conversion rate of inquiries to applications to enlistments	11:3:1	12.3 : 2.5 : 1	●
Candidate time in process – General Entry	■	■	●
Candidate time in process – Officer Entry	■	■	●
Candidate time in process – Reserve Entry	■	■	●
% of candidates unaccounted for in the process	■	■	-
% of candidates (successful and unsuccessful) satisfied with their experience in the recruiting process	■	■	●
<b>Remuneration Structure Reform</b>			
% of OR satisfied with pay	40%	51%	●
% of OR leaving who indicate pay was a considerable influence on their decision to leave.	24%	29%	●
<b>Defence Home Ownership Assistance Scheme</b>			
# of members taking up scheme	3019	3976	●
Percentage of members who indicate that the scheme influenced their decision to remain in the ADF	15%	57%	●
<b>Enhanced Fleet Support</b>			
Reduced demands on ship personnel when in port (Baseline one 24-hour duty every four days or 1:4)	1:5.7	1:12	●
<b>Enhanced Submarine Capability (formerly Submarine Deployment Allowance)</b>			
Reduction in SM separation rates	10%	4.6%	●
<b>Medical Officer Professional Development</b>			
Increase in average years of service for MOs undertaking the program (Current average years of service for those that take up extant programs is 10 years)	2.5	Metric under review	-
% of MOs who undertake the program (In 05-06 it was 69%)	80%	67% (YTD)	●



Measure (as at February 2009 update)	2009-10 target	Performance at 31 March 2010	
<b>Marketing &amp; Service Branding</b>			
% of 16-24 year olds who are considering employment in the ADF	35%	25%	●
% of this group who are more likely to consider an ADF career as a result of advertising	40%	43%	●
Number of active enquiries to DFR	110,000	82,478	●
<b>Expanding Cadets</b>			
Increase Cadet numbers by 1000 over ten years	22,200	21,919	●
% of Cadets indicating that their participation provided positive life and employability skills (ADF Cadet Survey). No historical data.	60%	38.7%	●
% of Cadets indicating an intention to join full-time or part-time service (ADF Cadet Survey). Current percentage is 48%.	65%	42.1%	●
% of ex-Cadets enlisting in the ADF (ADF Entrant Opinion Survey) Current four-year average 11%	17%	Not available	-
% of ADF with previous Cadets experience (Defence Census). No historical data.	9%	22%	●
<b>Defence Technical Scholarship</b>			
Number of scholarships awarded	1500	760	●
<b>Candidate Referral Program</b>			
Proportion of candidates referred by CRP provider who, after completing a YOU session, are deemed to be eligible for a technical trade position within the ADF	■	■	●
# of members referred by CRP provider	■	■	●

## Noetic Solutions – Recommendations for R2 Initiatives

Initiative	Recommendation	Remarks
Army Retention Bonus and Allowances	N/A	By the time this report is finalised the existing bonus scheme will be complete
Navy Retention Bonuses and Allowances	N/A	By the time this report is finalised the existing bonus scheme will be complete
Navy Capability Allowance	N/A	By the time this report is finalised no new members will be eligible for the payment of this allowance
Reform of Defence Force Recruiting	No Change	New DFR model is still in its implementation phase (noting intention to retender for the delivery of the new DFR model in FY10/11). Ongoing monitoring of the performance of the new DFR model is required once the new contract is in place. Additional capacity should be provided by the prime contractor to cope with predicted surges in inquiries arising from the Marketing and Service Branding initiative.
ADF Gap Year	See Evaluation of the Australian Defence Force Gap Year Program, April 2010	
Remuneration Structure Reform	No Change	Remuneration levels will be periodically revised as per standard Defence practice
Defence Home Ownership Scheme	No Change	Now considered a condition of Service so any attempt to reduce benefit likely to have a substantial negative impact. Take up and amount available through the scheme should be periodically reviewed to ensure attractiveness to target population
Reform of DFR: Job Options Service	N/A	Not implemented at time of evaluation
Reform of DFR: Financial Advice Scheme	N/A	Not implemented at time of evaluation
Marketing and Service Branding	No Change	Effort in this area needs to be maintained to generate desired number of enlistment inquiries. Periodic review of funding for this initiative is recommended to take into account need to counter external factors
Defence Apprenticeships (Defence Technical Scholarship)	No Change	Given immaturity of program, continuation until at least interdepartmental review is recommended
Defence Apprenticeships (Candidate Referral Program)	No Change	Success of this initiative was impacted upon by the concurrent introduction of the New DFR Model – effort should be maintained in this area to ensure Defence is well positioned for recruitment into technical categories
Expanding Cadets	Modify	Ongoing funding should be contingent on a financial audit to determine how existing R2 funds have been expensed and determine where additional funding will be directed and the expected outcomes of providing this funding
Sea Change – Enhanced Fleet Support	No Change	Initiative is achieving its objectives
Sea Change – Enhanced Submarine Capability	No Change	Initiative is achieving its objectives

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Initiative	Recommendation	Remarks
Medical Officer Professional Development	No Change	The increase in the funding for MOPD is now considered a condition of service for MOs. Any attempt to reduce the amount available to MO for professional development is likely to have a proportionally far greater impact than any savings realised. Another funding stream will need to be found to continue to pay this allowance once R2 funding ceases.

**Noetic Solutions – Recommended Additional KPIs for R2 Initiatives**

In the May 2010 review, Noetic Solutions recommended collecting additional data to evaluate specific R2 initiatives to "facilitate the quantitative evaluation of what are currently anecdotal or suspected effects of R2 initiatives", as follows:

% of members who received the initial payment of the AERRB and who have subsequently discharged and reasons why
Number of members who received the ATTB who are now qualified in the trade for which they received the bonus
% of members who received the NCA and discharged own request once the 18 month ROSO was completed (or shortly afterwards noting requirement to provide notice)
% of recruits who pass through the new DFR model and successful complete recruit training (allowances made for medical discharge and like factors)
Number of Gap Year participants who enlist in the ADF after completing full-time studies
Number of members who resigned shortly after becoming eligible for the DHOAS (that is, around 1 July 2008)
Number of members who received the DTS who subsequently enlisted in the ADF (technical and general entry)