

Attachment B

'ADF RESERVES – UP TO AND BEYOND THE WHITE PAPER'

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Background

At the time of Federation, the two components of the Defence Force, as described in the Defence Act, were the Permanent Forces and the Citizen Forces (now Reserves).

Historically, Reserves were regarded as a strategic military asset, providing a mobilisation base in the event of significant national need, very much a 'just in case' philosophy.

With the likelihood of large scale conflict being considered low, it is probable that the ADF, including its Reserve components, will be utilised for smaller scale interventions, containment operations, domestic security, peacekeeping, nation-building tasks, humanitarian and disaster relief duties going forward.

These scenarios will require highly skilled ADF members – permanent and Reserve - to be able to deploy more rapidly than before, within Australia as well as off-shore, with the requisite training and equipment for the task at hand. Specific pre-deployment training is envisaged to be available for identified forces within identified notice periods, with rotation forces likely to have the advantage of longer lead times for deployment than the force initially inserted.

This means that the fundamental nature of Reserve service has changed, with this evolution having significant ramifications in the way in which ADF Reserves are attracted, trained, used and retained.

Current Reservists are trained to a higher standard than before, and in many cases they hold similar competencies as their regular counterpart. Their equipment is similar, and they are generally expected to commit more time to training. As a "just in time" resource, qualified Reservists are now expected to be more readily available, on a voluntary basis, to deliver operational capability to the ADF, for both domestic and off-shore operations.

With the shifts in the Australian demographic, ethnic diversity, generational work preferences, an aging population, and critical shortages of skilled workers in a number of trade areas, the ADF must review its general employment paradigms, its relationships with business and the wider community, and the manner in which skills and experiences gained outside the Defence Force (but valuable within it) can be recognised and used to enhance capability.

The Australian workplace is also changing. The ADF needs to be aware of these changes in employment and remuneration practices, developing strategies in order to remain as a competitive employer in the marketplace.

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Providing a range of employment options as people move through the different phases of their life will better position the ADF to attract and retain the highly skilled personnel it requires in a 'whole of career' employment approach.

The operational, political and technological complexity, linked to the training and acquisition costs of modern military equipment has led many nations to re-think their potential use of Reserves, looking to transform them from a long term, strategic, 'just in case' resource described earlier, to a well trained and interoperable "just in time" asset that can be (and is) utilised more readily, either individually or collectively, as part of regular forces within contemporary operations.

Military planners and Government need to adapt to the concept of 'the long war' requiring trained forces to be available to deal with current and emerging threats, as well as being able to rotate forces regularly without the imperative for national mobilisation.

The current situation

Before asking the question "what do we want to Reserves to do", let me provide some context by giving you a snapshot of the capability currently being delivered by the ADF's 'hidden workforce'.

In the last financial year, over 1,700 man years of service was provided by Reservists employed on Continuous Full Time Service (CFTS). A further 4,500 man years of service was delivered using Reserve Days. While some of this latter figure was utilised for recruit or initial employment training, the vast majority of the effort was directed to performing real time tasks, backfilling positions of deployed full time members, and continuation or preparatory training.

Some 3,000 Reserves have served on ADF operations, both overseas and within Australia, over the past two years. These have ranged from individuals and capability bricks in the Middle East, East Timor, border security and UN duties, up to sub-unit groups in the Solomon Islands, OP ACOLYTE (Commonwealth Games Melbourne), OP DELUGE (APEC Sydney), and OP TESTAMENT (Papal Visit Sydney).

Over 8,000 Reservists delivered in excess of 50 days last year, with a quarter of them doing more than 100 days each.

Navy and Air Force Reservists are trained to the same competencies as their permanent counterpart as are many in the Army. The remaining numbers in the Army Reserve are trained to a level commensurate with what is required of their role. Therefore the personnel can be readily employed, with some specific to task preparatory training and assimilation.

'What do we want the Reserves to do? - the Way Ahead

In a variety of forums, the Service Chiefs have each acknowledged the valuable contribution of their Reservists and the capability they enabled. There is little doubt that the output expected from the Reserves will continue into the future, and in all likelihood be greater.

Australians have different motivations for joining the Reserves in the first instance. When qualified, most have a preparedness to utilise those skills on real-time tasks. The operational tempo in recent times has certainly provided those interested with the opportunity to do so, as the earlier statistics clearly indicate.

The ADF has been fortunate that the reliance on Reserves volunteering for service has been satisfied to the degree it has. Certainty of Reservist availability is a significant and valid concern for the Service Chiefs.

To some extent, the provisions of the Reserve Service (Protection) Act will guarantee a degree of certainty but, short of callout under the relevant legislation, availability is still subject to a Reservist's willingness to provide service. It follows that the only option is to ensure that the ADF is an attractive employer for those willing to give part of their time.

The current White Paper Review provides the ADF with the opportunity to further clarify the role of Reserves within the ADF and to seek the resources needed to achieve the desired outcomes.

My own area of responsibility, the Reserve and Employer Support Division, is involved in providing input to a number of the Companion Papers to the White Paper, notably the Workforce and Estate papers.

Reservists do not attract the same conditions of service enjoyed by Permanent Force personnel and yet there seems to be an expectation and hope that these personnel will continue to be available when required.

Let me now turn to possible areas that we might review in relation to Reserves and some potential conditions of service considerations. I stress that these are only ideas for frank and open discussion. I cannot guarantee that any of these will be accepted, and further investigation will be required into most.

In recent years, there has been considerable advancement toward improving the lot of Reservists to ensure their continued availability. The Reserve Remuneration Review of 2005 enhanced some conditions, such as the introduction of Health Support Allowance, and the Defence Force Remuneration Tribunal removed the anomaly of discounted salary for many Reservists in late 2007.

There remains, however, an increasingly evident groundswell of concern for some remaining and obviously discriminatory conditions in place for Reservists. These conditions have significant potential to affect the availability of Reserves for both part time service and CFTS. Some examples are the salary divisor (365 days) which effectively reduces Reserve salary to about 60% of that of their Permanent Force counterparts, and the absence of superannuation and leave entitlements.

Consequently, it is important to consider what part time service could potentially cost the ADF if demands for the employment of Reservists continue and if improved conditions of service were deemed necessary to attract them to a reliable degree. One certainty is that lack of consideration of the continued availability of the trained, part time workforce, could mean a considerable risk to capability, especially in specialist areas where the ADF relies heavily on Reservists. This 'hidden workforce' is not currently employed by the ADF without a demonstrated need, and there is little reason to believe that the approach will change going forward.

The current salary divisor is seen as inequitable and the DFRT has indicated a preparedness to consider arguments when considering evidence at future hearings. The associated rise in individual salary would be a strong incentive to provide Reserve service, but at the same time might be seen as a tax free 'grab for cash'. This could negatively affect retention in the Regular Force.

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The alternative would be to address the superannuation matter at the same time as the divisor, and because of the nexus with taxation, consider the 'package' in toto. The recent Report of the Military Superannuation Review Team expressed concern for identifying 'the fundamental nature of modern Reserve service' including remuneration, taxation and employer sponsored superannuation for Reservists.

This collection of matters should be addressed now to better acknowledge the value of Reserve service and also commit to a strategic intent to access more reliable part time service in the Reserves.

A positive offset would be a greater propensity for current Reservists to be available, and for ex-Regular personnel to be retained in the Reserve. Army in particular might benefit because there are very few Permanent Force personnel (under 20%) who discharge and transfer to the Active Reserve.

There are considerable training cost savings for each additional ex-Regular who transfers to the Active Reserve. We have assessed that the reduced training overhead by having these fully trained personnel in the Reserve would easily offset the increased overall cost. The enhanced capability retained in the Reserve is self evident.

Taxing Reserve pay in the mid 1980's was an unfortunate experience. It was poorly implemented and considerable angst led to a significant resignation rate. Were the tax free nature of Reserve pay to be reviewed, it would require careful attention. It might be necessary to consider the offer of choice to personnel. That is, some might wish to retain tax free status and retain other Commonwealth benefits that might otherwise be impacted if the divisor was changed and tax and superannuation were to be introduced.

In the recent Reserve Attitude Survey, Reservists were asked if their propensity to provide service would change if the salary divisor was changed and tax and superannuation were introduced. The initial data from the census returns will be available after Oct 08. Estimates to date would suggest no more than a 50 percent initial take up rate is expected.

Conclusion

There is increasing reliance on Reservists to undertake fulltime and part time service in most capabilities. While not reflected in the Strategic Workforce Plan, the quantum of work remains economically efficient and a viable alternative source of expertise when necessary. There is, however, a capability risk if Defence fails to allow for greater parity of working conditions for this 'hidden workforce'.

To ensure continued availability and reliability of Reservists, it is necessary to consider how to improve conditions of service as the demand for such continues.

Increased cost pressures across Defence, especially in the workforce context, further highlight the need for Defence to make better use of Reserves because they have proven to be both cost effective and capable in many roles. The demands on each Service's Full Time Equivalent staffing in particular can be mitigated through selective use of Reserves.

As I mentioned earlier, these are just some of my thoughts concerning the way ahead for the ADF Reserves.

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