

# **THE AUSTRALIAN DEFENCE ORGANISATION (ADO) PERSONNEL ENVIRONMENT SCAN 2020: RECRUITMENT AND RETENTION ISSUES**

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The production of an Australian Defence Organisation (ADO) Environment Scan 2020 report is planned as an initial step towards developing a Defence Strategic Human Resource (HR) Plan. Many personnel-related studies have highlighted the need to have such a plan in place. For example, the need for a strategic plan was highlighted in the 1995 Glenn Report, 'Serving Australia – The Australian Defence Force in the Twentieth Century', and in the Australian National Audit Office report on 'Retention of Military Personnel' published in April 2000.

Currently, a number of environment studies have been, or are being, carried out by various Defence Executives to serve specific purposes and projects, but they are not necessarily being coordinated to inform Defence personnel policy as a whole. The Environment Scan project is intended to redress this shortcoming and, at the same time, provide a central focus for all personnel-related Defence studies, policies and planning.

The Environment Scan analyses relevant reports, and expert and practitioner opinion, available in the public arena; identifies and describes the external and internal personnel trends that are likely to impact on the ADO in the near future and to the year 2020; and summarises the key elements of these trends in such a manner to assist in personnel planning and policy development. This paper serves merely as a snapshot, or summary, of the larger Environment Scan report. Specifically, it provides examples of the external demographic, economic, social, workforce and workplace factors and trends as they relate to internal Australian Defence Force (ADF) characteristics and how they may impact on *recruitment and retention* of ADF personnel. The Reserve Forces and civilian components will not be considered in this summary.

## **External Trends**

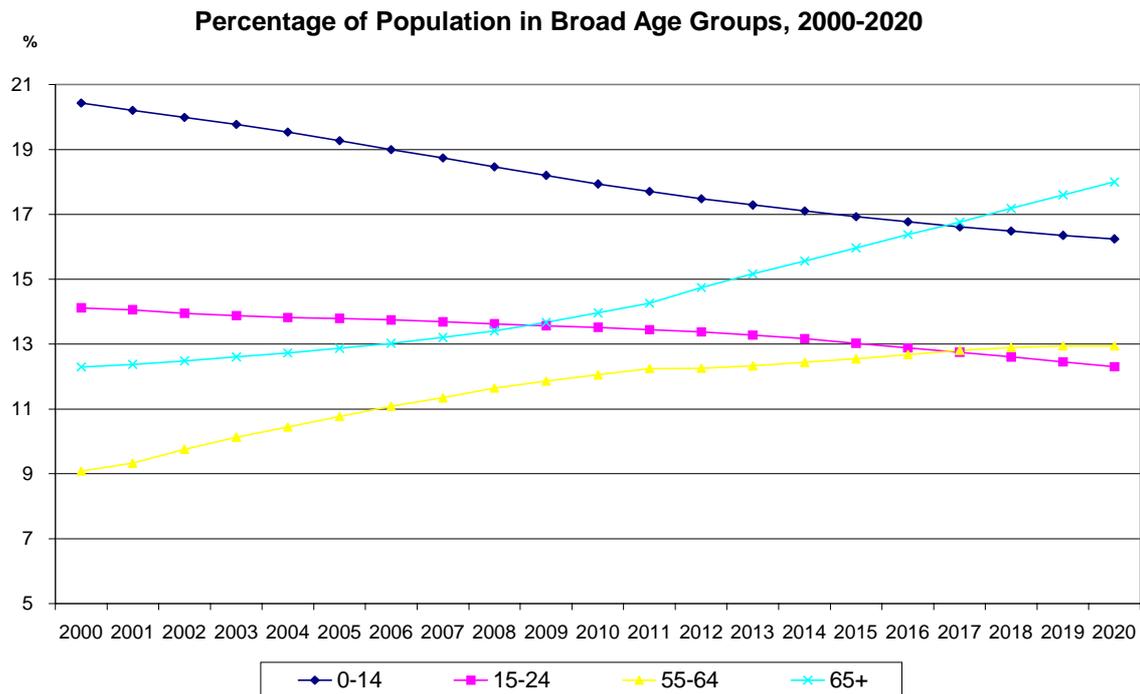
### **Population**

In projecting Australia's likely demographic future, the Australian Bureau of Statistics (ABS) projects that over the next 20 years Australia's population is likely to grow moderately, while continuing to age.<sup>1</sup> The population is projected to grow from 19.2 million today to around 20.2 million by 2005, 21.1 million by 2010 and 22.8 million by 2020. This represents growth of approximately 10.0% over the decade 2000-10 and 7.9% in the decade 2010-20. The median age of the Australian population will continue to rise from 34.9 in 1999, to 36.9 by 2006, 38.5 in 2011 and 41.2 in 2021. The percentage of people aged under 15 will decline rapidly from 20.4% in 2000. In 2005, the figure will be 19.3%, 17.9% by 2010, 16.9% by 2015 and 16.2% by 2020. By comparison, the percentage of the Australian population over 65 will rise from 12.3% in 2000 to 12.9% in 2005, 14.0% in 2010 and 18.0% by 2020. Trends for selected age groups by percentage are shown in Chart 1.

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<sup>1</sup> This paper is a summary of the Draft ADO Personnel Environment Scan 2020 authored by DSPPR and Mercadier Pty Ltd. The work was achieved through a dedicated effort by CMDR Peter Ong, Dr. Thomas Schindlmayr, Mr John Robbins and Mr Alan Hodges. The complete document will be available June 01.

**Chart 1: Percentage of population in broad age groups, 2000-2020**



Gauging the ethnic composition of Australia’s future population is difficult due to the unknown nature of Australia’s future immigration program and continued ethnic intermixture. Best estimates suggest that by 2025, 62.2% of the Australian population will be from an Anglo-Celt background, 6.6% North East Asian, 5.8% North and West European, 5.7% South European, 5.5% in South East Asian, 4.9 West Asian and North African, 4.1% East European and 1.6% Aboriginal and Torres Strait Islander<sup>ii</sup>. This will represent a truly diversified range of backgrounds.

➤ *Australia’s population will continue to age, and ethnic intermixture will continue*

## Economy

Making claims about the Australian economy of the future is highly problematic. Unforeseen events, for example, rising fuel costs, military conflicts and financial meltdowns, similar to the Asian economic crisis and the bond market crash, may have profound effects on the Australian economy. These are evidenced by recent fluctuations in the Australian dollar. However, several institutions and think tanks have suggested the likely development of the Australian economy over the next few years and what it will look like in 2020.

Possibly, the most influential is the Paris-based OECD. While there will continue to be intermittent periods when the economic slows or may even retract, according to the OECD, the long-term outlook is that the economies of developed countries will continue to grow over the next 20 years. The world is expected to enter a period of a sustained long boom over the next decades. Much of this growth will be driven by a confluence of specific technological, economic and social factors. To achieve sustained long-term global economic growth, the OECD identifies three critical areas: the transition to a knowledge economy and society; the continued integration of global markets; and the establishment of policies to promote environmental sustainability.<sup>iii</sup>

➤ *Continued long-term sustainable economic growth is likely over the next 20 years*

## **Family and Households**

Since the 1960s, changes to Australia's socio-economic landscape have helped evolve several kinds of family and household settings. The dominant nuclear family model comprising two adults and children has been superseded by a greater diversity in the way families are formed. According to the ABS these household families include such forms as single-person establishments, single-parent families, childless couples, same-sex couples, married couples with children, and married couples with adult children.

During the 1990s, the percentage of lone-person households rose from 21.1% to 24.2%, the number of households with three or more persons fell from 47.0% to 42.8%, and the number of single-mother households (as a percentage of households with children under 15) rose from 13.2% to 19.3%. The percentage of single-father households also increased during the 1990s from 1.6% to 1.9%.

The actual number of divorces in Australia rose by 20.7% from 42 600 in 1990 to 51 400 in 1999. However, the divorce rate at around 2.7 per thousand<sup>iv</sup> of the population has remained constant throughout the 1990s. During this period, the number of registered marriages declined from 117 000 to 110 600, and young people are deferring marriage to increasingly older ages. The median age of first marriage for both males and females rose during the last decade; in 1990 the median age was 26.5 for males and 24.3 for females and by 1998 the figure had risen to 27.9 for males and 26.2 for females.<sup>v</sup>

Similarly, the proportion that never marries has risen over the last decade, making a single lifestyle an accepted phenomenon in Australian society. The trend among young adults (15-29 years) is towards living longer with their parents, as well as spending periods in a single-person household. The percentage of 15-29 years old living at home rose between 1986 and 1999 from 47% and 49%, with the 20-24 and 25-29 olds each accounting for about half of the increase.<sup>vi</sup> More male than female young adults live at home.<sup>vii</sup>

➤ *Young people are staying at home longer and Lone-person households are rising*

## **Education**

Australians are becoming better educated, with the proportion of those with secondary and post-secondary qualifications rising. The proportion of 15-19 year olds in education rose from 66.2% in 1989 to 78.5% in 1999. Likewise, 34.4% of 20-24 year olds are in education compared with 22.2% 10 years earlier.<sup>viii</sup> In 1989, 39.2% of Australians aged 15-64 had a post-secondary education and this figure had risen to 43.7% by 1999. The percentage of Australians aged 15-64 with a Bachelor or higher degree nearly doubled between 1989 and 1999 from 7.9% to 15.4%. Slightly more than 20% of Australians in this age group had a vocational qualification in 1999, 8.1% had an undergraduate or associate diploma, while 32.7% did not complete the highest level of secondary school.<sup>ix</sup>

One of the most notable developments of the last decade is the higher performance of girls over boys. High school results from the 1990s show the trend towards girls excelling in most subjects, and in particular in subjects traditionally considered a male domain, such as information technology and physics. More females at universities are undertaking such courses as medicine, engineering, law and a range of natural sciences. Moreover, Year 12

retention rates for females are significantly higher than for males. In 1999, the figure was 78.5% for females compared to 66.4% for males. University entry shows that females make up over 50% of new entrants.

➤ *Australians are becoming better educated with females out performing males*

## **Workforce**

During the 1990s, the Australian workforce has changed significantly. Women in the workforce have increased, as has the percentage of part-time workers. The number of people employed in manufacturing continues to decline, while the service sector maintains its expansion. The median age of the male labour force<sup>x</sup> was 37.7 in 1999 compared to 35.6 in 1989, while for women it was 36.5 and 33.4 respectively.

Australia's working age population for the next 15 to 20 years is predetermined largely by the fall in fertility levels. Demographic changes over the next 20 years will lead to shifts in the economy and the labour force. While the number of people entering the workforce will stagnate, retiring baby boomers will cause a significant rise in the number of people leaving the workforce.<sup>xi</sup> The annual growth in the labour force population peaked in 2000 and over the next decade is likely to fall by one-third. Annual growth rate of the working-age population, according to the Australian Treasury, is expected to slow from 1.5% in 2000 to 1.2% in 2010. Although this will reduce economic growth, the slowing population growth will result in lower unemployment rates. As workers become a scarce commodity, employers will compete for employees and are likely to encourage people to delay retirement.

Of the expected projected growth in the labour force until 2016, nearly one-third of the growth will be for people aged 45-54, while the number aged 60-64 is set to double. In 2016, there will be 8 400 fewer 15-59 year olds in the labour force than in 2000, or a fall of 1%. The first baby-boomers retire in 2002 and, over the next two decades, their retirement patterns and willingness to carry out further work will have a significant impact on Australia's workforce.

Over the period 1998 to 2016, the number of males in the labour force is projected to rise by 631 700 to 5.9 million, representing an annual growth rate of 0.6%. For females, the annual growth rate will be 1.1%, amounting to a projected increase of 867 600 to 4.9 million. The percentage of the labour force that is female is expected to rise from 43 to 45 percent. This increase in the proportion of females will occur across all age groups, except for those aged 15-19 and over 65.<sup>xii</sup>

A person's willingness to work is determined by a number of societal and individual reasons. Thus, projecting the number who will engage in the workforce as a proportion of the population, or the labour force participation rate, is fraught with difficulties. These include such questions as how will baby-boomers react to the notion of retirement, will young people study longer and what will be future influences on family formation. However, it is clear that globalisation, and the increased mobility of workers, will significantly affect the workforce. Indeed, as all OECD states are facing the same future workforce scenario, competition among states for the best and most talented is likely to intensify. The United States and Europe will continue to draw a large number of Australians, who are attracted by large salaries and increased opportunities. Other nations in the Asia-Pacific regions are also likely to become more appealing for some of Australia's brightest employees.

- ◆ *Labour force growth rates will slow, leading to lower unemployment levels and more competition for employees. Within this lower growth, those 45 and older will increase more than other age groups, female work force participation will be about double that of males and there will be increased international mobility in the Australian workforce.*

### ***Developments in the Australian Workplace***

Increased global competition, economic pressures to downsize yet improve productivity, and advancements in technology and rate of innovation over the past 20 years have brought dramatic changes to organisational structures, processes and culture.<sup>xiii</sup> While it is not possible to cover the numerous impacts on the nature of work, four such changes or trends may be seen as particularly relevant to the ADF. First, traditional employment relations characterised by 'relational contracts' between employers and employees, have been replaced to varying degrees by transactional, or 'new deals'.<sup>xiv</sup> Broadly, the traditional assurances, such as job security, rewards for hard work and loyalty, and social justice, were being shown to decline.<sup>xv</sup> Thus many older or longer serving employees have faced significant challenges to their expectations of the workplace over the last decade, and arguably a renegotiation of the psychological contract in organisations such as Defence,<sup>xvi</sup> and in turn more globally employee loyalty can no longer be assumed.

Secondly, the tough recruitment market of the late 1990s has meant organisations have had to become more flexible and innovative in responding to the needs of their employees. There is a trend towards workers demanding more benefits, and particularly lifestyle benefits, with many happy to work for reduced pay if they find an amenable workplace environment. Thirdly, while the beginning of the 1990s marked a period of downsizing and outsourcing, a decade on much of the basis for these decisions is being questioned as the expected efficiency gains and reduction in cost have not consistently been achieved.<sup>xvii</sup> Thus as outsourcing scales down, organisations will only face increasing pressures to recruit and retain permanent personnel.

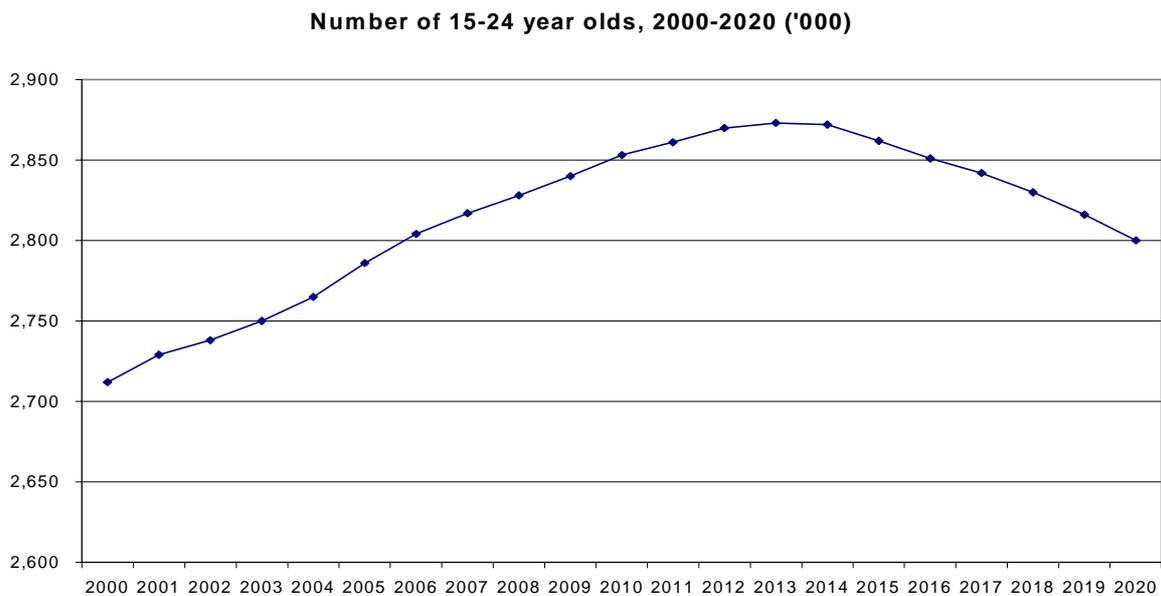
These factors, amongst others such as developments in the nature of work through technology and competency based approaches to work structures, have facilitated individuals seeking a greater number of career changes, and at a younger age.<sup>xviii</sup>

- *Employee loyalty is weaker, employees are seeking increased lifestyle benefits and organisations have become more flexible and innovative in response to the needs of their employees.*

### ***Young People***

Defence is dependent upon young people to fulfil a number of combat roles, as well as forming the defence executive of the future. Thus, it is important to discuss briefly the specific demographic characteristics of young people, both now and into the future, and their outlook towards life and the military. The actual number of people aged between 15-24 in Australia will increase marginally until 2013 from 2 712 000 in 2000 to 2 786 000 in 2005, 2 853 000 in 2010 and 2 873 000 by 2013, as shown in Chart 2. Thereafter, the number will decline, falling to 2 800 000 by 2020.<sup>xix</sup>

**Chart 2: Number of 15-24 year olds in Australia, 2000-2020**



Increasingly management literature is suggesting that Generation X and Y, display attitudes towards their careers unlike those following characteristics. For example, in the recent survey on youth, *The Economist*<sup>xx</sup> stressed that technology is shaping the role of young people in the workforce. The introduction of the Internet, the restructuring of the 1980s and 1990s that dismantled traditional corporate hierarchies, and outsourcing strategies are all factors in this change. The career expectations of young people have been shaped by a globalising economy, and by living in a technology-oriented society that places a premium on accepting downsizing and change. It is also argued that young people identify themselves by their independence. As the notion of a social contract disappears, the twenty-somethings do not expect to be loyal to a company, and neither do most of them necessarily expect it from companies in return. Job identification is not based on where you work, rather on the skills that the individual possesses. Most will change companies regularly moving from job to job, and from skill to skill.

Indeed, only one-third of young people are likely to take a steady staff job while the rest will work as part-time, freelance, or work under contract. Companies are in turn changing their recruitment policies in response to this trend. Studies show that young people desire opportunity more than money and security, explaining the number of American youngsters who joined fledging 'dot.coms'. Finally, given the tight labour market and demand for technical skills, young people are sidestepping older generations, in determining their future.

- *An understanding of the hopes and ambitions of young people will be important for the ADF. How does the ADF attract them? Having done so, how does the ADF keep them?*

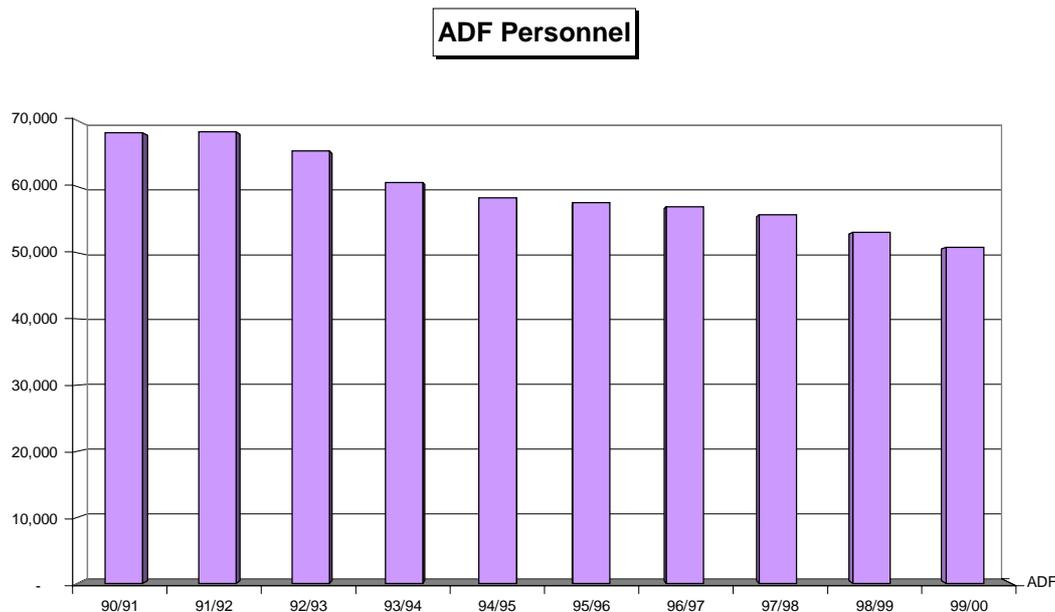
### **Internal Trends**

#### **ADF Strength**

The number of permanent personnel in the ADF has been steadily reducing since a post-Vietnam War peak of 73 185 in 1983, reflecting changing government policies and

community attitudes towards the defence forces, and the lack of an identifiable threat to Australia's security<sup>xxi</sup>. In the 1990s, ADF numbers fell from 68 123 in 1990 to 50 785 in 2000 (Chart 3), representing a reduction of over 25%. Large reductions were seen across all three Services, with the Air Force experiencing the largest decline of 35%, followed by the Army at 22% and Navy at 18.5%. As of November 2000, the ADF had a total of 50 807 permanent members (including reservists on full-time service). Navy had 12 446, Army had 24 696 and Air Force had 13 665<sup>xxii</sup>.

**Chart 3: ADF personnel strength 1990-2000**



**Source:** Annual Defence Reports

The reduction in permanent members can be largely attributed to the Force Structure Review (FSR) and Commercial Support Program (CSP) initiatives. Under the Defence Reform Program (DRP) initiative, numbers fell considerably in the late 1990s as a result of commercialisation, outsourcing and increased labour productivity.

### Characteristics of the ADF

The ADF to some extent mirrors societal trends in terms of an aging workforce, trends in education, and the changing composition of the family and increases in individuals living alone. There are also some marked differences, however, for instance in terms of ethnic composition and the participation rate of females. Indeed, the latter has declined in the last five years; both in actual numbers (7 698 in 1996 to 6 507 in 2000), and as a percentage of total members (13.4% to 12.8%). The following provides a brief summary of these major characteristics:

- In the last decade, the median age rose by one year for males and four years for females.
- The proportion in the 15-19 age group halved. The 25-29 age group overtook the 20-24 group as the largest.
- Females have fallen by 15% in the last five years (Navy 16%, Army 7%, Air Force 24%).
- Since 1985, the proportion of females serving as officers in the ADF has doubled, but the increase has now levelled off.

- Navy and Air Force each have about 15% females while Army has 10%.
- The Officer/Other Rank ratio has fallen steadily since 1985, especially over the last five years.
- The proportion of the ADF with post-secondary qualifications has increased since 1995. The proportion with 'other' qualifications has risen, but the proportion with trade qualifications has declined.
- ADF members aged 24 and under are predominantly single, and the proportions of single members in older age groups have increased significantly over the last 10 years.
- Higher proportions of females 25 and older are single compared with males.
- The ADF is under-represented in the non-English speaking ethnic groups, and does not reflect Australian society in this regard.

### **ADF Recruitment and Retention**

Recruitment and retention are opposite sides of the same coin, and both need addressing by management and personnel officers to ensure the viability of staff levels. The longer-term requirements to satisfy the capabilities identified in the Defence White Paper 'require the current strength to be increased to about 54 000 full-time personnel by 2020'.<sup>xxiii</sup> While the desired strength is only 5% above current levels, it will be a substantial challenge to achieve these levels.

Given the additional requirements, it is of concern that the number leaving the ADF overshadows the number of enlistees, especially for Navy. Separations have exceeded enlistments in the ADF since the early 1980s, with the exception of 1991 at the height of the recession<sup>xxiv</sup>. In 1999-00, there were 4 947 enlistments compared to 6 467 separations<sup>xxv</sup>. This represents a steady stream of people leaving the Services. Many of the people leaving are highly skilled, posing severe skill shortages in such critical areas as pilots, aeronautical engineers, submariners, information technology-related trades and avionics technicians. There are also critical deficiencies in many other areas, including lesser-skilled trades, which are specific to the ADF.

The ADF is not the only defence organisation grappling with the challenges posed by demographic and socio-economic change. Since the end of the Cold War, defence organisations in developed countries have reduced their ranks, and governments have cut defence spending and, where applicable, reduced conscription. Defence forces in all OECD states are facing similar problems to Australia in terms of their ability to find recruits and to maintain existing staff levels.

### **Attraction and Recruitment**

The complete Environment Scan looks in some detail at the four stages of the recruiting process: enquiries, applications, determining the applicant's eligibility, and enlistments. The major trends are as follows:

- Recent marketing campaigns have appeared to be of some benefit, however, only about 11% of the available applicant pool are definitely interested in a Defence career (this has risen by approximately 6%).
- Enquiries for the ADF increased markedly in 2000, especially for Army and Air Force.
- The number undecided between full-time and reserve service increased significantly in 2000.

- The Defence brand continues to be a major concern, with a mixture of confused, positive and negative images.
- There are high levels of enquiries from areas located close to military locations and from some regional university towns.
- The proportion of 18-35 year olds enquiring for Navy is much lower than for Army or Air Force.
- Increased enquiries in 2000 did not result in a corresponding increase in applications.

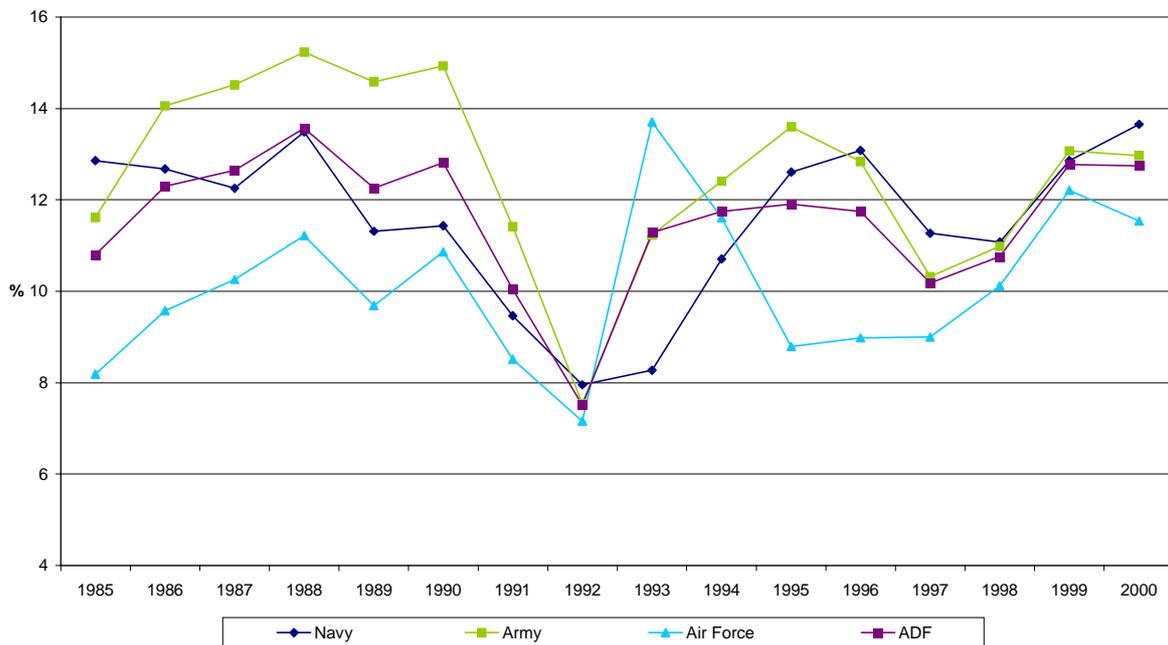
During periods of a strong economy, such as now, opportunities offered elsewhere in society appear more attractive than the lifestyle provided by the ADF. Given projections for a strong economy, and that separations exceed enlistments the ADF faces some significant challenges. Moreover, given the aging Australian population, the applicant pool in relative terms is reducing. The ADF must thus look to attracting non-traditional groups, and indeed better understand the changing expectations of the Australian youth if it is to be successful. At the same time, an examination is required of ways to remove barriers that inhibit applications. Further analysis is required to determine the reasons for marked differences between the Services for rejection of applications.

### **ADF Retention**

The retention rate for the ADF is around 88%, although the focus is usually on the related separation rate of about 12% for the ADF as a whole as shown in Chart 4. The rate gives an average length of service in the ADF of around eight years. The ANAO report on Retention of Military Personnel states that in 1998 the separation rate for organisations with over 5 000 employees is 16%<sup>xxvi</sup>. Hence, Defence could be considered to be doing quite well. However, given the small scope to recruit laterally for the ADF, and ongoing recruitment difficulties, the separation level of 12% is a matter that requires constant attention. Moreover, this figure masks differences among the Services. For example, the separation rate for all Services has increased in the period 1998 – 2000, but Navy has continued to show the largest number of separations for 2000, while the other Services have flattened.

While separation rates provide useful indicators, it is important also to provide Defence management with more detailed analysis that indicates changes in the characteristics of people leaving (such as age, length of service, rank, employment, family circumstances) and the extent to which ADF capabilities are affected. For example, Officer separation rates are lower than for the ADF as a whole. The rates fluctuate within a narrow band, rising to around 12% during periods of economic well being and falling to around 6% when negative economic sentiment abounds. Separation rates for other ranks have consistently been higher, fluctuating between 1985 and 2000 from 8% to 16%, with Army historically having the highest rate and Air Force the lowest. These, and other more detailed analysis, are considered in the complete ADO Personnel Environment Scan 2020.

**Chart 4: Separation Rates 1985-2000 – All Ranks**



The separation rate pattern in Chart 4 correlates closely with the changing public perceptions of Australia’s economy. As already mentioned, when there is consensus in society that the economy is prosperous and jobs are available, then separation rates will increase. The inverse is true when negative sentiments about the economy exist. In the late 1980s, separation rates were high as Australia enjoyed a period of economic prosperity. These rates fell in the early 1990s, in response to the recession of the time. As the economy improved, separation rates began to rise. The decline in separations around 1997 and 1998 coincides with concerns about the effects of the Asian economic crisis on Australia’s economy. Reports of the time suggested a significant economic downturn, although this did not subsequently occur in Australia. Separation rates rose again in the 1999 and 2000.

Separation rates have historically been highest for Army and lowest for the Air Force. The spike in the Air Force separation rate for 1993 suggests the members in that Service were better placed to transfer skills to jobs outside the ADF when the Australian economic climate improved. Separation rates rose for Navy and Army in the mid-1990s, and in 1999-2000 following the separation rate decline induced by the Asian crisis.

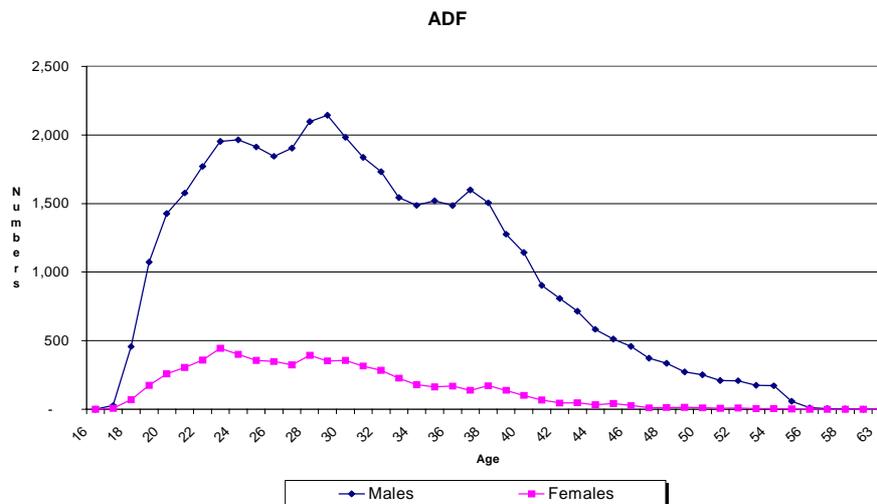
Chart 5 shows by age the number of male and female permanent members in the ADF and also by Service as of December 2000. Several issues can be ascertained from this. Firstly, the low percentage of females is across all ages and Services. Much of this reflects recruiting attitudes of 20 to 30 years ago. Secondly, three distinct age periods in an individual’s life appear crucial in deciding his or her continued relationship with the ADF. Many in Navy and Army leave at 23 to 24 years having obtained recognised qualifications and served their minimum time. For Air Force, this occurs at age 30.

A second period occurs in the late twenties and early thirties, and indeed relatively a greater number of females leave at this point. This corresponds with a period in the lives of serving members when a number of influences may determine their decision on staying with the

ADF. Some possible reasons suggest themselves, such as qualifying for long-service leave. Given the significance of this period, the reasons would seem worth further investigation.

A third separation period occurs towards 40 years of age. This appears to coincide with favourable pension provisions, that is, access to a pension under the DFRDB scheme (superannuation scheme introduced in the 1990s) on leaving the ADF after 20 years of service, or provision of an MSBS retention benefit (original superannuation scheme) at 15 years service for serving through to 20 years of service. While this third separation pattern holds true for both males and females, it is most pronounced for males, as most females do not serve long enough to be entitled to such provisions.

**Chart 5: Permanent members by age and gender, December 2000**



**Source:** Directorate of Workforce Planning and Establishments (15 December 2000)

### Factors Affecting Retention

A recent analysis by DDSPP of the internal and external environment affecting retention identified the top 10 critical factors affecting retention in the ADF<sup>xxvii</sup>. The three major external factors have been alluded to earlier and include:

- the favourable Australian economy and low rate of unemployment;
- the distinct aspirations and needs of people from different generations; and
- the concept of becoming an ‘employer of choice’ among employers.

This last factor is likely to have an increasing impact on ADF retention, as employers increasingly look at ways to attract and retain staff, in terms of provision of workplace and work-style flexibility, participation, and welfare and lifestyle benefits.

The ADF Exit Survey and the ANAO audit report ‘Retention of Military Personnel’ both provide an indication of the main internal factors affecting retention. The seven top factors taken from the ADF Exit Survey are set out in Table 1.

**Table 1: Top Seven Internal Factors Affecting ADF Retention**

In order	Factor	Influence Strength (1)
1	Career change while still young enough	2.42
2	Lack of job satisfaction	2.22
3	Little reward for overtime work	2.21
4	Desire to stay in one place	(2)
5	Desire for less separation from family	(2)
6	Better career prospects in civilian life	2.18
7	Insufficient opportunities for career development	(2)

**Source:** ADF Exit Survey trial, DSPPR, 1999.

**Notes:**

(1) The Exit Survey uses a mean score out of 4 to indicate the strength of the influence of each factor on a respondent, based on the following scale:

- 1 = slight
- 2 = moderate
- 3 = considerable
- 4 = very considerable

(2) Data not available.

The decision to leave the ADF is likely to be caused by a number of factors, perhaps with one factor becoming the catalyst. The top internal factor cited for leaving the ADF is to make a career change while still young enough to do so, considering that studies indicate that employers are less keen to employ people over 40 years of age. This factor is in line with the data indicating that the three major brackets for people leaving the ADF are after 3-4 years service, after 10 years and at about 20 years. MSBS has given members the flexibility to leave the ADF when it is suitable for them, thus the challenge is to explore ways of retaining more people who have served for less than 10 years, and those in the experienced group that has served for 11-20 years. Given that DFRDB participants are declining in favour of those in MSBS, it would now be appropriate to commence a longitudinal study of the effect of MSBS provisions on retention.

The next most significant factors are cited as lack of job satisfaction and little reward for overtime. Innovative solutions to these factors might influence the retention of those perceiving that they need to make an early career change. Family considerations are also clearly important issues for serving members when deciding on whether to remain in or leave the ADF. The main issues are those of supporting a partner's career and of the education of teenage children. The 1999 ADF Census shows that 66.5% of ADF spouses/partners are employed. Moreover, many require geographic stability to foster a productive career. Many ADF members are likely to reject a posting if their children are at a critical stage of their education, notably Year 10 and above.

## **Management of Retention**

Management of retention is a complex issue. It is involved with such matters as priorities to fill vacancies, career development, personnel management, domestic pressures and spouse employment, job satisfaction, individual aspirations and civilian job opportunities. The April 2000 ANAO report on Retention of Military Personnel stated that 'Defence's strategies should be directed to managing motivation and retention rather than managing the results of unwanted separations'.<sup>xxviii</sup> The main reason for this approach was the view that expenditure on retention was likely to be more cost effective than the cost of recruiting and training. A gap was identified in the lack of systematic efforts to collect information on the factors affecting retention. The current use of exit surveys will partially fill this gap.

In relation to responsibility for retention rates, the ANAO said:

'...responsibility for retention of military personnel, both overall and within each employment category appears to be ill defined. No one has responsibility for retention of specific categories of personnel or individual personnel ... it would be unreasonable for DPE to be held fully accountable for separation rates. High or low separation rates seem not to be considered as indicators of management performance across the ADF and are regarded more as a fact of life that must be managed around.'<sup>xxix</sup>

## **The Future**

In terms of the personnel environment, the ADF is atypical of Australian societal trends in many respects. It will need to make significant changes to its policies and practices if it is to achieve the increased ADF strength required by the White Paper, Defence 2000, and reverse the trend of separations exceeding enlistments. Consideration of the snapshot of Australian Society today and likely trends until 2020 against the ADF personnel environment indicates tellingly that the ADF will need to make changes in line with societal, workplace, lifestyle, globalisation and technological trends if it aspires to become an employer of choice.

The concept of Defence becoming an 'employer of choice' follows the trend among employers to look at ways to attract and retain staff, in terms of provision of workplace and work-style flexibility, participation, and welfare and lifestyle benefits. Research in the commercial sector indicates that top performing companies are also known to be an employer of choice, because it is good for business. Indeed, companies wanting to remain competitive in an era of continuous labour shortage and to recruit and retain the cream of the workforce must recognise and be proactive towards the demands of the new environment.

Applying the concept to the ADF, exit survey data indicates that a decision to leave the ADF is likely to be caused by a number of factors, perhaps with one factor becoming the catalyst. The top internal factor cited for leaving is to make a career change while still young enough to do so – a reflection that studies indicate that employers are less keen to employ people over 40 years of age. The next most significant factors are cited as lack of job satisfaction and little reward for overtime. Family considerations are also clearly important issues for serving members when deciding on whether to remain in or leave the ADF. The main issues are those of supporting a partner's career and of the education of teenage children. Further research into these and other factors affecting ADF retention is warranted. Innovative solutions might influence the retention of those perceiving that they need to make an early career change.

Considering trends in the commercial sector again, many companies now seem to be moving away from downsizing and outsourcing strategies. Empirical evidence shows that the perceived cost savings are not fully realised and are offset by a range of undesirable non-financial effects, in terms of the need for increased management effort and complexity, and in intangibles such as poor morale, increased stress and loss of trust and loyalty among remaining employees.

The employer of choice is looking at ways to attract and retain staff by providing welfare and/or lifestyle services to its employees, for example, meals, childcare, flexible working hours, job sharing, working from home (telecommuting) and flexibility in providing sick leave and pay. A number of these benefits have long been provided by the ADF, but the ADF is no longer unique in their provision. Indeed, erosion of some conditions of service is perceived in some areas.

In a recent survey of the Australian workforce, to gauge how Australian organisations were rated against high commitment management practices, seven focus areas were identified:

- Work/Life,
- Work Design,
- Employment Security,
- Employee voice,
- Compensation,
- Employee relations, and
- Leadership.

The ADF is indeed examining shortcomings in these focus areas, to analyse them against current practices, improve on them, and progress towards being an employer of choice.

### **Further Research**

There is a need for ongoing research into the personnel environment of the ADO. During research and data collection for this study, it became evident that there is not a coordinated data collection effort to inform personnel policy across the ADO. Data collection is fragmented and deficient in a number of areas, particularly in collation for ADF Reserves, Defence civilians and Defence industry, service providers and contractors.

In the meantime the Environment Scan has not only filled a significant gap as a source document for personnel planning and policy making, but it has served to highlight priorities and focus for future research. Work will continue on contrasting the external trends against the internal characteristics of the ADF in order to make projections on the impact of current demographics and policies on ADO personnel strength and characteristics. At the same time some other areas of work will be initiated. Amongst others these include: the effects of ageing on the ADO; work and lifestyle expectations of different generations and becoming an employer of choice; and the adequacy of available skill sets in Australia and the ADF now and into the future to meet capability requirements.

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