



Department of Defence

Defence Reserves Support Council Review

OPTIONS REPORT

8 May 2019

This document contains 21 pages

1 Overview

1.1 Executive summary

The Australian workforce is facing a skills shortage. Over the next decade the number of people leaving employment will be much more than the number of people joining the workforce, creating strong competition for people.¹ The Australian Defence Force (ADF) Total Workforce Model (TWM) has been developed to meet this challenge; to attract and retain the people needed to support and enable Defence capability.

This shift, as well as other changes including maturation of Defence’s relationship with industry have now created an environment where there is an opportunity for the Defence Reserve Support Council (DRSC) to support the transition to Defence’s TWM through the Council’s transformation to a contemporary advisory body with shared responsibility and support from Defence. Currently, the role of the DRSC is to inform industry of Defence requirements. To facilitate better understanding of both parties’ requirements, transition into a model that supports two-way communication will better facilitate sharing of a skilled workforce.

This report presents the case for change and the preferred option to realise this change.

The preferred option (three – capability delivery) would transform the DRSC into a small advisory group. This group would comprise of industry experts and relevant Defence representatives, with the aim of delivering short-term investigative projects to address contemporary capability challenges. The group would be complemented by an adjustment to the role and responsibilities of the Reserve and Youth Division. Under the preferred option, in recognition of the importance of the relationship between Defence and industry, the ownership of industry relationships, including the associated communications and stakeholder engagement function, would be transferred to the Department of Defence.

Delivery of the preferred option is outlined in section three, with implementation and change plans to follow in a consolidated final report, which will also include this options report and the current state analysis report as attachments. The overall review report structure is shown in the diagram below:

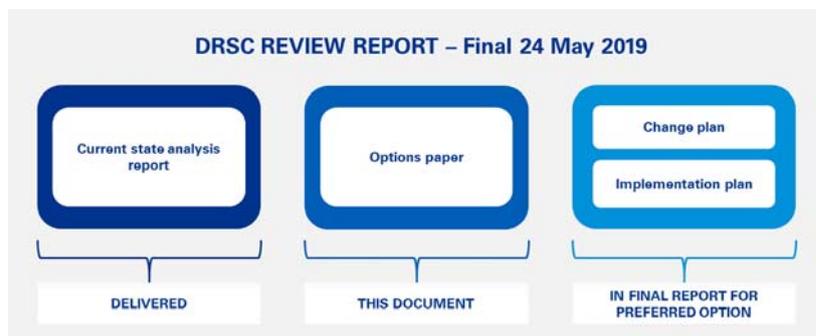


Figure 1: DRSC review deliverables

Section four of this report provides a comparison of the four options considered to deliver a future DRSC focussed on supporting the transition to the TWM. Section five provides an analysis of international comparisons, which identified two lessons for Australia from the UK model: tailored and focussed relationships with employers, and 'joint employer' partnerships. These principles are incorporated into the preferred option.

¹ <http://www.defence.gov.au/ADF-TotalWorkforceModel/>

The ongoing need for the DRSC should be reviewed as progress is made toward implementation of the TWM. It is anticipated that once the TWM is fully operational the role and structure of the DRSC should again be reviewed and adjusted to best support Defence capability.

1.2 Scope

In February 2019, Reserve and Youth Division (RYD) of the Department of Defence engaged KPMG to review the DRSC and any subsequent resourcing or capability implications as a result of the review for the Defence Reserve and Employer Support (DRES) section of RYD.

Specifically, KPMG was engaged to:

1. Review the existing structure and objectives of the DRSC, examine its method of operation including the outputs it currently provides compared to the expectations and current requirements of the Australian Defence Force (ADF), reservists and their employers
2. Develop a proposal for a new DRSC structure and method of operation that provides the outputs and support that reservists and employers expect to ensure reservists are able to contribute fully to the delivery of ADF capabilities now and in the future
3. Consider contemporary reports and overseas models (e.g. the UK, Canada and the US) of organisations similar to the DRSC
4. Evaluate whether the Defence Reserve Employer Support (DRES) section of Reserve Youth Division (RYD) has the workforce necessary to effectively support the DRSC.

This document, the options report, addresses tasks two and three. Task one was addressed in the current state analysis report, previously delivered to RYD. Task four will be addressed in a separate report.

1.3 Context

The Committee for Employer Support of Reserve Forces (CESRF), was established in 1977 for the purpose of supporting and promoting ADF reserve service in the Australian community. It has since undergone several reforms of name and purpose to become the Defence Reserves Support Council, now tasked with educating employers about the benefits of reserve service.

The composition and context of ADF operations have changed substantially since the DRSC's inception and subsequent iterations. In particular, the ADF is adapting to ongoing transformation of the supply side of the workforce through its TWM, which is a step change in how it conceives of and utilises its workforce to deliver Defence capability. The TWM introduces more flexibility across a number of service categories (SERCATs), offering a spectrum of options for service, rather than the reserve/permanent model.

Given these changes over time to the operating context of the DRSC, this review is a timely opportunity to ensure the DRSC is aligned with Defence policy and supporting the delivery of capability.

1.4 Methodology

Options development was undertaken in two stages:

1. The first stage was the identification of the problem or opportunity that the DRSC would address, taking into account Defence policy (the TWM) and the observations made in the current state analysis report.

3 Future operating model

Option three – capability delivery is the option best able to ensure the future DRSC optimises defence capability, and that relationships are owned, managed and are the responsibility of the department.

The proposed high level structure of the future DRSC under option three is:

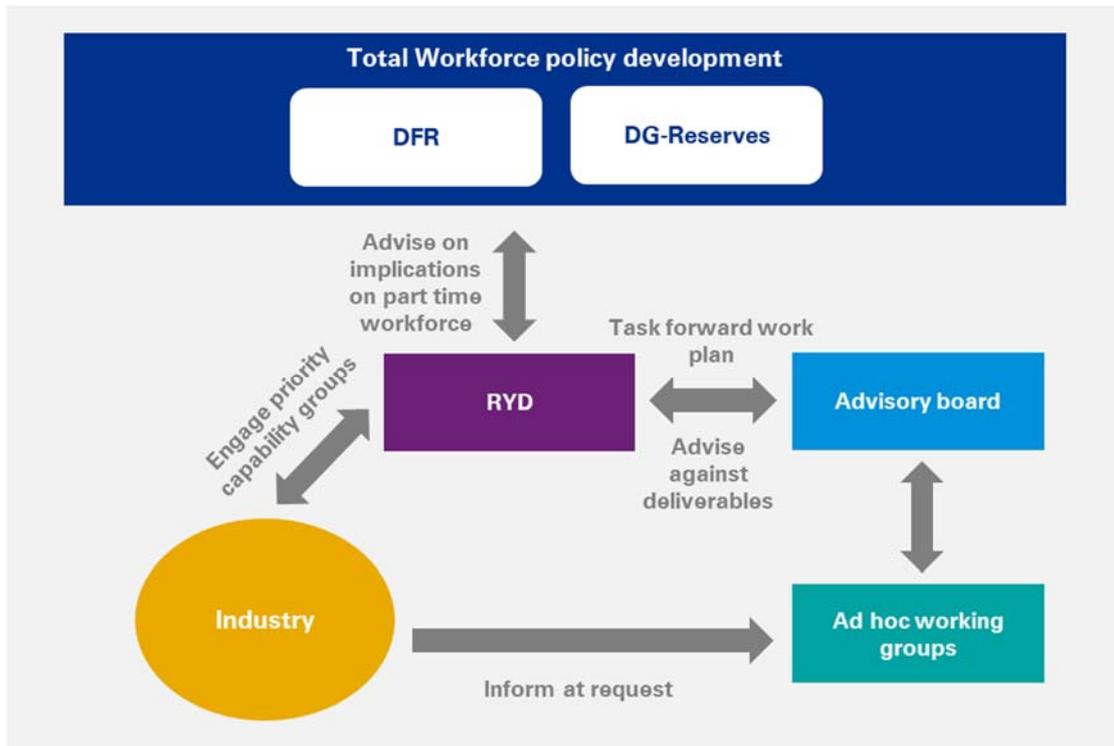


Figure 2: Future operating model

Option three would transform the DRSC into a small advisory board of industry experts and relevant Defence representatives, with the aim of delivering short-term investigative projects to address contemporary capability challenges, complemented by Employer Support Awards (ESAs) targeted at industries with priority skills.

This option is specifically designed to enhance Defence capability by providing the ADF and the department with an advisory function to support access and insight into the recruitment of priority skills. The concept centres on Defence working in partnership with industry so both parties better understand how they can work together to optimise the sharing of a skilled workforce.

Demand for the activities and outputs of the new advisory body would be driven by the department to meet specific objectives, especially to access capability through the part-time workforce under the TWM.

For example, reporting to areas of Defence responsible for the implementation of the TWM on specific issues, such as barriers to accessing vocational skills, as well as cyber security and medical professionals in a part time context.

The ongoing need for the DRSC should be reviewed as progress is made toward implementation of the TWM. It is anticipated that once the TWM is fully operational the role and structure of the DRSC should again be reviewed and adjusted to best support Defence capability.

The new entity would have a name more suited to its transformed role. Options include the Shared Workforce Advisory Group (SWAG), Defence Advisory Group on Skills (DAGS), Shared Capability Workforce Advisory Division (SCWAD), Defence Industry Skills Council (DISC), or the Defence Advisory Workforce Group (DAWG).

In terms of delivering value and supporting capability, option three:

- is aligned to, and designed to collect data to support, the process of transition to the Total Workforce Model
- has a line of influence, through DRES' participation on a number of high level Defence steering groups
- is demand-driven
- can respond flexibly to emerging part time workforce capability needs
- recognises and captures the value created by the DRSC on engagement with industry.

3.1 Implementation

A detailed Implementation Plan and Change Management Strategy will be delivered as part of the final report. The detail in this document will be that Defence can operationalise the concept presented in this report and will include consideration of the governance, administration and funding.

At a high level, the future operating model of the DRSC will require well-defined terms of reference outlining its purpose, objectives and governance arrangements.

The department would require additional resourcing, as well as transformational change and implementation planning, to take on the stakeholder engagement business function. There would also be a requirement for a secretariat to the advisory group and project management as necessary.

3.2 Risk mitigation

Option three is the best option available to mitigate the reputational risk to the Commonwealth presented by the current DRSC, by bringing industry communications and relationship business function under departmental ownership and management.

3.2.1 Defence-owned industry engagement

During consultations, industry engagement and the subsequent relationships were commonly identified as the most valuable aspect of the DRSC. In the future, ownership of relationships through engagement with industry should sit within the Department of Defence. It will also ensure the department owns, and is responsible for, the asset required to achieve a capability outcome through a shared workforce as the shift to the TWM takes place.

Option three enables the department to take on ownership of industry engagement, which would primarily be driven through the Employer Support Awards (ESAs). Award categories would be linked to specific capability needs, and winners and nominees would provide links into priority industries. Under option three, the winners of the ESAs could be considered for annual membership on the advisory body as industry ambassadors.

The department would also seek formal partnership arrangements with employers in key areas of capability demand.



4.3.4 Risks and issues

Option three negates the existing reputational risk to the Commonwealth by having the department take on ownership of communications and relationships as a business function.

Option three presents a short-term change risk through possible dissatisfaction of DRSC members.

4.4 Option 4 – redirection of resources to capability

Option four would see the cessation of DRSC operations and bring the communications and relationship ownership function into the department.

Under this option the reputational risk to the Commonwealth posed by the DRSC would no longer exist.

4.4.1 Contribution to Defence capability

This would enable Defence to reassign resources to other priorities, which may focus on improving access to critical skills through Australia's shared workforce in alignment with the Total Workforce Model. Defence, however, would be relinquishing a valuable set of relationships and a channel of communication with Australian Industry.

4.4.2 Governance

Option four presents no governance issues as there would no longer be an external entity. Communications and relationship management would be owned by the department as a business function.

4.4.3 Implementation

Option four would see the funding allocated for the operation of the DRSC returned to the department.

The department would require additional resourcing, as well as transformational change and implementation planning, to take on the communications and relationship business function.

There is also the possibility of a requirement for technology improvement, such as a customer relationship management (CRM) capability, and other data capture and analysis functions.

4.4.4 Risks and issues

Option four negates the existing reputational risk to the Commonwealth by having the department take on ownership of communications and relationships as a business function.

Option four presents a short-term change risk through possible dissatisfaction of DRSC members and existing industry and employer stakeholders.

4.5 Options comparison

Option	Function	Enhances Defence capability	Risk to Commonwealth?	Industry engagement owned by Defence	Resource impost on Defence	Functional capability required in DRES
1 – maintain activities	The DRSC remains as is and continues its current operations.	No – unable to demonstrate causal link to support Defence capability.	Yes – does not address current reputational risk.	No	Low – business as usual	Business as usual secretariat, and administrative support for ESAs and exercises
2 – enhance activities	Restructured DRSC with relationship development role, fewer members, no voluntary members, and revised terms of reference.	No – unable to demonstrate causal link to support Defence capability.	Yes – although some mitigation of current reputational risk.	No	Medium – industry engagement and communication would require more oversight and management by the department to ensure consistency of message delivered by DRSC members in public communications	Reduced level of secretariat support, extant administrative support for ESAs and exercises, and increased communications oversight capability

Option	Function	Enhances Defence capability	Risk to Commonwealth	Industry engagement owned by Defence	Resource impost on Defence	Functional capability required in DRES
3 – capability delivery Preferred	An advisory group delivering short-term projects on capability challenges driven by demand from the department. Industry engagement function comes into the department.	Yes – enhances Defence capability by supporting the Services and the department to access skills through a shared workforce in line with TWM.	No – removal of reputational risk.	Yes	Medium – industry engagement capability would be stood up within department.	Industry engagement capability in addition to extant administrative support for ESAs and exercises. Minimal or no requirement for secretariat support.
4 – redirection of resources to capability	DRSC operations cease and industry engagement function comes into the department.	Yes – reassigns resources to Defence (capability priorities).	No – removal of reputational risk.	Yes	Medium – industry engagement capability would be stood up within department.	Industry engagement capability in addition to extant administrative support for ESAs and exercises. No requirement for secretariat support.

5 Attachment: International analysis

The applicability of international case studies to the Australian context is limited due to Australia's unique strategic circumstances, such as population, geography, and threat environment, as well as our military capability, culture and size.

Despite this, an analysis of the United Kingdom's approach to reservists is included. The UK revisited the entire reserve service framework in 2013, presenting a relatively fresh strategy for successful reservist contribution to defence capability. They are also shifting to their equivalent of the TWM, the Whole Force Concept (WFC). Australia's overall military structure and traditions are loosely based on those inherited from the UK. It should be noted that the UK's military is significantly larger than Australia's, at approximately 192,130 total service members, of which 36,160 are reservists.²

A short analysis of Canada as a case study is also included, as Canada is the only country with similar strategic, geographic and military circumstances to those of Australia.

Consideration was given to the approach of the United States (US), however its strategic environment and scale of military operations are not comparable to Australia's so it was not included in the review.

5.1 United Kingdom

The analysis of the United Kingdom (UK) case study identified two key lessons for Australia:

- *Tailored and focussed relationships with employers depending on their size and sector, built on predictability and mutual benefit.*
- *The establishment of 'joint employer' partnerships, where civilian employers communicate the benefits of and support their employees to undertake reserve service.³*

These lessons align closely with the preferred option: option three (shared workforce advisory board), in that they prescribe targeted relationships and partnerships with employers – i.e. cooperatively sharing a workforce – as a component of the activities of a future DRSC.

Following a review of defence and security in 2010 and an independent commission into reserves in 2011, both of which found that reserves were in decline but should play an integral part in the future of its defence force,⁴ the UK Ministry of Defence (MOD) developed a strategy for the future of their reservists in 2013, entitled *Reserves in the Future Force 2020: Valuable and Valued*.⁵

The strategy describes how the UK's reservists will be leveraged to deliver capability, conditions for reservists and their families, and the offer to civilian employers of reservists. This analysis focusses on the employer component of the strategy as the most relevant area to DRSC, as the other two sections of the strategy – capability and conditions – are under the jurisdiction of the Services in Australia.

² United Kingdom Ministry of Defence, *UK Armed Forces Quarterly Service Personnel Statistics*, 1 October 2018.

³ *Reserves in the Future Force 2020: Valuable and Valued*, pp. 41-58.

⁴ *Reserves in the Future Force 2020: Valuable and Valued*, pp. 10-11.

⁵ United Kingdom Ministry of Defence, <https://www.gov.uk/government/consultations/future-reserves-2020-consultation>

Some of the strategy's recommendations with regard to employers are being pursued already in Australia, however there are useful lessons that could be gleaned and applied in the context of a revised DRSC. Each of these is listed below.

Components of the UK reserve strategy not explicitly or proactively undertaken in Australia currently:

- Proactively engaging with and communicating the benefits of reserve service to civilian employers. This is an opportunity for DRSC to undertake more strategic, impactful and ongoing education in dialogue with employers.
- Tailored and focussed relationships with employers depending on their size and sector, built on predictability and mutual benefit.
- The establishment of 'joint employer' partnerships, where civilian employers communicate the benefits of and support their employees to undertake reserve service.⁶

These ideas and activities will be given consideration in the next phase of the DRSC review (options development). Also included below for completeness are the aspects of the UK strategy not relevant to the DRSC review because they are already being done in Australia or not within the remit of the DRSC.

Components of the UK reserve strategy already undertaken in Australia are:

- Financial support for employers of reservists.
- Recognising the contribution made by reservist employers.
- Employment protection for reservists.⁷

Components of the UK reserve strategy not within the remit of the DRSC are:

- Accreditation of training undertaken in the reserves that is able to be recognised by civilian employers. This is within the remit of the Services of the ADF
- 'Education to work' - tertiary students complete reservist training prior to entering the full time workforce
- Provision of feedback to civilian employers post-deployment of a reserve member
- to work with the chains of command of the three services to deliver support to the reserves and cadet against Service Level Agreements
- to establish and maintain links with the community and to deliver employer engagement on behalf of defence
- to deliver the volunteer estate through the maintenance and support of reserve training centres, cadet centres and training areas within which the reserves and cadets of all 3 services can conduct their activities⁸

⁶ *Reserves in the Future Force 2020: Valuable and Valued*, pp. 41-58.

⁷ *Ibid.*

⁸ <http://www.hrfca.co.uk/rfca/who-are-we>

5.2 Canada

Analysis of the Canada case study shows that the strength of the Canadian Forces Liaison Council (CFLC) is the targeted appointment of its membership with regular review periods to ensure that commitment and contribution remain consistent and relevant.

Canada's strategic and military conditions are similar to those of Australia's; Canada is a large country with isolated geographic circumstances, its military is similar in size to Australia's, and both countries have professional, voluntary military cultures. Additionally, Canada has been moving toward its version of the TWM, the Total Force Concept (TFC), since the late 1980s with varying degrees of reserve integration across its three services.⁹

Despite the strategic similarities, Canada's approach to engagement with employers involves a significantly higher level of resourcing than current DRSC practices. The Canadian equivalent of the DRSC, the Canadian Forces Liaison Council (CFLC), is staffed by officers at O-6 level in each of Canada's provinces, and has a professional support staff of approximately 40 people. This is possibly a reflection of recent Canadian efforts to expand the size of its Army reserve.¹⁰

Additional engagement is undertaken by a volunteer group of business and educational leaders with a view to promoting the benefits of Reserve Force training and experience. The CFLC, in concert with the volunteers, facilitates base visits for civilian employers and runs a number of programs designed to enhance awareness of reserve service with civilian employers. Legislative protections are in place for reservists regarding their civilian employment and payments are available to employers of deployed reservists under the Compensation for Employers of Reservists Program (CERP). The also hold an Awards and Recognition Program acknowledging outstanding supporters of reservists.¹¹

Although these activities are similar to those undertaken by the DRSC, the level of resourcing is much higher in Canada. It is not likely that this level of resourcing is feasible in Australia in the absence of an identified issue with existing support for part-time service members and employers.

⁹ Royal Canadian Air Force, <http://www.rcaf-arc.forces.gc.ca/en/air-reserve/organizational-structure.page>

¹⁰ Government of Canada, <http://www.army-armee.forces.gc.ca/en/star/index.page>

¹¹ Government of Canada, <https://www.canada.ca/en/department-national-defence/corporate/reports-publications/departmental-results-2017-18-index/supporting-documents-index/canadas-reserve-force.html>