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CANADIAN ARMED FORCES MEMBER ALLOWANCES: INSTITUTIONAL AND INDIVIDUAL PRIORITIES IN EQUITABLE COMPENSATION

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Exercise Solo Flight

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CANADIAN ARMED FORCES MEMBER ALLOWANCES: INSTITUTIONAL AND INDIVIDUAL PRIORITIES IN EQUITABLE COMPENSATION

In a perfect society all workers would be compensated in an equitable manner – equal pay for equal work – but this concept is extremely difficult to put in practice. The private sector has been trying to narrow something as simple as the gender (pay) gap for years with only marginal success¹ and although the Canadian military has no gender gap there is still the persistent issue of equitable compensation that continues to frustrate leaders at all levels. Several concerted attempts to level the “paying field” between the Canadian Armed Forces (CAF) and the Public Service (PS) have been implemented over the years with the main thrust being the Total Compensation Methodology of the early 70s which considered basic hours worked and the inclusion of a Military Factor which has attempted to assign a monetary value to some of the unique characteristics of the work performed by the military². It is unlikely there will ever be equality between the CAF and the PS; the CAF, as an organization, cannot even agree upon equitable compensation for something as simple as “compensation... for exposure to austere field environment and work conditions”³ commonly known as Land Duty Allowance (LDA). Due to the nature, complexity and ambiguity of *Allowances*⁴ the CAF would be better served by incorporating Core Environmental Allowances into the base salary of members.

¹ <http://www.wsj.com/articles/one-canadian-employer-spends-13-years-to-close-gender-gap-in-pay-1404867493>

² <http://www.forces.gc.ca/en/caf-community-pay/index.page>

³ CAO 11-60

⁴ as per CBI 205.015 Allowances

Incorporating allowances into the base salary of all CAF would have implications on two levels, the institutional and the individual. The focus of the first part of this paper will be the issues at institutional level followed by a discussion of the benefits and repercussions for individuals and finally a comparison of the methodology used by the British military and their “X-Factor”. LDA will be the primary point for discussion as it is the newest allowance and affects the largest number of CAF members and most of the issues pertinent to LDA are also relevant to Sea Duty Allowance (SDA) and Air Crew Allowance (AIRCRA), distinctions will be made when necessary.

In May 2005, Chief of Review Service conducted a comprehensive review of the management practices used in the administration of allowances⁵ and found significant shortcomings in the overall administration of these policies. Perhaps simple in concept, receiving an allowance based on the number of months served in a particular condition (posted to a ship or a flying position), the execution is a dubious process that requires an inordinate amount of resources to ensure members are receiving the correct amount of allowance and there continues to be no automated means of calculating SDA and AIRCRA, forcing clerks to calculate allowances manually for each individual member.^{6,7} Although a significant drain on resources, this manual means of calculating allowances also proved to be extremely inaccurate as none of the locations audited were paying the members the correct amount⁸ and a significant sum of money was actually paid out to members who should not have been receiving any allowances⁹. At the time of the audit

⁵ CRS Internal Audit: Canadian Forces Allowances, May 2005

⁶ Ibid, p. ii, One example cited it took 1 clerk 2 months to determine SDA for 220 members prior to a ship's deployment p.6

⁷ Form DND 2516 must be calculated and filled out at the unit level for all Core Allowances

⁸ Ibid, p.8,

⁹ Ibid p. 11 (\$500k in SDA and \$800k in Clearance diving allowance)

there was no definition of the term *temporary*, so 6 months was arbitrarily used; this was deemed excessive by CRS.¹⁰ Although deemed excessive by CRS, the term *temporary* was formalized in CBI 205 to mean 180 days for SDA which is still a significant amount of time and must be properly administered by the member's chain of command and administrative unit. It was also noted in the report that it was not uncommon for members not meeting the criteria for allowances to still receive them and the inconsistent application of policy resulted in some members not earning points for moving into the next higher points increment.¹¹

Notwithstanding the fact that allowances are poorly administered and are costing the Federal Government a considerable amount of money, there continues to be an even more significant issue with the allowance policy at the institutional level and it is directly related to the manner in which allowances are allocated. A member will be eligible for a core environmental allowance based on the unit they are posted to and in some cases on their particular position if designated by the Chief of Defence Staff. Meaning, for example if a member is posted to 4th Artillery Regiment in Gagetown they will receive LDA as this unit has been designated a "field unit" as per CBI 205.33.¹² A soldier posted to this unit with less than 60 points of accumulated eligible service (the current minimum number of points) will receive an additional \$3,732 per year. Conversely, a soldier posted across the street to the Artillery School will not receive LDA, as training establishments have not been designated "field units" despite the fact they spend a considerable amount of time in the field. Although Casual Land Duty Allowance (CLDA) might be perceived

¹⁰ CRS Internal Audit: Canadian Forces Allowances, May 2005, p.12

¹¹ Ibid, p.12

¹² According to CBI 205.33 a "Field unit" means a unit, whose primary role is combat manoeuvre and training for operations or combat support and combat service support to the combat manoeuvre units.

as a comparable compromise, it is only paid out after 24 hours of field time and does not factor in the long days school staff spends “exposed to austere environmental and work conditions”¹³ nor does CLDA count towards points for LDA if an individual is subsequently posted to a designated unit. This inequality of payment is in contravention to one of the basic tenets of the military’s HR strategy and although cited as a means of retention, by “provid(ing) fair pay and tangible benefits”,¹⁴ the repercussions of having two classes of soldiers essentially doing the same work reaches much farther. CAF members in receipt of Core Allowances do not want to get posted out of these designated units and are “making career choices”¹⁵ based on this financial benefit. Ideally, training facilities should be staffed by the best and brightest for that particular trade, but asking a member to sacrifice a portion of their income (allowances are income for taxation purposes) for a posting to a school may be easier said than done. Gasparotto concluded that there was a strong perception among CAF personnel that members were refusing posting out of designated units to keep their allowances¹⁶ which only benefits the member, not the CAF as an institution. This sentiment was echoed when the Director General Military Personnel Research and Analysis (DGMPRA) conducted a survey in 2013 that focused on compensation and benefits.¹⁷ In general, most military members were “generally satisfied” with all aspects of their remuneration with the exception of allowances which showed the lowest level of satisfaction. It is unclear in the survey which members were not satisfied (as the survey respondents were grouped by age and

¹³ CBI 203.55

¹⁴ Military HR Strategy 2020, p.21

¹⁵ No Good Deed Goes Unpunished: Member Well-Being and Commitment Initiatives, Major Mark A. Gasparotto, JCSP Paper 2011, p. 8

¹⁶ Gasparotto, p.59

¹⁷ 1150-1 (DGMPRA), 23 April 2013, Letter Report: CF Member Satisfaction with Compensation and Benefits

years of service), but in all likelihood those receiving the allowances were probably satisfied while those not in receipt likely expressed a lower level of satisfaction.

Coinciding closely with the inability to get the right people in the right positions is the perception that core allowances are entitlements. Gasparotto found a strong perception that families had grown accustomed to the level of benefits received and any attempt to stop these allowances would be “met with resistance.”¹⁸ Echoing Gasparotto’s findings, in 2011, LGen Devlin, then Chief of Land Staff, requested a review of LDA and CLDA citing “the new allowance is a source of significant dissatisfaction” and “is generating a dangerous culture of entitlement.”¹⁹ It may not be a stretch for a member to claim core allowances as an entitlement especially in certain circumstances when a member has been in receipt of this allowance for over 20 years, made financial commitments based on their total income and not spent a significant amount of time in the conditions prescribed for the allowance; the perception of this income as a right would be difficult to refute. In a recent CBC article, Rhonda Draeger the wife of a 23-year veteran stated, in anticipation of potential cuts to Post Living Differential (PLD) benefits and LDA, “If they do away with the PLD and the land duty allowance we're going to be missing close to \$1,300 per month, and that's substantial for a family.”²⁰ Draeger’s statement is indicative of sentiment of entitlement, but perhaps it is one the CAF has, at least in part, created and perpetuated. The necessity of leadership at all levels to address this perception is challenging and is not an uncommon occurrence (despite objections, members are still being posted out of designated units), but as it affects the lives of our members and until the core allowances policies are changed, it

¹⁸ Ibid p.69

¹⁹ 7125-1 (G1 Svc Pers Pol) Dec 2011

²⁰ <http://www.cbc.ca/news/canada/edmonton/military-families-wary-of-federal-cuts-1.1240464>

will be an issue that must be addressed. When considering “pay”, CAF members must look at the total benefits of their service, not simply money going into their bank accounts. Some of these benefits may be less tangible, but important nonetheless: a very generous pension plan, education subsidy, dental and medical (for the member and family), R & R opportunities and job stability. It is a chain of command responsibility to educate their members regarding total compensation and to give them a better understanding of the big picture. The question remains on how to address this sense of entitlement. Leaders can make the tough decisions, force members out of designated units and post them where they would best serve the CAF, but a better approach would be removing the belief that members have a right to a, sometimes substantial, income and rendering allowances a non-issue.

One model which merits further consideration is the British military’s inclusion of their X-Factor into the base salary of their members. The United Kingdom’s approach to compensating their military is almost identical to Canada’s Total Compensation process. The UK’s Office of Manpower Economics conducted their “*Comparison of Pay in the Armed Forces and Civilian Sector*”²¹ in which they compared various military occupations and assigned a monetary value to the work performed by members of the military when compared to similar civilian jobs. One of its conclusions was the pay of British soldiers was “competitive with those in the Civilian Sector”²², but the military has significant unique characteristics that merited separate consideration. This separate consideration is called the “X-Factor” and it essentially encompasses Canada’s Military

²¹https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/293439/Comparison_of_Pay_in_the_Armed_Forces_and_the_Civilian_Sector_-_PWC_Report_Nov_2013__2_.pdf

²² Ibid, p.4, more so for NCM than officers

Factor, described above, but also includes several significant components not considered by the CAF. The X-Factor components are:

1. Turbulence
2. Spouse/partner employment
3. Danger
4. Separation
5. Job security
6. Hours of work
7. Stress, personal relationships and impact of the job
8. Leave
9. Training, education, adventure training and personal development
10. Promotion and early responsibility
11. Autonomy, management control and flexibility
12. Individual, trade union and collective rights
13. Travel to work

Two separate reviews determine the X-Factor payment, the first being the components themselves and how they affect the members and the second review assigns a dollar figure to the components. When first initiated in 1970, the X-Factor as a percentage of basic pay was 5% and 1% for men and women respectively, in 1991 both sexes received the same 11.5% and in 2002 the amount increased to 13%. Of note, not all components result in an increase in the percentage of a member's base pay as some unique aspects of the military are beneficial and result in a decrease in base pay. For

example, the “Job Security” component is considered a benefit as job security is (usually) not subject to economic downturns.

The overwhelming benefit of the UK’s system of calculating pay above the base level is the universality of its application. All members of the British military receive an increase in their base pay based on the X-Factor regardless of their component of service, medical status or posting location. It is taken for granted that not all X-Factor components will affect all members of the military equally, but as an organization, subject to the same Universality of Service²³ as Canada’s military, a sufficient number of components apply to most British soldiers, most of the time, to justify universal application.

Adopting the X-Factor as a means of compensation for Canada’s military could prove to be a significant step forward in modernizing our approach to allowances. Most of the allowances mentioned in CBI 205 could be accounted for, in some for or other, in the 13 factors that now make up the X-Factors. The rationale for compensation of LDA is based on working in an “austere environment and work conditions for extensive periods of time on a regular basis”²⁴ these conditions could be grouped into several components of the X-Factor (Turbulence, Danger, and Hours of Work). Canada, like the UK, could revisit the makeup of the factors and modify the percentage paid as required; the rates of compensation must not be cast in stone and should be flexible to ensure equity of payment between the PS and the CAF.

The mechanism for implementing such a radical change is beyond the scope of this paper and would need endorsement from all levels of command and ultimately the

²³ DAOD 5023-0, Universality of Service

²⁴ CBI 205.33 Land Duty Allowance

Treasury Board, but it is worth consideration as the current model for allowances has considerable room for improvement. Changing the CAF pay structure to mimic the UK's X-Factor would undoubtedly be a hard sell to some members of the CAF, especially those in receipt of the maximum allowance of \$782/month and the compounded reduction of the Military Factor (which would be incorporated in the X-Factor) and now stands at 6% for NCMs and 4% for General Service Officers. Telling a Warrant Officer his pay will be reduced by 6% and that he will be losing his Land Duty Allowance, but getting a 13% raise will not be as graciously received as the Corporal who gets the same message,²⁵ but looking at the bigger picture it may be the best alternative.

When LGen Devlin asked for a review of LDA he was keenly aware that military institution was being held hostage by soldiers who had grown accustomed to receiving anywhere between \$3,784 and \$9384 (current figures) per year and who were looking out for themselves (and their families) versus the good of the military, he noted "growing dissatisfaction...from training institutes" and "commanders complaining about undeserving soldiers receiving the benefit."²⁶ Had the intent of 2007 budget^{27,28} been so unachievable by the time he sought a review of the allowance? Did he see he foresee the unavoidable conclusion that, in its present form, LDA could not be a long-term, viable compensation? Chief Review Services came to a similar conclusion four years earlier when reviewing allowances, stating "there were serious deficiencies in the management

²⁵ Cpl (Basic) pay = \$4714/mo LDA @ \$311/mo represents 6.6%, a WO (Basic) pay is \$6033/month, LDA @ \$782/mo represents 13%.

²⁶ 7125-1 (G1 Svc Pers Pol) Dec 2011

²⁷ "provides \$60 million per year to enhance the Field Operations Allowance given to soldiers serving in Army field units to ensure their environmental allowances are in line with those provided to members of the Navy and Air Force"

²⁸ <http://www.budget.gc.ca/2007/pdf/bp2007e.pdf>, p. 254

and administration of CF Allowances.”²⁹ A more productive approach before earmarking \$60 million for LDA would have been to do a comprehensive review of the factors affecting the payment of other core allowances (SDA and AIRCRA), to implement the recommendations of the report (as very few recommendations have resulted in action on the part of the CAF), and to take a guarded/educated approach to LDA administration.

Is the way ahead the adoption of an X-Factor of our own? It would seem there would be few downsides to this approach at the institutional level. There will be naysayers (as there are with any significant changes) and difficult decisions will need to be made at the highest levels, but the needs of the CAF must be balanced by the needs of the individuals. As it stands right now the individuals that make up the CAF are making themselves a priority, not the institution.

²⁹ CRS Internal Audit: Canadian Forces Allowances, May 2005. p.ii

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