

28 May 2010

The Hon. Lisa Neville  
Minister for Community Services  
Department of Human Services  
Level 20, 50 Lonsdale Street  
MELBOURNE VIC 3000

Dear Minister Neville,

**VCOSS response to the Price Waterhouse Coopers report on portable long service leave.**

Please find below a short summary of the main responses from VCOSS, as informed by our Portable Long Service Leave working group, that represents a variety of sector peaks and key organisations that met this week.

**1. Costs**

A. VCOSS supports **funding of administration** by Government including active administrative outreach to **assist implementation**.

B. We note that the actuary and PWC mention a levy of 1-2% of which the cost of admin is approximately 0.2%. We note that active administrative outreach and implementation assistance will be critical given the large number of small organisations that will be covered. This may add to the total administration cost, in the short term.

B. A key question is whether the levy calculated as a percentage of wages or percentage of total employment costs? It would make a substantial difference to the total funds paid.

C. VCOSS **strongly support the proposal of an additional government subsidy of the levy**. This will be a threshold issue for many employers, given the benefits will take time to deliver and there will be a net cost impact for organisations already stretched to provide services. We refer to the Allens Consulting report "How many wheelchairs can you push at once" published in December 2008: organisations do not have capacity to wear cost impacts unless government fully funds the difference. It is assumed that the benefits of the scheme will be felt by employers by about year eight or nine- that is staff will choose whether to remain in the sector rather than move out of sector.

D. Given the figures indicated by the actuary and the PWC presentation: 0.2% of payroll would be the cost of admin and assuming a case for an extra subsidy of an additional 0.2% to bring the net costs of the scheme closer to what employers already pay (on average), the sector advocates for a **guaranteed levy of 1% for a 10 year period**, to ensure that the government shares in the risk of implementing the new scheme. If the scheme is already sufficiently viable to enable a lower subsidy by government by year five, this is a potential additional benefit of the scheme.

## **2. The proposed model for the Fund**

A. VCOSS strongly supports the **flexibility options and pro rata payout** terms. These options make the scheme considerably more palatable and practical for a large number of small organisations.

B. There is some confusion as to whether the flexibility options above and beyond the basic levy to cover Act entitlements have the potential to become compulsory on employers or whether it is assumed they are related to enterprise-specific arrangements, and therefore under the control of individual organisations. This needs to be made as clear as possible. The assumption behind the support of this approach is that payments above and beyond the legislated levy will be a means for provisioning for a variety of enterprise level flexibility arrangements that are negotiated by mutual agreement between organisations and their staff.

## **3. Scope**

Please refer to National Disability Services and Victorian Healthcare Association responses. Some considerable confusion is still evident. PWC recommendations require greater clarity if the scheme is to be beneficial to the community health sector.

## **4. Governance**

A. VCOSS strongly supports an independent governance structure where employers and unions are represented and where government retains a stake in sharing the risk of the scheme, for example a statutory body with government appointed chair.

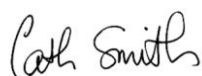
B. VCOSS seeks detailed consultation in drafting of the constitution and during the legislation drafting phase, assuming the overall governance structure and purpose of the Fund is legislated this year.

## **5. Timing and start date**

Given the complexities of setting up the Fund, and the need to ensure that employers are ready for it upon implementation, VCOSS proposes a start date of **1 July 2012**, assuming that the legislation is passed through in 2010.

Thank you for your early advice as to how and when the scheme will be progressed.

Yours sincerely,



Cath Smith  
Chief Executive Officer