

Portable long service leave for the community service sector

Prepared for the PLSL CSS Reference group
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Topics

Introduction and timeline

PwC Scope

Structure of CSS PLSL scheme

Key findings on costs and benefits

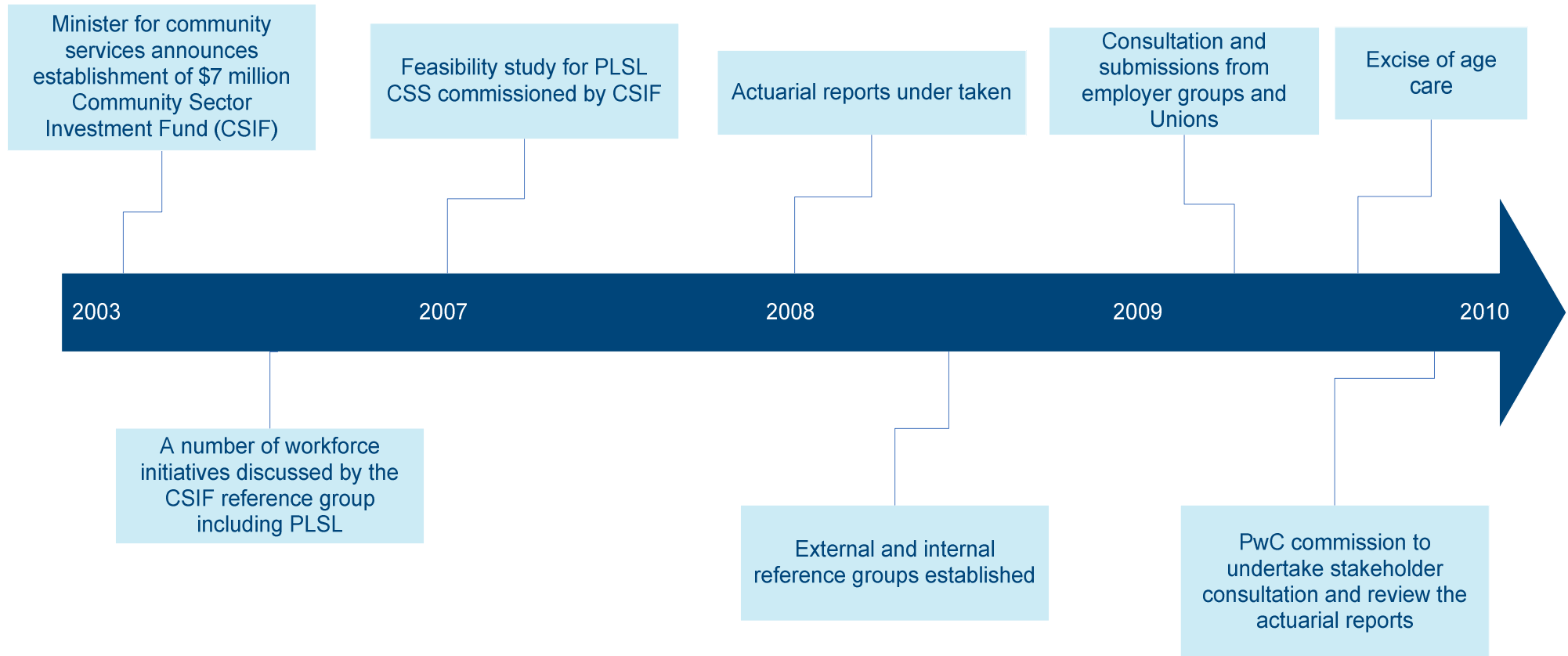
Stakeholder Consultation with Unions and Employers

Proposed options to resolve issues

Introduction



Timeline



PwC's Scope

- Review actuarial work undertaken to date and check results are reasonable
- Stakeholder consultation revolving around design, cost and implementation of the scheme
- Propose options to resolve stakeholder's concerns with the proposed CSS PLSL scheme
- Review specific scope issues and propose options to resolve

Key Findings

Structure

Costs

Benefits



Proposed PLSL CSS scheme

Allows employees in the community services sector to retain long service leave entitlements where they change employers but remain in the sector

Structure

- Compulsory levy (1-2% of wages pa) paid by employers in the community services sector into a central scheme
- Whole of organisation approach to coverage
- Aged care is excised
- Portability applies to the “base” long services leave entitlement as defined in the Long Services Leave Act 1992 (8.66 weeks after 10 years of service, pro-rata on exit after 7 years’ service)
- Any higher long service leave entitlements are not covered by the portable long service leave initiative

Key findings

Costs of CSS PLSL

- Cost to employers of 1-2% of wages exceeds current LSL costs, as more employees qualify for LSL benefits under a portable scheme than existing employer arrangements

Potential benefits of CSS PLSL could include:

- Increased long service leave benefits to employees
- Highly valued workplace flexibility initiatives to employees
- Administration support for employers to manage long service leave
- Development of shared workforce data for sector wide initiatives
- Retention of experienced employees in the sector
- Greater future cooperation, shared initiatives & unity across community services sector

Stakeholder consultations

3 Unions

36 Employers

8 peak bodies

3 Victorian government departments



Unions

Perceived benefits of the scheme:

- Would deliver a new employment benefit in a sector with traditionally low pay
- Could lead to more cooperation and shared initiatives to improve professionalism and skills across the community services sector
- Provides a more noticeable and tangible benefit to employees than a pay rise of the 1% to 2%

As a result, they believe it is a well targeted initiative providing an incentive to remain in the sector

Acknowledged that some government funding, on a transitional basis, would probably be required in order to win greater employer support

Employers

Cost

Median stakeholder:

The median stakeholder sees cost as the most important issue associated with the CSS PLSL scheme and has significant concerns about the impact of the costs on their organisation. They are generally suspicious of the claim that the CSS PLSL could make them better off in the long term. They would support the scheme if it was fully funded by government.



Very strong concern

Stakeholders believe the additional cost will force them to cut front-line services and potentially put their solvency in question.

Significant concern

Stakeholders are concerned about the impact of the cost on their organisation though not to the point of seeing a threat to their existence.

Can absorb the cost

Stakeholders note that there is a cost, which can be absorbed, but this will come at the expense of some other priority (training, IT investment etc)

Non issue

Stakeholders did not express concern about the additional cost of the scheme.

Employers

Administration

Median stakeholder:

The median stakeholder is concerned about the cost of complying with the scheme, particularly in conjunction with above base entitlements. They see a cost associated with compliance, but on the whole feel that compliance can be achieved.

Concern over ability to comply

These stakeholders have acute concerns over administrative complexity, often because of scope issues and dual awards, particularly for small organisations. The complexity is so great that stakeholders feel they (or their members) will be unable to comply effectively.

Concern over cost of compliance

These stakeholders express concern over complexity, mostly due to above base entitlements, or having national operations. The administrative requirements is significant but not prohibitive. Organisations will comply.

Negligible concern

Stakeholders believe that they already have the administrative capabilities to deal with the CSS PLSL scheme.

Employers

Benefits

Median stakeholder:

The median stakeholder accepts that there is likely to be a benefit to employees from the CSS PLSL, but perceives an opportunity cost.

No benefit

These stakeholders can see no benefit to the sector or employees. They see the scheme as ill-conceived or harmful. This is particularly the case for some stakeholders with existing portability arrangements.

Benefits unproven

These stakeholders feel that the hard evidence of retention benefits is lacking. They are open to persuasion but believe the case has not been made at this stage.

PLSL a low priority

Stakeholders see the benefit of the CSS PLSL for employees but believe that it is a relatively low priority compared with other workforce initiatives, some of which have been put in place by individual employers.

Benefits recognised

Stakeholders believe that there are benefits from the CSS PLSL for employees, and are prepared to accept that there are likely to be benefits for the sector as a whole.

Employers

Scope

Median stakeholder:

The median stakeholder does not oppose the proposed scope of the scheme. Although they might feel that the scope does not reflect typical mobility patterns, they do not argue for the inclusion of additional sectors. Generally, the only sub-group they feel should be excised is their own – which is not a scope issue, but due to cost-benefit considerations.

Acute scope issues

The current scope creates significant administrative or organisational problems for these stakeholders. This is generally because of the difficulty of defining eligibility or due to pre-existing portability arrangements which cut across the boundaries of the proposed CSS PLSL scheme.

Doubts over scope

These stakeholders do not oppose the current scope, but feel that it does not reflect typical mobility patterns for their workers. They have doubts as to whether the community services can be regarded as a sector, and see more mobility between their own sub-group and other sectors such as government or the for-profits.

No substantial scope issues

These employers do not have problems with the proposed scope of the scheme.

Recommendations

Costs

Administration

Scope

Benefits



Cost of the scheme

In our view the Victorian Government should:

- Fund the administrative costs of the CSS PLSL scheme for an initial transition period
- Consider providing additional funding towards the net cost increase of the CSS PLSL scheme to employers for an initial transitional period
- Provide this funding through direct contributions into the central fund of the scheme, which would be phased out over time

Administration

The scheme should offer to administer, on behalf of employers:

- Above base long service leave entitlements
- Long service leave entitlements for out of scope employees
- Any pre-existing (or future) portability arrangements

The scheme should provide an option for voluntary employer contributions to an employer account for these long service leave entitlements

The scheme should undertake significant administrative outreach to assist small organisations understand and comply with LSL

The scheme should develop shared baseline data to help in developing other sector wide initiatives, including future workforce strategies and collaboration across the sector

Scope issues

Whole of organisation approach:

- Retained as underlying principle to determine eligibility for the scheme
- With some exceptions in cases of identified anomalies

Enabling legislation should provide flexibility

- Definition of employers and employees to be specifically added to or refined through subordinate instruments
- Provides ability to include and exclude identified organisations and workers

CSS PLSL Advisory Group should be formed

- Representation from Victorian Government, employers and unions
- Advises the scheme (and potentially the Government) on anomalies and scope issues going forward, in accordance with a set of agreed principles

Scope issues

Aged Care excluded based on Aged Care Assessment Service

Home and Community Care (HACC) services included

Where organisations undertake both Aged Care and HACC, staff excluded where they wholly deliver excised aged care

Bush Nursing Centres & Royal District Nursing Services excised

Registered Community Health Centres:

- Included on whole of organisation basis
- Eligible for early release of scheme monies through recognition of past service in the health sector, where an existing legal entitlement to portability
- 4 year maximum period for workers to be out of the community sector and retain eligibility for CSS PLSL scheme is suspended for health workers leaving registered Community Health Centres to go into health sector

Scope issues

Kindergartens:

- Past continuous service with multiple kindergartens to be recognised
- Victorian Government, in partnership with the kindergarten sector, to confirm existing portable long service leave entitlements and provide resources to collect appropriate records

Early Childhood Intervention Services

- Within scope of the CSS PLSL scheme, because of the link with disability services and the nature of the work, dealing with early childhood intervention

Children's services in larger non-CSS organisations

- Inclusion in the CSS PLSL scheme confined to workers who are employed wholly and directly in the provision of the these children's services

Benefits

A CSS PLSL scheme provides increased long service leave benefits to employees

In addition, the CSS PLSL scheme could be used to deliver highly valued workplace flexibility initiatives to employees, such as:

- Additional annual leave (e.g. 5 weeks of annual leave)
- 4 day weeks or 9 day fortnights
- In service payments after 5 or 7 years

Summarising...

Original objective was workforce attraction & retention not LSL

- Ageing population creates challenges & opportunities for CS organisations
- Need strategies to attract & retain an older, predominantly female workforce

Proposal

- Government provides transitional financial support towards higher CSS PLSL scheme costs and administration costs
- CSS PLSL scheme provides a genuine comparative advantage in attracting and retaining staff through various flexibility options:
 - Additional annual leave, short weeks, training/professional development, paid & unpaid maternity leave, in service payments after 5 or 7 years
 - Allows employers & employees to decide most appropriate incentives

Other benefits to employers include:

- Administration support for long service leave obligations
- Development of shared workforce data with greater cooperation across the community services sector for future cross sector initiatives

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