Investigation of the introduction of a portable long service leave scheme for the social and community services sector in Queensland

Consultation Regulatory Impact Statement

Office of Industrial Relations

August 2018

Queensland Government

Contents

1.0 Executive summary 4

1.1 Focus questions 5

1.2 Purpose of this consultation regulatory impact statement (RIS) 6

1.3 How to have your say 6

2.0 Background 7

2.1 What is long service leave? 7

2.2 Why make it 'portable'? 7

2.3 Portability of LSL in Queensland 7

2.3.1 Building and Construction Industry PLSL scheme 7

2.3.2 Contract Cleaning Industry PLSL scheme 8

2.4 Portability of long service leave in other jurisdictions 9

2.4.1 ACT - Portable Long Service Leave for the Community Services Sector. 9

2.4.2 Portable Long Service Leave for the Social and Community Services Sector in Victoria 10

2.5 The social and community services sector 11

2.5.1 Profile of the SACS sector and its workforce in Queensland 12

2.6 Long service leave in the SACS sector in Queensland 14

3.0 What is the problem and why a PLSL scheme? 17

4.0 Policy Objective 17

4.1 What is the policy objective of investigating the introduction of PLSL in the SACS sector in Queensland? 17

4.2 Scope/coverage of a PLSL scheme for the SACS sector in Queensland 17

5.0 What are the options? 18

5.1 What options are available to provide a PLSL scheme in the SACS sector in Queensland? 18

5.2 Option 1: The SACS industry continues without Government intervention (Status quo). 18

5.3 Option 2: Legislate a mandatory PLSL scheme in the Queensland SACS sector with a new sector specific governing authority to administer the scheme 19

5.4 Option 3: Legislate a mandatory PLSL scheme for the Queensland SACS sector with the existing statutory authority QLeave, to administer the scheme. 19

6.0 What are the impacts of each option? 19

6.1 Option 1: The SACS industry continues without Government intervention (Status quo). 20

6.1.1 Option 1 - Impact on workers 20

6.1.2 Option 1 - Impact on employers 20

6.1.3 Option 1 – Impact on government 21

6.2 Option 2: Legislate a mandatory PLSL scheme in the Queensland SACS sector with a new sector specific governing authority to administer the scheme 21

6.2.1 Option 2 - Impact on workers 21

6.2.2 Option 2 - Impact on employers ... 21
6.2.3 Option 2 – impact on Government ... 24
6.3 Option 3: Legislate a mandatory PLSL scheme for the Queensland SACS sector with the existing statutory authority QLeave, to administer the scheme. ... 24
6.3.1 Option 3 - Impact on workers ... 24
6.3.2 Option 3 - Impact on employers ... 24
6.3.3 Option 3 - Impact on government ... 25
7.0 Preliminary recommendation of the preferred option ... 25
7.1 Is the recommended option consistent with COAG competition principles and Queensland's fundamental legislative principles? ... 26
7.2 Consistency with competition principles ... 26
7.3 Consistency with fundamental legislative principles ... 27
8.0 How would the recommended option be implemented, administered and evaluated? ... 27
8.1 Implementation ... 27
8.2 Administration, compliance and enforcement ... 28
8.3 Monitoring, evaluation and review ... 29
Table of legislation, awards and other instruments ... 30
References ... 32
Attachment A – Portability of long service leave in States and Territories ... 33
Portability of long service leave in other jurisdictions ... 33
Portable Long Service Leave (PLSL) Schemes in Australia ... 33
Levies payable in relation to existing portable long service leave schemes ... 34
Attachment B - Further assessment of the incremental net benefits of Options 2 and 3 including a table of comparative costs ... 35

1.0 Executive summary

The Queensland Government has committed to investigating the introduction of portable long service leave for the social and community services sector.

Long service leave is a workplace entitlement that provides all employees with paid leave in recognition of long service with the same employer. In Queensland, the long service leave entitlement is prescribed in the *Industrial Relations Act 2016 (Qld)*, although in some limited cases the entitlement may be found in a federal industrial instrument.

A portable long service leave scheme allows a worker to accumulate long service leave entitlements based upon their continuous service in an industry, rather than with a single employer. Portable long service leave schemes operate in Queensland's building and construction and contract cleaning industries.

The social and community services sector provides communities with education, information and activities to foster community inclusion and wellbeing, harm prevention strategies and crisis management. The sector is estimated to employ approximately 45,000 workers in Queensland and is characterised by short-term funding and service arrangements which do not provide for long-term employment security with one employer. The sector is experiencing rapid growth driven in part by the introduction of the National Disability Insurance Scheme; skills shortages and high rates of stress and burnout among industry workers.

The policy objective of investigating the introduction of a portable long service leave scheme for the social and community services sector in Queensland is to assess the costs and benefits of providing workers in that sector with access to a long service leave benefit by recognising their service in the industry rather than service limited to a single employer.

The introduction of a portable long service leave scheme for the social and community services sector may lead to increased costs for employers as they will be required to pay a levy to fund the scheme. However, benefits such as improved attraction and retention of skilled employees, reduced training, recruitment and retention costs and healthier more productive employees will have a positive effect on the industry and outweigh the cost of a levy.

Analysis to date supports a preliminary recommendation to introduce a portable long service leave scheme for the social and community services sector.

This Consultation Regulatory Impact Assessment seeking feedback from interested stakeholders will further inform the Government on the efficacy of introducing a portable long service leave scheme for the social and community services sector, and, if appropriate, the optimum scope/coverage, operating model, funding arrangement and governance for the scheme.

1.1 Focus questions

The following focus questions may assist interested stakeholders in making their written submissions or participating in discussions to structure their comments in response to issues raised in this Consultation Regulatory Impact Statement. However, the focus questions are not intended to limit the matters that can be addressed in submissions.

1. Do you think a portable long service leave scheme in the social and community services sector in Queensland is desirable? Why/why not.
2. What do you see would be the key benefits of a portable long service leave scheme for the social and community services sector? For employers? For workers? For government? For the community?
3. What costs do you see would be involved in a portable long service leave scheme for the social and community services sector? For employers? For workers? For government? For the community?
4. Should a portable long service leave scheme introduced for the social and community services extend to both for-profit and not-for–profit organisations?
5. If a portable long service leave scheme were to be introduced what would be the most appropriate operating model? Should the scheme be similar to that operating in Queensland's contract cleaning industry (under the *Contract Cleaning (Portable Long Service Leave) Act 2005*) and should it be administered by QLeave or an alternative administering authority?

1.2 Purpose of this consultation regulatory impact statement (RIS)

The Queensland Government is investigating the introduction of portable long service leave for the social and community services sector. The investigation includes consultation with community, employer, employee and government stakeholders. The purpose of this consultation regulatory impact statement (Consultation RIS) is to consider the benefits and costs of a portable long service leave scheme for the social and community services sector in Queensland; to set out possible options for establishing a scheme; and to seek stakeholder comment. Submissions are invited from industry, workers, representative organisations and the general public.

1.3 How to have your say

The Queensland Government is undertaking a comprehensive consultation process as part of its investigation. This includes discussions with employer groups and individual employers; industrial organisations and workers, relevant peak bodies, academic researchers, and the community.

The Government will have regard to issues raised in written submissions responding to this Consultation Regulatory Impact Statement. Focus questions at the beginning of this document may assist in framing your feedback however these focus questions are not intended to limit comment relevant to the investigation.

You are invited to have your say about the introduction of portable long service leave for the social and community services sector.

Written submissions to this Consultation RIS can be lodged via:

Email: sacsplsl@oir.qld.gov.au

Post: SACS Portable Long Service Leave Consultation
Office of Industrial Relations – IR Policy
GPO Box 69
Brisbane QLD 4001

Written submissions must be received by 4pm Monday, 8 October 2018.

Submissions will be published unless provided in confidence. Material provided in confidence should be clearly marked 'IN CONFIDENCE'.

Any questions about this consultation process can be submitted via the above email address or by contacting the Office of Industrial Relations on 07 3406 9863.

Interested persons can also register to receive updates on the investigation of portable long service leave for the social and community services sector by sending a request to the email address above.

2.0 Background

2.1 What is long service leave?

Long service leave is a workplace entitlement that provides all employees with paid leave in recognition of long service with the same employer. Most employees' entitlement to long service leave comes from long service leave laws in each state or territory, although in some cases the entitlement may be found in a federal pre-modern award or a registered workplace agreement. These laws or award provisions set out how long an employee has to be working to get long service leave; and how much long service leave the employee gets.

In Queensland, the long service leave entitlement is prescribed in the *Industrial Relations Act 2016* (Qld) (IR Act). The IR Act provides a long service leave entitlement, subject to certain conditions, for full time, part time, casual and seasonal employees. The leave entitlement is 8.6667 weeks' after 10 years continuous service with the same employer.

2.2 Why make it 'portable'?

Because long service leave requires continuous service with the same employer, accessibility to such leave can be difficult for workers in industries where mobility or insecure work is a feature. High workforce mobility or insecure employment may occur where work in that industry is project-based (such as in the building and construction industry) or where firms hire staff based on obtaining a contract that has a limited term (such as in the contract cleaning industry).

'Portable' long service leave (PLSL) schemes allow workers to accumulate long service leave (LSL) entitlements based upon their continuous service in an industry, rather than with a single employer. PLSL schemes typically operate by requiring employers to report on their employees' service and to pay a levy into a centralised pool administered by an appropriate body. That body keeps track of an employee's total service in the industry, even when they switch employers. When an employee accumulates sufficient service credits, the body makes the long service leave payment directly to the employee.

2.3 Portability of LSL in Queensland

Queensland has two PLSL schemes in operation. The first PLSL scheme was introduced in 1991 for the building and construction industry; and the second was introduced in 2005 in the contract cleaning industry[1].

Both schemes are administered by QLeave, a statutory authority established under Queensland legislation. Further information about QLeave, its funding and functions can be found at https://www.qleave.qld.gov.au/about-us

2.3.1 Building and Construction Industry PLSL scheme

The PLSL scheme in the building and construction industry is established under the *Building and Construction Industry (Portable Long Service Leave) Act 1991* (Qld).

The scheme uses a service credit system where eligible workers who are registered with QLeave receive one service credit for every day they work, up to a maximum of 220 credits in any financial

[1] Workers in the Queensland coal mining industry also have access to portable LSL under federal legislation (the Commonwealth *Coal Mining Industry (Long Service Leave) Administration Act 1992* and related legislation). For more information, see the website of the Coal Mining Industry (Long Service Leave Funding) Corporation at https://www.coallsl.com.au/legislation.

year. After 2,200 credits are recorded (i.e. equivalent to 10 years' service) workers are entitled to 8.6667 weeks of paid long service leave. Service credits accrued in portable long service leave schemes for the building and construction industry in other Australian States and Territories are also recognised. All building and construction industry portable long service leave schemes in Australia have entered into a national reciprocal agreement, meaning service recorded interstate may be recognised and included when calculating eligibility for a long service leave claim in Queensland.

Once a worker is eligible to take long service leave, they can take all of their leave at once or take it in small portions but no less than five days, unless it is likely to be the last payment for long service leave. As long as the worker continues to work in that industry they will continue to accrue an entitlement. For example, workers can allow their entitlement to keep accruing and take 13 weeks' paid long service leave after the equivalent of 15 years of full time work (3,300 service credits).

The scheme is funded by a levy on all building and construction projects in Queensland with a total cost of $150,000 or more. Based on actuarial recommendations, the levy rate has remained at 0.25% since July 2014[2]. Where the total cost of work is over $1,081,000,000, a reducing, tiered levy rate applies. A cap of $1,980 per week on wage rates for all long service leave payments was applied for the 2016-17 financial year. At 30 June 2017, the Scheme had 303,578 workers and 18,037 employers registered. Since 1992, long service leave payments totalling $726.1 million have been paid to industry workers and employers. In 2016–17 financial year QLeave paid long service leave claims to the sum of $98.6 million.[3]

There is no cost to a worker to participate in the scheme.

Further information about the PLSL scheme in the building and construction industry can be found at https://www.qleave.qld.gov.au/building-and-construction

2.3.2 Contract Cleaning Industry PLSL scheme

The PLSL scheme in the contract cleaning industry is established under the *Contract Cleaning Industry (Portable Long Service Leave) Act 2005* (Qld). Similar to the building and construction industry, workers accrue service credits for their service with an employer in the contract cleaning industry in Queensland. An employer in the contract cleaning industry is a person who engages one or more workers to perform cleaning work for other people.

The scheme is funded by a levy on wages paid by registered employers and the investment of these collected funds. The levy rate reduced from 1.3% to 1% on 1 July 2016. The levy was further reduced to 0.75% on 1 July 2018. There is no cost to a worker to participate in the scheme. Since the scheme's inception on 1 July 2005 there have been 1,938 long service leave payments made to registered workers and employers, totalling over $6.34 million.[4]

Further information about the PLSL scheme in the contract cleaning industry in Queensland can be found at https://www.qleave.qld.gov.au/contract-cleaning .

[2] The 0.25 per cent levy forms part of a 0.475 per cent combined construction levy.

[3] 2016-17 QLeave Annual Report Building and Construction Industry https://www.qleave.qld.gov.au/__data/assets/pdf_file/0007/2401/QLeave-Annual-Report-2016-17.pdf

[4] 2016-17 Qleave Annual Report Contract Cleaning Industry https://www.qleave.qld.gov.au/__data/assets/pdf_file/0008/2402/Contract-Cleaning-Industry-Portable-Long-Service-Leave-Authority-Annual-Report-2016-17.pdf

2.4 Portability of long service leave in other jurisdictions

PLSL schemes operate in all states and territories. Every state and territory has a PLSL scheme for the building and construction industry, and in addition there are schemes covering contract cleaning, community services, security, waste management, and coal mining that operate in one or more jurisdictions.. Attachment A provides a list of all PLSL schemes operating in Australia.

2.4.1 ACT - Portable Long Service Leave for the Community Services Sector.

The ACT is currently the only state that has established a PLSL scheme for the Community sector.

The ACT scheme was implemented in response to the ACT Community Sector Taskforce's 2006 report *Towards a sustainable community services sector in the ACT,* which recommended a legislated, mandatory PLSL scheme to create a more sustainable career path for community service leaders[5].

Established in 2010, the ACT scheme covers employees and contractors undertaking relevant work for any employer within the industry. All SACS sector work is covered, including childcare and residential care such as welfare, homecare, respite, social support and rehabilitation. The scheme excludes aged care where medical care is provided as the major service. The scheme extends to interstate-based organisations working in the ACT.

The entitlement is broadly similar to long service leave provisions in Queensland. An employee is entitled to 8.6667 weeks leave after 10 years of service in the industry. Employees with less than five years' service in the sector are deregistered from the scheme after more than four years' break in service. Workers accessing the long service leave entitlement may take a minimum of two weeks' leave at any one time, and may not elect to take payment in lieu of leave.

The scheme is administered by the ACT Long Service Leave Authority. The Authority is established under the *Long Service Leave (Portable Schemes) Act 2009* to administer portable long service leave benefit schemes for workers in the ACT engaged in the Building and Construction Industry; Contract Cleaning Industry; Community Sector Industry; and the Security Industry.

Employers provide a quarterly return to the ACT long service leave Authority and pay an annual levy, which is currently set at 1.2% of ordinary wages.

The ACT long service leave Authority has inspection powers, including a right to enter premises and examine and copy records. Scheme funds are invested in accordance with the ACT Authority's Investment Plan, which is approved by the ACT Treasurer. The Authority's decisions are reviewable by the ACT Civil and Administrative Tribunal.

The proposed scheme was strongly supported by unions and employees as an appropriate strengthening of employees' entitlements. The degree of support from employers, however, was mixed, with smaller employers showing significantly more support for the scheme than larger employers. An evaluation of the ACT scheme was undertaken three years after it commenced operation, which provided employer participants in the scheme with the opportunity to provide further feedback. Responses from employer representatives were generally more positive, including the following:

> "We always saw that the key advantage was that the employees got their entitlements. From a purely financial perspective a portable long service scheme is more expensive–particularly in a sector like ours where a lot of the long service leave allocations weren't being realised because we have high turnover and people often work in multiple part time or casual

[5] https://trove.nla.gov.au/work/35383373?q&versionId=44003386

positions. These are hard jobs to work in and this is one of the sectors where you really encourage people to take some decent time out–because they need it. To be supportive of these types of schemes sends a very strong message to our staff; that we do actually understand the reality of their everyday work and we are looking out for them in terms of them accessing it. This is an entitlement. Portable long service leave actually recognises the need to take a break after a long and intensive period of work. It is a significant issue in a sector like ours where we know that there is a lot of movement across organisations but potentially not any break of activity and service. If workers are taking a break, they are rejuvenating. Then they are more likely to stay in the sector.

Overall there has been a really strong acceptance of this scheme in this industry. There are still pockets of employers who raise concerns, who take longer to get their heads around it, although they do tend to be concentrated in subsectors, and those are potentially subsectors that are going through a whole range of change anyway. In a sense it largely reflects other things going on. But overall, I think it has been a really smooth transition; it certainly costs more, it does. But in terms of what the benefits are, they outweigh all the obvious costs. You have to take that broader perspective, if you are seen as a good, flexible employer who is looking out for their staff then that impacts retention and good people will come work for you. You save money on a lot of the hidden costs associated with burnout, turnover and lost productivity. It is absolutely in our interest to have portable long service leave. To be able to ensure that there is recognition of service and staff are able to realise their entitlements is a real benefit. The ability to provide a better environment for staff is the main advantage of portability”.[6]

2.4.2 Portable Long Service Leave for the Social and Community Services Sector in Victoria

The Victorian Long Service Benefits Portability Bill 2018 was introduced by the Victorian Government on 27 March 2018. This Bill proposes to establish a scheme for the portability of long service benefits in the security, contract cleaning and community services industries.

Similar to other PLSL schemes, the proposed legislation would see workers being entitled to LSL after seven years in their industry irrespective of the number of employers they have had in that time. Furthermore, the scheme will be managed by a statutory authority, and employers would pay a levy to finance the payment of entitlements. The legislation is in response to a Parliamentary Committee that recommended a PLSL scheme in these industries.

The coverage of the *Long Service Benefits Portability Bill 2018* for the SACS sector does not include independent contractors and for-profit organisations, other than for-profit organisations in the disability services sector. The Victorian Industrial Relations Minister the Hon Natalie Hutchins MP stated that independent contractors and not-for profit organisations are not a feature of the community services industry in Victoria. Organisations will be within scope if they are:

- non-profit organisations that employ one or more persons to perform community services work, including for persons with a disability, or other persons who are vulnerable, disadvantaged or in crisis

[6] McKell Institute *The Case for a National Portable Long Service Leave Scheme in Australia*, 2013, pp. 54-55. https://mckellinstitute.org.au/app/uploads/McKell_Portable_LongService.pdf

.

- a licenced children's service under the Children's Services Act 1996 (Vic) or are an approved provider under the Education and Care Services National Law (Victoria)
- a 'for-profit' organisation that employs one or more persons to perform community services work for persons with a disability.

2.5 The social and community services sector

The social and community services (SACS) sector comprises a diverse group of non-government organisations providing services to communities across Queensland.[7] These organisations are a mixture of for-profit and not-for-profit providing communities with education, information and activities to foster community inclusion and well-being, harm prevention strategies and crisis management.

More specifically the services provided by the SACS sector include:

- Aboriginal and Torres Strait Islander community services;
- accommodation support;
- advocacy services;
- alcohol and other drug support services;
- child safety and support;
- community development;
- community education;
- community health services;
- community legal services;
- counselling services;
- disability emergency response;
- disability support;
- employment services;
- family and domestic violence services;
- financial counselling;
- foster care and out-of-home care;
- home and community care;
- homelessness support;
- lesbian, gay, bisexual, transgender, intersex or queer services;
- mental health services;
- migrant and multicultural support services;
- offenders transitioning services;
- respite;
- seniors community support services;
- social housing;
- violence prevention services;
- women's services;
- youth justice services; and

[7] Substantial information in this consultation paper has been sourced from a report entitled *Forecasting the future: Community Services in Queensland 2025*, which was prepared by Deloitte Access Economics on behalf of the Community Services Industry Alliance and the then Queensland Government Department of Communities, Child Safety and Disability Services in 2016. https://www2.deloitte.com/content/dam/Deloitte/au/Documents/Economics/deloitte-au-forecasting-future-community-services-qld-010416.pdf

- youth support services.

Significant issues influencing employment in the SACS sector include short term funding arrangements which cannot provide certainty for longer term employment security; rapid growth within the sector; driven in part of the introduction of the National Disability Insurance Scheme (NDIS); skills shortages; and high rates of stress and burnout among industry workers.

2.5.1 Profile of the SACS sector and its workforce in Queensland

The federal *Social, Community, Home Care and Disability Services Industry Award 2010* (SCHADS) covers many SACS sector workers[8] in Queensland. The SCHADS award provides a means of defining the SACS workforce that is well-understood within the sector. This award defines its coverage as follows:

- the crisis assistance and supported housing sector
- the social and community service sector
- the home care sector
- the family day care scheme sector.

In 2016, Queensland's Department of Communities, Child Safety and Disability Services published a Deloitte Access Economics study of future workforce requirements in the Queensland SACS sector, entitled *Forecasting the future: Community Services in Queensland 2025*, (the Deloitte report) which noted the absence of a single comprehensive data source for the SACS industry. In response the report uses information from a number of sources to measure and describe the characteristics of the sector. This approach has been adopted in this Consultation RIS. The following SACS sector profile draws primarily from information in that report which aligns to the coverage of the SCHADS Award.

The SACS sector employs approximately 44,495 Queenslanders. This accounts for approximately 2.3% of the Queensland workforce. The Deloitte report provides a profile of the paid SACS sector workforce that differs markedly to the Queensland workforce as a whole: The Report found

- 75.4% of employees are female, compared to 47.1% of the overall Queensland workforce;
- 50.2% of employees work part-time, compared to 32.5% of the overall Queensland workforce; and
- the largest share of the paid workforce in the Community Services Industry in Queensland is between the age of 45 and 54 years, in contrast to the overall Queensland workforce having a much flatter workforce distribution of workers between the ages of 20 and 54 years.[9]

The workforce has a relatively high level of educational attainment with 66.9%[10] of paid workers in Queensland holding a post-school qualification in 2011. Furthermore, 41% of Queensland SACS sector workers held a bachelor degree or higher qualification in 2011.

SACS sector organisations vary considerably in size and structure. These organisations are mostly not-for-profit organisations with a mix of government service providers, social enterprise organisations and a smaller number of for-profit organisations[11]. SACS sector organisations are also a mix of

[8] The SCHADS Award excludes workers otherwise covered by the *Aged Care Award 2010*, the *Amusement, Events and Recreation Award 2010*, the *Fitness Industry Award 2010*, the *Health Professionals and Support Services Award 2010*, and the *Nurses Award 2010* (all federal).

[9] Deloitte Access Economics: Forecasting the future: Community Services in Queensland 2025, 2016 p33.

[10] REFERENCE Unpublished ABS data form the Survey of Education and Work

[11] Deloitte Access Economics: Forecasting the future: Community Services in Queensland 2025, 2016

incorporated and unincorporated associations, companies and indigenous corporations. In 2014 30.8% of SACS sector organisations had an annual turnover of under $50,000, 34.8% had an annual turnover of between $50,000 and $200,000; 27.1% had an annual turnover of between $200,000 and $2 million; and 7.3% had a turnover of over 2 million[12]. Annual turnover under $50,000 is indicative of a non-employing entity.

The sector is characterised by high labour intensity coupled with low capital intensity, meaning that payroll is a much larger cost for employers than capital expenditure. Deloitte Access Economics reports that 56.4% of revenue in the sector was spent on wages while 2% was spent on capital, a ratio approximately six times higher than the economy-wide average.[13] The industry also operates on narrow margins. Deloitte Access Economics reported an average 3.3% profit margin for the SACS sector, which is less than a third of the average margin for the whole economy.[14]

Funding

The sector is often reliant on Government sponsored support. Government funding agreements and contracts for the delivery of SACS are sometimes time-limited or provided over a fixed term and are subject to government program priorities. Additionally, grant funding is usually awarded in competitive tender processes. Shifts in government priorities can affect funding programs. These features make planning beyond the financial year or current funding arrangement difficult for many organisations and also negatively impact long-term employment with a single employer in the industry.

SACS sector funding in general is also moving from a ‘block funding’ approach to an outcomes-based model. In some cases this has resulted in a demand-driven, market-based model of service delivery, such as the NDIS.

The move from the ‘block funding’ approach to an outcomes based model is likely to exacerbate the problem of secure employment with a single employer. An outcome-based approach adopted in the NDIS will see a person with a disability receiving funding appropriate to their needs. The requisite level of support will be ‘purchased’ from disability service providers. The reduction of block funding arrangements and the introduction of fee for service invoicing is a significant change which will mean some service providers will experience limited access to ongoing (or more longer term) funding sources further reducing their capacity to provide secure on-going employment to their employees.

Projected growth

The SACS sector is experiencing rapid growth and is likely to continue to grow. Deloitte Access Economics has found that, “annual average employment growth in the Community Services Industry in Queensland over the next 10 years is forecast to be 3.8%; this is more than double the expected rate of employment growth for Queensland as a whole.”[15] According to Deloitte, this is being driven by an increase in Queensland population growth generally and an increase in the growth of the aged population specifically.

A major source of growth is also the implementation of the NDIS. In Queensland the NDIS is being implemented region by region during a transitional period from 1 July 2016 to 30 June 2019. With the rollout of the NDIS, the number of users of disability support services in Queensland is forecast to

[12] Community services partnership forum, Partnering for the future: Advancing Queensland’s community services industry 2017-25, 2016, pp 5
[13] Deloitte Access Economics, Forecasting the future: Community Services in Queensland 2025, 2016, pp40-41
[14] Deloitte Access Economics, Forecasting the future: Community Services in Queensland 2025, 2016, pp40-41
[15] Deloitte Access Economics, Forecasting the future: Community Services in Queensland 2025, 2016, p. 43.

grow from 48,000 in 2016 to 91,000 in 2019. An estimated growth in funding of $2.5 billion will be required to meet this demand, and up to 16,000 additional full time equivalent positions, bringing the total workforce in Queensland's disability support services (a subsector of the SACS) in 2019 to as many as 36,000 full time equivalent workers.[16]

Skills Shortage

The Deloitte report also highlighted the skills shortages anticipated with the delivery of the diverse services required by the rapidly growing SACS sector. The Deloitte report mapped trends in service provision in the SACS sector and highlighted the long term need to deliver a wider range of services to an increasingly diverse clientele. It also flagged a shift to more market-based and customer focused models of service provision.

Forecasts have shown that SACS sector employers will need to attract, retain and develop highly skilled workers in a number of areas if they are to keep pace with the rapid growth and diversification of the service delivery task.

Stress and burnout

Evidence provided to the Victoria's 2016 Parliamentary inquiry into portability of long service leave entitlements emphasised that burnout (emotional exhaustion and depersonalisation) was common due to the physically and mentally demanding nature of the work. Furthermore, academic research supports that workers in the social and community service sector are particularly susceptible to developing burnout and compassion fatigue, a type of stress resulting from exposure to a traumatised individual[17]. Burnout of workers is also found to affect the quality of services for clients and the functioning of organisations.

2.6 Long service leave in the SACS sector in Queensland

Many workers in the SACS sector are unable to benefit from the LSL arrangements as a consequence of the high rates of mobility within this sector.

LSL under the *Industrial Relations Act 2016 (QLD)*

The SCHADS Award conditions do not include provisions for long service leave therefore almost all Queensland SACS sector workers will rely on the Queensland IR Act[18] for their long service leave entitlement. Under the IR Act employees are entitled to 8.6667 weeks of paid long service leave after a period of 10 years' continuous service with the same employer. Employees are also entitled to take an additional 4.3333 weeks' paid long service leave once they have completed a further five years' continuous service with that employer. For continuous service beyond this point, access to further leave accrued is not subject to a qualifying period.

An employee may also be entitled to a pro rata long service leave payment on termination of employment. Long service leave entitlements can be calculated using a prescribed formula for

[16] National Disability Insurance Agency, *Market Position Statement, Queensland*, 2016, p. 1. https://www.ndis.gov.au/html/sites/default/files/documents/Market%20Position%20Statement/FINAL%20QLD%20MPS.pdf

[17] Green, A, Albanese, B, Shapiro, N, & Aarons, G 2014, 'The roles of individual and organizational factors in burnout among community-based mental health service providers', *Psychological Services*, 11, 1, pp. 41-49

[18] See the summary on the website of Business Queensland: https://www.business.qld.gov.au/running-business/employing/employee-rights/long-service-leave/entitlements

employees who have had a mixture of full-time, casual or regular part-time employment during their continuous service with the same employer.

'Continuous service' is defined as service with the same employer that is 'not broken' in certain circumstances. A period of unpaid leave, including for example unpaid parental leave, may not break the continuity of service, but also does not count as service. Periods of absence on WorkCover may also count as continuous service to determine a long service leave entitlement. An employee's continuity of service is also not broken in the following circumstances:

- termination of the employee's service because of illness or injury, provided the employee is re-employed by the same employer (after any length of time) and the employee has not engaged in other work during the absence;
- termination of the employee's employment if the employee is re-employed by the same employer within three months; and
- interruption or termination of an employee's service by the employer due to an industrial dispute or slackness in business or trade if the employee is re-employed by the same employer (after any length of time).

Rates of mobility

Precise data on the amount of long service leave taken by social and community service workers in Australia is not available. The ABS last published data on the amount of long service leave taken by Australians in the late 1980s. In the absence of recent data, the accrual of long service leave may be inferred by data on the length of employee service with their current employer.

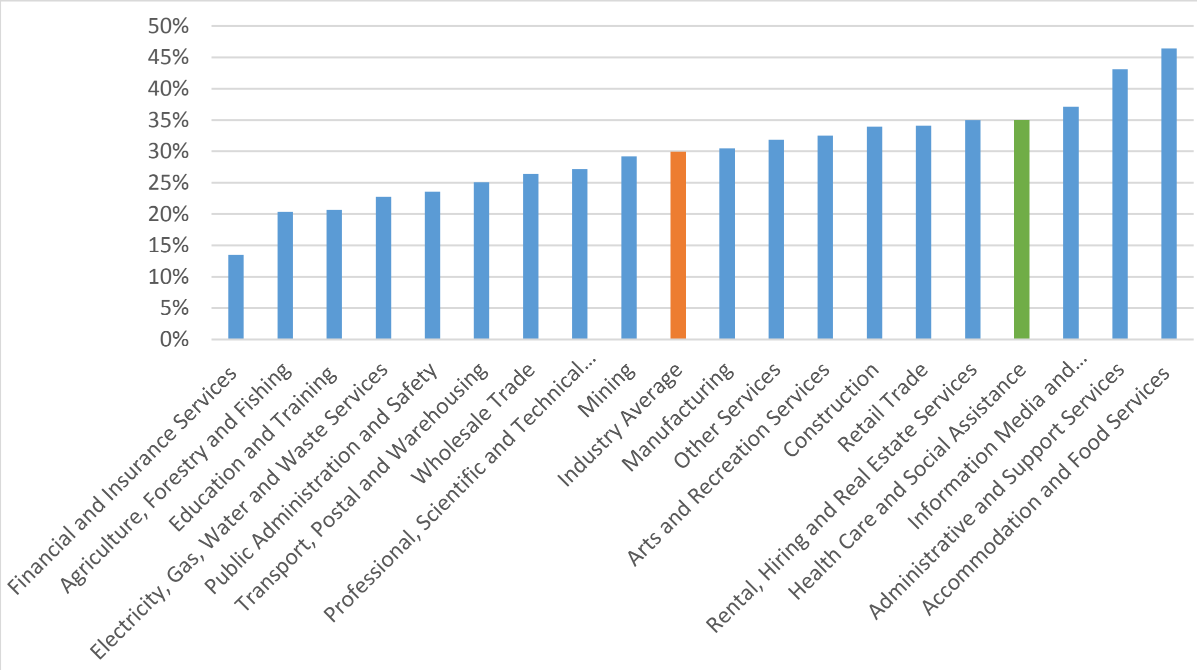
The SACS sector has high levels of employee mobility. In 2012 a McKell Institute study used ABS data (which uses the broader industry category of Health Care and Social Assistance to estimate that 25% of workers in the sector had been with their current employer for less than one year, compared to 19.5% for the workforce as a whole.[19] This is among the highest levels of employee mobility of any industry sector. Furthermore, unpublished data from the ABS 2015-2017 Participation, Job Search and Mobility Survey indicated that 25% of Queensland health care and social assistance workers (excluding employees engaged in hospitals or in childcare or aged care) have been engaged with their employer for less than 12 months. This figure is above the Queensland average of 18%[20]. The same data set showed that in 2017 18% of Queensland SACS sector workers were engaged with the same employer for over 10 years compared to an average of 26% for all Queensland workers[21]. The below graphs provide a comparison of mobility of workers across a number of industries confirming that social and community service workers have higher than average short term service with their current employer and lower than average longer term service with their current employer.

[19] Quoted in McKell Institute, *The Case for a National Portable Long Service Leave Scheme in Australia*, 2013, p. 28. https://mckellinstitute.org.au/app/uploads/McKell_Portable_LongService.pdf

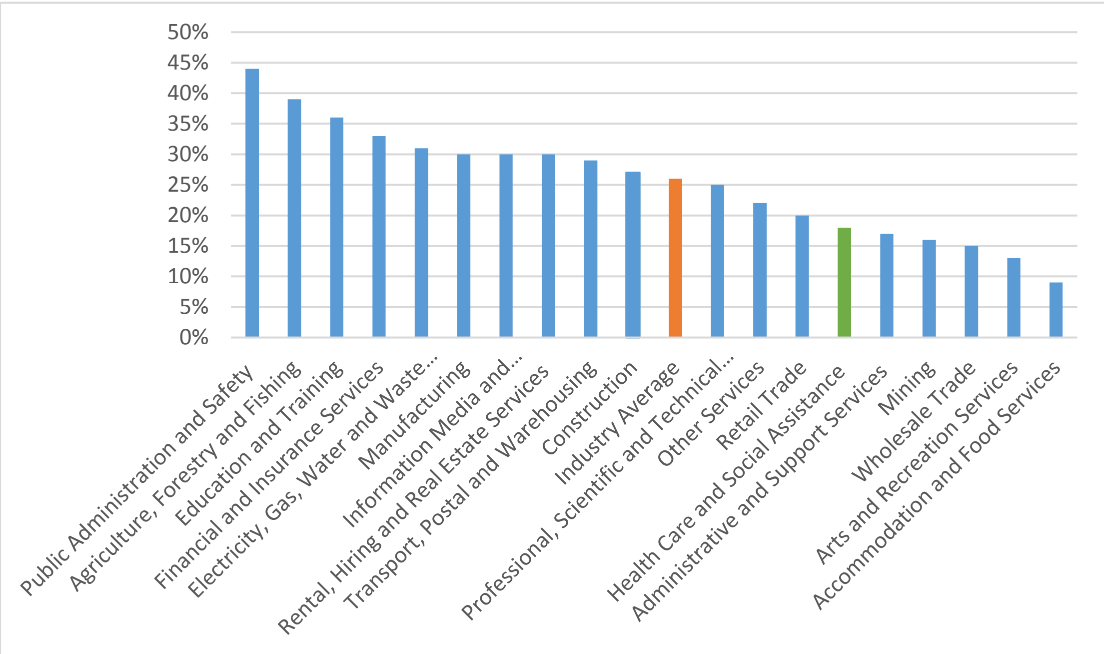
[20] Australian Bureau of Statistics, 2015-2017 Job Mobility & Qualifications Data Customised Report (unpublished data)

[21] Australian Bureau of Statistics, 2015-2017 Job Mobility & Qualifications Data Customised Report (unpublished data)

Graph 1 –Percentage of workers with under two years of service with a single employer (QLD)



Graph 2 – Percentage of workers with 10 or more years of service with a single employer (QLD)



Source: Australian Bureau of Statistics, 2017 Participation, Job Search and Mobility Survey, Customised Report

Note 1: The Health care and Social Assistance Industry does not include employees engaged in hospitals or the child care/aged care sub industries

3.0 What is the problem and why a PLSL scheme?

The SACS sector is characterised by a high level of employee mobility and unstable funding arrangements. A consequence is that workers in that sector are less likely to qualify for and benefit from long service leave when compared to the wider workforce.

Reduced access to long service leave within an industry may discourage individuals from pursuing career in that industry or may encourage individuals to leave the industry prematurely, either by choice or through burn-out. Both eventualities negatively impact on skills formation and retention, discourage employment growth in the sector and add to training, retention and recruitment costs to employers. The wider community also bears the burden of unmet demand which can cause price competition among users for access to the limited services available. Given the vulnerable community segment often requiring access to these services, the taxpayer may carry a heavier burden to meet the sector's delivery costs through Government subsidy.

A PLSL scheme may assist in alleviating pressure by making employment in the sector more attractive to new entrants to the industry and also promote the retention of skilled and experienced workers within the industry. Individual workers would benefit from accessing the additional leave after prolonged service in the industry through rest and rejuvenation. It is also anticipated that providing incentive for greater attraction and retention of workers will significantly assist employers through reduced recruitment and training costs. There may also be savings for business through reduced administrative burden, as has been the experience of employers in other PLSL schemes.

4.0 Policy Objective

4.1 What is the policy objective of investigating the introduction of PLSL in the SACS sector in Queensland?

The primary policy objective of investigating the introduction of a PLSL scheme for the SACS sector in Queensland is to assess the costs and benefits of providing workers in that sector with access to a long service leave benefit by recognising their service in the industry rather than service limited to a single employer.

The assessment will inform the Government on the efficacy of introducing a PLSL scheme for the SACS industry, and, if appropriate, the optimum scope/coverage, operating model, funding arrangement and governance for the scheme.

4.2 Scope/coverage of a PLSL scheme for the SACS sector in Queensland

The scope or coverage of a PLSL scheme for the SACS sector is a key consideration.

Consideration is required on the inclusion of either or both the for-profit and not-for-profit sectors; as well as whether allied workers i.e. those workers who are not subject to the Social, Community, Home Care and Disability Services Industry Award 2010 (SCHADS Award) but work within the industry, are to be included.

The majority of SACS sector organisations are not-for-profit entities with some social enterprise organisations and for-profit organisations. The market-based approach to service delivery under the NDIS may increase the participation of for-profit in the delivery of disability services. The Deloitte report *Forecasting the future: Community Services in Queensland 2025* also noted emerging opportunities for 'profit with purpose' and 'social enterprise' entities.[22]

As noted above, for-profit SACS sector organisations were explicitly excluded from the 2018 Victorian proposal for a portable scheme other than those that employ one or more persons to perform community services work for persons with a disability. The ACT scheme covers both for-profit and not-for-profit entities.

There is little evidence to suggest that the issues of high mobility and insecurity of work are less prevalent in the for-profit component of the SACS sector or that for-profit firms do not compete with not-for-profit organisations for the same time-limited funding agreements and contracts for the delivery of services.

Many SACS sector organisations employ 'allied' workers who are not directly engaged in the delivery of community services (or covered by the SCHADS Award) but are an essential part of the organisation delivering those services. In addition to employees covered by the SCHADS Award, SACS organisations may employ workers under other Awards such as the Road Transport and Distribution Award, the Labour Market Assistance Industry Award, and the Supported Employment Services Award.

A definition to clarify the coverage of a PLSL scheme should provide certainty about whether allied workers are included. A power for the authority to make rulings about coverage, accompanied by an ability to 'declare' or schedule included or excluded classes of workers by regulation, may also assist in clarifying coverage over time.

5.0 What are the options?

5.1 What options are available to provide a PLSL scheme in the SACS sector in Queensland?

Three options are proposed for investigating the introduction of PLSL for employees in the SACS sector in Queensland, although stakeholders may also consider and comment on alternative measures for providing SACS sector workers with improved access to long service leave benefits.

1. **Option One**: The SACS industry continues without Government intervention (Status quo).
2. **Option Two**: Legislate a mandatory PLSL scheme in the Queensland SACS sector with a new sector specific governing authority to administer the scheme.
3. **Option Three**: Similar to option two, legislate a mandatory PLSL scheme for the Queensland SACS sector with the existing statutory authority QLeave, to administer the scheme.

The preferred option will best achieve the policy objective and provides the greatest net benefits for the community.

5.2 Option 1: The SACS industry continues without Government intervention (Status quo).

The first option is for the status quo to remain.

---

[22] Deloitte Access Economics, *Forecasting the future: Community Services in Queensland 2025*, 2016, p. 81. https://www2.deloitte.com/content/dam/Deloitte/au/Documents/Economics/deloitte-au-forecasting-future-community-services-qld-010416.pdf

Workers in the Queensland SACS sector have an entitlement to LSL under the IR Act and other industrial instruments. The entitlement is based on a qualifying period of continuous service with the same employer. This is a long-standing entitlement that is well understood by employees and employers.

There is nothing preventing the Queensland SACS sector stakeholders from working together to establish LSL portability arrangements. This could take the form of a cooperative, which might engage the services of a superannuation provider or other financial services provider to administer a PLSL scheme of behalf of the community services industry. Employers could voluntarily participate in the scheme and pay a levy, which would be managed such that it finances a LSL entitlement based on service in the industry rather than service with one employer.

5.3 Option 2: Legislate a mandatory PLSL scheme in the Queensland SACS sector with a new sector specific governing authority to administer the scheme

This option would see the development of legislation to establish a PLSL scheme for the SACS sector administered by a separate (stand-alone) authority.

This option prefers a scheme providing arrangements and entitlements for the SACS sector modelled on the Contract Cleaning Industry under the *Contract Cleaning Industry (Portable Long Service Leave) Act 2005* however with a separate authority (not QLeave) dedicated to overseeing the scheme.

Funding for the scheme would be from a levy upon industry employers, with actuarial advice to determine the quantum to meet anticipated liabilities.

5.4 Option 3: Legislate a mandatory PLSL scheme for the Queensland SACS sector with the existing statutory authority QLeave, to administer the scheme.

This option would see the development of legislation to establish a PLSL scheme for the SACS sector administered by Q Leave.

Similar to Option 2 this option prefers a scheme providing arrangements and entitlements for the SACS sector modelled on the Contract Cleaning Industry under the Contract Cleaning Industry (Portable Long Service Leave) Act 2005. This option would leverage the existing infrastructure of QLeave to administer the PLSL scheme for the SACS sector. While allocation of additional resources would be required to service an additional scheme it is anticipated that start-up costs would be much lower than establishing a separate administration entity as proposed in Option 2.

Funding for the scheme would be from a levy upon industry employers, with actuarial advice to determine the quantum to meet anticipated liabilities.

6.0 What are the impacts of each option?

This section discusses the costs and benefits of each option upon SACS sector workers and their employers, and the government.

Workers in the social and community services sector are anticipated to directly benefit from the introduction of a PLSL scheme by recognising their service with multiple employers within the sector to accrue long service leave. The PLSL scheme would make the entitlement easier for workers to access. An extended period of leave allows workers the opportunity to rest and rejuvenate which may help them to remain in the workforce longer. The scheme does not impose a direct cost upon the worker.

Employers in the SACS sector have an existing obligation to account for their employees' long service leave. Under a portable scheme, employers would pay a levy to an authority, which manages the entitlement for the entire sector. The transition to an externally managed PLSL scheme will impose an administrative cost for employers, however experience from Queensland's existing scheme indicated these costs are offset by return on funds invested.

A PLSL scheme has potential to improve the attraction and retention of skilled employees in the sector thereby reducing training, recruitment and retention costs and encouraging improved productivity.

Government, if involved in the establishment and operation of a scheme, may become responsible for the allocation of appropriate resources and carry the actuarial risk associated with the scheme.

The community may also be impacted by the introduction of a PLSL scheme in the SACS industry e.g. through the likelihood of improved attraction and retention of skilled SACS workers, or price of output decisions by employers in response to the imposition of a scheme. Precise costs and benefits are difficult to quantify.

6.1 Option 1: The SACS industry continues without Government intervention (Status quo).

6.1.1 Option 1 - Impact on workers

Workers will continue to experience difficulty in accessing long service leave entitlements and reduced opportunity of an extended break to rest and recuperate.

The Victorian parliamentary inquiry into the portability of long service leave noted that workers in the SACS sector are prone to stress and burnout.[23] An inability to access long service leave may exacerbate these issues.

6.1.2 Option 1 - Impact on employers

Employers will continue to carry the cost of resourcing and administering the long service leave entitlement for their employees. An employer's liability for long service leave is 1.6% of weekly payroll (calculated on the basis of 8.6667 week long service leave for 10 years continuous service). In addition to the accrual of this liability there are administrative costs for employers who must keep accurate records, regularly review their exposure to liability for the entitlement, and accommodate employees' pay increases and advancement over time.

In practice the administration of long service leave involves a degree of risk management for employers who could reasonably anticipate that not all employees will access the entitlement and therefore risk a lower allocation towards their liability.

Difficulties for employees in accessing long service leave are likely to impact employers in terms of workforce attraction and retention. Qualified and experienced candidates may choose to pursue careers in industries where they are more likely to be able to receive long service leave, or have access to portable arrangements. SACS workers are also prone to stress and burnout[24]which could, at least in part, be addressed by an extended period of rest and recuperation. An inability to access long service leave may exacerbate these issues with a corresponding impact on productivity.

[23] Parliament of Victoria, Economic, Education, Jobs and Skills Committee, *Inquiry into portability of long service leave entitlements*, 2016, pp. 105-106. https://www.parliament.vic.gov.au/eejsc/inquiries/article/2560
[24] Parliament of Victoria, Economic, Education, Jobs and Skills Committee, Inquiry into portability of long service leave entitlements, 2016, pp. 105-106. https://www.parliament.vic.gov.au/eejsc/inquiries/article/2560

6.1.3 Option 1 – Impact on government

Option One would have no direct impact on government. No additional resources need to be allocated to the administration of the LSL entitlement, which is the responsibility of employers. However, Government may experience community dissatisfaction if expectation for SACS delivery is not met.

6.2 Option 2: Legislate a mandatory PLSL scheme in the Queensland SACS sector with a new sector specific governing authority to administer the scheme

6.2.1 Option 2 - Impact on workers

A PLSL scheme is anticipated to improve SACS industry workers' access to a long service leave entitlement. As mentioned previously, workers with access to long service leave may be healthier, more productive, and subject to stronger attraction and retention incentives. Long service leave can provide a much needed break from the stresses prevalent in SACS sector work. Further benefits include enhanced protection of employee entitlements in the event of employer insolvency.

The Deloitte report estimated that there were approximately 44,495 SACS sector workers employed in Queensland in 2015. The increased numbers of workers accessing long service leave under a portable scheme would depend on a number of factors including how much service is recognised prior to the introduction of the scheme. However, combining the Deloitte report's statistics with the McKell Institute's methodology, it can be calculated that approximately 3,500 to 4,500 workers in the given year would receive a long service leave payment under the scheme.

6.2.2 Option 2 - Impact on employers

Under Option 2 it can be expected that a larger proportion of SACS sector workers would qualify for long service leave. Although SACS workers have an existing entitlement to long service leave, portability of entitlements would allow workers to accumulate long service credits with a number of employers in the industry, making it easier to access the entitlement.

The main costs of the introduction of a PLSL scheme to employers are in the imposed PLSL levy for all eligible employees (which would include an administrative component) and in a reporting burden to the PLSL scheme authority. It is noted that these costs are not wholly new as employers have existing long service leave accrual liabilities and record keeping obligations.

(i) Cost of a PLSL levy

The current levy for existing PLSL schemes are commonly set as a percentage of ordinary wages paid and range from 0.75 to 2.7 percent. For the building and construction sector the levy is commonly set as a percentage of the value of building and construction undertaken over a certain value. The nature of work and outputs in the SACS sector would make a levy set as a percentage of ordinary wages paid much more likely.

The ACT SACS sector PLSL levy is currently 1.2 percent of ordinary wages. The Contract Cleaning PLSL levy is 0.75 percent in Queensland, 1.7 percent in New South Wales and 1.2 percent in the ACT. The setting of the levy for PLSL for the SACS sector in Queensland would be determined by an actuarial study, however, based on existing experience it can be assumed that an initial levy would fall somewhere between 1.5 and 2 percent with potential to reduce over time.

Using a SACS Community Service worker level 4 step 4 ($1,285.11) under the Social, Community, Home Care and Disability Services Industry Award 2010 as a base for assessing an employer's levy liability, the weekly levy cost to an employer per employee can be assessed as follows:

1.5 per cent levy	-	$19.28 per employee
2.0 per cent levy	-	$25.70 per employee

In reality a prudent employer should already be putting aside money to fund their future obligations to pay each employee's LSL entitlements. At current rates of pay, an entitlement of 8.6667 weeks of long service leave after 10 years' service for a SACS community service worker level 4 step 4 is equivalent to a payment of $11,141.90. Funding this obligation over 10 years would require an employer to put aside an additional $21.43 per week (based on the current award prescription).

Assuming a PLSL scheme levy in the range of 1.5-2 per cent, the net additional cost on an employer would be between $0.00 and $4.27 per week per employee, although it is anticipated that the net additional cost to employers will reduce as the experience with similar PLSL schemes has been that the fund becomes self-sufficient over time, notwithstanding that there may be start-up costs. The establishment of a separate sector specific body to administer the PLSL for the SACS sector will result in higher start-up costs. These would be reflected in a higher levy, especially in the initial stages of the scheme. A further detailed actuarial study will be undertaken to determine the appropriate levy for the scheme to operate and to meet its liabilities.

Prudent management of the contributions collected from a PLSL scheme levy can be used to pay for administration costs. Experience has shown that statutory schemes often are able to re-invest levy funds in training grants for industry or in reducing the amount of the levy in subsequent years. Employers would face additional direct costs such as increased payroll tax (PLSL payments would be counted in determining payroll tax liability) and fringe benefits tax (which would be payable on contributions to the PLSLS).

There may also be some additional burden in relation to record keeping and submission of documents to the entity administering the scheme. It should be noted however that the IR Act already requires the keeping of detailed records for LSL accrual purposes and QLeave provide an efficient on-line system which reduces an employer's administrative burden.

Currently employers have benefitted from being able to reallocate funds set aside to pay for long service leave obligations when an employee leaves the organisation before serving the required period. Additionally some employers may choose to hold back on making a regular accrual for the long service leave liability in the expectation that at least some of their employees will depart before qualifying.

(ii) Administrative costs of PLSL levy

A PLSL scheme will have administrative costs to employers of completing and lodging employee returns and processing levy payments. However, as long service leave is an existing obligation, employers are currently required to maintain time and wages records for their employees. Even where employers choose to delay administratively accounting for LSL until year four or five of an employee's tenure, they will need to maintain records to allow for that to occur during the employee's tenure.

QLeave allows employers in the building and construction and contract cleaning schemes to lodge their returns and make payments online.[25] It is highly likely that a separate sector specific statutory

[25] A video guide on the electronic return process for the contract cleaning scheme can be found on the QLeave website at: http://www.qleave.qld.gov.au/webdb/wsmanager.nsf/(web)/1404BD7ED7878B234A2573D9000F4691

authority would also provide for online returns. Depending on the employer's accounting systems, this could result in very efficient administration of the employer's obligations. Other employers with less automated payroll administration may encounter greater compliance costs.

QLeave estimate that it takes an average of 15 minutes per worker per quarter to complete returns and make payments under the existing PLSL schemes. Assuming that employers currently spend at least some time administering LSL entitlements, it can be assumed that at most employers would be spending an additional 5 to 10 minutes per quarter in administration of a PLSL. If administrative staff are remunerated at approximately $22 per hour, this would be an additional cost of between approximately $1.80 and $3.65 per employee per quarter. For the sector as a whole, the Deloitte report estimates the SACS sector employed approximately 44,495 Queenslanders in 2015 which would mean that a PLSL scheme would result in additional administrative costs of between approximately $320,000 and $650,000 industry wide.

There may also be administrative efficiencies in the long service leave entitlement being centrally administered and risk-managed, as opposed to individual employers making their own arrangements. A central funding pool and risk management framework would also make financial liability more predictable and consistent. This may be particularly beneficial when employees achieve substantial career advancement or pay increases, which would ordinarily require accelerated investment by an employer to 'catch up' as an employee approaches the required period of service. Under a portable scheme, this type of risk would be factored into the actuarial calculation of the levy and shared across the sector as a whole, so there would be no 'spike' in payments for any given employer.

Although difficult to quantify, economies of scale savings in the superannuation industry could potentially serve as a guide for PLSL schemes. Deloitte found that economies of scale had a strong influence on superannuation operating costs. Economies of scale in the superannuation industry have resulted in operating costs of $74 per member per annum for larger funds. In comparison smaller fund have operating costs estimated to be $262 per member per annum. While there are some significant differences between long service leave accounts and superannuation accounts (for example long service leave will have lower balances) this indicates that economies of scale savings are possible. Assuming an economy of scale marginal saving of 0.1 percent of payroll, savings of $2.3 million sector wide is therefore possible.

(iii) Economic benefits of PLSL

The potential economic benefits flowing from a PLSL scheme include:

- reduced recruitment costs for the sector overall as workers are more inclined to enter and remain in the sector;
- reduced training costs as skills and experience are retained in the sector and the average experience of employees in the sector increases;
- an increasingly capable, skilled workforce would provide a high quality, effective service and impact positively on service users and the wider community; and
- improved wellbeing and productivity of community sector workers as a result of addressing the effects of long-term stress by taking an extended period of leave.

Employers can significantly benefit from employee retention programs. High turnover can be very expensive in terms of recruitment, selection and training costs as well as lost productivity. Although the economic value of these benefits is difficult to quantify, they are likely to be substantial given the focus of the industry on the need to improve attraction and retention.

Attraction and retention of employment in the SACS Sector was one of the key drivers for the ACT Government introduction of a PLSL scheme for that sector and was seen a response to the sector's capacity and sustainability issues which directly impact on recruiting and retaining staff. The PLSL scheme was also seen to encourage professional development through staff movement between organisations, without the personal disadvantage associated with loss of long service leave entitlement accruals.

Employers can also face significant non-compensable costs arising from the negative impact of work stress on staff morale, productivity, 'presenteeism' and dysfunctional behaviours. Conversely, studies such as Cairncross and Waller have pointed out that people who take leave are generally more productive and exhibit fewer symptoms of workplace stress. Allowing workers to take long service leave is therefore likely to benefit employers by helping to improve productivity and reduce employers' occupational health and safety and costs.[26]

Further information on the assessment of the incremental net benefits of Option 2 including a table of comparative costs can be found at Attachment B.

6.2.3 Option 2 – impact on Government

While the cost of policy development and the passage of any legislation can be absorbed by Government, the impact on Government of Option 2 with regard to operational costs is dependent on Government's role in the scheme and if Government is to provide the administrative apparatus for the scheme.

Creating a new governing entity is likely to require start-up funds from Government, although it is also anticipated that Government would seek reimbursement as the scheme matures. In addition, should employers respond to the imposition of a scheme by reducing services or increasing prices it is likely that Government will experience criticism for the scheme which may place pressure on Government to increase SACS sector funding for service delivery.

As Option 3 specifically contemplates the use of an existing statutory body, QLeave, further discussion on the impact upon Government is dealt with at section 6.3.3

6.3 Option 3: Legislate a mandatory PLSL scheme for the Queensland SACS sector with the existing statutory authority QLeave, to administer the scheme.

6.3.1 Option 3 - Impact on workers

Option Three would provide the same benefits of portable long service leave to employees as Option 2.

Having QLeave as the authority is unlikely to have any different impact on workers than if the PLSL scheme was administered by a separate governing authority. However QLeave's experience, expertise and established resources would likely lead to a more efficient administration of a PLSL scheme. This should provide workers with a higher level of customer engagement and service delivery.

6.3.2 Option 3 - Impact on employers

As with Option 2 it is to be expected that a larger proportion of SACS workers would also qualify for long service leave under Option 3.

---

[26] Cairncross and Waller, 2004 "Not taking Leave: What could it cost Australia?, Journal of Economic and Social Policy

It is anticipated that, by leveraging existing QLeave infrastructure and experience, levy costs would be lower under Option 3 (when compared to Option 2). Equally, administrative arrangements already used by QLeave for the other schemes could be adapted at marginal cost. The authority's powers and functions would continue to require clear legislative underpinning, such as the appointment of authorised officers and for compliance and enforcement powers.

By way of illustration, in 2005 with the assistance of QLeave the contract cleaning portable long service leave scheme was established. Establishment costs were $110,000 in 2005 dollar terms[27] ($151,000 in today's dollars). In comparison in 2010 Bendzulla Actuarial estimated the establishment costs of a PLSL leave scheme in Victoria to be approximately $1 million[28] ($1,183,000 in today's dollars).

6.3.3 Option 3 - Impact on government

The cost of establishing the administrative arrangements for the scheme would be reduced (when compared to Option 2) by using QLeave as the governing authority. QLeave is also well placed to seek high returns on investment of the levy pool to offset administrative costs of the scheme.

7.0 Preliminary recommendation of the preferred option

The policy objective of the investigation of introducing a PLSL scheme for the SACS sector in Queensland is to assess the costs and benefits of providing workers in that sector with access to a long service leave benefit by recognising their service in the industry rather than service limited to a single employer. The assessment is to inform the Government on the efficacy of introducing a PLSL scheme for the SACS industry, and, if appropriate, the optimum scope/coverage, operating model, funding arrangement and governance for the scheme.

Preliminary analysis supports the introduction of a PLSL scheme for the SACs sector in Queensland covering the for-profit and not-for-profit sectors and for employees covered by the SCHADS Award.

The introduction of a PLSL scheme for the SACS sector under Options Two and Three will lead to increased costs for employers as they will be required to pay a levy to fund the scheme.

However, benefits such as improved attraction and retention of skilled employees, reduced training, recruitment and retention costs and healthier, more productive employees will have a positive effect on the industry and outweigh the cost of a levy. Further, the experience in the Australian Capital Territory following the introduction of the Community Sector Industry Long Service Leave Portable Scheme eight years ago has been that the scheme has proven valuable and has contributed positively to the industry.

Additionally, it is considered that Option 3 - Legislate a mandatory PLSL scheme for the Queensland SACS sector with the existing statutory authority QLeave, to administer the scheme – is the preferred option as it is most likely to provide the highest net benefit to the industry, government and the community.

---

[27] Portable Long Service Leave Scheme for the Cleaning Industry In Queensland – Report on Initial Funding 2005

[28] Victorian Government, *Victorian Government response to the Victorian Parliamentary Economic, Education, Jobs and Skills Committee inquiry into portability of long service leave entitlements*, 23 November 2016. https://www.parliament.vic.gov.au/images/stories/committees/eejsc/Victorian_Government_response_to_the_Economic__Education__Jobs_and_Skills_Committee_inquiry_into_portability_of_long_service_leave_entitlements_0mPbGwfN.pdf

While the precise levy is to be determined through a detailed actuarial study it is envisaged that the levy be set between 1.5 and 2%, comparable with the ACT scheme and the Victorian Government proposal.

The need for a PLSL scheme for the SACS sector is primarily a consequence of high employee mobility within the sector and the institutionalised nature of insecure work with an individual employer within the industry that has led to diminished access to long service leave by SACS workers. Existing legislative requirements, which only recognise service with a single employer rather than within the industry, have not been effective in ensuring workers in the SACS sector benefit from long service leave.

A PLSL scheme for the Queensland SACS sector is anticipated to have significant benefits for workers and employers.

Examination of the impacts of the introduction of a PLSL scheme for the social and community services sector in the ACT and the proposed scheme currently before the Victorian Parliament give further encouragement to the introduction of similar scheme in Queensland.

While establishing and administering a centralised PLSL scheme may involve higher costs to employers, at least in the early stages of the scheme being developed, these costs are outweighed by benefits spread across the industry and community in terms of likely improved worker attraction, retention and productivity. Efficiencies will also flow from streamlined administration using an existing and experienced statutory authority, QLeave, to administer the scheme.

7.1 Is the recommended option consistent with COAG competition principles and Queensland's fundamental legislative principles?

The Queensland Government Guide to Better Regulation[29] requires that the recommended option in a consultation paper of this nature should be consistent with:

- clause 5 of the Council of Australian Governments' (COAG's) 1995 Competition Principles Agreement[30]; and
- Section 4 of the Queensland *Legislative Standards Act 1992*.

7.2 Consistency with competition principles

The COAG Competition Principles Agreement requires that proposed legislation should not restrict competition unless:

1. it can be demonstrated that the benefits of doing so outweigh the costs; and
2. the policy objective can only be achieved by restricting competition.

The proposal to mandate that SACS sector employers and employees participate in a PLSL scheme is likely to impose a cost on businesses and therefore raise a barrier to entry to restrict competition. However, it is demonstrated that employers' costs are offset by the benefits of improved attraction and retention of skilled and experienced workers as well as to generate benefits to the wider community, with improved care services available as a consequence of better attraction and retention of workers.

[29] Queensland Treasury, *The Queensland Government Guide to Better Regulation*, 2016, p. 15. https://s3.treasury.qld.gov.au/files/guide-to-better-regulation.pdf
[30] See the website of COAG at https://www.coag.gov.au/about-coag/agreements/competition-principles-agreement

While the investigation of the introduction of a PLSL scheme in the SACS industry considered whether the policy objective of improving access for SACS workers to long service leave could be provided by industry as a voluntary initiative, it was found to be unlikely. A voluntary PLSL scheme would most likely result in some businesses benefiting (as free-riders) without participating in the scheme.

The COAG Competition Principles are considered as satisfied. Mandating a PSLS scheme through legislation is the only way to achieve the desired objective, and the economic benefits of passing such legislation are anticipated to outweigh costs.

7.3 Consistency with fundamental legislative principles

The meaning of 'fundamental legislative principles' is set out in the Queensland *Legislative Standards Act 1992*, which states that legislation should have sufficient regard to:

1. the rights and liberties of individuals;
2. the institution of Parliament.

Having sufficient regard to the rights and liberties of individuals may depend on whether the legislation:

- ensures access to review of administrative decisions;
- is consistent with natural justice;
- allows administrative powers to be delegated only to appropriate persons;
- does not reverse the onus of proof in criminal proceedings;
- confers search and seizure powers only with a warrant;
- provides appropriate protection against self-incrimination; and
- does not have adverse retrospective impacts; and
- is drafted in clear and precise language.

Having sufficient regard to the institution of Parliament may depend on whether the legislation:

- subjects delegated legislative powers to the scrutiny of the Legislative Assembly; and
- authorises the amendment of an Act only by another Act.

Based on the existing precedents in the building and construction and contract cleaning schemes, a portable long service leave scheme for the social and community services sector can have sufficient regard to both the rights and liberties of individuals; and the institution of Parliament.

8.0 How would the recommended option be implemented, administered and evaluated?

8.1 Implementation

Implementing the recommended option will require the development of legislation and planning, including a detailed actuarial study to quantify the financial expectations of the scheme. Subject to Government consideration it is anticipated that a PLSL scheme in the SACS industry could be in place in this term of the Government (i.e. by November 2020).

It is anticipated that the Office of Industrial Relations will have operational responsibility for this work and will consult with stakeholders in industry, the community and government to develop the legislative scheme and implementation plan.

Careful consideration will be given for transitional arrangements in the legislation, particularly to ensure the orderly establishment of the scheme and appropriate recognition of relevant employee service. Matters such as retrospective service and any potential agreements regarding the payment of long service leave to workers engaged in the SACS industry in other jurisdictions would be determined in advance of the legislative process.

Under the preferred option, subsequent to passage of the legislation, key responsibility for the PLSL scheme would shift to QLeave. It is anticipated that QLeave will undertake detailed implementation planning and development of governance and administrative arrangements, with it also being responsible for coordinating the deployment of the required staff and office facilities, computer systems, formal authorisation of officers and other organisational requirements. A comprehensive risk management plan will also be prepared to ensure adequate treatment of risks associated with actuarial and financial management of the scheme, the handling of the personal information of scheme participants, data and physical security.

The adequacy and workability of the preferred option will be evaluated through ongoing consultation with stakeholders.

8.2 Administration, compliance and enforcement

Subject to stakeholder consultation and government's consideration it is considered that the PLSL scheme envisaged in the preferred option would likely be implemented and administered through QLeave. QLeave would be responsible for putting in place the necessary elements of a governance framework for portable long service leave, including appointment of directors and provision of executive staff. As is the case with other schemes, it would operate on the basis of regular returns by employers and payment of levies to QLeave. QLeave would keep track of service credits accumulated by workers and make payments once workers reached the long service leave service requirement within the social and community services sector. The actuarial estimates underpinning the levy rate would require regular review and, if necessary, adjustment of the rate. Actuarial reviews could occur every two or three years or as considered appropriate for the efficient operation of the scheme.

As noted, QLeave would be responsible for appointment of appropriate persons to be authorised officers, as well as oversight of the compliance powers of these officers. QLeave would also be responsible for engaging agents for other enforcement purposes such as debt collection, where required.

The key milestones for the implementation of the preferred option are considered to be:

- Acomprehensive consultation process, including this Consultation RIS.
- Further investigation into the feasibility of portable long service leave via an actuarial study.
- The introduction, passage and assentof a Bill so that a portable long service leave scheme for the social and community services sector may be established and commence.
- The making of the necessary Regulation to support the primary legislation.
- The Social and Community Services Industry (Portable Long Service Leave) Authority (trading under the name QLeave) established by the Bill will be responsible for the implementation of the new Act.
- A public awareness campaign to provide information on the new scheme.

The Office of Industrial Relations will conduct a comprehensive risk analysis upon the Government's consideration and endorsement of its preferred option.

8.3 Monitoring, evaluation and review

A PLSL scheme for the social and community service industry is subject to government consideration and as such a monitoring and evaluation framework has not yet been developed. Consultation will continue with stakeholders over the intervening period.

Table of legislation, awards and other instruments

Aged Care Award 2010 (Federal). https://www.fwc.gov.au/documents/documents/modern_awards/award/ma000018/default.htm

Amusement, Events and Recreation Award 2010 (Federal). https://www.fwc.gov.au/documents/documents/modern_awards/award/ma000080/default.htm

Building and Construction Industry (Portable Long Service Leave) Act 1991 (Queensland). https://www.legislation.qld.gov.au/view/html/inforce/current/act-1991-090

Children's Services Act 1996 (Victoria). http://www.legislation.vic.gov.au/Domino/Web_Notes/LDMS/PubStatbook.nsf/f932b66241ecf1b7ca256e92000e23be/68cd709894c56b2fca256e5b00213b3b/$FILE/96-053a.pdf

Children's Services Award 2010 (Federal). https://www.fwc.gov.au/documents/documents/modern_awards/award/ma000120/default.htm

Clerks–Private Sector Award 2010 (Federal). https://www.fwc.gov.au/documents/documents/modern_awards/award/ma000002/default.htm

Coal Mining Industry (Long Service Leave) Administration Act 1992 (Commonwealth). https://www.legislation.gov.au/Details/C2016C00317

Community Services and Crisis Assistance Award - State 2008 (Queensland) (expired). http://www.qirc.qld.gov.au/resources/pdf/awards/q/q0080_160211.pdf

Community Services Long Service Leave Bill 2010 (Victoria). http://www.legislation.vic.gov.au/domino/Web_Notes/LDMS/PubPDocs_Arch.nsf/5da7442d8f61e92bca256de50013d008/CA2570CE0018AC6DCA2577C10081C6A1/$FILE/561333bi1.pdf

Contract Cleaning Industry (Portable Long Service Leave) Act 2005 (Queensland). https://www.legislation.qld.gov.au/view/html/inforce/current/act-2005-021

Council of Australian Governments Competition Principles Agreement 1995. https://www.coag.gov.au/about-coag/agreements/competition-principles-agreement

Educational Services (Schools) General Staff Award 2010 (Federal). https://www.fwc.gov.au/documents/documents/modern_awards/award/ma000076/default.htm

Educational Services (Teachers) Award 2010 (Federal). https://www.fwc.gov.au/documents/documents/modern_awards/award/ma000077/default.htm

Fair Work (Commonwealth Powers) and Other Provisions Act 2009 (Queensland). https://www.legislation.qld.gov.au/view/html/inforce/current/act-2009-049

Fair Work Act 2009 (Commonwealth). https://www.legislation.gov.au/Details/C2017C00288

Fitness Industry Award 2010 (Federal). https://www.fwc.gov.au/documents/documents/modern_awards/award/ma000094/default.htm

Health Professionals and Support Services Award 2010 (Federal). https://www.fwc.gov.au/documents/documents/modern_awards/award/ma000027/default.htm

Health Services Act 1988 (Victoria). http://www.legislation.vic.gov.au/domino/Web_Notes/LDMS/LTObject_Store/ltobjst10.nsf/DDE300B846EED9C7CA257616000A3571/8DFB366AB1E0A42BCA258175007A8221/$FILE/88-49aa154%20authorised.pdf

Industrial Relations Act 1999 (Queensland) (repealed). https://www.legislation.qld.gov.au/view/html/repealed/current/act-1999-033

Industrial Relations Act 2016 (Queensland). https://www.legislation.qld.gov.au/view/html/inforce/current/act-2016-063

Labour Market Assistance Industry Award (Federal). https://www.fwc.gov.au/documents/documents/modern_awards/award/ma000099/default.htm

Legislative Standards Act 1992 (Queensland). https://www.legislation.qld.gov.au/view/html/inforce/current/act-1992-026

Long Service Leave (Portable Schemes) Act 2009 (ACT). http://www.legislation.act.gov.au/a/2009-25/current/pdf/2009-25.pdf

Long Service Leave Act 1976 (ACT). http://www.legislation.act.gov.au/a/1976-27/current/pdf/1976-27.pdf

Nurses Award 2010 (Federal). https://www.fwc.gov.au/documents/documents/modern_awards/award/ma000034/default.htm

Road Transport and Distribution Award (Federal). https://www.fwc.gov.au/documents/documents/modern_awards/award/ma000038/default.htm

Social, Community, Home Care and Disability Services Industry Award 2010 (Federal). https://www.fwc.gov.au/documents/documents/modern_awards/award/ma000100/default.htm

Supported Employment Services Award (Federal). https://www.fwc.gov.au/documents/documents/modern_awards/award/ma000103/default.htm

Victorian Early Childhood Teachers and Assistants Agreement 2009. http://cpsg1.webs.com/VECTAA-20final-20171109-20-282-29.pdf

Victorian Early Childhood Teachers and Educators Agreement 2016. https://elaa.org.au/sites/default/files/VECTEA%20Final%20Version.pdf

Victorian Long Service Benefits Portability Bill 2018

http://www.legislation.vic.gov.au/domino/Web_Notes/LDMS/PubPDocs.nsf/ee665e366dcb6cb0ca256da400837f6b/f4e99038781c7169ca25825d007276c3!OpenDocument

References

ACT Long Service Leave Authority, *2015-2016 Annual Report*, 2016. http://www.actleave.act.gov.au/files/annualreports/annualreport2016.pdf

Australian Bureau of Statistics, 2016 Census, *2016 Census of Population and Housing*, ABS Table Viewer, multiple Geographical areas used (viewed in 2017-18)

Australian Bureau of Statistics, 2018, 2015-2017 Job, Mobility & Qualifications Data, Customised Report (unpublished data)

Cairncoss and Waller, (2004) 'Not Taking Annual Leave: What could it cost Australia?' Journal of Economic and Social Policy, Volume 9, Issue 1, Article 3

Deloitte Access Economics, *Forecasting the future: Community Services in Queensland 2025*, 2016. https://www2.deloitte.com/content/dam/Deloitte/au/Documents/Economics/deloitte-au-forecasting-future-community-services-qld-010416.pdf

Mellon Human Resources & Investor Solutions, Proposed Portable Long Service Leave Scheme for the Cleaning Industry in Queensland, Report on Initial Funding, 2005

McKell Institute, *The Case for a National Portable Long Service Leave Scheme in Australia*, 2013. https://mckellinstitute.org.au/app/uploads/McKell_Portable_LongService.pdf

National Disability Insurance Agency, *Market Position Statement, Queensland*, 2016. https://www.ndis.gov.au/html/sites/default/files/documents/Market%20Position%20Statement/FINAL%20QLD%20MPS.pdf

Norton, Marion, *The Queensland Community Sector 2010*, Queensland Council of Social Services, 2010. http://www.communityinfo.org.au/uploads/2/2/0/0/22009942/community_services_secto_2010_051110.pdf

Parliament of Victoria, Economic, Education, Jobs and Skills Committee, *Inquiry into portability of long service leave entitlements*, 2016. https://www.parliament.vic.gov.au/eejsc/inquiries/article/2560

QLeave, 16/17 *Annual Report: Building and Construction Industry (Portable Long Service Leave) Authority*, 2017. https://www.qleave.qld.gov.au/__data/assets/pdf_file/0007/2401/QLeave-Annual-Report-2016-17.pdf

QLeave, *16/17 Annual Report: Contract Cleaning Industry (Portable Long Service Leave) Authority*, 2017. https://www.qleave.qld.gov.au/__data/assets/pdf_file/0008/2402/Contract-Cleaning-Industry-Portable-Long-Service-Leave-Authority-Annual-Report-2016-17.pdf

Queensland Treasury, *The Queensland Government Guide to Better Regulation*, 2016. https://s3.treasury.qld.gov.au/files/guide-to-better-regulation.pdf

Victorian Government, *Victorian Government response to the Victorian Parliamentary Economic, Education, Jobs and Skills Committee inquiry into portability of long service leave entitlements*, 23 November 2016. https://www.parliament.vic.gov.au/images/stories/committees/eejsc/Victorian_Government_response_to_the_Economic__Education__Jobs_and_Skills_Committee_inquiry_into_portability_of_long_service_leave_entitlements_0mPbGwfN.pdf

Attachment A – Portability of long service leave in States and Territories

Portability of long service leave in other jurisdictions

In addition to building and construction and contract cleaning, portable schemes for the coal mining, waste management and security industries also exist in other Australian jurisdictions. The following table lists the existing schemes.

Portable Long Service Leave (PLSL) Schemes in Australia

Table 1: Portable Long Service Leave (PLSL) Schemes in Australia

Jurisdiction	PLSL Scheme	Commencement	Key Legislation
NSW	Building and Construction	1986	Building and Construction Industry Long Service Payments Act 1986,
	Contract Cleaning	2011	Contract Cleaning Industry (PLSL Scheme) Act 2010
ACT	Building and Construction	1981	Long Service Leave (Portable Schemes) Act 2009
	Contract Cleaning	1999	Long Service Leave (Portable Schemes) Act 2009
	Community Services	2010 2016 Aged Care	Long Service Leave (Portable Schemes) Act 2009
	Security	2012	Long Service Leave (Portable Schemes) Act 2009
	Waste Management	2016	Long Service Leave (Portable Schemes) Act 2009
QLD	Building and Construction	1992	Building and Construction Industry (PLSL) Act 1991
	Contract Cleaning	2005	Contract Cleaning Industry (PLSL) Act 2005
VIC	Building and Construction	1976	Construction Industry Long Service Leave Act 1997
SA	Building and Construction	1987	Construction Industry Long Service Leave Regulations 2003
WA	Building and Construction	1986	Construction Industry Portable Paid Long Service Leave Act 1985
TAS	Building and Construction	1971	Construction Industry (Long Service Leave) Act 1997
NT	Building and Construction	2005	Construction Industry Long Service Leave and Benefits Act 2005
Commonwealth	Coal Mining	1949	Coal Mining Industry (LSL) Administration Act 1992

Levies payable in relation to existing portable long service leave schemes

Table 2: Levies payable in relation to existing portable long service leave schemes

State	Portable Long Service Leave Scheme	Levy
NSW	Building and Construction	0.35 percent of the value of building and construction work where the cost of building is $25,000 or more
	Contract Cleaning	1.7 percent of total remuneration
ACT	Building and Construction	2.1 percent of ordinary wages (no levy on apprentices)
	Contract Cleaning	1.2 percent of ordinary wages
	Community Services	1.2 percent of ordinary wages
	Security	1.07 percent of ordinary wages
	Waste Management	1.2 percent of ordinary wages
QLD	Building and Construction	0.475 percent of total of all costs relating to construction work (if over $150,000)
	Contract Cleaning	0.75 percent of ordinary wages
VIC	Building and Construction	2.7 percent of every workers' ordinary rate of pay
SA	Building and Construction	2.15 percent of total remuneration paid
WA	Building and Construction	1.2 percent of ordinary rates of pay for all workers (except apprentices)
TAS	Building and Construction	1.8 percent of ordinary pay (or 2.5 percent if paid after the due date)
NT	Building and Construction	0.1 percent of cost of project for work started on or after 7 April 2014 (if work $1 million or more). 0.3 percent for work between 1 April 2012 and 6 April 2014 (if work $200,000 or more)
Commonwealth	Coal Mining	2.7 percent of eligible wages paid

Attachment B - Further assessment of the incremental net benefits of Options 2 and 3 including a table of comparative costs.

Below is a comparative table of quantifiable costs and benefits for retaining the status quo (Option One) compared with introducing some form of portable long service leave for the SACs sector (as proposed under either Option Two or Optiion Three).

The table and the explanatory analysis that follows provide detail on the relative costs and benefits of administering long service leave entitlements under the three proposed options. These calculations and analysis indicate that Option Two and Option Three have a net benefit over Option One. In other words, the portability of long service leave entitlements proposed under Option Two or Option Three could be considered as preferable because of the increase in the annual net economic benefit.

Table 3: Comparative Table of Costs and Benefits for Option Two

Quantifiable Costs and Benefits per annum	**Option One (Base Case)**		**Options Two & Three relative to Option One**	
(per annum)	*Costs ($M)*	*Benefits ($M)*	*Costs ($M)*	*Benefits ($M)*
Long Service Leave/ Levies – min	15.166		21.634	
Long Service Leave / Levies – max	20.928		22.772	
Investment of levies - min		0.152		0.584
Investment of levies - max		0.209		0.665
Scheme Administration - min			2.300	
Scheme Administration - max			6.900	
LSL Benefits available to be paid to workers - min		15.318		21.634
LSL Benefits available to be paid to workers - max		21.137		22.772
Removal of employer reporting obligation - employer savings				0.489
Productivity and wellbeing benefit from a Portable LSL scheme – 2,250 workers @$0.01 million pa				22.500
Productivity and wellbeing benefit from a Portable LSL scheme – 1,750 workers pa				17.500
Net Economic Benefit				
minimum ($M) per annum	**$**	**-**	**$**	**11.953**
maximum ($M) per annum	**$**	**-**	**$**	**21.601**

Descriptive analysis

Administrative and productivity impact on employers

It is reasonable to assume that portability of long service leave will increase the number of workers who are able to access the entitlement. Accordingly, incremental costs and benefits will apply. Annual payments of long service leave entitlements to workers in the SACS sector are assessed currently to be between $15.3 million to $21.15 million, and $21.634 million to $22.772 million under the proposed portable arrangements.

Payments held by an employer towards funding the long service leave entitlement could also be invested, although it is reasonable to assume that the fragmented and variable quality of investments used by individual employers would result in a lesser return on investment overall. Assuming a net investment return of 1 percent, an allocation of approximately $0.152 million to $0.209 million is provided. [31] Equally, a conservative net investment return under Options Two or Three, with returns exceeding wages growth by 2%) will render $0.584 million to $0.665 million. [32]

It can be assumed that the 'overall' direct administration costs for employers to manage the long service leave entitlements of their staff would be higher under Option One than for Options Two and Three and that the same would apply to a consolidation of these costs over the entire industry. These direct costs would include:

- long term record keeping of hours worked and management of employee enquiries and access to information;
- making risk assessments about future entitlements and how much money is required to fund them; and
- managing and investing money put towards funding entitlements.

On the other hand, employers would be subject to the reporting obligations that would be required by the administering authority under Option Two or Option Three.

Using an assumption for administrative time per year per employee of approximately 30 minutes in Option One, the employer cost savings for Option two or three are assessed as $490,000.

In addition to administrative impact of long service leave entitlements, the study by Cairncross and Waller highlights that people who take leave are generally more productive and less stressed. As such, Table 3 shows an additional productivityand wellbeing benefit from a portable long service scheme.

On the assumption of an additional 1750 to 2250 workers will have access to long service leave as a consequence of the introduction of portability (it has been estimated 3,500 to 4,500 workers annually will have access to long service leave, refer page 21 of this report) and an employer receives a $10,000 productivity and wellbeing benefit per employee who accessses long service leave, the sector wide annual benefit for all employers is estimated to be $17.5 to $22.5 million per annum.

<u>Administration of entitlements by scheme authority</u>

Portable long service leave schemes have establishment and administration costs relative to revenue and scheme benefits. As such it is essential that a portable long service leave scheme for the social and community services industry be established and administered efficiently. It is anticipated that, by leveraging existing QLeave infrastructure and experience, levy costs would be lower under Option 3.

It is likely that by using existing QLeave infrastructure, systems, staff, software, etc will further reduce the administrative burden and cost of a portable long service leave scheme.

[31] It should be noted that these figures are using a single year to illustrate the financial characteristics of a long term investment. They are indicative. Further the McKell methodology is an estimate that uses assumptions.
[32] McKell; Section 5 p. 18