

12/10/2018

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



To the Office of Industrial Relations.

SUBMISSION: Responding to the Consultation Regulatory Impact Statement Investigating the Introduction of a Portable Long Service Leave Scheme for the Social and Community Services Sector in Queensland

Queensland Alliance for Mental Health (QAMH) is pleased to provide this submission to the Office of Industrial Relations.

QAMH is the peak body for the community mental health sector in Queensland. We represent more than 140 organisations and stakeholders involved in the delivery of community mental health services across the state. We work with our members to build capacity, promote professionalism in the sector and to advocate on their behalf on issues which impact their operations and people experiencing mental health issues in our community.

Our members are supportive of measures which provide benefits to their workforce and, undoubtedly, a portable long service leave (PLSL) scheme would provide a range of benefits to workers in the social and community services (SACS) sector. However, there remain a number of issues and questions that need to be addressed before we can fully comment on a PLSL scheme in Queensland. **It is the position of the QAMH that further consultation is required to discuss the potential impacts of the scheme with service providers.** We do not believe enough time has been allowed for organisations, who are under enormous pressures, to fully participate in this discussion. From the responses we have received, organisations want further information on the financial and administrative costs of a PLSL scheme (this is outlined further below).

We believe further information is required in the following areas:

- A detailed actuarial study to fully quantify the costs and determine pricing arrangements;
- Consultation to help organisations understand the administrative requirements of a PLSL scheme;
- Information about how retrospective service will be determined and how these costs will be accounted for;
- The issue of continuous service and breaks from the sector;
- How fringe benefits tax concessions will be managed under payment of long service leave entitlements; and
- Consultation to mitigate against the pressures providers delivering services under the NDIS are facing.

“Strong, inclusive and resilient mental health communities.”

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QAMH will limit our feedback to certain aspects of the Consultation Regulatory Impact Statement (RIS).

Benefits

As highlighted in the Consultation RIS the potential benefits of a PLSL scheme include:

- Improving access to long service leave for workers;
- Improving the wellbeing and productivity of workers who operate in a high-stress industry, by giving them access to an extended break period;
- Potentially reducing recruitment costs, as more workers are inclined to stay in the sector;
- Assisting in alleviating workforce pressures by making employment in the SACS sector more attractive; and
- Reducing risks associated with managing LSL entitlements and employee burnout.

These benefits are reflected in the views of an employer representative from the ACT, where a scheme was established in 2010:

Overall, I think it has been a really smooth transition; it certainly cost more, it does. But in terms of what the benefits are, they outweigh all the obvious costs... 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.

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From the feedback QAMH has received, it is clear providers identify the potential benefits to workers in adopting a PLSL scheme. QAMH members would welcome an opportunity to discuss these benefits in further detail in the future, to get a full understanding of a PLSL scheme.

Costs

As highlighted in the Consultation RIS, Options 2 and 3 will come at a cost to service providers:

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.

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It is important for organisations to understand what these costs are likely to be. The impact on organisations will depend on the size of the levy. As identified above, even if the levy amount reduces over time, there is going to be an additional start-up cost. As noted in the Consultation RIS, **the sector is already operating on narrow margins** (page 13). Many providers are facing additional financial pressures under the NDIS pricing model. Any further costs could have a significant impact on businesses at a time when they can least afford it.

Another issue which has not been properly reflected in the Consultation RIS is the absolute liability that a PLSL scheme creates for organisations. Community agencies makes provisions for entitlement liabilities contingent on a service threshold being met. Where employment ends prior to the threshold being met, the monies remain with the community agency. A portable scheme would obligate payment from the first day of employment and



create an absolute liability. Entitlement liabilities are often invested by community agencies in savings accounts, where the financial return assists in the financial administration of entitlements, until such time as the provision becomes payable. A Portable LSL scheme would significantly disadvantage community agencies from receiving a financial return on this investment.

In relation to administrative costs:

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.

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It is our experience that the likely administrative costs would be closer to \$30-\$35 per hour. At \$35 per hour the administrative cost to the industry could be as high as \$1 million annually (based on the modelling used at page 23 of the Consultation RIS).

QAMH highlights these issues because they are fundamental to this discussion. It is clear that further information is required to give providers a complete picture of what a PLSL scheme in the SACS sector would mean for them. It's also clear that there needs to be a **discussion about transitional arrangements** and a **potential financial assistance package** for employers should a PLSL scheme for the SACS sector be introduced.

Other issues

It is important to reflect on the environment SACS service providers are currently facing. The transition to the NDIS has been a significant challenge for the entire sector. Many providers have had to invest significant amounts of money in new infrastructure and new human resources systems.

This issue was identified in McKinsey and Co's Independent Pricing Review:

Moving to a unit-funded, consumer-driven environment has required providers to employ new staff to process payments and invest in IT systems and marketing. Some providers estimate that these costs have added 1.5% to their annual expenditure.

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This issue was also explored in the recently released Joint Standing Committee on the NDIS report on Market readiness for the provision of services under the NDIS:

The committee was troubled to hear that many service providers were unable to operate even moderately profitably under NDIS pricing. The committee continued to hear that NDIS pricing is hindering market development and growth. More concerning is that, in some instances, pricing has led to service providers discontinuing services to NDIS participants.

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NDIA pricing assumptions do not take account of state specific additional costs on service providers. In relation to NDIS-funded services, a PLSL scheme in Queensland could impose state-based costs on what is a Federally funded scheme. This issue is not reflected in the Consultation RIS and needs to be further explored in future analysis.

The challenges facing NDIS providers are not only financial. From 1 July 2019, providers in



Queensland will also have to comply with a new accreditation framework set by the Quality and Safeguards Commission. This is another huge transitional change which providers must adapt to.

It is imperative that consideration of a PLSL scheme is reflective of these administrative and financial pressures. Any additional changes to the sector during this period of change need to be carefully considered, to ensure the wider industry impact is understood.

Specific issues raised by members in responding to Consultation RIS

In the short time available, QAMH has received some responses from members to the Consultation RIS (some, not all, feedback is outlined below). It is clear from the responses received more information is required to address issues raised:

- *This arrangement should not be implemented before 12 months or wide sector consultation and a sector-based committee be established to determine the viability of the scheme.*
- *This will be a financial burden to employers in the sector with no financial counter balance from government.*
- *The Consultation Regulatory Impact Statement provides some interesting benefits about the implementation of a portable LSL scheme... reality is that the costs have to be outlaid for some time before those benefits may be recognised. Comments such as retention of employees into the sector are not realistic as these are not the only factors that affect retention.*
- *A sliding scale should be applied to the levy based on organisational size.*
- *Under a PLSL Scheme NDIS providers would have to fund a levy which is not reflected in current NDIS pricing. NDIS pricing would need to change.*
- *A portable LSL scheme would significantly disadvantage community agencies from receiving a financial return on their investment.*
- *Funds raised by the government agency from interest and/or investment should be supplied back to not-for-profits as an annual dividend.*
- *Transitional funds should be made available to support organisations to manage their budgets.*
- *Why would a community agency hire a candidate who may exercise their right to an extended period of absence within weeks/months into their employment?*
- *Any LSL scheme needs to offer scope for flexible accrual and use by agreement between employees and community agencies to meet changing and diverse employee needs and priorities.*
- *It (a PLSL Scheme) clearly has implications for the sector. That said there is also clear need support workers.*

QAMH has provided these responses to highlight the diversity in issues. It is because of this diversity that we believe a detailed response to the issues raised in this submission is required to inform discussions on future directions.

The issues raised in this submission are not reflective of the QAMH's overall view of a PLSL Scheme. We have raised them because they need to be addressed before we can fully comment on a proposal to introduce a PLSL scheme for SACS workers in Queensland.



We would strongly recommend a further period of consultation following the below process:

- Broad and continued SACS sector consultation and education to identify implementation and operational considerations;
- Costings and actuarial modelling reflecting the options/scenarios identified during consultation phase;
- Further consultation following the completion of the actuarial modelling; and
- Final policy report to Government for consideration.

We would be happy to discuss any of these issues further with you in the future. Please do not hesitate to contact my office if you have any questions or require any more information.

Kind regards,



Kris Trott
Chief Executive Officer
Queensland Alliance for Mental Health

