

Portable Long Service Scheme – consultation on Permanent Regulations

Review of the Long Service Benefits Portability Interim Regulations

Introduction

Star Health welcomes this opportunity to provide a submission on the *Long Service Benefits Portability Regulations 2020 (draft Regulations)* and Portable Long Service Leave Benefits Scheme (the scheme).

We make this submission on the basis that the exclusion of health or related services (through a predominance test for some employers related to health or aged care work) is proposed to be deleted and replaced by a new proposed regulation 9(d).

The anticipated effect of regulation 9(d) is that a registered community health centre (as defined in section 3(1)(ab)) will fall within scheme scope for employees carrying out community services work. This means Star Health will be included in the scheme.

Principles

Star Health supports improving access to long service leave in the community services sector, noting that this brings benefits to both organisations and employees: through greater employee retention for employers and improved employment conditions for employees.

We understand that employees in the community services sector engaged on fixed-term contracts or with insecure or precarious employment have traditionally seen a lower utilisation of long service leave. Similarly, employees in the contract cleaning and security services sectors with changed employing entities, have also traditionally seen a lower accumulation of long service leave.

These sectors are understandable and legitimate focus for inclusion in the scheme, and Star Health both welcomes and supports this.

We would like to highlight that employees in Community Health at Community Health Centres already enjoy generous long service leave entitlements and portability of long service leave between employers.

Therefore, Star Health is seeking guidance on some matters related to compliance to the scheme and Star Health makes this submission with recommendations to facilitate such guidance.

Community Health Sector and Community Health

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Star Health is concerned about ambiguity in the scope of employees covered by the scheme. It is important to make a distinction between the community services sector and community health: these two are very different sectors from an employment conditions and regulation perspective.

Notwithstanding the benefits to employees in other sectors, Star Health is concerned that the inclusion of community service workers working Community Health may lead to detrimental employment outcomes for a significant cohort of our people.

Community Health Centres are unique when compared to other community services sector employers, and Star Health employees are engaged under nine Enterprise Agreements and derive a long service leave entitlement from Federal Instruments such as per-modern Awards, and there is an existing entitlement to long service leave portability.

Community Health - Existing Long Service Leave Portability Arrangements

Star Health employees whose employment is regulated by the *Community Health Centre (Stand Alone Services) Social and Community Service Employees Multi Enterprise Agreement 2017* currently have access to Long Service Leave Portability Arrangements across thirty (30) Community Health Centre employers.

These employees currently enjoy access to six months long service leave after 15 years continuous service, and by agreement, pro-rata leave may be taken where an employee has completed ten years' service.

These entitlements do not align with the State-based entitlement under the *Long Service Leave Act 2018 (Vic)*, meaning the quantum and accrual rate differ.

Cost Burdens

Star Health follows standard Accounting Practice, and we accrue for LSL during the life of employment, but with a key difference to the way we understand the scheme to operate with a fixed levy liability. We do not accrue on a fixed liability basis, but rather a scale of increasing liability commensurate to the period of tenure as tenure increases. This reflects both the employment relationship and commercial reality that at the upper end of tenure, there is a significantly higher probability of long service leave utilisation. As the levy payment is based on an effective assumption that all long service leave shall be taken, Star Health will have greater overall costs effectively paying all LSL in full. Additionally, there is a commercial loss of opportunity to retain cash and liquidity, against the ordinary period of long service leave accrual, as under the scheme we must 'pay out' CSW LSL from the first Quarter of employment.

Star Health are concerned with the timing of this scheme as any backdating with seriously impact on the financial health of the organisation and its ability to provide services at its current levels.

Compliance and Regulatory Burden

From our understanding of the draft regulations, Star Health will need to invest resources to enable compliance with the regulations.

Our current payroll system will not be able to manage the complexities generated by draft regulations. We anticipate the implementation of a replacement system will be in the vicinity of \$200,000 for an organisation of our size with an ongoing annual fee of \$30,000.

In addition to the software that will be required, there are additional costs associated with training of staff and added reporting and processing requirements. In addition, we envisage a significant burden in guiding employees through the changes and ensuring they are fully informed.

The complexities of the scheme will require some in-depth training or information sessions with employers to ensure full and accurate compliance. We seek an undertaking that this will be provided to employers in a timely manner.

In summary we respectfully submit that proposed changes, where registered community health centre fall within of the scheme, are not unwelcome however further guidance, clarity and support is required to assist Community Health Centre make the transition in a reasonable timeframe and manner that allows for a smooth and sustainable transition whilst avoiding business burden and any adverse impact on community health centres and its employees and clients.

Recommendations:

Recommendation 1(a): Star Health are seeking clarity on how the Portable Long Service Leave Authority wish us to manage the potential detrimental impact on employees.

Recommendation 1(b): Star Health are seeking further guidance and clarification on managing this conflict.

Recommendation 2: Star Health are seeking consideration of this additional cost impact and guidance on managing this cost burden without impacting on the sustainability of the service.

Recommendation 3: Star Health requests that additional funding be considered to cover both the transition and ongoing cost burden of the scheme on community health that will be running multiple arrangements.

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Recommendation 4: Star Health seeks training for all employers be delivered to assist providers to embed the scheme as ‘business as usual’ within workplace practice.

Your sincerely,



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