

Community Service Sector Update



16 September 2010



The Hon Lisa Neville MP

Dear friends and colleagues

I am pleased to provide you with an update on the Community Service Sector Portable Long Service Leave Scheme.

I thank you for the submissions you made to me in response to the PricewaterhouseCoopers report, and for your contribution to the various discussion groups that have contributed to the development of the Scheme. Today the Government is announcing our response to the report and introducing legislation to the Victorian parliament to establish the Scheme.

Why Victoria needs a CSS PLSL Scheme

A portable long service leave scheme for the community services sector (the CSS PLSL Scheme) will provide additional entitlements to an estimated 40,000 workers. The Scheme will support the sector in attracting and retaining a skilled workforce.

Portable long service leave has been strongly advocated for by the sector, for a considerable time, and the Victorian Government is introducing this Scheme in direct response to sector needs. The Scheme will deliver multiple benefits including improved attractiveness of community services roles, high retention rates across the sector and improved employment benefits to a low paid, predominately female workforce.

The Victorian Government remains strongly committed to implementing portable long service leave for the community services sector.

The PricewaterhouseCoopers (PwC) Report

In December 2009, PwC was engaged to review the proposed CSS PLSL Scheme, to ensure that sector issues were thoroughly tabled and considered during the final development stage of the Scheme.

The PwC Report confirms the merit of introducing PLSL for the sector and identifies the potential benefits for sector workers and employers of this important workforce initiative. The PwC Report also acknowledges employer concerns for managing the costs and administrative requirements of the Scheme.

I received submissions in response to the PwC Report from community sector organisations. Having considered the report and those submissions, the government has decided to accept 16 of the 25 recommendations. One is accepted in part, and another in principle. The remaining seven are not accepted.

A table detailing our response to each recommendation is provided at <http://www.dhs.vic.gov.au/pdpd/csif/>.

The 16 accepted recommendations have been incorporated into the Scheme's design and the enabling legislation.

Scope

The CSS PLSL Scheme will be compulsory, prospective and enabled by state legislation.

Community services sector employees included in the Scheme will be determined on a whole-of-organisation approach for not-for-profit, non-government organisations that employ workers delivering community services in Victoria.

There are a number of instances where this whole-of-organisation approach has been modified to account for exceptional circumstances – including the excision of those staff who provide community aged care services and the inclusion of community service staff employed in registered Community Health Centres.

Health, community aged care employees, and kindergarten teachers and assistants will be excluded from the Scheme. Kindergarten teachers and assistants have been excluded because they currently have access to retrospective entitlements that will not be available to them under the new PLSL Scheme, which only recognises prospective entitlements. Community aged care employees have been excluded because they provide services more closely aligned with health services, than community services.

Benefits

The CSS PLSL Scheme is an innovative policy, and the Victorian Government is one of the first to offer this entitlement to Australian community services sector workers.

The introduction of the Scheme will provide the opportunity to create a minimum data set of industry characteristics for the community services sector, and will enable more effective measurement and identification of benefits in the future.

The CSS PLSL Scheme will deliver improved employment conditions to workers. A portable long service leave scheme will, by improving employment entitlements, enhance career options in the sector. It is anticipated these improved worker entitlements will increase the benefits of working in the sector and will in the future lead to:

- Reduced recruitment costs for the sector, as workers become more inclined to enter and remain in community service roles, and
- Reduced training costs as the skills and experience of our community service workers are retained in the sector.

The Scheme will impact positively on the community broadly, through an increasingly capable, skilled, and stable workforce that will provide a high quality and effective service.

The Scheme will lead to increased employer benefits, assisting the community services sector to establish itself as a sector with competitive benefits.

Financing the Scheme

The Government understands the views of employers that the financing of the Scheme is a critical issue.

To finance the Scheme, employers will pay a levy set as a percentage of wages for each employee. The contribution levy to be paid by employers will be fixed at 1.6% of workers' wages. This comprises approximately 0.2% for the administration costs of operating the Scheme and a 1.4% levy for the costs of the workers' direct entitlements.

The Government has agreed to meet all establishment costs of the Scheme – that is, all costs which arise before the fund receives revenue from contributions made by employers. Such costs may include office space, initial staffing requirements and legal costs. These costs are estimated to be up to \$5 million. The fund will not retrospectively reimburse the government for those costs.

Additionally, to support employers in adjusting to the implementation of the new Scheme, the Government will provide an additional \$4 million to defray Scheme administration costs. This funding will be injected directly into the Scheme's central fund over the first three years of operation. As a consequence, the 0.2% administration levy described above will be reduced for the first three years.

Administration

To help overcome the additional complexity posed by the introduction of the Scheme, the Scheme Authority will give employers the option of outsourcing the administrative aspects of all of their long service leave obligations to the central fund.

Some community sector organisations experience difficulty in reliably administering their existing long service leave liabilities. The outsourcing of all long service leave administration, including the option to request that the Scheme manage over and above and out-of-scope employee entitlements, will provide organisations with the added benefit of having their long service leave accruals centrally managed.

The Scheme will manage these funds on a fee-for-service basis, and employers choosing to access this option will receive interest payments on moneys invested.

Review

To accurately gauge the impact of long service leave portability on the sector, the Scheme will be reviewed at regular five year intervals. This review will assess the extent that the Scheme has met the original policy objectives and determine whether refinements are required. Furthermore, the legislation provides for an independent actuarial review every three years after the commencement of the Scheme.

Next steps for the Scheme

Implementation of the Scheme is reliant on Commonwealth legislative change. The Commonwealth Government has signalled its intent to support the introduction of the Victorian CSS PLSL Scheme.

The next step is for an amendment to the Fair Work Act to be considered by the Commonwealth parliament.

Our legal advice indicates that once this amendment has been made, the Victorian parliament can then proceed to debate the enabling legislation. Once this legislation has been passed, there will be an 18 month period before the Scheme commences to ensure organisations have sufficient time to adjust to the new requirements before the first levy payment is required.



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Minister for Community Services

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