

3 August 2015

Ms Kerryn Riseley
Executive Officer
Economic, Education, Jobs and Skills Committee
Parliament of Victoria
Spring Street
EAST MELBOURNE VIC 3002

Dear Ms Riseley

Re. Inquiry into the Portability of Long Service Leave Entitlements

The Victorian Employers' Chamber of Commerce and Industry (VECCI) welcomes the opportunity to provide a submission to the Victorian Parliament's Economic, Education, Jobs and Skills Committee *Inquiry into the Portability of Long Service Leave Entitlements*.

As Victoria's leading business organisation, VECCI informs and services more than 15,000 members, customers and clients across the state, encompassing all industry sectors and spanning small, medium and large-sized businesses.

In VECCI's view, there is no merit in extending current arrangements relating to the portability of long service leave entitlements. To do so would have a significant negative impact on Victoria's competitive position and Victorian jobs.

Current economic conditions in Victoria are fragile. Our labour market is soft and unemployment, at 6 per cent, is just below a 15-year high observed at the end of 2014. Labour market weakness is even more pronounced in regional areas and among young Victorians. Victorian businesses, particularly small businesses, are facing difficult trading conditions including increased international competition, weak consumer confidence and rising direct and indirect business costs.

VECCI's key concerns in relation to extending the portability of long service leave entitlements are summarised overleaf:

- **It would increase the cost of labour without delivering any corresponding increase in productivity.** VECCI estimates that extending portable long service leave across the Victorian work force would result in employers incurring an additional cost of approximately \$84 million per annum¹. This is equivalent to approximately 1,500 jobs. Such an outcome would be contrary to the Victorian Government's commitment to grow jobs and support business.
- **It would result in additional indirect administration costs for employers.** Additional red tape would be imposed on businesses in the form of administering payments. Furthermore, the cash-flow and competitiveness of many businesses, particularly small business, would be negatively impacted by having to pay long service leave entitlements on a regular basis.
- **It would discourage employment, particularly among older Victorians.** There is a potential that portable long service leave schemes will create apprehension about employing people reaching their 7 or 10 year career tenure (depending on their qualifications).
- **It would create implementation difficulties.** Victorian businesses already find it difficult to determine the 'industry' they operate in for the application of some modern awards. If additional industry based portable long service leave schemes were to be introduced, this problem would be exacerbated and lead to greater confusion among employers.

Results from a recent *VECCI-Bank of Melbourne Survey of Business Trends and Prospects* show that Victorian employers do not have the capacity to absorb the costs associated with the extension of portable long service leave entitlements. Five-hundred VECCI members were asked what they would do if they had to contribute 2.7 per cent of their total gross wage bill to a central scheme that would pay long service leave once it was accrued. Almost 60 per cent of respondents indicated they would seek to reduce employee wages, benefits or hours. This highlights the detrimental impact an expansion in portable long service leave entitlements would have on Victorian jobs.

VECCI recognises that portable long service leave entitlements currently operate in some industries in Victoria and, as such, already represent a significant cost to employers. VECCI proposes that if existing schemes are to be reviewed, the Committee must clarify the scope and application of such schemes with the objective of reducing the administrative burden on employers.

Alternative models should also be considered. For example, if employees wish to make additional provision for their portable long service leave (beyond that met through current employer contributions) they should be able to do so through their own voluntary contributions.

¹ 2.7 per cent of the total Victorian annual wage bill (average weekly earnings, all employees), ABS Labour Force data, November 2014 and June 2015.

In summary, introducing additional business costs without any corresponding increase in productivity would be detrimental to employment and counterproductive to the Victorian Government's objective of creating jobs. VECCI therefore opposes any extension of portable long service leave entitlements.

We would welcome the opportunity to discuss these issues with you in further detail if required.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mark Stone', with a large, stylized flourish at the end.

Mark Stone
Chief Executive