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Executive Officer  
Economic, Education, Jobs & Skills Committee  
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Dear Executive Officer

**Subject: Inquiry into Portability of Long Service Entitlements**

**Preamble:**

1. You have indicated that you are conducting an inquiry into employer schemes that provide portability of long service leave entitlements for Victorian workers, as they move between jobs, in the same or similar industries.
2. You have outlined those areas in which you will concentrate your investigations to;
  - (i) Sectors that may benefit from such portable long service leave schemes
  - (ii) The role of Government in facilitating such schemes
  - (iii) The capacity to operate schemes in both Victoria and nationally, and
  - (iv) The impact of such schemes on employment.
3. The Australian Public Transport Industrial Association (APTIA) seeks to make a submission, on behalf of its membership at large.
4. To this extent APTIA has conducted a survey of its membership (substantially Victorian based) to seek an industry perspective, concerning the issues raised by the Committee.
5. The survey sought answers to the following questions, over a period of five years;
  - (i) The percentage number of employees employed each year?
  - (ii) The percentage number of employees, who leave their employment, each year, and
  - (iii) The breakup of employees, who leave under 5 years, 5 and 10 years and after 10 years.

**The Industry:**

6. The Australian Public Transport Industrial Association (APTIA) is the industrial arm of the **Bus Industry Confederation (BIC)**, which is the peak representative body for bus and coach

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operators, bus and coach chassis suppliers and body manufacturers and other associated suppliers.

7. BIC and APTIA members employ over 30,000 persons of whom 75% are bus or coach drivers and who are impacted by the **Passenger Vehicle Transportation Award 2010 (PVTA)**.
8. Bus and Coach Operators vary according to where they operate. For instance, in the large capital cities of Australia, larger bus operators employ anything between 100 employees to 1,000 employees. However in rural areas which makes up the bulk of the industry a large bus operator, operating in a country town would employ no more than 20 to 30 employees, whilst the smaller remote school bus operators would employ no more than 2 or 3 employees.
9. The trend of the survey undertaken by APTIA has shown that larger bus operators would employ up to 15% new staff each year and lose approximately a similar percentage each year for a variety of reasons. In a majority of cases (i.e. up to 70% of those employees, who leave, have been employed for less than 5 years).
10. In rural or outer metropolitan areas of Australia the number of employees who leave their employer is very low (i.e. between 2% and 5%). In most cases employees are casual employees, undertaking remote school bus services.
11. In any event over 90% of all bus services in the metropolitan areas, the outer metropolitan areas, country towns and regions are services purchased by state or territory governments by way of contracts for service. The various state and territory governments fund these services and therefore any portable long service leave scheme funded by the employer would be an additional cost to government and which, given the budgetary pressures, would see reductions in services or infrastructure, if additional costs were placed upon the transport task.

#### General Comments:

12. APTIA has the view that long service leave is a reward for service with a particular employer in a very labour intensive industry. It should not be a right but earned as part of a reward for service in which employees can enjoy recreation and renewal in their employment.
13. In any event, it is APTIA's view that any consideration of a portable long service leave scheme for the passenger transport industry should be a national discussion, especially given that their labour intensive industry is governed by federal industrial relations laws. State schemes are not appropriate and some employees in the passenger transport industry work across state and territory boundaries in providing long distance services.
14. APTIA is of the view that the passenger transport industry is not an industry in which there is significant turnover of staff in which the right to long service leave should become portable. APTIA considers long service leave should remain a reward for service and provide a recreation benefit to employees.
15. APTIA has outlined below the significant additional cost to government and the employer if such a scheme was introduced in the passenger transport industry. APTIA has also raised issues about the administration of such a scheme as it would apply to the passenger transport industry.

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## Specific Criteria

### 16. Sectors that may benefit from such portable long service leave schemes

- (i) APTIA does not hold the view that there is a need to have a portability long service leave scheme in the passenger transport industry sector.
- (ii) In the construction industry, in which portable long service leave has been introduced in some jurisdictions, employees can move from project to project and don't achieve the requisite period of employment with any one employer.
- (iii) This is not the case in the passenger vehicle transport industry.
- (iv) A recent survey by APTIA shows that the turnover of employees in large employers within the industry is low by industry standards and that in the majority of rural areas turnover is negligible.
- (v) Because the passenger transport industry is funded in most cases where there are route and school services through Government service contracts, any additional costs associated with a portability scheme would have to be absorbed into existing transport budgets with a potential to reduce services or even reduce infrastructure spending.

### 17. The role of Government in facilitating such schemes

- (i) In the passenger transport industry the government would either be required to directly fund the scheme as part of service contracts negotiated with service providers.
- (ii) Government would be called upon to introduce regulations for the management of such a scheme which would include eligibility criteria, the value and timing of employee entitlements and provisions to resolve disputes arising from the application of the scheme.
- (iii) Such a scheme would add a significant new layer of costs to the total transport budget, which would impact on other areas such as services and infrastructure investment. It would also add another layer to the bureaucracy.

### 18. The capacity to operate schemes in both Victoria and nationally

- (i) It is counterproductive to operate different schemes state by state and nationally. Passenger Transport is being regulated more and more at a national level with national industrial relations, work, health and safety and a national heavy vehicle regulator.
- (ii) The dialogue regarding long service leave portability should be limited to a national discussion, especially for those industries, which operate nationally.

### 19. The impact of such schemes on employment

- (i) APTIA has concerns about the costs impacts for employers from such schemes. An employer, for instance, might contribute to a scheme by way of a percentage of wages and then find that an employee leaves after three years to move into a completely different industry. Such an employee would be ineligible for the benefits of the scheme.

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- (ii) What happens to the contributions made by the employer in the above example? Do the contributions stay in the fund to be offset against other contributions to be made by the employer or are they simply refunded along with the interest accrued to the fund or are they just lost to the system?
- (iii) APTIA also highlights an employee who has worked a short period for one employer but has accumulated under a portable scheme over 10 years service and wishes to take long service leave. The current employer is disadvantaged because, given that long service leave is payable at the rate of the day, then previous employers would not have contributed equally to the scheme when the employee takes the leave.
- (iv) Such an example would cause a reduction of income to the system, e.g. accruals are made on the wage of the day whilst long service leave is paid at the wage at the time of taking the leave.
- (v) An employer in the above example would also have to employ additional persons to carry out the work of the employee taking leave, probably at casual rates. Again this cost would not likely to have been factored into any scheme. Such on costs would be a financial burden to employers.
- (vi) These stated disadvantages to employers might then impact on the future employment prospects of employee seeking jobs when they had accrued significant portable long service leave.
- (vii) Employers would then be required to factor in to their wage negotiations with their employees these extra costs which may have a deflating impact on wages growth.

#### **In Summary**

- 20. APTIA does not support the introduction of a long service portability scheme in the passenger transport industry (Private Transport) as long service leave has always been a reward for service and a recreational expense to employers in an industry in which there is a minimal turnover, especially in the country town and rural areas in which the industry is so prevalent.
- 21. At the same time APTIA has real concerns about the costs of such schemes not only to employers, which may have a negative impact upon wages growth but also in increasing the already burgeoning cost of the public transport tasks across the nation.
- 22. In respect of the current Inquiry APTIA is available to meet with the Committee to assist with their inquiry and to understand better the passenger transport industry.

Yours faithfully



Ian MacDonald, National Industrial Relations

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