

# **ECONOMIC, EDUCATION, JOBS & SKILLS COMMITTEE INQUIRY INTO PORTABILITY OF LONG SERVICE LEAVE ENTITLEMENTS**

## **ACEVic Submission.**

ACEVic is Victoria's peak policy, industrial and development body for the Adult Community Education sector. We represent Victoria's Adult Community Education centres. ACEVic provides a range of services to support voluntary ACE Committees of Management with their obligations as employers. It also provides support to ACE Boards and Committees of Management and their management staff with Human Resources and Industrial Relations advice.

### ***Background***

ACEVic, in principle, supports the concept of portability of long service leave in the community sector. To ensure the long term development of a professional and experienced workforce a number of strategies are required. One of the threats in attracting and retaining a skilled workforce in the community sector, and specifically the community based not for profit VET sector, relates to accessing a reliable and simple long service leave scheme. This is particularly important in the community based VET space as many employees are, to some degree, itinerant employees. The introduction of a portable long service leave (PLSL) scheme is potentially one of those strategies.

ACEVic supports the concept of a PLSL scheme that is viable and sustainable for the community sector from a financial and administrative perspective, as well as successful in securing employee entitlements and improved employee retention.

### ***A Proposed model***

ACEVic believes that the most equitable and efficient PLSL model would be based on a centralised scheme in which:

- Management of the scheme is centralised;
- Employees would be registered by their employer and pay a quarterly levy to an authority/fund manager who would be tasked with the responsibility of managing employees' long service leave (LSL) funds and entitlements;
- Administration of funds would be undertaken with minimal risk and a very conservative management approach;
- Administration fees would be factored into the quarterly levy;
- The duties and performance of the authority/fund manager would be overseen by an independent board of trustees made up of relevant experts and sector participants &
- Any award or agreement entitlements more generous than the *LSL Act 1992* would need to be included in the centralised model.

### ***Issues ACEVic believes require additional consideration:***

#### **1. Cost:**

Due to increased administrative complexity the overall net cost of LSL is increasing. This may be compounded by the transfer of funds from organisations' balance sheets to a centrally

administered fund. This comes at time where many organisations are under financial stress as demand for services increases, community based ACE providers are forced to compete with private operators and overall funding is decreasing in net real terms.

It is important for the inquiry to understand that many community based ACE providers are essentially price-takers, which (unlike employers, such as those in the construction industry) cannot pass on price increases to customers. Consequently any scheme will require if, not ongoing, initial financial support to reflect the net cost impact.

## 2. Administrative complexity.

It is not unusual for many employees in the ACE sector to be on awards or workplace agreements where LSL entitlements are superior to the Victorian *LSL Act*. Consequently any proposed model needs to ensure that this is taken into account and that a requirement is not established where employers with employees on more generous schemes are required to 'double up' on maintaining entitlement records, financial management and accounting, and maintenance of accurate records by both the employer and the new authority/fund manager, for "excess" entitlements.

Additionally any PLSL scheme must take into account current legal requirements established under any existing awards or workplace agreements to which ACE employers are signatories to and ensure that they are not placed in a situation of regulatory conflict.

## *Aspects to a sustainable PLSL scheme*

A sustainable PLSL scheme for community based ACE providers would:

### 1. Be administratively simple and not duplicate record keeping with regards to employee entitlements.

Any scheme must ensure that employers may possibly have to maintain dual accounting records of entitlements under any proposed scheme and entitlements that exceed any proposed scheme. If this is not addressed a central PLSL scheme may become a financial burden for ACE provider, particularly for small organisations with limited financial management and accounting resources. ACEVic advocates that any proposed PLSL scheme should be established to enable the full LSL responsibility (with all record keeping, such as anniversary dates and accrual records across various awards) to be ‘outsourced’ to a stand-alone fund manager.

### 2. Any PLSL scheme imposes minimal additional cost for community based ACE providers.

A PLSL scheme will undoubtedly impose an additional cost burden on community based ACE providers than current practice as more employees will access their LSL entitlements, which will impose further financial costs for community based ACE providers.

Therefore it is suggested any funds held under management be invested in very conservative investment strategies to ensure that the pool of net real employee LSL funds remains undiminished. Any excess returns are then used to minimize (or preferably pay for) any management fees charged to employers.

Additionally employees working for community based ACE employers who are funded by government programs, the funding provided within these programs should also ensure coverage of the cost of a PLSL scheme.

ACEVic believes that any new PLSL scheme will also require seed funding from the Victorian Government to financially support organisations to implement the scheme and additional resources to ensure that community based ACE employers are kept informed of issues and developments of an ongoing scheme.

### 3. Sufficient planning and preparation timelines with additional and ongoing support strategies.

The introduction of a central PLSL scheme will require realistic timelines in relation to implementation readiness assessment and planning to enable full consideration of any proposed model, its scope, systems implications and organisational budget planning. This is especially so for organisations that need to review their LSL accrual accounting regimes.

Organisations need to be able to develop financial provisioning strategies for the initial implementation year for any scheme. Further to this a range of ongoing support services and advice will also be required, particularly for small community based ACE providers with limited financial management and accounting resources, this being even more important for regional and rural providers with very limited access to professional support.

#### 4. Oversight and governance.

ACEVic believes that as part of any centrally managed and outsourced PLSL scheme an independent oversight and governance function must be established. This would mean the establishment of an independent board of trustees made up possibly of relevant legal and financial experts (though not limited to just these) and sector participants. This will ensure that any PLSL scheme operates in the best interests of employees financial contributions and employers concerns.

Another consideration is that in any central PLSL scheme employees are able to easily access full information about their entitlements/contributions and are provided periodic and regular updates via a preferred communication stream. Such information would also be shared with the current employer.

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#### **Further information**

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