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On the extension of Portable Long Service Leave

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There are employees who do not have Long Service LEAVE. The Committee is therefore looking at whether this represents some form of inequity, how it might be rectified and what would be the costs of change. Let me therefore make a number of initial points.

First, this is an historic form of payment that exists only in Australia and New Zealand. It was introduced in colonial times so that after twenty years in the colonies, someone could return home to visit the family. This is a vastly different world from our own. Then the calculation was one month to go back to England, one month to visit and one month to return. Its original purpose has, in our own time and with modern transport, entirely disappeared.

Second, Long Service Leave was specifically introduced as an incentive for workers to remain with an employer. This may have had some advantages in times of labour shortages. In the modern world, however, it is, if anything, an impediment to labour market flexibility. An employee will remain with an employer even if other better opportunities become available as the date of eligibility draws closer.

Third, businesses experience Long Service Leave as a cost. Provision must be made to fund a replacement over the period the employee is on leave. It is not one of the major costs of labour, but it remains a consideration that must affect employment.

Fourth, for key employees, Long Service Leave can be a problem for a business if the particular function cannot be undertaken adequately by a replacement. It is thus not just an added impost but is also a form of disruption which are more difficult to deal with.

Fifth, expanding the range of Long Service Leave will have a small cost on some businesses whose impact will wash out over the course of around three years. But even if it will wash out, it should not therefore be assumed that the impact will be negligible and it certainly will not be zero. At the end of three years, the number of employees in the industry that has newly introduced portable Long Service Leave will be lower than it might otherwise have been. In a labour market that turns over around a million employees a year, it would be hard to detect this loss of jobs. Nevertheless, raising the relative cost of employment for some industries will have a negative impact on growth and a negative impact on employment.

Sixth, the effect on the employees themselves must be considered. An employer recognises when taking on a full-time employee that there may be a cost seven years from then as the Long Service Leave *pro rata* period comes into effect. But with portable Long Service Leave, the effect, if the liability comes in the form of an entitlement to a period of leave, may induce some employers to reject candidates for jobs they might otherwise have engaged. If an employee is about to enter the period where Long Service Leave applies, an employer may prefer an alternative candidate where the period is not as short.

Seventh, there will also be the cost and disruption perhaps ten years into the future of any employee who is engaged if Long Service Leave is introduced where it had not previously been available. Most private sector employees do not remain with the same employer for a decade, so for most it will merely amount to a sum of money. With Long Service Leave well and truly embedded in the economy, virtually every firm will recognise the need to make provision for such absences and the costs they entail. The certainty is that with such a mature entitlement, the cost of Long Service Leave has been financed by a lower rate of wage payment over the previous period.

Conclusion: There is no particular reason to extend Long Service Leave.

There is no serious likelihood that anyone is being relatively underpaid at the present time because they do not have Long Service Leave. The labour market is a flexible market. Wage adjustments are attuned to the value of the work undertaken relative to the remuneration in full. People do tend to get paid their economic value.

Employees where Long Service Leave is not available currently receive more than they otherwise would receive if Long Service Leave were in place. Introducing Long Service Leave will lead to lower remuneration relative to what might otherwise have occurred.

It is quite possible that employees prefer to receive the relatively higher amounts of money they receive than have their incomes pared back to finance this future contingency.

The concept itself is an anachronism but an important part of our history. It should not be removed but there is no reason that it must therefore be extended.

Any change would be for populist reasons. It would raise costs in some businesses and lower employment in some industries. It would not make the labour market any more equitable than it currently is.

Unless there is some serious injustice which is invisible to me, I would leave matters as they are.