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## **RE: Inquiry into Long Service Leave (Portable Schemes) Amendment Bill 2022**

On behalf of our members and the Canberra business community, Canberra Business Chamber makes this submission to urge the ACT Government not to proceed with the expansion of the Portable Long Service leave scheme as proposed in the Amendment Bill.

Any future consideration of an expansion of the PLSL scheme to other industries must be based on a far more robust analysis of needs, costs and benefits, and be accompanied by parallel reform to offset the costs and risks for employers.

There are now 31,500 private businesses in Canberra that employ around 150,000 people (63% of all current jobs in the Territory). 97% of these are small businesses employing fewer than 20 people. These enterprises will be the drivers of the local economy's recovery, and the linchpin of jobs creation and long-term economic growth.

The past two years have been challenging for many businesses. Even those who have successfully grown their operations are dealing with a difficult and uncertain environment. They face skills and workforce shortages, supply chain pressures, inflation, geopolitical unrest, public health requirements, and ongoing restrictions on the movement of people and materials.

In this environment, it is imperative that governments avoid, or at least minimize, legislative and regulatory changes that deliver no clear economic benefit but divert time and resources from both businesses and their representative industry groups.

### **Expansion of the Portable Long Service Leave Scheme will create regulatory burden.**

The ACT Government's Better Regulation Report says, "We want to support businesses to start, run and grow by putting in place better regulatory settings, and simplifying interactions between business and government." (CMTEDD, Publication Number 22089, May 2022)

The expansion of the Portable Long Service Leave Scheme will create additional direct financial costs and additional administrative requirements for employers. The ACT Government's consultation paper does not provide any analysis of the impact on employers, actual evidence of benefits to industry, or details of parallel legislative and regulatory reforms that should be introduced to offset costs.



PLSL creates a real current liability that needs to be remitted to the ACT Long Service Leave Authority every quarter. This means that in addition to a real quarterly cash-flow impact on employers, PLSL creates a new cost and will reduce the profitability of businesses in the ACT.

There is also an administrative cost to businesses captured in a PLSL scheme. Employers will need to register each new employee with the ACT Long Service Leave Authority, calculate each employee's quarterly earnings, multiply individual quarterly earnings by the variable contribution rate and remit this money to the ACT Long Service Leave Authority.

These impacts on cash-flow and profitability, along with additional administrative costs and the absence of any proposal for legislative or regulatory reform mean that the Chamber cannot support expansion of PLSL as proposed.

**There is insufficient analysis or evidence to support expansion of the scheme to the proposed industries.**

The expansion of the scheme to personal care services (hairdressing and beauty services) and accommodation and food services is based on the assumption that as these industries have "highly mobile workforces" both employers and employees would benefit from the PLSL. Yet the consultation paper does not provide any data or evidence to support this assumption.

We have received copies of submissions made by the Australian Hotels Association and the Australian Hairdressers Council, as well as submissions made by individual businesses in these sectors. These submissions all clearly argue why the underpinning assumption is flawed, and why a portable long service leave scheme is not appropriate for businesses in these sectors.

PLSL is already operating in other industries, and the ACT Government's next step should be to use available data to quantify the administrative costs of the scheme to employers, alongside a proposal for how this administrative cost will be offset by reducing ACT Government fees and charges.

The consultation paper circulated in 2022 provides no evidence or analysis of what benefits will flow to employees or the benefit to employers or the economy. Instead, it provides a vague and generally incomplete list of the possible advantages and disadvantages of extending the scheme, with no empirical evidence-base to demonstrate a benefit to employers or the precise benefits to employees.

The analysis undertaken to date is insufficient for a proposal of this magnitude. To overcome these limitations, we recommend a suitably qualified independent third party undertake a detailed actuarial and economic analysis of the costs and benefits of expanding PLSL. This will allow all stakeholders to appropriately consider the costs and benefits of expanding PLSL.

**Business does not have the capacity to contribute to an expanded Portable Long Service Leave Scheme**

We know that the ACT Government is cognisant of the challenges to business created by the ongoing workforce and skills shortages. These challenges include significant wage growth, and in a small market like the ACT the growth of practices such as "poaching" staff. These particularly impact smaller businesses who simply do not have the resources to compete with larger private and public sector employers.

The expansion of the PSL scheme into new industries has the potential to further exacerbate the negative impacts of labour market shortages and drive unsustainable competition.

Employers do not have the capacity or financial means to contribute to a portable long service leave scheme in the current economic environment. Without parallel regulation to offset the impact employers will be left to absorb higher wage costs by contributing to a PLSL scheme.



The rising cost of labour will also continue to be compounded by increases in interest rates, energy charges, cost of goods, supply chain shortages, and other inflationary pressures. These factors are already contributing to significantly diminished profitability.

## **Conclusion**

The Canberra Business Chamber cannot support the expansion of portable long service leave at this time.

There are significant financial and administrative costs for employers associated with PLSL expansion, and these additional costs could not come at a worse time for business. The analysis undertaken to date does not provide any evidence of actual benefits for employees and employers that can be derived from expanding PLSL.

The Chamber is willing to assist in the exploration of the feasibility of expanding the PLSL scheme where appropriate.

It is imperative that the ACT Government undertakes an appropriate quantitative analysis of the number of employees in each sector that would benefit, along with the benefits, risks, and expected financial and administrative costs to employers of this proposal. The ACT Government will then be able to propose parallel legislative and regulatory reform to offset this cost.

Yours sincerely,

A handwritten signature in blue ink that reads "Graham Catt", located below the "Yours sincerely," text.

Graham Catt  
Chief Executive Officer