



FINANCE SECTOR UNION

The feasibility of, and options for, creating a national long service standard, and the portability of long service and other entitlements



FINANCE SECTOR UNION

National Secretary: Fiona Jordan

2/341 Queen Street

Melbourne Victoria Australia 3000

P: 1300 366 378

E:

www.fsunion.org.au

SUBMISSION TO THE SENATE EDUCATION AND EMPLOYMENT STANDING COMMITTEE:

The feasibility of, and options for, creating a national long service standard, and the portability of long service and other entitlements.

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About FSU:

The Finance Sector Union (FSU) of Australia welcomes the opportunity to contribute to the Senate Education and Employment Standing Committee inquiry into the feasibility of, and options for, creating a national long service standard, and the portability of long service and other entitlements.

The FSU represents and advocates nationally for approx. 419,000 workers in the finance sector – including superannuation, insurance & banking¹.

As long term advocates, the FSU holds the view that employers in the Australian financial sector have social obligations to the Australian community in additional to their legal requirements & economic and commercial roles. As common practice, all companies with Australian interests should fully explore all available options within Australian territories, including the capacity to re-train or re-educate the workforce, when it comes to the matter of ensuring the industries ongoing sustainability.

The FSU's 'Our Jobs Our Future' Industry campaign (*see page 09*) seeks to turn this view into secure jobs, secure pay and a finance sector we can all be proud of.

Terms of Reference items:

The feasibility of, and options for, creating a national long service standard, and the portability of long service and other entitlements, with particular reference to:

- (a) the number of Australians in insecure work;
- (b) the extent and nature of labour market mobility;
- (c) the objectives of portable long service leave schemes, and the key components that might apply;
- (d) which sectors, industries or occupations may, or may not, benefit from such schemes;
- (e) the operation of a portable long service scheme, including:
 - (i) how and by whom such schemes might be run,
 - (ii) how such schemes could be organised, be it occupational, industrial or other,
 - (iii) the appropriate role for the Commonwealth Government in facilitating portable long service leave schemes,

¹ ABS, Labour Force Australia: Detailed, Quarterly, August 2015, (2015), <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6291.0.55.003Aug%202015?OpenDocument>
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(iv) the impact of varying state and territory long service leave arrangements on a potential national long service scheme administered by the Commonwealth, and No. 123—9 November 2015 3309

(v) the capacity to operate such schemes within or across jurisdictions, including recognition of service; and

(f) any other related matters.

Submission statement:

Our submission to the Inquiry includes the thoughts & experiences of FSU members as well as recommendations based on the FSU's well placed understanding of the industry and industry practice.

This submission does not address in detail all points in the Terms of Reference, but focuses on the key areas most relevant to the Finance Sector Union. We will also reference as part of the discussion our work with the community in building a framework of operational values for the sector, the "Australian Banking Principles". The FSU will also reference for the inquiry the FSU's industry campaign 'Our Jobs Our Future'.

Australian Banking Principles

Like all other stakeholders, the FSU wants our finance sector to be as profitable and successful as it can be, but not at any cost.

To this end the FSU has been discussing with a number of consumer and community sector organisations² the sort of principles we believe we need to be the hallmarks of the finance sector in Australia.

These principles we believe provide the basis for the finance system in this country and should guide the conversation when forming outcomes from the Discussion Papers.

Principles

Australia's financial system should function in an accessible, affordable and fair manner reflecting its status as an essential service. The financial sector should deliver products and services which better balance the needs of consumers, employees, shareholders, the economy as a whole and the broader public interest.

² Australian Financial Integrity Network (<http://ausfin.org.au/>)

To achieve an effective, well-functioning financial system in the best interests of the Australian community through:

1. *Promotion of competitive outcomes for consumers*
 - 1.1. Shopping around and switching provider should be easy
 - 1.2. New market entrants should be encouraged
 - 1.3. All market participants should enjoy a level playing field
 - 1.4. Financial institutions should not be allowed to have excessive market power
 - 1.5. Regulators should investigate and respond proactively when problems arise

2. *Effective regulation to support fairer outcomes, especially in essential services such as retail banking and superannuation*
 - 2.1. Financial services should be accessible and affordable for all consumers, regardless of their circumstances or location
 - 2.2. Fees and charges should reflect cost only
 - 2.3. Financial products and services should be provided transparently, responsibly and with a duty of care to all stakeholders

3. *Community access to information about key elements of our financial system*
 - 3.1. Key information about Australia's financial system, including information about the size, nature and structure of financial institutions, levels of prices and fees in the market and wholesale costs, should be transparent and published regularly by our financial regulators

4. *Removal of all conflicts of interest*
 - 4.1. Financial providers should act in the best interests of their customers and clients
 - 4.2. Practices and structures that generate conflicts between the interests of financial providers and their customers should be eliminated

5. *Balancing the operation of the financial system with the needs of the community*
 - 5.1. Policy development and implementation on financial services issues should include the voices of all groups in the community who are affected
 - 5.2. Reflecting social and economic obligations, financial providers should strive to be Australia leaders in standards of corporate governance and behaviour
 - 5.3. The financial services industry should contribute to the development of the nation's skills and knowledge and the growth of sustainable and socially responsible local jobs

Employment – Secure work & long service leave

Long service leave in Australia has a long and rich history, and while the reasons for its implementation may have changed through the years, it is an intrinsic and highly valued part of the industrial relations fabric. Australia operates in a 24/7 economy with the last few decades in particular having seen changes not just to work environments, but the work we do and when we do it. Long service leave, generally speaking is a condition that is predicated on continuous employment with a single employer for a specified time based on the relative State/Territory legislation or industrial instrument. The move towards a more flexible workforce within the current 24/7 economy however does little to ensure that employees – who due to varying factors (such as multiple employers), will have their long term employment recognised with an accrual of long service leave.

Traditional industry roles are changing and technology/digitalization is at the forefront of this drive. Technological advancements have had a marked influence on the make-up of virtually all jobs across all industries - from manufacturing automation processes to self-serve supermarket checkout systems to smart phone banking transactions. It is an impact which has also been felt globally.

This means that for many Australians having a career that will last for life is no longer a reality. Many now will likely hold jobs with a variety of employers under a variety of employment conditions within a given industry. As employers consider their business options in a changing economic environment, many employees may also be faced with periods of unemployment & will need to consider options outside of full and part time work just to put the basic element of food on the table.

Those employees with 'transferable skills' may be able to move between industries through their working life however are still likely to be faced with a changing employment market as technological advances continue.

For those unlucky enough to have been caught in the cycle of long term unemployment, there is the real possibility of becoming virtually unemployable as employment competition & educational standards increase and the types of work employees do evolve and morph.

In recent Enterprise Bargaining Surveys conducted by the FSU in both Westpac³ and Bankwest there was a clear message that job security was a substantive issue for these bank workers. Feedback from the broader FSU membership would indicate that the concern is not just limited to these two enterprises though, with job security being flagged as a hot conversation piece throughout the finance sector.

³ <http://www.fsunion.org.au/Campaigns/New-Westpac-Enterprise-Agreement-2015.aspx>

Over the last few decades the finance sector has utilised casual & contract staff for both long term and short term operational needs. At the same time we have also seen an increase in the number of restructures in the sector which have left many Australian workers out of a job as their roles became redundant. Indeed the trend of casual employment growth over the job market in the same timeframe belies an appetite by employers to maintain a flexible workforce and a premium profit level. In 1992 statistical data from ABS showed that 21.5% of the workforce was employed as a casual. In 2013 the figure had increased to nearly 24%⁴. Notably the workforce has increased significantly in overall numbers during that same time period which adds a striking additional depth to what that percentage difference actually represents in raw numbers.

The reasons people choose to be, or end up in causal or insecure employment can vary immensely. In 2011, the Australian Council of Trade Unions commissioned an inquiry into insecure work. It found that about 40 per cent of Australia's workforce of over 12 million was employed on a casual, subcontractor or fixed-term contract basis.⁵ Delve beyond the surface view of the summary and the full report's findings cast a grim picture of Australia's insecure work environment (the ACTU's full report is attached as part of this submission).

Offshoring also poses a much bigger threat to Australian jobs than most people are aware of, particularly Australian jobs that are computer based. Globalisation and the rapid evolution of technology means most Australian services jobs can be performed overseas. Many key finance sector organisations, such as ANZ, have operations that serve Australian needs based in overseas locations. As the push for greater 'productivity' increases many of these overseas locations could be expanded to handle larger volumes of the Australian market.

If offshoring trends continue then many Australian jobs – particularly roles that are full or part time that are the most likely to see an employee attract an accrual of long service leave - may simply end up being performed overseas with no employment gains or financial benefit for Australians.

The attached NIEIR reports (2012 NIEIR Report Offshoring and Summary documents) prepared for the ASU and FSU paint a bleak future for services jobs in Australia. Headline figures show the potential for 700,000 to 1 Million jobs to move off-shore in the next few decades.

In a highly competitive employment market (with unemployment rates in Australia sitting at approx. 6%⁶) substantive measures will need to be put into place to ensure maximum employment opportunities are created and importantly, are filled at a local level.

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http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1415/Quick_Guides/CasualEmploy

⁵ <https://overland.org.au/2015/06/the-plight-of-australias-casuals/>

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<http://abs.gov.au/ausstats%5Cabs@.nsf/mediareleasesbyCatalogue/46DFE12FCDB783D9CA256B740082AA6C?Opendocument>

Technology, casualization and offshoring are only a few of the key issues that workers currently face – without policy and action it's not hard to vision that a portable long service leave model would have little value without a plan to keep Australians in employment.

Government Procurement

Both State and Federal Governments are major purchasers of goods and services. With the current level of offshoring trends across all industries in Australia the Government needs to ensure that it acts in the interests of all Australian workers by contracting companies that:

- Have transparent supply chains
- Onshore its labour needs and forego offshoring
- Have a track record of ethical employment practices

Additionally the Government should develop (in conjunction with key stakeholders) plans & policies that not only attract new and developing business to the State, but also actively promotes and incentivises the use of local product and staff.

Information on this is available in the attached 'ASU & FSU Secure Jobs Secure Data Action Plan'.

LSL (Long Service Leave) Portability

Given the levels of employees operating in insecure work arrangements as well as the fluidity of the modern employment market, there is a clear benefit in establishing a concise and consistent mechanism nationally for the accrual of long service leave – one shrouded in legislation and recognised from employer to employer that does not disadvantage any employee (or potential employee).

As an example of a working structure, Co-Invest provides portable Long Service leave to workers in the construction industry in Victoria. Without portable Long Service Leave, construction industry workers would have to work for the same employer for at least seven years - with no more than 3 months break - to earn long service leave. With employment in the construction industry largely based on project to project work, it isn't practical to accrue long service leave based on continuous employment for 7 years with one employer.

The following has been sourced from the Co-Invest website:

*'Employers contribute a designated percentage to the Long Service Leave Fund every three months - this is an on-cost to employers and not deducted from workers' wages. The contribution rate is currently based on 2.7% of the total gross wage of all of their workers – this is to keep the costs uniform and relative between the smaller and larger employers and to make sure that everyone is paying their fair share to fund the Long Service Leave scheme.'*⁷

The Co-Invest approach does not operate in isolation - there are equivalent schemes across Australia such as 'My Leave'⁸ in WA.

When reviewing such systems, it's not hard to draw links between this and how the superannuation system currently works. With superannuation an employee accrues FUM at their superfund of choice; contributions are based on the employee's income and also any applicable employer's industrial or legislative requirements. That same superfund is portable – it can follow the employee from employer to employer, accruing in value during periods of employment. A system struck in a similar way for long service leave could recognise and accrue according to periods of employment across multiple industries and multiple employers.

Enterprise agreements have also long been a vehicle for recognising and adapting to changes in employee expectations and industry operational structures. Member recognition of the shift toward insecure employment arrangements has seen the FSU negotiate a number of agreements where access to long service leave occurs earlier than the relevant State legislation requires. For example - the agreements for Superpartners, Australian Super and LUCRF all contain long service leave access (and pro rata on departure access) at 5 years rather than 7, 10 or 15 years. This negotiated outcome allows for a greater number of employees to have access to leave arrangements in a 24/7 economic environment that would have otherwise been recognised.

It is clear that many workers – not just those in construction - are disadvantaged when it come the matter of long service leave accrual. The Co-Invest process however demonstrates a method of addressing shifting employment arrangements as does having enterprise agreements that acknowledge a shorter timeframe as 'long service'.

⁷ <http://www.coinvest.com.au/about-coinvest/how-coinvest-works>

⁸ <http://www.myleave.wa.gov.au/workers/about-the-scheme/>

When evaluating the potential best practices for a system of portable benefits there are a number of considerations that will need to be factored in – such as, but certainly not limited to:

- No accrual or access disadvantage for an employee on legitimate &/or reasonable absence from the workforce (e.g. family or health reasons)
- Recognition of different employment types (e.g. casual, agency) and timeframes of employment in the accrual calculation
- Ensuring that there are no employment (or re-employment) disadvantages where an employee (or potential employee) has a bank of accrued long service leave
- The structure and format the entitlement can be accessed by the beneficiary
- Applying the standard nationally within the current existing variable frameworks
- No direct out of pocket cost or wage deduction against the beneficiary (employee) to fund or access the scheme

Our Jobs Our Future

We refer to the FSU's industry based campaign - 'Our Jobs Our Future' which represents a clear vision for what the Finance Sector should be, based on workers input across the industry.

The key points from this campaign (outlined below) are aimed at making the Finance sector as a whole, a better sector for the longer term:

- The development of a long-term financial services industry plan
- Tax incentives and disincentives to encourage companies to keep jobs in Australia
- The Government only procuring goods and services from companies that invest in local jobs and have ethical employment practices
- Customers deciding where their personal data is stored and accessed
- The extension of FOFA principles to all aspects of financial services and in particular, credit

The FSU would encourage the continued active consultation with all relevant players in seeking to ensure a strong future for Australia.

For further information, please contact FSU National Secretary, Fiona Jordan, on

Yours faithfully

Fiona Jordan
National Secretary
Finance Sector Union of Australia

