AGED CARE GUILD

Aged Care Guild, 3 Spring Street
Sydney, NSW, 2000

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Committee Secretary
Senate Education and Employment References Committees
PO Box 6100
Parliament House
Canberra ACT 2600

Inquiry into a National Long Service Standard and the portability of long service and other entitlements

The Aged Care Guild ("The Guild"), the representative body for nine of the largest private residential aged care providers, welcomes this opportunity to comment on the issue of a national long service standard that allows for portability of entitlements. The Guild is well placed to comment on the impact of such a standard on the residential aged care sector as we operate over 34,000 beds and employ over 32,000 people across our portfolio of 383 facilities Australia wide.

The Aged Care Guild does not support the introduction of a national standard for portability of long service leave (LSL). A portable LSL entitlement would become an immediate cost and balance sheet issue for the most recent employer of an aged care worker, and is counter intuitive to the notion of rewarding "long service".

By increasing employee costs, the Guild believes it would significantly increase the challenge the aged care industry already faces in meeting future employment growth requirements. To understand the scale of that challenge, the Productivity Commission estimated in its 2011 *Caring for Older Australians* report that the aged care workforce would need to quadruple by 2050, at a time when the overall employment to population ratio will be declining.

A portable LSL scheme may be appropriate for sectors like construction with a significant project based, transient workforce, but not for a sector like aged care where the dominant form of employment is permanent part-time.

Our views are further laid out below.

1. Unlike some other industries, the residential aged care workforce is not transient or project-based, which means that the majority of employees are entitled to LSL.

Statistical analysis of the residential aged care industry shows that the industry's workforce is not precarious by nature. As a result, unlike employees working in largely flexible, project-based or heavily contractor-reliant industries, the majority of employees in the aged care sector have access to LSL entitlements. This heavy reliance on permanent employees is mirrored in the latest Aged Care Workforce Census and Survey conducted by the National Institute of Labour

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Studies (NILS), which is used by the Commonwealth Department of Health to inform workforce planning on issues surrounding the recruitment and retention, training and education, career development and employment conditions of the aged care workforce:

- Most direct care workers are employed on a permanent part-time basis (72% of those in residential facilities - an increase from 69 per cent in 2007);
- Trends are showing a shift away from casual/contract arrangements, which now cover 19 per cent of the workforce (down from 22 per cent in 2007);
- 46 per cent of the workforce is working for 35 hours or more per week, which falls within the ABS definition of full-time work (an increase from 39 per cent in 2007) and about half of the direct care workforce works between 16–34 hours per week;
- Between 2003 and 2007 there was a marked change in the types of shifts worked, with a move toward employing workers on regular shifts rather than rotating ones; and
- Tenure in the sector is stable - A third of residential direct care workers had been in the sector for 15 years or more.

2. As evidence shows there is no need for a portable LSL scheme to apply to the residential aged care sector, introducing one would only place additional red-tape and cost burden on the aged care sector.

Increased cost and red-tape burden

The introduction of a levy-based LSL scheme in the residential aged care sector would, in effect, guarantee a cost to aged care providers that would otherwise be contingent on employees completing periods of continuous service. As a result, such a scheme would unnecessarily drive up the cost of delivering aged care.

It is also important to note that under the existing arrangements, residential aged care providers accrue LSL entitlements for employees at a realistic rate, based on probability. These accrued funds and dividends or interest can then be reinvested by aged care providers, back into the delivery of aged care services. Introducing a levy-based portable LSL scheme would remove providers' ability to maximise the accrued entitlements in this way, thereby reducing their ability to reinvest in the delivery of aged care.

Further, the administration required to comply with such a scheme would be a considerable resource and cost burden on an already highly regulated, audited and administratively-laden industry.

The administration and cost impact this scheme would have on the sector should not be underestimated for, as the National Commission of Audit noted., "*the aged care sector is generally not characterised by high profits".*

Potential unintended workforce consequences

As a result of the removal of the Aged Care Payroll Tax Supplement in the Federal Government's 2014 budget, the private aged care industry already competes for workers on an un-level playing field with a large number of not for profit providers, who also have an advantage in salary packaging. A LSL levy would further reduce our ability to compete, which would exacerbate existing aged care workforce shortage issues.

Additionally, at its core, LSL is intended to be a reward for loyalty and length of service to an employer. We have difficulty with the concept that it can also be a reward for such loyalty to an industry, which is what portability schemes imply. We believe therefore that a portable LSL scheme could inadvertently encourage people working in the residential aged care sector to move in and out of organisations. Such churn within the aged care sector would increase costs of recruitment, orientation, training, and site and client familiarisation. Crucially also, in addition to existing aged care workforce shortage issues, this could have a significant impact on the quality of future delivery of aged care, through reduced consistency and continuity of care.

Investment in aged care innovation

A stable financial and regulatory environment is essential if future community demand for aged care services are to be met. In recent years, Guild members have been at the forefront of building new beds to accommodate growth in the residential sector. A regulatory change with significant cost implications, like portable LSL, would hit confidence and investment in the sector and a time when both are critical to meeting the care needs of an ageing Australia.

A survey by the Australian Industry Group of the potential impact of a portable LSL scheme on the health and social services sector indicated the national cost to the industry could be of the order of an additional $270 million per year. This additional cost would ultimately impact not just on the employers and employees in the sector, but on the consumers and funders of the system. The major funder of residential aged care services, at around 70% of income, is the Commonwealth of Australia.

We hope the Committee will take into account these arguments against the introduction of a National Long Service Standard that allows for portability of LSL entitlements. I am happy to expand upon these views at a future Committee hearing.

Yours faithfully,

Cameron O’Reilly
Chief Executive