

# Royal Flying Doctor Service of Australia - Submission to Productivity Commission

## Portable Long Service Leave

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### 1 Executive summary

The RFDS submits that the application of a portable long service leave scheme to the NFP community services sector is inappropriate, for the following reasons:

- (a) the high volunteer component in the NFP sector, which means that the scheme would fail to cover a large number of the people working in the sector;
- (b) the variety in size, and the enormous scope of activities undertaken by, organisations in the NFP sector, which in our submission limits the extent to which there is portability of people within the sector;
- (c) the imposition of significant costs to NFP's, particularly smaller NFP's, noting that there are a large number of small, community based organisations in the NFP sector; and
- (d) the NFP sector is generally not project-based in nature. As mentioned below, this was the historical basis of the original introduction of the scheme in the building industry.

The RFDS submits that the better approach is to allow NFP's to self-regulate in relation to portable long service leave, so that it is introduced where it is appropriate based on the size and structure of the organisation, and by larger organisations that can afford to do so.

For example, the RFDS has introduced portability of long service leave, as it is a national organisation comprising seven different legal entities (six Operating Sections and the Australian Council), and it was considered appropriate for staff to be able to move between the different parts of the organisation without losing their long service leave entitlements.

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### 2 RFDS submissions - initial and further

#### 2.1 Initial submission

The RFDS made an initial submission on 29 May 2009, addressing a number of the Commission's requests for comments.

The initial submission also includes information about the RFDS's activities and organisational structure.

#### 2.2 Further submissions

In response the Commission's call for further submissions, the RFDS has chosen to make further submission in relation to three issues:

- (a) competitive neutrality;

- (b) competitive procurement; and
- (c) portable long service leave.

The RFDS has made its further submissions separately.

This submission is on the issue of **portable long service leave**.

In particular, the RFDS is responding to the Commission's request for comments on "*the costs and potential benefits of implementing a portable long service leave scheme for the NFP community services sector*".

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## **3 Why portability is inappropriate for NFPs**

### **3.1 Background**

To understand this suggestion the RFDS has considered some of the portable long service schemes operating around Australia, and noted the following:

- Most states have a portable long service leave scheme for employees within the building and construction industry.
- The schemes for this industry were established because the industry has a strong project-based employment style– individuals are employed by one industry participant for the duration of a particular building project and upon the completion of that project they will cease their employment with that industry participant, and move on to the next project with another industry participant.
- At least in Queensland, funding for the long service entitlement is by way of a levy on all building projects, with this levy required to be paid as part of the building approval process.
- In Queensland, portable long service leave has also been established within the contract cleaning industry, again because the nature of the industry is that most employees are on a casual / part time basis, and many of the employers engage those people for the duration of their cleaning contracts.
- For the Queensland contract cleaning industry the levy is payable by employers as a percentage of wages paid.
- In the ACT, a portable long service leave scheme is being established for employees within the community services sector.

### **3.2 Concerns with portability proposal**

The RFDS submits that the application of a portable long service leave scheme to the NFP community services sector is inappropriate for a range of reasons, as set out below:

#### **(a) High volunteer component**

Within the NFP sector there is a high level of volunteer contributions towards the objects of the particular NFP. It is the efforts of the volunteers that underpin much of the sector.

For the RFDS, volunteers provide a lot of the fundraising support, and also the board of directors consists of volunteers.

This means that any portable long service leave scheme would fail to cover a large number of the people working in the sector.

**(b) Size variations in the NFP sector**

The variation in size of entities in the NFP sector is enormous.

At one end there are organisations like the Salvation Army, which are substantial organisations that are already providing long service leave entitlements to paid workers.

At the other end, there are small, community-based groups that rely solely on volunteers for their labour, with no employees.

Under a proposal similar to that of the ACT, both would be required to participate.

A person will not easily transition from a small NFP to a large NFP, as the latter will have formal employment selection processes that will judge a person by their skills and suitability for the role. Similarly, persons working in large NFPs will tend not to move to a small NFP given the difference in infrastructure and culture.

Accordingly, the RFDS submits that the concept that employees tend to remain within the sector long-term, and move between NFP organisations, is not valid. This view is also supported by the enormous diversity of activities undertaken by the NFP sector, as outlined in (c) below.

**(c) Variations in activities undertaken**

The diversity of activities undertaken within the NFP sector is enormous, with little or no connection between those classified as NFP's other than that each entity has, as part of its constituent documents, a provision preventing distribution of any surplus to its members.

A person will not easily transition from an NFP undertaking one particular activity to another NFP, simply because both are NFP's. Some employees will not even grasp the significance of what an NFP is.

By way of illustration, the RFDS supplies health services using aircraft as a means of transport. Other activities undertaken by NFPs include:

- Sporting clubs for football, cycling equestrian, motor racing
- Aero clubs
- Hospitals
- Agricultural show societies
- Horse racing clubs
- Volunteer fire brigades

- Cancer prevention groups
- Historical societies
- Education providers, including kindergartens
- And the list goes on

**(d) Increased costs of administration**

The RFDS submits that the result of the introduction of a portable long service leave scheme would be greater administration costs, and that this would particularly impact on the smaller NFP's.

Many of the smaller NFP's have limited reporting requirements, and deliberately so given their limited financial resources. Many will need to be registered under the GST legislation and most will have an Australian Business Number.

Currently most will need to provide an annual statement to the State in which they are incorporated, which is largely limited to a requirement to lodge an updated list of their committee members and a copy of their financial statements.

This proposal would require an additional layer of administration.

Many of the NFP's already have significant regulation associated with their activities through regulation of that industry or sector, and additional regulation will only add to this burden. An example is child care, which is already extensively regulated.

**(e) Historical basis of the scheme not applicable to the NFP sector**

The RFDS submits that the nature of the sector is one where small NFP's can be formed to fill a need within a community, often calling upon volunteer or support style labour.

This scheme will place greater restrictions on the ability to establish and develop those NFP small organisations, damaging their historical contribution.