

## ATTACHMENT A – HISTORY OF LSL IN AUSTRALIA

**[Source: ACCI Submission to Victorian Portable LSL inquiry, August 2015<sup>46</sup>]**

Long service leave in Australia has its genesis from the colonial era, providing public service employees in South Australia and Victoria with a 'furlough' to enable them to visit the United Kingdom and in this respect, is generally understood as an entitlement unique to Australia and New Zealand. Legislation passed by South Australia and Victoria in 1862 initially provided between 6 and 12 months paid leave to civil servants after 10 years of service to the colonies at a time where it could take multiple months to travel by sea. The scheme has been described by Burgess et al as providing "*respite for those who were separated by distance between "home" and workplace*" and providing a benefit reserved for those "*relatively high in the colonial administration hierarchy*".<sup>47</sup>

In 1911 the first amendments were made to Commonwealth long service leave benefits that enabled access to the benefit for a broadened range of purposes including:

- as an additional form of retirement savings by enabling those who had completed 20 years' service to take a lump sum payment on retirement in lieu of taking the leave; and
- as a death benefit to dependents of public sector employees.<sup>48</sup>

It should be noted that this occurred before Australia's retirement incomes policy was well evolved and well before the introduction of the compulsory superannuation guarantee laws in 1992. Social welfare was in its infancy, with age pension schemes non-existent until the early 1900s.

Long service leave was confined to the public sector until the 1940s from which time it began its gradual extension into the private sector via inclusion in private sector awards with entitlements created through the processes of conciliation and arbitration. Entitlements under these provisions were based on continuous service with one employer. State based legislative entitlements to long service leave emerged from the 1950s at a time where the Australian economy was experiencing a post-war boom.<sup>49</sup> Ferris et al have suggested:

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<sup>46</sup> ACCI (2015) Submission to the Victorian Parliament's Inquiry into Portability of Long Service Leave, pp.7-12.

[http://www.parliament.vic.gov.au/images/EDJSCommittee/Sub\\_42\\_07082015\\_Australian\\_Chamber\\_of\\_Commerce\\_and\\_Industry.pdf](http://www.parliament.vic.gov.au/images/EDJSCommittee/Sub_42_07082015_Australian_Chamber_of_Commerce_and_Industry.pdf)

<sup>47</sup> Burgess J, Sullivan A and Strachan G. (2002). *Long Service Leave in Australia: Application and Reform*, University of Newcastle, p. 1.

<sup>48</sup> Ferris S., Parr N., Markey R., Kyng, T. (2015). Long service leave: past, present and future. *Australian Journal of Actuarial Practice*, Vol. 3, 5-22, p. 7.

<sup>49</sup> Ferris et al., op. cit., p. 8.

*There was strong demand for labour and there was concern about high labour turnover rates. Perhaps this made employers more willing to provide benefits that might help to attract and retain staff (many corporate superannuation schemes were established in the same era).<sup>50</sup>*

The New South Wales Government was the first state to introduce legislation to mandate long service leave entitlements and Ferris et al note that when introducing this legislation, the Minister for Labour and Industry identified that the reduction of labour turnover was among the purposes of long service leave.<sup>51</sup> The Minister also identified that it would be long and faithful service with a single employer that the long service leave entitlement would reward.

In the context of its introduction in the early 1950s, the legislation may have been seeking to give effect to an entitlement that encouraged employees to stay with the one employer and which may have provided some benefit to employers that were struggling to retain their employees due to high demand for labour. However in the modern economy, employer strategies targeted at attracting and retaining employees have evolved significantly and legislation mandating portable long service leave entitlements beyond current arrangements is not an appropriate means of achieving this objective.

There is also an absence of any significant structural change in service patterns that would warrant an expansion of existing long service leave schemes. Ferris et al recently examined ABS and HILDA data in relation to the length of time people have been working with their current employer and found:

- in 2012 about 27 per cent of male workers had been employed in the same job for at least ten years, a figure that has remained stable over the period between 1988 and 2012;<sup>52</sup>
- in 2012 about 23 per cent of female workers had been employed for at least 10 years, increasing from about 15-16 per cent over the same period. Ferris et al expressed the view that “[t]his might reflect improvements in maternity leave or increasing female workforce participation rates at older ages, or both”.<sup>53</sup>

The 2012 figures were consistent with HILDA data.<sup>54</sup> Ferris et al also noted that older workers have lower resignation rates than younger workers and that the percentage of long-serving employees increases rapidly with age and also found:

*For those aged 55 to 64, more than half have been employed by their current employer for at least 10 years; for those aged 65 or more, about two thirds have been employed by their current employer for at least 10 years. This suggests that for those who remain*

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<sup>50</sup> Ibid.

<sup>51</sup> Ibid.

<sup>52</sup> Ibid., p.p. 10-11.

<sup>53</sup> Ferris et al, op. cit., p. 11.

<sup>54</sup> Ibid.

*in the workforce over the longer term (until age 65), at least two-thirds are likely to become eligible to take LSL.<sup>55</sup>*

As our population ages and people remain in the one workplace for longer, access to long service leave can be expected to increase. This counters suggestions that employees are 'missing out' on entitlements.

Young people in society are also delaying major life events and nearly double the proportion of young people were attending an educational institution in 2011 than in 1976 (26% compared with 14%).<sup>56</sup> Many more young people are working part-time hours with 34% of young adults employed to work less than 35 hours per week compared with 11% in 1976. Increased flexibility in the workplace and the existence of forms of work than enable them to balance their work, study and personal priorities has contributed to this outcome. The average young person is now more likely to be living without a partner and children and there is a higher probability of them studying and working casual or part-time hours in a service related industry. Jobs they take on early in life, while providing a foothold into the labour market, will not necessarily be in the industry in which they wish to pursue a career.

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<sup>55</sup> Ibid.

<sup>56</sup> Ibid.

