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TRANSCRIPT OF PROCEEDINGS

PRODUCTIVITY COMMISSION

INQUIRY INTO PAID MATERNITY, PATERNITY AND PARENTAL LEAVE

MR R. FITZGERALD, Presiding Commissioner
MS A. MacRAE, Commissioner

TRANSCRIPT OF PROCEEDINGS

AT CANBERRA ON WEDNESDAY, 7 MAY 2008, AT 9.07 AM

MR FITZGERALD: Good morning, everybody. I would like to welcome you to the first day of the public hearings into the inquiries into paid maternity, paternity and parental leave with particular focus on children under the age of two. There are just a couple of formalities that I will comment on to start with and then we'll start with our first set of participants.

Whilst these hearings are held in an informal way, participants are required to present their evidence and submissions in a truthful manner. All of the evidence that is provided through these public hearings is made available on the Web; the transcribed statements will be made available on the Web shortly after the hearings. These hearings will take place in all of the states and territories of Australia over the next month and participants and very willingly and are welcomed to participate throughout that process.

The process for the particular hearings that we're adopting is that the participants will present for about 10 to 15 minutes and then Angela and myself will have the opportunity to ask questions and to enter into a discussion with the participants. I am Robert Fitzgerald, I am the presiding commissioner for this inquiry, with my fellow commissioner, Angela MacRae. The second thing I would just say in relation to the submissions, written submissions are due by 2 June. They will also be publicly available and placed on the web site shortly after they are received. The third thing is that a draft report will be released to the public in the early part of September and then after a further series of consultations, public submissions, public hearings will be held with a final report to go to government in February next year.

So I think without any other formalities we might commence with our first participants. If you could give your full name and the organisations that you represent.

MS COLWILL (NFAW): I will commence. My name is Jenny Colwill and I represent the National Foundation for Australian Women and I am the vice-president of that organisation. The National Foundation for Australian Women has been closely involved with the set-up of this inquiry. We have been enthusiastically marshalling women's organisations for some time endeavouring to get paid maternity leave on the agenda. Our organisation is a feminist organisation and our aims are to ensure that the aims and ideals of the women's movement are passed on to new generations of women and to advance and protect the interests of Australian women.

MR FITZGERALD: If I could just ask the other two participants to give their full name as well and then we will go into the presentation.

MS COLEMAN (NFAW): My full name is Marie Yvonne Coleman. I also

represent the National Foundation for Australian Women and I chair the social policy committee.

MS PERRY (NFAW): My name is Julia Perry and I am a member of the social policy committee of the National Foundation of Australian Women.

MS COLWILL (NFAW): Thank you. I became a grandmother three weeks ago and my daughter-in-law did not have paid maternity leave. We at the foundation believe that if we can promote and encourage discussion and debate on issues that are pertinent to the interests of women in Australia that we're doing a good job. We are busy preparing a submission. Marie Coleman, as the chair of our social policy committee, will talk about our proposal.

MS COLEMAN (NFAW): Thank you very much. I'd like to both thank you for the opportunity to speak today and as well I think it's important to acknowledge that there has been some very important ground-breaking academic work over quite a few years by people whom I'd like to acknowledge, people like Prof Baird, Prof Charlesworth, Prof Pocock, Prof Whitehouse and others in the academy. There work that was done by HREOC when Prue Goward was the Sex Discrimination Commissioner and her staff, and we also very much appreciate the efforts that people such as Senator Stott-Despoja at the political level have put into this.

We were, however, somewhat dispirited when we were conducted consultations nationally in late 2006 early 2007 on the impacts of WorkChoices on low paid, low income women to discover that while people whom we were consulting were asking, "Whatever happened to paid maternity leave?" it had completely fallen off the political agenda. So what in summary we did was when we took that report, "What Women Want," to a national meeting of women's organisations in June last year there was very extensive discussion by representing over 64, 65 national women's organisations ranging from rural women, business and professional women, Federation of University Women, a very wide-ranging group, which decided that they did want to press for a national inquiry into a paid maternity leave scheme and with the support of those organisations, as well as with the support of colleagues in the New South Wales Commission for Children and Young People and the Queensland Commission for Children and Young People we commissioned Newspoll in June 2007 to test public opinion and the Newspoll report is publicly available, we published all the background material which Newspoll gave to us.

There was strong support for a national paid maternity leave system. There was strong support for the principle that more should be done to enable parents to spend more time with their newborns and there was surprisingly strong support for a system of triparted financing, a combination of government, employer and employee. So I make those comments as background.

Our general approach is that we believe it's a nonsense to suggest that there is any competition or divisiveness as between public support for parents, as parents, and public support for parents' capacity to participate in the workforce. We think it's important that government should be strengthening public policy statements about that particular approach to avoid the suggestion that there's some kind of competition between women in particular in different situations. So we do endorse the framing of the references support for parents with newborns because the focus must be on enhancing the wellbeing in particular of mothers and their infants as well as supporting with the second parent.

That said, we believe that the underlying premise of a national system of paid leave is one which is important to characterise as about reducing inequality in the workforce as between mothers and their partners. We think it's important that women who are otherwise going to have an interrupted career, interrupted earning capacity aren't in effect punished financially because of their inability to maintain consistent workforce attachment. We do have concerns about many aspects of current policy and provision for early childhood services and child and maternal health services. I think there are people, I think even today, who are going to be much better equipped than I to talk about public health issues and certainly about the WHO recommendation in terms of breastfeeding.

With our contacts with the child development sector, we are aware of and we endorse the evidence from child development sectors of the importance of these early months and years and the potential for future benefit to society. We do feel, as I have said, that we're talking about something which should be seen as about the workforce when we come to the question of the paid leave and we believe that this should be consistent, whatever is developed, with the existing approach to other employment related benefits, such as sick pay, long service leave and the like. That is, any parent leave payment ought to be income replacement for the agreed period, not a means-tested welfare benefit. So we say that any new scheme ought be designed as part of the industrial relations system, albeit with some implicit or explicit input from government.

We do think there is poor public understanding of the current existing range of current Commonwealth direct payments and tax benefits available to support parents in their general parenting role, and we consider there's much to be gained by a redesign and redesignation of some of these to make the extent of policy support more transparent and explicit. So we are suggesting to the commission that a highly desirable new system of income support payments for parents who are in the workforce should be tripartite in funding source. We believe the employee's entitlement should also provide portability, as with superannuation arrangements. We believe it should provide for a mandated six months' paid leave for the mother at

her income replacement level, and be structured so as to permit extension of the scheme over time and as economic conditions permit.

To this extent, we have endorsed the commission consideration as an example of such a system; the proposals put forward by Ms Perry, and I point that we are negotiating at the moment to see if we can get a professional costing of this scheme to be placed within the context of our written submission. We further recommend review and restructuring of some of the current range of government direct cash transfers and tax expenditures. We recommend, given our concerns about the child and maternal health sector, a review possibly through the processes of the Council of Australian Governments of the state and territory systems of child and maternal health services so as to enhance pre and post-natal care and mother and child health outcomes.

We note with interest the announcement yesterday in the territory budget of funds for, I think it's an additional four early childhood centres which will provide a range of services in an integrated fashion for children from nought to eight years. We consider that the Commonwealth should, in cooperation with other jurisdictions, develop a clear and coherent child and maternal health policy. I'll leave it at that. Perhaps, Julia, do you want to say a couple of words about your system?

MS PERRY (NFAW): Yes. Julia Perry. I was for a long time senior policy director in the Department of Social Security and FACS. I was director of sole-parent and family policy. I was in the department at the time when Keating investigated paid maternity leave and came up with the original Maternity Allowance. I was also there when the Howard Government investigated paid maternity leave and came up with an increase to the Maternity Allowance which is now called the Baby Bonus, which I think is an unfortunate name. Furthermore I'm the author of a report for the OECD on policies towards mothers and their employment in eight countries. That was where probably the idea for my scheme germinated because it's based on principles existing in Europe.

The Baby Bonus or the Maternity Allowance - the Maternity Allowance, I should add, was the third income support payment the Federal Government in Australia introduced, so it's got a long history. But it's paid to all mothers, non-means tested, at $5000 which comes out to $330 a week roughly over 14 weeks. So there is a lot of support for a proposal to have a flat rate maternity allowance fully funded by government. I would see that that is almost an identical policy with the Baby Bonus except that the Baby Bonus is paid in a lump sum not over 14 weeks and it is slightly lower than the amount currently being recommended.

The reasons for my interest in this area are as follows: for most men and women, having children is the most important thing in life. If you have children you

want to care for them and spend time with them, particularly in their early lives. But it's also beneficial for society as a whole because it's about the reproduction and continuity of our society and our economy. Babies born today are the taxpayers and the workers of the future. So there is a very strong public benefit in having children. My policy is about assisting new families to meet the financial needs of a family that loses one income at the time of childbirth for a short period. I think that's justified in the interests that are being served, particularly of those of us who don't have children. This is still leaving a very high financial burden on families of having children and that's a matter of choice, but I think this fairly small contribution is warranted.

Researchers established that the wellbeing and happiness of babies is a strong positive factor in their future health, educational achievement, earnings capacity and relationship formation, and even in reducing the future crime rates. Wellbeing includes breastfeeding where possible, and also a sense of security and stability and attachment, which I believe is best provided by mothers.

We live in the most prosperous time in history that's largely determined by the massive movement of women into paid employment. The more that we use women's full potential, the more successful that becomes. 70 per cent of married women of child-bearing age are now in employment compared with less than a third in the 1960s. Sustaining that prosperity and also keeping up workforce participation in the face of population ageing gives that a continuing vital importance. In addition, as women we have the right to equal recognition for that contribution and fair earnings and working conditions. But obviously only women give birth and breastfeed and the social role of caring for babies is still overwhelmingly taken by women, and that's not ignoring that many men are now taking up more and more of that contribution and that's to be welcomed.

But we've not adapted our systems of working conditions to the new realities. We still regard - when a woman has a baby, she becomes a dependent spouse for a period. This is a financial shock to a family that's particularly based its housing costs and other costs on both incomes. For many people in the younger generations now, that's the only way that you can actually manage to buy a house. So it's women's lives and babies that are suffering from this squeeze where some families can afford to lose one income for a while with savings and belt tightening, but many are delaying or avoiding having children because they can't afford to. Some delay and then find they can't. Others are going into unsupportable debt or getting help, say, from parents. Others are returning to work earlier than they want to and compromising breastfeeding and attachment. I'm sure that we all know families in these circumstances.

But we don't expect employees to save for the annual holiday or for periods of sickness. There's far more justification for paid leave to support parents taking leave

for maternity. As Marie mentioned, I see it as being parallel to long service leave entitlements. As with long service leave, you could take full income replacement for six months or you can pro rata it over a longer period, or you could share it between the parents.

So in Europe social insurance schemes just added paid maternity leave into their pooled levy funded system. We didn't have that system here so the proposal which I'd put forward of the government contribution, being the Baby Bonus, at whatever level the government wishes to pay it on a non-means tested basis and renamed Maternity Allowance, with the additional funding coming from a levy of $5 per thousand on employee's wages paid by the employee and a corresponding $5 per thousand paid by the employer into a pooled fund which is administered by a Commonwealth agency. Preferably the employer would continue to pay the employee to maintain that link and be reimbursed by government from the fund. Where that's seen as a problem for small business in terms of management, then obviously the funds could be paid directly by an organisation such as the Family Assistance Office. That's a minor detail.

My scheme would provide 28 weeks earnings replacement leave. That allows for two weeks before the birth and then six months, consistent with the World Health Organisation recommendation that the first six months a baby should be fed exclusively on breastfeeding. It also includes four weeks earnings replacement paternity leave for fathers which could be taken at the time of the birth whether or not their wife had been in the workforce.

So that would mean that the father could be there to support and help the mother and baby at the time of birth or taken following the mother's leave. As I mentioned before the mother's leave could be shared with either parent. It also provides four weeks equivalent leave, maternity leave, a lump sum equivalent to four weeks maternity leave to employers to assist with the cost of recruitment of a temporary employee to absorb of the costs that a woman taking maternity leave, paid or unpaid, incurs.

I consider that this scheme is quite capable of existing with the principle being put forward by many people of a government-funded flat rate maternity leave provision. In fact, that's what mine does. So if the Baby Bonus was raised to some degree that would merely feed into - a scheme like mine would then top that up. So it's not inconsistent, it just takes it further. I strongly believe that six months is the minimum and most women would prefer to take the full 12 months of unpaid maternity leave.

I think that it's also possible to have as an addition to this scheme the model produced by Bruce Chapman of taking out an income conditional loan which would

not have to be repaid for 12 months after being taken and then only when the family income returns to some specified level. But because that scheme still puts all the cost on families, I don't think that's viable or appropriate for all families in lieu of any other form of maternity leave but as an additional form I think it could be helpful to families. Thank you.

MS COLWILL (NFAW): Can I just close our submission by saying that NFAW currently sees that the majority of the costs of bearing children are borne by the working family. We support the Perry plan which would provide 28 weeks full earnings replacement maternity leave for working mothers funded through a combination of the Baby Bonus, which would continue to be provided to all women, plus a levy on employers of $5 in every $1000 - as a small business owner I believe that that is a bearable payment and I hope that other small business would also see that, I understand the problems of small business - and a levy on the employees of $5 in every 1000, which is a heck of a lot cheaper than the current cost for those women who are in organisations that don't have paid maternity leave and a small impost on those who aren't going to have children. We think it is fair for employers to now pay their share and that the levies that we're suggesting are relatively low in the scheme of things.

MR FITZGERALD: Thank you very much.

MS PERRY (NFAW): Could I make just a slight addition to what I was saying. My scheme would also work if the levy were entirely paid by employers at 1 per cent of their wage bill. In economic theory it doesn't make much difference. My proposal reflected the more popular option that we put in the Newspoll survey and it seems to me to be a fair option to expect a payment from both sides. But a variant of it which is, I believe, being pursued by the New South Wales union movement would be that the funding came from employers, but either of those are two different options.

MR FITZGERALD: Okay, thanks very much for that. We might now just have some discussion. Angela, do you want to lead off?

MS MacRAE: Could I just - at the very top level I was just still a little confused about how the four weeks for the employer, the equivalent, would work. What sort of level would that be in? Would it be related to the earnings level of the woman that went on leave?

MS PERRY (NFAW): Yes, it would be related to that.

MS MacRAE: Okay.

MS PERRY (NFAW): It would be a lump sum to them which - the levy would be

tax deductible but the payments would be taxable to all parties.

MS MacRAE: So the employer would get the equivalent amount that the person on leave would get for their first four weeks?

MS PERRY (NFAW): Yes, but the employee - - -

MS MacRAE: But they get a different lump sum?

MS PERRY (NFAW): That's right. If the employer's costs of recruiting a new person and providing training and induction and those things was about equivalent to that then that would obviously be deductible from tax.

MS MacRAE: Yes.

MS PERRY (NFAW): So that it's a notional amount, a round figure which may meet current concerns that particularly small business have of the difficulties for them when a woman takes unpaid maternity leave.

MS MacRAE: In relation to who would be eligible, have you looked at the eligibility requirements? I mean casuals are a group that come up - - -

MS PERRY (NFAW): I believe that it would have to be, say, nine months work in the previous 12 months, but with any employer. If you changed employer or changed jobs then it would be an average of your earnings during the period you were working, because I think that there is a real problem of people taking up employment for a very short period purely to get that. I think it would be fair to say that, you know, there should be a waiting period for it.

MS MacRAE: Just in terms of your other leave, when you take your sick leave and your long service, whatever, it's paid at the rate that you're on at the time you take the leave. It's not based on an average over that period. Were you thinking of a similar thing here? Would the rate be structured - - -

MS PERRY (NFAW): Well, if you took long service leave - unless you're in the building - there's a scheme in the building industry where employers pool funds which funds long service leave. I understand that that long service leave is somehow averaged over different employers. I mean you would have to be with the one employer for 10 years to get long service leave otherwise, so that the question doesn't arise. It isn't quite the same as you point out of sick leave and rec leave which would be paid, even if you got a promotion the week before you would get it. But that's not - I mean these things are details that wouldn't seriously affect the principle that I'm illustrating.

MS MacRAE: No, sure, yes. In relation to the number of weeks, with the 28 weeks and then the four for paternity leave and the - disregarding the employer one but are you seeing that in addition to the 52 weeks unpaid or as part of the unpaid leave?

MS PERRY (NFAW): Part of the period of unpaid leave. I haven't addressed conditions of return to work but one thing that I would say is that under my scheme if you had for some reason - and someone was talking about this today who had a baby a week ago and has been recalled to work. If you had something wherein you had to go - you know, it was very important that you went back to work for a brief period, say the culmination of the project you'd been working on or something, you could stop and start it.

MS MacRAE: Okay.

MS PERRY (NFAW): It should not then cease either your unpaid or your paid maternity leave components.

MS MacRAE: Presumably over a two-year time frame or something?

MS PERRY (NFAW): Yes.

MS MacRAE: You would put some cap on that? I'm just thinking from the employer point of view if it was sort of indefinite it would be problematic.

MS COLEMAN (NFAW): Yes. But again I think those are things where once you have taken the principle you can design some particular variant.

MS MacRAE: Yes.

MS PERRY (NFAW): I would also see it as being possible for people to, if they - you know, if their circumstances warranted it take - go back to work part-time and use the part-time conditions of this to stabilise their income.

MS MacRAE: I guess in Australia - and you have acknowledged that you are basing a lot of this on European-type models, but we actually don't have social insurance for other things in Australia. So putting this in place for something as small as maternity leave, whether there would be an issue around whether it's worth doing it for something as small that - although I guess if we're putting it in with other employment arrangements, we're not - but if you had some commentary on, say, the European model versus the New Zealand model, for example, I'm sure you've looked at that and why you've gone for one rather than the other would be helpful.

MS PERRY (NFAW): We do have two forms of social insurance in Australia; workers compensation and superannuation is a form of it but it's not pooled. Workers compensation has a lot of other problems which wouldn't apply here because you've either had a baby or you haven't, whereas whether your injury is - - -

MS MacRAE: Yes.

MS PERRY (NFAW): But the principle is there of pooled employer contributions. It's the only way I can see of providing what I consider to be an adequate and respectful paid maternity leave that would avoid the particular financial crisis caused at the moment. I think that the long service leave scheme in the building industry is quite interesting and I would have no problems with that being - you know, if people wanted to copy this model, that would be something that isn't in part of my proposal here and similarly with people taking leave to retrain and upgrade their skills, at the moment a lot of people drop out of the labour force because their skills are out of date and they can't ever afford to make the time to study. But those things shouldn't be confused with this; the benefit of this is it's so very small compared to, say, the 9 per cent mandatory employer contribution which will be 18 times this and the world didn't cave in as that was brought in.

When I did the OECD study, I realised that maternity leave was the one gaping gap here that was very easily accommodated there. We have another form of welfare system which I've spent so much time in in my life that I am wedded to it to some degree and I was always brought up to see its great advantages compared to those overseas. On paid maternity leave, it can't really cater for it.

MS MacRAE: So I guess - if I'm not putting words in your mouth - the key difference really is if you want to have an earnings-related scheme, you've really got to have something that's got that workplace sort of attachment rather than - - -

MS COLEMAN (NFAW): Yes, that is the threshold, that for most women, a minimal welfare benefit is not going to be adequate. It's, we think, earnings related and is quite critical.

MS PERRY (NFAW): The other way of doing it of course is having employers pay directly at the time, as they do with rec leave and sick leave and long service leave, but the ILO says that to protect women's position in the labour force, this should not be the way that it's done and I agree with that. Employers that I've spoken to have said you would keep that in the back of your mind when employing a young woman, "Is she going to have a baby?" It's inequitable in terms of companies that employ a lot of women and companies that employ mostly men and it's also very unpredictable for a small business if you suddenly have someone going off on six

months' leave and you're paying them directly and you didn't predict it. The bottom line falls out. That's why I think that because it's a particular demographic that it really should come from pooled funds.

MS COLWILL (NFAW): It would be very bad for small business, that sort of model.

MR FITZGERALD: Could I just go to some of the broader issues and some of the design features of the proposal you've put together. Firstly, you've obviously taken a model where you believe that there needs to be a quarantining between leave for the mother and leave for the father and/or supporting partner, as distinct from other models which have allowed great flexibility as to how that's used. So if you can just explain why you have decided on a model that quarantines 26 weeks for the mother and four weeks for the father and/or supporting partner.

MS PERRY (NFAW): If the partner is earning a different level from the mother, in my scheme, it would create various sorts of distortions to have a strong incentive for the higher earner to take the leave. It makes it very much less predictable and it sort of makes some very strange family dynamics. I think that it's very important, following some Scandinavian models which have a specific mandatory component for the father or for the partner which encourages that partner to see it as absolutely legitimate that they take leave. At the moment, often if the partner is the higher earner, there's quite a lot of strong disincentive for the father to take that leave. This would normalise the rights of fathers to have that leave and the role of fathers in unpaid work at home.

I see the period leading up to and after the birth as actually a period where many women physically can't work but I would have the woman's entitlement to be shareable, but at her rate, so that if she went back to work and the partner took over the home duties, the partner's payment from the scheme would be equivalent to her payment. It's a bit messy.

MR FITZGERALD: Can I ask then what is the behavioural change that you think will occur as a consequence of your scheme. If we're introducing this scheme in two years' time, what would have changed in the way in which both the mother interacts both with the child and the employment environment and the father and so on? What is it that you're actually seeking to achieve in terms of changed behaviour from what we see today, where a fair percentage of women are currently already taking the first year out of the workforce to care for the child? What is it that you're actually in real terms seeking to see?

MS PERRY (NFAW): One of the aspects is that I think that people would be able to have children at a younger age. I think a lot of people are delaying it until they

can afford it and sometimes with costs, because fertility gets reduced with age, so I think that people could have babies when they want them, not have that delay. I would see the predominant change as meaning that women with these sorts of financial pressures, such as high mortgages, older children and debts of those sort could stay out of the workforce longer. I think there are many women that I hear of going back to work far too early and that's quite damaging for the baby, it's quite difficult for child carers and it's damaging for the woman, so I see that women would stay out of the workforce for the period that's necessary to bond with the child. At least they would have six months where, even if they were very financially strapped, they could have that period.

I would see it as encouraging it to be regarded as a normal thing for fathers to take a period of time, so we would see more fathers taking a month out and getting to know the baby and being a support to the family in that way. Before we had the age pension, retired people weren't dying of starvation; they were either working when they really shouldn't have been working or they were relying on other people or they were suffering from poverty, so this is really about saving people from the hardship. I know that many women will stay out by hook or by crook but the financial implications on them and the family's stresses are too high, so it's really aimed at saving women and families from that particular financial emergency.

MS COLWILL (NFAW): There are a few other things that I'd like to add. I think that it would encourage women to return to the same employer. I think a lot of the businesses that have introduced paid maternity leave have done it for that reason and if we had a national scheme, that would increase. There would be greater security of employment and predictability for employers which I would see as a good thing. It would also not disadvantage small businesses in that model and NFAW believes that's an extremely important thing. It also creates greater equity and I see a huge social benefit of any action that we can take to improve the equity of women in our society.

MR FITZGERALD: Why could you not get that change in behaviour with a more modest scheme? For example, in New Zealand I think it's 14 weeks up to a particular threshold and that's it. A number of countries throughout the world have schemes that are much less generous than what you're proposing. They would argue that they can get that behavioural change with a very different sort of proposal. Indeed, some of the proposals we are hearing in this inquiry are much more minimalist than yourself. So what is it about your proposal that would give you that significant change that 14 weeks at a minimum wage together with voluntary top-up by employers won't achieve, given the significant number of women already that receive some form of voluntary or negotiated top-up by the employer under the current arrangements?

MS COLEMAN (NFAW): I think that is not unlike what was happening with superannuation before we introduced a national compulsory scheme. Some women were in a position where they could do extremely well in terms of negotiating voluntary top-ups; many, many women were not. I think it's significant that a body as authoritative as NATSEM has said that the introduction of a national compulsory superannuation system has been one of the major contributors to a reduction in wealth inequality between men and women. I think these things are important.

We do believe that the duration question is important, particularly having regard to WHO and child development advice. You are going to hear more about that from other people. As we have said, we think that income replacement is actually what most women need. Clearly you can devise a scheme which says that people can have up to a higher level but then - rather than full income replacement you could argue for two-thirds or whatever. What we think is not in the interests of women is a minimalist welfare-type payment. I think just scanning the media over the last couple of days tells you that there is always a great interest in taking away or reducing eligibility for fully government funded welfare minimalist types of payments on grounds of, "We must punish those who are doing better than others," or some other such thing.

I think one of the other benefits that we haven't mentioned here so far about having the sort of scheme we've recommended is that by encouraging women to remain workforce attached and reducing the extent to which they have intermittent workforce attachment and lose seniority we are actually doing quite a deal to enhance, over time, their lifetime earnings and their capacity to save for retirement. That's also very important in terms of women's position in society.

MS COLWILL (NFAW): The other point that I'd make too is that a welfare system creates inequities for business. So if you're a big business you may be able to afford to top up the payment and therefore you will have the benefits of those return to work arrangements and you will be regarded more favourably by the employee. If you're a small business you will only be able to offer the low payment. I think that's a huge issue that can't be achieved any other way. I don't think a welfare payment does create that sort of equity.

MS PERRY (NFAW): Could I just add to that? It's a great pity that most people - most English speakers can't speak any other language and are often blind to what happens in non-Anglophone countries. The Anglophone countries tend to be fairly hard when it comes to social policy. But my scheme - being full income replacement is on the generous side of the level but it is consistent with our other pay models. But six months is on the shorter side. So I would like to see people who simply couldn't afford to lose money at all have the option of having at least six months of that. But I would imagine that many people would seek to take it at half

pay for 12 months, which puts it somewhere in the middle of world social insurance schemes.

As I mentioned - I did earlier research. I looked at every single country in Europe and the OECD and if Turkey, Albania, Moldova and South Korea can manage insurance-based paid maternity scheme then I don't think we should look purely at the US, New Zealand and the UK as our models. I think that we can do better than that.

MR FITZGERALD: Well, can I ask about the question for those that are not going to meet your eligibility criteria, so for those casuals, for those that are self-employed and for those that are not in the workforce your position is that there would be a payment made to those people up to a certain level.

MS PERRY (NFAW): Yes.

MR FITZGERALD: That's the Baby Bonus plus, and paid in instalments. But can I ask the question there is your proposal that it goes to all women irrespective of other income and assets? In other words, it's universal in nature?

MS PERRY (NFAW): Yes.

MR FITZGERALD: Secondly, will it be subject to tax? Thirdly, would it be a payment that would be taken into account for other social transfer payments in terms of the means testing that applies to them?

MS PERRY (NFAW): No, I think that it would be - it should be paid to all mothers as it is now who also would qualify for Family Tax Benefits part A and B. I have a lot of ideas about how those would be reformed, but that's not the subject of this. In my scheme you - I don't think people should be better off by having a baby. I think that the income replacement should be what's the top limit. So I would see that as taxable. Now, whether that meant - I mean if you had the Baby Bonus paid to a woman at home, presumably her other income, taxable income, would not - would usually not mean that the tax would be payable. But in my scheme one way of doing it is to tax the whole payment as you tax normal wages, including that Baby Bonus element. But there would be some losers, high income women who get the Baby Bonus and leave, you know, at some point. So that would be a matter for government and the Tax Office to work out what to do about that.

MR FITZGERALD: But fundamentally under your proposal - - -

MS PERRY (NFAW): Baby bonus is not currently taxable - - -

MR FITZGERALD: - - - the payments that are made to those that are attached to the workforce are subject to the normal tax regimes.

MS PERRY (NFAW): Yes.

MR FITZGERALD: So too would be any payments made to those not in the workforce.

MS PERRY (NFAW): But the Baby Bonus is not currently taxable.

MR FITZGERALD: No. But yes, that would be a change in the proposal.

MS PERRY (NFAW): If you tax the Baby Bonus it would - and the simplest way is to tax the Baby Bonus but you would need to very carefully consider whether there were losers and whether those losers could tolerate that and whether it was good policy. Personally, I don't see any problem with tax - I don't see any inequity problem with taxing it, but people's expectations - - -

MR FITZGERALD: Sure.

MS MacRAE: Those that are out of the workforce would still have access to the four weeks for a partner. That's right, isn't it?

MS PERRY (NFAW): Yes.

MS MacRAE: That would be at the partner's wage?

MS PERRY (NFAW): Yes.

MR FITZGERALD: Okay. We are a little bit over time. Are there any final comments you would like to make before we conclude?

MS PERRY (NFAW): Yes, there was one thing about - one thing that I probably didn't say about behavioural change, because this is not to me about behavioural change but about equity. There would be an incentive, quite a strong incentive, for people to return to work between children in order to stay in and qualify for this. In Europe, where everything is based on your employment history, there's very strong incentive to return to - to stay in the workforce and high rates of female employment.

MS MacRAE: Who are proposing to have more children?

MS PERRY (NFAW): Yes.

MS MacRAE: Yes.

MS PERRY (NFAW): Just people - - -

MS MacRAE: So you qualify again when your second child - - -

MS PERRY (NFAW): Yes. But also for super. I mean those things - that's also part of the problem with them, but that's another issue. The reason for paying it through the employer, as is done in the UK, is that that maintains the link between employer and employee and I think probably makes it more likely that person will return to that employer. But on the other hand the Council of Small Business has said they didn't think it was a good idea because there would be some red tape. So those are two arguments for and against doing that. But if it did make you still feel that you had a job to go back to you would probably be more likely to return to that job rather than drift out of the workforce.

MS MacRAE: Thank you very much.

MR FITZGERALD: Okay, good. Thank you very much.

MS MacRAE: Thank you.

MR FITZGERALD: If we could have the Public Health Association of Australia? Good, thanks very much for that. We welcome the Public Health Association of Australia. If both of you could give your full name and the position and organisation that you represent.

MR MOORE (PHAA): Thank you. I'm Michael John Moore. I am the chief executive officer of the Public Health Association of Australia and I appear in that capacity.

MS WALKER (PHAA): And I'm Melanie Walker. I'm the policy officer with the Public Health Association of Australia and I'm in here in that capacity too.

MR FITZGERALD: Good, thank you.

MR MOORE (PHAA): If I can start with a brief statement that would be great.

MR FITZGERALD: Please.

MR MOORE (PHAA): It's important I think for us to identify the Public Health Association of Australia is interested in public health not just as a matter as the absence of sickness, but actually dealing with people in a state of wellbeing. So our approach is to ensure as far as we can that we develop policies and we advocate to that end. Some of the basic documents that we rely on for that come from the World Health Organisation, the Ottawa Charter and so on.

We'd like to welcome the opportunity and thank you for the opportunity to appear today. It may also be, on a personal level, that I may also be able to help the commission should you be interested in that I was for five years was a shared parent for two of my children; for the third one I was not. I also was a small business owner with 18 staff, most of whom were casual. That may be of help on a personal level, but I have to separate that from my Public Health Association of Australia role.

We would like to first of all acknowledge the paper prepared by the commission. We would like to reinforce the following key points about the World Health Organisation and the international labour organisations who recommend an absence of work of around four months, and also the impact of the study across 18 OECD countries that found that with longer periods of paid maternity leave infant mortality rates were significantly lower.

The return to work is an important reason for stopping or not commencing breastfeeding when it comes to the most important factor six weeks after birth. Yet the World Health Organisation actually recommends that breastfeeding should be the exclusive form of feeding up to six months if that's possible. Research in the United

States also suggests that adverse impact on child health and development from returning to work within three months is also a factor. So those are important factors to us as a public health organisation.

We advocate some basic principles rather than a specific scheme. Those basic principles come first from the International Labour Organisation. The Maternity Protection Convention 183 provides a basis for a national paid maternity leave scheme that, from our perspective, such a scheme should include a minimum of 14 weeks. Payments we consider most appropriate should include payments that are a cash benefit equivalent to income replacement for women on low incomes but capped at the average weekly earnings. Funds should be derived from consolidated government revenue.

The paid maternity leave should include the right to breastfeed or express milk on return to paid work. It should include an option for the principal carer to access paid leave and an option for paternal leave to allow the father or the same sex partner to spend time with the baby; the Australian Federal Government to implement the recommendation arising from supporting and valuing parenthood options. Our policy actually is due for renewal and goes back to 2002. However, we note that the current policy is actually the same so we support that. We think that a review period of 12 to 24 months examining the effectiveness of the implementation is also a critical factor. Our policies are based on significant research. They are developed through our membership of about 1500 members, many of whom are academics. We do rely heavily on evidence. If there's anything else that we can assist the commission with we would be delighted to answer any questions.

MR FITZGERALD: Thanks very much. Can I just start, a couple of things. This figure of 14 weeks which is based on the ILO protocol or advice, why do you think that is the right figure? Everyone keeps saying that that's a figure, but of course we've heard others talk about 26 weeks. There are submissions that will come to us that talk about 52 weeks. How robust do you think the evidence is behind this 14 weeks as being the appropriate period of time that a mother should remain at home with a child?

MR MOORE (PHAA): My view and the view of the Public Health Association has been developed from that base; from that evidence based on the International Labour Organisation. That having been said, we are very conscious of the fact that there's a discrepancy between that and recommendations that breastfeeding for six months is the ideal minimum. Therefore we find a tension between these two. The readdressing of this policy which is due to happen this year and is in the process of happening, I believe is likely to move to favour a six-month period rather that a 14-week period. But our current policy is a 14-week period based on the ILO.

MS WALKER (PHAA): I guess it represents a bit of a compromise position and that's why there's such a strong emphasis in the current policy around the right to breastfeed on return to work.

MR FITZGERALD: But some of the research which we're examining - and again I don't want to be definitive about this - indicates that a large percentage of women cease breastfeeding after four weeks from birth. That's well in advance of the time that they return to work. So I was wondering whether you have any particular views about that. I'm not disputing the desirability of a longer period of breastfeeding and it's an issue that we'll be looking at in some detail. But it does seem to be that women are in fact ceasing breastfeeding well in advance of returning to work which indicates that there may be a choice there, there may be other reasons occurring. If breastfeeding was so significant and important, why would we not be seeing breastfeeding taking place over a longer period of time?

MR MOORE (PHAA): We would, I suppose, argue another way in the opposite direction that as a public health organisation we know from the evidence the significance of breastfeeding and the significance of breastfeeding over a longer period. Where women are effectively forced back into the workforce, then that by and large cuts an option for them.

If we have a longer period where women are able to remain with their baby, then we can provide the encouragement, the enticement in the advocacy to allow longer periods of breastfeeding. I think it provides both a challenge and an opportunity: a challenge that it's not happening at the moment; paid maternity leave provides an opportunity for advocacy and encouragement for women, and identifying blocks and particularly structural issues - and we think that paid maternity leave is a structural issue - that prevents us from being able to advocate in that way.

MR FITZGERALD: Can I be absolutely clear: you're recommending that that 14 weeks be quarantined for maternity leave. Over and above that have you got a position in relation to paternity or supporting partner leave?

MR MOORE (PHAA): You're quite right, it's over and above that. We have a position on partner leave which may be for a father or in a same sex couple situation for the partner. But that is over and above the 14 weeks that we have recommended as a minimum - and I do want to emphasise it's a minimum in our policy - for paid maternity leave.

MR FITZGERALD: Sorry, could I - I'm not sure. What is that minimum period for paternity or supporting partner payment?

MS WALKER (PHAA): We actually have not identified a specific minimum for

that but we've said that for the partner there should be an option available.

MR MOORE (PHAA): Yes, there was certainly a discussion around a four-week period but I know that there's some evidence that goes to four weeks and goes to six weeks. So I guess we hadn't quite nailed down that period.

MR FITZGERALD: Okay. Well, I'll come back to some others. Angela?

MS MacRAE: The other interesting difference, I guess, compared to the scheme we just looked at is that you're looking at capping at average weekly earnings?

MR MOORE (PHAA): Yes.

MS MacRAE: Obviously you have just heard the alternative argument - - -

MR MOORE (PHAA): We have.

MS MacRAE: - - - that look, it's about, you know, requirements, people have got their mortgages and all those sorts of things and it's about income replacement and it's not - there shouldn't be a needs-based sort of entitlement. How have you come down on the side of something that's capped?

MR MOORE (PHAA): Let me emphasise in the initial instance this was - policy was developed long before either Melanie or I were part of the Public Health Association. However, we have spoken to our colleagues to try and get an understanding of what happened at that time.

MS MacRAE: Yes.

MR MOORE (PHAA): First of all, it's important to understand that these policies are developed across about 1500 people at the time that this was developed with obviously much greater input from some rather than others. That having been said there is no doubt that the academic input that we have is not just about public health, it's also about recognising a sensible financial scheme; the one that we have advocated that consolidated revenue is the appropriate place where this be funded. But we are also very conscious that in government budget decision-making there are always hard choices to be made. Where money is put into one thing it means not available for something else. So our association was also in the process of trying to ensure that this was not a scheme that would be rejected on the grounds of just not a high enough priority because of the amount of money.

MS MacRAE: Just being too expensive, yes.

MS WALKER (PHAA): I guess it's fair to say that you can see that the members have done a fair bit of discussion around finding a compromise position and a bit of a balance between the different points of view.

MS MacRAE: What would you see as happening for those outside the workforce, because we're talking about income replacement here. So would you see a continuation of a Baby Bonus-type arrangement for those outside the workforce or how would you see that working?

MR MOORE (PHAA): Actually, our policy is silent on that.

MS MacRAE: Right.

MR MOORE (PHAA): So I'm not really in a position to be able to comment on that. I suppose I can to this extent: that because the policy is silent on it we would expect no change in that regard.

MS MacRAE: Just in relation - and this is probably my own ignorance - but in terms of having a right to breastfeed or express milk on return to paid work, is there much resistance to that in the existing environment? Are there employers that say, "Look, I'm sorry, you just can't - you can't breastfeed here"? Or is it more a matter of, "We haven't got appropriate places for you to do that"? How would that work? How does that work currently?

MR MOORE (PHAA): I think it's more - I think the reason that it's in our policy, and speaking to some of our members who are involved in this policy development, was about structural issues, not that anybody is ever going to say, "No, you are not able to breastfeed here." But it's to put a positive - in our policy the idea was to put a positive thing that it's always understood that there is a right to breastfeed and whether a mother is very busy at the time - it's those sort of structural issues. Sometimes you get into the workplace and, you know, there's a teleconference going on and trying to breastfeed a baby who is screaming may bring about a reluctance on the part of some employers. So for our purposes the policy was to say, "No, there's a right."

MS WALKER (PHAA): I think it goes to the organisational culture too, particularly for women if they're working in an industry - in hospitality where there's a lot of younger workers and people aren't in that same life situation. I think that at the management level it's important that there's some acknowledgment that these things are okay and they are part of acceptable culture in the workplace.

MR FITZGERALD: Could I just explore a little bit more of the health benefits that you think would be derived from this proposal. Clearly you've indicated that

breastfeeding is a significant issue. But beyond that particular issue what are the other benefits that you think would be derived both in terms of child and maternal health that we currently don't derive from the existing arrangements, the existing arrangements being unpaid parental leave or the right to return to work together with a reasonable level of support through the social transfer system, be it the Baby Bonus or the Family Tax Benefits or parenting allowance. So why do you think this particular scheme will add significantly to the health and wellbeing of both mothers and children over and above that which we currently experience?

MR MOORE (PHAA): The most significant health benefit is derived from the breastfeeding. That's why we - I don't want to repeat what I said earlier.

MR FITZGERALD: Sure.

MR MOORE (PHAA): So take that as taken. But there is also a wellbeing issue about society recognising the role of women as mothers and as workers. The Public Health Association emphasises constantly that wellbeing is a significant factor in health. So for example, when women are recognised both as mothers and as workers then there is less likely to be as broad a prevalence of depression. That goes specifically to sickness but it's also about wellness, it's about feeling good about themselves and being able to manage and being able to manage their children in a positive way in a positive environment in a positive community. That is what we actually see as the largest - we would term health benefit, some people would call it a community benefit. I think that is something that can be underestimated but is something that is constantly emphasised by the World Health Organisation.

MR FITZGERALD: Do you think that the scheme that you're proposing or variations on that are more a signalling device that does that, that actually starts to say that, "We value women, we value motherhood, we value the having of children and that is compatible with being in the workforce." Is it more a signalling device than it is in terms of a genuine benefit? I don't mean, obviously, more money is benefit. But there has been a degree to which people have said to us that one of the real benefits of this is that it signals the value of motherhood, child-bearing as a normal and acceptable function within the workplace itself.

MR MOORE (PHAA): At the same time as we want to emphasise the importance of a signalling, I don't want to diminish the level of the health benefit as well. We think both are as important. We want to ensure that the Productivity Commission understands that we believe the significance of ability to breastfeed, the significance of the choice to be able to have children that is not restricted on a financial basis by and large, are very important factors in wellbeing and important factors that drive this particular policy for the Public Health Association.

MS WALKER (PHAA): I think, even acknowledging the declining birth rate, there's some evidence that what we're doing now isn't moving in the right direction. So I think it's probably a little unfair to say that, you know, the base we're coming from is rather strong. I think the evidence is there to say that the base we're coming from isn't strong and we need to provide more support.

MR FITZGERALD: Well, just related to that, in relation to the father and/or the supporting partner, one of the submissions that we are likely to receive or that we've had consultations in relation to says that an important feature of any scheme would be that the paternity leave should be taken concurrently with the maternity leave. One of the reasons for that is that the bonding between child, mother and father or partner is critical. So they have said that you shouldn't have a scheme which allows maternity leave followed by paternity leave, rather, they have to be concurrent. You have not mentioned the issue of attachment or bonding. I'm sure you'd regard it as important. But are those sorts of considerations important in your proposal?

MR MOORE (PHAA): By and large our policy is reasonably silent on that particular issue. But if I can suggest a couple of things. First of all, one of the options that is available to a parent or a partner for bonding time specifically, the time of birth, is standard leave. After all, it does take nine months to produce a baby. So we would think, by and large, I think, that we would not feel strongly - our policies have not felt strongly enough on this issue to include that in terms of the bonding. We do emphasise the importance of the mother-child breastfeeding arrangement. So whilst we do think the partner-father is a significant issue, it is nowhere near the level of significance of the mother and breastfeeding and bonding. That is the fundamental issue.

MS WALKER (PHAA): I guess the key principle here would be flexibility. We understand the economic constraints that are faced by low-income families and I think that the key to this, we need to be flexible. Obviously in a perfect world the best-case scenario would be that the two parents were there bonding with the child in the first couple of weeks, but we understand that the parents may need to stagger that time because of financial constraints that they're facing. So I guess again that's trying to balance realism with where we want to be as well.

MR MOORE (PHAA): I should clarify too, I said yes, standard leave is available but we have advocated also at least a couple of weeks of paternity partner leave. Yes.

MS MacRAE: Just in relation to sort of saying well, if we had a paid maternity leave we'd have a review in 12 to 24 months, what sort of yardsticks would you use at that stage to ask whether or not it had been a success and what sort of outcomes would you be looking for?

MR MOORE (PHAA): Evaluations are always interesting things, aren't they, for the question that you ask. I think that one of the key features for us would be the impact on breastfeeding, but also we would need to look for ways to measure wellbeing as well and changes in community attitudes. These are much harder but not impossible to measure and I think they would be important, particularly on community attitudes in two directions: (1) the broader community and how they accepted a scheme like this. After all, as taxpayers the broader community would be paying for it. But also in the opposite direction, the people who have taken advantage of paid maternity leave, what impact do they think that it's had and how it felt. I think that would be some of the early indicators that would be measurable.

MR FITZGERALD: Can I just go to the funding. Again, I don't want to press you too far on this given that it's only early days and you have an opportunity to put in a full submission. But a couple of things: you've indicated that this should be fully funded by consolidated revenue by the government itself. I was just wondering why you believe that and why you don't believe that there is a role for employer and/or employee contributions to this scheme, acknowledging that you've capped it at average weekly earnings.

MR MOORE (PHAA): Yes.

MR FITZGERALD: But philosophically why do you believe that the employer and employees shouldn't contribute to this scheme, which is a feature of many of the international schemes.

MR MOORE (PHAA): Indeed. I'd like to answer this question on two levels, on both a personal level and on a PHAA level.

MR FITZGERALD: Yes.

MR MOORE (PHAA): The Public Health Association view right across its policies looks for equity and shared responsibility in community. By and large the Public Health Association perceives that this ought to be a community responsibility for equity.

On a personal level, having run a small business for four years, and four years was long enough, I have to say that I think that had we had to shoulder this particular responsibility, as much as I would have liked to have been equitable, business would have made me - business decisions would have probably pushed even someone with attitudes like mine to equity to being much more selective about how we employed. We would have been looking to employ looking to employ people who were not in the child-bearing range. That's a hard thing to say in some ways, but it's the sort of

extra expense that when you are in an industry that's competing very strongly with other people in the same industry, particularly an overcrowded one, that you're looking at savings on every single part of your business. I think that that would have a very negative impact on the community as a whole.

MS WALKER (PHAA): I think the PHAA has acknowledged that and that's why they've put that principle in there around coming from consolidated revenue, just to acknowledge that there are those pressures on business. We'd like to see a compromised position that allows women and children to get better outcomes, but also acknowledges the realities of the world that we live in and what can actually be achieved.

MR MOORE (PHAA): Interestingly enough, coming back to my PHAA hat, from an equitable perspective one of the things we said we would try and gain is a sense of community wellbeing and a change in community attitudes, and it might just backfire if it was done in that way.

MR FITZGERALD: But business has shown a propensity already to enter into negotiated and/or voluntary arrangements for top-up maternity leave.

MR MOORE (PHAA): Yes.

MR FITZGERALD: Approximately 44 per cent, give or take 25 per cent, of women are currently covered by some form of paid maternity leave, clearly in the public sector and so on.

MR MOORE (PHAA): Yes.

MR FITZGERALD: So whilst I acknowledge that some businesses would be adversely affected depending on their worker profile, clearly business is starting to move to recognising that it is an important part of the employment arrangements, whether that's because they want to be an employer of choice or because of other reasons. Some would say to us that perhaps what the government should do is simply pay up to a very minimum level but then allow the employer top-up to either continue on a voluntary arrangement or make it mandatory, but they pay for that so that you ease the burden on many businesses but you don't eliminate that burden. In fact all we would be doing is in fact paying for that which is already starting to occur in the marketplace. Is that a good use of public money? Why should the public purse be used for something where there is already evidence that the industry is prepared to pay for that at least in part?

MR MOORE (PHAA): We would argue that the businesses that are already going down this path - and you mentioned public service but it would also be very large

businesses. My personal experience, with my other hat on, with a small business is that extra pressures of this kind - another example of a similar pressure was transferable long service leave for effectively casual workers. These put a significant extra pressure on small businesses. So I think there is a very big distinction between small businesses compared to medium-size and large businesses. I think that would be worth exploring from an evidence base.

MR FITZGERALD: The other question is, should this be available to all employees? Again, you've acknowledged a capping of average weekly earnings so that there would be some where employers would want to go over and above that in other places. But there is an issue about, should this apply for all workers irrespective of their income? I presume your answer is yes.

MR MOORE (PHAA): Our answer is yes.

MS WALKER (PHAA): Yes.

MR MOORE (PHAA): In our policy it is yes; however, with a capped average weekly earnings.

MR FITZGERALD: Can I ask a question which you may not have a comment on and it may not be an appropriate question in some sense but I'll ask it anyway.

MR MOORE (PHAA): Why not.

MR FITZGERALD: Given that you're putting forward a government funded scheme, there are always trade-offs to be made.

MR MOORE (PHAA): Yes.

MR FITZGERALD: One of the issues that we're exploring is the inter-relationship not only with the social security transfer system, but also with the child care area. Some would say that if you support a paid maternity leave scheme by government then that may well come at the cost of increasing government funded child care for very young children under the age of 12 months. On the one hand we're asking more women to stay at home to be with the child; on the other hand some are asking for much greater child care for very young children. Some would say that that's an inappropriate trade-off, that in fact there should be trade-offs elsewhere but not between those two.

MR MOORE (PHAA): Yes.

MR FITZGERALD: I was just wondering whether you have a view about that.

MR MOORE (PHAA): We would have a principle that we would fall back on and the principle we would fall back on is that women should be able to make the choice. So in as far as it's possible to make the choice, then that's where we would go. That doesn't really clearly answer your question, but that's the principle upon which I can base a response from the Public Health Association at this stage. However, we will take the question on notice and see if in our submission back to you that we can take that into account.

MR FITZGERALD: Yes. I'm not trying to set up a fight between the two.

MR MOORE (PHAA): Yes.

MR FITZGERALD: But rather that once you start to say it's government funded, then you have to say, well, where does the government funding go?

MR MOORE (PHAA): Yes. It is an important issue for us that it be government funded, and therefore we're quite happy to look at that question and to consult our members on that question and come back to you on it.

MR FITZGERALD: Okay. Are there any other final comments you'd like to make before we conclude?

MR MOORE (PHAA): No. We'd like you to just thank you for the opportunity for appearing and we're very pleased that you are taking health and wellbeing into account as a fundamental part of this inquiry.

MR FITZGERALD: Good. Thank you very much. We might now just break for 15 minutes. There's morning tea outside, I understand.

MR FITZGERALD: Okay, are we set? We might start. Thanks, Julie, if you can give your full name and your position and any organisation that you might be representing.

DR SMITH (ANU): My name is Julie Smith and I'm a research fellow at the Australian Centre for Economic Research on Health at the Australian National University. I'm a mother of three children, 12 to 27-year-olds, and I've been a breastfeeding counsellor for over 10 years, so I've talked to many women with infants and run mothers' groups and so on. I thought that because I didn't really have time to give a lot of thought to what I was going to say because of short notice I thought I would just take a particularly economic perspective on this, because that's where my work has been, and to focus on the economic costs, risks and benefits side.

My perspective is that of the health and productivity links of this issue and the effects on infants. So that's talking about the infant's health and the mother's health and the long term and short term effects on the productivity of the baby when it grows up and so on. I think it's important to use a broad economic conceptual framework here which incorporates the unpaid economy and to take a view of what's going on as investment in human capital. We have the national accounts with the national capital balance sheet. Where is the human capital in that? Where is the investment that people make in children counted in that economic measure? So we need to have a broader framework around this. I think we also need to look at women's unpaid care work as an economic investment in human capital, that's the time that she spends. I have done some research on that that I'll talk briefly about .

I think as an economist I was very interested in an argument of children as public goods. Now, public goods from an economist's perspective has a particular meaning and reflects a market failure and the sort of issues that are raised in the economic literature, that the benefits are not exclusive; the benefits of children. I mean, obviously people who have children have benefits from them but they're not exclusive to the people that have them. There are significant externalities to society. There are capital market problems: you can't borrow against them, to invest in them, slavery was abolished a century or two ago. There's risk and uncertainty. You don't know what sort of baby you're going to get and what they're going to be like. You've got no idea what it's going to be like after you've had a baby and you can't send them back. So there's an irreversibility of decision-making. There's agency problems: that the mother is expected to be - and the parents are expected to be the agent for the child but sometimes their interests can conflict. In our society we often, I think, underestimate the tussle that women have with that agency issue - putting it in economic jargon.

The sort of context I would like to place my thoughts on this inquiry - the context of that would be first of all, the National Health and Medical Research

Council and the World Health Organisation recommendations on exclusive breastfeeding to six months. Both of those bodies also recommend continued breastfeeding to 12 months or to two years and beyond, with appropriate introduction of solid foods. So I think that gives us a health and development benchmark to be thinking about. I have already drawn your attention to a very high quality study that has just been published in the last week which shows strong evidence from a cluster randomised control trial of IQ differences of 3 to 6 per cent in infants who are not breastfed.

MR FITZGERALD: Can you identify that particular research document?

DR SMITH (ANU): That study is by Kramer. It was published on 6 May or 7 May; this month, this week. That's a very important study because until now we've really had to rely on a randomised control trial of premature babies, where they randomised them, which showed a 7 percentage IQ point; and cohort studies which are subject to confounding. So there was being debate about the effect. But this randomised control trial by clusters, which I can explain if you want, shows very clear.

Now, that clearly has long-term implications. That's the sort of level of IQ difference that was in lead, that was affecting children's IQ in lead. As a result of that we banned lead in petrol. So if we want to be serious about protecting our human capital we need to take this issue seriously and make sure that children can be breastfed. There's a lot of evidence now on early brain development and early nutrition. I won't go into the details of that but it has been quite a shift in paradigm, an understanding of the plasticity of the human brain in the early months and the way that the brain is not preset; what happens in the first few months shapes the pathways that are developed and so on.

Another context I think that's fairly novel that I've looked at in the historical context is the market competition for new mothers' time. While the increase in the participation rates in the workforce of new mothers has not increased so dramatically on the data that we have of young children, we have no data on very young children, the competition - in terms of the effect on women's labour force behaviour the increase in pay in the early 70s really made a big difference to the economic incentives that women are facing. Not that I'm arguing against that. I'm saying that we need to actually accept the horrible thought that people are driven to some extent and their behaviour is shaped by economic incentives. If as a society we don't like the outcomes of that then we need to actually stop making women pay the costs and actually put some structural support in place to protect the interests of the baby and the long-term human capital of the country.

I draw your attention to the parliamentary inquiry into breastfeeding which has

got a lot of information in it and also the submissions to that. Breastfeeding rates in Australia are low. We have about 90 per cent of women initiate breastfeeding. We have - around 60 per cent of women are still breastfeeding at three months and around 50 per cent are still breastfeeding at six months. But only around 10 per cent of women are exclusively breastfeeding at six months. The data that we have from the US and from Australia and also from the UK shows that women who are in employment in those first six months are about 10 per cent lower breastfeeding rates. That data comes from a number of countries.

Regarding the point that you raised before about the reasons women wean, the predominant reason women wean in the early weeks is really a consequence of the care that they get or don't get in hospital and difficulty in managing the establishment of breastfeeding. But where women have to return to work early for financial reasons it's very clear that many of them will not commence breastfeeding or won't continue breastfeeding because they're anticipating returning to work. I've had many calls from women with, say, a four-week-old baby who are going back to work even at six months who are asking how they should start the weaning process. So there's a lot of misinformation as well.

So work is not the main reason for weaning in those early dates but it's certainly - overall in that six month group there's about a 10 per cent impact at least on breastfeeding rates. There's probably a stronger effect on exclusive breastfeeding because in Australia, as I mentioned, 50 per cent of women are still breastfeeding at six months but only about 10 per cent are exclusive breastfeeding. So many of them are introducing solids in anticipation of return to work or they're - you know, they introduce formula in anticipation and so on.

My research has been ARC-funded research on the economics of breastfeeding and the market for mother's milk. As part of that I've conducted a time-use survey of new mothers. That survey had around 180 mothers participated in it. In the PowerPoint slide that I gave you there's a picture of the device that we used to collect the data. It's about a large calculator size towards - page 13. That study also collected data on maternity leave use which I think has some important lessons about how we would interpret the statistics on access to paid maternity leave.

I was surveying mothers who had just had a baby. I was looking at mothers from three months to nine months, so mothers with an infant. Whereas the ABS survey has around 44 per cent of women having some access to some paid leave, that's of employees, that's not of mothers who are having babies. So of the 250,000 women a year that are having babies in Australia the figures in my survey were around 18 per cent had any access to any paid leave. That corresponds to the LSAC study, the Longitudinal Study of Australian Children, where only 14 per cent had any access to any paid leave. So I think it's - we really need to be careful and I think that

gives a guide for policy that it's not as simple as women who are out of the workforce or women who are in the workforce.

My data also includes figures for first children compared to subsequent children and for mothers who - having the first child 26 per cent had some access to paid leave and those having subsequent children had - 11 per cent had access. So once a mother has had the first child she is very quickly losing connection with the labour force, from this data, in terms of women across the whole workforce. Those mothers, 56 per cent of those having subsequent children also said they had no entitlement to any statutory paid or unpaid leave. Only a third of them said that they had access to unpaid leave. So only a third, or 40 per cent of these mothers in total with more than one child had any connection with the labour force, we infer from that.

I've also got employment data which shows that among Australian women, because we're not quite as brutal as the other Anglo-Saxon country, the US, mothers tend not to work full-time at three months. My data has about 22 per cent of mothers with three-month-old babies working part-time. But most of them, 77 per cent, are not employed at all. Roughly a third of mothers overall are employed in that first year of life. That corresponds also the LSAC data.

So women with choices: both my study and LSAC was voluntary participation. It's nationally representative. I've got a few more educated women and higher income women than LSAC, but basically if you're recruiting voluntarily you don't get the very bottom end; you don't get the top end. It's a sort of middle class population.

I wanted to say something about the time costs of breastfeeding. Using the time use device I measured women's activities, or they measured their activities for seven days, 24 hours for three months, six months and nine months. What that showed was that mothers in the first year of life are working around 75 hours a week in paid or unpaid work, and it's mainly unpaid work. Really, nothing much changes on average until nine months when they tend to do more shopping, less child care and more paid work. They spend around 16 hours a week if they're exclusively breastfeeding. Whether it's three months or six months, it takes 16 hours a week to exclusively breastfeed.

What was also very significant in view of the IQ sort of studies is that those mothers who are exclusively breastfeeding also had a very high expenditure of time on soothing, holding, what the ABS calls emotional care. So those babies who are exclusively breastfed either at three months or six months were getting approximately 25 to 30 hours a week of close, intimate contact with the mother, whereas the children who had been weaned, were either partially breastfed or not

breastfed at all were getting much less than that and in some cases half of that time at the same ages.

I've done some work on the economic valuation of breastfeeding in terms of health savings. I can talk to you more about that. I've done some estimates of the valuation in national accounting terms. Mothers in Australia make about 33 million litres of milk a year and they could actually make 55 million litres a year if they had all breastfed according to the World Health Organisation. I can also tell you that in the US at the moment a company is selling mother's milk for $650 a litre to hospitals. That's in a medicinal form. I can also tell you that the valuations for trading between milk banks in the US and where they have it in Europe, it's about $100 a litre. So on that basis, or even if you look at the time which I've also done estimates, it's around $2.2 billion a year worth of food that Australian women produce for their babies.

I've done a little bit of work on the employer benefits of breastfeeding-friendly workplaces, because breastfed babies are less likely to be ill. What I found, though, was that the main benefit of employers of breastfeeding-friendly workplaces - so maternity leave, flexible hours - the benefit to them was mainly in terms of getting a woman back to work sooner. That especially applies to higher skill women, that the cost to the employer are in recruiting. That's a really important aspect of a family-friendly workplace is getting women back earlier. That's been the experience in Australia by the Breastfeeding Association and the employers they have contact with.

The final aspect of my research, as Robert knows, has been in the tax area. Part of the research I did for my PhD was on Australia's history, including how we decided to go for taxation as a way of funding child endowment, which is a comparable policy. I've looked at the debates around social insurance that were going on at that time too at the turn of the century. I'd suggest from that that there are a number of aspects of the economic structure in Australia and also in our economic situation in the world that it means that we are unlikely to find an employer-financed scheme acceptable because the small business sector, the export sector is very large. We have a very open economy and if we are competing in markets where the employer is, at least on the face of it, being asked to carry the cost then that's going to arguably effect our competitiveness.

They were the same arguments that we were having a century ago on child endowment when it was funded from a payroll tax and paid at a flat rate. It was part of the wage system and a way of keeping wage costs down. So there's a positive aspect of maternity leave here, is that it could take some pressure off wages at a time of inflation. So I'm happy to talk some more or send you some material on that.

On the paid leave current situation, it's the low socioeconomic status women;

the casual workers, the women with transitory, temporary employment who need paid maternity leave the most and are least likely to get it. That's the thing that concerns me greatly in the way I think about this. Also in the labour market that we have these days, labour is becoming more and more of a commodity. Labour flexibility means you're not with the same employer for a long time. Like superannuation, an employer-based scheme has got massive administrative complications in following people around and so on. We don't have a history or an institutional structure for social insurance in Australia.

There's a risk of discrimination against women, as was discussed this morning, if the costs are all on employers. So in my view we need a universal scheme for all new mothers. I think it should be funded from general revenue and even if it isn't at the start it will be in 10 years time. I think it should be supplemented at the high end by employers of skilled women who are actually in the position and gain a lot from paid maternity leave. It really pays to pay maternity leave to highly skilled professional women who you want back. It's a point you made before: there's no particular reason why society should pay that cost. Society's interest is in the broader health and wellbeing of the child and that doesn't depend on how much income a woman is earning; not in terms of being worth more because she's paid more. So I'd support a flat rate scheme at least at the value of the minimum wage.

I'd also say that it's very important that we have supportive workplace measures and unpaid leave entitlements, flexibility of working arrangements, entitlements to part-time leave, unpaid leave. In terms of paternity leave, I'm rather like the Public Health Association. There's a lot of evidence that when women are well supported by their partner they find it easier to be loving and caring mothers. When they have a partner who is not so supportive it can be a real trauma. It's not at all clear in some cases that the women would want the men at home when the baby is there, but in some cases she really does and it makes a difference. So I would say well, let the mother choose. Let the mother choose because she may not be in the power situation in some families.

The point was made about paid parental leave being a potential employer contribution through either annual leave or paid leave. I would also suggest that a starting point for reform is the Baby Bonus. I think fundamentally it's not a bad scheme. You could fix the design faults, which are that it's paid in a lump sum. You could pay it weekly. You could increase it in amount. I think at the moment it's equivalent to about 14 weeks at the minimum wage, so you could increase it at a practical, affordable budgetary cost - I've done the estimates roughly - and make it taxable not on the family income but on the individual's income.

I suppose a more general point I'd make is that we really need to reform Family Assistance - I'm not the first person to say this - and child care payment structures to

make more coherent and to make them more neutral, and to stop trying to force and dictate women's choices about how they should be spending that time in their first year. It makes me really cross to see one set of family payments conditional on not working but you can have investment income; another set you can only get if your husband's income is below something; another one you can only get - yes. Let's get it neutral. Another payment you can only get if your child is in child care and you're working or studying. Let's stop trying to manipulate women's choices. Let's have a bit of neutrality in here. Let's support them properly to make the choices that they want to make. The Family Assistance system is a total mess.

In Scandinavian countries where they have got a virtually 100 per cent breastfeeding rate for six months, 80 per cent I think it is, and about 60 per cent at 12 months, they have comprehensive maternity leave on a replacement basis for the first year with very generous access, almost universal access, but they don't subsidise child care in the first year, so there' s a potential public policy trade-off there in terms of cost savings. It was discussed earlier. Those countries do not subsidise. There is child care available for those women who want to return earlier than their 28 or 40 weeks' leave but most women don't take it.

I would also say in terms of the scale of the costs, the rough back of the envelope calculations I did was that you could have a minimalist sort of scheme for around $2 billion a year. You could have a decent scheme that provided women with almost a subsistence income for around four or five billion dollars a year and I would suggest that that would be just as good an investment in the health of the nation as the $5 billion that we spend on subsidising private health insurance. It would probably be just as good an investment as a lot of the money that we're spending on superannuation tax concessions, which is about $15 billion. So I think we need to get a perspective on some of these issues. I haven't gone into the details of the different health and development sort of conditions associated with breastfeeding or not breastfeeding but I'm happy to elaborate on that, if you want.

MR FITZGERALD: Good. Thanks very much, Julie. I might ask Angela if she wants to lead off, to ask some questions arising from that and some of the other papers that you've given us this morning.

MS MacRAE: There's sort of so much there; I'm trying to decide where I'll start, but that was very useful. Thank you.

DR SMITH (ANU): That was done at about 1 o'clock last night.

MS MacRAE: You've obviously been thinking about these issues for a very long time.

MR FITZGERALD: I should say that there's a great deal of supplementary material.

DR SMITH (ANU): If anyone wants a copy of that, I can give you my card afterwards; sorry, it was very last-minute.

MS MacRAE: I guess you did say quite a lot about the benefits to the child of breastfeeding but we didn't hear a lot about the maternal health and I was just wondering if you'd also looked at that and what some of the issues might be there.

DR SMITH (ANU): Yes. The most compelling one, there's been a massive study of 57,000 women around the world and basically a third of the difference in breast cancer rates between the developed and the developing world is due to the different breastfeeding patterns. There's very clear evidence now that it reduces women's risk of breast cancer, the main types of breast cancer. Also in the paper here, I've got a list of the maternal health things. We generally talk about the sort of immediate post-partum haemorrhage type of things, but a range of reproductive cancers and a range of things like osteoporosis, arthritis and so on are connected to a lack of breastfeeding when the mother has an infant. Formula feeding mothers are more likely to get a range of these cancers.

MS MacRAE: Just in relation to the neutrality issue, about making it more neutral, underlying that though would be a strong preference of yours, wouldn't it, for the mother to be home and breastfeeding, or not necessarily at home and breastfeeding?

DR SMITH (ANU): Not necessarily.

MS MacRAE: If the workplaces were more user-friendly.

DR SMITH (ANU): I think at the moment, to be honest, the tax and Family Assistance system doesn't have a huge effect on women's decisions for two reasons: (1) it's so complex that you'd need at least several university degrees to understand what the incentive structure actually is and the other is that I think that most women who have choices will choose to stay home with the baby for the first few months, unless they're financially stressed or they're very driven by career, and they're entitled to make those choices. I don't think we should be dictating one way or the other what women should be doing. What we should be looking at is how that woman can be supported to do the best for herself and the baby and at the moment we're not looking at it in that broad a context. The woman is being put in the situation of having to choose between her own welfare, the welfare of her other children - for example, the family income - and the welfare of the infant and we should not be doing that to them.

MS MacRAE: That's I guess why you're taking a more sort of targeted - well, it's not targeted in that you're looking at something universal, but looking at a minimum wage, say, you're saying that you're - - -

DR SMITH (ANU): At least a minimum wage.

MS MacRAE: Yes, that it's that lower echelon that won't otherwise be covered but that there's no problem with employers choosing to top that up if they choose to.

DR SMITH (ANU): That's right. I did an estimate, based on the amount of hours that women are caring for an infant, in my study. I said, "Well, what if we paid them at $15 an hour for 40 hours and then we put them on call for 25 hours," and it's about $18 billion a year that women are contributing in the unpaid care of infants. Now, some of those women are in the workforce as well and some are at home. They're all working; some are being paid, some are not. But that is $16 billion worth of value that has been put in and that's the $15 that the ABS uses for its valuation of unpaid work.

MS MacRAE: In relation to your time study about the time it takes for exclusive breastfeeding, did you have a comparison for the mothers that might be using formula, for example, because it seemed to me that sometimes, although breastfeeding is time intensive, so is preparing the formula and doing the bottles and all those other things.

DR SMITH (ANU): No, I did look at that. I've got two comparisons; one is a study just of the mums who are bottle-feeding, but the most interesting data is that - and when I looked at it compared to women who are mixed feeding or introducing solids - the big difference - well, it's just dependent. The more breastfeeding they get, the more time it takes. So the mothers who are not breastfeeding at all are spending about half the time feeding the infant, including the preparation time, feeding, holding, soothing and so on. The mothers who introduce solids or who introduce formula alongside the breastfeeding also have quite a reduction in the time commitment, and it doesn't depend on the age of the baby. If a baby is three months or six months and it's been exclusively breastfed, it was getting 30 to 50 per cent more time.

MS MacRAE: So as a conclusion from all the work that you've done on breastfeeding, are you able to say how much of that reduction in breastfeeding is income-related? Is income a big factor? It's sort of taking Robert's question to some of the other participants. If we were to introduce this minimum wage arrangement that you've suggested, would we expect much of a behavioural response to that? Is that going to make a difference?

DR SMITH (ANU): There's been a study in Canada where they extended their paid maternity leave from six months to 12 months and they found that women increased the amount of leave that they took by three months. But they asked a silly question which was, "How did that affect breastfeeding and health?" Most women in Canada don't breastfeed past six months anyway, but in our case, in Australia's case, we're talking about introducing paid maternity leave from the start and so you'd expect it would have quite an impact on some women. It will have big impact culturally because it's about valuing women's work, valuing what they do, and it will give women, especially low-income women, some options and some independent income to make some choices because we know that for low socioeconomic status women, especially with children, that money paid directly to them empowers them within the household.

MR FITZGERALD: Whilst you talk about choice, in terms of a paid maternity leave arrangement or scheme, the fact that we're linking it to leave indicates that in a sense, we actually do want women to remain at home for a period of time because if they do return to work, they will lose that, I presume. If we wanted to maximise choice, some would say to us, "Well, simply increase the payment, the Baby Bonus, to a higher level," and perhaps pay it over an incremental period of time, rather than a lump sum, to avoid some of the unintended consequences. So in a sense, why do we need to move to a paid maternity leave arrangement at all? If we wanted to maximise choice, why wouldn't we simply increase the Baby Bonus, give it another name, and make it payable over time? You would achieve maximum choice or flexibility. So clearly people are saying, "Yes, it is about choice, but," and the "but" seems to us that it is actually trying to say to people, "We think it's good for the mother to be at home." After all, in a leave scheme, if you don't take the leave, you lose the payment. With the Baby Bonus, you don't have to do anything, you just get it. So are we really talking about maximising choice or are we talking about something else?

DR SMITH (ANU): That's an interesting question. What we're really focused on is ensuring the wellbeing of the mother and the child and I think that we've got to trust that the mother is the one in the best position to make that choice. In terms of whether you take it away if they return to work, if you were taxing them - I mean, the sort of scheme that you're talking about I support.

MR FITZGERALD: It's a leave scheme. All the submissions so far have said "leave".

DR SMITH (ANU): Yes, but if you tax it on the income you earn, you're removing it anyway and it will be doing it in a progressive way. So if you pay a Baby Bonus - and let's call it a baby allowance - up to six months - - -

MR FITZGERALD: A maternity allowance, which is what it was.

DR SMITH (ANU): Yes, we used to have a maternity allowance - in 1909 I think it came in.

MR FITZGERALD: Yes.

DR SMITH (ANU): Yes, we've gone backwards since then. But if we had that scheme and we made it taxable, so if it was an actual payment and we made it taxable, then mothers who - for example, skilled professional mothers for whom it was really worthwhile to pay the child care to go back to work to maintain the connections as a lawyer or whatever - they would lose some of the Baby Bonus through it being taxable. Those women who were working in the sandwich shop to get a bit of extra money to pay for the mortgage or because the husband has become unemployed, her income would probably be in the lower untaxable threshold so that would be progressive in that sense. So I don't see a problem with that in that you can - you've got to get away from this targeting mentality because targeting is always on family income that bears no relation to the situation of the mother, especially when she's just had a baby. It just tells you nothing.

MR FITZGERALD: But could I go to the central point: whatever you do with the universal payment, nearly all the submissions will say to us that there should be a maternity leave allowance or scheme linked to leave. The expectation is that the payment is lost if you don't take the leave. So are we actually saying through a paid maternity leave scheme that in fact it is about choice but it's also about encouraging the mother to remain home with the child because of those child welfare issues.

Some have said to us very clearly that that is in fact the purpose. It is about choice, but it's actually about trying to enhance the bonding between the mother and the child breastfeeding and so on.

DR SMITH (ANU): Well, I don't think you can force a mother to stay home. I really think fundamentally she has to make that choice. You don't know her circumstance. I think that most mothers, if they have a real choice, will choose to spend more of their time - I mean, the time use studies that have shown mothers in paid work and what they do with their time; what happens to the time with the children.

Lyn Craig has done this research using the Time Use Survey that the ABS does. What that shows is that mothers who are in employment who have young children reduce their own leisure time and their own sleep time. They don't reduce the time they spend with their children. It just puts the stress on the mother. It's the mother's health that suffers.

MR FITZGERALD: Yes.

DR SMITH (ANU): She'll do everything she can, in most cases, to protect the wellbeing of her family and the infant. Fundamentally if you go the direction you go and you tax it, you have the progressivity you're looking for, you have the signalling that you're looking for in terms of, "You're back in the workforce now, we're going to treat you the same as everybody else," and the mother can make the choice for herself on her own circumstance.

MS MacRAE: So just to be clear, your comments - perhaps I slightly misunderstood what you'd be proposing. So you'd be looking at a minimum wage minimum - - -

DR SMITH (ANU): At least.

MS MacRAE: - - - for a period.

DR SMITH (ANU): Yes.

MS MacRAE: So a set period. So you'd say for 14 weeks or something. Everyone would get that regardless of workforce attachment or whatever. It would be universal and taxable. Do you have a time period in mind?

DR SMITH (ANU): I think that the six months is essential.

MS MacRAE: Right.

DR SMITH (ANU): I think it's absolutely unconscionable to say to women, "You should breastfeed on health grounds for up to six months exclusively," and then tell her, "Well, we expect you to go back to work." I think that's ridiculous.

But the other thing I'd say about the argument for a maternity leave scheme or a maternity allowance scheme is I think this is an ideal opportunity to look at it in a holistic way and say, well, some women are going to go back to work and we want to do everything we can to make sure that the human capital that they're looking after at home is protected and we want to put in place a raft of measures to do with unpaid leave entitlement, work flexibility, the sort of regime they have in Scandinavia which is you're entitled to work short days until your child is eight or something. We've got to look at this as a whole and focus on the needs of the child and the mother.

MR FITZGERALD: A couple of questions, but I just wanted to finish off one thing. You've come in at a minimal level, or the minimum wage level.

DR SMITH (ANU): At least.

MR FITZGERALD: At least. I asked this morning the first participants, the National Foundation for Australian Women, their view as to why they believed it was necessary to have full replacement wages for 26 weeks to achieve the outcomes that they sought, yet in many sense your outcomes are exactly the same or similar in nature. Is it your view that you can achieve those outcomes on your proposal vis-a-vis a more expansive proposal?

DR SMITH (ANU): Depends what you're trading off. It's essentially an issue of fiscal cost. I think that a replacement - I could just about do the numbers in my head, but I think a replacement wage would probably cost; their proposal would cost probably about twice, perhaps three times more than the minimalist approach.

The women who would get the higher rates of pay would be those most likely to breastfeed, for example, so it wouldn't have a big effect. They are also the ones that are most likely to be currently getting maternity leave at least in some token form, paid leave. So I think there would be probably some additional benefits from a replacement scheme, but it's a diminishing margin on return argument, I suppose. I'm looking at what I think is politically viable in Australia at the moment. As I say, my comparator is the $5 billion that we invest in other schemes which are supposedly health directed.

MR FITZGERALD: Well, the second part of that is related to the financing of that. Again you've taken a view that it's government funded except for any top-ups that the employers themselves seek to provide. Again going back the earlier submission of a social insurance model or a co-contributory model from employees, employers and ultimately the government, I was wondering whether you have any views about the funding model?

DR SMITH (ANU): Well, I've said before and I think from my experience - I'm also an employer in one of my other roles - that small business and trade exposed companies would be very opposed to it. It does add to their costs. It does lead to potential discrimination. Fundamentally we'd say well - and there's another structural aspect of it too, that if you're taxing employers you're essentially taxing - say through a payroll tax there's a tax on labour income whereas a tax funded through general revenue is a more widely distributed tax so it also includes capital income so it's more equitably financed that way.

I mean, the argument about a payroll type tax is that it can fall on the employer or the shareholder or on the consumer. We don't really know as economists where it does fall. That's the sort of taxing arrangement we're talking about, isn't it, a

tripartite scheme. It's essentially a payroll tax. So if you go out there and tell the world that you want to impose a payroll tax on industry, industry will say, "Well, you already are and why are you taxing us to pay this? Society benefits generally from good care of infants. Why should employers alone be expected to pay?"

MR FITZGERALD: One of the reasons being advanced by some proponents of the scheme is that it's about either workforce attachment or more specifically workplace attachment, attachment to a particular employer. A number of the people we've spoken to have said one of the benefits of these arrangements is that it is likely to lead to particularly women retaining employment with that current employer. So there is a benefit to the employer specifically.

DR SMITH (ANU): I think that's the case - - -

MR FITZGERALD: Do you think that's an overstated reality?

DR SMITH (ANU): I don't think that that's necessarily - well, I think it could be achieved with the sort of scheme that I'm talking about where you have a top-up.

MR FITZGERALD: Is that mandatory top-up or a voluntary top-up?

DR SMITH (ANU): A voluntary top-up.

MR FITZGERALD: Yes.

DR SMITH (ANU): I think the self-interest of employers would lead them to do that because they're in a different market these days.

MR FITZGERALD: Can I just throw one or two others and then go back to Angela.

MS MacRAE: Yes, that's fine.

MR FITZGERALD: A question which we haven't asked this morning is the effect on savings. It's been put to us that one of the things that occurs naturally is that people often, not always, plan the birth of a child and save to in fact be able to accommodate some of those costs. The government then supplements some of those costs. Some would say that by imposing these particular types of arrangements and effectively the government supporting it, you'll have an impact on the natural propensity to save for these important events. Given that we haven't had a paid maternity leave scheme ever, do you have a particular view about that?

DR SMITH (ANU): I'd certainly say that it's not been my personal experience. I'd

also say that children are a huge expense and you're very tight both from the actual expense of the birth but more so from the loss of the second income. I was a single parent with my first so it was a loss of the first income. I think that it's overstating it to say there could be any significant impact on the savings behaviour of the population expecting a child. I mean, the figures that I saw last - and this is an optimistic view and goes to my personal experience - is that 50 per cent of pregnancies are not planned, despite contraception. So I don't believe that. I'd like to see the figures, but I don't believe it.

MR FITZGERALD: Okay. Then going back to this issue about work, the impact on the workforce. If your proposal was introduced, what do you expect the employment scene for women would look like after this scheme had been introduced vis-a-vis where we are now? I put that in the context that most people acknowledge that the very significant move was the introduction of unpaid maternity leave or the right to return to work and that that in itself was the most significant element. Whereas in many of the other countries that doesn't exist, and even in the New Zealand experience that hadn't existed. So the introduction of a paid maternity/paternity leave scheme was the first significant act, whereas we'd already done significantly previously and that was the thing that would make the big difference. Some have said that the introduction of a paid maternity scheme will in fact have some impact but it will be marginal. I was wondering what you think will happen.

DR SMITH (ANU): The right to return to work, the unpaid entitlement, is not available to half of women. I think that it's also - based on experience and it's the experience of a number of women I know it's not always fully enforced or enforceable. So it's a signalling device rather than reality. I think that if women - as I said before, I think that if women were given a scheme that was more like the Scandinavian one which was a substantial several months paid leave that they would choose to take it. But I think that they would also gradually move towards the Scandinavian-type situation where full-time work commitment is what is expected of women after they've had the baby but with parental entitlements.

I think that's the - the acknowledgment of children, raising a child as work, in those societies creates a sort of - it validates it as a form of work. If you're an adult, you work. You either raise children or you are in paid work. So as I say, I would expect that a lot of women would choose to work somewhat less in the first year but I don't think it would have a major effect down the track except in reinforcing the value of the work that they do.

MR FITZGERALD: Some have said to us, and this is my last question before I go back to Angela - - -

MS MacRAE: Yes, that's right.

MR FITZGERALD: - - - is that what will change is - a point you've just raised, and that is that women will return to the workforce but with increased hours. In other words, the intensity of work once they resume will increase if they've had a substantial period of time away with the child and able to full their caring responsibility and in fact aspiration. So some have said to us that the change would in fact be in the intensity of work that would follow. Now, I don't know what evidence there is for that - - -

DR SMITH (ANU): I don't either.

MR FITZGERALD: - - - but I just wondered whether you have any thought at all on that?

DR SMITH (ANU): No, I don't know what evidence there is other than the Scandinavian experience.

MR FITZGERALD: Angela?

MS MacRAE: Just as a very first order sort of question I was interested in your earlier comments about the costs and benefits of having children, that these things are not all internalised. I guess one of the real sort of hard issues at the very front end of the debate that you come across is that there is an element out there that says, "Look, it is primarily a private choice," and it's all about, "If you want children, that's fine. Why should I pay for them?" You know, what are their spill overs? You point to them, you value them. How do you address those issues?

DR SMITH (ANU): Who's paying your taxes when you're old? Who's providing the services when you're old? Babies are the future labour force. Where are they going to come from? I mean, you might save up all the money you like in superannuation but it would be worth absolutely nothing if there are no workers; price inflation will flash it away. I mean, it's a silly argument.

The other thing too is that children - people do have children. If you don't look after children properly when they're little they're more costly when they're older. I can give two examples. One is the one in terms of the breastfeeding issue that using epidemiological rates of relative risk for various illness like gastro - short-term, gastro, respiratory and so on - it's about a threefold higher risk of hospitalisation if a child is not breastfed and there's about a 30 per cent higher risk of diabetes, obesity, Crohn's disease, some risk factors for cardiovascular. So let's take it as given that we're having children and let's take it as given that we need children, even if everybody doesn't want to have them. It's better to have cheap children, healthy

children who are not riddled with chronic disease when they're older and when they're working and to have mothers who are not stressed out and who are not at high risk of breast cancer. I don't know, does that get at your question?

MS MacRAE: Yes, it does, precisely.

MR FITZGERALD: I like the concept of a cheap child but it has escaped me thus far. There isn't one.

DR SMITH (ANU): Well, that's right. I mean this concept of children as a commodity I find quite infuriating.

MS MacRAE: But it's just one of those things that will come up and has already in a number of - - -

DR SMITH (ANU): Well, the response to that is children are a public good and you can show just in that long-term sense that no children, no society.

MR FITZGERALD: You say that with such definitiveness but of course it is a contestable thought. One of the things that Angela has raised is serious. I met we met somebody the other day and they were very adamant from an economic point of view that in fact children were largely a private decision and a private good, if I can use that word. They were very strong of the view that the justification for government to provide support in the way they paid in the scheme was in fact really antithetical to good economic theory. If you want to support them social security system is fine. But they were very adamant about this.

DR SMITH (ANU): There's a bit of a literature - Patricia Apps has written on the capital market failures and Nancy Folbre has written generally on the issue of children as public good and critiqued that argument of children as private good. I can give you the references to those if you like.

MS MacRAE: Be useful.

DR SMITH (ANU): But the market failure sort of arguments, I mean you can't send them back.

MR FITZGERALD: Just a couple of final comments or questions. The connection with the work was - I just want to return to that again if I can. The impact for employers in these schemes is quite important. There seems to be a growing view by employers that they support maternity leave arrangements provided the government funds it.

DR SMITH (ANU): Which is just like child endowment.

MR FITZGERALD: That wouldn't surprise us or anybody else. But there are some issues. One of them just goes to the continuity. At the present time as I understand it unpaid parental leave is required to be taken in a block and once you go back to work that's extinguished. In fact, it's the right to work - sorry, the right to return to work. In relation to maternity and paternity leave schemes many of them around the world are of the same nature. That is, you take a period of time. If you choose to go back at week 10 that's it. That's the end of it. Others have said to us that in fact whatever the period of time is it should be able to be taken in different portions. But the contra view is well, that adds a significant cost to employers both in terms of uncertainty and so on and so forth. I'm just wondering whether you have a view about that issue, because some employers rightfully raise that particular issue.

DR SMITH (ANU): Well, I think there has been suggestions of time banking, parental time banking that operate in that very flexible way. The other version of that is the very fixed statutory entitlements that they do have in the Scandinavian countries. So there the employer has the absolute certainty that all their employees male or female have the entitlement to take shorter hours while their children are of a school - you know, while the law requires that the parent supervises a child, so while they're under 10, I think it is in Anglo Saxon law. There's an expectation that the parent is there after school so they're entitled to work short hours. That would deal with the employer uncertainty. It mightn't deal with the flexibility. You could have some mixture of that.

MR FITZGERALD: But do you have a view that you should be able to take the leave period whatever it is, whether it be 14 weeks or 26 weeks or whenever?

DR SMITH (ANU): I think the maternity leave should be fixed in time.

MR FITZGERALD: Fixed in time and you lose it - - -

DR SMITH (ANU): Yes.

MR FITZGERALD: The second question - - -

DR SMITH (ANU): I mean there's no - there would be no point in terms of maternity leave to say, "Oh well, you can have the baby and go back to work tomorrow and take the maternity leave in three years time." It doesn't make any sense at all.

MR FITZGERALD: The second issue is about the way in which this is paid. You may not have given any thought to it. As you know in the United Kingdom the

employer makes the payment and then there is a refund or reimbursement by the government. Some people have said that that's important because it maintains attachment between the employer and the employee during that period of time. Others have said that's a complication that isn't necessary and the government should simply make the payment. Now, it seems a small issue in the design of things.

DR SMITH (ANU): No, it's a big issue.

MR FITZGERALD: But it's one of those design features we want to explore. Do you have a particular view as to how a payment of whatever description it is should be made?

DR SMITH (ANU): I think it should be paid as an entitlement to the mother rather than to the family. I think most employers would probably prefer that it be paid directly to the mother rather than through them because the administrative cost of processing that payment, if it was a government funded scheme such as what I'm talking about, they would object strongly to that being part of their payroll system. But some employers and perhaps some employees might choose to have it provided that way. So I suppose the way I'd - on first glance - - -

MR FITZGERALD: But you don't see any benefits in terms of the workplace attachment issue?

DR SMITH (ANU): Well, some employers may see it as an advantage to be given credit and it may be administratively convenient for the woman, for example, who is going back to the work say at the end of the year. She may choose to just keep getting it through her pay. That might suit the employer to reinforce that connection. So I could see an advantage in it and maybe you could do it as an opt-in scheme. But generally to impose that on employers if it was a universal scheme would be unworkable, administratively unworkable. I think they would object even if it was an industry scheme.

MR FITZGERALD: All right, good, thanks.

MS MacRAE: Can I return just a moment to the issue you raised about block, whether you have to take it as a block. If I'm understanding what you're suggesting here you would say you get a minimum payment, universal, whether you're in or out of the workforce that you would get the six months - you'd have to be taking the leave for that period, would you, to get the payment? You'd have to be on leave or not working?

DR SMITH (ANU): No, if you're working, you're taxed on it.

MS MacRAE: Okay. So really that question of blocks doesn't come up because you could choose to work for a period or not work but you would get the payment for the six months regardless. Okay, that's good, that's how I understood it. Your view on blocks is really going back to that choice issue, that if it suits you, for whatever reason, you'll get the payment for six months, regardless of your choices about when you're in and out of the workforce.

DR SMITH (ANU): Really it's an acknowledgment of the fact that whether the woman is in the paid workforce or not, she's doing a full-time job with a child, and they do. The evidence shows that women who are employed will sleep less.

MR FITZGERALD: Any other final comments, Julie?

DR SMITH (ANU): No, except to say this is a great opportunity to look at this as a holistic issue, not just the paid maternity leave but also look at the whole issue of parental entitlements and support of the nation's human capital.

MR FITZGERALD: Good, thanks very much for that.

MS MacRAE: Thank you.

MR FITZGERALD: The CPSU, please. Thanks very much, we're just going to have a presentation by the CPSU. If you'd like to introduce yourselves, your full name and your position in the organisation you represent and then your opening comments.

MS van BARNEVELD (CPSU): Okay. My name is Kristin van Barneveld. I'm the director of policy and research at the Community and Public Sector Union. We are going to make a more substantive submission closer to June and we hope to appear again in Sydney on 20 May. Today, we have women members appearing to tell their stories of women in the APS and how not only they have managed to take maternity leave, paid or unpaid, and their experiences in relation to that, but also to talk about issues around how they cope with breastfeeding and expressing at work, whether or not they are able to do things like working from home, how they juggled things like career progression or didn't necessarily access any career progression and got stuck; return-to-work issues, how that got managed when they returned to work, and also issues around the cost of child care because obviously there are a number of children in child care today while we have women here to tell their stories.

MR FITZGERALD: Can we just get your names for the record, please.

MS van BARNEVELD (CPSU): Yes.

MS HARRISON (CPSU): I'm Belinda Harrison.

MS HARWOOD (CPSU): I'm Melanie Harwood.

MS STUART-FOX: And Maya Stuart-Fox.

MS van BARNEVELD (CPSU): The Community and Public Sector Union represents around 60,000 members in the APS in the ACT public service, the NT public service, and as well, we cover the ABC and the CSIRO. Our position is that 12 weeks to 14 weeks, which is the current entitlement of women in the APS, is not enough, and I think it's been a very public position of ours that we believe that a minimum of 26 weeks after the birth of the child is appropriate. I think I might hand over now to our members to actually talk about their experiences. I don't know whether you want to ask questions of them or whether or not you want to touch on - - -

MR FITZGERALD: Just for the record, you might just flesh that out. Could you just flesh out your proposal again in just a little bit more detail. I know that you're going to put a more formal submission but just express that in a little bit more detail.

MS van BARNEVELD (CPSU): Our current position is that women in the APS,

who are the women that we represent, should be paid 26 weeks' paid maternity leave on full pay. The details of that, they may be able to take it at half-pay for 12 months. The background behind our position is that we believe that there are a number of reasons why women should actually be given the opportunity to spend at least six months at home with their baby, not the least that there is a lot of research that says that women who are able to breastfeed their babies for the first six months, there are obvious health benefits for the child and there are also benefits for the mother.

MR FITZGERALD: Can you also tell me your position in relation to paternity leave or the support, if you have one.

MS van BARNEVELD (CPSU): Currently in the APS, we have varying levels of maternity leave. These are in collective agreements and at the higher end, men or the other partner can actually access up to 14 weeks' primary carer leave after the birth of a child, provided they are a primary carer. On average, in terms of paternity leave, they get between four and six weeks' paid leave; the detail of that, we'll put in our submission.

MR FITZGERALD: Just the final question: do you have a position in relation to those that are not in the workforce or are your submissions simply in relation to your members?

MS van BARNEVELD (CPSU): Our submission is simply in relation to our members.

MR FITZGERALD: That's fine. All right, over to you.

MS van BARNEVELD (CPSU): Do you want to talk about, first, when you returned to work, when you had your baby and why you returned to work when you did? Do you want to start, Mel?

MS HARWOOD (CPSU): I have two small children and I'm in a kind of middle management role in the public service. I had my first child and returned to work when that child was about six months old and I took three month's paid leave and the rest was unpaid leave. When I had my second child, we had access to 12 weeks or 24 on half-pay, which is what I did. So I returned when my first child was six months to a part-time role and when my second child was four and half months. That was for two reasons, mainly financial reasons, especially with the second child because you're already paying child care for the first child and you need to keep them in that care so that you can return to work.

MS MacRAE: Can I just ask what the gap was between the two children?

MS HARWOOD (CPSU): Exactly two years. The other reason was operational requirements of the area that I was in. I think the irony was though for me that even though I returned both times for operational requirements, as is very common in the public service, because I chose to return part-time, I didn't return to either of those positions. I think that the second time when I returned, when my child was four and a half months old, my experience was much different, and it was too early. My first child was bottle fed and my second child was breastfed and I had a lot of difficulties with my second child, so my return to work my second time was a lot more traumatic than the first.

MS MacRAE: Because of problems weaning?

MS HARWOOD (CPSU): Yes. I just presumed my second child would be the same as my first, and while he looked the same, he was completely different. He was a highly anxious child and all he would do is breastfeed. So the irony of all of this was that I just wanted him to not breastfeed so I could give him a bottle and he was like, "I'm only going to breastfeed," and that's the only food a child gets these days or is meant to get until they're six months old, so I would actually drop my child off at our family day care and we would cross our fingers that he wouldn't dehydrate throughout the day. I would sneak off to the first aid room, because it was the only place that we had available for breastfeeding - well, the only quite place other than a toilet really - and I had colleagues who knew that that's what I was doing but I felt uncomfortable about talking to management about it because there wasn't a clear position on whether that was being away from my desk for time away or whatever.

Ironically, it's funny because I remember an email coming around from the HR people about the misuse of the first aid room because someone had been going in there twice a day. It was all cleared up very quickly when I mentioned the word "breast" in "breastfeeding"; it was, "Okay, fine," but it was really tricky. My child got severe anxiety illness, got kicked out of child care, so at least my first one was fine.

MS HARRISON (CPSU): My experience was that I did not qualify for any paid maternity leave. I took six months off; two weeks I got paid and I had three weeks of annual leave from my previous employer because my permanent position with the APS started in January and my daughter was born in February. I returned to work when she was five months old. She went straight into full-time daycare. I went straight back to full-time work. She was breastfed.

My workplace was very supportive of me breastfeeding and expressing using the first aid room. I also left during my lunch break to breastfeed her at lunch and return to work. But physically working full-time and breastfeeding, I couldn't do it. After a week I knew that I had to wean her. By the time she was six months old she

was fully weaned from breastfeeding and it broke my heart to do it. But for financial reasons and because I didn't receive any paid leave, I had to return to work and I had to return full-time.

While I was on unpaid leave my partner was working full-time and we also qualified for a parenting payment, Family Tax Benefit, and of course the maternity payment which brought my wages; our combined family income we cleared just less than $800 a week, with rent of $310. So we scraped through and we survived but it was awful. The stress, the financial stress, I had to return to work and I did so and I came back to the exact same position that I had been feeling previously because I had been a contractor when I won my permanent position, so I came back to that position and that was all fine.

But we're now planning for our second child and this time I will qualify for 14 weeks paid leave, but I am also purchasing annual leave so that I can extend my leave to 26 weeks paid leave. The implications of that have been having to use flex time for the next year to cover any days off that I would like to have for annual leave. I will return to work after having my child with no annual leave accrued at all. I just don't know what else to do to cover that time. I want to breastfeed my second child for six months. I want to take that time off, but again child care costs, we'll still have to pay for a position for my child. We're currently paying child care fees which work out to be about 10 per cent of our fortnightly income. It's just so hard. If I had access to 26 weeks paid leave, this stress that comes with having a child would be so minimal - well, not minimal; it's a baby.

MS MacRAE: Well, it's one major stress.

MS HARRISON (CPSU): But it would be lessened; financial stress would be lessened.

MS STEWART-FOX (CPSU): I have one older child who is seven years old and a baby who is three. For the second child I had access to 14 weeks' paid maternity leave but my partner who is in the public service also had access to 14 weeks' primary carer leave. But in order to be able to access that primary carer leave he had to begin doing that before the child was three months old, which was just the kind of quirk of the arrangements. So what that meant was that just prior to my daughter turning three months old I then went back to work for two and a half days a week and he was at home for two and a half days a week. So for the next nine months we both worked one full day and three part days in the workforce, so obviously had employers that were very flexible about that, but pretty unsatisfactory all-round really working those kind of days because you barely have time to get into it and it's really just a bit of generosity on the part of the employer that they're prepared to kind of work around an employee that's there so infrequently.

MS MacRAE: Why was the agreement structured that way? Was it a particular agreement that you had or is that something that's more common to union members?

MS STEWART-FOX (CPSU): This was in the ACT government. He was the first man to access primary carer's leave and to do so on a part-time basis. It was just a quirk of the way that the agreement - I think they - - -

MS MacRAE: Are they still like that? Three months strikes me as an odd period. I mean, if you're trying to breastfeed exclusively and things then making the male take that leave at three months seems an odd requirement.

MS STEWART-FOX (CPSU): Yes.

MS MacRAE: Perhaps its an attachment thing, I don't know - attachment to the workforce, I mean, not a baby. Well, maybe it's a baby attachment thing too. Perhaps it was partly that the - anyway, sorry.

MS STEWART-FOX (CPSU): I wonder whether it was just to sort of prevent that from being a kind of time off in the first year or whether they kind of - - -

MS MacRAE: Like you could do that if you've got a child under one.

MS STEWART-FOX (CPSU): That's right. So there were kind of restrictions put around it.

MS MacRAE: Okay. Sorry, I didn't mean to interrupt you, I was just interested to know if it was more general.

MS STEWART-FOX (CPSU): Yes. I mean, it could just have been the way that the agreement was written, and I don't know that it had occurred to them that the leave would be used in that way and we sort of argued that it could be.

MS MacRAE: Right.

MS STEWART-FOX (CPSU): So that meant expressing. I was lucky enough not to have to - I think I expressed on the one day that I was there full-time, but managed to sustain breastfeeding through that partly because I was really only working the - - -

MS MacRAE: Those part days.

MS STEWART-FOX (CPSU): - - - four hours a day, very short days. So that got

us to nine months. Then at the end of the nine months we felt very strongly that child care was difficult for very young babies. I then had a complicated roster of grandparents and other people flying into Canberra or coming into Canberra and looking after the baby. I combined my days together and looking after the baby on those days so that we were able to get her to a year before we put her in child care.

MARGARET (CPSU MEMBER): Hi, I'm Margaret. I was here for support but there's some issues that my circumstances have that haven't been raised yet and I thought it might be useful to contribute. I work for a Commonwealth public service organisation. My child is now one year old. I had 12 weeks' paid maternity leave, the Baby Bonus and accumulated recreation leave so I've managed to have a year off on half pay which, in my circumstances, is still a reasonable amount of money because I'm relatively high up in my organisation.

For me, financially it hasn't been as big an issue as it has been for some people but paid maternity leave was essential though. The big couple of things that are different to the circumstances of some of these ladies here was when I was arranging to leave and telling them that I was going to be leaving, I was under significant pressure to give up my job. Now, the legislation as I can see says that you have to voluntarily agree to give up your job and to come back to some hypothetical job at some future point. I was under a significant amount of pressure. In fact I was told that they may not approve my leave and may not approve my part-time return. That was one person in the organisation; I don't think the organisation as a whole would endorse that position, but that was a significant amount of pressure placed on me. That's the first thing.

So whether or not I returned part-time to that role was a big deal. That was fair enough. I was doing that role, leading a team with two other people. On my return, or my discussions about return to work, I've since been offered that role back again with no staff which I'm supposed to do three days a week which I thought was really interesting when they said, "You couldn't possibly do that job three days a week," I've now been offered it.

I have accepted a role on my return to work which is offline, I'm not managing staff, because I felt that at three days a week it wasn't possible to give my staff the amount of supervising that they needed and the amount of mentoring. That was my choice, but it is a significant - it's a different role and it's not considered an important role. It's stuff that hasn't been done for some time because they've never really had anyone to do it because everyone else was doing the real things; the important things.

That's something that I've heard over and over when I've talked to women who are part-time. They have been returned to work and have been employed in roles that are significantly below the responsibility of their position. I was discussing with

an APS6 who said that the work she was doing was about a top of a 4, maybe. That's a really important factor that she wasn't given opportunity to training, she wasn't given opportunity for developing the skill set that she should be having at her work level.

In fact, she was given a promotion despite having not had the experience of that role. So it's kind of like they were saying, "You're a part-timer. We recognise you haven't had the opportunity to develop those competencies." She is probably the only person I have ever heard of actually getting a promotion despite not having the skill sets because she is part-time. But mostly they don't get promotions. That's what I've heard over and over, you don't get promotions because you haven't had the opportunity to develop the skill sets.

In my organisation there is a first aid room but only people of a certain level can actually get access to that room. So a team leader has to actually swipe you into that room. Now, I happen to be a team leader so it wouldn't have fussed me too much but if there was someone junior they would have to arrange - either arrange a specific access or arrange the team leader to come in. So that would make it very difficult to return to work and breastfeed. I have heard that over and over in other organisations, that access to the first aid room is quite difficult. I have otherwise though heard of several organisations that have a breastfeeding room that have it set up with a fridge and so on.

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There is no parental leave for males in my organisation. You can have unpaid leave. But there is 12 weeks maternity leave and that 12 weeks isn't pro rata if you're part-time. You get it regardless with any child. I think that's actually quite important because I don't know of many organisations that have paid paternity leave. In my organisation you're expected to take rec leave.

The other thing I wanted to mention is that the only reason I have been able to take this long is because my recreation leave was significantly above what you're allowed to take. I just - my organisation - for whatever reason I had slipped through some loopholes and I have a lot more leave accrued than other people have. So I would have had to take a lot of unpaid leave if I were to take a full year off.

MS HARWOOD (CPSU): One of the points that I wanted to make today is if the objective of having longer maternity leave is - I think we all can see that financially it's important. I just worry that - and we have to have maternity leave and I think 26 weeks is great. But if the objective is to keep people attached to work we have to be very careful not to set people up for failure because my experience is very similar in that there is this idea that, "Okay, you're taking your maternity leave and you're

getting your bit so when you get back, you know, you're going to put in when you get back."

Are we setting up an idea that women are able to - or parents are able to manage all of this? You know, the craziness of me getting up in the morning at quarter to 6 and breastfeeding a child and then getting another child ready and putting my make-up on at the lights on the way to work in the car and blow drying my hair with the heater and all of that kind of stuff and then to go to work on stuff-all sleep and manage my role appropriately is very, very difficult.

Since I returned to work part-time - I'll just briefly go through my experience. I have worked in three Commonwealth agencies over nine years and I have been at my level since 2001. I have worked in two agencies as a mother, one was good and one was not so good. I was earmarked as an employee with leadership potential, supported through a high degree and a year-long leadership development program and I acted at higher levels.

When I returned to work when my first child was six months and my second child was four and a half months I've had 16 different tasks. I've had 10 loosely defined roles in three different areas, none for more than five months. I've had complete section job changes thrust upon me up to one day before I returned. I've only recently in the last couple of weeks been given a permanent and suitable role with a position number. I've applied for eight external positions at level and I won one short-term secondment and I was the only suitable applicant. I've had no substantial professional development and have no longer been invited to go to conferences or professional leadership activities. I haven't acted at a higher level. In fact, I've acted at lower levels, which I never did before I had children.

It is unlikely that I would have applied on the open market for any of the roles I've undertaken. I've gone an uncomfortable pendulum between totally unmanageable roles ie my most recent one was a 24-hour media liaison role that was undertaken normally by someone in 40 to 50 hours and I did it in 20 hours, which sets me up for the, "Told you so. You can't do it," you know, but I do. I manage it because I'm a professional person. Or being relegated to menial tasks such as data entry and filing for colleagues. I've been to around half a dozen management meetings in over three years where I used to be involved fortnightly. I've got pages and pages of unfortunately quotes from other people who have been in similar positions.

So I guess what I'm saying is that paid maternity leave is essential but it interacts with so many policy arrangements and set-ups that I feel that you're setting women up and parents for this unbelievable life of failure and trying to - we're setting it up with an expectation that both parents will work financially and that there's a

growing divide in the workplace between non-mothers and mothers, people who work part-time and people who work full-time and stay at home mothers. I find this growing divide very worrying in the workplace. Yes, I just think my experience is that we can't look at this issue in isolation.

MR FITZGERALD: Thanks for that. Well, obviously there's a number of questions that I'm sure Angela might want to raise. But can I just take the last one first. How do we unpack what occurs to you and other mothers, and I suspect fathers to a lesser degree, between the fact of being part-time as distinct from a person with a child, a mother or father with a child? So would your career pattern that you've articulated be the same for any part-time person or do you believe that it's particularly exacerbated because you're also a mother with a small child? So how do we unpack those, because employers might well say to us, "Look, we acknowledge that we treat part-timers differently from full-timers but it's not because they've got children." Now, that may or not be true. So just - how do we unpack that a little bit, if we can?

MS HARWOOD (CPSU): I can only answer in my experience but I worked in an organisation that was very good with part-time. The experience was that part-time was just that, it was part-time available to whoever wanted to take part-time for whatever reason. My other experience is that part-time is only available to parents and it is not available to other people for other reasons. If you have a culture where part-time is just part of the offering then it becomes much more acceptable rather than just part of being a parent.

Having said that, a part-time person who decides to go part-time because they want to go and see the movies on Tuesday or whatever is unlikely to have to take the sort of time off that I unfortunately have to take off when my children are sick. Now, I didn't choose to take yesterday off work but the child care centre told me my son was excluded because of an illness that he had. So I think that it is a lot about being a parent because let's face it - and when I have been a manager and not a parent - you know that when you have that person on your team that they are going to be at the mercy of their children and their illnesses and the time they need to take off.

Just one point I'd like to make is you can do a course in the public service on anything. There is nothing that tells people, managers or staff, about how they might manage this. I didn't know how to manage it before I had a child. I have asked about HR policies. We don't have HR policies. Even when I asked about the breastfeeding issue, it was unclear whether when I went and expressed milk, was I allowed to do that on work time or did that have to be added to my time away from my desk? How is it handled? There is nothing out there. There's no training for managers, there's no training for prospective people, so there has to be an education aspect to this.

MR FITZGERALD: Why do you think that's the case, given that most people outside of the public service would regard it as being one of the better employers for mothers, for fathers, for families, and certainly has had paid maternity leave to a level that most others haven't? Why do you think that element is missing in your agency or across the service generally?

MS HARWOOD (CPSU): Can somebody else help me out? I don't know what the answer is.

MARGARET (CPSU): In terms of actually designing a part-time job that will give satisfaction for the employee and make a useful contribution to the organisation, I think that is where the training needs to be. It also needs to be around things like whether or not you can breastfeed and where the hours go and so on. I think there's been a lack of recognition that there's actually difficult issues. People kind of get swept under the carpet when they're part-time, until finally they have given in and they have gone back full-time and everyone goes, "Thank God I don't have to deal with that any more." People just don't deal with it or organisations just don't deal with it, as I've seen. I've seen some really good managers, but it's because they're good managers that they've designed a part-time job that is suitable and does work well. I don't necessarily think the organisations and the policies of the organisations are designed to help people do that job as managers or staff.

MS HARWOOD (CPSU): Part-time and flexible hours, we should include that as well because that's part of it. You're seen as difficult to manage and not as productive.

MS STUART-FOX (CPSU): My experience has been quite different. There's been a lot of flexibility. They have handled part-time work particularly well. They have handled career progression very well. Jobs have been tailored around part-time hours, so I think experiences differ from - - -

MR FITZGERALD: That reflects what happens in the broader employment market.

MS STUART-FOX (CPSU): Yes.

MR FITZGERALD: Some employers are much better at this and the public service is - - -

MS MacRAE: Is it also partly that the nature of the work varies between departments? I mean, I'm thinking of my own experience when I was in Treasury. I didn't have children at the time but it was harder for them to take on part-time people often because the deadlines for things were very quick turnarounds and if you weren't

there that day, someone had to get the briefing over to Parliament House or whatever it was, whereas now I'm at the commission, of course, we've got much longer deadlines and it's easier to fit in a part-timer. Some of those things are probably partly the nature of the work. I don't know whether that would have been part of your issue with the agency that you worked with that was very good compared to the one that was not so good. Was it the nature of the work that was different or not so much that as - - -

MS HARWOOD (CPSU): In this case, actually not so much, no, but just better mechanisms for just an understanding that the workplace is - they saw value in keeping the knowledge and if that meant keeping people who would usually be retired and having them three days a week or people that wanted to look after their children, they wanted to keep the people.

MR FITZGERALD: One of the things that's been put to us in relation to paid maternity leave is that it's a signalling device, that not only is it important in terms of the income but it signals to the workforce and to employers more generally that mothers in particular need to be valued not only in terms of their mothering role but also as workers. Now, you've had this scheme in since, what, the early 70s, and yet you're continuing to say to us that that recognition is still not there, recognition of the value of being both mother and worker, or if it is, it's not being demonstrated in some of the practices that we've seen. Is that a right interpretation or not?

MS STUART-FOX (CPSU): I actually really agree that there's a powerful signalling role and I feel like my career has coincided with a renewed emphasis on parenting. You know, there was the Baby Bonus, so I think there's been a whole kind of public debate around the value of motherhood that has signalled that to employers and that has been one of the reasons why there's been quite an enlightened approach taken in my particular workplace. It only takes one or two women in senior positions who do have children where you start to get those messages reinforced and all of a sudden the flexibility is there and surprisingly, people find that it's very simple to do.

MR FITZGERALD: Do you think that increasing the paid maternity leave for the Australian Public Service and others to 26 weeks will change in any way that signalling? Given that you're starting from a particular base where a lot of women aren't, what do you think the signalling effect would be to extend it to 26 weeks - I'll come to the practical effects in a minute - but in terms of the organisations for which your members work?

MS van BARNEVELD (CPSU): The public service is always considered as a leader and they certainly were a leader back in 1972 when paid maternity leave was first introduced in the APS. I think - and I'd be interested in hearing this as well -

that in fact the public service needs to lead on this particular issue and the way that they would lead is to have 26 weeks' paid maternity leave for women in recognition of all the research which indicates that for the health of the child, as well as the mother, that is what should occur. Once the public sector does it, then that sends out a very clear signal to other employers that this is actually the standard that people should be aiming for.

MS HARWOOD (CPSU): And it signals that we value the relationship that mothers have with children and we value them in roles as workers and as mothers because, "We're offering you this opportunity to bond with your child," and I think just the financial aspect of it too, more people will be able to make that choice if they know that they have that option to stay at home with their child. It is a big financial decision to decide to actually stop, even with just three months' maternity leave and take that time off. It's a big decision.

MR FITZGERALD: We'll come to some of those aspects.

MS MacRAE: I guess some of the other interesting kind of questions just relating to your difficult period, Belinda, was it a difficult choice in terms of potential almost resignation? Would you have been better off with the other benefits that you said that you were entitled to at the time, the Family Tax Benefit and other things? Was it a difficult decision to sort of keep attached to the workforce or did you find that there were enough benefits? I guess you were thinking with the second child that you were - - -

MS HARRISON (CPSU): Yes, there was absolutely no way we could afford for me to take any more time off. We had used the whole of the maternity payment to pay our rent and up to this point and we were living day to day. You get sick of being poor, you do. You can't go out, you can't do anything. There's no - my partner calls it - fun money. You can't have any clothes. You can't do those sorts of things when you're fuelling a car and buying groceries and paying so much money to keep the roof over your head. If I didn't go back to work, I think we would have just integrated. Our relationship was so strained by the end of my time off, just from financial stress, that I had to sacrifice that time with my child so that we could better provide for ourselves and it's sort of a pride thing as well, to feel that we were coping, to feel that we weren't taking a handout, a parenting payment and that sort of thing, to be standing on our two feet.

MS MacRAE: Was it because you were in a casual job before the birth that you weren't entitled to maternity leave?

MS HARRISON (CPSU): I was a contractor to a private company that was contracting to the public service, to my organisation. My daughter wasn't a planned

pregnancy and I'd been with that company for a month when I fell pregnant. So even if I'd stayed with that company and not taken my permanent APS position, I wasn't entitled to any paid maternity leave. With my resignation, I took my annual leave that I had accrued with that company and then I went straight on to the unpaid leave. Because I wasn't entitled to maternity leave under the Maternity Act, in my collective agreement there is a statement that says you can have two weeks paid, I think they call it, parental leave. That was something I had to find out for myself. I came back to work and went through my collective agreement to see whether I was missing out on some. No-one brought me this information and said, "Oh, by the way, you've come back, you're entitled to two weeks leave." I had to find it, take it to my HR, who had to investigate it. It as just ludicrous. But we couldn't afford for me to stay at home. There was not enough - - -

MS MacRAE: Yes. I hope you didn't take it to imply that I thought you should have.

MS HARRISON (CPSU): No, no.

MS MacRAE: I was just trying to work out whether there was a poverty trap there, that you were facing a tax rate that was going to be so high when you go back and that the benefits you were on were going to diminish so much that coming back you might even have gone backwards.

MS HARRISON (CPSU): As soon as I went back to work, we lost the parenting payment. We qualify - though this will change after this financial year - at the moment we qualify for 47 per cent child care rebate.

MS MacRAE: Right. Okay.

MS HARRISON (CPSU): Which means we pay, obviously, only half of the costs. We take them fortnightly. The government covers half, we cover the other half. Looking at it financially, we are so much better off for me having gone back to work, even including the loss of the parenting payment and the child care fees.

MS MacRAE: Right. Okay.

MS HARRISON (CPSU): They sort of, yes, equal each other out. If I could just give you an example - - -

MS MacRAE: Yes, sure.

MARGARET (CPSU): If I could just give you an example of exactly what you're talking about.

MS MacRAE: Yes, sure.

MARGARET (CPSU): A family member of mine had her third child and didn't have any access to maternity leave. In fact it had been a significant strain on the organisation for her previous two children, where she also didn't have access to maternity leave and in fact went back to work at six weeks, because that was the earliest she could. Those children went into care five days a week, 9.00 to 6.00 - or, 8.30 to 6.00. The third child, when she had that child, she was $100 a week better off than paying child care and going back to work. So she has now been out of the official paid workforce for 10 years.

We know of the statistics around skills loss, around job readiness, how fast it is to lose that kind of job readiness. I get very concerned that we as a country are organising - or, arranging our tax and welfare system and child care system in such a way that it is so much financially better off for women to not work, I think that's a real problem in terms of our skill shortage as a country, that we are actually encouraging women to not be able to work because they're financially better off not working. I don't know that her job necessarily was the be all and end all of skill satisfaction, but, you know, she was quite happy working.

She didn't necessarily want to stay home, but she was so much financially better off because of the cost of child care, you know, in particular, and all the family tax benefits that she got in order to stay home. And she subsequently had another child and they - you know, I don't know whether or not you could probably call that child planned, but they chose to have another child because she wasn't going back to work. She didn't have to face that six weeks without any form of payment, so she was able to have another child, because she was actually paid to stay home, it was financially better for her stay home, and I think that's a real problem in our society, that we are actually encouraging women who want to work to not work.

MS HARWOOD (CPSU): My example, really quickly. I pay half my wage - I work three days a week, I pay half my wage in child care. My child care is between five and six hundred dollars a fortnight and I have my kids in - one in family day care and one in child care, and if I was to work the other two days the amount of money that I would get would be almost negligible. The other thing is that I was the main breadwinner in our family before I had children, and my husband has had to do other things; but that has been a significant financial impact for me, to make the decision that I don't want to be the full-time worker. So when I compare myself to other people where often - or sometimes the male is the main breadwinner, they are significantly better off than I am.

MARGARET (CPSU): Right. I've heard that story on quite a few occasions in the

public service where the woman was the breadwinner and had to go back to work once the maternity leave finished, because their partner didn't earn enough to support them on any kind of unpaid leave.

MS HARRISON (CPSU): Yes, that's true in my case. I am the breadwinner. I earn more than my partner, and to take that financial hit of me not working - but also my choice, I want to work, I want to build myself a career. We are a team. I want to contribute to our family as a member of that team, not as the stay-at-home mum, that's not what I want for my life. So I want to be able to make that choice to return to work, but still be a mum and still care for my child.

MR FITZGERALD: Can I come to just a couple of specifics. If you were to increase paid maternity leave from the current - 12 or 14?

MS HARRISON (CPSU): 12 to 14.

MR FITZGERALD: 14, yes - it depends on the enterprise - to 26, what would we see. What would be the change in pattern for mothers in the APS generally. In other words, would we see yourselves staying at home longer - - -

MS HARRISON (CPSU): Yes.

MR FITZGERALD: - - - or, for career reasons, you would still have to go back? I mean, you have talked about career disruption and you've identified your own. So there's two things I just want to explore a little bit. Everyone says they'd stay at home more, but then one of the issues is people say, "But there is a trade-off," and that is career disruption. So what do you think would happen?

MS HARWOOD (CPSU): I don't think career disrupt - I think taking three months off, in my experience, or a year off, it doesn't matter, it's career disruption, and I don't think it has made any difference. As long as you know up-front when you plan to return, I think it's just disruption, regardless. But I also think if it was easier and it wasn't the financial concerns, that you would find that more people in the public service did start having - there might be more babies; and I guess if that happens, then there's a larger pool of people experiencing similar things in the public service.

But I'm in my late 30s, and you've all heard about it before, but there are lots of women who do leave it way, you know, too late too to have children, and I think they'd be having them earlier. One of the funny things I think is if people told - people say to me, "But, you know, Mel, you can restart your career when your kids are older," and I thought, "Do you know, if my youngest leaves home at 18, I'll be, you know, well and truly retired." So do I start my career when I'm, you know, like this. So I have a choice: I can either try and maintain my career or keep it going on -

you know, upwards, which it hasn't been doing, or I can just choose to say, "Look, that's just not going to happen, and it's no longer a career, it's just a job."

MR FITZGERALD: Can I explore something you just said, which I have heard previously. You said that if it were to introduce a more generous scheme, people may have children earlier.

MS HARWOOD (CPSU): Yes.

MR FITZGERALD: Can you just explore that, for me, why you think that might be the case. You're not the first person to have said that.

MS HARWOOD (CPSU): Because I know for myself I waited till we had $13,000 in the bank, because I knew that I could not afford - my husband went to working weekends and we shared care for a while. We couldn't afford it. So I had to wait till I saved that money. The other people I talk to, who are in their late 20s, just tell me "I can't afford to do this now," and just three months more of being paid means you're much more likely to be able to afford it, and I think it's kind of simple.

MS STUART-FOX (CPSU): I was also going to say that people hope that by being more senior they're better able to negotiate, you know, better part-time arrangements.

MS HARWOOD (CPSU): A bit more valued, because they think they're more valued.

MR FITZGERALD: So they leave it.

MS STUART-FOX (CPSU): Yes, that's right.

MR FITZGERALD: But can I just deal with this in terms of costs. If you were to get an extra X number of weeks paid maternity leave, does that rate more highly in terms of decision-making or more significantly than, for example, the cost of child care? Some people have said that in a sense the bigger issue is in fact the cost of child care. Paid maternity leave, certainly for those that don't get any, would be very significant, and you're indicating that it would be significant to get an increase from where you are. But some people have said really the main game is in fact the ongoing cost of child care. Now, it's not an either/or, I understand that. But in weighing up a decision whether to have a child or not, are you able to say that the costs of child care weigh more heavily than whether you get paid maternity leave, or is that just a false way of seeing it, a wrong way of seeing it?

MS STUART-FOX (CPSU): I think it's a false way of seeing it, because

people - - -

MR FITZGERALD: Could you speak up just a little bit.

MS STUART-FOX (CPSU): Sorry. I think it's partly a false way of seeing it, because people want to be able to afford to spend time with their children. I think most mothers have a sense that putting a six-week-old baby or a three-month-old baby in full-time child care is a pretty rough decision to make.

MS van BARNEVELD (CPSU): I think Belinda's (indistinct) situation was heartbreaking when she has to go back.

MS HARRISON (CPSU): Putting a five-month-old child into child care, full-time child care, we were lucky in that our hours are staggered. My daughter is in child care only eight hours - only eight hours. But to me that's insane. She is with another person every day for longer than she is awake with me at home. It is, and you're filled with guilt that you're leaving this little baby.

MS HARWOOD (CPSU): The child care issue for me can also be addressed by providing greater opportunities to part-time and for caring for other family members to take on. Like my parents still work but if they were given an opportunity to be carers maybe they would like to take that opportunity and I would feel much more comfortable about having a family member or my husband or someone looking after the children and much more able to go to work.

MS STUART-FOX (CPSU): Can I just address a point about return to work in connection with the workplace? As I said, I went back to it two and a half days. Now, the value of doing that was negligible. I mean, it benefited no-one. It didn't benefit my employer. It just created a lot of trouble, really. It didn't benefit my husband's employer, it didn't benefit the child to have this constant sort of revolving door policy. It just would have been simpler for everybody concerned for me just to have the six months as a block and do that in one go.

MS van BARNEVELD (CPSU): One of the issues that you touched on a couple of times already is the issue of skills. You've touched on the issue that actually it is a labour shortage and that I think it would be everyone's view here that if indeed you were able to attach women more closely to those jobs in the APS and they didn't have to leave for any reason because they didn't have a sufficient entitlement to be able to take the maternity leave and didn't have to then pay for child care costs until at least the child was six months, that would actually enable the APS to attract and retain women workers to a much higher degree than is currently the case.

I don't know whether you saw the Audit Office report of last week which really

did touch on the fact that there are huge skill shortages across the APS. It's costing, in recruitment costs in 2006-7, $370 million. I mean if you could actually attract women to the APS and give them the entitlements that allowed them to have the mothering role in the first six months of the child's life and then still retained that important attachment to the workforce, they would come back.

MARGARET (CPSU): If I could just address a couple of your points. For me personally it's hard to say because I do get 12 weeks maternity leave. But from my perspective the number of children we have is determined by the cost of child care. For me three to six months - you know, three months as a minimum I will, regardless of whether I get paid or not paid, be at home for six months. I believe in breastfeeding for six months at an absolute minimum. I'm now weaning my child to go back to work but that's 12 months. So for me it's more about the five years of child care. In fact I'm very strongly in favour of much more paid pre-school and a greater contribution to child care. It's a much longer term cost and I think it enables women to work. Child care costs assistance enables women to work.

My second point is that - a point you were raising about being a higher level enables - makes it easier to negotiate terms. I actually had to make a very difficult decision as to whether I would accept a promotion because I felt that it would be much more difficult to get part-time work if I accepted the promotion than if I stayed at the level I was. In the end I did accept promotion, one of the reasons being I was going to get maternity leave at a higher pay. You know, to be honest about it. I thought, "I'm just going to deal with the part-time and I'll just have to get back into the workforce and manoeuvre my way around to get the type of satisfaction from a job that I want." But a lot of people don't have that capacity or that opportunity.

The length of maternity leave, my feeling is that it actually makes it a great deal easier to backfill if it's a longer period. A short-term period, they don't cover that. It just becomes an absence of the employee and five people around you have to do it or it never actually gets done. So you might be gone for 12 weeks and you rock back up and there's your job with all the 12 weeks not done and everyone yelling at you because these things haven't been achieved. Whereas longer period they're going to value the position and value the function and they're going to backfill it or they should choose not to do the position and have someone else - have you come back to a job that actually needs doing. Do you see what I mean? That happens quite a lot. I take Mel's point about being asked to come back for operational reasons and then having to do the crap jobs. That's what tends to happen to part-timers a lot.

MS MacRAE: So is that a requirement under your agreement? I was going to ask that. If you get asked to come back for operational reasons you're obliged to do so, are you? Is that how it works or - - -

MS HARWOOD (CPSU): I don't think you - you don't have to come back but one of the things that I have experienced is this whole thing about, "Well, it's your choice to have a child. It's your choice to come back part-time. It's your choice, it's your choice, it's your choice, it's your choice." Well, we all make choices based on our personal circumstances but at no time did I actually get to choose anything to do with when I returned to work. I just had to do what I was given. So I might have chosen to have a baby and chosen to come back part-time but I lost any sense of choice over the roles that I was doing. It's used as a weapon often, "You're not going to be full-time, well, that was your choice. It's your choice."

Can I - just about that child care thing, you know how you were saying people don't choose to - child care is an issue. Even more reason why you have to have six months maternity leave because once you have had more than one child the second child - you've got to keep them in child care to keep your place, okay, so you can go back to work. So you're already paying out your child care and you're preparing to go back to work to pay for child care for a second child as well. The financial burden once you have more than one child - after we had our second child it just - you know, everything just starts to collapse. I can tell you there's no way we would have a third child because it's financially just - so that six months paid maternity leave actually helps with that cost of child care too.

MR FITZGERALD: So do you think that the six - I mean I am interested in that issue about - for the second and subsequent children the impact of this. It seems to be that there's a theme emerging that it's important for the first child but it seems to be much more important for the second and subsequent child. Is that right or is that not right?

MS HARWOOD (CPSU): Absolutely, and the irony is that normally when you're having - in my case anyway you've often reduced your hours. So when you've got to have maternity leave for your second child - like I worked back up to four days a week so I got two - maternity leave on half pay. I got paid for two days work but my outgoing was much more because I was already paying for one child care place and I didn't have the $13,000 in the bank that I had when I had my first child because my earning capacity had been reduced so much that - and now, you know, my second son is two and I've got two of them in child care. We're at the poorest that we have ever been. I'm not in a bad job and neither is my partner. So the second child it's even more important. It's just much more important.

MR FITZGERALD: Can I just ask this question, sorry, so that I understand how this works. If you've had your second child say at two years and you've been working part-time during that period of time, whatever.

MS HARWOOD (CPSU): 18 months, yes.

MR FITZGERALD: The paid maternity leave to which you're entitled is based on the part-time income?

MS HARWOOD (CPSU): It's based on the hours you finish up, like what - the hours that you're doing. So there's all these women - - -

MR FITZGERALD: At the end or averaged?

MS HARWOOD (CPSU): At the end.

MARGARET (CPSU): Yes, with the exception of my organisation I've actually not heard of any organisation in the public service that doesn't pro rata the maternity leave that you get.

MS HARWOOD (CPSU): It's this phenomena.

MARGARET (CPSU): You have all these women who go back five days a week for a week and a half - - -

MS HARWOOD (CPSU): Well, I haven't seen that.

MARGARET (CPSU): It happens all the time.

MS HARWOOD (CPSU): But I do know they go back for three or four months full-time.

MARGARET (CPSU): Yes.

MS HARWOOD (CPSU): Then that's a pressure on the family too.

MR FITZGERALD: I'm surprised it's not averaged for a period of time to avoid that - - -

MS HARWOOD (CPSU): Most people I know go back for like maybe four or five months. I chose not to do that because I didn't want to be in that full-time role. But lots of people do it for financial reasons.

MR FITZGERALD: Okay. Sorry, Angela?

MARGARET (CPSU): Can I just add one more thing to the age question?

MR FITZGERALD: Yes, please.

MARGARET (CPSU): I was 32 when we had our child. One of the reasons we waited as long was because I wanted to be in - on a particular career structure. I wanted to be in a job that I actually wanted to do rather than a job that I was doing. But more importantly we had bought our house about 18 months ago. So significantly, you know, a month before our child was born - before we actually got pregnant, probably only about three or four months before we got pregnant. So yes, a bit over that. That was a really important factor for us. We wanted a house that we could have children in that was large enough that wasn't transient and that we could pay for all the costs of entering into loans and know what our commitment was. Our loan is based on me working on half pay and my husband working full-time. But that's a really important consideration. We couldn't have - we decided we wouldn't be able to have children until we were at that point. That's our choice. It doesn't occur to everyone but that was our choice and that is why we are much older. I'm 32. Our next child I presume will be at 34 and that will pretty much be it, you know, and that's my choice.

MS HARRISON (CPSU): On age I am - Isabel was unplanned. So was - our choice, we were going to keep her, we were going to see that pregnancy through. I'm 22. I was 20 when I fell pregnant. We have gone from - I mean the year that we moved to Canberra we didn't even cross the tax-free threshold. We were both students. That was only three years ago. To then throughout that pregnancy go into more permanent jobs - my partner finishing study to start earning more for him to be in full-time, we bought a house in January. Like our income has increased along with - as our skills have increased just insanely. So like - but our expenses have increased as well. We now pay 55 per cent of our income to mortgage repayments and car repayments.

I didn't get that choice to say, "Okay, we're going to save this amount of money or I'm going to get myself to this position in the public service before we have children." We didn't go down that path but I've now had to resign myself to the fact that I will build my career after I'm finished having my babies. We will only have one more because it's just so financially stressful and because I can see that I can't - even though I'm now fulfilling acting roles two levels above my actual role I can see that my organisation has made allowances for me and has allowed me to increase my skill set and excel and increase my level even though I have a child. There are other things like further study through my organisation that I won't commit to because I want to have another child. Those options aren't available to me because I will be taking that time off. But I - that's my choice too. I don't know if I'm explaining it properly.

MR FITZGERALD: No, that's fine, you are.

MS MacRAE: No, you are.

MS HARRISON (CPSU): I want to take that time off. I want to have a career at the same time but I've now resigned myself to the fact that until my children are older I know I - until I know I'm not now taking more time off I can't do those sorts of things.

MR FITZGERALD: Can I just ask you a couple of specific questions, and you've been very generous with your time. One is in relation to the Baby Bonus. Can I just ask this question: what impact did it have? I'm not obligating the union on this but are you prepared to trade off the Baby Bonus to have a more extensive paid maternity leave arrangement, because one of the things we're looking at is the interaction between any proposal and the social security scheme and tax and so on as you'd expect. So just your experiences in relation to the Baby Bonus. A lot of people have indicated that that should be re-jigged as a consequence of this inquiry. How and what way is an issue but many people have said we would be much better to roll that into a more comprehensive paid maternity-paternity leave scheme for the rest of the community. Have you got a particular view about it or that?

MS HARWOOD (CPSU): I just used my Baby Bonus, cut it up into my weekly wage and added it on so that I could calculate how long I could take off work and that's it.

MR FITZGERALD: Right.

MS HARWOOD (CPSU): So it was kind of maternity leave.

MS HARRISON (CPSU): As I said, my Baby Bonus was - it covered our rent for my time off. Myself personally I would be happy to trade off the Baby Bonus for six months paid leave. I would love to see 12 months paid leave, of course.

MR FITZGERALD: Sure.

MS HARRISON (CPSU): But I would happily do so. I would have happily taken the Baby Bonus paid as a two-week payment.

MR FITZGERALD: Sure.

MS STUART-FOX (CPSU): I would also happily trade it off, but not because I used it as a substitute for wages but precisely because I didn't use it. So in that sense the way that the money comes makes - changes the way you think about it, what sort of calculations you make. So rather than having extra time at home it just got - - -

MS MacRAE: Subsumed.

MS STUART-FOX (CPSU): It got subsumed.

MR FITZGERALD: Got lost.

MS STUART-FOX (CPSU): Yes.

MR FITZGERALD: Okay.

MARGARET (CPSU): Mine was actually used to pay for setting up the nursery and all those things that they say in the media releases about what it's for, they were so desperately trying not to say it's maternity leave. But yes, it was - you know, it baby-proofed the home.

MR FITZGERALD: Sure.

MARGARET (CPSU): I changed glass in the doors so that they didn't slice the poor child's head open and that sort of thing and pay for cots and all that sort of stuff. But yes, it was - I wasn't financially dependent on it. It has assisted in setting up some of those initial costs. I would like to see it rolled in but my problem is that I'm actually financially a lot better off with the current system than a lot of what has been proposed because it would be means tested and I would get nothing.

MR FITZGERALD: We are looking at that particular issue. A second one. Have you got a view about the - I know you've got various or you seem to have various paternity schemes. Can you just reflect for a moment on what you think a paternity scheme should look like? What should be available for the father and/or the supporting partner, because we've had - obviously people are talking about it in terms of smaller quantities of time and money but it is an important issue. People have said that it should be only taken at the same time that the mother is on leave. In other words, to reinforce the attachment and bonding processes. Others said it shouldn't matter. Others said it should be open to the discretion of the couple to determine who takes what. So I was just wondering whether you have a view about how you'd shape a paternity scheme that would aid and assist you and the child?

MS STUART-FOX (CPSU): I think it should be a primary carer payment so I think it should be taken consecutively. I think there are real benefits in having the father establish a very close relationship with the children in the early years. Part of that is about the way that it impacts down the line. So one of the things that makes me a less unreliable employee is that my husband and I take turns in looking after the children when they're sick. So that halves the amount of - unpredicted absences from the workplace. In terms of generally within the workplace having men play a much

more hands-on role I think helps with equity in the workplace because it's not just the women who are then having to drop everything to look after children and it's not just the women who are kind of having those breaks in their career.

MS HARWOOD (CPSU): I agree with everything that you've said, Maya. We had our first child, as I said, my husband worked weekends and a couple of days in the week. He was our first child's - the primary carer for some time. That made a huge difference to me whereas the second child we haven't had that opportunity and I have a much greater responsibility for that second child and that makes work difficult. But I think that we need to - every family is so different that we actually need to provide a range of caring options so that there's a bank of time there that people are allowed to take and that there are options as to who takes that and they are dependent on the family circumstances. I think that it is just as valuable for a father to spend three months with a child or a grandparent to spend three months with a child at the age of 13 months as it is at four months if that suits their family's need. So I'm all for flexibility.

MS HARRISON (CPSU): And for every father, not just APS fathers. My partner is not in the APS. He took two weeks. First two weeks of his daughter's life he took off work. A week and a half of that was his annual leave and then his accrued annual leave ran out. So three days he didn't get paid for. That was all he got. He's not working for that organisation now but when - the days when Isabel woke up screaming for three hours at night and I had to go to work he would get up and take care of her. He faced a lot of opposition in his workplace for then not being able to come to work the next day if he got a migraine or if he had some other illness.

There was a lot of negativity towards him needing that time off. Basically his boss said to him, "I can't give you the day off or let you go home just because Isabel was up all night". He was exhausted. We were both exhausted but there wasn't that support there. If there were provisions for him to have had time off in a parental leave system then I think we both would have felt a lot calmer about having our first child.

MARGARET (CPSU): I would just like to add some - that's raised some stuff about my circumstances is that my daughter only started sleeping through at 10 months. I was getting up at least once a night to breastfeed in the middle of the night. There were days that I was a danger on the road because - and I thought, "How on earth can I possibly go in and start writing strategy and developing ministerial briefs and actually making sense in a conversation when I've had so little sleep and it's been 10 months of no sleep."

With respect to my circumstances I think that one of the major problems with parental leave and men's parental - father's leave is that it's a privilege, not a right.

Some organisations have paid leave but I think it's far more important that men have the right, as women have the right, to ask for part-time to up to two years. Men don't have that. Well, I don't know enough about it but I'm presuming men don't have that right to ask for parental leave up to two years? Or is that - - -

MR FITZGERALD: There's new arrangements coming in, isn't there? Yes.

MARGARET (CPSU): Right. Okay. Well, my understanding is that there hasn't been that right and that if there isn't some kind of provision in an AWA then it's actually not possible for them to get it.

MS van BARNEVELD (CPSU): Just on that, the other issue is that - the research says that unless men actually get paid to take leave - - -

MR FITZGERALD: They won't take it.

MS van BARNEVELD (CPSU): - - - they don't take leave. So, you know, at the time of the birth of the child, if the father doesn't have accrued annual leave to assist the mother and her newborn child - which obviously you guys can talk about the assistance that was required at that time, after you had your first child - they don't take leave, they will go back to work. I think that the experiences here would be that that help and that assistance in the first - - -

MS HARRISON (CPSU): And that bonding. If Dan didn't have seven days annual leave accrued, he would have taken no time off and would not have - - -

MR FITZGERALD: No. We have heard that and we met with a union who represents 97.3 or something per cent males and their view was that, if you don't have maternity leave as a clear entitlement, nobody will take it. Neither the employers will encourage it nor the employees will take it unless it's paid and it's specifically for them, which is an issue we are just looking at at the moment. As a consequence of that, they're saying you can't just have parental leave, you have to have paternity leave as well as maternity leave, because, if you don't, nobody will take it in their particular and very expansive industry sector. But we will have a look at that.

MS STUART-FOX (CPSU): In terms of signalling, I can't imagine a more powerful signal than paid paternity leave.

MARGARET (CPSU): I think one of the important things with paternity leave is that it's able to be taken at the birth but it could be taken in a block later when the mother returns to work - or, hypothetically. You know, if you return to work at six months, at the end of the paid maternity leave, which of course we're going to get,

then the husband or the partner might be able to take two months. But I think another thing is that they need to be able to take it part-time if they can. You know, it could be taken in a block, but also one day a week. [deleted]

MR FITZGERALD: Yes, that's a good point. We will be having a look at that. We have taken enough of your time, but are there final questions? From Angela, any?

MS MacRAE: No, that's fine.

MR FITZGERALD: Any final comments you'd like to leave us with? We have got a couple of minutes.

MS HARWOOD (CPSU): I will just make my final comment.

MR FITZGERALD: Feel free. We're not rushed.

MS HARWOOD (CPSU): I just want to say, look, I think we have just got to work really hard to not set us all up for failure, because this really scared me when I started talking to people, I thought, "Oh, my God, are we doomed to have people who are working full-time, both parents working full-time, trying to pay off mortgages, trying to pay astronomical child care fees, and I can't see any way out of it," and I think that we just, as human beings, all have to work to helping each other sort this out, because I know that I'm going crazy and that a lot of my fellow mothers, fathers, colleagues are going crazy over this and all. So I just think we have to try and keep in mind that we don't want to set ourselves up for failure.

MS HARRISON (CPSU): The same. My partner and I have taken steps to make sure that for our second child we will be more financially secure; and I am excited by the fact that my government, and my government as my employer, might be looking at taking steps to help us be more financially secure as well.

MR FITZGERALD: Yes. Okay, any other final comments?

MS van BARNEVELD (CPSU): No final comments, except for the fact of thanking you for allowing us to come and tell you what - - -

MS HARWOOD (CPSU): Yes.

MR FITZGERALD: Well, that's exactly what this place is about.

MS STUART-FOX (CPSU): Yes. Thank you.

MS HARRISON (CPSU): Yes.

MR FITZGERALD: Thank you very much for that. Much appreciated. We have had one participant who is not able to be with us after lunch. So we will be resuming at 2.30 with Prof Chapman and Mr Higgins, and Unions ACT. So we will resume at 2.30. Thank you.

(Luncheon adjournment)

MR FITZGERALD: We might start this afternoon's session. Thanks for coming back. If you'd like to give your full name and your organisation, if any, that you're representing, and then, as normal, a 15 or 20 minute introduction, and then we will have a bit of a discussion about the key points. Thanks.

PROF CHAPMAN (ANU): My full name is Bruce James Chapman. I work at the Crawford School of Economics and Government at the Australian National University.

MR HIGGINS (ANU): My full name is Timothy Sean Higgins. I work at the School of Finance and Applied Statistics at the Australian National University.

MR FITZGERALD: Good. Over to you, thanks.

PROF CHAPMAN (ANU): Thanks very much for the opportunity to appear before you. We are going to share this presentation. We will start by looking at some background issues and then to talk about the conceptual basis of what we're interested in discussing with you. We have done a lot of econometric and simulation modelling of the proposition that we will be analysing, and Tim will explain how we went about that and consider the results. There are a couple of background points. The first one is that Tim and I supervised an honours thesis a little while ago and that has formed the basis of a paper, which was commissioned, not in a financial sense but in a "Will you please help us" sense, by the Committee for Economic Development of Australia.

It hasn't been formally released, so we can't give that to you. At this point it's going through their processes. They are not responsible for anything that we say, but we are responsible for anything we say. We use the term "maternity leave", we don't mean that to be leave for mothers, it could be parental leave; using the kind of instrument that we're interested in, it could go to fathers, mothers or both, and in fact the way we have modelled this is that it becomes an issue for both parents, in terms of the repayment obligations, and we will talk about that in a bit, in a few minutes. Sadly for you, our work has almost no direct bearing on the hardest issue of all I think you've got, which is how big should the taxpayer contributions be for paid parental leave.

The economists in us suggest that this is an argument that if all we cared about was economic theory - and it's very shocking to me to believe that some people care about more than economic theory, but if it was only economic theory, then the empirical question is fairly straightforward, which is to what extent are the social spill-overs and to what extent are the benefits private to the individual parents or families and to what extent are the benefits of a scheme directly accruing to employers. Empirically, you just have to work out on the taxpayer side of things

what kind of social spill-overs there are - and here is the really easy bit - how big they are. We don't know.

If you ask me that question, I will say perhaps Tim would like to comment on that, because one of the hardest things in social policy, if we're interested in contributions from taxpayers, is sorting out the empirical basis of non-private benefits. So may the lord have mercy on your soul for that. So there might be a case for a universal taxpayer-funded system of paid parental leave, I think there is. How big it is, I don't know. What we're talking about should not be seen as a substitute for a taxpayer system. It can be there as an add-on, as an optional extra, and that's the way we have designed our work.

So I guess we're coming at this more or less from the political economy perspective, which might start with the basic proposition that at some point governments will not want to extend paid parental leave at taxpayers' expense, which doesn't go on forever. We ask ourselves this question, "If one wanted, if a family wanted, 14 weeks or 26 weeks, or whatever, but they wanted more than that, what kind of arrangements might there be that are at very low expense for taxpayers and yet solve some basic financial market issues and problems that currently are not being addressed?" I come at this by looking as an economist - or, the economics of this is ask yourself a question, "Is there a form of market failure here?" In other words, if a parent wanted to find finances to allow them to take leave from paid work to look after an infant for a while, how might they go about that?" and the answer is, "Not very successfully."

It's very similar to the market failure which is true also in higher education financing, and that is that students wanting to find money to pay tuition or fees at a university will not get assistance from the commercial banks. The reason they won't get assistance from the commercial banks, there are two aspects of this.

One is it's a risky investment, many people don't finish university and some people get poor jobs even if they do finish university, and that has to be coupled with the basic problem in the banking system with respect to student loans and for loans of this kind is that there is no collateral. So in the event of a default on a student loan the bank has got nowhere to go, and that's why in every country in the world that I know of there is government intervention in higher education financing. In the Australia context we use an income-contingent loan, which is the HECS system, which means that nobody has to find the money up-front and they pay back when and only if they reach a certain income threshold, which currently is around about $40,000.

Now, while higher education funding and paid maternity leave - I'll call it paid maternity leave because that's the most usual term - don't seem to have very much in

common they actually conceptually and in economic theory terms have some very important things in common, and that is if a mother or a father wants to go to a bank to finance leave from paid work the bank will say, "I don't think so," because there is no collateral and it is risky. You don't know what will happen to those parents in the future with respect to their income. So it is very similar to the case for financing higher education tuition. We chose to model an income-contingent loan because it is the kind of loan that takes away many of the problems of normal bank loans. With respect to a normal bank loan people would be required to pay that conditional on time and not conditional on circumstance, and that means that there are several problems with traditional bank loans for all kinds of human capital activity or for the rearing of children. There's no default protection and there's no capacity to take into account individual circumstances with respect of future incomes.

So basically, income-contingent loans can be seen as insurance systems, and that's the we we've gone about this. Essentially, the question is, "When the debate is settled about the extent of taxpayer contributions for paid maternity leave grants is there some way of allowing households the capacity to take more than that?" The only way we could think about this without it being very expensive for taxpayers is through the income-contingent loan mechanism, and that's what we've set out to model here. In a sense an income-contingent loan offers the possibility for people to tax themselves in the future when their incomes are relatively high and give themselves the resources in the present when their circumstances are not so economically propitious. It is an instrument with a lot of flexibility. I think the right way of thinking about it is insurance. It can be designed in ways I think to minimise taxpayer contributions at the same time as fixing up the basic capital market failure which is true in many areas, including the financing of paid maternity leave.

So our major contribution was I think to make those conceptual points, but also to empirically explore how this might be modelled, what it would mean for the impost on families at the time of repayment and, importantly, what it would mean for taxpayer contributions. Some people will never pay an income-contingent loan. Something like 15 per cent of all HECS debt will be lost, and that's partly because it's design parameter are such that you don't mind that, you're trying to protect people who in the future are not doing as well as others. So there are different types and forms of taxpayer subsidies and we want to explore how big they might be under a range of hypothetical cases based on real data from the Australian Bureau of Statistics. I'll hand over to Tim now, who'll talk about how the modelling works and what the results look like.

MR HIGGINS (ANU): Thanks, Bruce. So we've undertaken some modelling of hypothetical families who might adopt this scheme. But before talking about the individual cases that we've examined there's a series of design parameters that I should mention for the scheme. First up, eligibility, in many of the assumptions that

we've put forward for the purpose of modelling and scheme design we've followed the HREOC proposal from 2002, the first eligibility, we would assume that the scheme is restricted to women who have been in paid employment for 40 of the past 52 weeks. There is a good reason for doing so. One of the problems with all income-contingent loans, or one of the risks is adverse selection and moral hazard. Namely, individuals might self-select, individuals who might benefit the most from the arrangements encouraged to participate and those who benefit the least are discouraged. Moral hazard can also arise in that the behaviour of individuals who participate may change. They may purposefully change their behaviour in order to avoid the repayment obligations. So by making past employment, or 40 of 52 weeks, a conditional for eligibility that reduces the risk that women or parents with relatively weak attachment to the labour force get involved in the scheme.

One thing we should mention through all of this is these design parameters are ones that we've put forward. But the general idea, the viability of an income contingent loan, should really be considered separately to the design parameters that we've put forward because it certainly is easier enough to change any of these conditions to change repayment rates and thresholds to suit policy design. So we have assumed for the purpose of modelling that a parent can incur a debt up to 26 weeks, or six months. Again that's a parameter that could be changed. For the purpose of the modelling we've assumed that that equates to approximately $14,000, being the hourly federal minimum wage multiplied by approximately 40 hours a week by 26 weeks. That's for one child. We've undertaken modelling for both single parent families with one child and couple families with two children. So $14,000 for one child, $28,000 for two children. The loan is assumed to be indexed in line with CPI, in other words a zero real indexation rate, which is consistent with HECS as well.

One thing that we have imposed here, which is consistent with FEE-HELP as operates for higher education, there is a 20 per cent surcharge on the outstanding debt. Again, that's an easy enough parameter to remove. One purpose of doing so is it discourages participation by those who might have the financial means to pay for their own leave, or to cover their own leave. There is an attraction in such a scheme by the zero real interest rate, the concessionary indexation rate, could attract people to participate who don't really need to participate. By imposing a surcharge that can reduce that chance.

As Bruce said, income contingent means that repayments will only be made when income exceeds a specific threshold. For this purpose, or for the modelling that we've done, we've assumed that the thresholds are consistent with HECS from $40,000 onwards, but we've imposed some lower income thresholds in for the modelling. The lower rate that we've used is approximately $27,000, and we've associated that threshold with a repayment rate of 2 per cent. Just for comparison,

HECS cuts in at about $40,000 and 4 per cent of income has to be repaid at that threshold. We've brought in a lower threshold of $27,000 where the repayment rate is 2 per cent. That $27,000 is equivalent to the exempt income amount under the Australian child support system for a parent with a dependent child under the age of 13. For want of a better number we thought that might be a suitable proxy for these purposes.

So one attraction of using a lower threshold is parents who have incomes below $40,000 who would otherwise not pay some of the loan would have to pay. We feel by imposing a low repayment rate such as 2 per cent - again these parameters could easily be changed, you could put 1 per cent or .5 per cent - just to receive something back without imposing too much of a financial burden on the participants.

One issue that we felt that we needed to address related to adverse selection is the possibility of a mother, for example, in a couple, in a partnership, taking out the loan and never returning to work on purpose, or otherwise, who is nonetheless in a very comfortable financial position because their partner might be earning substantial income. To deal with that risk, which we thought was a very real risk, we've made the repayments conditional on the income of both parents. The contract would be an obligation of both parents as opposed to one.

If the parents were a couple at the time that we loan was entered into, whether that is immediately after the birth of the child or after the expiration of a grant then they would both be obliged to enter into the contract if they wished to take out the loan, and their repayments would be based on each of their incomes individually. The compulsory payment would then be combined together. Then subsequently if the parents separated they would still both be required to make those repayments, and our understanding is that there are mechanisms in place currently in policy, for example, the Family Tax Benefit where the income of both individuals is collected, and certainly with the child support system there's mechanisms in place to track down both parents.

So those are the key parameters that we've considered. What are the results for some typically households? We have four scenarios. A couple with two children: in both scenarios we assume the father is working full-time. In the first scenario the mother works part-time until the children go to school and then works full-time thereafter. In the second scenario the mother never returns to full-time work and continues to work part-time. Similarly, we have two scenarios: a single mother with one child, works full-time long term, a single mother with one child who works part-time long term. Rather than just looking at these scenarios for median income cases we've extracted some survey data and undertaken some modelling to project both median income and lower and upper quartile income, so an income range to get

an idea of the variability and repayment patterns, the variability and potential costs to government under a variety of scenarios.

So, the median income case. The date here was taken from the ABS income surveys from 2007, I think. Either way, it's contemporary data. Under virtually all of the scenarios, certainly under the median cases for both of the couples and the median case and the upper income case for both of the couples and for the single parent on full-time work the repayment - I'm jumping ahead of myself. I'll just consider the median income cases first and the time to repayment. The time to repayment for the median income case under this scenario, keeping in mind again $28,000 of debt for the couples, $14,000 for the singles with one child, is approximately eight to 10 years. Under the higher income scenario repayment would be in approximately six years, and lower income case 16 to 20 years. The stand-out case here, the case that stands aside from the first three scenarios is the single mother on a part-time income long term. They would take quite a bit longer, 26 years to repay under the median income case. Under the lower income case they would never repay, no debt is repaid because under the assumptions we make in this model their income is below that lower threshold.

The other modelling that we've done is to try to get an estimate of some of the costs to the government if this was implemented. There are going to be costs from administration of this scheme - Bruce can probably comment on administration of HECS and what the costs have been in that area - costs due to debt never being recovered because, for example, as that example shows with a single mother on a part-time income there would be a possibility of no repayment, and a subsidy. The subsidy arises because the loan is indexed at a concessionary indexation rate, or CPI, whereas the cost to government, the cost of capital, really, is somewhat higher than that.

So we've produced subsidy estimates for these cases under the assumption of a discount rate of 5.5 per cent nominal and a CPI of 2.5 per cent, so a real discount here of 3 per cent, and in this case the subsidies of scenarios one, two and three, for median and upper incomes, would all be negative, which indicates that that 20 per cent surcharge actually kicks in and it's not advantageous from a financial perspective for people under those scenarios, medium or high income, to actually participate in this scheme. It has to be said, though, that the loan may still be attractive despite the negative subsidy simply because it's a mechanism for them to get money when they might need it.

For lower income cases under those three scenarios, however, we have positive subsidies, and that just illustrates what these income-contingent loans are all about, namely that those who have low incomes and who are most in financial need stand to benefit the most from these sorts of arrangements. For scenario four, where we have

a mother on a part-time income long term at the median part-time income level the subsidy would be 17 per cent, which we feel is still quite modest. The lower income case it's 100 per cent because no debt is recovered. Again, that illustrates the progressive nature of an income-contingent loan. It benefits those most in need and, essentially, those least in need, in better financial positions are cross-subsidising those most in need. You can consider that for a person where the subsidy is 100 per cent that loan essentially just becomes a grant whereas for the cases where repayments are made it stays a loan but a subsidised loan.

Just again to reiterate that these results are based on the particular parameters and assumptions that we've put forward, but we put them forward with quite a bit of thought on what we thought was sensible, what we thought took into account realistic indexation rates, income thresholds, income rates and so on while addressing some of the potential problems that could arise from adverse selection and moral hazard. So I'll hand back to Bruce.

PROF CHAPMAN (ANU): Just quickly, there a couple of things we haven't done. Well, there are billions of things we haven't done. There are a couple worth noting. One is that we can't really be confident that this is a scheme designed that would work effectively without considering important interactions with other parts of the tax and welfare systems, Family Tax Benefit A and B, and the Baby Bonus, and we haven't done that. We are hoping the Productivity Commission might look at that.

The other important thing we haven't done is we don't know what the aggregate costings are, and while it's true that I think for a very large proportion of the people likely to take up a loan scheme such as this that the subsidies will be very low and for some negative, there are other groups, for example, single parents who work part-time forever, under which the subsidies are quite large. We can't do the costings until we know the composition. But I do think for the vast majority the subsidies would be quite small. Obviously though there are outlays. There have got to be contemporary outlays in a scheme like this because they will be collected later, and that will need to be taken into account.

The final point is that we've only looked at this from the perspective of the household and not from the perspective of the employer. There may be ways of trying to incorporate loan repayments like this which are beneficial; for example, it's costly for firms to lose workers because they have shared training investments that are only specific to particular jobs and if mothers or fathers after parental leave don't come back to that job there's lost returns to those firms specific investments. So there might be scope down the track to explore whether or not some part of the loan obligation would be forgiven in the event that parents return to their place of original employment. But we haven't done that as yet. Thank you.

MR FITZGERALD: Thanks very much. Can I just go back to almost the opening statement about how one works out the differing components in terms of public good, private good, employer benefit. You've said that you've not looked at those particular issues, but I was just wondering on whether you could reflect on how you might look at those particular issues just for a moment. This starts from the basis that the government has worked out what it wishes to contribute and then over and above this this is a means by which this could be provided. I'm just wondering whether you might just reflect a little bit, given your background, as to how one would approach the right balance between those three areas of good.

MR CHAPMAN (ANU): Very carefully. I know higher education a bit better than other parts of this conversation. So at the moment with respect to higher education there is a subsidy of about 50 per cent from taxpayers. The implicit assumption is that there's something like 50 per cent of all current outlays result in benefits which are not captured by the individual: they're societal. So the first thing you do is that you write down on the basis of theory what you think they might be.

With respect to students and higher education graduates they might be decreased crime, I think that's probably overstated. There might be more informed voting patterns, I don't see a lot of evidence for that proposition. It might be in terms of economic growth. I think probably the right way to think about it is in terms of economic growth and that implies - because individuals and firms have a lot of trouble capturing the rents of more propitious adoption and adaptation of new technologies. So let's imagine that I can with some confidence say that the economic literature at least says that the spill-over here is in terms of growth. Then I'd look at the empirical work, empirical work being trying to determine the extent to which changes in economic growth are a reflection of changes in the stock of measurable human capital.

People have been saying that for a very long time and no-one has done it in a way that is at all compelling, but the first thing you do is you have to determine what you think those spill-overs are. So if they're to do with the health of a child and thus then the health of an adult down the track what does that mean for the social outlays in terms of subsidies in the medical area? If it means that people because of a bonding situation turn into different types of adults than they might otherwise have been ask yourself the question what is the benefit of that for society. The chances of getting empirically satisfactory out of that kind of exercise is extremely tiny. The most you'll get I think is an acceptance of whether or not there should be a subsidy and then the fight is on.

In the end, these processes, as you will know from your experience, because we don't know what the story is in the end the politics of the policy-making becomes extremely important and so does benchmarking. In this particular situation every

time I read something about paid maternity leave the first or second sentence says Australia is one of only two countries without provisions coming either from employers or from taxpayers, and my guess is that's where this discussion will go and that makes me extremely uninteresting to ask this question. I think Tim might have more to add to this but he hasn't shared it with me at this point.

MR HIGGINS (ANU): I'm an actuary, not an economist. I'm good with numbers but - - -

MR CHAPMAN (ANU): So if I'm the economist - - -

MR HIGGINS (ANU): As far as I'm aware I'm the worst at all of that - - -

MR CHAPMAN (ANU): As an economist let me assume how big the externalities are. Do you want me to do that? But what for? I don't know.

MR FITZGERALD: The second question I've got is in relation to your eligibility. You might just explore for me an issue. You said that the eligibility for these particular income-contingent loan would be 40 weeks of paid employment in the previous 52, which is similar but not the same as the current entitlement to return to work with unpaid maternity leave. One of the issues that has come up for us in this inquiries is that perhaps the most disadvantaged are those that are only marginally linked to the workforce or in and out of the workforce or potentially out of the workforce but might come into it at a later stage, the figures of which we're having a look at at the moment. Under your scheme they are excluded from participation in this arrangement. You indicated a couple of reasons for that, but I was wondering whether you could explore more fully your rationale for excluding that group. One of the things that's very clear to us is people may be marginally attached today or even out of the workforce, that can change quite quickly and the notion of in and out of work is no longer as clear as it used to be. So I'm just wondering if you can explain why that group is excluded.

MR HIGGINS (ANU): You've raised some very good points, and I think if Bruce and I went back and revised our arguments and the paper that we've written it's something that we would probably make note of. Certainly none of the modelling that we've undertaken and the results of the modelling would change irrespective of that eligibility condition. I take your point and I think that those points would have to be taken into account in determining a true eligibility criteria. Perhaps not 40 out of the past 52, but perhaps some other criteria that takes into account the variability in past workforce participation patterns.

MS MacRAE: I mean, it wouldn't probably change - unless I misunderstand it. It would change your results, though, wouldn't it? You'd be more likely to get people

that would end up either not paying the whole thing back or taking it effectively as a grant.

MR HIGGINS (ANU): I certainly wouldn't change the hypothetically scenarios but it would change the aggregate results, there's no doubt about it. If we tried to build an aggregate model to capture every potential person who would take this up it certainly would change it.

MR CHAPMAN (ANU): The predictions are based on a random survey of the population. They're not the kind of income results that follow on the basis of people's former participation, it's a random sample. So to that extent nothing would change. What would change, though, is the need to be very cautious about adverse selection. We've already been fairly cautious about adverse selection by making it a debt of both parents when they're both there and by having the first income threshold pretty low, at the 26 or 27 thousand mark. I don't think that paper even requires an eligibility condition, just care about what it means for repayments. You could apply this to people who have never worked if you wanted to. What is then affected, though, is the budget estimates of the subsidies.

MS MacRAE: Could I perhaps just ask, one of the interesting things I found about this paper, and you said it yourself, that if people were to take out this kind of loan arrangement would be choosing to tax themselves in the future so that they could get some resources now. It seems to me that one of the more curious aspects of many of the proposals that we've received our in our submissions already is for people to say that if we were to make a maternal payment that those payments should have compulsory super attached to them and that super would go in. It seems to me that that's actually doing directly the opposite of what this would be proposing, that we've actually forcing people to lock some part of the grant away into the future. I wonder if you have a comment on that?

MR CHAPMAN (ANU): It's not anything I've thought about, in terms of the super arrangements. But again, this kind of policy could be designed in such a way that there a living expenses and you could have add-ons which took the form of super. But then it would look at little it strange, you'd be sort of repaying your super before you get your super, kind of thing. So the - - -

MS MacRAE: In some respects that exactly what some of these schemes do end up looking like. Not yours, I don't mean, but some of the others we've had it does look a bit strange that we're paying people super before they've got their super.

MR HIGGINS (ANU): I think if certainly if you're going to adopt a proposal like this and extend if for a long period of time, years as opposed to months, then the issue about long-term saving for super is an issue. For a period of weeks or months I

can't see it being too critical.

MR CHAPMAN (ANU): We have modelled this on the basis of a maximum six-month period. So if you're interested in the potential consequences of the loss of super, it's six months out of a working life, and that's the maximum. This scheme could operate for any period below the - - -

MR HIGGINS (ANU): Of course this money would be paid fortnightly, as opposed to a lump sum, and if the individual was in a position to take some of that money and put it into superannuation they'd have that option, voluntary contributions or otherwise.

MS MacRAE: We talk about eligibility, and as you were saying, it's not very critical to the numbers we've got here, but if you determined eligibility at the time the baby was born, say it was 40 of the previous 52, did you envisage as well that if you were take out a loan you would have to do it within a certain period of the baby being born or were you thinking you could maybe take it for the first two or three years, or were you thinking any time you like? Had you thought about that issue?

MR CHAPMAN (ANU): We kept the modelling really simply by just assuming that the loan payments, the outlays, start when any other grant situation stops. Just to keep the modelling very straightforward we've just assumed a continuous period. If you wanted to, and you've make it more complex, of course, and the Tax Office would not be very pleased if you were doing this, would be to say, "You can just take six months any time you like in the next five years," that would start to make the administration more complicated. Let me just say something about the administration of the HECS system. It costs roughly, including the costs to universities, 50 million a year but the revenue is about 1.3 billion. So it's of the order of 4 per cent. The wonderful thing about the Tax Office is that it's everywhere. It's extremely hard to avoid payment for wage and salary earners, and the administration costs - just adding on to this point about whether or not you want to juxtapose five or six different periods - of having an already existing comprehensive system in general are very low. This would add to it, though, for sure.

MS MacRAE: I guess it would come back then to what's the objective of making this available. If you're thinking of it in terms of maternal and child health and that sort of thing you might want to say, "You can take out your money any time within the first 12 months or something," but after that maybe in a block to keep it administratively simple.

MR CHAPMAN (ANU): It's also our view that when you have optional income-contingent loan the adverse selection potential is quite important. As a consequence, we are not necessarily saying it would be a fantastic idea to introduce

this comprehensively, instantly. Maybe not, I think a lot of caution is required and even the possibility of a pilot might be a good idea.

MR FITZGERALD: Could I go right back to the - I suppose I'm trying to get from you why you think this is a beneficial approach. A number of the submissions we will receive will say two things. One is that there should be a minimum government contribution with a mandatory top-up by employers. A second model that has been proposed even this morning is again the same model that there be a social insurance type scheme which would apply to all the employers and all the employees and spread the costs. Vis-a-vis those two schemes, what are the advantages of moving down this path? Why would we not simply either impose an additional burden on employers or spread the load across all employment if you wanted to go over and above the government contribution, and just assume for a moment that's the minimum wage.

MR CHAPMAN (ANU): We just start with the basic economics of this discussion, which is that there are private benefits accruing to households from the availability of paid parental leave. If you assume that there are none then the policy is fairly straightforward. If you assume that there are benefits to society and no benefits to the private households then, "Thank you taxpayer," that's the story. But if you believe that there are privately owned benefits from households from parental leave then there needs to be contributions. It's kind of a crazy model, isn't it, to say, "Well, we think that you're getting private benefits from having parental leave so we'd like you to pay yourself while you're on leave." That's the paid leave, because the problem is that people need the money to live and they can't pay it for themselves because of market failure and because of liquidity constraints.

So this is a way of allowing contributions from the private households to cover and to recompense for the private benefits that doesn't require taxpayers, doesn't require employers, and that's not to say that those two different groups shouldn't be contributing as well. Can you think of any other system whereby you can actually pay yourself your paid parental leave by taxing what goes on in the future? That's the trick.

MR FITZGERALD: But in one sense your starting point is the private benefit derived from having children. Some would say there are so many other costs associated with the having of children, and not only in the first six months of life but beyond that, that in fact those contributions are the contributions that equate to the private benefit, and that in relation to the leave area then in fact that should be funded elsewhere, by government, by employers. You don't believe that that's a legitimate position?

MR CHAPMAN (ANU): I'm very aware of the costs of child rearing, and not just

the direct ones. There's been a lot of work done on the foregone earnings of child rearing, and those numbers are very, very high. But these are private decisions. We're talking about something in addition. We're talking about people having financial resources in this period which won't be provided by the private sector, and if the argument is that they should be provided by taxpayers the implicit assumption in that is that all the benefits are social and not private.

MR FITZGERALD: Another question is if this were to be introduced, this scheme, over a period of time, what's the likely impact of this particular scheme? What do you imagine would be occurring, both in terms of mothers, fathers and the workplace? So how does this actually play out in practice, do you think?

MR HIGGINS (ANU): As Bruce said during the concluding statement previously, I think one of the critical things that would need to be sorted out before answering that statement is how it would interact with the existing policy, how it would interact with Family Tax Benefit A and B, and the Baby Bonus, and whether it's going to operate alongside those or whether they're going to be phased out, is it going to replace them? Until that is dealt with it's difficult to really speculate on the impact of the introduction of the scheme. I think perhaps looking back at how HECS was introduced perhaps there's some insight there into the operations, or into the outcry.

MR CHAPMAN (ANU): My guess is that if its designed properly the take-up would be quite high. But I also think if I was a policy maker in the area and a bit anxious about the adverse selection issue, or indeed the extent of outlays in the short run then I'd do it fairly cautiously and make it like, "You can have six weeks," rather than the six months and see how that goes. You think about this kind of loan system, there's no real rate of interest after it's incurred, although there is a surcharge. There's no chance of defaulting like a normal bank loan. You can't go bankrupt repaying a sensibly designed income-contingent loan, and it gives you consumption smoothing. So you're only paying it back when things are sort of okay. So I would think that the economics of that means, particularly in a world of high liquidity restraints, and much more likely to be the case for relatively poor households, that the take-up would be high. That's a guess.

MS MacRAE: I guess for the private sector, thinking about the market response to this, that we have the elements of the labour market that currently have parental leave, have you thought about the impacts for them? I guess the point is you're saying this will probably be more attractive to the lower income end, which is probably the least provided for in general - - -

MR CHAPMAN (ANU): There's such low coverage of very poor occupations, as you would know, that that's where it's most likely to be advantageous. It's also where it's most likely to be risky for the budget, and so there would have to be quite a lot of

attention given to the repayment conditions. But we've already done that a bit in various ways because of that concern. But I don't see how this necessarily would interfere at all with private sector arrangements, that if companies are prepared to offer parental leave for 14 weeks or 10 weeks or whatever this would just be in addition.

MS MacRAE: I guess to the extent they're an employer of choice because there's no other option available there'd be small, potentially, marginal support for that.

MR FITZGERALD: Could you just run back for me the reason for a threshold of 27,000? You compared that to the HECS threshold of 40. You've chosen 27 and a 2 per cent repayment rate, as I understand it. Can you just explain again why that threshold was chosen.

MR HIGGINS (ANU): A couple of reasons. We also did some simulation work to explore what the impact would be on the subsidies and the repayment patterns if that lower threshold wasn't in place, and certainly the repayment patterns of the subsidies are quite a bit higher for the lower income groups, and I think possibly even the median income group for single parents because of the difference between 27 and 40 thousand. There is the argument with higher education that those that have gone through the higher education system receive a higher income on average than the rest of the population and therefore there's an argument that repayment rates should perhaps cut in higher for tertiary students than otherwise.

The inclusion of that lower minium threshold, that actual number that we've chosen, there's a precedent for that in the Australian child support system. I haven't looked into detail on why $27,000 is the number that they came up with, but given that it's the value associated with a parent being able to supposedly manage financially to pay off financial obligations with a dependent child, similar to the case where there's a mother or father with a dependent child who's taken leave for paternity or maternity leave, then we felt that was a reasonable proxy to use.

MR FITZGERALD: Just to clarify, because I can't quite see it, the 27,000 is family income or the individual's income?

MR HIGGINS (ANU): It's individual, yes, that's right.

MR CHAPMAN (ANU): It's the non-custodial child payment system. So if a couple separates the non-custodial parent pays on the basis of their individual income. It's also conditional on their former partner's income, but we've ignore that.

MR FITZGERALD: Yes, that's in terms of the parental support scheme, but for your purposes it is the individual.

MR CHAPMAN (ANU): It is the individual, yes.

MR FITZGERALD: Even if they're together as a couple?

MR CHAPMAN (ANU): Yes. Because we were concerned about the repayment issues if the debt is a debt of both parents in a situation where the couple have the advantages of household support during parental leave then they can pay it back at the same time. So if they're both earning 100,000 - is very unlikely. If they're both earning 50,000 four years later you'd be taking 5 per cent out of each of the salaries until the whole total debt has gone.

MS MacRAE: 2 per cent, isn't it?

MR CHAPMAN (ANU): Not at 50,000, it turns into HECS.

MS MacRAE: I see, right.

MR HIGGINS (ANU): If they were both on 28,000 then it would be 2 per cent of each. But again - - -

MS MacRAE: If one was on 28 and one was on 14 it would just be the 2 per cent?

MR HIGGINS (ANU): It would just be the 2 per cent of the 28, that's right. But again, it's a very simply matter of tweaking one of those parameters.

MS MacRAE: Perhaps if we could just talk about some other labour market issues, not so related directly to your scheme, if I could. We've had a little bit of discussion this morning about retention and what would happen with a universal scheme. Have you got views on the likelihood of retention within companies, what's happening under the existing arrangements and how that might change if we were to have a universal - we're talking about a government provided benefit, so absent this the impacts you've have on retention there? We have had some arguments that it might actually increase retention.

MR CHAPMAN (ANU): That's a great question. Do you have any others. We basically wanted to illustrate the potential for a different financing instrument rather than to provide a deeply based, evidence-based policy analysis of paid maternity leave.

MS MacRAE: Sure. I was just checking in case you had some views that might be of interest.

MR CHAPMAN (ANU): I think you know everything I know now.

MR FITZGERALD: I doubt that very much.

MS MacRAE: I think that's all.

MR FITZGERALD: I think that's fine. We've got a paper which you obviously don't have, so we've had the luxury of having this particular paper and have a quick look at it. We're over time just a little bit, so are there any other final points?

MS MacRAE: Could I just ask, you were saying this paper is going to CEDA and it's going through their processes. When do you think it might - - -

MR CHAPMAN (ANU): Very soon. The paper that CEDA is looking at at the moment will probably be a public document within three weeks. The background points we've just made to help this conversation.

MR HIGGINS (ANU): It extends the coverage, there's some sensitivities, we've changed a few parameters, removed the FEE-HELP surcharge, removed the bottom threshold to explore what impact that would have on the subsidies.

MS MacRAE: If you remove the FEE-HELP surcharge altogether you'd get quite a lot more adverse selection, potentially?

MR CHAPMAN (ANU): It's a very nice line, then - - -

MS MacRAE: That's what I thought. Everyone would be in. Thank you.

MR FITZGERALD: Are then any other final comments you'd like to make before we conclude?

MR HIGGINS (ANU): Good luck.

MS MacRAE: Everyone keeps saying that - - -

MR FITZGERALD: Very nice. Thank you very much. We need it.

MS MacRAE: Thank you.

MR HIGGINS (ANU): Thanks for your time.

MR FITZGERALD: Have we got Unions ACT with us yet? We have. We might move straight forward without a break if that's all right. Kim, if you can give your full name and the organisation you represent, and we'll ask you to make some opening comments and we can have a discussion.

MS SATTLER (UACT): Thanks, Robert. Kim Sattler, secretary of Unions ACT, which is the peak body of all unions here in the Australian Capital Territory. I've given you a slightly different form of submission in that I wanted to illustrate what the issues are on the ground for women in particular. So I've actually given you two case studies of two women, one who did obtain paid maternity leave throughout her career and one woman who did not. I want to contrast what the impact in terms of the family income, the loss of her input into the workforce, and her situation of being forced in low-paid, unskilled work when she clearly had in-demand skills that the economy could have benefited from throughout her child rearing years.

So basically what we would argue, we support the ACTU submission for a minimum 14-week paid universal scheme. We would also support those employers of choice who would support women to actually access more paid leave, and obviously as unions we've been very actively bargaining those sort of situations and have had a lot of success in the public sector in winning 14 weeks and sometimes more. We would see that anyone who achieved more from their employer, that would be an add-on to the 14 weeks, it won't be part of the universal scheme. So what we are most concerned about is the third of women in the workforce, or two-thirds, depending on which economy you're talking about, because here it would be a slightly smaller group than it would be in other places because we have such a large public sector workforce. There are clearly women who never access any paid support of maternity leave, they don't even access unpaid leave, a lot of them. They just leave the workplace and we lose them, and those workplaces then have to retrain someone else to do their job.

So we would argue that we need this. At this point in Australia's history and development we are behind most other countries in the world. A place like Estonia, for goodness sake, has a better scheme than we do. Now, Estonia may seem a strange comparison but they're probably not that much different to us in terms of size and population and needing to be competitive in Europe, and yet they've managed to come up with a paid maternity leave scheme that has some benefit to the whole population and the whole country actually understands why it's important. I think we've actually reached that point in Australia.

Clearly when you look at situations like Lyn's situation - what I've done is I've put a table together and I've put together a woman called Kim who is 51 years old and who has diploma level qualifications and worked predominantly in the community sector, and Lyn, who is 45 years old and was trained as a psychiatric

nurse in the UK in the 80s and then came to Australia in 1984 I think. Kim had two children, and they're both 21 and 24 now. Lyn had four children. The two oldest ones are 20 and 24, just like Kim's, and the two youngest are 10 and 12. So these children, the first-born child in each family was 1983. In Kim's case, because she worked in the Australian public centre she was able to access paid maternity leave in 1983. So she took the opportunity to take paid maternity leave. She actually took up to another eight months unpaid leave and she returned to the job within 12 months. So in terms of her lost time there was only a very short period of time, and her husband at that point took up care of the child at the six-month mark.

In Lyn's case every time she had a child she had to stop doing whatever she was doing in terms of paid work, and you've got to remember what the 80s were like. Many women who were pregnant were told, "See you later, we don't actually need you any more," or "We're not going to offer you any shifts," or "You're going to be a liability so see you later." This is what characterised Lyn's history in the workforce. What she did during those periods was she didn't stop working. Lyn was quite committed to actually being in the workforce and she had a lot of skills to contribute. But what she was relegated to was house cleaning, office cleaning, pizza delivery, sales assistant on a casual basis on weekends or at nights, and things like that.

Then she had a long period of working as a casual cleaner here in big federal government buildings, worked at night. As soon as her husband came home she was out the door off doing the night shift so that he could look after the kids. Her husband was a fairly low paid defence worker and his income hasn't actually increased very much. So if they lived on his income, which was roughly around $40,000, a family of four kids living on $40,000 in this town is a pretty big ask. So families like this invariably needed a second income just to pay the bills, just to keep up with the mortgage and the food and everything else.

So what I've tried to do is provide a chronology side by side. In Kim's case she resumes full-time work after each child and is in fact only out of the workforce for two years. She's able to access part-time work when the second child is born, and in fact makes a career move out of the public sector into the community sector, which is a sector which is non-profit, has very limited ability in terms of giving people wage benefit, but is a sector that is predominantly women. 80 per cent women work in the community sector. If they didn't offer family friendly and flexible work arrangement they'd have no workers. So women such as Kim would go and work in the community sector because they could actually take their child to work for a period until they were able to access childcare.

In Lyn's case we actually effectively lost productivity from Lyn for about 15 years, except if you regard pizza delivery and house cleaning as a major contribution to the economy. Each time Lyn tried to re-enter the workforce she had

to start at the bottom. So she started as a cleaner. She then retrained as an aged-care worker, which was only slightly better in terms of pay than a cleaner. Each time she wanted to gain qualifications she had to go to training at night at her own expense, and consequently her income really only inches up very slowly during that period of time. But if you contrast her with Kim, who actually could get training on the job and was able to actually go for positions that were actually better paid, and was out of the workforce for less time therefore her skills remained current, then it's a really stark contrast between these two women who basically have a lot of similarities.

What I'd argue is we are at a point in this country where we have a massive skill shortage. Women have already made a huge effort to participate in the workforce despite not getting much assistance, and I think they've done about the best they can do, really, on their own efforts and their own husband's efforts and scrambling together the sort of arrangements that we all do. But what we've actually lost in terms of Lyn's contribution is that we could have had her as a trained psychiatric nurse from the mid-1980s, which would have been pretty helpful in terms of what's happened to mental health in this country. We could have had her as an aged-care worker a lot longer ago, and we could have had her as an enrolled nurse, which is what she is now, working in the hospital system.

How many other potential nurses would be like Lyn's story here? I guess one of the biggest issues for women who work in health is the shift work can sometimes be a benefit but if it's only restricted to full-time hours then it means a lot of women have to leave nursing and the care professions because they just literally don't get paid enough to be able to afford the paid childcare they would need to actually fit the shift work cycle. It's okay when you're doing night shift and your husband can actually take over the care of the child, so long as your husband is not a shift worker. But if any other situation arises then you really are not able to access part-time.

Certainly in probably very recent years the nursing profession has got its head around this problem because it's had a chronic shortage. But we could have addressed some of these problems a lot longer ago, 10 years ago, probably wouldn't end up with such a chronic nurse shortage as we have now, if we'd actually assisted women like Lyn to stay in the workforce. So I think that probably covers most of the points that I made.

MR FITZGERALD: Thanks very much, and thanks for the illustration. Could I ask just a couple of questions about the ACT if I can. In your paper you say that about 40 per cent of I presume it's working women in the ACT currently have coverage, and you put that down largely to the fact that many are in the public sector.

MS SATTLER (UACT): Yes.

MR FITZGERALD: What's the profile in the non-public sector in the ACT? The reason I ask that is this, we've heard a lot about employer of choice, and in the ACT I presume it's a fairly competitive marketplace for labour and a lot do go to the public sector for a number of entitlement reasons. Why do you think we haven't seen significant movement in the private sector to match that in order that they can be, to use the jargon, employers of choice?

MS SATTLER (UACT): That's a really interesting question, and I constantly try to seek information out about that. I think it's probably to do with the profile of the private sector here in that we have a lot of small to medium sized businesses that make up the majority of our private sector, and we have only really started seeing the big corporates move into town in a significant way in the last 10 years. The big corporates have much better ability to be able to offer paid maternity leave, and many of the employers of choice in that sector do. The community sector has pretty well across the board, but that's mainly because of the award that came in in the mid-1990s, which enshrined paid maternity leave for those that took it up, and certainly had implicit in it an unpaid maternity leave option. Quite frankly, that sector would be in more trouble now if it hadn't done that because it has a skills shortage continuing. But there are a lot of women who are of child-bearing age and who have got small children who work in that sector.

So the critical problem exists for small and medium businesses, and that there is a prevailing view that it is someone else's responsibility. You will see businesses that will continually hire and lose people and retrain people, and go through the terrible expense of doing that. As someone who has been a manager I've experienced that as a small organisation. But as an employer I have always offered paid maternity leave because it was about valuing that employee, and those women always found ways to come back and contribute, even if it was working from home, or working on a special project, or working on a consultancy basis. So I think there is a problem amongst some parts of the private sector that they just don't see it as their responsibility, and they actually see part of their workforce as being expendable. I think we've all reached a point at this time now where we actually realise that the workforce isn't expendable, because there just aren't those people out there.

MR FITZGERALD: You've mentioned that the community sector in the ACT has an award that covers paid parental leave. Some people might say that a better means, rather than having a universals scheme, would be to allow perhaps the award system to pick this issue up over time, and I understand there's some issues around minimum standards that will allowable in awards. I'd say, conversely, others would say that would be a terrible outcome and should be avoided at all cost. So we've got an environment where one can recommend a universal scheme. Alternatively you could let the industrial processes deal with the issue over time, either by changing the

minimum standards or other things. Could you just give me a sort of a thought or a view about that?

MS SATTLER (UACT): Well, I guess it would be no surprise to you, Robert, for me to say that I think we've waited long enough for market forces to actually sort something out. They won't, they never will. Over time there will still be a significant number of people who will be entitled to nothing. If that was not the case then we would not have gone through the pain in WorkChoices where we were told that AWAs would give people all this flexibility and option to have high wages, and what did it do? It drove down a lot of women's wages, with a lot of work and evidence and research that demonstrated that.

So I don't think we can actually afford to waste time waiting for the market to do it. We must go towards a universal scheme because it's the only fair thing to do. How do you decide, because at the moment women have to make very accidental choices about who they work for based on what will actually enable them to look after their children, and also by accident in terms of where the childcare exists. In this town, in Sydney, good luck if you can find a childcare place at this point in history. If you're pregnant and you haven't put your name down now you probably won't get a place. So we have to do something as a matter of urgency if we want to be serious about actually benefiting from all those women who could actually be in the workforce. So I just don't think we can afford to go down the other path.

MR FITZGERALD: Just the other question was about retention, and it's an issue I suppose - if I can just flesh it out a little bit. One is about retention to the workforce, attachment to the workforce. One is about workplace attachment, or retention with that particular employer. I was just wondering what you think the main objective of paid maternity leave should be in relation to the attachment and retention issue, because it depends on the sort of eligibility criteria that you might establish for a scheme, ignoring what you would do for those that are outside of the workforce or only marginally attached. Do you have a particular view as to what it's main objective would be, or are there other objectives that you believe are at the top of the tree?

MS SATTLER (UACT): I think retention is a really critical one, and I think Lyn's situation demonstrates there was a real commitment to get into the workforce, and she tried to operate within a particular range of jobs where she felt she could really contribute, but then was often relegated to the cleaning because it was the only thing that would fit. With someone like this, if you were able to retain people like Lyn then an employer would probably see a productive worker in their workplace for at least four or five years, and potentially longer, depending on what other factors happen in terms of wages. If we want to retain people that we've actually put time and energy into training, and we want them to actually show some kind of loyalty to

either an industry or to particular employers then a paid maternity leave scheme would assist that in happening.

As someone who is a woman who has been in the workforce since I was 16 years old I've seen a lot of women leave the professions and industries because it was just too hard, and we lost the benefit of having those women in the workplace, we lost their skills. So for a whole range of reasons, not only just because we actually need - it's better for businesses and organisations that you actually can retain people for four and five year cycles instead of one and two year cycles, but in terms of industries, look at what we're actually facing in the health sector, the community sector and the building sector. I'll give you an example. If you advertise for an admin person in this town, or someone who's got admin and accounts experience, good luck if you can find them. People advertise two and three times. These are jobs which are basic to just about every organisation, and women predominantly did most of these jobs.

So we're now suffering as an economy in a whole range of industries and sectors because we just didn't think about the workforce capacity issues and we didn't plan ahead, and we didn't look at our existing population and go, "Where are we going to draw these people from?" I guess from another point of view, Lyn's had four children. She has just produced four new workers for the future. Kim produced two, Lyn produced four, and we have a massively, rapidly increasing problem with an aging work population. We're going to need these children to be in the workforce so that we can actually sustain the rest of us.

MR FITZGERALD: They're just a bit of a burden in the meantime.

MS SATTLER (UACT): Yes, that's exactly where our heads are at.

MR FITZGERALD: It's the problem, I know. Angela?

MS MacRAE: I'd just be interested in your comments about how much you think maternal leave on its own might make a difference to the situation of Kim and Lyn, in that we had quite a long discussion with some of the people in the CPSU this morning, and women with their own experiences, a lot of them saying that although they did have, by existing standards, a relatively generous arrangement, generally 12 to 14 weeks, that the sort of jobs they were coming back to was a real problem in that there were issues around - that it was a much wider issue. I guess that's part of the point you've been making already, that it's really a package of changes that you think might need to be made here. I'm just wondering in terms of retention, that issue about retaining Lyn, if there was a universal benefit that was made available would that have made a substantial difference to her on her own or would it have to be something much bigger that would have kept her connected to the workforce?

MS SATTLER (UACT): I think the ability to return to part-time is a critical plank for women like Lyn. I asked Lyn if she could reflect on what she might have done at each of those points, I think when she had the second two children she would definitely stayed in the workforce much more because she had older children who could actually help. She had a husband who was actually not going away as much as he was, so that was a factor in her life. He was based back here in Canberra.

So for the second two children just giving her paid maternity leave would have meant that she would have stayed in her job and gone back to it after she'd actually had - because effectively she did that by scrambling together bits of part-time jobs which were actually physically much more demanding on a woman who had just had a baby than some of the other jobs she could have actually gone into. So her own reflection is it would have made an enormous difference in her family just to have the paid maternity leave because she could scramble together some other care arrangements but certainly she would have had a preference to being able to return to part-time. I think that is a critical plank for a lot of women.

You've got to look at that in terms of what are the child care options for people. What are the care options? We have already reached the crisis where we haven't got enough child care places. In Kim's case there was available affordable, accessible child care in both those periods. The situation was not as bad as it is now. So, you know, that was in a situation where we had adequate child care for the women who were seeking it. We are certainly in a different situation now. Therefore, women have got less options.

MS MacRAE: I guess - again, an interesting sort of facet, and I know these are only two examples but as representative, I guess, as you could get, which is why you have given us them. It seems that the - just on face value at least that the opportunity for Kim to take some paid leave meant that she had some time with the children but then was able - and generally seemed to have chosen to go back to full-time work fairly quickly.

So in terms of the retention again whether - I don't know whether you would be able give me anything anecdotal from what Kim let you know about whether or not allowing her that time - if we can call it quality time with the children early on because she had that paid leave - whether that did give her more flexibility in terms of the choice of coming back to full-time work more quickly. Even if the opportunity had been available to Lyn, given the difficulty she had in, I guess, struggling through, she sort of had to take what she could get whereas the opportunities for Kim were broader and potentially then kept her skills up but also gave her, I guess, bonding time and whatever with the children - whether that made her feel more comfortable about coming back to full-time work?

MS SATTLER (UACT): Definitely. Both these women breastfed their children for quite long periods of time. Kim commuted to Sydney once she went back to work and was still feeding her child, her first child, and was doing a two-hour commute each way; so at that point had a very supportive husband but also a very supportive workplace. Even though she was in a workplace where there weren't very many women accessing maternity leave and in fact there weren't very many women, the workplace valued her and tried to make arrangements to help her do that. Then she applied for a transfer so that she could actually be closer to home. But that ability to be able to keep feeding the child and have that - you know, whatever time a child demands, and every child is different.

The second child that Kim had, he was certainly breastfed for as long as the other one but much more adaptable in terms of - and did go to work with her and survived at work with her for several months until child care was able to be phased in. But that was where child care was literally two streets away from the workplace. So everything happened in a very close community in a country town and it worked because there was other support and other help. In Lyn's case where employers were really not engaged in actually valuing her as an employee and wanting to keep her. So there is a big contrast between employers who value somebody's work and who try to come up with creative ways to actually continue to have them in the workplace.

Look, there were some creative public sector managers in the mid-80s who came on board. That's when some of those men started to become much more open to the idea of taking leave themselves. Men were attending births. There was a whole lot of things going on at that time which meant that a lot of men wanted to become engaged in helping to bring up their children. In Kim's case she had a husband in the 80s who took six months to look after the child straight after. So very different cultural environment for both those women. I think that's the point I'm trying to make.

MR FITZGERALD: Well, just on that last point I was just wondering what your position is in relation to paternity leave both in terms of fathers and supporting partners.

MS SATTLER (UACT): Look, I'd have to say in all of the negotiations that I've been involved in over the past - particularly probably the last five years it has been a request from male workers on a pretty continual basis that men do want to become engaged in actually helping. But not just helping, actually being part of that early development of their children. As many of them have done it, discover it's actually really fantastic time to be with small children and watch them go through all those stages of development. It means you have a much closer relationship with them as

they grow up.

Look, a scheme such as the one that exists in Denmark just seems so eminently sensible to me that both partners can access quite significant periods of leave. They encourage it and people return to their jobs. They appreciate the fact that they have actually been able to both take time out to spend with the child. They probably have a child care system that can mange the level of demand. I hazard a guess. I don't know.

MR FITZGERALD: I suspect so.

MS SATTLER (UACT): I know of a couple in Denmark who is an Australian man who went and married a Danish woman. They have just had two children and he has been able to take two lots of six month leave himself.

MR FITZGERALD: Yes. Have you got a specific proposal for paternity leave?

MS SATTLER (UACT): No, we thought it was probably a quantum leap to try and - - -

MR FITZGERALD: Get something - - -

MS SATTLER (UACT): But we would certainly be very supportive of the concept of - you know, parental leave is what we use as the clauses in most agreements. We try to come up with clause arrangements that are not gender specific so that - because in some cases the father is the one who chooses.

MR FITZGERALD: Well look, can I ask that question. I presume that you actually are prepared to quarantine a paid leave arrangement specifically for women?

MS SATTLER (UACT): Yes.

MR FITZGERALD: So when you say you're not being gender specific you are saying a maternity leave and then over and above that is where you're less specific. Is that correct?

MS SATTLER (UACT): Yes, that's right. The distinction I'd make is a universal scheme guaranteed to all women that is government sponsored. But in terms of what happens in individual workplaces there is goodwill on both sides to provide some flexibility for fathers to actually access different forms of leave and put it together at the point where a child is born.

MR FITZGERALD: Can I ask the question about employer top-up. You're

supporting the ACTU's initial position which is at least 14 weeks minimum payment at the minimum wage. What is your view about either voluntary or mandated employer top-ups?

MS SATTLER (UACT): Look, as I - I guess the point I made earlier is I think we have no time to waste as a whole national economy. If we don't get our heads round this and we don't - we either don't go down the road of a mandatory maternity leave scheme and we don't go down the road of a massive new migration program, we've got a problem. So I don't think we've got a lot of choice. So we would support there being a minimum of 14 weeks but we know there is goodwill amongst employers of choice out there to offer more because they know that actually enables them to keep those employees. Certain employees have become very, very critical to the success of certain organisations and businesses and they recognise.

So there is a willingness even within the private sector to provide opportunities to go over and above three months. They even are quite flexible if something goes wrong prior to the birth to actually sustain longer periods of other leave to support women who might be having a problem pregnancy. So I actually don't think there's a huge resistance but I think - it's a bit like the Australian way, you know, you sort of wait until someone else makes the move and then you jump on board.

MR FITZGERALD: Fair enough. In relation to the payment to those that are marginally attached to the workforce or not in the workforce, can I just get your view about the payment for those people?

MS SATTLER (UACT): Look, I think we would see a very big increase in participation rates by women who at this point find it unaffordable to be able to try and re-enter the workforce. I've employed a lot of women like this because you actually have a lot of women who come and look for work in the community sector who are wanting to return to work but who don't often have the skills or the qualifications to go into other fields, but have been able to access it in the community sector and particularly women who are single parents. That group in particular find it extremely difficult to be able to juggle what is currently available and it becomes more attractive to be on a single parent pension and much easier to navigate your life than it is for you to try and get back into the workforce.

I have even employed women who actually had a drop in income because of the tax arrangements, because of the health arrangements in order for them to come back to work, yet they still made that commitment to do it. I guess what I am saying is if we provided a universal scheme to all women, we would actually see an increase in participation rates by women at the moment who don't participate in the paid workforce.

MR FITZGERALD: Why do you think that again, just explain? I understand the difficulty they have in navigating the system and we will be looking at the direction of all of these schemes with the Social Security system, but again why do you think somebody that is not in the workforce would be more inclined to enter the workforce if they got a universal payment?

MS SATTLER (UACT): For two reasons: (1) if you look at what the education level of girls is now, girls have different expectations when they're coming out of school and college and we have high retention rates. We have extremely high retention rates here in Canberra. Most of those girls have an expectation that they are going to pursue some kind of career or paid work. There is only a small percentage of women who still only envisage staying at home and rearing children and do no interaction in the paid workforce. So women have different expectations. This new generation certainly has different expectations and many of them have been reared by women who have been in the workforce. If it was not an economic nightmare for a family, for a woman to go back to work, then more women would do it.

MR FITZGERALD: The final part of this is you've talked about a minimum of 14 weeks and your opening line in the submission talks about 15 to 26 weeks. I am just wondering, and we've asked this of many people, what is the best way that we should be determining that period of time? Some people would say that 14 weeks is comparable with many other jurisdictions overseas, it is a minimum period in terms of child wellbeing and maternal wellbeing. Others would say anything less than 26 weeks doesn't get you anywhere at all because it's really a compromise position and there are submissions that will come to us that will argue 52 weeks. I was just wondering what you think should be the approach we should take if there were universal scheme in terms of the period of time.

MS SATTLER (UACT): I guess that's is where you'd want the economic modellers to be giving you some more detailed information. But I think we can't look at anything less than 14 weeks. I think we should be actually trying to find some middle path in between 14 and 26 weeks. Certainly in an ideal world 26 weeks would be fantastic and for women who choose to breastfeed their children it is the most practicable to be able to access 26 weeks. I am a realist. I know that you've got to strike a level at which you think - if you want universality, if you want complete access across the board realistically 14 weeks is the most achievable.

But if we acknowledge that we've actually got a major skills shortage and crisis of labour and we want to actually address that to maintain our competitiveness in the world, then we've got to do something a bit more - we've got fast-track some of this stuff. If by adding weeks to paid maternity leave actually enabled you to do that, why wouldn't you go down that road?

MR FITZGERALD: Are there any other comments you would like to make in conclusion?

MS SATTLER (UACT): The only thing I would like to add is that it is terrific that the government has commissioned the Productivity Commission to look at this issue because I think it is very much in the realm of what the Productivity Commission should be looking at that. I know that you're doing some open community forums because I can tell you that women like Lyn would no more come and speak at something like this as fly to the moon. In fact it took quite a lot of coaxing and it was her suggestion in the end that she be contrasted with somebody else and she had never looked at it, she had never actually reflected. But if ordinary women like Lyn were able to actually come and tell their particular experience of going in and out of the workforce to you, it would really illustrate why we need to act.

MR FITZGERALD: Thanks for that. As you know, we've got at least three forums taking place and hopefully that's exactly what occurs. So we are conscious of the difficulty of people presenting at these more formal arrangements, so we will see what happens. Thanks very much for that, Kim. Is there anyone in the audience who would like to make a presentation before we conclude for today? Going, going, gone. We will adjourn the hearings until Monday morning when we resume in Hobart. Thanks very much.

AT 4.02 PM THE INQUIRY WAS ADJOURNED UNTIL
MONDAY, 12 MAY 2008

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