

SUBMISSION ON THE PRODUCTIVITY COMMISSION ISSUES PAPER FOR THE INQUIRY INTO PAID MATERNITY, PATERNITY AND PARENTAL LEAVE (2008)

The following answers are provided to meet questions raised by the Productivity Commission (PC) issues paper to answer the following PC questions:

What ought to be the objectives of a paid parental leave scheme?

Since the development of the United Nations (UN) Universal Declaration of Human Rights, much Australian statute should increasingly be understood and administered as a nationally required community aim or related minimum living standard, consultatively made by elected representatives, which all the relevant key stakeholders and others are ideally expected to uphold and benefit from. In this international regulatory and related national service context, Australian parental leave schemes should be designed and funded so as to meet and promote Australia's main obligations under the following and related United Nations (UN) Conventions as effectively as possible:

- The Elimination of All Forms of Discrimination Against Women
- Concerning Equal Opportunities and Equal Treatment for Men and Women Workers with Family Responsibilities
- Convention on the Rights of Children (CROC).

An Australian parental leave scheme should therefore be designed and funded in a way that recognizes that children are wholly and ideally treasured as public goods and responsibilities, and not simply as the private investment or consumption related goods and responsibilities of individual parents, who may or may not, depending on their station and desires, be given extra support by a particularly well endowed family or employer.

Under an Australian parental leave scheme, individual parents ideally should be free to choose what seems best for their particular family situation, within a national context of basic, flexibly delivered, parental benefit provision, to which extra benefits may be added through extra payments. Scheme benefits should be as accessible, equitable and affordable as possible for parents, employers and taxpayers, except where this appears against the child's interests in being given the high quality service required by the CROC.

National and regional family planning and related health, welfare and environment protection services are ideally provided in related international, national, industry and regional community contexts, which are designed primarily to value caring for the quality of life of current and future generations, and all their related biodiversity. Within this national context, service or benefit delivery may naturally vary, according to the economic and cultural situations and choices of nations, their related communities and individuals.

What assessment criteria should be used to assess the merits of different models of paid parental leave?

Parental leave scheme assessment criteria should be related to the scheme design and funding objectives, as discussed in relevant UN or related International Labour Office (ILO) Conventions to which Australia is a signatory. Stephen Duckett's comparison of Australian and US health care systems in regard to their service accessibility, equity, cost and quality for health care consumers and related communities may also provide guidance.

In 1983 Australia signed the Convention on the Elimination of All Forms of Discrimination against Women. The Commonwealth Sex Discrimination Act followed. The legislation aims to eliminate discrimination on the grounds of sex, marital status or pregnancy in the areas of work, accommodation, education and provision of goods, facilities and services, and in the disposal of land, the activities of clubs, and the administration of Commonwealth laws and programs.

Convention 156 (1981) Concerning Equal Opportunities and Equal Treatment for Men and Women Workers with Family Responsibilities commits a country to promoting education, encouraging the sharing of domestic responsibility, and developing services to enable workers with family responsibilities to access their right to vocational training and free choice of employment. Ratifying countries commit themselves to working towards the provision of parental leave, laws preventing direct or indirect discrimination on the basis of marital status and family responsibility, and a range of social security measures such as child care and home care for family members who are sick or disabled. Though the provision of some services addressed in the Convention are usually seen as a government responsibility, the availability of flexible employment opportunities and for parental leave are relevant for all employees, both in the private sector and employed by government.

The UN Convention on the Rights of the Child affirms the rights of children to special protection, opportunities and facilities for healthy, normal development. It covers the areas of personal freedom, care, physical and personal integrity, standards of living, health and health services, the environment, education, play and leisure, justice, work, immigration and nationality, violent conflict, abduction and international obligations to promote children's rights.

**Should government contribute to the funding of the paid parental leave scheme?
Should employers and/or employees contribute?**

Both government and employers should normally contribute to funding a paid parental leave scheme, which is available to all employees, like superannuation. Employees should be given financial incentives to contribute to the scheme as well. Those employees who do not want to become parents and therefore gain the added benefits of the scheme from others' contributions to it, should not be compelled to join the parental leave scheme.

If employees and/or employers contribute to the scheme is a pooled funding arrangement desirable?

Yes. The funding pools should normally be contributed to and managed on the basis of national government and industry fund ownership, which is effectively linked to a regional work and related life-cycle approach to managing Australian community

health, environment and related wellbeing effectively and competitively. Funding pools are ideally composed of taxation, industry superannuation funds, related insurance premiums or levies and other competitively directed funding and investment. In this broader funding context, parental leave and related payments are ideally designed nationally to achieve the UN and related parental objectives discussed earlier.

The parental leave scheme is ideally also based, therefore, upon consideration of current Australian work and community health insurance, superannuation, and taxation practices, in order to provide the nation with simpler, flexible, more cost-effective and high quality scheme services to support regional community and industry health and environment protection goals in Australia. These are shared internationally, through UN agreements.

How, and to what extent, will paid parental leave arrangements interact with social security and other government payments and which areas will be most affected?

One assumes that parental leave funds should first be composed of the current income support for families in Australia as it is identified in Box 2 on page 18 of the PC paper. These benefits and their effects are logically considered together, as discussed earlier, in order to provide the maximum affordable degree of choice to all parents, to meet the directional aims of the UN Conventions and Australian policies already addressed.

This funding pool is ideally added to by the Commonwealth and all employers in such a way that all Australian parents can be covered to an extent considered affordable by the government, employers, and individuals. The model is ideally also a savings scheme with added benefits, like superannuation. The scheme should also have key attributes similar to those currently possessed by work and community health insurance and industry superannuation (savings, pension and investment funds). The funds should be owned and managed competitively by the government and industry to benefit parents and related stakeholders. However, it should be voluntary rather than compulsory for individuals to contribute to a parental leave scheme. Whereas all grow old, and protection against disability is vital for the whole community, parenthood is ideally the result of personal choice. People should have extra incentives for saving which are provided through government and employer contribution to each parental leave account. This ideally can contribute to an individual's future savings if not called upon for parental leave purposes.

Further discussion of pooled funding, education and research approaches:

Within an international context where the market and the national interest ideally should prevail, an important question for all nations is what the respective roles, responsibilities and rights of elected governments, the private sector, employers and individual workers or other community members should be, in regard to service provision in general and parental leave in particular. Parental leave therefore needs to be considered in an international market and regulatory context, where Australia is a comparatively wealthy country but where 2% of the population is also of indigenous descent, with a health and related demographic profile more like that of people living in a less developed country. Australian communities should also be aware that funding the guaranteed provision of a basic suite of services to all relevant communities may be

cheaper and better for all concerned than privately funding them. Extra choices for individuals may be provided through 'top-up' insurance or related funding model. All services are ideally managed openly and competitively, so all may identify their comparative outcomes. The above observations are relevant to consideration of all income support for families in Australia.

For example, Medicare, the national health insurance scheme, puts downward pressure on the prices which health insurers, hospitals and doctors would otherwise be able to charge for their services if there was no Medicare option for all consumers to fall back on. On the other hand, the international research on health services (and Michael Moore's movie, 'Sicko'), demonstrates that the American, private sector driven, health insurance model, with a government funded safety net service provision only for the poorest plus subsidies for the old, generates a high cost, highly bureaucratic private system. This is dedicated to denying services to many others besides the uninsured, whilst premiums and related care charges increase for those who feel they cannot take the risk of not being covered, at any cost. Many Australian studies of workers compensation insurance have also shown that the model best designed to keep the natural adversarial exuberance of lawyers and insurance companies under competitive control, will reap the best rewards for everybody else. This knowledge is vital because economists often assume that private fund ownership and many market players provide key ingredient in good service delivery. This is an assumption which needs to be tested, rather than assumed, in any particular context.

(The same economist may forget that perfect information is necessary in a perfect market.)

Research findings, such as those outlined in the PC Issues Paper on maternity, paternity and parental leave must also be tested in the cultures they inhabit and Australia is not America – at least, thank God, not yet. The current PC paper for the inquiry into paid maternity, paternity and parental leave appears to have been written by psychologists, rather than an economist or another kind of social scientist. For example, the paper does not discuss pooled funding for parental leave, although a question is asked about whether this should be supported. Nor does the paper much discuss the effects on various groups of parents and children of the current range of income support which is identified in Box 2 on page 18. (I assume the coming government budget will address related issues regarding current payments to rich parents and to those parents who apparently may neglect their children.) The PC authors instead appear to take a typically U.S. directed, psychologist's view, when discussing research on various forms of parental leave. Specific socio-economic and related governance contexts which produced the research findings it discusses are largely ignored and key Australian responsibilities and initiatives in supporting UN directions to reduce health, welfare and environment problems, are overlooked, especially for children. Why don't the writers consider the CROC?

Both parental leave and low infant mortality rates are primarily related to national economic and governance factors, which includes all welfare payment. The World Health Organization and related UN agencies recognize this clearly but the PC authors of the current issues paper do not. It is not surprising that countries with high levels of maternity leave are also found to have low levels of infant mortality. In wealthy communities, fewer children are born and their economic standard of living is generally higher than in poor communities and also more likely to include paid parental

leave. In most developed countries parents have a choice about whether to have children. In many underdeveloped countries they do not and the stork dictates. The PC research discussion often reads like preparation for social engineering related to how parents should behave in future in regard to children. It seems to be an Australian product which, like many others, stinks of mindless conformity to the American way, unaware of better evidence. In democracies, I assume that family planning, breast feeding and all related parental behaviour are ideally considered best undertaken as conscious personal choices to meet circumstances which are often experienced as uniquely personal, and that more educated parents will usually know what suits the family and children best. The poor often have little or no choice. One should therefore be concerned about good education and research. (A related submission I made to the National Health and Hospitals Reform Commission (NHHRC) is attached.)

In Australia it is becoming clear that there is considerable scope to improve national welfare and reduce costs through better regional and industry ownership and management of funds which are competitively administered to meet the identified aims of health, education, welfare services and supporting payments through the individual's working life cycle and outside it. Developing countries often promote such welfare fund establishment in the formal economic sector first, through social insurance or tax related payments collected, for pragmatic reasons, from large foreign or domestic companies and their workers. This may have the effect of increasing social inequality by excluding farmers and other families who are often poor, with lots of children, unless steps are also taken to avoid this problem. All such interrelated issues now require close consideration nationally and internationally. In the attached discussion I recommend a range of related strategies.

Australian development has often followed Britain, as historical study of work, community health, superannuation and related pension management and investments indicate. Parental leave now seems best considered in a related and continuing historical and social context. In 1942, the major architect of the post-war British welfare state, Sir William Beveridge, followed the new economic approach that Keynes developed and which those with economic power in the US buried, after they had successfully buried political dissent during the Cold War. When Keynes wrote 'Paying for the War' he suggested introduction of the compulsory establishment of individual, interest bearing post office savings bank accounts to fund government borrowing for World War II. Skidelsky writes that at the core of Keynes's vision was that modern society would no longer stand 'nature's cures of inflation and unemployment for malfunctioning in the market system'. His answer was a permanent scheme of regulating spending to avoid booms and slumps. This is also a form of insurance fund, which must be managed and invested competitively. Management must be open. Now that women and children have spent centuries paying for men's wars, ideally we should all start paying for some peace.

Beveridge described social insurance as 'the system by which every citizen of working age contributes, 'in the appropriate class', according to the security that is needed'. He believed that each person should ideally be covered for all needs by a single weekly contribution on one insurance document, and that all the principal cash payments, (for example for support through disability, unemployment or old age), should continue so long as the need lasts, without means test. He also believed that payments should ideally be made from a social insurance fund built up by contributions from the

insured persons, from their employers, if any, and the state. Parental leave design and delivery now also requires consideration in this historical, Australian national and international context.

In developed economies, all social insurance and related rehabilitation and risk management services, including pension style supports, may most easily and appropriately be understood in the context of the guaranteed welfare provision which is nationally provided and funded by government through general taxation and all related compulsory insurance or loan systems. From the public policy perspective, the primary aim of social insurance and related management should be to achieve the nationally required standard of social support as effectively, equitably and sustainably as possible. This requires policies related to reduction of those market fluctuations and related market practices which appear most likely to lead to disastrous results for the consumers and communities they ideally serve. Economists supposedly believe perfect competition depends on perfect information but markets currently do not clear in accordance with their theories. The evidence for this is the continuing cycle of economic booms and slumps and the related huge and often growing inequalities between the rich and poor, both internationally and within nations. There are many supports for these rigged markets, such as constant secret dealing and distorted lies by those with power who seek to maintain it, their lack of plain English usage, information provision and education for those outside their tightly privileged loops.

The success of taxation, social insurance or insurance systems, as well as that of other business ventures, depends fundamentally on contributor trust. Trust is ideally based on clear and easily available evidence that the structure and management of any government, industry or related service or benefit operation is sound and meets contributor, consumer and community goals comparatively effectively. Transparent administration and reliable information about service outcomes are necessary both for public confidence and effective competition. The effectiveness of service delivery should be a major research focus in this international and national economic, cultural and regulatory context. It must be open.

Thank you for the opportunity to make this submission,

Yours truly, Carol O'Donnell