

NFAW Submission to the Inquiry into Paid Maternity, Paternity and Parental Leave

Introduction

1. The NFAW has played a role in the public debate that has led to the *Improved Support for Parents with Newborn Children Inquiry* being undertaken by the Productivity Commission.
2. The origins of the NFAW role lay in the process of national consultations with women and their organisations during 2006 and 2007 on the impacts on their working lives of the former Government's changes to the industrial relations system (WorkChoices). In consequence early NFAW discussions about a national system of paid maternity or paternity leave were framed around industrial relations policy.
3. In this context the NFAW, in association with the New South Wales Government Commission for Children and Young People, the National Initiative for the Early Years, and the Queensland Government Commission for Children and Young People, commissioned opinion polling from NewsPoll¹. This found a very high level of public support for the development of a national system of paid maternity leave, as well as support for the financing of such a system through tri-partite funding by government, employer and employees. There was a similarly high level of support for the proposition that more should be done to enable parents of very young children to spend time with them.
4. The previous Federal Government considered a number of reports on the issue, most notably from the Human Rights and Equal Opportunities Commission, and from a Senate Committee established to examine the Democrats Private Senator's Bill on a national Paid Maternity Leave Scheme.
5. However, some of the political reactions (both in the sense of formal party statements of policy and in public debate) implied that such a policy would in some way be divisive as between women in the workforce, and women as full-time carers.
6. NFAW considers that this is, and always has been, a false dichotomy.
7. A very high proportion of Australian women regularly move in and out of the workforce, with changing patterns of work-force attachment whilst children are very young and before the children start school.
8. NFAW also recognises, and considers misplaced, the public perception that there is little public policy support for parenting. NFAW encourages the Commission to recommend that this misperception be remedied through greater clarity in the presentation of

¹ NewsPoll survey full results are available of www.nfaw.org

Government support for parenting as well as support for work-force participation of parents.

9. NFAW supports the re-framing of Commonwealth policies in relation to early childhood care and education. It notes that the Prime Minister has expressed interest in wider development of the types of integration of maternal and child health services with other early childhood services, which already exists in some settings in South Australia and in the Australian Capital Territory (ACT).
10. The NFAW urges the Commonwealth to develop an integrated policy on maternal and child health and early childhood services.
11. The NFAW notes that the Swedish Government now provides support for child care services outside the home for children from the age of one year, and the younger infants are taken care of in the home by their own parents, who benefit from the government's parental leave system.² Attachments A and B provide more detailed comment on these important aspects of support for parents of young children. Our colleagues from the National Initiative for the Early Years (NIFTeY) and the New South Wales Commission for Children and Young People will provide more detailed submissions on these matters.

Objectives of a paid maternity leave scheme

12. The NFAW supports the introduction of a national paid maternity leave scheme, providing income replacement for six months, to meet the following objectives:
 - a. To protect family incomes for mothers of newborns who leave work for six months to care for the infant, prepare for and recover from the birth and establish breastfeeding and attachment;
 - b. To protect incomes of mothers' partners, and in some cases other family carers who leave work for a short period to care for and form attachments with a newborn baby;
 - c. To enhance gender equity;
 - d. To recognise and accommodate women's dual roles as earners and child bearers;
 - e. To maintain workforce attachment of mothers, and through that, enhance female productivity and facilitate career progression and improved retirement savings for women;
 - f. To enable families to afford to have children, without serious financial difficulties in the period around the birth; and
 - g. To distribute costs of the system equitably, ensuring that low income earners and small business enterprises are not disadvantaged.

² UNESCO Policy Brief on Early Childhood Policy Brief number 3 May 2002.

13. NFAW further supports³

- a. Improved health and community services to support families with young children and
- b. Improved access to high quality childcare and education to support the child's wellbeing and to assist parents to return to work, training or education.

Features of NFAW's preferred scheme

14. NFAW proposes that the workforce related income replacement (paid maternity leave) scheme should be located within the policy framework of employment related entitlements and should be entirely separate from, and additional to, universal and income tested welfare benefits.
15. Within this conceptual framework NFAW supports the principle of paid parental leave (with each parent having some rights to a period of paid leave), with the principal carer, most probably the mother, entitled to a substantial period of paid leave at full income replacement. We suggest a minimum of six months in the first instance, but 12 months would be preferred.
16. We consider that where a father/partner is entitled to specific leave in his/her own right, say at the time of confinement, the leave should be paid at that person's own rate of pay, while leave entitlements taken on a shared basis could be paid at the mother's rate of pay.
17. Our preference is that the entitlement should be paid through the current employer. This is to encourage a sense of attachment between the employee and the employer, and to the workforce. However, the entitlements and payments could be handled through a Commonwealth entity such as the Family Assistance Office.
18. The family unit would still be entitled to the re-structured suite of parenting payments, subject to income testing.
19. While the Commonwealth Government Baby Bonus would continue to exist as a payment to all eligible new mothers (c.f. the introduction of an income test in the Budget), for those in the workforce it would be an element of their paid maternity leave.
20. Where the working parent (mother) is in part-time, or regular casual work and receives a maternity leave income replacement pro-rated on that basis, she remains entitled to the suite of poverty reduction and universal payments.
21. The paid maternity/parental leave should be financed through a mixed system of government, employer, and employee contributions⁴⁵ with government payments

³ Note the recent announcement by the Prime Minister of new approaches to these issues.

⁴ See for example the proposal by Julia Perry (submitted individually to the Commission – Attachment C below)

⁵ see the NewsPoll survey cited above

specifically directed towards maintenance of an adequate level of income for the lowest paid.

- a. In our view all employers and all employees ought to contribute a modest payment to the 'pool' from which leave payments are made. We suggest 0.5% of the wages or salaries of all employees, by each of the employer and employee, or 1% by the employer alone. This is considerably below the level of compulsory superannuation contributions.
 - b. The Government's contribution to new mothers would continue through the Baby Bonus.
22. This differs completely from any suggestion of individual employers being responsible fully for the paid maternity leave of their own employees, and would remove adverse impacts on businesses with a concentration of younger female employees and small business in competition with larger enterprises in capacity to offer employee benefits.
- a. The method of employer/employee contributions could be regarded as being similar to compulsory contributions for superannuation.
 - b. Superannuation contributions would be maintained, benefiting the woman's life-time earnings and future retirement income benefits.
 - c. The period of paid leave would be taxable, while the proposed levy would be tax deductible. The Baby Bonus component of the Government funding for the parent in employment would also become taxable.
23. Paid maternity leave should provide full income replacement for the primary carer for an adequate period of time, since working families structure their financial arrangements against relatively fixed outgoings on the basis of the incomes of both parents (to meet housing costs, support other children, repay HECS debts, contribute to superannuation and so on). All other paid leave entitlements are paid on an income replacement basis.
24. The leave payments would be subject to personal income tax. There should be no suggestion of any family income or means test to establish eligibility. No such eligibility criteria exist for holiday pay, long service leave or superannuation entitlements.
25. To establish eligibility, consistent work-force attachment of the mother over ten months in the previous twelve months should be demonstrated. Without this there is the risk that fraud could occur in order to claim the income replacement payments rather than the universal and/or income tested suite of maternity related payments.
- a. Full time, permanent part-time, 'regular' casual work should provide proof. However, NFAW does not consider that the 'proof period' should be required to have been with one employer.
26. An adoptive parent should be covered by any national system of paid parental leave if he/she is the prime carer and meets the eligibility test (paragraph 38).
27. Foster parents are undertaking tasks on behalf of other entities such as State child and family welfare authorities, and should receive remuneration as required for that task from that source.

28. A separate welfare benefit for carers already exists and should be taken into account in relation to supplementary care provided by persons other than the natural or adoptive parents.
29. All employees should be covered.
30. It may be difficult to accommodate the needs of contractors, the self employed and family farm or other primary industry owner/workers but it would be highly desirable to find a way to do so. Recent extensions of the New Zealand paid parental leave scheme to these groups should offer some models for consideration.
31. The mother should be eligible to commence leave at six weeks before the birth of the child. If mothers need to take time off before that for health reasons it should count as sick leave. Fathers' leave should be able to commence shortly before the birth if necessary.
32. The scheme should be enacted through legislation of the Parliament of Australia.
33. The legislation should provide for an initial review at the end of the first two years' full operation, with the review being structured to encompass economic, social and health aspects of the scheme and its outcomes, and evolving medical psychological and other evidence related to child development and parenting which might become available. There should be subsequent broad-ranging reviews at regular intervals of five years. Review processes and reports should be public documents.

How to fund an income replacement model

34. NFAW considers that the model proposed by our colleague Julia Perry⁶ offers an excellent example of a contributions based income replacement model.
35. Government remains responsible for provision, on an income-tested basis, of the Baby Bonus, paid at the same level to all eligible families, with or without the mother being in the workforce.
36. We support the concept of a tax or levy, cost shared by all employers and employees, paid into a notional pool.
 - a. Employees earning under \$10,000 pa would be exempted from the levy.
 - b. Employers either alone, or cost sharing with employees, would remit a payment of 1% of payroll to the Australian Taxation Office, along with the collection by the ATO of Pay As You Earn (PAYE) and quarterly tax statements. This administrative machinery is robust and does not constitute in itself a burden to business.
37. SMEs would be entitled to some compensation from the 'pool' to contribute to the costs to them of managing the scheme, and replacing absent employees.

⁶ Attachment C

38. Under this model the actual payments to an individual in regard to leave entitlements could be handled through the Family Assistance Office (FAO), without requirement for additional Government administrative machinery.
- a. The great majority of claimant mothers would be likely to be already known to the FAO, not least through claiming the Baby Bonus.
 - b. The administrative machinery exists to make payments as soon as eligibility is established, as for claims for the Baby Bonus, without time delays which might occur though any income-contingent loan-type scheme, or proposals for payments to be made when the individual returns to the employer.
39. NFAW is grateful for the assistance it has received to enable an independent costing of the Perry Scheme by Professor W (Bill) Mitchell, of the University of Newcastle, NSW⁷. This costing makes it quite clear that the costs to Government and to business are supportable, and that considerable benefits can be expected to flow to employees from their contributions.

Reasons for preference for this model

40. Government cannot be expected to meet itself the full cost of an economy wide income replacement model, but does have such a role in relation to its own employees. Government is responsible for financing poverty reduction payments, and other benefits related to meeting the general costs of parenting.
41. Industry should be able to accept the scheme as an affordable means of meeting one of the costs of doing business. The increased provision of paid maternity leave schemes provided by business confirms that there is a robust business case for its introduction.
- a. The business case revolves around recruitment, retention and productivity issues. This model places small business on an equal level to large business.
42. The proposed administrative arrangements are simple, robust and uncomplicated.
43. Because the system is nation-wide, and not tied to a single employer, the individual is free to move between jobs. That is, the system provides portability, which does not exist currently between different employer funded schemes.
44. The University of Newcastle costings⁸ demonstrate the financial affordability and reliability of the elements of the proposal.
45. The proposal meets the NFAW objectives set out in paragraph 12 above

⁷ Attachment D

⁸ ibid Attachment D

Impact on business

46. The proposal to fund the parental leave scheme, largely through a levy on employers and employees, would impose costs on business. We are aware that there is an economic equivalence between this and imposing the levy on employers alone. We note that our survey results⁹ showed stronger community support for a scheme jointly funded by employers, employees and government than for other combinations.
47. It should be noted that the proposed cost to business (0.5% or 1% of wages) is small in comparison to mandatory workers compensation (variable rates), payroll tax (6%) and superannuation (9%).
48. At present employers who provide paid maternity leave incur higher wage costs. However they are also better able to compete for scarce labour, as 'employers of choice'. Smaller employers, supporting our proposal, have raised with us the benefits of a level playing field in relation to this issue. The current competitive pressures appear more of a concern than the cost of the levy.
49. The level playing field is also an issue across industries that employ different proportions of men and women, particularly those of childbearing age.
50. However under our proposal employers who now provide 10 or more weeks of paid maternity leave would on average pay less than they do at present. This would result in savings to those employers or they might use the funding for other employee benefits.
51. We understand that mothers who return to work too early after child-birth are often less productive because of incomplete recovery from child birth, fatigue, stress and interrupted attendance because of the high rate of sickness among very young babies in out-of home care. Under-performance for these reasons costs employers and may adversely affect other employees.
52. Opinion is divided on the benefits or costs of paying the leave entitlement through employers. On the one hand, UK experience suggests that payment via the employer maintains the relationship between employer and employee and increases the probability that the parent will return at the end of the leave period. On the other hand some employers have expressed concern at the potential administrative burden.
53. The potential administrative burden seems over-stated. Employers already have systems for paying taxes, workers compensation, payroll tax and superannuation on the basis of wages paid. This proposal would add one further line to that calculation. Employers already pay recreation, sick and long service leave entitlements to employees. The potential addition would be in reclaiming the funds from the Commonwealth Agency, and this should be made as efficient as possible.

⁹ NewsPoll, 2007 cited above

54. Collection through the PAYE and quarterly tax system would be the simplest way to administer the levy on employers, employees and the self-employed. It is envisaged that the Family Assistance Office (FAO) would calculate the entitlement. As claimants would already be claiming the Baby Bonus and usually Family Payments, and would provide income details this would not significantly increase the workload on the FAO. The FAO could make the payments to those whose employers do not wish to with minimal additional administration requirements.
55. Because the levy is a straight percentage of wages and the entitlement is not directly linked to the levy at an individual employer or employee level, administration would be far simpler than, say superannuation or child support.
56. Our proposed scheme also provides a payment to employers equivalent to four weeks of the mother's wages. The aim of this is to compensate employers for the costs of temporary replacement of filling of the employee's position. Under existing arrangements employers do not have this compensation in respect of women who take unpaid maternity leave. It could also be seen as compensating the employer for any inconvenience in paying the employee's leave entitlement.

What changes are likely to occur?

57. The introduction of a national paid maternity leave scheme will:
- a. Enhance equity between men and women in the workplace through enhanced maternal work-force attachment; increased likelihood of return to work after the birth of a child; improvements in family economic stability post birth; improvements in women's life long earnings; enhanced ability for women to pursue a career without loss of seniority or rank; and improvements in women's contributions towards retirement savings.
 - b. Improve outcomes for infants, maternal health and parental attachment.
 - c. Improve medium to longer-term productivity through retention of skilled workers and better returns for employers following investments in training for small businesses as well as large businesses.
 - d. Improve national compliance with international legal obligations e.g., CEDAW and ILO Maternity Leave Convention.

National Foundation for Australian Women

25 May 2008.

ATTACHMENT A: NFAW Statement on Early Childhood Care and Education Services

Good quality early childhood services, together with appropriate family supports, make a significant contribution towards meeting the needs of families and children in general. Effective Early Childhood Care and Education Services (ECCES) is also critical to meeting the goals of social inclusion, most particularly of indigenous families and their children.

NFAW supports the following policies on ECCES.

1. ECCES should be expanded through a systemic approach, and auspicing involving government and private schools, local governments, and private for profit and not for profit organisations.
2. ECCES should be viewed as part of the national education strategy and should be accessible, affordable and offer a genuine developmental and educational environment staffed by professionally qualified early childhood educators as well as by qualified childcare assistants/workers.
3. Provision of ECCES for indigenous children must be a priority.
4. If needed, the 15 hours minimum education proposed by Government should be increased for disadvantaged families.
5. Collaboration between ECCES providers and child and maternal health services should be promoted.
6. ECCES should be provided on a universal public health model to help prevent child abuse and neglect.
7. Improving ECCES services for health professionals in rural settings must be priority in order to retain members of the health workforce with young children.

Proposed strategies

The following strategies are proposed to support the NFAW policy on ECCES.

1. *ECCES should be expanded through a systemic approach, and auspicing involving government and private schools, local governments and private for profit and not for profit organisations.*

Encourage existing not-for-profit service systems, and other potential sponsors of ECCES to participate in a systemic approach¹⁰

Seek expansion of ECCES in the non-government school sector.

Develop new and expand existing agreements between the Commonwealth and ECCES providers to maintain quality control advisory services.

Include ECCES funding in the next round of Commonwealth/State funding negotiations¹¹.

Encourage school based childcare systems, and not-for-profit childcare service providers to take on board the co-location and management of family day care services.

Provide central management and human resources services to linked not for profit pre-schools and child care services¹².

Develop enforceable models of child care service planning by Local Government Area and regions¹³

Encompass both early childhood education and care services in planning modules.

2. *ECCES should be viewed as part of the national education strategy and should be accessible, affordable and offer a genuine developmental and educational environment staffed by professionally qualified educators as well as by qualified childcare assistants/workers.*

Services that are not staffed by professionally qualified people (e.g., Family Day care services and out of school hours care services) should be linked to professional service providers.

In the case of Family Day Care, all three to five year old pre-schoolers should take part in the proposed minimum of 15 hours per week of pre-school education.

Review current ECCES funding approaches for not for profit childcare services (including Family Day Care) to ensure compliance with State occupational health and safety requirements, particularly where providing capital works funding.

Address remuneration and capabilities of existing personnel through pay and upskilling strategies through the industrial relations system.

¹⁰ There could potentially be new central service agencies willing to enter this field, not least in the provision of early childhood and family centres for Indigenous children and their families, but there needs to be a guarantee of expertise in early childhood and child development.

¹¹ There would be numerous agencies across the country willing to develop such systems given Commonwealth financial support.

¹² These arrangements would not be a substitute for Commonwealth and/or State actions regarding licensing and certification.

¹³ For example, restrict access to fee relief where over-supply or inappropriate ECCES supply exists.

Provide bridging courses through VET.

Child health and development policies and strategies should be promoted through ECCES.

3. *Provision of ECCES for Indigenous children must be a priority.*

Improve the recruitment and retention of staff in rural and remote settings by ensuring there are strong systems supports in place¹⁴

Recruit staff with relevant experience in rural and remote areas and provide bridging training as pre-school teachers/child care workers.

Provide on-site training for locally recruited indigenous workers, with the goal of them meeting relevant national standards.

Evaluate the benefit of parallel appointments (one indigenous, one non-indigenous) to address capability and retention issues.

4. *If needed, the 15 hours minimum education proposed by Government should be increased for disadvantaged families.*

Commonwealth action to extend appropriate care and education services with a child and family focus in areas of social disadvantage needs to be firmly based in sound child development theory and practice.

5. *Collaboration between ECCES providers and child and maternal health services should be promoted.*

Develop close links with child and maternal health services, to ensure coordinated service strategies, including strong multi-disciplinary supports for parents of infants and young children.

Where possible co-location of services should be encouraged.

Childcare service planning models for Local Government Area and regions should address collaboration and co-location between ECCES providers and child and maternal health services.

6. *ECCES should be provided on a public health model to help prevent child abuse and neglect.*

ECCES should provide support to young parents ranging from school based health checks and immunisation, to programs to assist some parents to develop life skills, as in the programs of home visiting nurses for indigenous families.

¹⁴ For example, in-service training, guarantees of career paths and rotation prospects, special leave and income loadings

7. *Improving ECCES services for health professionals in rural settings must be priority in order to retain members of the workforce with young children.*

Recognise and address the relationship between lack of appropriate ECCES and the problems of retaining health professionals in rural settings by establishing flexible ECCES in rural communities.

Support visiting mobile early childhood education programs, as well as flexible non-centre based care programs in less densely populated areas where a centre-based model of service is inappropriate.

Where appropriate, establish linkages with visiting child health services, such as home visiting nursing services.

Background

The Government agenda

In 2008, the Government announced it is considering reforming Early Childhood Care And Education Services to include¹⁵:

- ☐ Universal access to early childhood education – by 2013, all children in the year before formal school will have access to 15 hours of government-funded play-based early childhood education for a minimum of 40 weeks per year delivered by degree qualified early childhood teachers in public, private and community-based preschools and childcare;
- ☐ Development of a national Early Years Learning Framework which will have specific emphasis on play-based learning, early literacy and numeracy skills and social development;
- ☐ Improving the availability of quality early childhood education and child care by investing in the training and education of the early childhood workforce;
- ☐ Establishing up to 260 additional child care centres across Australia. The Government will look to locate the centres on school grounds or other community land, to avoid the ‘double drop off’

The Government is also considering how to improve support for parents with newborn children, including how to promote the early development of children. To assist these considerations, a reference on *Improved Support for Parents with Newborn Children Inquiry* will be undertaken by the Productivity Commission during 2008. The final report from the Productivity Commission is due in February/March 2009.

¹⁵ Government policies are detailed at the web-site http://www.oceccc.gov.au/new_agenda.htm

If as a result of this Inquiry a national system of paid maternity/paternity leave is introduced, flow-on impacts are inevitable for the existing system of childcare and early childhood education services¹⁶.

General

Childcare and early childhood education services are important in satisfying children's needs and parents' needs. One of the main reasons that parents need childcare is to participate in the workforce; another main reason is to participate in education. The need for childcare has increased following the Welfare to Work initiatives, which are aimed at increasing participation in employment, education and training by parents.

While parents' participation in employment, education and training creates much of the need for childcare in Australia, there are other reasons. Parents may need childcare for personal reasons, because they think it is beneficial for the child or as a form of family support. There is also evidence that childcare and preschool services can be particularly beneficial for children from low-income families¹⁷. The provision of these services has been highlighted as a cost-effective early intervention strategy for such children.

In 1999, 48% of children aged 4 were in formal childcare (49% of these were attending pre-school services), and 40% were in informal childcare. The majority of children in childcare (85%) were there for less than 30 hours per week.

Because of women's reproductive role, Early Childhood Care and Education Services are particularly important for women contemplating family work/work such as on a family farm or in a home office setting and/or returning to external positions of paid work after childbirth.

Child care provision currently occurs through both centre based care and family based day care, provided through a mix of public, community based not for profit groups, and the for profit sectors. In some jurisdictions local governments are also providers. Services also include before and after-school as well as school holiday programs for children of school age. This document does not address these services.

Early childhood education occurs through a mix of public education providers, private education providers, and not-for-profit providers, with significant local government involvement in some jurisdictions.

There is a reported/anecdotal current problem in availability of quality centre based care, in particular flowing from the current market dominance of one provider.

¹⁶ For example, child development professionals argue that 12 months PML enhances parent-child bonding and child development. NFAW supports this. If 12 months' PML is accepted, this could substantially reduce the demand for childcare for infants, which is the most expensive and most difficult to obtain form of childcare.

¹⁷ Centre for Community Child Health 2000: A review of the early childhood literature. Canberra; FaCS.

Pre-school teachers and childcare workers are paid isignificantly less than primary school teachers.

As well there is a poor geographic distribution of services. Rural and remote areas are experiencing significant shortages of early childcare and education services.

Among disadvantaged populations the educational level of parents may be inadequate to allow them to provide adequate at-home parental support and developmental experiences for their children.

There is no publicly available data however on current distribution and aegis of centres for which fee relief is accessible (the last Child Care Census appears to be 2004).

There is in some locations a reported shortage of access to pre-schools in general, as well as a shortage of affordable pre-school opportunities, but there appears to be no current available national data on provision.

Adequate data sets are essential for informed public discussion of policy on these issues.

April 2008

ATTACHMENT B: Maternal and Child Health Services

While it is generally accepted rhetoric that all Australian children deserve a good start in life, there is little consistency or coordination between the various services needed to achieve this ambition. The absence of any national policy or service delivery framework for maternity care and maternal and child health services inhibits a consistent and equitable approach that would maximize the benefits of existing State/Territory programs.

Quality accessible maternal and child health services are essential. Yet agreed standards or service delineation are lacking in many relevant areas and there is relatively little collaboration across cross-portfolios, jurisdictions and resourcing systems.

The NFAW believes that these services must be part of a suite of social support mechanisms that include paid maternity leave. The current work of the National Health and Hospitals Reform Commission, the revision of the Australian Health Care Agreements and moves to rebalance the responsibilities for health between the Commonwealth and the States and Territories through COAG and the Australian Health Care Agreements suggest this is an opportune time to create a framework for them. The promised development of a national maternity services plan based on a review of existing services should be paralleled by a review of maternal and child health services and the development of a national child and maternal health policy characterized by collaboration between the Australian government and all other Australian jurisdictions.

This must be followed by a well resourced implementation program. Currently, there are well designed services in all jurisdictions that have become constricted to a much narrower target group, geographical area or schedule because of workforce or funding shortfalls.

The NFAW believes these services should be free to all families in Australia. They should be premised on a social model of health that values and maintains health and healthy childhood development as a national resource. Health care should be seen as a right, not part of a welfare package, and though child protection must be an important component of it, it should not become the dominant paradigm. This has already happened in some places where scarce resources have led to a primary focus on risk rather than on the right to health maintenance which incorporates risk reduction.

The NFAW supports the Prime Minister's proposal for one-stop parent and child centres to facilitate access to the range of services families might need. However, it is unlikely that they will ever exist in rural and remote areas. In areas of low population density, therefore, multi-disciplinary service integration based on models built around local capacity and conditions must provide this "mantel of safety".

The NFAW believes that these centres or service clusters should be built on a positive approach to optimal childhood health and development rather than a problem focus. However, these centres offer a potential hub for the implementation of the proposed National Child Protection Framework. The 2008-09 federal budgets commit funding to support

including a health check for four year olds and the development of Healthy Guidelines for Early Childhood Obesity Reduction. These initiatives are welcome, but they too must be integrated with existing services if they are to achieve their maximum impact.

The same applies to the National Plan for Perinatal Depression and the support for breast feeding which are also promised. The coordinated roll-out of these measures must underpin paid maternity leave and enhance its effectiveness.

Despite their title, the attention paid to women's health in most maternal and child health services dwindles sharply after the post-partum period. The mother's role in breast feeding and physical reproductive health issues usually gain attention, but in the absence of defined symptoms, there is often much less interest in her overall physical or mental health. This must change if the benefits of maternity leave are to be maximized and workforce attachment maintained.

The NFAW believes women in Australia deserve the support of a new national women's health policy that includes sexual and reproductive health. The policy that stood them in good stead in the twentieth century has been overtaken by new socio-economic realities including higher levels of workforce participation, increasing economic pressures and often dual family caring responsibilities. Yet women's health care services are often more fragmented than there were 30 years ago. This, too must change if paid maternity leave is to achieve maximum results.

Again, the establishment of new services that cater for family needs will not be feasible in all areas and for all groups of women. It is imperative that other models be developed with and for them. Of necessity, rural communities are often incubators of innovation in service delivery. For example, models of maternity care that utilize the skills of health care professionals in different configurations in various settings are helping to keep local maternity services available. The concept of one-stop maternal and child services lends itself to multidisciplinary service design tailored to specific environments. New funding systems must facilitate this flexibility.

The NFAW therefore recommends the consultative development of a national policy framework of evidence-based principles for maternal and child health services that can be implemented flexibly in the diverse environments of Australia. This should be a parallel process to the development of a national maternity services plan and part of a complementary suite of mechanisms, including paid maternity leave, to support a strong national future.

ATTACHMENT C: Paid Parental Leave in Australia

Objectives

This paper examines the case for paid parental leave in Australia and proposes a social insurance scheme for funding full earnings replacement for 28 weeks paid maternity leave, 4 weeks paid paternity leave and 4 weeks equivalent pay to employers to replace the mother during the leave.

It is based on the following values:

- both women's labour force participation and child bearing are essential to the economic and social sustainability of Australia
- the community as a whole should therefore provide conditions that accommodate this dual role and ensure that women are not financially and socially disadvantaged.
- the health and well being of mothers, babies and families as a whole are very substantially advantaged by enabling access for all families to a period of parental leave to care for babies, in particular for breast feeding and maternal care.

Background

The Australian Government has referred the issue of paid maternity, paternity and parental leave to the Productivity Commission. This paper focusses primarily on women taking paid parental leave, because it is expected that, particularly in the pre-natal and early post-natal period, women would be the main users of leave. However it recognises that families need the flexibility to allocate their entitlements between parents, and also that a partner of the woman should also be able to take some leave during this period.

Australia is one of two developed countries that does not currently have universal entitlement to paid parental leave. This issue has been examined a number of times but because of Australia's unique social security system, no workable solution has to date been found.

Australia does mandate access to 52 weeks unpaid parental leave, which can be taken by either parent, with a right to return to one's former position or another position at the same level and has enacted laws against discrimination.

However women's ability to take the full period of unpaid leave is constrained by financial circumstances. Families with tight budgets, such as those with older children and high mortgages, and those where the woman's earnings are a significant part of family income are likely to suffer severe hardship from the loss of one partner's earnings for 6 to 12 months. The early childhood literature finds that experiences in the early months of life is a very significant determinant of life chances in the areas of health, educational attainment, career, relationship formation and so on. A mother who has no option other than to return to work soon after child birth has to accept whatever child care is available, and is unable to provide breast feeding to the extent recommended by the World Health Organisation.

The current situation is that the Commonwealth pays Family Tax Benefits (FTB) A and B (both means tested) and the Baby Bonus, a non-means tested lump sum of \$4187 (rising to \$5000 from July 2008). Parenting payment is available to a parent with a new born child, subject to means tests more stringent than those for FTB.

Around 30 per cent of women are eligible for paid maternity leave directly payable by employers, including in particular public sector employees and those in more privileged white collar employment.

ILO Convention C183, to which Australia is not a signatory, has a principle that women on maternity leave be paid an amount not less than two-thirds of former earnings or two thirds of average women's earnings, through compulsory social insurance or public funds. It recommends against individual employers being required to pay directly, 'In order to protect the situation of women in the labour market'.

There are thus three models for funding paid maternity leave:

- Individual employer paid
- Payment from general revenue
- Social insurance funding.

Individual employer funding

Australian employers pay directly for sick leave, family leave, recreation leave and long service leave.

While direct payment of parental leave exists on an ad hoc basis in Australia it is an inequitable impost on employers, strongly favours women in more privileged employment and increases the cost of employing women of child bearing age in relation to other employees.

As the ILO caveat indicates, the increased marginal cost of employing young women is very likely to cause employers to favour other groups when recruiting. The sex discrimination legislation and processes are not strong enough to be able to protect against this as it is usually very difficult to prove in individual cases that that was a consideration in recruitment or promotion.

While the ACTU favours a collective bargaining approach, this is most unlikely to achieve universal coverage, or be supported by governments or employers. It is also unlikely to be placed as a high priority by unions because relatively few employees benefit in a given year.

Payment from general revenue

General revenue funding in Australia through social security is a social assistance model, that is flat rate, needs based payments, not payments based on their level of previous earnings. These are almost all means tested on family income rather than being individual entitlements. This principle is widely accepted in the community.

Apart from age pension, these payments are designed to compensate those affected by unusual hardship and are accompanied by government efforts to minimise the incidence of such hardship, for example unemployment and disability.

Making an exception to this principle by paying an earnings related payment would lead to very significant problems of equity. People unable to work because of, for example, serious illness, disability or caring responsibilities receive pension payments, inversely related to family income, not earnings related payments. These payments are at a near subsistence level. The current parenting payment is aligned with other benefits to enable primary carers to subsist outside the workforce until their child reaches school age.

If Government paid women on maternity leave a payment related to their previous earnings and not means tested on their and their partners' incomes and assets, it would create an indefensible inequity between them and social security recipients without other means of income and without prospects of an imminent return to work.

Significant criticism could also be expected from women who are full-time parents and who are not in work before bearing children. Lower income families would be highly critical of the higher level of support going to higher income earners, who are obviously in less financial need than lower earners. Families where the mother is not in employment are likely to argue that their financial needs are greater than those whose usual incomes are higher because both parents normally work.

The cost to public revenue of paying full earnings replacement for six months would be in the order of \$3.5 billion a year. In the present budgetary situation it would be very difficult to argue for this.

Insurance based payments

Social Security payments in most other developed countries are based on the principle of earnings protection, funded through levies on employers, often with a corresponding employee levy and may be subsidised by Government. These cover age, disability, sickness, survivor, time-limited unemployment and maternity or parental leave. Because entitlement is based on, and funded through, employment, it is individually based and earnings related.

With the notable exception of the United States, social insurance is usually backed up by a means tested social assistance safety net. Governments might also provide a minimum floor benefit and/or a ceiling on benefits, enabling some redistribution within the funds.

In Australia, occupational superannuation follows a similar principle in relation to retirement income, except that resources are not usually pooled. Workers compensation is the other main example of social insurance, drawn from pooled levies on employers. A third example is in the building industry, where employers contribute to a pool of funds to provide long service leave for employees.

Insurance based maternity leave

This submission proposes a new mechanism for providing paid parental leave in Australia, funded through the remuneration system.

It would provide 28 weeks full earnings replacement maternity leave for mothers, 4 weeks full earnings replacement paternity leave for fathers, whether or not their partner was in the workforce, and 4 weeks equivalent to employers to assist with the cost of recruitment of a temporary employee to replace the mother during the leave. The leave could be taken pro rata over a longer period of time, eg twelve months.

Alternatively the leave could be taken by either parent at the decision of the family. The leave could also be available to same sex partners, adoptive parents or other carers such as grandparents in certain circumstances.

It would be funded through a levy on employers of around 0.5 per cent of the total wage bill and on all employees of around 0.5 per cent of wages. The Government's contribution would be the baby bonus (re-named maternity allowance) which is provided to all women giving birth regardless of previous workforce attachment and, at \$5000, is equivalent to \$192.30 a week over 26 weeks.

These figures are based on very rough, back of the envelope figures – using ABS labour force, births and earnings data and a figure from the Commonwealth public service on the number of employees taking parental leave in a year. Other sources suggests that this is significantly high. In any case it can be taken as illustrative.

Total employees (Dec 07)	10,588,500
AWE Persons total (Aug 07)	875.8
AWE Males total (Aug 07)	1053.2
AWE females total (Aug 07)	689
Total national annual payroll - \$ million	\$482,217.23
Births Australia (2006)	265,900
Women taking mat leave in a year (2% of total workforce)	211,770
28 weeks PML ^a - \$ million	\$4,085.47
4 weeks paternal leave ^b - \$ million	\$1,120.18
4 weeks employer payment - \$ million	\$583.64
Baby bonus \$ million (for women taking PML)	\$1,058.85
Total cost less baby bonus \$ million	\$4,730.44
Total scheme as % of total payroll	0.98%
Employers contribution	0.49%
Employees contribution	0.49%
(a) – maternity leave calculated as 211,770 x AWE female x 28	
(b) - paternity leave calculated as 265,900 x AWE male x 4	
(c) - employer payment counted as 211,770 x AWE female x 4	

An employee earning \$100,000 would pay about \$10 a week, and one on \$50,000 would pay about \$5 a week.

Eligibility

Eligibility would be for women who had been employed, on a permanent or casual basis, say 40 weeks in the previous 52 weeks, with any employer. This is to avoid women becoming employed for very short periods while pregnant to avail themselves of the scheme. Consideration would need to be given to how to cover the self employed. Because of the danger of moral hazard, an optional system would be impractical.

Eligibility should commence up to six weeks before the birth if required. Families could choose whether to take the payment in full for 28 weeks or at a part-time rate for longer periods.

Partners of women having children would be eligible for the partner payment, whether or not the woman had been in employment before the birth. This could be taken around the time of the birth or at a later date, for example after the maternity leave is exhausted.

Administration

The funds would be collected along with PAYE tax. The Scheme would be administered at the Commonwealth level and would require claimants to provide statements from employers verifying their employment history.

Payment would be made by employers who would be reimbursed from the scheme. Thus superannuation contributions would be continued. This is to maintain a link between the employer and employee to encourage return to work. It would also be simpler for the administering body because the payment account details etc would already be established at the site of employment.

Employers already providing paid leave

Employers who already provide paid parental leave would either provide top ups such as a longer period of paid leave or would use the resources currently spent to partially offset the employer levy. This would apply to Commonwealth and State Governments, as well as publicly funded organisations such as universities.

Other family payments

While eligibility for parenting payment, family tax benefit and the baby bonus would be unchanged (apart from nomenclature), there would be savings to Commonwealth outlays due to the means testing regimes.

Politics

The Government has indicated that paid maternity leave would not increase costs for small business. This proposal however does have an important advantage for small business in that,

although it would add 0.5% to wage costs it also provides assistance to small business by assisting to defray the costs of temporary recruitment, which they have already identified as a problem when employees take unpaid maternity leave. Tony Steven, Chief Executive Officer of the Council of Small Business, is providing a joint presentation with Sharan Burrow at the centre for Policy Development on 23 April addressing the question of paid maternity leave. There would appear to be scope for the Commonwealth to negotiate with small business an appropriate package of measures in conjunction with the introduction of this scheme.

The National Foundation for Australian Women, the NSW Commissioner for children and young people and the author of this submission commissioned a Newspoll survey in June last year asking respondents their views on paid parental leave. The questions asked included

Now a question about paid maternity leave. It has been suggested that all working women in Australia who take time off from their job to have a baby should continue to be paid for at least part of the time they are away from work (PAUSE). In principle, are you personally in favour or against all working women in Australia having access to some type of paid maternity leave?

Those in favour or ‘don’t know’ were then asked the following question:

A national paid maternity leave scheme of this type could be funded in a number of different ways. For each of the following, please tell me if you personally would be in favour or against this way of funding a paid maternity leave scheme.

- It being funded by all Australian employers
- It being funded by all Australian workers
- Funding being shared between Australian employers and workers
- Funding being shared between Australian employers, workers, and the Federal government.

76.4 per cent of respondents were in favour of paid maternity leave, including more men than women, and a majority (equal or greater than 66 per cent in every category) of respondents and across all other demographic categories. 6.2 per cent responded ‘don’t know’.

Of these, 78 per cent favoured funding being shared between employers, employees and government. This included 72 per cent or more in every demographic category.

Results are attached for the general question and for the funding shared between employers, employees and Government. While a clear majority supported each of the funding models in the questions, this model received the highest support.

Given that there had been little public discussion at that point and no indication was given of the level of contributions required, we were extremely surprised by the result, and were the Newspoll team.

Conclusion

The objectives for paid maternity leave should be to ‘normalise’ child bearing and achieve income replacement for a suitable period, recognising that family incomes and costs are based on the earnings of both parents. *Poverty alleviation* is already addressed by parenting payment through the social security system in line with other contingencies. While there are arguments that the level of income support and the means testing regimes should be made more generous, this should be achieved by more general social security measures, in an equitable manner based on need.

Maternity leave paid directly by employers is likely to affect women’s competitiveness in the labour market, and the compensation for employers included in this proposal recognises that some, particularly small employers, already face hardship when employees take unpaid leave.

The model described in this submission is based on the social insurance model used in most other developed countries, but would not extend to the wide range of contingencies included in a full social insurance system. It could however be considered at a later date for long service leave.

The model described in this paper could be varied according to length of the paid leave and the distribution of paid leave between parents or other carers depending on family circumstances.

Further work would need to be done to address the issue of the self employed. International arrangements vary on this issue.



Newspoll data

IN FAVOUR \ AGAINST PAID MATERNITY LEAVE

	SEX			AGE		
	TOTAL	Male	Female	18-34	35-49	50+
In favour	76.4%	78.0%	74.9%	89.2%	77.4%	66.5%
Against	17.4%	15.4%	19.3%	5.2%	16.8%	26.5%
Neither\ don't know	6.2%	6.6%	5.8%	5.6%	5.7%	6.9%
Respondents	1202	601	601	217	297	688

	With CHILDREN		MARITAL STATUS		WORK STATUS		
	Yes	No	Married	not married	Full-time	Part-time	Not working
Respondents	81.9%	73.0%	73.9%	79.8%	79.8%	78.1%	71.9%
In favour	10.8%	21.5%	19.40%	14.7%	14.3%	16.4%	21.2%
Against	7.3%	5.5%	6.7%	5.6%	5.9%	5.5%	6.9%
Neither\don't know	367	835	720	482	458	239	505

	TOTAL	NSW	VIC	QLD	SA	WA
Respondents	1202	350	301	200	150	151
In favour	76.4%	77.9%	83.0%	70.2%	74.4%	66.7%
Against	17.4%	18.0%	10.5%	22.5%	22.4%	21.3%
Neither\don't know	6.2%	4.1%	6.6%	7.2%	3.2%	11.9%



	White collar	Blue collar	Primary/Secondary School	College/Apprenticeship	University degree	Less than \$30000	\$30000 to \$69999	\$70000 or more
Respondents	652	550	441	417	344	288	336	363
In favour	80.6%	71.6%	73.5%	71.7%	88.3%	70.3%	77.5%	83.3%
Against	15.2%	19.9%	18.9%	22.2%	7.8%	24.4%	13.5%	14.2%
Neither\don't know	4.20%	8.50%	7.60%	6.10%	3.90%	5.30%	9.00%	2.50%

In favour of funding shared between employers workers and Commonwealth

	SEX			AGE		
	TOTAL	Male	Female	18-34	35-49	50+
In favour	78%	80%	76%	84%	77%	72%
Against	16%	15%	18%	10%	20%	18%
Neither\don't know	6%	6%	7%	6%	3%	10%
Respondents	969	491	478	205	248	516

	GROCERY BUYER		CHILDREN		MARITAL STATUS	WORK STATUS			
	Yes	No	Yes	No	Married	not married	Full-time	Part time	Not working
In favour	78%	76%	74%	81%	79%	76%	80%	72%	78%
Against	15%	18%	21%	13%	17%	15%	16%	18%	15%
Neither\don't know	6%	6%	6%	7%	5%	8%	3%	10%	7%
Respondents	674	295	322	647	576	393	386	199	384



	TOTAL	NSW	VIC	QLD	SA	WA	TAS
In favour	77.7%	76.0%	79.3%	78.3%	77.6%	78.8%	76.0%
Against	16.1%	17.5%	17.1%	13.6%	17.9%	10.1%	21.6%
Neither\don't know	6.2%	6.5%	3.7%	8.1%	4.5%	11.1%	2.4%
Respondents	969	274	264	158	116	111	46

	White collar	Blue collar	Primary/ Secondary School	College/ Apprenticeship	University degree	Less than \$30,000	\$30,000 to \$69,999	\$70,000 or more
In favour	77.8%	77.6%	78.5%	77.5%	76.7%	75.5%	80.1%	78.3%
Against	16.3%	15.8%	13.6%	18.4%	17.0%	19.0%	13.3%	19.3%
Neither\don't know	5.9%	6.6%	7.9%	4.2%	6.3%	5.5%	6.6%	2.4%
	546	423	345	315	309	210	279	308

ATTACHMENT D: Costing of the Julia Perry Proposal

1. Assessing the cost of the proposal

The proposed scheme has three separate components that will be examined in turn:

- 28 weeks maternity leave paid at full pay
- 4 weeks paid paternity leave paid at full pay
- Payment of the equivalent of 4 weeks paid maternity leave to employers as compensation for additional costs incurred in replacing staff or reallocating workload within the firm.

In Australia in 2006 there were 264,300 births (ABS, 2007; AIHW, 2008). In the year to June 2007 there were 568 adoptions (AIHW 2007). The population projections in Table 2 are based on different assumptions of future fertility rates; 1.9 for Series A, 1.7 for Series B, and 1.5 for Series C. According to these projections between 245,000 and 266,000 births were expected in 2007.

Table 2: Population projections for persons aged 0 years, 2006 to 2020

	Births			Adoptions	Births + Adoptions		
	Series A	Series B	Series C		Series A	Series B	Series C
Jun-2006	262924	253865	246849	568	263492	254433	247417
Jun-2007	265389	254001	244504	568	265957	254569	245072
Jun-2008	268008	254201	242101	568	268576	254769	242669
Jun-2009	270717	254469	239751	568	271285	255037	240319
Jun-2010	273504	254796	237459	568	274072	255364	238027
Jun-2011	276361	255175	235213	568	276929	255743	235781
Jun-2012	279306	255617	233030	568	279874	256185	233598
Jun-2013	282362	256155	230939	568	282930	256723	231507
Jun-2014	285540	256798	228949	568	286108	257366	229517
Jun-2015	288842	257549	227060	568	289410	258117	227628
Jun-2016	292246	258389	225260	568	292814	258957	225828
Jun-2017	295700	259269	223502	568	296268	259837	224070
Jun-2018	299305	259763	221892	568	299873	260331	222460
Jun-2019	302269	260512	221523	568	302837	261080	222091

Jun-2020 304364 261847 222214 568 304932 262415 222782

Source: (ABS, 2006a; AIHW, 2007)

However, there has recently been an increase in the birth rate above the ABS projections. In 2006-07 the Baby Bonus was paid to 286,770 families for the birth or adoption of 291,876 children (FaCSIA, 2007). In the 2008 Budget it was estimated that the Baby Bonus would be paid in respect of 285,000 births and adoptions in the 2008-09 financial year (FaCSIA, 2008). The means testing of the Baby Bonus from 1 January 2009 will reduce the number of recipients for the second half of 2008-09 to below the number of births. Since it is possible that families who do not qualify for the Baby Bonus will be eligible for maternity and paternity leave this analysis will be based on the actual number of children for whom the Baby Bonus was paid in 2006-07 which was 291,876.

There were two major surveys conducted in 2005 that provided valuable information on the take up of various types of leave and decisions around employment participation. The Parental Leave in Australian survey was conducted as part of the Longitudinal Survey of Australian Children (LSAC) survey collected information from over 3,500 families with children born between March 2003 and February 2004. The ABS Pregnancy and Employment Transitions survey was conducted in November 2005 with mothers of children under two years and provided information on employment status during pregnancy, type and duration of leave for the birth and subsequent employment experience (ABS, 2006).

Table 1: Labour market activity of women during the year prior to birth of child, 2005

	Parental Leave in Australia Survey		Pregnancy and Employment Transitions Survey	
	% of all women	% of employed	% of all women	% of employed
Employed	69		63	
Employed with the same employer for 12 months	49	72	52	83
Employed 12 months but not with the same employer	3	4		
Employed but not for 12 months	9	13	11	17
Self Employed	7	11	5	8
Not in paid employment	31		37	
Home duties	27			
Not in the paid workforce	4			

Source: (ABS, 2006; Whitehouse, Baird and Diamond, 2005)

There are some differences between the parental Leave in Australia Survey and the pregnancy and Employment Transitions Survey. The most notable difference relates to the proportion of women who were working and the duration of employment. The Parental Leave survey revealed that 69 per cent of women who had a baby between March 2003 and February 2004 were working during pregnancy. Of these 72 per cent had been employed for more than 12 months with the same employer. In contrast the employment rate was lower for the Pregnancy and employment Transitions Survey at 63 per cent but a larger proportion of women had been employed for more than 12 months (83 per cent compared to 72 per cent). Where possible the data from these surveys will be used in this analysis in preference to general data on female labour market participation because these surveys related specifically to women who had young children and their labour market behaviour is likely to be different to the general female cohort of child-bearing age which includes women who do not have children and may not have them in the future.

According to the Pregnancy and employment Transitions survey approximately 49 per cent worked full-time and 51 per cent worked part-time. Of the part-time employees 37 per cent worked less than 15 hours, 37 per cent worked 16 to 24 hours and 25 per cent worked between 25 and 34 hours per week. The majority of mothers were aged 25 to 39; 35.8 per cent were aged 30 to 34, 24.4 per cent were aged 25 to 29 and 22.5 per cent were aged 35-39 (ABS, 2006). Employees comprised 92 per cent of working women and self-employed or employers made up the remaining 8 per cent. Professionals accounted for 31 per cent of women who worked during pregnancy while another 24 per cent were intermediate clerical, sales and service workers. The industries with the greatest concentration were health and community services (17 per cent), retail trade and property and business services which both accounted for 13.6 per cent. 17.3 per cent of workers had been with their current employer for less than one year. The majority worked in the private sector (81 per cent) where only 44 per cent of women used paid maternity leave compared to 78 per cent of women in the public sector. In total, only 37 per cent of employees used paid maternity leave.

The maternity leave component

We assume that the introduction of paid maternity leave will result in close to 100 per cent take-up by eligible women. There is no comprehensive data on the extent to which paid maternity leave is taken by eligible women but the general opinion is that it is high. The Parental Leave in Australia Survey revealed that even in the absence of paid maternity leave 88 per cent of women meeting the eligibility criteria for unpaid parental leave took some leave and the average duration was 40 weeks (Whitehouse, Baird and Diamond, 2005).

The proposal specifies that women employed for a total of 40 weeks in the past year are eligible for the maternity leave component. There is no readily available data that coincides with this definition. The ABS Forms of Employment data includes length of continuous duration with current employer but there is no breakdown of employment between 6 and 12 months (ABS, 2008d). In order to estimate employment of 40 weeks with the same employer the number of people employed for between 6 and 12 months was split to provide an estimate

of the proportion of females employed over 40 weeks. Using this method 79.08 per cent of female employees would be eligible for the scheme. This is likely to result in an underestimate since other women may have accrued 40 weeks employment with a number of employers. For this reason there are two costings for the maternity leave component:

Method 1 uses the data from the ABS (2008d) Forms of Employment Survey to determine eligibility and the employment rate from the Pregnancy and Employment Transitions Survey (ABS, 2006) to determine the number of women who were employed.

- Method 2 is identical to the first method except in relation to determining the proportion of women employed more than 40 weeks. In this case we use the rate of employment for 12 months or more with the same employer from the Pregnancy and Employment Transitions Survey. While this method does not have a firm estimate of the number of women employed for 40 weeks it is significantly higher than the figure for employment for 12 months or more from the Parental Leave in Australia Survey. The number of women eligible is then:

The total cost of the maternity leave component of the proposed scheme is determined by calculating the cost of wages for the 28 week period and adding the employer on-costs. Wage costs are estimated using average weekly earning (AWE) for full-time and part-time females from the Employee Earnings, Benefits and Trade Union Membership (ABS, 2008c). Earnings from August are converted to March 2008 dollars using the CPI average of eight capital cities (ABS, 2008b).

This analysis includes non wage labour costs and structured training costs. The ABS Labour Costs Survey 2002-03 reported non-wage labour costs including superannuation, workers compensation, payroll tax and fringe benefits tax (ABS, 2004). These costs varied by industry and added an average of 15.5 per cent to the wages bill of Australian employers. In addition the ABS Employer Training Expenditure and Practices survey estimated that structured training costs add 1.3 per cent to the wage bill. In addition, employers incur costs associated with employee absence from the workplace while on maternity leave (ABS, 2003).

Table 3: Costs of 28 weeks maternity leave scheme

	Method 1 (lower eligibility)	Method 2 (higher eligibility)
	\$ (m)	\$ (m)
Full-time employees	1821.66	1911.76
Part-time employees	805.14	844.97
Total Wage costs	2626.80	2756.73
Total Cost (including non wage labour costs)	3068.23	3219.99

Therefore total on-costs used in these estimates are 16.8 per cent of wage costs. The sum of wage costs and on-costs provides the gross cost of the scheme but fails to take account of

savings that reduce the overall cost. The total cost of 28 weeks paid maternity leave would be between \$3068.23 million (Method 1) and \$3219.99 million (Method 2).

Paternity leave

The cost of 4 weeks paid paternity leave is estimated using a similar methodology. The same problem is encountered with determining the number of men eligible using the criteria of 40 weeks employment during the previous year but not necessarily with the same employer. Using the same method to calculate the proportion of men employed with the same employer for 40 weeks or more from the ABS Forms of Employment data yields an estimate of 80.2 per cent (ABS, 2008d). This figure is used as the lower estimate. Since there is no information in the Pregnancy and Employment Transitions data on the duration of employment of partners the higher estimate uses an approximation of 90 per cent, making an allowance of 10 per cent for men who are not in the labour force, are unemployed or have had a period of unemployment longer than 12 weeks in the previous year.

In contrast to maternity leave where we expect almost all eligible women to use available paid leave this is not the case with paternity leave. In addition to financial considerations decisions over whether to take paternity leave can be influenced by concerns over possible detrimental career impacts of taking leave. Take-up rates vary significantly between countries and are critically influenced by whether leave is paid and the level of payment. Take-up rates are higher in countries where policies have been designed to enhance gender equity. Paternity leave take-up is 58 per cent in Denmark and 64 per cent in Finland and Sweden, 80 per cent in Norway, almost 100 per cent in France and 100 per cent in the public sector in Denmark where payment rates equal normal earnings (OECD, 2007). Research in the UK found that the low rate of payment was a significant barrier to take-up. 80 per cent of men surveyed indicated that they would take paternity leave if it was paid at 90 per cent of normal wages while 87 per cent indicated that they would take leave provided at full pay (Chartered Institute of Personnel and Development and Hammonds, 2004). In view of wide variation in usage of paid paternity leave two models will be estimated. The first assumes a lower take-up rate of 70 per cent and the second a high take-up rate of 90 per cent.

Data on the employment status of partners of women in the Pregnancy and Employment Transitions Survey is used to estimate the proportion of men employed on a full-time and part-time basis.

Table 4: Cost of paternity leave for four weeks

	Method 1	Method 2
	(lower eligibility)	(higher eligibility)
	\$ (m)	\$ (m)
70 per cent take-up		
Full-time	623.15	699.63
Part-time	14.00	15.72

Total wage cost	637.15	715.35
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Total cost (including on-costs)	744.23	835.57
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90 per cent take-up

Full-time	801.20	899.53
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Part-time	18.00	20.21
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Total wage cost	819.20	919.74
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Total cost (including on-costs)	956.86	1074.30
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Note: Method 1 assumes that 80 per cent have been employed 40 weeks or more in the past year

Method 2 assumes that 90 per cent have been employed 40 weeks or more in the past year

The cost of the paid paternity leave component varies considerable according to the underlying assumptions. If the take-up rate is around 70 per cent the total cost will be of the order of \$744 million to \$836 million. However, with a higher take-up rate of 90 per cent this component will cost between \$957 million and \$1074 million.

The payment to employers to offset replacement and training costs

Employers may consider a variety of options to cover the workload of absent employees including distributing tasks to other employees to be completed during ordinary working hours or overtime, prioritising tasks and accepting production losses for non essential tasks or hiring replacement staff. In recognition of the additional costs incurred by employers when women take maternity leave the proposed scheme includes a payment to employers of the equivalent of 4 weeks pay for women taking maternity leave.

Table 5 Cost of 4 weeks payment to employers

	Method 1 (lower eligibility)	Method 2 (higher eligibility)
	\$ (m)	\$ (m)
Full-time employees	260.24	273.11
Part-time employees	115.02	120.71
Total Wage costs	375.26	393.82
Total Cost (including non wage labour costs)	438.32	460.00

Table 5 shows that the total cost of making the employer payment would be between \$438 million and \$60 million. The payment to employers would be treated as normal income and subject to tax.

2. Funding arrangements

If an employer-funded paid maternity leave scheme was introduced the cost burden would be distributed unevenly across employers and industries. Table 6 below shows that women of child-bearing age (20-44) constitute around 26 per cent of the employed population but account for more than 30 per cent of the workforce in a number of industries including retail, financial and insurance services, professional, scientific and technical services, administrative and support services, education and training and health care and social assistance. If employers were individually responsible for the provision of paid maternity leave the cost burden would fall disproportionately on employers in these industries. Moreover, there are potential detrimental impacts for small business particularly in industries where female employment is concentrated. These factors could result in discrimination against women of child-bearing age by employers and in industries with large concentrations of female employees there could be price increases to defray the additional costs.

Table 6: Female employment by industry

	Females 20-44 (‘000)	Total employment (‘000)	Proportion of employment (%)
Agriculture, forestry & fishing	32,282	280,923	11.49
Mining	11,740	106,896	10.98
Manufacturing	138,463	952,014	14.54
Electricity, gas, water & waste services	13,412	89,450	14.99
Construction	56,419	709,843	7.95
Wholesale trade	84,054	396,361	21.21
Retail trade	312,363	1,033,192	30.23
Accommodation & food services	169,762	575,113	29.52
Transport, postal & warehousing	58,706	427,793	13.72
Information media & telecommunications	50,299	176,820	28.45
Financial & insurance services	133,638	348,587	38.34
Rental, hiring & real estate services	44,476	153,906	28.90
Professional, scientific & technical services	183,656	602,018	30.51
Administrative & support services	90,605	286,623	31.61
Public administration & safety	163,711	608,600	26.90
Education & training	243,581	697,807	34.91
Health care & social assistance	387,402	956,148	40.52

Arts & recreation services	37,100	127,394	29.12
Other services	87,069	338,211	25.74
Inadequately described/Not stated	49,670	236,488	21.00
Total	2,348,408	9,104,187	25.79

Source: ABS, Census 2006

In most OECD countries maternity leave is financed through the social insurance system. However, Australia does not currently have social insurance. The funding arrangements proposed by this model include a contribution from the Commonwealth government equivalent to the baby bonus which will be \$5,000 from 1 July 2008. This proposal therefore involves no extra funding commitment from the government.¹⁸ The remainder of the maternity and paternity leave payments would be funded by pooled funds from an additional payroll tax levy on employers and an income tax levy on employees earning more than \$10,000. Therefore, small businesses who are under the payroll threshold would be exempt from contributions but would be able to access funds when employees took maternity or paternity leave. By using pooled funding the risk is spread among a large number of employers and those employers with higher than average proportions of female employees of child-bearing age would not be disadvantaged.

The government contribution to the paid maternity leave scheme would be the baby bonus payment which will be \$5,000 for each child from 1 July 2008.

A levy would be collected from employers by the state and territory governments in conjunction with ongoing payroll tax collections. The levy would apply to all employers liable for payroll tax in the jurisdiction. The table below summarises the cost of the proposed scheme and the respective contributions of the government, employers and employees.

Table 7: Total cost of maternity and paternity leave and employer compensation

	Method 1		Method 2	
	Total cost	% of levy	Total Cost	% of levy
Maternity leave	3068.23		3219.99	
Paternity leave-70% take-up	744.23		744.23	
Employer assistance	438.32		460.00	
Total cost	4250.78		4424.22	
Government contribution	667.25		700.26	
Employer contribution	1791.76	0.68	1861.98	0.71

¹⁸ From January 2009 the Baby Bonus will be means tested so that some families will no longer be eligible. To the extent that these families will be eligible for maternity leave this will represent an additional cost for the Commonwealth.

Employee contribution	1791.76	0.37	1861.98	0.38
Maternity leave	3068.23		3219.99	
Paternity leave-90% take-up	956.86		956.86	
Employer assistance	438.32		460.00	
Total cost	4463.41		4636.85	
Government contribution	667.25		700.26	
Employer contribution	1898.08	0.72	1968.30	0.75
Employee contribution	1898.08	0.39	1968.30	0.40

The levy is designed to be funded by equal contributions from employers through a tax deductible levy on payroll tax and a levy on income tax for employees earning in excess of \$10,000 per year. Employers and employees would each make a contribution of between \$1791.76 million (Method 1) and \$1968.30 million (Method 2).

The payroll tax levy is determined by dividing the employer contribution by 1 per cent of the total payroll tax raised in Australia which amounted to \$14,366 million in 2006-07.

Table 8 Payroll tax receipts in 2006-07

	Total	Contribution rate	1 %
	\$ (m)	%	\$ (m)
NSW	5653	6	942.17
Vic	3479	5.05	688.91
Qld	2216	4.75	466.53
SA	845	5.5	153.64
WA	1607	5.5	292.18
Tas	212	6.1	34.75
NT	128	6.2	20.65
ACT	225	6.85	32.85
AUSTRALIA	14366		2631.67

Therefore employers would need to pay an additional 0.68 per cent payroll tax to fund the scheme assuming the lower rate of eligibility using Method 1 and a lower take-up rate for paternity leave. Similarly Method 1 with the higher take-up rate for paternity leave would require a levy of 0.72 per cent. With higher eligibility reflected in Method 2 the levy required to fund the scheme would be 0.71 for a 70 per cent take-up of paternity leave or 0.75 per cent if the paternity leave take-up rate is 90 per cent.

In order to calculate the income tax levy for employees we use the total AWE for February 2008 - \$885.10 seasonally adjusted (ABS, 2008a). Total employment in February 2008 was 10,712,900 (ABS, 2008e). From ABS (2008c) we estimate that 921,618 people are earning less than \$10,000 per year and total earning for this group is estimated to be \$4792.41million. The aggregate earnings to be considered in calculating of the income tax levy is the total amount of employee earnings after deducting the earnings of those earning less than \$10,000 per year. The levy is then calculated. The income tax levy for the scheme for Method 1 would be 0.37 per cent for the lower paternity leave take-up rate and 0.39 for the higher rate. Similarly, for Method 2 the levy would be 0.38 per cent or 0.40 per cent.

3. Other impacts of paid maternity and paternity leave

The introduction of paid maternity leave would have immediate and longer-term impacts. This section examines the likely impact of paid maternity leave on government revenues and expenditure. The increase in paid leave will increase income tax receipts and reduce government outlays on a variety of income support payments including parenting Payment, Family Tax Benefit. In addition, to the extent that parents delay their return to work there will be savings on Child Care Benefit and the Child Care Tax Rebate.

Tax implications

The introduction of paid maternity leave will result in additional income taxation for the government to the extent that women substitute paid leave for the current periods of unpaid leave that they take. The amount of taxation collected in relation to paid maternity, paternity and parental leave will vary according to the proportion of the financial year worked prior to commencing leave. To estimate the total amount of income tax for 28 weeks of paid leave we assume that an equal number of women will commence maternity leave every week of the year and calculate the tax payable for 28 weeks leave using the distribution of earnings of female employees (ABS, 2008c). The total amount of income tax collected is \$496.84 million. However, some women currently receive paid leave so it is necessary to restrict the estimate of additional taxation revenue to the additional portion of paid leave resulting from the introduction of the new scheme.

According to the parental Leave in Australia survey 88 per cent of women employed for 12 months or longer with their current employer took some type of leave. Table 8 details the type of leave and the average duration of leave taken.

Table 8: Type of leave taken and average duration for children born March 2003-February 2004

	%	Duration (weeks)
Paid maternity leave	46	11
Unpaid maternity leave	35	35
Total mat leave	81	36
Other paid leave	46	7
Other unpaid leave	12	29
Any leave	88	40
No leave	12	

Source: The Parental Leave in Australia Survey (Whitehouse, Baird and Diamond 2005).

As a consequence of our earlier assumption that all women who are eligible for paid maternity leave will take leave we can estimate the approximate increase in the number of weeks of paid leave. Table 8 above shows that 46 per cent of women used paid leave including an average of 11 weeks of paid maternity leave and 7 weeks of other paid leave. We assume that with the introduction of PML for 28 weeks these women will use an extra 10 weeks leave. The remaining 54 per cent of women are currently either taking unpaid leave or not taking any leave. We assume that these women will take the full 28 weeks of paid leave. Applying these proportions to the total number of women employed for at least 40 weeks we estimate the additional component of income tax that accrues to the Commonwealth as a result of the introduction of paid maternity and parental leave. We estimate that the additional income tax revenue as a result of the introduction of maternity and parental leave is \$349.88 million using Method 1 and \$367.18 using Method 2. In addition there will be a tax offset for the superannuation contributions while women are on maternity leave. These savings total \$35.46 million for Method 1 and \$37.22 million for Method 2.

As mentioned previously the government will also obtain additional tax revenue from the payments made to employers to defray the costs of replacing staff. At the company tax rate of 30 per cent the additional tax will be between \$131.496 million using Method 1 and \$138 million for Method 2. The government would also make an additional financial contribution in the form of tax deductibility for the employer levy. Assuming that firms would otherwise pay the 30 per cent company tax rate on the income used to pay the levy the government will forego between \$537.53 million and \$590.49 million based on the amount of the employer levy in Table 7 above. There would also be substantial tax offsets due to the fact that payments would be treated as taxable income.

If maternity leave payments are treated as wages taxation on wages and superannuation payments represent an immediate source of savings. In addition there are a number of other potential offsets such as reductions in payments for parenting payment, family tax benefit, child care benefit and child care tax rebate. The extent to which these savings would be realised would depend on the conditions attached to a paid maternity and paternity leave scheme. Each of these avenues is examined in turn.

4. *Expected benefits (offsetting savings) flowing from paid parental leave*

While the focus of this report has been to estimate the cost impact of the claim, the provisions offer clear economic benefits to individual employers. While most of these benefits are not readily quantifiable, and may accrue in the longer term, measures to assist employees to balance their work and family life may offset short-term costs by reducing staff turnover, improving the commitment, morale and productivity of employees, and increasing effective labour supply.

Johnson (1995) argues that in addition to lowering absenteeism and improving retention and output, work-family initiatives have demonstrated effects on factors critical to client service such as discretionary effort and commitment. She cites a University of Chicago study which found that the more employees were able to access work-family benefits, the more they exhibited initiative, teamwork, flexibility and loyalty (1995: 56).

The provision of paid maternity leave will enable mothers to maintain some attachment to the labour market and will increase the rate of return to work thereby increasing the productive capacity of the economy. Enabling women to remain attached to the labour force serves to make investment in training more worthwhile for individuals and employers, and reinforces the positive effects of the claim on labour supply.

In the Regulatory Impact Statement prepared for the 1999 Employment Relations Bill in Great Britain, the Department of Trade and Industry calculated significant offsetting savings for employers associated with widening the entitlement of additional maternity leave. The DTI argued that increasing access to extended maternity leave would encourage more women to return to work and reduce the need to recruit and train permanent replacements. Offsetting savings associated with lower turnover and recruitment costs were estimated to halve the gross cost of the provision. The extent of savings associated with lowering staff turnover is supported by research undertaken by the Council for Equal Opportunity in Employment (CEOE) in Australia. The Council estimated that labour turnover costs range from between 50 and 130 per cent of an incumbent's salary (EOWA, 2002). Any reduction in staff turnover can make a significant contribution to profitability at the firm level.

A national maternity and paternity scheme universal would also address an important source of market failure. At present, employers that offer family-friendly measures face a problem arising from adverse selection. The people most likely to take advantage of provisions like parental leave will apply for jobs in firms that offer it. In these circumstances the cost of assisting workers to balance work and family life will be concentrated rather than shared, deterring some firms from offering provisions of the kind made in this claim. The adoption of the measures in the claim will help to overcome this lack of coordination in the market.

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