



**Response by Master Grocers Australia
to
the Productivity Commission issues Paper
Inquiry into Paid Maternity, Paternity
and Parental Leave.
May 2008**

Preamble

The Master Grocers Association Australia (“MGA”) is an Employer Industry Association representing all Independent Grocery and Liquor Supermarkets in metropolitan Melbourne and country Victoria. These supermarkets trade under brand names such as IGA and Foodworks and range in size from small, to medium and large businesses.

Independent Supermarkets play a major role in the retail industry and make a substantial contribution to the communities in which they trade. There are 510 independent supermarkets in Victoria employing over 21,000 full time, part time and casual staff representing \$3.8 billion in retail sales. Many MGA members are small family businesses, employing 25 or fewer staff.

MGA welcomes the opportunity to comment on the Productivity Commission Issues Paper for the Inquiry into Paid Maternity, Paternity and Parental Leave.

MGA has not responded to all the questions that have been referred to in the Issues Paper. A number of areas have been selected and responses have been provided accordingly.

MGA thanks the Australian Government and the Productivity Commission for the opportunity to make these comments on this important matter.

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Inquiry into Paid Maternity, Paternity and Parental Leave

Introduction

One of the objectives of any paid parental leave scheme should be to ensure that employers are not overly burdened by providing employees with such leave. If a paid parental scheme is to be introduced it must be cost-effectiveness to employers, employees and government.

The independent supermarket industry consists mainly of small to medium sized businesses which have a predominantly female employee base. It is important to ensure that this industry is not adversely affected by the introduction of a paid parental leave scheme within Australia and this should be one criteria from which to assess the objectives of the scheme.

Cost effectiveness, reduction of burdens on business and the retention of good staff by employers should co-exist with government funds forming a substantial part of any paid parental leave scheme.

Some of the possible unintended consequences of an employer funded paid parental leave scheme would be loss of skills to small businesses, a burdensome cost on employers, the inability of small business owners to provide paid parental leave and maintaining the employees right to work following their leave period.

Eligibility

Any attempts to restrict the eligibility of parental leave may result in the likelihood of discrimination against parents. However, unrestricted access to paid parental leave is likely to be expensive and burdensome on employers, government and taxpayers, depending on how the scheme is to be funded.

Employee coverage

If all employees are to be covered it will reduce possible discrimination by employers to change classifications for certain employees. However, the cost of providing a scheme with no limits or set criteria could be extremely burdensome on employers, particularly small business. If this option is chosen, it should include self-employed individuals and be government funded.

Qualifying period

A qualifying period should be set before an employee becomes eligible for paid leave. This period could be 36 months with the employee's current employer. An employer is more likely to appreciate paying parental leave where the employee has shown themselves to be a loyal, dedicated, hard-working employee who enjoys their workplace and is likely to return to that establishment after the birth/leave period is finished.

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Rate of pay

The rate of pay should be based on the employee's average rate of pay for their period of employment over the period of time for which they have been employed.

Period of parental leave

The retention of 12 months unpaid parental leave with a 12 weeks paid parental leave period included in the 12 months appears to be the period of leave which has been adopted elsewhere. This period of time is long enough for the parent to bond with their children whilst ensuring that they do not lose the skills which they require to actively participate in the workforce.

Government Funding and Interaction with private schemes

If a paid parental leave scheme is to be introduced then it should be funded by government. A national scheme could subsidize existing privately funded schemes that may be introduced to the extent of the paid parental leave scheme. Where privately funded schemes provide for greater leave/monetary then they should be responsible for the balance due to an employee. Most small and medium sized businesses are not in a position to contribute to a privately funded scheme.

Right to Return to Previous work

Employees should have the right to return to their previous work otherwise this would defeat the purpose of having the paid parental leave scheme. However, this is only where the government subsidizes the cost of the paid leave, as this would cause an undue burden to business that must already assume the cost of sick/annual leave and also maintain another employee in that position during the other employees absence on parental leave. Businesses would hope that employees that feel valued and appreciated by their work places would seek to resume their position following their period of leave.

Negative impacts of a paid Parental leave scheme

There are a number of possible negative impacts of a paid parental leave scheme in Australia. These include unemployment risks, labor market discrimination and the erosion of work skills. However, where government funding is likely to provide paid parental leave MGA members are likely to support the positive use of paid parental leave, as well as return to work schemes.

There is no doubt that there will be negative impacts on business in relation to the introduction of a paid parental leave scheme, including difficulties in finding labor to fill in for an employee on parental leave, the prospect of the employee deciding to resign from their employment following the paid leave period and the burdens on employers who must then find and hire new staff. If the scheme is government funded the cost on employers would be reduced and it would allow a business to put its finances into training and finding new employees and giving old employees new prospects.

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Employers would be unlikely to afford universal paid parental leave with unrestricted eligibility criteria. This would force business to employ people in casual or part time positions for shorter

periods of time in order to avoid being liable under the scheme. Government funding is necessary in order to allow business to promote and afford the use of the scheme.

Cost and retention of valued employees are two of the factors which affect a businesses decision as to whether to offer paid parental leave to their employees. The ability of the business to undertake the scheme with or without government assistance and the regulatory framework of the scheme are also major considerations by business.

Costs effects

A direct impact of the costs of paid parental leave would be the increased cost of employment on business. The retail industry is predominantly female and a likely impact of the scheme would be either the mass casualization of employees, thereby ensuring that (depending on the eligibility

criteria of the scheme) that they were ineligible for paid parental leave, where no government funding was provided.

The impact on small business could be as drastic as them being unable to employ the total number of employees that they previously had, resulting in dismissals for operational reasons.

Summary

In principle the scheme is applauded as moving Australia into an era where parenting and employment are no longer considered as mutually exclusive areas. Staff, are likely to feel valued and more likely to remain in their place of employment in order to reap the benefits of their time with the business. However, small to medium sized businesses, in most cases, would be unable to fund payment of parental leave themselves.

A government funded scheme is likely to have the smallest impact on businesses that are already used to providing unpaid parental leave for a period of twelve months and their ability to replace staff in the interim.

A scheme that is solely funded by business would have the most dramatic effect. This would be problematic in relation to smaller businesses as they would simply be unable to carry the cost of a paid parental leave scheme themselves.