



**SOUTH AUSTRALIAN WINE INDUSTRY**  
ASSOCIATION INCORPORATED

***SUBMISSION TO:***

***The PRODUCTIVITY COMMISSION***

***INQUIRY INTO PAID MATERNITY, PATERNITY AND PARENTAL  
LEAVE***

***June 2008***

## **Brief Scope of Inquiry**

The Productivity Commission has been asked to inquire into the economic and social costs and benefits of paid maternity, paternity and parental leave ('paid parental leave'), and to explore the extent of paid parental leave provided by employers in Australia; and identify models of paid parental leave that could be used in Australia.

The Commission is required to assess those models for their potential impact on:

- the financial and regulatory costs and benefits for small and medium-sized businesses;
- the employment of women, their workforce participation and earnings and the workforce participation of both parents more generally;
- the work/family preferences of both parents in the first two years after the child's birth;
- the post-birth health of the mother;
- the development of young children, including the particular development needs of newborns in their first two years; and
- relieving the financial pressures on families.

The Commission has also been asked to assess the cost-effectiveness of these models, their interaction with the social security and family assistance systems, and their impacts and applicability across the full range of employment forms (including, for example, self-employed people, farmers and shift workers). It will also assess the efficiency and effectiveness of government policies that would facilitate the provision and take-up of these models.

## **Basis of the South Australian Wine Industry Association Incorporated Submission**

The Commission has invited submissions from interested parties on any issues considered relevant. The South Australian Wine Industry Association (SAWIA) is an interested party and welcomes the opportunity to make a submission to the Commission in relation to the inquiry into paid maternity, paternity and parental leave. SAWIA broadly supports the concept of a paid parental leave scheme for Australia which should be fully government funded to ensure equity for all participants.

SAWIA is a member based employer organisation and whilst understanding the breadth of the Commission's inquiry SAWIA has focussed its response to questions that have an impact on industrial and employee relations and financial resources for wine industry businesses rather than respond on the broader "social implications" also being inquired into, albeit important considerations.

SAWIA's submission makes comment on the following three of the six<sup>1</sup> key areas of inquiry:

- Evaluating models of parental leave;
- Broader labour market impacts of parental leave; and
- Impacts on employers.

Within the parameters of our submission, SAWIA members support the principle of employees taking time off work for the birth or adoption of a child and support the introduction of a paid scheme funded by Government. Employers within the wine industry are required to observe; The Australian Fair Pay and Conditions Standard – minimum standards; South Australian Fair Work Act 1994 – minimum standards, Notional Agreements Preserving State Awards (NAPSA) and other Awards and industrial agreements, with employers required to pay the costs (indirect or otherwise) for unpaid parental leave with recruitment costs to fill the position and administrative costs for keeping the position open for up to 12 months and in South Australia for up to two years at the employee's request.

## **1. Summary of Submission**

A summary of SAWIA's submission is as follows:

### **1.1. Evaluating models of parental leave**

The key features of any model introducing paid parental leave must be simplicity, an easily understood and easily administered scheme.

The scheme should be managed by an outside provider, outside of the employer / employee relationship and as such it would necessitate the scheme being fully administered by Government.

It is our view that paid parental leave should be available to the natural and adoptive parents whether employed or not from the industrial viewpoint. Extending eligibility beyond natural and adoptive parents to say grandparents will increase the incidence of employees (other than the parent) being absent from the workplace and that will have an unintended consequence of increasing employers' costs (indirect or otherwise).

The duration of paid parental leave should be linked to the minimum number of six weeks that a mother needs to be away from the workplace (if employed) following the birth of a child as detailed in section 273 "requirement to take leave", in the Workplace Relations Act 1996.

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<sup>1</sup> The other three areas of inquiry being; family health and wellbeing; family income and parental employment; and interaction with social security and other government programs.

### 1.2. Broader labour market impacts of parental leave

Currently, paid parental leave within the South Australian wine industry is the exception rather than the norm.

The introduction of a minimum number of six weeks of paid parental leave may have the effect of increasing the incidence of employee participation in parental leave, but given that it is a minimum, it is unlikely to impact significantly on the labour market within the South Australia wine industry provided that eligibility is restricted to natural and adoptive parents.

45% of South Australian wine industry employees are over 45 years of age<sup>2</sup>, well in advance of the median age of parents as reported by the Australian Bureau of Statistics – Births, Australia 2005<sup>3</sup>.

Extending the concept of paid parental leave to employees who are not parents of new born or adopted children (e.g. grand parents) will have an adverse impact on labour availability, particularly in regional locations, and drive up costs (indirect and otherwise).

### 3. Impacts on employers

The direct impacts on employers vary considerably depending on how any paid parental leave scheme is funded.

If paid parental leave is fully government funded then the direct administrative and financial impacts on employers are basically unchanged. However, indirect costs would increase with any increase in participation, i.e. more employees taking paid parental leave, as employers would be required to recruit and fill the job for a temporary period.

Currently in the South Australian wine industry paid parental leave is uncommon across small, medium and large companies. If the scheme is employer funded, either wholly or partially, the additional costs would put a significant strain on many businesses in the industry. Any increase of the employers' financial burden could lead to other unintended issues, for example, reduction in employment of women that in SAWIA's view would be detrimental across all industries. Direct recruitment, administration and training costs would increase.

Regional areas, where many small to medium enterprises are located within the wine industry will also experience additional indirect cost pressures if paid parental leave was to lead to employees taking longer periods of leave. Particularly in regional areas where experienced labour is difficult to source and retain, longer absences of key employees

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<sup>2</sup> See table – Age Groups in the SA Wine Industry, 2006 on page 10

<sup>3</sup> ABS 3301.0 Births, Australia, 2005 – the median age of all mothers who gave birth in 2005 was 30.7 years, and the median age of all fathers in 2005 was 32.9

can prove detrimental to the business. Small to medium businesses in particular would experience significant cost increases that could precipitate business failure.

#### 4. Conclusion

SAWIA supports the introduction of a paid parental leave scheme for Australia for a minimum six week period with the scheme being available to all natural and adoptive parents and fully government funded to ensure equity for all participants.

SAWIA opposes any prescription requiring employers to fund either wholly or partially paid parental leave. However, as always is the case, employers are free to make additional payments or provide “top-up” payments above any minimum standards.

## 2. Overview of the Wine Industry

The wine industry is both unique and complex in nature. It takes raw produce, wine grapes, and turns them into a value added product, wine, that is sold throughout the world. Unlike other manufacturing sectors, the wine industry's viticultural foundations require long lead times to produce a crop and based on the vagaries of nature each vintage make the balance of supply and demand a constant challenge.

The industry is 'vertically integrated', spanning agriculture (wine grapes), manufacturing (winemaking) and sales into a global marketplace. Sales growth is driven by exports through the main channels of off-premise (supermarkets and wine retail) and on-premise (restaurants, clubs, pubs), often through company owned distribution channels.

The wine industry in Australia has grown significantly over the past 15 years. Strong industry growth in the early 1990's was further spurred by *Strategy 2025*, the industry's blueprint for success released in 1996 and the massive planting spree of wine grape vines that followed.

The *Strategy 2025* target of \$4.5 billion in annual sales was surpassed in 2005 – 20 years ahead of time. However, after a decade of unprecedented change in global wine trading conditions there was a need to reassess the priorities and challenges facing Australian wine, most of which were anticipated in *Strategy 2025*. That reassessment was *Directions to 2025* launched in May 2007 and is a process which represents the best opportunity to secure the future of Australian wine through economic prosperity, environmental sustainability, technological innovation and social responsibility.

Based on the most current statistical information Australia has 2,299<sup>4</sup> wine producers and the Australian industry employs around 28,000<sup>5</sup> employees. Best estimates indicate that the wine industry workforce employs males and females in the ratio of 62% / 38%.

In South Australia there are some 607<sup>4</sup> wine producers employing some 10,800<sup>5</sup> employees and produces 60% of export sales for Australia. Impacts within the South Australian context affect the Australian wine industry significantly with over 30% of all winemaking locations being in South Australia and these account for 43% of the national wine grape crush<sup>5</sup>.

It is important to note that despite a reasonable increase in exports<sup>6</sup> the average price per litre dropped from \$3.82 in 2005-06 to \$3.66 in 2006-07.

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<sup>4</sup> The Australian and New Zealand Wine Industry Directory 2008

<sup>5</sup> Source: Australian Bureau of Statistics 1329.0 – Australian Wine and Grape Industry, 2007 published on 29 January 2008

<sup>6</sup> Australian wine exports continued to increase, reaching 787 million litres (up 9%) for a total value of \$2.9 billion (up 4%). Source: Australian Bureau of Statistics 1329.0 – Australian Wine and Grape Industry, 2007 published on 29 January 2008

It is likely we will see the average price drop again in 2007-08 with the recently rising Australian dollar. Over the past month the Australian dollar has continued to rise and recently passed US\$0.96¢. Many financial analysts now predict that the Australian dollar will reach parity with the US dollar before year end. The continued strong growth of the dollar is one of the greatest problems facing the wine industry causing profit margins to contract.

Hence with less money being generated via exports the ability to reinvest income back into the business, including covering the rising costs of employment through wages, becomes challenging.

Some businesses in the wine industry are extremely diverse, and employ persons in any number of the following occupations:

- agriculture (grape growing);
- manufacturing (winemaking);
- science (laboratory);
- retail (cellar door sales);
- horticulture (nursery);
- food and beverage (cellar door / café & restaurant);
- administration (clerks);
- cleaning (cleaners);
- barrel manufacturing (coopers);
- warehousing and packaging (store persons);
- transport of grapes & bottled wine (drivers);
- maintenance (mechanics & welders);
- planning & technical production / tasks (engineers); and
- other professionals (accountants, sales persons, marketers, export persons, quality assurance, micro-biologists, winemakers, viticulturalists & management)

## **Overview of the South Australian Wine Industry Association**

The SAWIA has a membership comprising wine producers and wine grape growers in South Australia. In South Australia SAWIA represents about 96% of the grapes crushed and approximately 36% of the hectares planted to wine grapes in South Australia.

SAWIA's members comprise a variety of differing sized companies ranging from global companies with interests in Australia and overseas, Australian based companies with assets and facilities in multi wine regions throughout Australia and smaller to medium companies domiciled in one regional area.

### **3. Evaluating models of parental leave**

The terms of reference for this inquiry require the Commission to examine the potential impact and effectiveness of different models of paid parental leave. The key features of any model introducing paid parental leave must be simplicity, an easily understood and easily administered scheme. The scheme should be managed by an outside provider, outside of the employer / employee relationship and as such it would necessitate the scheme being fully administered by Government.

#### **Who should be eligible?**

In considering who should be eligible for “paid parental leave” it is our view that paid parental leave should be available to all parents (i.e. natural and adoptive) whether employed or not. Extending eligibility beyond natural and adoptive parents will increase the incidence of employees (other than the parent) being absent from the workplace and that will have an unintended consequence of increasing employers’ cost pressures in managing leave administration, recruitment, training, and simply just finding suitable employees to fill “short to medium term” absences.

In South Australia there are some 607<sup>4</sup> wine producers comprising only up to 20 companies that could be considered to be in the large category of companies. The vast majority are small to medium business enterprises. Many small to medium enterprises are located in regional locations where experienced labour is difficult to source and retain. The introduction of paid parental leave in excess of six weeks may lead to longer absences of key employees and that can prove detrimental to the business.

Currently, the Workplace Relations Act 1996 (the Act); South Australian Fair Work Act 1994; Awards and NAPSA’s provide minimum entitlements of unpaid parental leave for employees who satisfy certain eligibility criteria. For example, The Act provides for up to 52 weeks maternity, paternity and adoption leave to parents who have completed at least 12 months of continuous service with their employer, plus one week paternity leave at the time of the birth. If paid parental leave is made available to all parents (who are employed), regardless of satisfying an eligibility period, it will be crucial to understand and document how current industrial regulation would interact with paid parental leave.

#### **Duration and generosity of benefits**

As previously stated, in our view all parents regardless of any employment relationship should be eligible for paid parental leave and as a consequence payment should be fully government funded.

The Commission has already received many recommendations from interested parties submitting the quantum of “number of weeks” of paid parental leave generally linked to the minimum wage and/or a percentage of an employee’s wage. When considering duration of benefits it is SAWIA’s view that the Commission consider the minimum number of weeks that a mother needs to be away from the workplace (if employed) following the birth of a



child as detailed in section 273 “requirement to take leave”, in the Act<sup>7</sup>, and apply that to either the mother or the father or the adoptive mother or father. Further it is our submission that it is appropriate that this weekly amount is linked to the federal minimum wage appropriate at the time the leave is sought.

SAWIA opposes any prescription requiring employers to fund either wholly or partially paid parental leave. However, as always is the case, employers are free to make additional payments or provide “top-up” payments.

#### **4. Broader labour market impacts of parental leave**

Paid parental leave within the South Australian wine industry is the exception rather than the norm. Employees within the industry who take unpaid parental leave ordinarily take between 6 – 12 months parental leave, with the majority of participants taking the full twelve months of leave. While this is unpaid leave many employees utilise annual and long service entitlements (where they have such entitlements).

The introduction of six weeks of paid parental leave, as SAWIA is advocating, is unlikely to impact adversely on the labour market within the South Australian wine industry if eligibility is restricted to natural and adoptive parents. However, if eligibility to paid parental leave is extended to other carers such as grandparents it is likely that there will be an increase in older employees being absent from the workplace for extended periods of time.

As the following table demonstrates, 45% of South Australian wine industry employees are over 45 years of age. Employees older than 45 years old are significantly less likely to require parental leave under present guidelines as that age demographic is well in advance of the median age of parents as reported by the Australian Bureau of Statistics – Births, Australia 2005, (the median age of all mothers who gave birth in 2005 was 30.7 years, and the median age of all fathers in 2005 was 32.9). Extending the concept of paid parental leave to employees who are not parents of new born or adopted children (e.g. grand parents) will have an adverse impact on labour, particularly in regional locations where many small to medium sized businesses are located. The more senior and most experienced employees who are likely to be older than 45 years of age may be absent for lengthy periods of time. Employers will also face rising cost pressures related to recruitment, additional training and payment of loadings for temporary replacement employees, not to mention competing for employees along with other industries experiencing the same impacts.

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<sup>7</sup> Section 273 of The Workplace Relations Act 1996 requires an employee to take leave for 6 weeks starting from the date of birth of the child.

**Age Groups in the SA Wine Industry, 2006**

Age group	Number of people employed	Share of total wine industry employment
15-24 years	1,029	9.6%
25-34 years	2,265	21.1%
35-44 years	2,613	24.3%
45-54 years	2,572	23.9%
55 and over	2,275	21.2%

Source: ABS Population Census 2006

## **5. Impacts on employers**

The direct impacts on employers vary considerably depending on how any paid parental leave scheme is funded. If paid parental leave is fully government funded then the direct administrative and financial impacts on employers are basically unchanged. However, indirect costs would increase with any increase in participation, i.e. more employees taking paid parental leave, as employers would be required to recruit and fill the job for a temporary period. If the scheme was wholly or partially employer funded that would increase the employers' financial burden and could lead to other unintended issues, for example, reduction in employment of women.

Employers will face similar challenges as they do now under the existing entitlement to unpaid parental leave for eligible employees. Employers need to plan for absences, develop staff recruitment and retention strategies, and manage return to work processes for employees following unpaid parental leave. Even if the scheme is fully government funded employers' administrative, recruitment and training costs will still increase with any increase in participation.

It is unlikely that the introduction of paid parental leave will necessarily encourage an employee to stay with the employer unless there is a clear qualifying period. If all employees receive the same benefit regardless of any qualifying period then there will be little, if any, distinction between employers.

Paid parental leave may allow an employee who had planned to take less than the maximum 52 weeks parental leave to extend their period of leave up to the maximum. That may be beneficial to some employers because it is often easier to attract and retain temporary workers (to cover periods of parental leave) if the employer can offer a longer fixed term contract.

If paid parental leave were to be employer funded either wholly or partially, the impact on employers would be severe. Currently in the South Australian wine industry paid parental leave is uncommon across small, medium and large companies. The introduction of paid parental leave funded wholly or partially by employers would put a significant financial strain on many businesses. Any increase in costs reduces profit margins. Direct

recruitment, administration and training costs would increase. Indirect costs of future liabilities would also increase if employees were to “postpone” taking paid leave entitlements. For example, when taking unpaid parental leave, employees usually utilise their full paid leave accruals, i.e. annual and long service leave (where they have an entitlement) as part of their total period of absence. If this pattern were to change and employees’ delayed utilising their paid leave accruals, because of the introduction of paid parental leave, employers’ costs could increase because future payments for leave accruals would in all likelihood be at a higher hourly rate. The probability of paid leave being deferred by employees increases in line with the number of weeks of paid parental leave available to employees.

Regional areas, where many small to medium enterprises are located will also experience additional indirect cost pressures if paid parental leave was to lead to employees taking longer periods of leave, (as mentioned above this may be beneficial), but particularly in regional areas, where experienced labour is difficult to source and retain, longer absences of key employees can prove detrimental to the business. Small to medium businesses in particular would experience significant cost increases that could precipitate business failure.

The requirement for employers to fund paid parental leave should not be mandated by government in our view. The decision to offer paid parental leave funded by the employer, either in addition to any government scheme or otherwise, should be left to the employer. As part of a recruitment and retention strategy an employer may offer employees paid parental leave as a point of difference to other employers, however, the individual employer would have to do their own cost benefit analysis to ensure that the business case works for them.

### **Return to work guarantee**

Currently, only eligible employees who have a minimum of 12 months of service with their employer are eligible for unpaid parental leave in accordance with The Australian Fair Pay and Conditions Standard; South Australian Fair Work Act 1994 – minimum standards, Notional Agreements Preserving State Awards (NAPSA) and Awards. Employees who are eligible for unpaid parental leave also qualify for a “return to work guarantee” following the period of leave.

If eligibility for paid parental leave is not subject to a minimum period of service with the employer, in accordance with current industrial regulation, then an employees’ right to a return to work guarantee for an employee who has less than 12 months of service at the time of commencing their paid parental leave may need to be different.

If access to paid parental leave does not have an “eligibility” period attached to it then employers will be placed in a position of having a relatively “new” employee, potentially not yet fully trained, take paid parental leave. The employee may also have an expectation that they have a “return to work guarantee” following the period of leave even though they have not qualified for the guarantee under current industrial prescription. This type of situation may become common and would put an additional strain on employers, particularly small

to medium enterprises, if a “return to work guarantee” were to attach to all employees who access paid parental leave, regardless of length of service with the employer. Therefore, SAWIA’s view is that a “return to work guarantee” should only be available to employees who have completed at least 12 months of continuous service with the employer.

## **6. Conclusion**

SAWIA supports the introduction of a paid parental leave scheme for Australia for a minimum six week period with the scheme being available to all natural and adoptive parents and fully government funded to ensure equity for all participants.

SAWIA would welcome the opportunity to respond to any future draft proposal from the Commission related to the benefits of providing paid maternity, paternity and parental leave to employees.

**End of submission**