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Paid Maternity, Paternity and Parental Leave Inquiry
Productivity Commission
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Paid maternity, Paternity and Parental Leave

We welcome the opportunity to provide comment on the Productivity Commission's issues paper titled *Inquiry into Paid Maternity, Paternity and Parental Leave*.

CPA Australia represents the diverse interests of more than 117,000 finance, accounting and business advisers. We are committed to working with governments and their agencies to ensure current and future economic and social policies foster an environment that facilitates sustainable economic growth.

We consider that if a mandatory paid parental leave scheme is to be introduced, it should be publicly funded from government revenue and that it should be paid by way of a transfer payment rather than through the tax system. Given this view, we recommend that a mandatory paid parental leave scheme should be considered as part of Australia's Future Tax System Review, so that it can be examined as a potential component of all the support the Government provides to families, rather than looked at in isolation.

We do not support employers and/or employees funding a mandatory paid maternity leave scheme. Such contributions, we believe add unnecessarily to employment costs and the compliance burden of business and will act as a disincentive to employing staff.

The potential costs to small business of introducing a system of employer contributions is reflected in the preliminary results of research CPA Australia is supporting by Professors Glenda Strachan and Mary Barrett, titled *'Retaining professional accountants' skills: Women in small accounting firms'*. The survey, conducted in March 2008 focussed on the work practices of small accounting firms with fewer than 50 employees. Three questions in the survey related to paid parental leave and showed that only seven percent of the 1045 firms that responded to this question offered paid parental leave, and of those firms that offered paid parental leave, the period of paid leave was most likely to be four weeks or less.

These results give a strong indication that a move to direct employer contributions to a mandatory paid parental leave scheme would add to the employment costs of the vast majority of small businesses, including those that already offer paid parental leave (assuming a mandatory paid parental leave scheme is likely to be more than four weeks).

We note that funding a mandatory paid parental leave scheme through employer/employee contributions would be likely to require Australia to establish a national social security insurance scheme (into which such contributions would be made). While such schemes are extensively used throughout the OECD, Australia and New Zealand have chosen to use the tax system to fund their transfer payment system. For Australia to move away from its current model and establish such a scheme would be very costly to government and business. In fact, as pointed out in the Productivity Commission's Issues Paper, New Zealand have been able to fund their mandatory paid parental leave scheme from government revenue, and we see no compelling reason for Australia to break from this model.

In relation to the broader policy question of whether there should be parental leave following the birth or adoption of a child, there is considerable evidence (including evidence presented in the Issues Paper) of the advantages to mother and child of such an arrangement. In attitudinal research of the views towards New Zealand's Paid Parental Leave scheme, conducted on behalf of New Zealand's Department of Labour and titled *'Paid Parental Leave in New Zealand 2005/06 Evaluation'*, it found the attitude of fathers and mothers towards parental leave to be very positive. In particular, parents saw the benefits of New Zealand's Paid Parental Leave scheme to be more associated with the leave aspects of the scheme, than the payment. In particular, the benefits that mothers saw with parental leave were mainly:

- recognising the importance of the mother caring for the baby
- allowing the mother to focus on bonding with the baby, and
- giving the mother enough time to establish a breast feeding routine.

While the health benefits to mother and child were seen by far to be the most significant advantages of the New Zealand scheme, the positive impact of the payment for parental leave (which New Zealand has set at their minimum wage) is also significant. The same question showed that mothers saw the advantages of paid parental leave included:

- lessening money worries
- making the transition from two incomes to one easier, and
- contributing towards financial security.

It can be assumed that paid parental leave (in some cases), facilitates mothers to take leave at the time of birth or adoption of their child, which is a positive outcome. It should be noted that when the period of paid leave that the New Zealand scheme offers is complete, that this is an important consideration for when mothers return to the workforce.

For the sake of simplicity, CPA Australia recommends that should a mandatory paid parental leave scheme be introduced, it should be universally available to all mothers of a newly born or adopted child, and that the payment should be for the same period of time and the same amount regardless of the mother's employment and income status. Introducing a work test, as in New Zealand, adds complexity to the scheme and increases the compliance burden on business. However, if the Government does favour limiting access to the scheme, this should be done through an income test. While this is not ideal, such a test would not impose a burden on business.

Making a paid parental leave scheme universally available to all mothers would remove employers from having any involvement in the administration of the scheme. To reduce the risk that mothers may return to work early to take advantage of receiving paid parental leave payments and employment income at the same time, the Government should commit resources to educating mothers of the advantages of taking the period of paid parental leave as leave, and possibly consider making the paid parental leave payment taxable.

Other important policy considerations for a mandatory paid parental leave scheme include:

- The scheme should apply from the date of birth or adoption. Any leave taken prior to birth should be a matter between the employer and employee.
- Whether the payment can be transferred to an eligible spouse or partner. In New Zealand, this is permissible, however according to the 2005/06 evaluation, this rarely occurs.
- Any scheme should not replace or be in addition to existing compulsory leave entitlements (i.e. 52 weeks of unpaid leave).
- A person's employment agreement or award that includes paid parental leave entitlements should not affect eligibility for paid parental leave. Any paid parental leave built into existing employment arrangements should continue independently of any government funded paid parental leave scheme. Employers should continue to build in paid parental leave entitlements into future employment agreements where they so wish.

In relation to the length of time over which a mandatory paid parental leave scheme should be paid, we suggest that the length of time reflect what is generally believed best to mother and child for the mother to return to work at the earliest. We note that the length of time varies considerably between OECD countries, hence we do not make a recommendation as to the length of time.

In relation to the quantum of the payment, we do not make a recommendation as to the amount or how the Government should fund such a scheme from its revenue. However, we suggest that

consideration be giving to rolling existing transfer payments made to new mothers into a mandatory paid paternity leave scheme. We further suggest that the amount of the payment be set so that it can:

- lessen money worries
- makes the transition from two incomes to one easier, and
- contributes towards financial security.

If you have any questions regarding the above, please do not hesitate to contact me.

Yours sincerely



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