

# **Submission to the Productivity Commission**

## **Paid Maternity, Paternity and Parental Leave Public Inquiry**

Dear Commissioners,

I am deeply concerned about the range of non-target impacts a paid maternity leave policy may trigger. I believe the public debate has largely overlooked these impacts, through its emotive focus on the plight of working mothers.

I am strongly in favour of universal maternity leave provisions. However, I believe that the motivation for such provisions needs to be made explicit, and the likely non-target impacts carefully analysed, before selecting a system that provides greatest social benefit for the least perverse result.

In the submission below, I will take a systems analysis view to link these issues with potential solutions.

### **Rules to apply in the analysis of a proposed Government intervention**

***Rule #1:*** *Any intervention in a system will change the system.*

This principle is well understood by scientists, who must constantly question how their observation or measurement of a natural system may cause “artifacts” or investigator-induced changes to that which they are measuring.

It seems to be far less appreciated by Government policy-makers, who typically model the impact of a new policy or payment as if nothing will change except the wellbeing of the target recipients (and the popularity of the politicians involved).

***Rule #2:*** *Government intervention should aim to change behaviour and outcomes in the desired direction.*

The primary aim should NOT be to correct a current injustice, or cover for a current financial shortfall. The current situation will change as a result of the intervention, and it is most likely that these changes will negate the intended impact unless they are consciously anticipated and avoided.

An illustrative example of this would be the increased childcare rebate resulting in increased cost of childcare, so that parents received little if any financial benefit, while childcare providers collectively received a huge increase in public funding. (As if to reinforce this point, ABC Learning has just announced a 10% fee increase effective from July, to coincide with the increase in government rebate.) A more extreme example was the Howard Government’s ill-conceived First Home Buyers rebate, which drew a large number of wealthy families into purchasing property essentially for investment, creating a sharp increase

in demand and triggering a major inflation in property values, drawing investment from more productive areas into further property speculation, with a negative impact on first-home-buyers massively outweighing the initial benefit offered.

Such populist policies are reactionary, placing band-aids on a system that generates injustice or disadvantage without addressing the root cause. The focus of Government should be to steer social development in directions that reinforce justice and equity as integral social goals. A well designed intervention should reduce in scale and cost over time, as the demand declines due to behavioural change. A poorly-designed, populist intervention tends to become increasingly costly, as more people adapt their behaviour to take advantage of the payment, or market forces shift a subsidy from the recipient into the profit margin of the service provider, regenerating the original need.

*Rule #3: The goals and possible system changes should be made explicit, the desirability or undesirability of each considered, and the impact of the intervention options carefully analysed against these.*

I shall use these three rules in my analysis of appropriate parental support system.

## **Explicit Policy Goal:**

The primary aim of a parental leave provision should be ***gender equity in work and careers***. A further aim is to articulate an equitable distribution of responsibility between employer and employee. The aim is ***NOT to encourage people to have more children***.

Even if the current Government policy is in favour of increased population growth, this is a tactical position and is likely to be required to change in the near to medium term (see Appendix 1). Using the instrument of parental leave to promote population growth, either deliberately or inadvertently, will entrench growth incentives in a way that will be difficult to wind back. This compromises the primary goal of gender equity, making it dependent on wider macroeconomic forces, rather than making it a robust part of our socioeconomic landscape.

## **Issues involved:**

### Issues motivating the call for universal parental leave provision:

- Lack of parental leave causes discontinuity and disadvantage in women's career paths.
- Lack of parental leave is bad for infants, particularly in reducing access to breastfeeding.
- Lack of paid parental leave causes financial hardship to parents – but since this is of their own choosing and relatively small compared with the total cost of child-raising, a more important issue is that parents in particular types of employment are disadvantaged compared with others, and more uniform provisions are needed.
- The burden working women currently carry in having a baby is contradictory to the Government's current encouragement for them to do so.

The emphasis here is on the right to continuing employment, not on remuneration during leave. Having a child is an expensive undertaking, especially for working women who pay for long-day-care for around five years per child. Compared with this commitment, the income lost during leave is relatively small. However, the current inequity in provision between different employers means that uniform access to some level of maternity leave payment is highly desirable. The message given by the policy should focus on the right of mothers to work and careers, while clearly attributing to parents the choice to have children, and the costs and responsibilities relating to that choice.

Issues arising from the direct impact of introducing paid parental leave:

- Paid parental leave costs employers money.
- Some employers (those with a large proportion of young females in their workforce) would be much more exposed to paid parental leave costs than others.
- Prospective employers may discriminate against women of child bearing age to avoid liability for benefits.
- If benefits are available in some types of employment and not others, employers may increasingly shift female workers to lower-liability contracts, such as casual and fixed-term, which also limit career prospects.
- Employers who have invested in training their staff may gain a benefit from paid maternity leave, in improving staff retention and loyalty.

These issues are more or less well recognized and discussed. They generally point to the need for uniform provisions, reducing incentives for employers to avoid liability through casualisation or other measures. They also support an argument for government contribution to paid maternity leave, to reduce the impact on more exposed employers, and to provide a baseline of payment where no employer obligation may apply. A balance in responsibility between the employer and the employee is also needed, such that the employer's liability is not open-ended in terms of the number of periods of maternity leave that can be claimed, and that there is reasonable proportionality between the period of service and the value of leave entitlement.

Issues relating to wider system change that may result from intervention:

- Paying parents to have children encourages them to have more children than they otherwise would.
- Parents on low incomes are more easily bribed by supplementary payments than more wealthy parents.
- Children born to parents who are dependent on welfare have worse educational and career outcomes than those born to working families.
- Government support for parents signals the desirability of population growth.
- Government encouragement for people to have more children shifts the primary responsibility for the ongoing needs and welfare of the children from parents to government.

These issues have not been central to the debate so far. They highlight the risks of providing payments that are supplementary to normal income rather than substituting for it. They also highlight the role of policy in setting social and cultural expectations, with regard to family size and parental vs. public responsibility for children. An appropriate policy should send clear signals on these issues.

## Criteria for a Parental Leave Policy

It is the position of this submission that *population growth is highly detrimental* to the future quality of life of Australians. It is not intended to argue this case in full here, but a summary of these arguments is given in Appendix 1. This position underpins the proposal below.

Universal access to some level of paid maternity leave, as well as entitlement to extend maternity leave on an unpaid basis, is *necessary to advance workplace gender equity* from its current plateau.

That *access should be conditional*, in ways that ensure *limited liability for employers*, *parental responsibility* for children and family planning, and *social responsibility* to limit population and its impacts on the planet.

Any parental leave payment should *replace, not supplement, normal income*. The Baby Bonus is in no way equivalent to a maternity leave payment, has highly detrimental perverse impacts, and should be discontinued as a matter of priority. Refer to Appendix 2 for a broader discussion of this argument. No component of the parental leave provisions should provide supplementary income that may motivate irresponsible parenting.

### Desirable impacts of a parental leave system:

- Equitable career maintenance and advancement opportunities for women;
- Children benefiting from breastfeeding and parental bonding during their early months;
- Parents understanding that the responsibility for supporting a child is their own, not the Government's or the employer's;
- Prospective parents deferring childbirth until a period of stable employment has been established;
- Parents choosing to have small families;
- Employers supportive of women on maternity leave, knowing that their liability is limited to two periods of leave.
- Government would establish a policy environment consistent with continuing to shift the focus of support for children away from payments to parents, in favour of services and subsidies targeting child welfare and opportunities.
- A future (inevitable) shift in Government policy to contain population would not be impeded by the social and political impact of withdrawing entrenched welfare payments.

## A suggested parental leave policy meeting these criteria

### Basic entitlement applying to all births to employees:

A maternity leave entitlement (not necessarily paid) of up to 12 months, and paternity leave entitlement of 2 weeks, beginning after not more than 12 months service with the employer (the employer may choose to make it immediately effective), guaranteeing return to work at the same salary and responsibility level as before.

For an employed woman having (or adopting) her first child:

Government funding of 26 weeks maternity leave, at either the minimum wage or the single parent welfare benefit. The choice of payment level would depend on budgetary commitment, and the assessment of acceptable balance of costs between government and employers. This entitlement would not be dependent on the period of service.

Employers obliged to top up salaries for the same period, to 100% of the employee's normal salary after 3 years employment, 80% if service is between 2 and 3 years, and 60% if service is between 1 and 2 years. No obligation to provide payment if service is less than 12 months.

Entitlement to spread the payments (both government and employer) over any period up to 12 months of leave.

For an employed woman having (or adopting) a second child:

As for the first child, except the period of payment (both government and employer) would be 13 weeks. Some employers may choose to extend this. A period of 12 months service may be required between first and second maternity leave to qualify for employer funding.

Entitlement to spread the payment over any period up to 12 months of leave.

For an employed woman having a third or subsequent child:

Entitlement to take leave for up to 12 months, with guaranteed return to work. No government payment, and employer payment at the discretion of the employer.

For women employed as causals:

Entitlement, government payment and employer obligation would be the same as for salaried women, with salary level for employer payment being the average over the last 12 months (regardless of any seasonal or semester-based variation in expected employment during the time of the leave).

For women employed on fixed-term contracts:

Where fixed-term contracts are the normal practice for the work performed, such as in grant-funded research positions, the employer must apply maternity leave provisions as for staff on continuing employment, and where possible the period of the project should be extended by the duration of maternity leave.

Where it is not appropriate to extend the project, but the employer may expect to have similar projects over time, such as employment on an infrastructure construction contract, a guarantee to return to work should exist for at least the period remaining on the original contract at the time leave was taken. If no appropriate work is available when the employee is due to return, severance pay entitlements may apply.

In cases where the work is of a one-off, time-bound nature, such as in the preparation for a major event, it may be necessary to allow for a waiver of employer maternity leave obligation to be agreed by both parties at the start of the contract, on the basis that it would be inappropriate for a woman who is planning to have a child to accept such a position. However, government maternity leave payments would still apply.

With regard to years of service qualifying for employer-funded contributions to maternity leave, all previous contracts with the employer should be credited, regardless of discontinuity

between contracts. This is a very important provision for employees with fixed-term contracts.

For a woman having a first or second child while unemployed:

The Government maternity leave payment would replace other benefits, not be additional to them. If the Government payment is at the level of single parent benefit, then women would simply move to this benefit. In moving off unemployment benefits to maternity leave (or single parent benefit), obligations regarding job seeking and reporting would end. The single parent benefit and conditions should apply until the first child (not the youngest) reaches school age, with mothers expected to seek work after that time. The current situation, where unconditional welfare can be prolonged simply by having another child, should be removed as it constitutes a perverse incentive for conceiving high-risk children. A period of 6 months without job-seeking responsibility would apply following the birth of any subsequent child, but no additional welfare other than services provided for the welfare, health and education of the child.

For a woman having a child while studying on AusStudy or postgraduate scholarship:

Government-funded maternity leave the same as employed women, with the scholarship payment deferred for the period of the maternity leave. For a third or subsequent child, provision would exist to defer the scholarship for up to 12 months.

For a woman not receiving welfare or income, dependent on a spouse:

No payment would apply, on the principle that maternity leave payments should replace and not supplement normal income.

Fathers should be allowed at least two weeks paternity leave, with employer payment depending on period of service to the same extent as maternity leave. In the case that a father becomes the primary carer of the infant, due to incapacity or death of the mother, the full entitlement of maternity leave should be available to the father.

The Baby Bonus should be withdrawn simultaneously with the introduction of the above parental support provisions.

It should be clarified that “first child” and “second child” refer to the woman, not to the number of maternity leave entitlements. If she has had two children before the scheme is introduced, or while not receiving income, she would have no further entitlement to paid maternity leave. There may be provision for discretion in cases where a previous child has died.

## **Minimum Requirements**

While it is unlikely that the above proposal will be accepted in its entirety, minimum requirements to avoid negative behavioural change include:

- a return to work entitlement guaranteeing the same level of pay and responsibility as before.
- no supplementary funding, only payments to replace in part or in full the income received prior to leave.
- a limit of eligibility for financial support to two children, preferably with a reduced entitlement for the second child.

- a minimum period of service before employer obligations apply.
- definitely no baby-bonus style payments in lieu of maternity leave.

The ability to negotiate a part-time return to work is desirable, but does not need to be incorporated into a parental leave provision, as it would be difficult to achieve universal implementation of this across varying work arrangements, and there are other personal circumstances for which this entitlement would be equally valuable. Flexibility of hours should be a separate agenda item in industrial relations.

## Appendix 1

### Arguments against Promotion of Population Growth

**Population stabilization and eventual reduction MUST be central** to any plan for sustainability.

Australia's high population growth rate

- **undermines our ability to respond to climate change** by increasing the per capita emissions reduction needed to achieve the same national reduction, at the same time as expanding our demand for infrastructure, foodmiles and energy-expensive water options.
- **is a result of Howard Government policy choices**, made in response to big business lobbying, and not supported by objective analysis of national best interest.
- **is not needed to address the aging demographic**, as this is not the problem big-business propaganda has made it out to be.

**Carrying capacity** of a nation is a much debated topic. There are trade-offs between population, quality of life and ecological outcomes, but these are modified by the technology we use to get the maximum service from the resources available. It might be argued that new technologies will allow us to accommodate more people. However, those less aware of the ecological services on which we depend tend to overestimate the capacity of technology to continue expanding our wealth. It is also indisputable that climate change will reduce our agricultural carrying capacity, and that peak oil will reduce our technological options. The higher the population, the less resilient is the system. We should ask **why** we want a higher population, rather than whether we can support one.

Most of the arguments for population growth are based on the benefits of **growth itself**, rather than for a larger population *per se*. However, we all understand that growth is not sustainable indefinitely, so these benefits are for **short-term advantage only**. If we look critically at them, they accrue primarily to big business, through increasing demand for infrastructure and goods, and increased labour supply reducing labour cost. The impact on individuals is mostly negative, and is already felt acutely in housing cost (immigration is acknowledged to be a major cause of our current housing shortage), and also in the nation's inability to expand education and health care facilities as fast as demand for them rises. The argument that a bigger economy has greater wealth with which to address social and ecological problems is demonstrably not born out by the evidence, which sees these problems becoming increasingly intractable even as our economy is booming. The hidden deficit on the balance sheet is that much of the measured economic growth is merely a transfer of social and ecological capital into corporate profit, not a true expansion of wealth. In a stable or declining population, investment can focus on improving, rather than expanding, services and infrastructure.

In an expanding population, all environmental victories are temporary.

Globally, carrying capacity is demonstrably exceeded, with fossil-fuel energy currently filling the gap between ecological yield and consumption. **A global response to climate change must include population control**. If Australia is to become a global leader in climate change response, we need to adopt a population control policy domestically, in order to advocate it internationally.

It has been argued that population aging is a major threat to our future economic prosperity. I have analysed the shifts in dependency ratios and can confidently conclude that aging is not the threat it is advertised to be.

A carefully crafted and heavily funded propaganda effort from big business interests has fueled the aging demographic fear campaign. It is based on selective analysis of costs, ignoring the economic and social contributions of 'retired' people, the costs of parenting and educating the young, reduced workforce participation by parents, and the ever-increasing burden of infrastructure generation to cope with growth. It uses inappropriate statistics, quoting the percentage over 65 rather than both young and old dependents. Even the internationally referenced 'dependency ratio' overestimates the issue by counting the workforce as those 15-65, when most Australians aged 15-20 are still dependent. The workforce participation rate is completely ignored, yet our relatively low participation rate provides scope for increases to fully compensate for aging.

**More births now will be too late** to address the 'baby boomer' retirement bulge. They will only add to the burden over the next two decades.

**More 'skilled' immigration only defers the problem, and is unethical** by poaching skills from more needy countries, undervaluing investment in training and the opportunities for our young people, and in some cases exploiting the migrants with employment conditions below those of Australian counterparts. It should not be used even as a short-term fix, as the longer it runs, the harder it will be to wean industries off. Skills shortages should be allowed to exert their market pull for training, better remuneration, or industrial restructure. By defusing the pressure points, sufficient strategic investments will not be made.

**We don't need population growth.** On this point, the interests of big business are not the same as those of Australians, individually or collectively. A growing population is one that always has to run hard in order to stand still. There is always a shortage of infrastructure and trained personnel – a situation of advantage to big business who can provide these things, which is why they advocate for it. A stable population, on the other hand, has much reduced 'capital' costs and can focus on quality rather than quantity. In 2004, 14 of the 16 wealthiest nations, based on GDP per capita, had populations and population growth rates lower than Australia's.

Population growth **reduces the quality of life** to which we can aspire, with fewer resources per capita. Even where monetary wealth per capita may be shown to increase, quality of life is already reducing, through cost of housing, reduced access to ecological services and more regulation controlling resource use and pollution. These will escalate as population grows. We need to plan for a restructured economy, focusing on quality, not quantity.

## **Appendix 2**

### **A Case Against the Baby Bonus (and all Supplementary Payments to Parents)**

There is strong evidence that the Baby Bonus has resulted in a sharp increase in births in Australia (up from 1.72 births per woman in 2003 to 1.85 in 2006). Disturbingly, there is also evidence that most of this increase is in the low socio-economic demographic. A large increase in the proportion of births in public rather than private hospitals is one indicator. Anecdotal accounts also abound of young welfare-dependent single women choosing to have babies for the bonus. A particularly disturbing account, which may be hearsay but deserves verification, was of aboriginal girls seeking to have the 3-year contraceptive implant placed somewhere other than their upper arm, because the boys would feel for it there, and would be angry if they knew they had contraception because the boys expected to access the baby bonus money. That such behaviour is reprehensible seems to be widely agreed, but little is mentioned of the generation of highly vulnerable and needy children born to such irresponsible parents, nor of the Government's liability for their future abuse as a result of having bribed their mother to conceive them.

This demographic effect only accentuates a trend that has been prevalent in Australia for a long time, but has increased as the birth rate of professional women has declined. The educational and career outcomes of children from welfare-dependent families are much lower than those from working families. The higher fertility of low-socioeconomic groups, particularly the welfare-dependent, results in a downward shift in the population in each generation, which the education system struggles to correct. These children are often poorly supported as students, with no culture at home of valuing education and aiming high. Even the work ethic of the previous generation has been lost, with the attitude prevailing that prosperity is a game to be won, at the expense of others if necessary, and without any concept of social contribution. The number of more extreme cases of family dysfunction appears to have swelled recently, judging from the media coverage of youth homelessness. These young people are characterized as dysfunctional and drug-dependent, often suffering trauma of childhood violence and abuse, sometimes foetal alcohol syndrome or other developmental issues relating to early drug exposure, or simply the lack of useful life skills due to inadequate parenting. Again, society is responding with a band-aid approach rather than systematically discouraging the conception and birth of such vulnerable children.

I contend that this demographic fertility trend is a large contributor to the divergence in outcomes between State and private schools. This has nothing to do with the skills and motivation of teachers (which in my experience is often superlative in State schools) and little to do with the physical resources. Education outcomes will not be substantially improved, until the demographic profile of fertility is made less bottom-heavy.

The baby bonus directly contributes to this problem in a highly immoral way, being most attractive to the least responsible prospective parents.

The baby bonus DOES NOT fix the problems it was introduced to address, namely the increased dependency ratio induced by population aging, and the skills shortage. Children are much more dependent, in terms of cost and duration, than the elderly, and children born today will reach the workforce too late to balance the retirement of baby-boomers. The

issues of population aging have been grossly exaggerated by big business and property developer peak bodies with vested interests in population growth, as argued in Appendix 1. The costs of population growth, on the other hand, have been greatly underestimated.

The skills shortage is a result of progressive withdrawal of investment, both public and private, in training. The withdrawal of private training support is another example of Government intervention having perverse outcomes. By trying to promote apprenticeships by co-funding and providing core training in TAFE rather than in the workplace, the Government signaled that training was its responsibility. In combination with industrial relations changes that valued workforce flexibility over long-term investment in employees, employer culture has shifted from recruiting trainees to meet their future skills needs, to demanding skilled workers for short-term needs. These mistakes need to be recognized and corrected to restore the skills base.

Whether the extra babies induced by the baby bonus will ever make a positive contribution to dependency ratio and workforce skills is highly questionable, given their demographic distribution and the statistically likely employment outcomes of school leavers from such a profile.

## **Statement of Affiliations and Interests**

I am a mother of two children, and a postdoctoral research fellow at the University of Queensland. I engage in lobbying on issues of climate change, population and sustainability in a personal capacity.

By way of anecdotal evidence of maternity leave issues, my own experience of maternity leave exposed several inequities existing in the system at that time. Being employed on fixed-term, grant-funded positions, my 12-week maternity leave entitlement did not provide any additional funding to the project, nor deferral of timelines. I was allowed to be not there, as long as all the work got done according to schedule. The work included managing other researchers and field programs with seasonal time constraints in five countries, so many tasks could not be deferred. Without funds to hire fill-in assistance, I had to work to the extent I could with a baby on one arm, throughout both periods of maternity leave, and came back to an impossible backlog which resulted in me working for a further six months without pay after the end of my contract. I was living on my long-service leave payout. Since I was not in a position to seek a new research contract until the backlog was cleared, there was a break in my service which affects my further long service leave entitlement. Both my children were in long-day care from 11 weeks. I maintained breastfeeding by expressing using an electric pump while at work, but this became increasingly difficult to maintain and led to earlier weaning than I would have preferred. The ability to have extended my period of maternity leave, and to have my contract extended by the period of leave to allow time for the work to be done, would have greatly alleviated my stress. The university has since extended maternity leave entitlement, and agreed to central funding (i.e. not from the grant) allowing grant funds to be used to extend the contract period. However, I received little support for my situation, despite the change having already been agreed (acknowledging the injustice of the existing system) but not implemented before my second child was born.