

Parental Leave and Childcare Provisions: Getting it Right for Australian Families

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Julie Piercy

1. Introduction

The current submission is a further development of a model for paid parental leave submitted to the Productivity Commission in May 2008. There have been a number of improvements in the area of parental leave and childcare provisions in recent years; however these improvements have been in the form of 'one-off' bonuses, and concessions, to offset the costs of childcare, rather than a whole scale review of the area.

In late 2007, the National Foundation for Australian Women successfully lobbied the government to refer the issue of support for parents with newborn children to the Productivity Commission. Around the same time, just prior to the 2007 Federal Election, the present author also began lobbying politicians regarding these matters. In a submission originally developed in November 2007, I proposed a National Summit to systematically address issues in the area of maternity leave and childcare, and to develop a long-term strategy. A National Summit did occur; however, parental leave did not appear to be high on the agenda.

In my original submission I proposed an entirely voluntary system for paid parental leave. This was based on the view that, at the time, there appeared to be very little political support for changes in this area. The prevailing mood appears to have shifted. However, it may not have shifted enough to deliver what families really want. Thus the proposal for a voluntary parental leave scheme may still be worthy of further consideration – to top up what may be delivered as part of a government guaranteed system.

The present submission is offered as a starting point for further discussion. It is based on my own experience of having two children in the past four years; a limited amount of research I have been able to conduct on the internet; discussions with other parents; and reading in this area. The work of other authors, particularly Perry (2008) and the National Foundation for Australian Women (2008) is acknowledged.

2. Models for Paid Parental Leave

Various models for a system of paid parental leave have been proposed. Some prominent organisations have proposed a system of 12 weeks, or even 18 weeks of fully paid parental leave. However, this paper argues that 12, or 18 weeks is insufficient. This argument is based on the following grounds.

Firstly, the World Health Organisation (WHO) recommends exclusive breastfeeding for a minimum of six months after birth. Exclusive breastfeeding has been linked to a reduction in sudden infant death syndrome (SIDS), asthma, allergies, and obesity in later life. Secondly, the early childhood literature (e.g. Mustard, 2007) suggests that there are critical windows for infant development, and that if sensory pathways are not adequately stimulated through early care and bonding, problems occur in later stages of development that can never be overcome. Deprivation and neglect in infancy and early childhood has been linked to a range of serious implications for health and well being, including behaviour problems, depression, type ii diabetes, cardiovascular disease, immune system disorders, memory problems, substance abuse (Mustard, 2007), and a range of other emotional problems (Teicher, cited in Mustard, 2007). It is thought that a period of seven months is required to lay the foundations of early emotional and language development (Mustard, 2007). Thirdly, the current childcare arrangements, availability, and standards are inadequate. There are many women who would like to return to work who either cannot get a place, suitable hours or location; and where the services provided are inadequate due to staff turn-over, poor hygiene, and the level of staff training. The importance of breastfeeding, early bonding, and quality of care, have led some researchers to suggest a period of 18 months of paid parental leave (Mustard, 2007). Mustard (2007) goes further to suggest that this should be followed by one day weekly for both parents, until the age of three, so that parents can be involved in early childhood development centres.

2. The Proposed Model

The current paper advocates for a system of paid parental leave guaranteed for six months, which could be extended to say 18 months to two years, depending on parental contributions to a voluntary scheme. Thus there could be either tripartite contribution by potential parents from early in their working lives, employers, and the federal government, or simply by potential parents and the federal government. These contributions could be estimated to provide for the minimum of six months leave, at full pay, per child. The government guaranteed scheme should allow parents to extend leave to 12 months. Potential parents could opt to make contributions to a voluntary scheme which would allow them to extend parental leave, for up to two years, or to use the funding, for as long as their contributions lasted, to offset the costs of childcare. Again, contributions to this scheme could be matched by the federal government. Any unused funds could be transferred, at an appropriate time, in superannuation. A further feature of this scheme is portability. Over a period of several years, many families re-locate, mostly for work reasons. If a family have been paying into a parental leave scheme and a woman re-commences work in another state, the family should be entitled to take further parental leave, when the time comes, by meeting a minimal qualifying period, for example two weeks. In this way a woman, in particular, would not lose accrued benefits such as access to Long Service Leave.

The other issue that the system proposed in this paper addresses is that of childcare. This submission argues for enhanced provisions for childcare

based on perceived inadequacies in what is currently available, and being more responsive to the needs of individual children and families. Although the standard of childcare provided in Australia may be quite good in comparison to that offered in some countries, for many parents it a) falls short of what most parents would like to provide, b) what they would provide if they were at home, and c) does not meet the needs of individual children and family circumstances.

The availability of childcare places, staff turn-over, centre cleanliness, and facilities, staff ratios, convenience of hours, location, travel time, and the issue of multiple drop-offs provide further barriers for women returning to work. Under the proposed voluntary contributions system, a contributor could decide how they would utilise the money in their fund. They could take payment on a full-time or part-time basis; specify the time period, or how they would utilise the funds. This might include funding maternity leave for themselves, paying for formal childcare, or financing in-home care services. Re-imbursement for a wider range of childcare services needs to be incorporated in the new system of paid parental leave, so that it is more in keeping with the standard of care provided in a good home environment, and so that it meets the needs of shift-workers, those working irregular hours, and the needs of individual children. The voluntary contribution system would also help tackle issues such as the high cost of care in some capital cities, and lack of childcare places. Although Prime Minister Rudd has proposed childcare hubs and a minimum 15 hours of access to children under school age, these centres will not be available for several years.

With further respect to the childcare issue, the current submission advocates for high quality childcare. This might include in-home care services for families living in regional and remote areas, where parents are working shift work, or irregular hours. There needs to be greater government support of not-for-profit community based childcare programs, with highly trained staff who are educated about childhood development, and where there is sufficient scope for parents to become involved, and trained themselves, in the education and development of their children. Greater funding needs to be provided to not-for-profit and community based childcare services as these organisations are likely to be more in tune with the needs of children in their local community, and to be able to incorporate the parents of these children into program provision. Mustard (2007) argues that day care with inadequate touch and responsiveness to human emotion predisposes children to poor literacy and numeracy, and a range of problems in later life.

A further aspect of the system proposed in the current submission is the rate of paid parental leave. Rather than a flat rate of paid parental leave, this paper advocates for a progressive rate (*see note p.7). Individuals pay tax at different rates, and have a differential ability to make contributions. Those who are willing and able to contribute more to their parental leave fund should be given the opportunity to do so. Such a system would provide encouragement for women, in particular, to strive to enhance their education, to seek better work opportunities, and better pay. A minimum rate of

contributions should be set to ensure a guaranteed minimum level of income replacement.

2b. Objectives of the Proposed Scheme and Implications of these Objectives for the Design of the Scheme

The objectives of the proposed scheme are similar to those identified elsewhere (e.g. Perry, 2008; National Foundation for Australian Women, NFAW, 2008) and include the following:

- a. income replacement for the primary caregiver of a new born, or newly adopted child, for a minimum period of six months,
- b. improved maternal bonding and breast feeding,
- c. enhanced indicators of early childhood development,
- d. enhanced indicators of mental health and well being, particularly amongst childrearing women and their offspring,
- e. increased female workforce attachment and participation,
- f. increased gender equity in the workforce (e.g. pay, seniority)
- g. increased retirement savings amongst women, and
- h. reduced reliance on welfare in older aged women.

Given the above objectives, a new parental leave scheme would need to establish an infrastructure to support such a scheme, and a body to measure performance. Greater benefits would be associated with a scheme that includes enhanced provisions for childcare arrangements, thus there would need to be a great deal of development in terms of infrastructure support for childcare, staff training, monitoring, and accreditation etc.

2c. Unintended Consequences Related to the Introduction of the Scheme and How the Effects Could be Mitigated

As with many proposed schemes, there may be a range of unintended effects. Although some effects may be disadvantageous in the short-term, there will be many benefits in the longer term. With respect to the scheme presented in the present submission, such effects might include an increase in birth rate within a few years of implementation due to the level of support provided to women; a temporary reduction in workforce participation amongst women during childrearing years; a reduction in the utilisation of centre based childcare services for infants; a requirement for further education in the childcare industry; increased discrimination against women of childbearing years. The most serious risk to the introduction of such a scheme would be discrimination against women in the workplace. Legislation in this area may need to be reviewed to prevent this. In the longer term, the benefits to

women, children and Australian society as a whole, are likely to be, difficult to quantify but nevertheless, enormous.

2d. Assessment Criteria to Assess the Merits of Different Models of Paid Parental Leave

Some suggestions as to the criteria against which to assess the relative merits of different models have been offered elsewhere (O'Donnell, 2008; National Foundation for Australian Women, 2008) and include comparisons against international standards (e.g. World Health Organisation guidelines, International Labour Office conventions) Australian Laws (e.g. The Sex Discrimination Act, Equal Opportunity Guidelines), and what would be considered best practice in this area (e.g. uptake of scheme, ease and cost of administration). The present author endorses such criteria.

2e. Who Should be Eligible?

Again the comments of other authors in this area (e.g. NFAW, 2008) are endorsed. With respect to a government guaranteed parental leave scheme, the partner of the birthing woman should be eligible for 2-4 weeks leave to provide support to the birthing woman and to assist with paternal bonding. Consideration would also need to be given to eligibility criteria for those on Community Development Employment Programs (CDEP).

Specifically in relation to the voluntary parental leave fund proposed in this submission, both men and women could make contributions, particularly during their early working lives. Individuals or couples would have a great deal of flexibility in terms of how they would utilise their fund. For example, they could take payment on a full time or part time basis; specify the time period, or how they would utilise the funds. This might include funding parental leave for themselves, to pay for formal childcare, or engage in home care services. The length of time and amount of contributions would be a determining factor in how much an individual receives and for how long

2f. Duration and Generosity of Benefits

The government guaranteed part of the fund would be to cover income replacement for six months. However, provisions should be made for payments to be extended to 12 months at half pay. Following this period, any extension of paid parental leave would depend of a parent having access to funds from the voluntary scheme. It is difficult to set an upper limit on the length of parental leave, as many women remain the primary care providers of their children until school age and beyond, and many women have 2-3 children, potentially increasing a woman's absence from the paid workplace. The benefit of a voluntary parental leave scheme is that paid leave can be extended for as long as required, given sufficient contributions, or parents could use the funding to assist in their return to work if they so desire. A formula could be established which would clearly specify the amount of contributions required to give a specified amount of paid leave. Government

guaranteed paid maternity leave could commence four to six weeks prior to birth.

2g. Financing options

As outlined in Section, the government guaranteed scheme could be either a tri-partite agreement on the part of employees, employers and the federal government, or simply between an employee and the federal government. The voluntary parental leave scheme would be financed by employees, male or female, and the federal government.

2h. Return to Work Guarantee

An important element of a paid parental leave scheme is the guarantee of returning to the same position at the same level of pay. Parents develop a range of new skills as a result of their parenting role, and when they are not in the paid workforce. However, the possibility of skills degradation over time is also recognised. After a period of time (e.g. 2 years), a worker may need to attend update or re-orientation training, but this should not affect them returning to work at their former level. It is difficult to provide a guarantee of returning to exactly the same position, given restructuring and business closures. Legislation may need to allow for returning to an equivalent position; however the opinions of others, with more expertise in this area, would need to be sought.

3. Benefits to Family Health and Well Being

The WHO and early childhood literature attests to a range of benefits to newborns, infants, women, and for lifelong development. There are likely to be a range of indicators that could be used to measure the health outcomes for the introduction of such a scheme. Some of the indicators identified in the submission by NFAW (2008) could be utilised. Mustard (2007) states that early childhood development sets the foundations for learning, behaviour and health, which helps build social capital and equality (Van der Gaag, cited in Mustard, 2007), all of which are crucial for prosperity and reducing poverty (Mustard, 2007).

4. Family Income and Parental Employment

Families make different arrangements regarding who should be the primary carer based on individual circumstances. Although parental leave schemes are primarily aimed at women, provisions need to be made to allow parents to make informed decisions about how they want to manage return to work following parental leave, and the effects on issues such as superannuation and non-financial effects.

5. Impact on Employers and the Labour Market

The absence of women from the workplace for up to several years would have an enormous impact on the workplace. Provisions need to be made to

provide backfill and train staff during the absence of a particular woman. Consideration may need to be given to increasing the retirement age, to make use of older workers. Since one of the greatest barriers in returning to work after having a child is the availability of childcare, the greater the flexibility provided to families in terms of childcare options and family friendly workplace practices, the greater the likelihood of women returning to work. Childcare needs to suit the needs of children and family circumstances. The introduction of greater provisions for paid parental leave, enhancing childcare facilities, and increasing the educational requirements of childcare workers will open up a new range of employment opportunities. Update or re-orientation training may be required following extended absence.

6. Interaction with Social Security and Other Government Programs

Since a new program for parental leave will take some time to develop and implement, current provisions need to be retained in the mean time. Consideration would need to be given to how such a scheme would interact with Family Tax Benefits parts A and B. As the Baby Bonus was originally introduced to address the issue of the declining fertility rate, this payment ought to be retained, even after a new system of paid parental leave is implemented.

7. Conclusion

The current submission presents a starting point for further discussion concerning a model of paid parental leave. It advocates for a government guaranteed six month period of paid parental leave at income replacement levels. This leave could be extended to 12 months at half pay. The government guaranteed paid parental leave scheme should make provisions for the partner of the birthing woman to take two to four weeks paid leave. This scheme could be further enhanced by a voluntary parental leave scheme which would allow payments and leave to be extended and adapted to suit the needs of individual families and children. Both schemes should involve a progressive rate of contributions and payments, in a similar way to the taxation system.

Further enhancements to the model of paid parental leave proposed also include provisions for extending leave to allow for parental involvement in early childhood learning and development; increased government funding to not-for-profit childcare facilities; improvements in centre based childcare facilities and for staff training; and to encourage the adoption of more family friendly workplace practices. Such changes would set an international benchmark for the delivery of such services, and would go a long way in further supporting the needs of Australian families. Although such changes would involve significant costs, these changes would also increase work opportunities, increase social capital, and eventually reduce economic burden. A full costing of such a scheme would need to be conducted to determine its merits in comparison to other models. It is recognised that substantial changes would also be required to legislation in a number of areas.

References

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Note

* personal communication Piercy/colleague (name withheld) May 2008. This colleague also advocated for greater support for not-for-profit childcare agencies.