



**PAID PARENTAL LEAVE:  
SUPPORT FOR PARENTS WITH  
NEWBORN CHILDREN**

**OCTOBER 2008**

## **Introduction**

1. Hair and Beauty Australia (HBA) is the peak body representing the hair and beauty industry in Australia. HBA is made up of all the state and territory employer associations representing the hair and beauty industry at their respective state or territory levels, namely:
  - Professional Hairdressers Association – NSW
  - Hair and Beauty Tasmania
  - Hair and Beauty Employers Association (ACT)
  - Hairdressing Federation of Queensland - Union of Employers
  - Queensland Master Hairdressers - Union of Employers
  - Hair & Beauty Industry Employers Association Inc (SA)
  - Hairdressing and Beauty Industry Association (VIC)
  - Master Ladies Hairdressers Association (Western Australia)
  - Advanced Association of Beauty Therapists
2. HBA represents approximately 16,000 small businesses operating in the hair and beauty industry, and employing in excess of 60,000 workers across Australia, 98% of which are female.

## **Scope of this Submission**

3. The scope of this submission is restricted to the following:
  - A. the draft recommendation that employers are to fund capped superannuation entitlements to employees who are eligible for statutory paid parental leave;
  - B. the draft recommendation that employers initially pay their employees' statutory parental leave entitlements, and be reimbursed by the government; and
  - C. the consideration of whether other leave entitlements should accrue during the period of paid parental leave, having regard to its costs and appropriateness.

## **Employers are to fund capped superannuation entitlements to employees who are eligible for statutory paid parental leave**

4. In draft recommendations 2.1 and 2.2, the Productivity Commission recommends that employers should fund superannuation contributions during the paid parental leave period, to be capped at 9% for eligible employees.
5. Approximately 98% of the 60,000 workers employed in the hair and beauty industry in Australia are female. Given this, the introduction of a paid parental leave scheme will *significantly* affect this industry.
6. Approximately 97% of hair and beauty salons in Australia are classed as 'small business'. Salons operating in Australia are already faced with excessive compliance issues and 'red tape', including industrial relations matters, accounting requirements, GST and the like.
7. This draft recommendation is inconsistent with the rationale<sup>1</sup> for the introduction of a statutory paid parental leave scheme (see the table below):

<b>Rationale</b>	<b>Submission</b>
The improved wellbeing of families, and in particular child and maternal health, associated with an extended period of absence from work around the birth of the baby and secure financial support during this period. For a variety of reasons – such as financial hardship – parents cannot always take sufficient time off from work.	It is submitted that there is no connection of any kind between the payment of superannuation during the period of statutory paid parental leave, and the provision of financial support associated with the birth of a child, and this is emphasised by the fact that superannuation can only be accessed once a female turns 55 years of age.
Encouragement of women of reproductive ages to maintain their lifetime attachment to the workforce.	It is submitted that: (a) the payment of superannuation during the period of statutory paid parental leave is not a factor that will have any significant influence over the level of encouragement of women to maintain their lifetime attachment to the workforce; and  (b) if this draft recommendation is removed, the level of encouragement for women to maintain their lifetime attachment to

<sup>1</sup> *What reasons are there for a paid parental leave scheme?*, page XVII of the 'Overview – including key points' of the Draft Report.

	the workforce will remain the same, given the remaining entitlements of a paid parental leave scheme.
The expression of emerging community norms that taking time away from the paid workforce to care for an infant is a normal part of life and work for many people, including fathers, and should be explicitly recognised.	It is submitted that a statutory paid parental leave scheme, without the requirement for the employer to pay superannuation during the period of statutory paid parental leave, will still create the perception that taking time away from the paid workforce to care for an infant is a normal part of life and work.

8. A research paper published by the Australian Institute of Family Studies<sup>2</sup> indicated that once newborn children had reached 12 months of age, only 44% of mothers had returned to work. Given that the majority of mothers are unlikely to return to work within the first 12 months after having giving birth, it is submitted that employers should not be required to pay superannuation to their employees during a period of paid paternity leave.
9. The Draft Report indicates that the maximum financial cost to business would be about 3 per cent of an employee's annual salary cost<sup>3</sup>. Such a additional cost to 'small business', particularly businesses operating in an industry where 98% of employees are female (and thus being far more likely to take advantage of a statutory paid parental leave system), will be significant, and will have an adverse effect on hair and beauty salons in Australia.
10. HBA submits that the adverse impact on business in the hair and beauty industry grossly outweighs the benefits to employees in having superannuation paid during the period of statutory paid parental leave, when the overall rationale of a scheme of statutory paid parental leave is considered.
11. HBA strongly opposes the draft recommendation that employers are to fund capped superannuation entitlements to employees who are eligible for statutory paid parental leave.

<sup>2</sup> Baxter, J (2008) *"Timing of mothers' return to work after childbearing – variations by job characteristics and leave use"*.

<sup>3</sup> Box 3 on page XXXI of the 'Overview – including key points' of the Draft Report.

**Employers are to initially pay their employees' statutory parental leave entitlements, and be reimbursed by the government**

12. In draft recommendation 2.3, the Productivity Commission recommends that employers should initially make payments to employees under the statutory parental leave scheme, with subsequent reimbursement by the Australian Government.
13. As stated above, approximately 97% of hair and beauty salons in Australia are classed as 'small business'. Salons in this class are already faced with excessive compliance issues and 'red tape', and it is extremely common for such businesses to experience cash-flow problems on a regular basis.
14. Given that cash-flow problems are common in the hair and beauty industry, and that such a draft recommendation will undoubtedly create additional compliance requirements, particularly for smaller salons, it is submitted that a requirement for an employer to initially pay an employee's statutory parental leave entitlements, and then be reimbursed by the Government (even if such a reimbursement is prompt) will create an onerous burden on small business in the hair and beauty industry.
15. The Draft Report concedes that *"business would only face additional compliance and cash flow costs when an employee was on paid parental leave"*<sup>4</sup>. Given that:
  - (a) 97% of hair and beauty salons in Australia are classed as 'small business'; and
  - (b) 98% of the 60,000 workers employed in the hair and beauty industry in Australia are female,the likelihood of such businesses being faced with these *"additional compliance and cash flow costs"* on a continual basis is far higher than businesses in any other industry.
16. HBA strongly opposes the draft recommendation that employers initially pay their employees' statutory parental leave entitlements, and be reimbursed by the Government, and submits that the sole responsibility of making payments directly to employees under the statutory parental leave scheme should rest with the Australian Government.

---

<sup>4</sup> Box 3 on page XXXI of the 'Overview – including key points' of the Draft Report.

**The consideration of whether other leave entitlements, should accrue during the period of paid parental leave**

17. The Productivity Commission requested feedback as to whether other leave entitlements should accrue during the period of paid parental leave, having regard to its costs and appropriateness.
18. Generally, under the industrial relations systems that currently operate, an employee taking a period of unpaid maternity leave does not accrue additional leave entitlements.
19. The available of statutory paid parental leave in itself, *independent of any additional entitlements* such as annual leave and sick leave, is more than sufficient to achieve the objectives as outlined in the rationale for a statutory paid parental leave scheme (as outlined in point 7 of this submission).
20. The issue of additional compliance and cash-flow costs that relate to an employer acting as a 'paymaster' for the Government will also be present if other leave entitlements accrue during a period of paid parental leave.
21. If an employer is required to pay an employee superannuation during the period of statutory paid parental leave, and the cost to business of such is approximately 3 per cent of the employee's annual salary cost, then it is fair to conclude that the accrual of any additional leave entitlements during such a period would increase the cost to business by *more than 3 per cent* of the employee's annual salary cost.
22. It is submitted that such an increase in cost to business is unnecessary, does not correspond to an increase in productivity, and the burden of such grossly outweighs the benefit.
23. HBA strongly opposes the consideration that other leave entitlements should accrue during the period of paid parental leave.
24. Other than the objections raised in this submission, in principle HBA supports a scheme of paid parental leave.

**Contact Details:**

Gregory Christo  
Executive Director  
HAIR AND BEAUTY AUSTRALIA  
Suite 304 Level 3,  
5 Hunter Street  
SYDNEY NSW 2000  
Ph: (02) 9221 9911  
Email: [greg.christo@hairandbeautyaustralia.com.au](mailto:greg.christo@hairandbeautyaustralia.com.au)

Robert Mallett  
Executive Officer  
HAIR AND BEAUTY TASMANIA  
123 Bathurst St  
HOBART TAS 7000  
Email: [robert@thefrontman.com.au](mailto:robert@thefrontman.com.au)