

Parental Leave Inquiry
Productivity Commission
GPO Box 1428,
Canberra City, ACT 2601,
Australia.

By email: parentalsupport@pc.gov.au

28 October 2008

Dear Productivity Commissioner,

Re: personal submission to Parental Leave Inquiry

I write to make a submission to the present Parental Leave Inquiry. I refer to the draft inquiry report that was released on 29 September 2008.

This submission is made on my own personal behalf and does not represent the view of any organisation.

I note that, in summary, the Commission is proposing a statutory scheme for eighteen weeks' paid parental leave, that would apply to people who work at least 10 hours per week including casuals, self-employed and contractors. The government would fund the parental leave payments at the rate of the adult minimum wage (presently \$543.78), with employers to be responsible for superannuation.

I wish to express my warm congratulations to the Productivity Commission for its proposal in that regard.

However, I am concerned about the proposal by the Commission that those on junior, trainee or apprentice rates of pay should receive lower rates of pay while on parental leave. The draft report states:

"Arrangements for those on low wages

As noted above, payment for eligible parents would generally be at the adult minimum wage rate. However, this might create problematic incentives for some young employees on low wage rates, such as apprentices, trainees or those on junior wages.

For example, in Queensland, the minimum hourly rate of pay for a clerk aged less than 16 years employed in a hotel is 45 per cent of the adult minimum wage (\$6.44 an hour). Were such a junior to have worked the minimum hours to be just eligible for paid parental leave, they would have been paid \$3349 in the year preceding birth of their child. They then would receive a total of \$9788 in direct benefits during the 18 week paid parental leave period (or nearly three times more than their usual annual wage), plus any employer superannuation contributions. Parental leave paid at this rate would create a bigger incentive for having a baby than the current baby bonus and might trigger short-sighted decisions by some young people.

To reduce the risk of such short-sighted decisions, the Commission proposes that the Australian Government should set lower rates of paid parental leave for (relatively few) eligible employees earning below minimum adult weekly rates. The rates should be set so that:

- they would not be so high that fertility decisions might be materially affected*
- compared with welfare benefits, the relevant employees would still have an incentive to stay employed while on leave caring for a baby."*

(footnotes omitted)

This submission urges the Productivity Commission to reconsider its position in relation to junior, apprentice and trainee workers. **It is submitted that those workers in apprenticeships and traineeships, and those in roles subject to junior rates, should be treated no differently, and receive no less, than other workers.**

In support of that submission I make the following further submissions and observations.

The Commission should not take into account its assumptions as to possible incentives

In including the foregoing passage the Commission seems to have made some assumptions, such as:

- a paid parental leave entitlement that remunerates young women at a rate higher than their income from employment might present an incentive for some young women to have children; and
- such an incentive would be undesirable.

It is respectfully submitted that the Commission's recommendations in relation to paid parental leave should not include any recommendations relying on the foregoing assumptions. That is, policy should not be driven by a desire to create or remove incentives for young people to have children. The Commission's recommendations should be neutral in that regard, and should not take into account whether such an incentive would be created.

There is no empirical basis for the assumption apparently made

In the alternative, if the Commission did consider it would be desirable or appropriate to seek to prevent such an incentive from occurring, it should not recommend measures aimed at doing so in the absence of empirical evidence to support the proposition that such an incentive would exist.

With respect, the Commission seems to have assumed that such an incentive would arise, without referring to or relying upon any empirical evidence in support of such an application.

I submit there is no empirical basis for such an assumption within the Australian experience.

There was speculation around the introduction of the 'baby bonus' that it might encourage young women to have babies for 'short sighted' reasons. Limited statistics seem to be available but those that are available tend to suggest no such incentive arose in relation to the baby bonus. In that regard I have enclosed, as appendix 1, comments from the Women's Health Queensland Wide website in relation to the available statistics. (No more recent statistics appear to me to be available on the ABS website at this stage.) I have also enclosed, as appendix 2, a news report regarding Centrelink figures. The report, from September 2006, states:

"The figures dispel suggestions the lucrative payment has encouraged teenagers to have children, with only 186 extra claims by teenagers between 2004-05 and 2005-06."

I respectfully submit that in the circumstances, the Commission should require empirical evidence before being prepared to assume that affording the full rate of the payment *"might create problematic incentives for some young employees on low wage rates, such as apprentices, trainees or those on junior wages"*.

There are sound reasons for affording those on junior, trainee and apprentice rates the full rate of paid parental leave

The following comments are made in further opposition to affording a lesser rate to those in junior, apprentice or trainee roles.

Firstly, the young people who would be affected, ie those in paid employment for the requisite 10 hours per week, should be trusted to make appropriate decisions about their working life (which is not to suggest that those not in employment should not be so trusted). In that regard it seems, with respect, unlikely that a young woman who qualifies for the payment (ie is in employment for the requisite ten hours per week) would be persuaded, merely by the availability of the payment, to have children, if she had not otherwise intended to do so.

Secondly, the cost of looking after a baby is no less for those in junior, apprentice and/or trainee positions. Such workers are likely to need more, not less, financial support. They should not be subject to disadvantage by being afforded a lower rate.

Thirdly, the Commission's position in the draft report is expressly based on the age of the workers concerned. The Commission should not start from a position that age discrimination is warranted. (It is conceded that there are exemptions from laws against age discrimination in relation to junior rates.)

Fourthly and in any event, a significant number of workers on apprentice and/or trainee rates are not “young people”, so applying such a reduction to all apprentices or trainees would not have the policy effect of applying only to the “young people” who the Commission seeks to protect from making “short-sighted decisions”.

Conclusion

I thank the Commission for the opportunity to make this submission. I again commend the Commission for its draft report and recommendations.

Yours faithfully,

Terri Butler
Qld

Appendix 1

From the Women's Health Queensland Wide website,
<http://www.womhealth.org.au/studentfactsheets/teenagepregnancy.htm>, accessed on 28 October 2008

Teenage Pregnancy

...

Teenage mothers and the baby bonus

All new mothers are entitled to a 'baby bonus' on the birth of their child, a Federal Government payment designed to contribute towards the cost of having a new baby (17). There have been claims that the baby bonus particularly encourages teenage girls to have children. Statistics of birth rates in Australia, however, do not support this claim. In 2005 (the baby bonus was introduced in July 2004), the number of births registered in Australia increased 2.2% (18). However, births to teenage mothers actually experienced a small decrease of 1% in 2005 (19). The group of women who experienced the biggest increase in births was actually women between 35-39 years of age (20).

..."

17. Centrelink. **How much baby bonus do I get?**
http://www.centrelink.gov.au/internet/internet.nsf/payments/pay_how_much.htm [website] date accessed: 10 October 2007-10-11
18. Australian Bureau of Statistics. **Births Australia, 2005** Ibid; 7
19. Australian Bureau of Statistics. **Births Australia, 2005** Ibid; 15
20. Australian Bureau of Statistics. **Births Australia, 2005** Ibid; 20

Appendix 2

From the news.com.au website, <http://www.news.com.au/story/0,23599,20419491-2,00.html>, accessed 28 October 2008

Baby bonus boosts birthrate
By Michael McKinnon and Clara Pirani
The Australian
September 16, 2006 12:00am

THE Government's \$4000 maternity payment has helped to accelerate the nation's birthrate with more than 10,000 extra babies born in the past year.

Centrelink data on the number of parents claiming the \$4000 baby bonus, obtained using Freedom of Information laws, reveals that the birthrate is rising at a much faster rate than previously thought.

The figures show that 268,667 parents claimed the Federal Government payment for their newborns in 2005-06. While yet to be confirmed in official birth statistics, this number represents an increase of more than 10,000 births on the previous year and more than 16,000 on 2003-04.

Demographers suggest the maternity payment - worth \$3000 when it was introduced in July 2004 but increased to \$4000 in July this year - combined with low interest rates and low unemployment, may be driving the baby boom.

Australia's fertility rate, which reached 1.8 babies per woman last year, is up from 1.72 in 2003 and is well above rates of between 1.2 and 1.4 in many other developed nations.

The figures provide the first comprehensive picture of the number and ages of people who have claimed the baby bonus in the two years since its introduction. According to the Centrelink data, there were 235,299 claims for the bonus - comprising 194,342 couples and 40,957 single parents - in 2004-05.

The number of claims jumped by 33,368 in 2005-06 to 268,667, perhaps reflecting the fact that some parents failed to claim the bonus in its first year.

The figures dispel suggestions the lucrative payment has encouraged teenagers to have children, with only 186 extra claims by teenagers between 2004-05 and 2005-06.

Overall, 4800 teenagers claimed the bonus in 2005-06.

However, older women are increasingly giving birth.

The number of claims by parents over the age of 40 increased from 9906 to 15,873.

Similarly, the number of claims by parents aged 35-39 increased from 44,783 in 2004-05 to 55,350 in 2005-06.

A spokeswoman for Treasurer Peter Costello - who famously remarked at the 2004 Budget that families should have "one for mum, one for dad, and one for the country" - said the Government's family-friendly policies were responsible for the growing birthrate.

"The Government has offered a number of incentives, such as the baby bonus, substantial increases in the rates of family benefits and extra childcare places to help with the hurdles of raising a family.

"Having a child can be costly and it is pleasing that this payment is helping thousands of families around Australia with these costs. If it brings about an increase in the fertility rate, that is a good thing."

A higher number of births reflected a growing level of confidence in Australia's future and that families had been experiencing a high level of economic security under the Coalition Government, the spokeswoman said.

(emphasis added)