



7 November 2008

Parental Leave Inquiry  
Productivity Commission  
GPO Box 1428  
CANBERRA ACT 2601

Via Email: [parentalsupport@pc.gov.au](mailto:parentalsupport@pc.gov.au)

### Proposals for National Paid Parental Leave Scheme

I refer to Commission's Proposed National Paid Parental Leave Scheme, and offer both support and express concerns about various proposals.

The Local Government Association of Queensland (LGAQ) represents all 74 Councils, and their related entities, which employ 37500 local government employees throughout all areas of the state. Only ten Councils have more than 1000 employees, ten have 400-1000 and ten have 200-400. Almost two-thirds of Queensland Councils have less than 200 employees.

LGAQ supports the objectives of improving the social benefits of extending parental care for infants, female participation in the workforce, continuing employment for parents and technically 'normalising' the balancing of work with caring responsibilities.

A number of Queensland Councils have introduced paid Maternity and Paternity leave to attract and retain skilled and experienced employees, especially in skilled and high-demand occupations. Brisbane City Council, which employs 25% of the local government workforce in Queensland, found that the introduction of paid maternity leave over ten years ago, along with flexible [part-time and telecommuting] employment arrangements, resulted in a high rate of return amongst women who accessed this benefit, almost double the rate from previous unpaid leave arrangements. This leave has been progressively increased up to 14 weeks currently, which can be taken at half-pay for twice the period, and in conjunction with other periods of paid and unpaid leave up to two years' leave may be taken per child, up to the child's sixth birthday. Most women return to work on part-time or other flexible work arrangement. 2 weeks paid paternity leave is available 'for the non-birth parent'. Employees can also salary-sacrifice from income to 'purchase' additional leave, in effect self-funding unpaid leave from savings, which some prospective parents utilise to extend their paid maternity and paternity leave.



On the other hand, in rural and remote areas of Queensland, Councils do not have the resources of large metropolitan Councils to fund absent and replacement staff, and alternate employment opportunities for employees are rare. Employers do not need to offer paid maternity leave to encourage employees to return to work with them.

We understand the suggestion in the Commission's report that having maternity leave paid through the employer somehow normalises familial responsibilities as part of working life. We also read in the report that the current mix of "Baby Bonus" and other "social transfer entitlements" and government-funded benefits are amongst the best in the world. Clearly the pursuit of a paid maternity leave is to create a point of differentiation from the policies of the previous government, but this should not be at the expense of employers regardless of whether they are in the income generating or service sectors of the economy.

Employers who see a competitive benefit in their labour-market are offering paid parental leave. This should not indicate that other employers, the vast number of which employ less than 200 and have simple payroll and HR processes, should be burdened with administering a scheme which applies to only a few of their employees in any one year. The recommendation that mothers who are not employed, or have not been employed for at least 12 months with the same employer, can still access the "Baby Bonus" and other entitlements means that the new 18 weeks paid Maternity Leave will be an additional system imposing significant cost on employers for no administrative benefit for the Commonwealth.

LGAQ therefore does not support the proposal that employers, including Queensland Councils, should act as intermediary to pay employees for a government benefit and then wait to be reimbursed by the Government.

Whilst we understand that the proposal is to include such payments in taxable income, the LGAQ does not support the notion of this payment being referred to as 'income' when paid by the employer, even if funded by the Commonwealth. One reason for this opposition is that income derived through the employer may impact the accrual of annual, personal and long service leave entitlements over the 18 week period of leave and may have further implications for Councils who are statutorily obliged to pay 12 per cent employer contribution to Superannuation under the Local Government Act 1993. This may create significant extra costs in administration, responding to employee enquiries as well as in the direct costs which will not be reimbursed.

LGAQ suggests that, if the "Baby Bonus" and other government funded family benefits are to be replaced with a "paid maternity leave" scheme, the new scheme should be universal, apply to all new mothers regardless of employment status, and be paid directly by the Government to the individual beneficiary. If it is intended



that this payment would be included in taxable income, this would be easily managed through individual declaration on Tax Forms, and employers can choose to supplement the government benefit with additional or 'make-up' pay if they choose.

Employers may choose to negotiate such benefits as part of a collective agreement or in the contract of employment. Prospective parents could be offered the opportunity to salary sacrifice a proportion of their pay (eg up to 20%) for a period of up to 4 years to reduce current taxable income and then self-fund make-up pay or additional leave, or offset the loss of the second income, by drawing on these savings during a period otherwise unpaid parental leave. Employer superannuation contributions and tax deductions would be made at the time of payment, in the normal administrative process. This would assist in making a clear distinction between government-funded benefit, employer provided maternity leave or make-up pay, and individual provision for their own circumstances. This would also have minimal administration cost for employers, especially in comparison with the Commission's proposal.

Yours sincerely,



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