

MASTER
GROCERS
AUSTRALIA

Paid Parental Leave: Support for Parents with New Born Children

Introduction

Master Grocers Association Australia (“MGA”) is an Employer Industry Association representing all Independent Grocery and Liquor Supermarkets in metropolitan Melbourne and country Victoria.

These supermarkets trade under brand names such as IGA and Foodworks and range in size from small, to medium and large businesses.

Independent Grocery and Liquor Supermarkets play a major role in the retail industry and make a substantial contribution to the communities in which they trade.

There are 2100 independently owned FoodWorks and IGA supermarkets in Australia employing over 70,000 full time, part time and casual staff, representing \$12 billion in retail sales. Many MGA members are small family businesses, employing 25 or fewer staff.

MGA welcomes the opportunity to comment on the recommendations of the Productivity Commission into Paid Parental Leave: Support for Parents with New Born Children

MGA has not responded on all the recommendations that have been referred to in the Report. A number of areas have been selected and responses have been provided accordingly.

MGA thanks the Productivity Commission for the opportunity to make these comments on this important matter.

A handwritten signature in black ink, appearing to read 'Jos de Bruin', with a horizontal line underneath.

Jos de Bruin
CEO
Master Grocers Australia.
November 14th 2008

Submission on Recommendations made by the Productivity Commission on Paid Parental Leave: Support for Parents with new Born Children.

In principle the independent grocery and liquor supermarket industry does not oppose the introduction and implementation of paid parental leave for long term employees. However, in light of the recent recommendations made by the Productivity Commission (the Commission), there are a number of factors which, MGA submits, need to be taken into account when considering whether paid parental leave, in the form proposed by the Commission, is viable for the independent supermarket industry.

In our submission to the initial inquiry MGA pointed out how the financial ability of small businesses to pay parental leave to employees is seen as a major stumbling block to its implementation. It is noted that the recommendations of the Commission include the introduction of a Government funded scheme and MGA supports that recommendation. However, there are other recommendations that MGA opposes and we will address those particular issues below.

MGA would like the Commission to take into account that the world wide economic situation has deteriorated considerably since the publication of the report by the Commission. The recent economic crisis will no doubt place financial pressures on many independent supermarkets in the future and it is likely to adversely affect the ability of employers to comply with the parental leave recommendations made by the Commission.

It is noted that the draft recommendations provide, inter alia, that

1. Employers fund capped superannuation entitlements to employees who are eligible for statutory paid parental leave.
2. Employers pay their employees statutory parental leave entitlements up front, and be reimbursed by the government;

In addition comment is sought by the Commission as to whether leave entitlements should accrue during a period of paid parental leave, having regard to its costs and appropriateness.

This submission addresses the above draft recommendations and also makes comment on the issue of the accrual of leave entitlements.

1. Employers fund capped superannuation entitlements to employees who are eligible for statutory paid parental leave

Paid parental leave is intended to assist new parents, and females in particular, to cope with being absent from the workforce in order to care for a new born child. The prospect of financial hardship and the loss of connection with the workforce, particularly for a

female during any period of absence from her place of work, are amongst the main difficulties facing prospective parents.

It is easy to understand why the Productivity Commission has recommended that financial support be made to the parents of a new born child during a period of absence from the workforce, albeit for a limited period of time. However, it is difficult to comprehend how the payment of superannuation contributions into an employee's superannuation fund by the employer could be seen as providing a financial benefit to an employee, at a time when actual financial support is most required. A female employee, whose age could range approximately between 18 years and 40 years, cannot access a superannuation fund until retirement age. Therefore, there is no immediate benefit or value to an employee who is absent from the workforce, in having superannuation entitlements paid into a fund. The requirement for an employer to pay superannuation on paid parental leave would not appear to be an incentive to an employee whose thoughts of retirement or access to retirement monies would be in the distant future.

The cost to small business of being required to fund superannuation will have a significant impact on small business, particularly in the independent grocery and liquor supermarket industry, where the workforce is predominantly female. MGA does not support the draft recommendation for payment of capped superannuation entitlements during a period of parental leave as it does not appear to be particularly beneficial to the employee and it is not financially viable for employers.

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

The Productivity Commission recommends that employers make the parental leave payments under the proposed parental leave scheme to an employee and then these payments will be reimbursed by the Australian Government.

Most independent grocery and liquor supermarkets are small businesses and already they are burdened by a plethora of Government rules and regulations. Whilst the Government would no doubt refund the monies to businesses at some time, although there was no indication as to when that would happen, the requirement for employers to pay "up front" to employees is likely to create financial difficulties and hardship for small businesses.

It has to be borne in mind that any employee on parental leave has to be replaced by another employee and the wages normally paid to the absent employee are provided to the replacement. Even if there was a short delay before the reimbursement is made by the Federal Government the process would place an administrative and financial burden on the employer. There is not only the additional "red tape" involved in making and claiming the reimbursement, but there is also the problem of cash flow for any small business.

The recommendation is flawed from an administrative perspective. In the independent supermarket industry there is such a high proportion of females that the recommendation will only result in small businesses being the main ones to shoulder the complications that will inevitably arise from this arrangement.

MGA does not support the recommendation that the employer to act as the pay person for the Australian Government. Many independent supermarkets are already burdened with complex compliance requirements and having to make the statutory parental payments and then waiting for reimbursement from Government is both time consuming and likely to cause administrative problems.

Consideration of whether other leave entitlements, should accrue during the period of paid parental leave

Under the current statutory arrangements an employee taking a period of unpaid maternity leave does not accrue additional leave entitlements.

Again, if an employer is required to provide for the accrual of additional leave entitlements it will place a further administrative and financial burden on the employer.

Not only will the employer be again acting in the capacity of paymaster for the federal government but there will be an additional monetary burden on the employer, which the independent supermarket industry is not financially equipped to carry.

MGA opposes the recommendation by the Commission to impose any further additional responsibility on the employers to provide for additional leave.

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