



# **Submission to the Productivity Commission Paid Parental Leave Draft Report**

**November 2008**

## **Introduction**

The Pharmacy Guild of Australia is an employer organisation which represents community pharmacy business owners in Australia, and represents approximately 90% of the independent community pharmacies across Australia.

The Guild exists to advance the interests and viability of its members who are pharmacy owners by enhancing, developing, and promoting the value of community pharmacy to the public, governments, and the health sector.

Community pharmacy provides an essential health service to the community through the dispensing and provision of prescription and over the counter medication, as well as the provision of many professional health care services such as health promotion, early intervention, prevention, assessment and general health management.

## **Support for Productivity Commission recommendations**

The Guild supports the Productivity Commissions recommendation of a tax payer funded paid parental leave scheme incorporating all family types. As health professionals, pharmacists and pharmacy assistants have an in depth understanding of the necessity for all parents to have the opportunity to take the time needed to spend time with their baby in those early months without having to worry about meeting their financial obligations.

## **Pharmacy Guild Concerns**

However, there are some areas of concern that the Guild requests considered before the final decision is made. These broad areas are:

- Paymaster arrangements,

- Cash flow; and
- Superannuation payments.

## **Prevalence of Women in Community Pharmacy**

Community Pharmacy, as with many health care professions, attracts high numbers of women. Currently, approximately 98% of the community pharmacy workforce, including pharmacists and pharmacy assistants, are women.

As stated in our previous submission, approximately 40-50% of those women are in prime child bearing years of 25-35 years of age. However, given that many women have postponed having babies until their late 30s or early 40s, this increases the prevalence of pregnant women in our workforce.

The Guild does not agree with the Productivity Commissions assumption that the chance of an employee taking parental leave is 1.1% per year as this is not accurate for the community pharmacy industry. In fact, there is currently an example of a small pharmacy in ACT with a staff count of 20 which currently has three (15%) women on un-paid maternity leave. This example shows that the 1.1% estimate may be inaccurate for our industry.

## **Economic Factors Specific to Community Pharmacy**

Community pharmacy has different cash flow issues to other businesses. Currently, community pharmacies already have cash flow implications from Government process:

### Pharmaceutical Benefits Scheme

About 70% of an average pharmacy's revenue is derived from the dispensing of drugs listed on the Pharmaceutical Benefits Scheme (PBS). Of this, only 20% is received at the time of dispensing the drug. The remaining 80% is paid by the Federal Government. This government reimbursement component is claimed through Medicare Australia and takes between 9 and 16 days to reach the pharmacy after the date of dispensing.

This, combined with GST being paid on stock purchased but not being charged on sales, results in pharmacies being in a significantly more difficult cash flow situation than most small businesses.

Also, the total price received for PBS medicines is regulated. This means that pharmacies cannot recoup any extra business costs by increasing prices on PBS drugs. The prices are set by the Federal Government and are subject to change at any time. For example, the Government applied a 25% price reduction to a significant proportion of PBS drugs on 1 August 2008.

### Goods and Services Tax and Business Activity Statement

In the case of pharmacy, cash flow implications have been exacerbated by the model which has been applied to collect GST on scheduled products sold in pharmacy which are all GST-free to the public and which comprise approximately 85% of all products distributed through pharmacies. The problem for pharmacy is that these products only become GST-free at the point of retail sale rather than being tax-free all the way through the supply chain.

This means that the pharmacy has to pay the GST on these goods and then claim the tax back as an input credit, which in many cases is quite a substantial sum, from the ATO.

Therefore, unlike other small businesses, pharmacies are always in a negative cash-flow situation and this in turn creates a need to lodge monthly Business Activity Statements in order to retrieve the money paid out as soon as possible.

At any given time, the ATO owes pharmacies about \$45 million which could be described as a revolving credit of \$45 million at pharmacists' expense. On top of this is the administrative burden imposed by the GST and the need to lodge a monthly BAS.

## **Award Modernisation**

The Australian Industrial Relations Commission has undertaken a process of award modernisation to simplify the current award structures. It is currently proposed that community pharmacy be placed under the retail award, and an exposure draft has been released. If the exposure draft as it currently stands becomes the award for community pharmacy, the cost implications of that award to community pharmacy are significant. This coupled with the implementation of a paid parental leave scheme as proposed may have detrimental economic effects on community pharmacy resulting in a reduction of staffing levels and potentially the delivery of health services provided to the community.

## **Issues with Proposed Model**

### Employer as Paymaster

The Productivity Commission Draft Report proposes that business be the paymaster for paid parental leave, and recoup this money through the PAYG withholding arrangements. This will create an additional administrative and monetary burden on community pharmacy.

As outlined above, community pharmacies are already constantly "owed" money by the Australian Government through the PBS and ATO. The Guild believes that it is not reasonable

for the Australian Government to increase the financial pressure on community pharmacy in this way.

There will also be an additional level of complexity added to the current payroll system as employees will not be paid their usual weekly wage, and current payroll software does not necessarily enable easy application of this change.

As outlined in our previous submission, the Guild supports a model closer to the one in New Zealand, where the New Zealand Government act as paymaster. With the current arrangements of the baby bonus being distributed through Medicare, the Guild believes that this should be achievable.

#### Payment of Superannuation

The draft report proposes that employers be responsible for the monthly payment of 9% superannuation of the adult minimum wage which is currently \$543.79 (\$48.94/week). While this may not seem to be a substantial amount, with the cash flow restrictions outlined above, it may have a significant impact on some community pharmacies.

As described above, there will also be the issue of added complexity to the process of calculating superannuation as calculations are based on the adult minimum wage instead of their usual salary.

## **Conclusion**

The Pharmacy Guild of Australia encourages the Productivity Commission to give careful consideration to the recommendations outlined in this submission.