

My name is Angela Budai, I am a 32 year old woman with a 17 month old son. I am a full time employee with flexible working hours (I work full time over 4 days) that allow me to spend 1 day/week at home with my son. I have been working for my employer (in the finance industry) for 9 years.

I thank you for the opportunity to comment on the Draft Inquiry Report into Paid Parental Leave: Support for Parents with Newborn Children.

While I will be presenting feedback on details of the proposed model I want to say at the outset that I think the Draft Inquiry provides a great starting point for the introduction of a comprehensive scheme of paid parental leave in Australia. I think it is of the utmost importance to have a paid parental leave scheme introduced by the Rudd government in the 2009 Budget.

Current Economic Conditions

There has been much comment on current economic conditions as a result of the global financial crisis.

It was very disappointing to see reported in the Sydney Morning Herald on Friday November 7, 2008 that the Government is planning to scrap the introduction of paid parental leave due to this crisis.

The Federal Government only just announced a spending package designed to stimulate the economy in order to stave off an Australian recession. I think that it is important in these times to recognise that the introduction of a paid parental leave scheme **will assist economic stimulation** in these times in the same manner that the stimulus package announced by the federal government will assist.

As the parent of a 17 month old son, I can tell you from personal experience that the time of the birth of a child is not a time when it is possible to save money. In the same way that the government is putting money in the hands of those most likely to spend it in order to stimulate the economy, putting extra money into the hands of new parents will achieve the same goal.

The current economic crisis should not be accepted as a reason to put aside the introductory of a paid parental leave scheme for Australian families, rather it should be seen as an opportunity to provide further stimulus for the Australian economy.

The Productivity Commission should strongly recommend that paid parental leave be included in the 2009/10 budget as it will assist economic stimulation.

Funding

The paid parental leave model proposed by the commission is almost entirely funded by the taxpayer with businesses only contributing a maximum of \$881 (in superannuation) per employee for each period of parental leave.

I work in the finance industry and most of the large employers in my industry provide paid maternity (or in some cases, paid parental) leave of 12-14 weeks. While arguably employers like the banks and insurance companies are best placed to be able to afford

such schemes the reality is that if they did not get a return on this investment the schemes would have been scrapped soon after they were introduced. Instead the schemes have generally been made more generous since they were first introduced over a decade ago. It is a generally accepted fact that business gets a good return on the introduction of paid parental leave. It therefore seems perverse that the recommendations in the draft report call for such a small contribution from employers. It would be more palatable for a small contribution if there were guarantees in place around the maintenance of current provisions or the requirement for “top up” to full wage replacement (or contribution to a levy designed to do this in a more equitable manner).

Similarly the overseas experience provides ample evidence of the benefits to society of having a primary caregiver at home for the first 6 – 18 months of a child’s life. The contribution of parents to their children is immeasurably greater than that provided by employers OR society regardless of the generosity of any paid parental leave scheme. It is on these fundamental beliefs that I base my feedback of your draft report.

Superannuation [2.11]

I work under a union enterprise agreement that in the last round of negotiations we were able to achieve an increase to our superannuation from 13% to 15%. This benefit was gained at the expense of other things including a more generous across the board pay increase. I am incredibly disappointed that your draft report caps the superannuation contribution of employers to a maximum of 9% (of the minimum wage) during a period of paid parental leave. It is also disappointing given the amount of evidence available about the disadvantage women face over their lifetime superannuation earnings that recommendations were not made that allow for greater employer superannuation contributions. Such recommendations might include stipulating that employer superannuation contributions should be paid at the employee’s actual salary instead of the minimum wage and that superannuation is paid at the rate at which it would be paid for any other type of paid leave.

The recommendation around super should specify the *minimum* employer superannuation contribution for eligible employees be 9%.

The accrual of other types of leave while on paid parental leave

The report particularly called for input into the accrual of other types of leave while an employee is on paid parental leave. If one of the aims of the scheme is to “normalise” access to paid parental leave then it should be treated in *every respect* the same as any other paid leave that accrues to an employee. That is it should:

- Be paid as any other leave is paid (ie full wage replacement)
- Allow for the accrual of annual leave
- Allow for the accrual of long service leave
- Allow for the accrual of any other benefits that would normally accrue while on paid leave
- Count as continuous service for the purposes of calculating leave or redundancy payments etc

Until paid parental leave is treated in an industrial manner as equal to any other paid leave it will be difficult to imagine that there will be a corresponding change in behaviour from either employers or employees.

There is also the issue of indirect discrimination – paid parental leave is mostly accessed by women, and if it is treated differently to other forms of leave it is arguably an example of indirect discrimination to women. It certainly will not assist in the fight for pay equity for women.

Paid parental leave should be treated in the same respect as every other type of paid leave.

Duration

The draft report acknowledges that the ideal amount of paid leave available to families should be between 6-9 months. It is difficult then to understand why the proposed scheme comes in at less than 6 months (the lower end of the recognised ideal amount). The commission suggests that most families have the capacity to self fund 2-5 months of leave through accessing accrued annual leave or long service leave, using savings or reducing the amount of spending. This raises a number of concerns around equity issues.

The first issue is around the ready acceptance of the commission that it is acceptable for women to use accrued annual leave or long service leave as a method of “self funding” parental leave. Annual leave was designed for all workers to be able to access sufficient time during a working year for rest and relaxation. As a working mother who used up all of her accrued leave to care for a newborn child, I can assure you that this leave was not used as it was designed for “rest and recreation”. Further now that I have been back at work for 6 months, I am saving my annual leave instead of taking a holiday that I actually feel like I need. It is unreasonable to expect that women should be use leave designed for rest and recreation for the purposes of caring for a new child.

Unfortunately the reality in Australia is that one in three marriages experiences breakdown. When families are encouraged to use all of a woman’s accrued leave to allow for the family unit to better manage their finances after the birth of a child and the marriage later breaks down it is the woman who is disadvantaged. Where her ex-partner will have access to a bank of unused annual leave and long service leave, she will not have any claim over his leave even though he has had an indirect benefit from her use of her accrued leave for the care of their children. I think this issue has been overlooked and I implore the commission to seriously consider this matter.

The second issue is around the number of women who work casually, as contractors or who are self employed who do not have a bank of accrued leave to access.

The third issue is around the desire of women to keep some of their annual leave so that on their return to work they can access this leave if needed to assist with the care of their children or to have a break from work after their return.

Again I want to reiterate the importance of the introduction of a paid parental leave scheme in the 2009 Federal budget.

While I do not believe that the duration proposed by the commission is the ideal I believe it is important to have a scheme up and running as soon as possible and that increasing the duration of leave can be on a sliding scale over the next 3 years. The duration of the leave should be considered at the review of the scheme that the productivity commission has proposed.

Accessing the leave

The first question I have is around the definition of “continuous leave” – the commission did not define continuous leave in the draft report. Is continuous leave only employer provided paid parental leave or does it include annual leave and long service leave?

Has the commission considered the impact that this eligibility criteria would have on families who have an additional employer provided parental leave that is able to be accessed at half pay?

It would be my preference that the definition of continuous leave for the purposes of the proposed scheme be defined as employer provided paid parental leave. It is my experience that the majority of women in my mothers group and at my workplace took 12 months leave after the birth of the child and that the majority of these people used anything possible to extend the duration of paid leave before falling back on unpaid leave. [2.24]

If the government scheme must be accessed within the first 6 months, but only provides for 18 weeks leave it will mean that either:

- a) An unintended consequence whereby people who try to assist by self funding 12 months off miss out on the scheme (52 weeks – 18 weeks = 34 weeks) as they fall outside of the 26 weeks within which the scheme must be accessed
 - b) People who want to have 12 months off work access their paid leave 8 weeks or more before the baby is due to be born in order to maximise their access to the government funded scheme within 26 weeks of the baby being born
- or
- c) People take less time off work than would be ideal at full pay instead of double the time at half pay (for employer funded leave) in order to access the government funded scheme.

I would recommend that the commission extend the time at which the government funded leave can be accessed to within the first 12 months of the baby being born (or the child being placed in cases of adoption).

My experience was that I had access to 14 weeks paid parental leave that I accessed at half pay for 28 weeks. This allowed my family to plan to have a steady income for the time I was on parental leave. While I was on half pay and not full pay the reliable income helped us to plan to meet our mortgage payments and other expenses that are regular payments, not one off payments. I think it is much harder to budget and to put aside money for these sorts of payments than to budget on a regular income. I do not believe that the minimum wage is a “reasonable” payment however even being able to access this minimalist payment at half the amount for twice the duration would be advantageous.

In terms of the paid leave for the supporting partner I think that 2 weeks is a minimalist approach. I know that for my own experience I went into hospital on a Monday evening, didn't have my son until Tuesday night and then was in hospital until Friday afternoon, so almost half of my husband's leave under this plan would have been used before I even walked in the door with our son. I think an extension to 3 weeks at the time of the birth would be a sufficient improvement. While there are a number of households where the woman is the primary income earner, this is still the exception rather than the rule and there should be mandated top up for the supporting partner from the employer during this period. It is unreasonable to expect that most households could survive on 2 minimum wage incomes during this time of significant upheaval.

Eligibility

The requirement for 10 hours/week work over 12 months seems a strange number of hours and I wonder how the commission came up with this number. It would seem more reasonable to put the eligibility at the equivalent of 1 days work. One day work a week is the equivalent of 7.3 hours a week and this seems like a more reasonable way of meeting the eligibility requirement.

Keeping in Touch

I have some concerns about the staying in touch provisions. My first concern is regarding payment for the extra days worked. If someone comes into work under this provision they should be paid at their regular wage (by their employer) for the time that they work. It is not reasonable to expect that someone on paid parental leave would be required to work for less than their actual wage [2.3].

Secondly what are the provisions for ensuring that there is genuine mutual agreement about when and how this provision is applied? Are there genuine protections for workers built into this provision? I have concerns that where a woman is breastfeeding and the workplace is not designed to allow that to occur (eg for bus drivers, factory workers, outdoor workers etc) there will be pressure put on the woman to leave the baby at home or in care and that this may have ill effects on child and maternal health (mastitis etc). Even if the woman is not breastfeeding there should not be pressure on her to either bring her child into an unsafe environment or to leave them in inappropriate care. I believe that the commission should introduce an independent umpire to resolve any of these issues that may come about with these provisions.

There should also be some consideration of extending the period of paid parental leave by the number of days that an employee actually works. So, for an employee who works for the total of 10 days in this 18 week period the leave should be extended by 10 days. This would be at no cost to the government as the employer should be paying full wage replacement for the period of time worked.

Equity

One of the concerns that the productivity commission addressed in the draft report was that of equity, both horizontal and vertical [1.19]. In terms of treating people equitably the current tax system and family tax benefits are already inequitable to women who choose to return to the workforce. Families who retain the single breadwinner are

treated better with the family tax benefits. If you want to encourage women to stay in the workforce perhaps a review of this system is warranted [1.19].

Level of Pay

The current paid parental leave proposal recommends that the level of pay for the duration of paid parental leave be the minimum wage for all eligible employees. The commission does not recommend that there be any mandatory “top up” by employers to full wage replacement, nor do they favour the introduction of a levy as proposed by UnionsNSW.

There are a number of considerations with regard to this matter.

Firstly, a government contribution of the minimum wage for all eligible employees to start the paid parental leave scheme should be applauded.

Secondly, there need to be considerations for the families who will find themselves *worse off* under this scheme than they would if the status quo were maintained. This is an unintended consequence. I do not believe that the commission would choose to support a system that leaves families worse off.

For example, if there is no obligation for employers to continue to provide entitlements (eg a no disadvantage test) [2.5], full time average income earners who currently have access to an employer funded paid parental leave scheme will be worse off.

I have prepared some tables for the most common wages of people in my workplace that indicate how a woman on close to average weekly earnings, and how a supervisor would be impacted based on a number of different options (all dollar amounts rounded up to dollar for ease of calculation):

Current entitlements (achieved through enterprise bargaining)

Table 1 and 2 show the current entitlements for an entry level employee at most common grade (annual salary of \$48 769 which is only \$5/week more than average weekly earnings for a full time woman), and for an entry level team leader (annual salary \$65 068).

These tables assume 12 months employment, therefore these employees will meet the eligibility test. It also assumes (based on the assumptions in the draft report) individual contributions of 4 weeks annual from each employee.

It is against these entitlements that I will be assessing whether an employee will be better or worse off with the scheme proposed by the productivity commission.

Table 1 – Current Entitlement for entry level employees (annual salary \$48 769)

Type of leave taken	Current weekly pay	Total value	Time off full pay	Total time off @ half pay
Parental Leave from employer of 14 weeks @ full pay or 28 weeks @ half pay	\$938 \$469	\$13 130 \$13 130	14 weeks	28 weeks
Baby bonus from Government \$5000		\$5000	5.3 weeks	10.6 weeks
Annual leave @ full pay or @ half pay	\$938 \$469	\$3752 \$3752	4 weeks	8 weeks
	Total	\$18 130 + employee contribution \$3752	23.3 weeks	46.6 weeks

Table 2 – Current Entitlement (Team Leader \$65 068)

Type of leave taken	Current weekly pay	Total value	Time off full pay	Total time off @ half pay
Parental Leave from employer of 14 weeks @ full pay or 28 weeks @ half pay	\$1251 \$626	\$17 518 \$17 518	14 weeks	28 weeks
Baby bonus from Government \$5000		\$5000	4 weeks	8 weeks
Annual leave @ full pay or @ half pay	\$1251 \$626	\$5004	4 weeks	8 weeks
	Total	\$22 518 + employee contribution \$5004	22 weeks	44 weeks

Proposed entitlement

Tables 3 and 4 assume that employers will take the most inexpensive option and will remove current entitlements). It is unrealistic to assume that employers will choose to maintain current systems of paid parental leave after the introduction of a statutory scheme.

Table 3 – Proposed entitlement- entry level employees (annual salary \$48 769)

Type of leave taken	Current weekly pay	Total value	Time off actual	Time off (equiv full wage replacement)
Parental Leave from government 18 weeks	\$544	\$9788	18 weeks	10.4 weeks
Baby bonus \$5000	Not available			
No Employer provided scheme	??	??	??	??
Annual leave @ full pay or @ half pay	\$938	\$3752	Half pay	4 weeks
	\$469	\$3752	8 weeks	
	Total	\$9 788 + employee contribution \$3752	26 weeks	14.4 weeks
	Difference for employee	-\$8342	-20 weeks	-9 weeks
	Difference in employer contribution	-\$13 130		

Table 4 – Proposed entitlement - Team Leader (annual salary of \$65 068)

Type of leave taken	Current weekly pay	Total value	Time off actual	Time off (equiv full wage replacement)
Parental Leave from government 18 weeks	\$544	\$9788	18 weeks	7.8
Baby bonus \$5000	Not available			
No Employer provided scheme				
Annual leave @ full pay or @ half pay	\$1251	\$5004	Half pay	4 weeks
	\$626	\$5004	8 weeks	
	Total	\$9 788 + employee contribution \$5004	26 weeks	11.8 weeks
	Difference	-\$13 982	-4 weeks	-6 weeks
	Difference in employer contribution	-\$17 518		

There will be a number of employers who choose to revert back to the minimalist model but will continue to take advantage of the benefits that a paid parental leave gives to the business. Other employers will be more generous and I have outlined a number of options below depending on how comprehensive a system an employer wishes to provide to employees.

Option 1: An employer required to “top up” from the min wage to full wage replacement.

As you can see from the tables below this would be a much fairer outcome for women in both in terms of level of pay during this period AND in access to time off: The tables below reflect this outcome, and also look at the possible outcome of being able to access the scheme at half pay for twice the duration. The employer contribution towards this top up is still less than current outlay

Table 5 – Option 1 - Entry level employee (annual salary of \$48 769)

Type of leave taken	Current weekly pay	Total value	Time off actual	Half pay
Parental Leave from government 18 weeks	\$544	\$9788	18 weeks	36 weeks
Baby bonus \$5000	Not available			
Mandatory Employer top up	\$394	\$7092	18 weeks	
Annual leave @ full pay or @ half pay	\$938	\$3752	Half pay	8 weeks
	\$469	\$3752	8 weeks	
	Total	\$16 880 + e'ee contribution \$3752	26 weeks	44 weeks
	Difference	-\$1250	+ 3 weeks	- 3 weeks
	Difference in employer contribution	-\$6038		

Table 6 – Option 1 Team leader (annual salary of \$65 068)

Type of leave taken	Current weekly pay	Total value	Time off actual	Half pay
Parental Leave from government 18 weeks	\$544	\$9788	18 weeks	36 weeks
Baby bonus \$5000	Not available			
Mandatory Employer topup	\$707	\$12 726	18 weeks	36 weeks
Annual leave @ full pay or @ half pay	\$1251	\$5004	Half pay	8 weeks
	\$626	\$5004	8 weeks	
	Total	\$22 514 + e'ee contribution \$5004	26 weeks	44 weeks
	Difference	-\$4	+ 4 weeks	0
	Difference in employer contribution	-\$4792		

Option 2: To mandate that an employer keep their current scheme (but not require top up of 18 weeks govt scheme).

This option will mean an increase in costs to the employer by \$881.

Table 7 – Option 2 - Entry level employee (annual salary of \$48 769)

Type of leave taken	Current weekly pay	Total value	Time off actual	Time off actual full wage replacement
Parental Leave from government 18 weeks	\$544	\$9788	18 weeks	10.4
Baby bonus \$5000	Not available			
Parental Leave from employer of 14 weeks @ full pay or 28 weeks @ half pay	\$938 \$469	\$13 130 \$13 130	14 weeks Or 28 weeks	14
Annual leave @ full pay or @ half pay	\$938 \$469	\$3752 \$3752	4 weeks Or 8 weeks	4
	Total	\$22 918 + E'ee contribution \$3752	36 weeks or if e'er leave @ half pay 54 weeks	28.4
	Difference	+\$4788		
	Difference in employer contribution	+\$881 (super)		

Table 8 – Option 2 Team leader entry level (annual salary of \$65 068)

Type of leave taken	Current weekly pay	Total value	Time off actual	Time off actual full wage replacement
Parental Leave from government 18 weeks	\$544	\$9788	18 weeks	7.8
Baby bonus \$5000	Not available			
Parental Leave from employer 14 weeks @ full pay or 28 weeks @ half pay	\$1251 \$626	\$17 518 \$17 518	14 weeks Or 28 weeks	14 weeks
Annual leave @ full pay or @ half pay	\$1251 \$626	\$5004 \$5004	Half pay 8 weeks	8 weeks
	Total	\$27 306 + E'ee contribution \$5004	36 weeks or if e'er leave @ half pay 54 weeks	29.8
	Difference	+\$4788		
	Difference in employer contribution	+\$881		

The third option, which is the least likely option, is that the employer not only maintains their current arrangements but that they also top up the 18 weeks minimum wage to full wage replacement. This would involve the highest cost to business. The tables below reflect what this might look like:

Table 9 – Option 3 - Entry level employee (annual salary of \$48 769)

Type of leave taken	Current weekly pay	Total value	Time off actual	Time off actual full wage replacement
Parental Leave from government 18 weeks	\$544	\$9788	18 weeks	18
Baby bonus \$5000	Not available			
Mandatory Employer top up	\$394	\$7092	18 weeks	
Parental Leave from employer 14 weeks @ full pay or 28 weeks @ half pay	\$938 \$469	\$13 130 \$13 130	14 weeks Or 28 weeks	14
Annual leave @ full pay or @ half pay	\$938 \$469	\$3752 \$3752	4 weeks Or 8 weeks	4
	Total	\$30 010 + E'ee contribution \$3752	36 weeks or if e'er leave @ half pay 54 weeks	36 weeks
	Difference	+\$11 880		
	Difference in employer contribution	+\$7 973		

Table 10 – Option 2 Team leader entry level (annual salary of \$65 068)

Type of leave taken	Current weekly pay	Total value	Time off actual	Time off actual full wage replacement
Parental Leave from government 18 weeks	\$544	\$9788	18 weeks	18 weeks
Baby bonus \$5000	Not available			
Mandatory Employer topup	\$707	\$12 726	18 weeks	
Parental Leave from employer 14 weeks @ full pay or 28 weeks @ half pay	\$1251 \$626	\$17 518 \$17 518	14 weeks Or 28 weeks	14 weeks
Annual leave @ full pay or @ half pay	\$1251 \$626	\$5004 \$5004	Half pay 8 weeks	4 weeks
	Total	\$40 032 + E'ee contribution \$5004	36 weeks or if e'er leave @ half pay 54 weeks	36 weeks
	Difference	+\$22 514		
	Difference in employer contribution	+\$13 607		

There are obviously a number of options that the commission could choose to include in the final model. The simplest way to ensure that no family is worse off under this scheme is to introduce a “no disadvantage test”. This test could ensure that no worker is worse off, while ensuring that there is an across the board “minimum” for all workers. Any employer who has a scheme of paid parental leave in an enforceable enterprise agreement should have to pass this test before entering into changed arrangements. There should be an independent umpire who is responsible for ensuring that any changed arrangements meet this requirement.

The draft report presented in chapter four [4.14] evidence which suggests that in order to maximise recovery for the birth mother a quarantined “maternity leave” at full wage replacement would be the best option. Section 4.4 of the report draws on evidence that links better child health outcomes with more generous leave. It is important to note that no studies have been done on the effect of a paid leave scheme where the payment is at the minimum wage and not at the mothers full wage replacement – rather they talk about “adequate payment” and arguably with the average weekly earnings for women \$933/week (ABS Year book 2007), (\$389 more than the min wage), the minimum wage is hardly adequate [4.29]. This is particularly important to note when the majority of first time mothers were working full time prior to the birth of their first child (although the percentage decreases greatly with each subsequent pregnancy).

The productivity commission should recommend the introduction of a “no disadvantage test” to stand alongside any statutory paid parental leave scheme to ensure that no workers ends up worse off after the introduction of a statutory system.