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## Women's Electoral Lobby Australia Inc.

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# WOMEN'S ELECTORAL LOBBY AUSTRALIA

## Response to the Productivity Commission report

### A. Initial response (already sent)

Women's Electoral Lobby has already welcomed the Productivity Commission's Interim Report on paid parental leave as a potential **feminist gain** and a very good starting point for the recognition of the contributions made by both mothers and fathers in paid work. We also recognise the value of the consultation process pursued by the Commission and the resource materials which it has provided, both of which have enabled many people to clarify issues and to participate in the policy debate.

The proposal is for 18 weeks publicly funded leave, paid at the minimum wage rate, plus two weeks for partners on a take it or lose it basis. Although not the 26 weeks most feminist groups would have liked, the report points out that, together with recreation leave, it makes six months with the baby much more possible.

The Commission's proposed model does not replace income for the many women who earn more than the minimum wage, and more than replaces it for most of those who earn less. However, a higher proportion of these higher income earners already have been able to negotiate some paid leave, so will presumably be able to top up the government contribution and perhaps extend it for some additional weeks, at little or no net cost to their employers. Others will have a strong case for negotiating the top up in comparison with their peers. This model takes nothing from those not in paid work, and hopefully only a little from the few who currently have both paid maternity leave and the baby bonus should their employers use the government payment as a pretext to cut out their current leave payment.

The real strength of this proposal is that it formally recognises the intersection of the public and private spheres by making caring for babies a workplace issue. This type of change opens up many new areas for discussion of the appropriate levels of time and resources

spent in our various roles. Finally, the dominance of workplaces and identities can be challenged and tempered with a more human/social interactions.

The total gains on current rates for those mothers eligible (175,000 in 2007) will be around \$9788 for 18 weeks, plus \$648 in super contributions. Those not eligible because they have not had paid work for most of the year, (36,000) or were not in the workforce (110,000) will get the untaxed \$5000 'maternity allowance' or baby bonus and \$654 in Family Tax Benefit B. Depending on her partner's or own other income, a mother may be eligible for a parenting payment and more FTB A. So the maximum difference in income between those eligible for the payment and those not eligible would be \$3037, or \$2383 in cash terms, as the superannuation component is not accessible to those outside the paid workforce. For employers, there will also be enhanced employee retention rates.

The Commission has clearly made the point that looking after children is an expected part of working life, and should also be an accepted one. For an economics-driven institution this is an important acknowledgement, and the report makes it very explicitly:

***'Normalcy' of parental leave and maximising retention***

*The more that parental leave arrangements mimic those that exist as part of routine employment contracts, the more they will be seen by employers and employees as standard employment arrangements . . . signalling that looking after children while still being employed is just a normal part of working life. [our emphasis]*

Until now, Australia has dismally failed to include paid parental leave in its policy agenda. Family payments, often quite generous ones, were likely to be targeted at women with no extra income or potential second income earners discouraged by the high means tests. The proposed parental leave payment, if it survives the consultation and government decision-making process, would be the first formal recognition of the intersection of paid work and nurturing children. It will clearly benefit low paid workers, often part time or regular casuals, who have historically had the most difficulty in bargaining for any paid leave. These include most of the 16% of mothers who now return to work within the first three months following the birth of their children. Of course, there are gaps in the proposed model, but it is a huge first step to get it.

WEL is deeply concerned that the recommendations made in the Commission's draft paper stay in the final report, and that the government not turn paid parental leave into another welfare payment like the badly designed Howard Baby Bonus or the earlier Keating version.

## **B Arguments for not delaying the introduction of a scheme**

The first response of the Government to the Commission's Draft Inquiry report was encouraging, encompassing as it did a recognition that 'it's time to bite the bullet'. More recently, however, there have been indications that the Government may be backing away from its commitment, with arguments being floated that parental leave 'may not be affordable in the present economic crisis'.

WEL stresses the need for paid parental leave to proceed and to be introduced in the 2009 Budget.

The Commission's costings indicate that up to 13 weeks of the proposed model could be funded from existing payments and tax savings. Therefore WEL is suggesting that the basic arguments about costs should be separated from arguments about the introduction of the concept.

WEL stresses the importance of recognising the connections of parental and worker responsibilities by government and employers. The increasing numbers of employers who have introduced their own versions of paid parental leave attests to the importance of the joining up of the responsibilities of paid workers in and out of workplaces. They reflect the increasing awareness that current workplaces require mutual respect and commitments to personal and community needs. Nevertheless, there remains a need for public funding to allow the spread of the entitlements. The continued gender segregation of jobs, the needs of small business and the recalcitrance of some employers means that it is a legitimate to make public contributions to such payments to ensure universality.

If the introduction of parental leave is delayed or lost it will be seen as an indicator of lack of respect for the contributions made by women in the paid workforce, and a reversal of expectations raised by the Government prior to and following its election.

### **Costing the components**

WEL notes that the gross costs are estimated by the Productivity Commission as \$1.5B but that the net costs will be about a third of this at \$527B; \$450M of this is government money, with the balance coming from employers. The balance of the spending already exists, coming from such payments the Baby Bonus, Family Tax Benefit B and the taxing of the leave payments. The extra costs have been estimated by the Commission as covering weeks 13-18, and the 2 weeks of paternity leave. The extra employer costs of superannuation and possible other leave accruals are not a public cost and can be argued separately. Therefore WEL is suggesting that the basic arguments about costs should be separated from the arguments about the introduction of the concept.

The Overview of the report, (p.xxxiii) has a chart showing that redirecting the Baby Bonus would cover 9 weeks of the proposed scheme, and the savings in tax and other payments would cover 12 weeks and most of the 13<sup>th</sup> week. It is basically the additional costs of weeks 14-18 that are in question. As the scheme would mainly benefit lower income earners, the introduction of the scheme and its extra expenditure should be seen as a form of financial stimulus, as well as an equity measure.

We therefore challenge the government to explain how it could be possible to view this proposal as not affordable, even in times of limited resources, given the main beneficiaries are earners in lower income working families whom the government recognises as under stress.

## **C Proposed changes to the scheme**

WEL has examined the initial report and, while supporting its basic principles and directions, has some concerns with the design which are outlined below.

### **Defining women's workforce attachment**

Because WEL recognises the importance of recognising the connections of parental and worker responsibilities, it opposes seeing this process as primarily focusing on just increasing the financial options for all mothers. We support a differentiation between those that have a workforce attachment and those who do not. We may have some arguments with how this is defined but basically we would accept the ABS definition of being in the workforce, but with a minimum of 14 hours per fortnight rather than one hour. The 10 hours per week may be somewhat high as it eliminates women who undertake paid work one day per week while children are in care or school.

### **Relationships between eligibility for leave and payments**

WEL has some concerns with the anomalies that may occur in the proposed definitions of who will be eligible under the Commission's model, in particular, the situation of those who have 12 months paid work but with more than one employer. These mothers will be in the odd situation of being eligible for Commonwealth payments labelled paid maternity *leave* but not necessarily be eligible for a similar period of leave as they have less than 12 months with one employer.

We would therefore propose that changes be made to the National Employment Standards to allow these mothers to take at least 18 weeks leave with the right to return to their jobs. Similarly, WEL would like to see some recognition of the needs of those casual workers and newer entrants who currently have no entitlement to any forms of leave, paid or unpaid relating to child bearing. Maybe these could be given the statutory right to at least 13 weeks unpaid leave with the right to return, where this was appropriate.

### **Those not in paid work**

WEL accepts that those women who are not in paid work may need financial support but asks that such recognition be differentiated from the payments that are related to paid work. Good parenting can come equally from parents with and without paid jobs; policy needs to recognise this and encourage a balanced approach to care and paid work. Currently, there is a payment that advantages single income families on total incomes similar to dual income families—the Family Tax Benefit B—and restricts free choices. Peter McDonald, in an article quoted in the Report, has calculated that a single earner family may get 4 times the subsidy of a 1.5l income family, as well as having a reduced need to purchase outside services and to reduce household production time. This often means a higher standard of living in households with similar incomes and fewer total workplace hours.

We also point out that for a small proportion of women with some workforce attachment and a low income or no partner, access to Parenting Payment, together with the proposed

maternity allowance (or the existing Baby Bonus), may be a better option. This may also reduce the numbers claiming the maternity leave payments.

### **The level of payment and relationship to the baby bonus**

The other point to be considered is that the proposed scheme gives lower income paid workers entitlements to paid leave that they have been proven unlikely to be able to negotiate because of the types of employers they have and the types of industries in which they are typically employed. The proposal is that all eligible workers be paid the minimum full time wage, which may be more than they earn as part time workers.

The logic underpinning the model has been explained by the Commission as intended to increase the attractiveness of parental leave vis-a-vis the proposed 'maternity allowance' that is to be neither means tested nor taxed. Taken together with the taxing of paid parental leave, this would mean that low income earners would receive greater benefits than higher income earners from paid parental leave, and would be more likely to maintain their labour force attachment while substantially increasing their leave in response to the proposed payment.

The main losers from the Commission's model would be some women in the workforce on above minimum wages. The average tax for some women in this group would leave them better off than those receiving the 'maternity allowance' if they received the full 18 weeks of paid parental leave, but would see losers among women who received less than 18 weeks. To prevent net disadvantage to these women, the Commission proposes to enable them to choose to take the maternity allowance rather than to take paid parental leave.

WEL accepts this argument but would suggest that taxing the 'maternity allowance' may be an additional useful measure as it reduces the advantage of the bonus for higher income earners and probably makes little difference for lower income earners. We would like to see this modelled to ensure it does not affect low income earners' entitlements.

WEL notes that the other group that would be better off under the Commission's proposed model would be women currently means tested out of the existing baby bonus. The Commission is arguing that for horizontal equity reasons, any women eligible for the proposed paid parental leave scheme should also be eligible for the maternity allowance, and that for this reason the maternity allowance should not be subject to a means test. However, taxing it would reduce both the costs and not affect equity

### **Other recommendations**

- We have some concerns that the administration of the model by the Tax Office may reduce its legitimacy as an employment based program but recognise that this is preferable to using Centrelink.
- In some cases the administration of the model may be complex and situations may arise that cause unintended financial consequences for recipients. We therefore suggest that consideration be given to an effective and inexpensive independent disputes process that ensures that women are not disadvantaged.

- There should be a 'no-disadvantage test' in case of disputes.
- The requirement to take the government entitlement within six months of birth is too rigid: the entitlement should be available over a 12 month period with a commencement date 4 weeks prior to the birth or expected birth.
- We would also strongly suggest that the entitlement could be accessed on a half pay rate over 36 weeks.
- We recommend that superannuation contributions not be capped at 9% and should be paid at the rate payable prior to the commencement of leave.
- We recommend that the leave entitlement be accrued and considered as all other work related leave.

**We also want to strongly indicate our support for the following aspects of the proposed model:**

- The inclusiveness of family types.
- The use of employers as paymasters to retain workplace connections.
- The inclusion of casuals and the self employed.
- The inclusion of partner leave.
- The right to use other leave including sick leave to extend the leave period.

Eva Cox 17/11/08