

Unions NSW Submission in Response to the Productivity Commission Inquiry into
Paid Parental Leave Draft Report.

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Submission prepared by Working NSW, Unions NSW research driven campaigns centre.

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1.Introduction

1.1 Context

Unions NSW recognises the broad community support that has lead to the current inquiry into paid parental leave. This is not a new issue for Australian families. Since the first Paid Maternity Leave Test Case in 1979 there has been a growing recognition that families need particular support during the early months after the birth or placement of a child. The need for two incomes is an economic reality that most families now face and it only increases the urgency for this type of scheme.

Australian families are struggling in the current economic climate, and a national paid parental leave scheme is an economically and socially responsible way to provide families with genuine support during a time of considerable financial pressure. Therefore, a national paid parental leave scheme must be fully funded in the 2009 Federal Budget.

Unions NSW acknowledges that since the Productivity Commission's Inquiry into Paid Parental Leave began, there has been a significant economic downturn worldwide. The consequences of this downturn for Australia are yet to be fully determined. In this climate, a universal paid parental leave scheme would be a proactive government measure tostimulate the economy. At the time of becoming a parent, significant financial outputs cannot be avoided. This is evidenced by statistics that show couples with dependent children aged under five years old and sole parent families with dependent children have the lowest household net worth¹. This can be attributed to the fact that a significant proportion of spending for families with young children is necessity and not discretionary spending. Government assistance being provided to these families is being reinvested into the Australian economy, stimulating growth.

Calculations of cost have been provided by the Productivity Commission. The amount that the proposed scheme is predicted to cost the federal government is not substantial; an additional 2 per cent on existing government outlays on family assistance measures. However, these calculations appear to be predicated on an unusually high "take-up" rate by eligible parents. The likelihood of this level of "take-up" is questioned by some experts², meaning that costs be significantly less.

1.2 Unions NSW Response

The response by Unions NSW is twofold. It recognizes the economic necessity of getting the first stage of an evolving scheme in the 2009 Federal Budget. Nonetheless, it is important to recognize this part of the scheme as a first step that must be a stage in further action. Action that will see a system of six months universal parental leave, paid at full wage replacement by 2013. It is only through realizing the next steps of this scheme that the objectives of the Productivity Commission Draft Report can actually be met.

It is Unions NSW understanding that the Productivity Commission's objectives can be broadly categorized as;

- Enhancing maternal and child health and development through six months paid parental leave.
- Facilitating workforce participation by women.

Australian Bureau of Statistics, C: 6554.0, 2005-2006.

² Unions NSW, *Unions NSW Submission to the Productivity Commission Inquiry into Paid Maternity, Paternity and Parental Leave*, Sydney, 2008, p.27.

The expression of emerging community norms that taking time away from the paid workforce to care for an infant is a normal part of life and work for many people, including fathers.

1.3 Unions NSW Policy

The NSW union movement believes that Australia should fall into line with other OECD nations and embrace a policy of universal paid parental leave. This leave is both a health right and a working right.

The core elements of this policy include:

1. Time:

- a. The Productivity Commission's Report on Paid Parental Leave recognises that the optimal length of leave is six months.
- b. We advocate a six month minimum because the World Health Organisation recommends that women breastfeed their babies for at least six months to maximise health outcomes for both mother and baby.
- c. This should be achieved by introducing 18 weeks paid parental leave in May 2009, 24 weeks in May 2011and 28 weeks in May 2013.
- d. This phasing in of the appropriate time must be guaranteed in any enabling legislation or regulations.
- e. The government mandated leave is in recognition of the fact that a significant proportion of women work as casuals or part-time workers and thus have no or minimal access to other paid leave entitlements.

2. Universality:

- a. That a base salary provided by the government should be paid to all women, irrespective of whether they are casual, full time, part-time or contractors.
- b. Those women not in the paid workforce should receive a social wage of equivalent value.

3. Wage replacement:

- a. Full wage replacement is a key element of Unions NSW policy, in recognition that women have the same financial responsibilities as men, and that therefore Parental or parental leave should provide for income replacement, as is the case with other forms of leave
- b. The method by which this is achieved needs to be explored by a group of all stakeholders.

4. Superannuation:

- a. That the proposed superannuation contribution by employers during parental leave should be paid at 9% or above where this has been previously negotiated.
- b. That the contribution by employers must be paid on the employee's average weekly earnings and not the federal minimum wage.

5. Review:

a. That the social, health, workforce and financial impact of this scheme must be reviewed in 2 years and again in 5 years by an independent body. (This must not just be the administrative review proposed in the draft report).

6. Discrimination:

- a. It is incumbent upon the Productivity Commission to recommend a scheme that does not lead to discrimination.
- b. That scheme must also have a dispute resolution mechanism.

7. Interaction with Industrial Instruments:

- a. This scheme is intended to be a legislative minimum and is not to replace provisions currently contained in any industrial instrument.
- b. This includes arrangements achieved through bargaining.
- c. It also does not preclude employees from bargaining for future gains.
- d. In light of this the time in which people can commence parental leave must be within the first 12 months of the child's life.

2. The Application of the Scheme's Objectives

Unions NSW broadly supports the stated objectives of the proposed scheme. However, many of those objectives would not be met by the scheme in its current form. The following section looks at parts of the scheme that can be amended in the short term and developed in the long term to meet the stated objectives in full.

3. Duration

The Productivity Commission's Report on Paid Parental Leave recognises that the optimal length of leave is six months. It is an important achievement that the Productivity Commission has accepted the health benefits of breastfeeding and attachment parenting that are optimized through six months paid parental leave³. Disappointingly, the model proposed by the Productivity Commission forces the primary care-giver to use other forms of paid leave to achieve this six months duration. This is problematic for several reasons.

The proposed scheme aims to be accessible by all employees. However, in order to reach the desirable leave duration of six months, the report suggests that parents should use the government funded leave and accrued leave⁴. However, by definition, a casual employee is not entitled to paid leave. Therefore do not accrue paid leave which would assist them to be able to take six months to care for a new infant. Casual workers currently comprise 30%⁵ of the workforce, and 58%⁶ of all casual workers are women. Furthermore, the level of casual employment is highest amongst low income parents with caring responsibilities⁷. The Draft Inquiry Report recognizes "financially constrained parents" as "a particular target of this policy"⁸. However, under the proposed scheme which relies upon use of other leave entitlements to meet the optimal six month leave duration; these are the parents who are most likely to be disadvantaged.

³ Productivity Commission 2008, *Paid Parental Leave: Support for Parents with Newborn Children*, Draft Inquiry Report, Canberra, p. 17.

⁴ Productivity Commission 2008, *Paid Parental Leave: Support for Parents with Newborn Children*, Draft Inquiry Report, Canberra, p. 20.

⁵http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/67E47661AA446A24CA2570FC00119006/\$File/1301 0 2006.pdf - (accessed 09.11.08).

⁶ van Wanrooy. B, *Women at Work in Australia: Bargaining a Better Position*, Sydney 2008 (submitted).

⁸ Productivity Commission 2008, *Paid Parental Leave: Support for Parents with Newborn Children*, Draft Inquiry Report, Canberra, p. 21.

Whilst part-time workers do accrue leave, they do so on a pro-rata basis. Ten weeks leave is needed by the primary care-giver to bridge the gap between the 'desirable' duration of six months parental leave and the government funded eighteen weeks. In order to have this ten weeks available, a part-time worker would have had to use no annual leave whatsoever for the five years preceding their child's birth. The model becomes more problematic upon the birth of subsequent child, particularly if the primary care-giver is not accumulating leave entitlements whilst on parental leave. This means that six months paid parental leave will not be available to a significant proportion of primary carers under the current model.

Even if a parent is in the position to accrue leave, parental caring responsibilities and child development issues continue for at least eighteen years. Working parents need access to leave when their child is sick, during school holidays and for a number of other unavoidable absences associated with caring for children. Furthermore, an ageing population means that the same people who are using their annual leave and sick leave as parental leave will have caring responsibilities for elderly family members in the future. This makes predicating their right to the optimal length of paid parental leave on them using other forms of accrued leave in the long term best interest of neither the parent nor child.

3.1 Leave Prior to the Birth

The proposed model makes no provision for leave prior to the date of confinement. This is a flaw that fails to acknowledge issues of maternal and fetal health that may arise prior to birth, particularly in the final weeks of gestation. In some industries, provisions are made for pregnant women if there are no health appropriate jobs to be provided. However, for many low-paid women in the hospitality industry, particularly casual cleaners, these provisions are difficult to exercise because of a workplace culture that is based on fear. Therefore, they need options to allow them to make choices that are in the best interest of their family's health.

Unions NSW supports the Draft Report's call for a review of the scheme at two and five years. However Unions NSW suggests that this report should be more than administrative and also examine whether the scheme is meeting its objectives. In reviewing the duration of leave, special attention needs to be given to rates of breastfeeding. As has been acknowledged in previous submissions, breastfeeding brings health benefits for the child and a chance for boding that benefits both parent and child. Increased breastfeeding rates are also a quantifiable benefit of six months paid parental leave.. The cohort who is found to not breastfeed should be analyzed for the role that duration and level of compensation play in their choice not to breastfeed.

In order to achieve the Productivity Commission's recognized duration of six months paid parental leave, Unions NSW submits that a phased approach should be considered. The government could introduce 18 weeks paid parental leave in May 2009, 24 weeks in May 2011and 28 weeks in May 2013. To maintain the integrity of the scheme, this phasing in would need to be guaranteed in any enabling legislation or regulations.

4. Wage Replacement and Superannuation

Unions NSW recognizes the limitations put on payment levels by the decision to make the proposed scheme fully government funded. Upon the Commission's own calculations, the proposed scheme if implemented would only represent at 2 per cent increase in current expenditure on family assistance measures. This is a modest proposal. It is Unions NSW submission that this positive first step needs to be completed in due course with a scheme that provides for full wage replacement.

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⁹Ibid.

Full wage replacement is important in recognizing that men and women workers are driven by the same economic imperative. Therefore, the loss of the woman's income will have a significant impact upon the family budget, much like if the other partner was to suddenly stop work. This loss of income will have a flow on to the economy as parents seek to limit spending on all but the most essential items. This loss of spending capacity will have a negative effect during the current economic downturn.

The proposed scheme also leads to a highly gendered interpretation of working conditions. It has never been accepted that leave entitlements which men and women access equally should be paid at anything less than full wage replacement. Therefore, it is socially and economically undesirable that a leave entitlement currently accessed primarily by women¹⁰ should be expected to be taken at lesser pay.

The proposed level of payment in the scheme could also lead to further gender segregation of leave taking. Male salaries are on average sixteen percent more than female salaries¹¹. Therefore, in most heterosexual relationships, economic realities will dictate that the male continues in the workforce because the difference between his wage and the Federal Minimum Wage is more substantial.

A male information technology manager has a female partner works as a child care centre director. They discover they are expecting a child. The expectant father's income is greater. The systematic undervaluation of traditionally female work therefore means that there is no incentive for him to become the primary care-giver past the two weeks quarantined paternity leave in the proposed scheme. The expectant father becoming the sole breadwinner the family will deliver a substantially greater wage now and higher employer superannuation contributions for their future. Full wage replacement would go a significant way to rectifying this situation.

The anecdotal evidence above is supported by a report recently released in the United Kingdom that showed that the failure to fully replace wages has lead to further gender segregation of parental leave taking¹². There is also an emerging consensus amongst child health experts that children benefit from time with the minority parent which is made more difficult unless the time is compensated with full wage replacement.

As with other types of leave, it is both fair and practicable that all other workplace entitlements accrue whilst on paid parental leave. The report by the Productivity Commission explicitly states that it has a "goal of making a statutory paid parental leave scheme mirror, as much as possible, leave arrangements more generally"¹³. Therefore, Unions NSW submits that superannuation payments must be paid at the percentile agreed to in the employee's governing industrial instrument. This matter requires clarification in the enabling legislation or regulation, as written and oral statements by representatives from the Productivity Commission on this issue have been conflicting. Furthermore, in the interest of equality and normalizing parental leave within the schemata of workplace entitlements, superannuation should be paid on the employee's average weekly earnings and not the Federal Minimum Wage.

http://www.ituc-csi.org/IMG/pdf/gap-1.pdf -(accessed 26.10.08)

¹⁰ http://www.equalities.gov.uk –(accessed 01.11.08).

¹² http://www.equalityhumanrights.com/en/policyresearch/pages/researchprojects.aspx -(accessed 11.11.08)

¹³ Productivity Commission 2008, *Paid Parental Leave: Support for Parents with Newborn Children*, Draft Inquiry Report, Canberra, p. 2.5.

In amending the scheme to reflect these industrial norms, the Productivity Commission's stated objectives of facilitating greater workforce participation by women and normalizing caring leave for both parents come closer to being realized.

5. Discrimination

There are a number of equity issues raised by suggesting parents use accrued leave to achieve the recommended duration of parental leave. Annual leave was negotiated for by unions in acknowledgement of the need for employees to have time each year for rest and recreation. Clearly, these are not the primary activities upon the birth or adoption of a child. As statistics show that child caring responsibilities still fall disproportionately to women¹⁴, it is non- productive that they are being forced to lose the rest time which would still be available to male colleagues.

This system also creates a division between those with strength in the industrial bargaining sector and those without. Particularly public sector employees have been successful at achieving some form of paid parental leave through bargaining. Combining the bargained duration and the government funded time will allow some of those in the government sector to access six months paid parental leave without being forced to use other accrued leave. Considering that the majority of low paid workers are not in the bargaining sector¹⁵ this will create inequalities that will impact most on those who can least afford it.

The impact of these inequalities would likely be reduced workforce participation by women in the low-paid sector as the interaction of the scheme with Family Tax Benefit B means that single parents and families with only one income would be financially better off relying on social security payments.¹⁶

Alternatively, it could lead to parents being forced to return to work before the optimal six month duration, thereby not allowing their children to access the mental and physical development opportunities presented by being with a parent figure for the first six months of their lives¹⁷. Thus, whilst supporting the stated objectives of the proposed scheme; Unions NSW submits that its practical operation would work perversely to those very objectives.

Unions NSW is concerned that the proposed paid parental leave model places so little responsibility for the cost of the scheme upon employers. It fails to give recognition of the benefits that employers gain from recruiting and retaining particularly female staff. If one of the goals of the proposed model is to facilitate workforce participation by parents, then a scheme that so dramatically removes parental leave from the employment relationship essentially undervalues parents as employees.

The little engagement that employers are expected to have in the proposed model is particularly difficult for small business. Acting as the "paymaster" with reimbursement only coming later could be an unnecessary burden for small business. Therefore, if the business is too small to pay payroll tax in the state in which they operate, they should be able to apply for reimbursement in advance of the employee's leave commencing. This will also discourage discriminatory hiring practices. Although Unions NSW is aware that explicit discrimination is illegal, comments made in the media

¹⁴ Whitehouse, G., Baird, M. and Diamond, C. , *Parental Leave in Australia Survey*, 2005, p.22.

¹⁵ B. van Wanrooy et al, *Australia at Work: Working Lives; Statistics and Stories*, www.australiaatwork.org.au, Sydney, 2008, p.70.

¹⁶ http://www.centrelink.gov.au/Internet/Internet.Nsf/individuals/rates.htm -(accessed 29.09.08)

¹⁷ For more information on this we would draw your attention to the submission on www.pc.gov.au by the National Initiative for the Early Years.

such as those on the SBS programme "Insight" by small business representatives make discrimination a valid concern. Allowing for advance reimbursement would also engender support for paid parental leave and other caring leave within the small business community.

6. Interaction with Industrial Instruments

This scheme must be recognized as a legislative minimum and not a replacement for provisions currently contained in any industrial instrument. This includes arrangements achieved through bargaining. It should also not preclude employees from bargaining for future gains. As with all industrial rights, it needs to include access to a dispute resolution procedure.

There is also some concern that employers will seek to have currently negotiated parental leave entitlements absorbed into the proposed government funded parental leave scheme. This would be in serious conflict with the proposed scheme's ultimate goal of all employees having access to six months paid parental leave. Therefore, it is Unions NSW submission that incentives should be examined to encourage employers to retain their negotiated schemes. In public comments, Commissioner Fitzgerald has suggested that only rogue employers would engage in such actions¹⁹. Nonetheless, large employers such as Telstra and the Commonwealth Bank of Australia have indicated that they will not guarantee the future of their negotiated paid parental leave schemes since the release of the report.²⁰ The scheme needs to explicitly state its expectations of behavior by employers as well as employees in order to achieve the Productivity Commission's objectives.

The requirement under the current scheme that the government funded leave is taken within the first six months after the birth or placement of a child is in conflict with the current employment contract for a number of employees. Those in the public service at present have between fourteen to eighteen weeks paid leave. In the tertiary education sector this number increase to twenty six weeks and beyond. Requiring employees to commence the government funded leave after using other leave entitlements²¹ but before six months would mean that some of these employees would forfeit their right to the government funded leave.

The six month long window for starting leave would also mean those who could afford to take their employer paid leave at half pay would be prevented from doing so. This would inhibit parents from having genuine options to make the choices that are best for their families. Unions NSW submits that if a time limit must be put on the commencement of government paid leave after the birth or placement of a child, it should be a twelve month period.

A woman who is a general staff member at a regional university currently has access to eighteen weeks paid parental leave. She is keen to take this at half pay and supplement her income by continuing to work from home with the approval of her employer, after the initial period of confinement. Under the proposed model for the national paid parental leave scheme, she would forfeit her right to access the government funded scheme. In forcing her to forfeit her government funded duration, the scheme discourages workforce attachment and the "keeping in touch" behavior it is intended to encourage.

²⁰ Rehn A., *Business Doubts over Private Maternity Leave Schemes*, The Daily Telegraph, Sydney, 09.10.08.

¹⁸ http://news.sbs.com.au/insight/episode/index/id/46#overview – (29.10.08)

¹⁹ R. Fitzgerald, Per Com, 27th October 2008.

²¹ Productivity Commission 2008, *Paid Parental Leave: Support for Parents with Newborn Children*, Draft Inquiry Report, Canberra, p. 25.

The situation for casual workers is particularly problematic under the current scheme. The requirement that they must have worked an average of ten hours per week over the preceding twelve months is difficult to achieve. Most shifts lengths are between seven and eight hours. Furthermore, substitute teachers and other employees associated with educational institutions are limited in their capacity to work by the shortened year that their workplace observes. An example would be that most schools are only open for forty weeks a year.

One person particularly affected by this would be Jaqui*. She is from a culturally and linguistically diverse background. Jaqui* is employed on a long-term casual basis by two companies that have contracts to clean schools in South West Sydney. The nature of her job means that she works one term for one company and then one term for the next so that she can access childcare close to home. Her shifts are typically six hours in length and last for ten weeks at a time. She does not meet the continuous service requirements under the draft National Employment Standards. Despite being employed at least twice a week, she would not qualify for paid parental leave under the current system.

Unions NSW congratulates the Productivity Commission on the recognition that many casual employees have multiple employers and therefore the calculation of service for paid parental leave should incorporate all these employers. Nonetheless, this recognition of modern workforce arrangements creates some conflicts in terms of how the proposed scheme interacts with other industrial instruments.

The draft National Employment Standards (NES) give casual employees the right to maintain their job only after twelve months continuous service with one employer²² over a twelve month period. This means that the interaction between the NES and the proposed government funded paid parental leave scheme could see parents entitled to take eighteen weeks paid leave but with no right to return to their previous job. Unions NSW submits that this shows a need to reform the NES so that they reflect contemporary work and family arrangements so that these workers, particularly women, are encouraged to continue their workforce attachment.

6.1 The "Keeping in Touch" Provision

Options must be given for exercising the keeping in touch provision contained in the proposed scheme. Employees should retain at all times the right to refuse exercising this provision. However, some employees will want to attend training and other career advancement opportunities. In these cases, a specific person should be designated at each workplace to manage the "keeping in touch" provision, including organizing childcare if necessary.

In terms of remuneration, any time worked as a part of the "keeping in touch" provision should be paid at the either the employee's usual rate of payment or the Federal Minimum Wage, whichever is greater.

7. Conclusion

Unions NSW recognizes the economic, social and industrial importance of the debate about paid parental leave. These entitlements are critically important, as they sit at the nexus of health and work policies. As Australian families become more dependent on multiple incomes and

²² www.workplace.gov.au – (accessed 01.11.08).

breastfeeding rates decline, we need new innovative public policies that help citizens strive for a work/life balance.

Therefore, a paid parental leave scheme should have as its objectives,

1. Optimising maternal and child health and development.

The proposed scheme recognizes the need for a six month paid leave duration. However, in forcing expecting parents to rely on other forms of paid leave it the scheme would render optimal duration inaccessible to many casual, part time and low paid workers. In this way the practical operation of the proposed scheme would work in direct contradiction to the stated objectives of the Productivity Commission – as the draft report explicitly identifies these groups of workers as being in need of help.

2. Greater workforce participation by parents.

The failure to provide full wage replacement combined with the proposed scheme's interaction with Family Tax Benefit B means that for some families it is more economically secure to rely on social security payments.

Furthermore, the capping of superannuation contributions at 9% and failure to accrue other entitlements whilst on paid parental leave leads to an institutionalization of gender segregation in wages and conditions.

3. Normalising caring responsibilities for both male and female employees and challenging gender stereotypes.

In failing to provide for full wage replacement, the proposed scheme differentiates parental leave from sick leave, annual leave and long service leave. In doing so, it marginalizes the experiences of those who use it. The proposed scheme also fails to recognize that women work for the same reasons men work. That is, they face the same economic imperatives and the loss of their income will have a significant impact upon the family budget, much like if the other partner was to suddenly stop work. This loss of income will have a flow on to the economy as parents seek to manage on all but the barest of essential items. This loss of spending capacity will have a negative effect during the current economic downturn.

7.1 Going Forward

The proposed paid parental leave scheme is a first step in achieving these goals, with some amendments. However, it is widely acknowledged that we must continue to work towards the optimal duration of six months universal paid parental leave by 2013.

Nonetheless, in recognition of the challenges all working families face it is essential that the broad scheme outlined in the Draft Report is fully funded in the 2009 Federal Budget.

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