

November 2008

Productivity Commission  
Inquiry into Paid Maternity, Paternity and Parental Leave  
GPO Box 1428  
Canberra City ACT 2601

To The Productivity Commission,

**A Submission by The Smith Family<sup>1</sup> in response to the Paid Parental Leave Inquiry –  
Paid Parental Leave: Support for Parents with Newborn Children**

The Smith Family strongly supports the Australian Government's agenda for social change and we welcome the opportunity to comment on the proposed Paid Parental Leave policy.

The evidence shows that contemporary changes in family structure, the workplace, and across society at large are impacting negatively on children's wellbeing and future participation as adults. With a growing number of disadvantaged families 'falling between the cracks' in difficult financial times, greater numbers of our parents and children are being left behind. The Smith Family's focus on the early years, as a component of our *Learning for Life* suite of programs across the life course, reflects the growing body of research that also shows that this period is where a number of risk factors can combine to result in poor outcomes later in life. These include child characteristics such as early cognitive ability and temperament; family characteristics such as parenting practices, the home learning environment and maternal education; and community factors such as socio-economic disadvantage and lack of support services.<sup>2</sup> Without an integrated network of support from birth through to adult learning, of which appropriate and effective support for parents and families is critical, this cycle of disadvantage is likely to continue across generations and jeopardise the economic prosperity that Australia has benefited from for many years.

**Response to the Productivity Commission Draft Inquiry Report**

The Smith Family recognises the need for a mandated parental leave scheme, as Australia is still only one of two OECD countries that have not implemented a paid parental leave scheme.<sup>3</sup> The Productivity Commission's Draft Inquiry report showed that only 53 per cent of female employees and 50 per cent of male employees currently have access to employer-provided paid parental leave,<sup>4</sup> leaving 48.5 per cent of the working population without any paid parental leave support.

We support the commission's proposed scheme, as part of the Australian Government's agenda for social inclusion, that seeks to: enhance maternal and child health and development, facilitate workforce participation, promote gender equity; and work/family balance.<sup>5</sup> To this end, we commend the Government's commitment to families and early childhood support as a vital link in the chain that prevents disadvantage and we would like to raise the following items for further discussion:

- Prioritising and enhancing the health and wellbeing of Australian children;
- Applying the principle of vertical equity as a model for funding a paid parental leave scheme;

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<sup>1</sup> See Appendix I.

<sup>2</sup> Shonkoff, J. & Marshall, P. (2000) 'The biology of developmental vulnerability'. In P. Shonkoff & J. Meissels (Eds.), *Handbook of Early Childhood Intervention*, Cambridge: Cambridge University Press, pp.35-53.

<sup>3</sup> Australia and US are the only two countries in the OECD who do not have a paid parental scheme. Source: Productivity Commission 2008, *Paid Parental Leave: Support for Parents with Newborn Children*, Draft Inquiry Report, Canberra.

<sup>4</sup> Source: ABS adjusted figures cited in Productivity Commission 2008, *Paid Parental Leave: Support for Parents with Newborn Children*, Draft Inquiry Report, Canberra.

<sup>5</sup> Productivity Commission 2008, *Paid Parental Leave: Support for Parents with Newborn Children*, Draft Inquiry Report, Canberra p38.

- Facilitating workforce participation and work/life balance – International comparisons.

## **Prioritising and enhancing the health and wellbeing of Australian Children**

### *Setting the foundations*

Australian and international evidence confirms the importance of the early years as a formative period, setting the foundations for life and being a crucial factor in determining an individual's life chances as they progress through the various stages and transitions of the life course. Neurological, psychological and sociological research indicates that adult well being is influenced by the developmental opportunities of childhood, particularly those of infancy, and the physical and mental health of an adult is largely determined by early childhood experiences. It is in the early years, when a child's brain is rapidly developing, that the foundations for learning, behaviour and health over the life course are set.<sup>6</sup> This means that the first few years of a child's life are absolutely critical in providing the developmental foundations for their health and well-being as adults.

### *The importance of families*

The secure, caring, and affectionate relationships children have with significant adults in their lives have a positive impact on their emotional health in adulthood and we now know that effective parenting and the family's immediate social environment are important protective factors in promoting optimum child development.<sup>7</sup> As the Productivity Commission Inquiry Report states, most of the evidence supports the view that non-parental care in the first six to twelve months of a child's life can lead to behavioural problems, delayed cognitive development<sup>8</sup> and less harmonious parent/child relationships.<sup>9</sup>

In addition to the developmental, cognitive and emotional benefits of quality parental care, The Smith Family affirms the health benefits of breastfeeding for infants in the first six months of life, as endorsed by The World Health Organisation (2008) and advocated by The Australian Breastfeeding Association.<sup>10</sup> World Health Organisation research clearly shows that, breastfeeding protects against gastrointestinal and (to a lesser extent) respiratory infection, and that the protective effect is enhanced with greater duration and exclusivity of breastfeeding. Prolonged and exclusive breastfeeding has also been associated with a reduced risk of the sudden infant death syndrome (SIDS) and of atopic disease and some studies even suggest acceleration of neuro-cognitive development and protection against long-term chronic conditions and diseases like obesity, type I diabetes mellitus, Crohn's disease, and lymphoma. Maternal health benefits have also received considerable attention in developed countries, including possible protection against breast cancer among pre-menopausal women, ovarian cancer, and osteoporosis.<sup>11</sup>

Facilitated by positive parenting, a healthy home environment and breastfeeding, optimal early childhood development greatly increases a child's chances of a successful transition to school and to pathways that lead to good health and educational outcomes. Conversely, failure to ensure that a young child's brain circuits are properly wired can lead to lifelong learning and behaviour problems. The Productivity Commission (2008) reports Australian evidence (based on The Longitudinal Study of Australian Children) that shows women who are able to access voluntary paid leave schemes have longer spells away from work. These findings indicate that public policy has a very important role in supporting parents as they care for their new born children.

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<sup>6</sup> Shonkoff, J.P. and Phillips, D.A. (eds) (2000), *From Neurons to Neighbourhoods: The Science of Early Childhood Development*, National Academy Press, Washington, DC.

<sup>7</sup> Hertzman, C. (2002), *An early child development strategy for Australia? Lessons from Canada*, Commission for Children and Young People (Queensland).

<sup>8</sup> Productivity Commission 2008, *Paid Parental Leave: Support for Parents with Newborn Children*, Draft Inquiry Report, Canberra p38.

<sup>9</sup> Lally, Dr R.J. (2003) *The Impact of Non-Parental Care On Infants & Toddlers*. Viewed 13/11/08

<http://www.kids.nsw.gov.au/uploads/documents/lallyspeech.pdf>

<sup>10</sup> Australian Breastfeeding Association website <http://www.breastfeeding.asn.au>

<sup>11</sup> KRAMER, M.S. and Kakuma, M.D. (2002) *The optimal duration of exclusive breastfeeding – A systematic Review*. World Health Organisation: Geneva.

***The Smith Family recommendation 1:***

The Smith Family supports the proposition that paid parental leave provisions be set at minimum wage, for all new mothers with a reasonable attachment to the workforce, and to cover a minimum duration of six months with flexibility around any additional unpaid leave arrangements (one year minimum). This will allow parents to stay at home and care for their babies without risk of financial strain or disadvantage, and give Australian children the best possible start in life.

***The Smith Family recommendation 2:***

Consistent with The Smith Family's focus on the family unit, in all its forms, in providing a positive environment for children, we support the Productivity Commission's recommendation (2.7); that access to paid parental leave should also be available for parents of new born children who meet the employment tests, including:

- parents of non-familial adoptions, regardless of the child's age, from the time of placement;
- custodians of surrogate children, but subject to its compatibility with an impending uniform framework for surrogacy across Australian jurisdictions, (with provision for at least 12 weeks of paid parental leave to the surrogate mother).

***The Smith Family recommendation 3:***

We also support the Productivity Commission's recommendation (2.7) that eligible parents should be able to have the benefit of the full amount of parental leave in the instance that anything untoward happens to the mother or baby in the first six months after birth, and that these entitlements should also be transferable to fathers (or other eligible partners).

***The Smith Family recommendation 4:***

Evidence supporting the benefits of breastfeeding is clear and on this basis (and concurrent with the Productivity Commissions recommendation 2.11); The Smith Family recommends:

- that biological mothers be given priority access to the paid parental scheme; and
- that the Australian Government provide more resources to allow effective support for breastfeeding during the first six months of an infants life, with a focus on the post-initiation stage.

***The Smith Family recommendation 5:***

The Smith Family also supports the recommendation (2.5); that mothers should be allowed to transfer the entitlement to eligible partners, who take the role of the primary carer, subject to provision of a reasonable period of notice.

***The Smith Family recommendation 6:***

In addition, The Smith family supports the establishment of a two week paternity leave allowance for fathers (and other eligible partners) on a "use it or lose it" basis, even if the mother is not eligible for statutory paid parental leave.

### **Applying the principle of vertical equity as a model for funding a paid parental leave scheme**

According to the Productivity Commission (2008) a taxpayer-funded parental leave scheme of 18 weeks at the adult minimum wage of \$544 per week would benefit around 140,000 mothers and their newborn children each year and yield community-wide gains in the long term. The Smith Family supports a model of funding which provides the best opportunities for all parents in the workforce, and builds on the significant number of private sector companies already providing this support, while not disadvantaging small business and employers of larger proportions of women. The Productivity Commission estimates that the cash flow consequences on firms acting as paymasters for government would be no more than \$5 a week for each employee on paid parental leave,<sup>12</sup> and suggests that a pooled levy (similar to the Medicare levy) for employers is the most equitable way to fund the scheme.

As the exact costs of this scheme remain largely undefined, The Smith Family queries the impact this levy will have on businesses, and echoes concerns raised in the Inquiry Report that any costs imposed on all businesses will ultimately be passed on to the employees.<sup>13</sup> Consistent with The Smith Family's mission of unlocking opportunities for disadvantaged families to participate more fully in society, we are particularly concerned with the financial impact this levy may have on low income earners and would support consideration of a fairer scheme.

In his *Nicomachean Ethics*, Aristotle equated fairness with justice and suggested that in a just system "equals are to be treated equally and un-equals unequally".<sup>14</sup> In 1776, Scottish economist Adam Smith further developed this definition and stated that "the subjects of every state ought to contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities".<sup>15</sup> This progressive form of tax transfer came to be known as vertical equity. Vertical equity supposes that people who have different levels of income, should pay higher levels of tax.<sup>16</sup>

#### ***The Smith Family recommendation 7:***

Following the principle of vertical equity, The Smith Family recommends that any levies, or increase in taxes associated with the paid parental leave scheme should be means-tested, to reflect the relative income (and financial situation) of individuals. The redistributive effect will offset the tax burden for lower income earners, and allow families to maintain the necessities of caring for a family (especially in the first six months) without risk of financial strain or disadvantage.

The Productivity Commission report also explores a number of alternative funding options (including portable leave savings accounts and income contingent loans such as HECS,<sup>17</sup> which may support individuals and couples to financially plan, and provide for parenthood, thereby shifting some of the responsibility to employees, who will ultimately benefit from paid parental leave.

In 2006, the Dutch Government introduced a "life-course savings scheme" which enables employees to finance a period of unpaid leave in the future. This savings scheme may be used for almost any kind of leave including: protracted leave to care for others, educational leave, sabbatical, part-time leave, leave directly preceding retirement, as well as maternity, or parental leave.<sup>18</sup> International research (cited by the

<sup>12</sup> Productivity Commission (2008) Fact sheet: some implications for Employers viewed 12/11/08

[http://www.pc.gov.au/\\_data/assets/pdf\\_file/0006/83625/factsheetemployers.pdf](http://www.pc.gov.au/_data/assets/pdf_file/0006/83625/factsheetemployers.pdf)

<sup>13</sup> Centre for Independent studies, cited in Productivity Commission Draft Inquiry report Section 8.7.

<sup>14</sup> Aristotle (1975, Translation by H. Rackham). *The Nicomachean Ethics*. Cambridge: Harvard University Press. Cited in American Institute of Certified Public Accountants (AICPA) (2007) *Tax Policy Concept statement: Tax Equity and Fairness*. AICPA: USA.

<sup>15</sup> Smith, A. (1976) [1776]. *An Inquiry into the Nature and Wealth of Nations*. E. Cannan (ed.). Chicago: The University of Chicago Press.

<sup>16</sup> Zajac, E. E. (1995). *Political Economy of Fairness*. MIT Press: Cambridge.

<sup>17</sup> Productivity Commission 2008, *Paid Parental Leave: Support for Parents with Newborn Children*, Draft Inquiry Report, Canberra, 8.10

<sup>18</sup> SWZ Ministry for Social Affairs and Employment Netherlands website, viewed 19/11/08

[http://internationalezaken.szw.nl/index.cfm?fuseaction=dsp\\_rubriek&rubriek\\_id=391813](http://internationalezaken.szw.nl/index.cfm?fuseaction=dsp_rubriek&rubriek_id=391813)

Productivity Commission) shows that in general terms the take up of such a voluntary leave scheme by eligible employees was extremely low, 5.5 per cent, of which only 6 per cent of participating employees did so to finance parental leave.<sup>19</sup> The Smith Family suggests that supportive measures could be explored to encourage greater take up of these opportunities.

***The Smith Family recommendation 8:***

In addition to the primary provisions of the parental leave scheme, The Smith Family recommends the exploration of voluntary savings schemes and personal loans as a means to allow parents to stay at home for longer periods, and that any leave arrangements over 12 months should be subject to negotiations with employers.

**Facilitating workforce participation and work/life balance – International comparisons**

Parental non-participation in paid work is a key determinant of poverty risk.<sup>20</sup> Recent data from the Australian Institute of Health & Welfare suggests that in 2008, 15% of all children aged 0-14 years (543,600) in Australia are living in a household where no co-resident parent is employed, which is the second highest percentage of jobless families in all OECD countries.<sup>21</sup>

OECD research indicates that paid leave with employment protection can strengthen mothers' attachment to the labour market, recommending around six months as optimum.<sup>22</sup> Rösen & Sundström's (2006) study on international parental leave arrangements showed that women with a right to paid leave are also more likely to resume employment faster than women who do not have such a right. These findings suggest public policy has a very important role in supporting families, and that employers play a crucial role in helping to reconcile work and family life.<sup>23</sup>

According to the Productivity Commission report, the proposed scheme is designed to integrate with existing workplace practices. Thus, it requires genuine attachment to work as an eligibility requirement and a capped superannuation contribution from employers for most employees.<sup>24</sup> The Productivity Commission recommends (2.10) that a paid parental leave scheme should include a 'keeping in touch' provision that, subject to employer and employee consent, allows the employees to work up to 10 days while on paid parental leave, where that work strengthens the connections to their workplace.

***The Smith Family recommendation 9:***

The Smith Family is committed to social inclusion. We encourage the preservation of genuine attachment to the workforce, and therefore strongly support the concept of a 'keeping in touch' provision (Productivity Commission's Draft recommendation 2.10). We recommend that such arrangements be considered paid service, to be negotiated between employer and employee, subject to the needs of the business.

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<sup>19</sup> Moss, P. and Korintus, M. (eds) 2008, *International Review of Leave Policies and Related Research 2008*, Employment Relations Research Series 100, UK Department for Business Enterprise and Regulatory Reform, July, cited in Productivity Commission 2008, *Paid Parental Leave: Support for Parents with Newborn Children*, Draft Inquiry Report, Canberra

<sup>20</sup> OECD (2007), *Babies and Bosses - A Synthesis of Findings for OECD Countries*. OECD: France.

<sup>21</sup> Australian Institute of Health & Welfare (2008) *Making Progress: The health and wellbeing of Australia's children and young people*, Canberra: AIHW.

<sup>22</sup> OECD (2007), *Babies and Bosses - A Synthesis of Findings for OECD Countries*. OECD: France.

<sup>23</sup> Source: OECD (2007) *Matching Work and Family Commitments Issues, Outcomes, Policy Objectives and Recommendations*. Viewed 18/11/08 <http://www.oecd.org/dataoecd/18/27/39689983.pdf>

<sup>24</sup> Productivity Commission (2008) *A Parental Leave Proposal for Australia* Media release. Viewed 29/09/08 <http://www.pc.gov.au/projects/inquiry/parentalsupport/draft/media-release>

***The Smith Family recommendation 10:***

In addition to a 'keeping in touch' provision, The Smith Family also recommends flexible options to enable parent's access to paid parental leave, and to return to work, on a part time basis.

***The Smith Family recommendation 11:***

The Smith Family also supports the Productivity Commission's recommendation (2.9). In addition to publicly provided information on the workings of a statutory paid leave scheme, the Australian Government should provide evidence-based advice to employers on how to reduce the disruption burdens associated with the increased average durations away from work by carers, with this information especially directed at small business, along with a web-based resources that set out eligibility entitlements for parents and obligations to employers.

**In Summary**

The Productivity Commission's Draft Inquiry report and the recommendations contained therein are positive developments towards the Australian Government's agenda for social inclusion. The Paid Parental Scheme in particular provides an important opportunity to support parental care in the crucial early years, strengthen families and promote a healthy work/life balance.

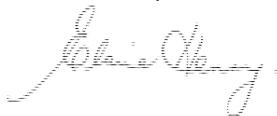
The Smith Family commends the Australian Government's commitment to social reform and supports a system that:

- prioritises and enhances the health and wellbeing of Australian children, recognising the vital importance of quality parental care, particularly in the first six months of life;
- operates under the principle of vertical equity, so that families can maintain the necessities of caring for a family without risk of financial strain or disadvantage;
- facilitates workforce participation by support for business so they can provide flexible employment arrangements for parents to facilitate a positive work/life balance.

As a twelfth and final recommendation we also urge that continuous and systematic evaluation mechanisms regarding policy and program outcomes be applied in relation to the impact of this scheme on families, employers and the wider community.

For more information regarding any of the points raised in this submission, please do not hesitate to contact Dr. Rob Simons, Head of Research & Evaluation at 02 9085 7128 or [rob.simons@thesmithfamily.com.au](mailto:rob.simons@thesmithfamily.com.au).

Yours sincerely



Elaine Henry  
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## APPENDIX I

### The Smith Family

The Smith Family is a national, independent social enterprise that provides opportunities for disadvantaged Australian families and communities to create a better future through education. The purpose of The Smith Family's *Learning for Life* suite of inter-connecting programs is twofold: on the one hand, it works to increase the **participation** in society of disadvantaged children and their families through the provision of educational opportunities across the life course (increasing *human* capital); while on the other, it works to increase the **engagement** of those with the time, talent or dollars to support them (increasing *social* capital).

All of the programs within our *Learning for Life* suite are built around facilitating these relationships between disadvantaged children and those in their wider community with the capacity to assist them. Such sound connections are crucial, not only to ensure that disadvantaged children are ready and able to progress through key transition points in their lives where they are most vulnerable (e.g. moving from home to school, from school to work), but also to build capacity in the wider community to be receptive to and supportive of their participation.

Through these relationships, which are built around sponsorship, tutoring, coaching or mentoring by adults or even their peers, disadvantaged children and young people are able to develop their academic, socio-emotional and vocational skills to achieve their full potential. This includes support for essential comprehension, emotional, digital and financial literacies to ensure that students are fully equipped to participate in the 21<sup>st</sup> century knowledge society.

## **APPENDIX II**

### **The Smith Family recommendations for Australian Government Paid Parental Leave policy**

**The Smith Family recommends:**

1. The Smith Family supports the proposition that paid parental leave provisions be set at minimum wage, for all new mothers with a reasonable attachment to the workforce, and to cover a minimum duration of six months with flexibility around any additional unpaid leave arrangements (one year minimum).
2. Access to paid parental leave be available for parents of new born children who meet the employment tests, including:
  - parents of non-familial adoptions, regardless of the child's age, from the time of placement;
  - custodians of surrogate children, but subject to its compatibility with an impending uniform framework for surrogacy across Australian jurisdictions, (with provision for at least 12 weeks of paid parental leave to the surrogate mother).
3. Eligible parents be able to have the benefit of the full amount of parental leave in the instance that anything untoward happens to the mother or baby in the first six months after birth, and that these entitlements may also be transferable to fathers (or other eligible partners).
4. Biological mothers be given priority access to the paid parental scheme; and the Australian Government provide more resources to allow effective support for breastfeeding during the first six months of an infants life, with a focus on the post initiation stage.
5. Mothers be allowed to transfer the entitlement to eligible partners who take the role of the primary carer, subject to provision of a reasonable period of notice.
6. Establishment of a two week paternity leave allowance for fathers (and other eligible partners) on a "use it or lose it" basis, even if the mother is not eligible for statutory paid parental leave.
7. Any levies, or increase in taxes associated with the paid parental leave scheme be means-tested, to reflect the relative income (and financial situation) of individuals.
8. The exploration of voluntary savings schemes and personal loans as a means to allow parents to stay at home for longer periods, and that any leave arrangements over 12 months should be subject to negotiations with employers.
9. Establishment of a 'keeping in touch' provision which allows the employee to work up to ten days while on paid parental leave, where work strengthens the connection to the workplace, and that such arrangements be considered paid service, to be negotiated between employer and employee, subject to the needs of the business.
10. Flexible options to enable parent's access to paid parental leave, and to return to work, on a part time basis.
11. In addition to publicly provided information on the workings of a statutory paid leave scheme, the Australian Government should provide evidence-based advice to employers on how to reduce the disruption burdens associated with the increased average durations away from work by carers, with this information especially directed at small business, along with a web-based resources that set out eligibility entitlements for parents and obligations to employers.
12. Continuous and systematic evaluation mechanisms regarding policy and program outcomes be applied in relation to the impact of this scheme on families, employers and the wider community.