

**A paid parental leave scheme of six to twelve months will provide babies with the best possible start in life, ensure that every adult is given the opportunity to lead a fulfilling work and family life, and safeguard Australia's future prosperity.**

### **Who is currently getting paid parental leave? Who is missing out?**

#### Australia's Place in the World

- Australia and the United States are the only two OECD countries that do not offer paid maternity leave.<sup>1</sup>
- Canada offers women 50 weeks leave, the United Kingdom offers 39 weeks, and European models are even more generous, with France, Sweden and Estonia offering 18 months full pay. Even Tanzania pays 14 weeks paid maternity leave, and the Republic of the Congo offers 15 weeks.

#### Parents' place in Australia

- In the absence of a government legislated scheme, paid parental leave in Australia is left to market forces. This means that only those employees in a strong bargaining position are able negotiate paid parental leave.
- Around 53% of female employees and 50% of male employees have access to employer-provided paid parental leave.<sup>2</sup>
- Around 10% of women on very low wages have access to paid maternity leave, compared with 80% for those on high wages.<sup>3</sup>
- Most private paid maternity schemes exclude employees that have had less than 12 months continuous service with their current employer (17 per cent of mothers and 15 per cent of fathers).<sup>4</sup>
- Casual employees do not generally have access to paid leave.<sup>5</sup>

### **Benefits to children**

#### Impact on brain development

- Research shows the continuous interaction between babies and parents in the baby's first twelve months of life shapes the brain wiring – affecting how a child regulates their emotions, communicates, solves problems, thinks logically and reacts to the world.<sup>6</sup>
- When children are involved in loving and continuous one-on-one interactions with their parents during this crucial period, their brains develop in a healthy manner. When a baby is barely noticed, touched or talked to, it lowers their ability to withstand stress, to learn, to control emotions and to develop into healthy adults.<sup>7</sup>
- If parents are always at work, their children – our country's future – are severely disadvantaged.

#### Impact on physical health

- The World Health Organisation and UNICEF both recommend that babies be breastfed, where possible, for the first six months of life.<sup>8</sup>
- Australia has one of the lowest rates of breastfeeding at 6 months (14%).<sup>9</sup> This low rate is going to make a significant contribution to the poor health of a range of individuals, and will put pressure on our health system via increased hospital visits pharmaceutical costs.
- Paid parental leave ensures that women won't be financially penalised for breastfeeding.

## Benefits to parents

Paid parental leave would:

- give parents time away from work to physically recover from birth and bond with their babies;
- relieve some of the stress on families by reducing the likelihood that having a child will cause them financial hardship; and
- provide assistance to parents that wish to maintain a long-term attachment to the workforce, with the associated benefits improved lifetime earnings, education, experience and training, higher job levels, and retirement incomes.<sup>10</sup>

## Benefits to the economy

Research shows that the introduction of paid parental leave will be good for Australia's economy. This time, what is good for productivity and the Australian economy is also the right thing to do!

Stimulating the economy

- A paid parental leave scheme will provide direct assistance to families, who will spend the money on childrearing necessities. It will go some way toward easing the financial hardship suffered by many Australian families when they need it most, and will help to stimulate the Australian economy.<sup>11</sup>

Increasing productivity

- Australia has one of the lowest levels of workforce participation for women aged between 25 and 44 in the OECD. We are ranked 23 out of 24 OECD nations.<sup>12</sup>
- If more women are in the workforce this puts downward pressure on inflation and improves productivity by increasing the labour supply at a time of serious skills shortages. We should be doing all that we can to keep these skilled and experienced adults in the workforce, because increasing the use of Australia's economic resources – including women's labour – will produce greater economic activity.
- Paid parental leave will allow parents to maintain a connection with the workforce, and avoid the cost of replacing staff - including recruitment and training costs. Overseas experience shows that women with paid maternity leave are more likely to return to work than those without,<sup>13</sup> giving employers a real saving on the bottom line.

## What might a scheme look like?

At the moment, the decision about whether the Government will introduce paid parental leave hangs in the balance, and the form that a scheme might take is not decided. But we do have some clues about how a scheme could work – from the recommendations of the Productivity Commission, who have prepared a report into parental leave for the Government.

The Productivity Commission has released a Draft Report recommending a Government-funded scheme of 18 weeks of paid maternity leave at the adult minimum wage, with an additional two weeks of paternity leave reserved for the father (or same sex partner). Eligible mothers may transfer leave entitlements to their partners who take on the role of primary caregiver. Under the proposal, employers would pay superannuation for the period.

Employed parents would be eligible if they had:

- worked an average of ten hours a week in the 12 months before the birth/adoption; and
- been employed continuously for the last 12 months, though not necessarily with the same employer (allowing for reasonable breaks in employment, eg holidays and time moving between jobs).

### **Is 18 weeks long enough?**

The Productivity Commission report accepted that at least 26 weeks of parental care is in the best interests of parents and babies, but their proposed scheme falls below this standard. The Productivity Commission suggests that parents can use sick leave, recreation or long service leave to fund the remaining 8 weeks.

This model is flawed because of the high proportion of female employees who are casual workers and do not have paid leave entitlements. An ABS study found that in November 2006 26% of all female employees have no paid leave entitlements.<sup>14</sup> In addition, a significant proportion of female employees work part time or are self-employed, and are unlikely to have eight weeks paid leave to use.

It is vitally important that the Government enact some form of paid parental leave in the next budget – providing vital assistance to families who are suffering financial hardship. The Productivity Commission's proposed scheme – 18 weeks paid leave – is an important first step on the journey toward a six-month paid parental leave scheme.

### **What is the cost to Government?**

The Productivity Commission's Draft Report estimated that its proposed scheme will cost the Government about \$450 million per annum. The Draft Report is rumoured to present lower cost figures for the scheme, but we will not know the full details until the Government releases the report to the public.

### **What is the cost to business?**

Under the scheme proposed by the Productivity Commission in their Draft Report, employers would be required to continue to pay superannuation contributions for the 18 week period of leave. This requirement only kicks in if the employee:

- has had 12 months continuous service with their current employer; and
- has worked an average of 10 or more hours per week; and
- is eligible for employer superannuation contributions.

The maximum cost to business, in a single year, of a woman taking paid parental leave is 3% of her annual wage.<sup>15</sup> The expected cost to business each year is lower because only a small subset of employees will take parental leave in any given year. Further, these superannuation payments will be capped (at adult minimum wage thresholds) and they are a tax-deductible business expense.

Note that privately negotiated arrangements regarding parental leave would not be affected by this government scheme.

## What about adopted kids?

The Productivity Commission's draft report has recommended parents of adopted children have access to the parental leave scheme, regardless of the age of the child.<sup>16</sup>

## What about stay at home mums?

Under the proposed scheme, parents that are not in the workforce will still have access to the baby bonus, but will not have access to paid parental leave.

## Is GetUp's campaign directed at maternity leave, or maternity and paternity leave?

GetUp believes that the question of who takes leave to care for a newborn baby should be a matter for parents to decide. We believe that the primary care giver should have access to paid parental leave, regardless of their gender.

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<sup>1</sup> Rebecca Ray, Janet C Gornick and John Schmitt, Center for Economic and Policy Research, 'Parental Leave Policies in 21 Countries: Assessing Generosity and Gender Equality' (2008) 7.

<sup>2</sup> Productivity Commission 2008, 'Paid Parental Leave: Support for Parents with Newborn Children', Draft Inquiry Report, Canberra, 3.1.

<sup>3</sup> Productivity Commission 2008, 'Paid Parental Leave: Support for Parents with Newborn Children', Draft Inquiry Report, Canberra, xvi.

<sup>4</sup> Productivity Commission 2008, 'Paid Parental Leave: Support for Parents with Newborn Children', Draft Inquiry Report, Canberra, 3.9.

<sup>5</sup> Productivity Commission 2008, 'Paid Parental Leave: Support for Parents with Newborn Children', Draft Inquiry Report, Canberra, 3.22.

<sup>6</sup> Gillian Calvert, 'Valuing Children Young People and Families' (2000) 56 *Family Matters* 28, 30.

<sup>7</sup> Ibid.

<sup>8</sup> UNICEF and World Health Organisation, 'Global Strategy for Infant and Young Child Feeding' (2003) 7.

<sup>9</sup> Australian Institute of Family Studies, 'Growing Up In Australia: The Longitudinal Study of Australian Children' (2006 – 2006 Annual Report) <<http://www.aifs.gov.au/growingup/pubs/ar/ar200607/breastfeeding.html>>.

<sup>10</sup> Human Rights and Equal Opportunity Commission, 'It's About Time: Women, Men, Work and Family' (2007) 82.

<sup>11</sup> <<http://www.abc.net.au/news/stories/2008/11/26/2430198.htm>>

<sup>12</sup> Productivity Commission 2006, 'Workforce Participation Rates: How Does Australia Compare?', Staff Working Paper, Canberra, 29.

<sup>13</sup> Productivity Commission 2008, 'Paid Parental Leave: Support for Parents with Newborn Children', Draft Inquiry Report, Canberra, 5.34.

<sup>14</sup> Australian Bureau of Statistics, 'Measures of Casual Employment' (October 2008) *Australian Labour Market Statistics* (Cat No. 6105.0).

<sup>15</sup> Productivity Commission 2008, 'Paid Parental Leave: Support for Parents with Newborn Children', Draft Inquiry Report, Canberra, 2.11.

<sup>16</sup> Productivity Commission 2008, 'Paid Parental Leave: Support for Parents with Newborn Children', Draft Inquiry Report, Canberra, 2.27.