



*Submission to the Senate  
Community Affairs Legislation Committee on the  
Fairer Paid Parental Leave Amendment Bill 2016*

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## **INTRODUCTION**

1. The Shop, Distributive and Allied Employee's Association (SDA) is one of Australia's largest trade unions with over 215, 000 members. The majority of these members are women and young people. Approximately 60% of SDA members are women, equating to approximately 131,000 women. The SDA has membership in retail, fast food, warehousing, hairdressing and beauty, pharmacy and modelling.
2. The SDA has a long history of advocating for better financial support for families and for more family friendly work arrangements, to assist workers in combining caring responsibilities and paid work. We advocated for the introduction of the current paid parental leave scheme and were involved in the Government PPL Implementation Group.
3. The SDA welcomes the opportunity to make a submission to the Senate Community Affairs Legislation Committee.
4. The SDA supports the submission of the ACTU.
5. The SDA relies on our previous submissions in regards to the Paid Parental Leave scheme.

## **SUMMARY**

6. The SDA strongly opposes the proposed changes to the Paid Parental Leave(PPL) scheme which will have the effect of reducing the current entitlements to PPL, is complex and detrimental to maternal and child health, the workforce participation of women and in complete contrast to relevant international comparators.

7. The severe impact the proposed changes will have on the amount of PPL women (parents) are able to take far outweighs the small budgetary gain for the Government.
8. The SDA strenuously opposes the language used and accusations made by the government regarding the nature of the current scheme and that women are currently rorting the system and double-dipping. This has been a complete misrepresentation by the government of the design and intent of the current scheme and is highly offensive and disingenuous.
9. The reduction in the amount of PPL will force women back to work too early, to the detriment of their health and the health of their baby. Further, this policy ignores the recommendations of the World Health Organisation(WHO) and the Australian National Health and Medical Research Council(NHMRC) that the minimum period of exclusive care and breastfeeding for optimal maternal and infant health outcomes is six months<sup>1</sup>.
10. The proposed changes are complex and difficult to navigate, which may prove a disincentive for parents to claim the government Parental Leave Payment, particularly low-income, low-skilled workers who may struggle with the complexities of the scheme.
11. The removal of the financial support provided by the complementary scheme will force women back to work too early which will impact on the already struggling childcare system. The reality is that babies under 4 months of age will now be in childcare, instead of in the care of their mothers because of this policy. This policy is at odds with the rest of the developed world.

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<sup>1</sup> Australian National Health and Medical Research Council, *"Dietary Guidelines for Children and Adolescents in Australia,"* June 2008; and World Health Organisation, [http://www.who.int/mediacentre/news/statements/2011/breastfeeding\\_20110215/en/](http://www.who.int/mediacentre/news/statements/2011/breastfeeding_20110215/en/)

12. This change will send a signal internationally that Australia is a regressive nation that does not value women, family and children or increasing the participation of women in the workforce, which is internationally recognised as an essential element to increasing economic growth.
13. The current scheme is already one of the worst of all OECD countries and the new scheme will be further reduced at a time when the rest of the world is seeking to extend entitlements to PPL.
14. The *Fairer Paid Parental Leave Bill 2016* (The Bill) fails to recognise the Enterprise Bargaining Agreement (EBA) process where gains in PPL entitlements have been bargained for by unions and workers at the expense of other claims such as wages. Women are paying the price two times; reduced wages in bargaining for a now reduced entitlement
15. The Bill will discourage employers from providing PPL to their employees which is used by business as a valuable attraction and retention tool. PPL is also successfully used by business as a way of recognising the value and increasing the participation of women in the workplace and as a gender equity strategy.
16. The SDA also opposes the removal of the employer as paymaster of the government Parental Leave Payment. There is no evidence to suggest the current design of the scheme is not working, and if changed it would no longer meet the objectives of the Act that the payment be linked to the workplace and time away from work at the time of birth or adoption of a child be seen as a normal social outcome.

## **RECOMMENDATION:**

17. The SDA recommends that the Senate Community Affairs Legislation Committee reject the *Fairer Paid Parental Leave Bill 2016* in its entirety because it:

- will result in a reduction in the length of parental leave mothers(parents) will take which will have a severe detrimental impact on the health and well-being of mothers and babies, the workforce participation of women and our standing internationally;
- introduces an unnecessary level of complexity;
- will not provide the expected budgetary gains;
- will result in increased pressure on the childcare system; and
- employers will abandon PPL altogether or find other ways to provide incentives which aim to retain women

18. The SDA recommends that the government look to improve the current PPL scheme towards the provision of universal access to a minimum of 26 weeks paid parental leave plus superannuation.

## **THE CURRENT PAID PARENTAL LEAVE (PPL) SCHEME**

19. The design of the Paid Parental Leave Act 2010 (“the Act”) is sound and was the product of significant consultation, research and analysis. The scheme had broad support from unions, employers and the community as a first step towards establishing a national workplace right to PPL.

20. The current government PPL scheme was developed following the comprehensive Productivity Commission (PC) Inquiry; Paid Parental Leave; Improved Support for Parents with Newborn Children conducted in 2009<sup>2</sup>.

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<sup>2</sup> Australian Government Productivity Commission, *Paid Parental Leave: Support for Parents with Newborn Children No. 47*, 28 February 2009, p XIV.

21. The PC Inquiry recommended the introduction of a paid parental leave scheme which was opted by the Government, that was designed to meet key objectives<sup>3</sup>:

- *to generate child and maternal health and welfare benefits by increasing the time parents take away from work, estimating that the average absence will increase by ten weeks.*
- *promoting important, publicly supported social goals, and in particular, that having a child and taking time out for family reasons is viewed by the community as part of the usual course of work and life for parents in the paid workforce.*
- *to improve the participation outcomes for women in the workforce and in turn increase retention rates for business, with reduced training and recruitment costs.*

22. The current scheme provides for:

- 18 weeks PPL at the national minimum wage(NMW) (currently \$672.70 per week) for the primary carer of a newborn or recently adopted child; some of which may be transferred to the father/partner. (Total value approximately \$12,100 (taxable))
- Two weeks pay at the NMW for fathers and partners, Dad and Partner Payment(DaPP).
- Both PPL and DaPP may be 'topped up' by employer payments.

### **PPL – A COMPLEMENTARY AND HIGHLY SUCCESSFUL SCHEME**

23. Paid parental leave is a minimum workplace entitlement which has been designed to be co-funded by employers and government.

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<sup>3</sup> *ibid*

24. The current scheme was deliberately designed so that the government would provide a minimum payment of 18 weeks at the national minimum wage and employers would contribute in addition to that amount to enable employees to reach the ideal of 26 weeks at full replacement wage, plus superannuation.
25. The scheme was designed as a workplace entitlement rather than a welfare payment to maintain and enhance the attachment to the workplace in order to encourage women to return to their workplace after the period of parental leave and improve women's participation in the workforce.
26. PPL is not a social welfare payment.
27. It was also designed this way in recognition of the many existing employer paid parental leave schemes and in response to various submissions made by employers to the Productivity Commission seeking to retain the schemes they provided as they are a valuable employee attraction and retention tool.
28. The PC Report<sup>4</sup> discussed the development in Australia of employer paid parental leave schemes and stated that;

*'Key motivations for the introduction of paid leave arrangements have been to:*

- provide a signal that the employer is 'family-friendly' and values female staff (and hence is an employer of choice)*
- increase employee loyalty and promote higher retention rates (thereby avoiding re-hiring costs and fully exploiting investments in training)'*

29. The recent accusations by the government that women who have accessed the government scheme and a paid parental leave entitlement from their employer

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<sup>4</sup> Australian Government Productivity Commission, *Paid Parental Leave: Support for Parents with Newborn Children No. 47*, 28 February 2009, p 7.14

are double dippers and rorters is extremely offensive and a deliberate misrepresentation of the system currently in place.

30. Double-dipping happens when you take from the same source twice, so that label does not apply to a new parent accessing legitimate government benefits for the first 18 weeks of their baby's life, and then being able to extend the time to care for their baby by accessing employer benefits, accrued over time at their place of work.
31. Object (3) of the current *Paid Parental Leave Act (Cth)2010* states 'The financial support provided by this Act is intended to complement and supplement existing entitlements to paid or unpaid leave in accordance with the birth or adoption of a child'.<sup>5</sup>
32. This clearly demonstrates that the scheme was deliberately designed to be complementary so that employees would have access to both schemes to enable them to increase the duration of parental leave available to them. It is clear that women have not been 'rorting' the system or 'double dipping' but rather have been accessing a scheme which was designed to ensure that most women could access a minimum of 26 weeks PPL, as per the WHO recommendation and guidelines.
33. In the industries for which the SDA has coverage, many employer schemes were introduced prior to the introduction of the government paid parental leave scheme and many have been negotiated since its introduction in lieu of other entitlements and wage increases.
34. Women have forgone increased wage increases in return for PPL. If the government wants to change it, how will that money be returned to women?

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<sup>5</sup> Paid Parental Leave Act 2010



35. The primary objective of a paid parental leave system must be the provision of a payment which is sufficient to ensure that a woman and her family are able to live with dignity during her period out of the workforce, before and after the child is born, and for the health and well-being of mother and baby.

36. The 2014 PPL Final Evaluation Report found;

*'strong evidence that PPL has produced important changes in behaviour amongst new mothers, and clear indications that these changes arise from the removal or reduction of financial barriers to mothers' leave taking'*<sup>6</sup>.

37. The report concluded that;

*'The positive impact of the scheme has been largely driven by reducing the financial barriers to parents taking leave following the birth of a child'*<sup>7</sup>

38. It is completely incomprehensible that, given the evident success of the scheme, the new *Fairer Paid Parental Leave Bill 2016* (The Bill) will have a negative impact and will reinstate financial barriers to parents taking leave.

39. Women often work in low-paid jobs on a part-time or casual basis. However, it is not uncommon for women to be the primary breadwinner in the household or for her partner's income to be low and/or intermittent.

40. Most low or middle income families rely on two incomes to survive. In these circumstances, the family is equally reliant on the income of both parents to meet their commitments and will experience severe financial difficulty without it. Work is a necessity to survive, therefore, PPL is more needed than ever.

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<sup>6</sup> The University of Queensland, Institute for Social Science Research, *PPL Evaluation: Final Report*, November 2014, pg. 186

<sup>7</sup> *ibid*, pg. 185

41. For SDA members who are predominately low-income workers, the ability to combine the government parental leave payment and employer paid parental leave is vital for them to be able to take leave of 26 weeks or more.
42. A survey of SDA members found that 85% of members with children work due to economic necessity and that this is the driving force behind a woman's decision to return to work after the birth of her child.
43. The proposed changes will have a severe effect on the amount of time SDA members will be able to take, which is contrary to the WHO, ILO and Australian National Health and Medical Research Council(NHMRC) guidelines and the intention of the legislation.
44. One of the other outcomes that the scheme was designed to achieve was to:  
*'provide a strong signal that taking time out of the paid workforce to care for a child is viewed by the wider community as part of the usual course of life and work for parents, rather than a nuisance. A scheme that intends to signal this should be structured like other leave arrangements, such as those for recreation, illness and long service leave, rather than being structured as a social welfare measure'.*
45. The scheme was deliberately designed to be a workplace entitlement co-funded by employers and government rather than as a welfare benefit so that it could provide a signal for cultural workplace change to normalise time out of the workplace to care for children and families.

### **MEANS TESTING**

46. Other changes proposed during recent discussions regarding PPL resulting from the proposed Bill have included means testing. Means testing against an employees' household income takes the benefit away from it being a workplace entitlement, particularly beneficial for women, to one which is linked to a

partner's income. This is contrary to the purpose of the scheme which is to enable employees to take time away from work at the time of birth and encourages increased participation following the leave.

47. Means testing on household income would completely alter the concept of PPL. It would no longer be a workplace entitlement available to all primary carers but a welfare payment limited to low-income households. Other forms of leave such as annual leave and long service leave are not means tested so why should we means test paid parental leave? This is another example of women treated as second class citizens.

48. The Productivity Commission Inquiry Report provided that *'The statutory leave payment would be like any other income gained while on leave. It would be taxable' and 'be taken into account in calculating income-tested welfare payments, with the exception of income support payments'*<sup>8</sup>.

49. This also demonstrates that the scheme was designed to be seen as a workplace leave entitlement rather than a welfare payment and is treated as such for tax purposes.

50. It is important that the design of the scheme is not compromised by any changes which transfer PPL away from being a workplace entitlement to a welfare payment such as providing a disincentive for employers to co-fund or means testing against family income.

### **FINANCIAL IMPACT OF PPL CHANGES ON WOMEN IN THE PAID WORKFORCE**

51. The table below shows some of the existing employer paid parental leave schemes in retail. For those companies which provide a return to work bonus, this amount has been included as a potential loss because it is not clear how these payments will be treated under the proposed legislation:

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<sup>8</sup> Productivity Commission Inquiry Report, *Paid Parental Leave: Support for Parents with Newborn Children*, 28 February 2009, page XVII

Employer	Details of employer-funded entitlement (under an EBA, contract of employment or policy)	Consequences of the proposed Fairer Paid Parental Leave Bill 2016
Bunnings	Policy – 8 weeks on completion of 12 months service split in to 2 payments, 4 on commencement of leave and 4 RTW bonus upon completion of 6 months service after return. Payment of Super on PPL (1 <sup>st</sup> 4 weeks)	<ul style="list-style-type: none"> <li>Initial loss of equivalent to 4 weeks on commencement of leave at NMW (currently \$672.70 per week)- <b>\$2690.80</b></li> <li>Potential loss of 4 week RTW bonus after completing 6 months service after returning from PL – which represents a further <b>&gt;\$2690.80</b></li> </ul>
Woolworths	Policy – 8 weeks split into 2 payments, 6 weeks PPL on commencement of leave, 2 weeks RTW bonus on return Payment of Super on initial 6 weeks PPL	<ul style="list-style-type: none"> <li>Initial loss of equivalent to 6 weeks PPL at NMW on commencement of leave - <b>\$4036.20</b></li> <li>Potential loss of 2 weeks RTW– another <b>&gt;\$1345.40</b></li> </ul>
Kmart	Top-up of government scheme to full wage	<ul style="list-style-type: none"> <li>Top-up equates to <b>\$2209.68</b> – under the legislation this will need to be negotiated out of the EA and will represent a loss for our members earning above the NMW.</li> </ul>
Dulux	In EBA – 12 weeks pay which can be taken at full pay or half pay over double the time. Payment of super on the 12 weeks	<ul style="list-style-type: none"> <li>Potential loss of <b>\$8072.40</b></li> </ul>
Coles	In policy – 12 weeks split into 2 payments, 6 weeks PPL plus 6 weeks RTW payment. Superannuation paid on PPL	<ul style="list-style-type: none"> <li>Initial loss of equivalent to 6 weeks at NMW - <b>\$4036.20</b></li> <li>Potential loss of 6 weeks RTW - <b>&gt;\$4036.20</b></li> </ul>
Super Retail Group	In EBA – 6 weeks split into 2 payments, 4 weeks PPL plus 2 weeks RTW bonus after 1 month service after returning	<ul style="list-style-type: none"> <li>Initial loss of equivalent of 4 weeks at NMW - <b>\$2690.80</b></li> <li>Potential loss of 2 weeks RTW bonus - <b>\$1345.40</b></li> </ul>
Target	6 weeks which can be taken at half pay	<ul style="list-style-type: none"> <li>Loss of 6 weeks at NMW - <b>\$4036.20</b></li> </ul>
Costco	8 weeks taken at half pay	<ul style="list-style-type: none"> <li>Loss of 8 weeks at NMW - <b>\$5381.60</b></li> </ul>
Myer	In policy - 6 weeks	<ul style="list-style-type: none"> <li>Loss of 6 weeks at NMW - <b>\$4036.20</b></li> </ul>
Priceline	In EBA - 2 weeks	<ul style="list-style-type: none"> <li>Loss of 2 weeks at NMW - <b>\$1345.40</b></li> </ul>
Noni B	In EBA - 13 weeks	<ul style="list-style-type: none"> <li>Loss of 13 weeks at NMW - <b>\$8745.10</b></li> </ul>

52. The table shows that the majority of the schemes provide a modest amount of paid parental leave providing the gap in payment so that employees receive paid leave for 26 weeks. Many schemes also split the entitlement into 2 payments, one at the commencement of the leave, the other as a bonus upon returning to work. Many employers do this as part of their retention strategy, to create an incentive for employees to return to work after the period of parental leave.
53. The savings the government will make on not paying the employer component will be very small, however, the impact of the loss of this payment on low income earners will be harsh as it is crucial to the decision they will make on when they will need to return to work.
54. The varying nature of the schemes offered in retail also demonstrates the complexity of the payments. How this complexity may relate to the proposed new government scheme will be discussed further in this submission.

#### **PAID PARENTAL LEAVE AND THE IMPACT ON THE LOW PAID.**

55. Women make up the vast majority of workers in low paid industries, such as retail, hospitality, cleaning and the social services. Consequently, the impact of the introduction of paid parental leave was significant and important for providing recommended and necessary time away from the workplace to care for a new baby.
56. The majority of SDA members are low-paid workers and as a result are greatly impacted by any variation in income.
57. Prior to the introduction of the PPL scheme SDA members who had had a baby were surveyed regarding their return to work following the birth of their child. The following shows the percentage who had returned to work after the birth of the baby within the specified time:

		Cumulative
1 week	7%	7%
2 weeks	7%	14%
3 weeks	5%	19%
4 weeks	0%	19%
5 weeks	2%	21%
6 weeks	3%	24%
2 months	2%	26%

58. The results of the survey show that a quarter of members who had a baby returned within 2 months of the birth of their child which is significant and clearly does not meet the WHO recommendation regarding the health and well-being of both the mother and baby. It also highlights that 26% of mothers were not getting the ILO minimum 14 weeks away from the workplace to care for a new baby. This is an appalling situation for a developed and progressive country such as Australia.

59. As previously stated, we also know that 85% of SDA members with children work due to economic necessity and that this is the driving force behind a woman's decision to return to work after the birth of her child.

60. Significantly, the Productivity Commission found that;

*'the impact of the scheme on leave durations (of those families taking less than 26 weeks) is **greater for lower income**, more financially constrained families. They are a particular target of this policy since they often have low representation in privately negotiated paid parental leave schemes<sup>9</sup>.*

61. The PPL Evaluation Final Report found that;

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<sup>9</sup> Ibid, p 2.45

*'The impact of PPL in delaying mothers' return to work was not uniform. Instead, the effect was more substantial amongst mothers for whom PPL was a larger payment relative to their normal earnings, or a more predictable one. Thus, **low income mothers showed a longer delay in return to work** than high income mothers in the first six months of their babies' lives.'*<sup>10</sup>

62. For SDA members who currently have access to, what is largely, a modest amount of employer funded paid parental leave, the loss of that amount, in addition to the government scheme, will have a significant impact on the amount of time they will be able to take away from work to care for their newborn and for their own health. This has negative consequences which are widely accepted and acknowledged, for the health and well-being of mothers' and their babies.
63. Workers on low-incomes have less disposable income and a lower savings capacity. This makes it very difficult for families to save a portion of their income to support them through a longer period of parental leave, once the government payment has ceased.
64. Although many of the employer paid parental leave entitlements offered in the industries the SDA covers are conservative in comparison to other industries, most in combination with the government scheme, allow employees to receive an income for 26 weeks, which is what was envisaged by the Productivity Commission and the current scheme.
65. A change to the current complementary scheme, as proposed in the *Fairer Paid Parental Leave Bill 2015*, will force our members to take shorter periods of leave. This will have a detrimental impact on health and wellbeing of mothers and their new babies.

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<sup>10</sup> The University of Queensland, Institute for Social Science Research, *PPL Evaluation: Final Report*, November 2014, p 98-99

66. The proposed change in legislation will have a disproportionate impact on the workers who can least afford it, low-income workers. This is a very poor policy outcome for low paid women.

#### **IMPROVED CHILD AND MATERNAL HEALTH WITH LONGER PERIOD OF PARENTAL LEAVE**

67. The first and most compelling objective of a PPL scheme is to encourage and enable women to take a sufficient period of parental leave in order to look after their health and the health of their new born baby.

68. There is significant international and Australian research and evidence which demonstrates that there are vital maternal and child health benefits in a mother providing post natal care for a period of at least six months.

69. The World Health Organisation (WHO) recommends mothers exclusively breastfeed infants for the child's first six months to achieve optimal growth, development and health<sup>11</sup>.

70. The Productivity Commission found that:

*'The impact of paid parental leave on maternal and child health and wellbeing is relevant to the issue of the appropriate duration of leave and to a level of payment needed to encourage parents to take such leave. There is compelling evidence of health and welfare benefits for mothers and babies from a period of postnatal absence from work for the primary caregiver of around six months. There are also reasonable grounds to expect benefits from longer periods of exclusive parental care up to nine to 12 months.'*<sup>12</sup>

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<sup>11</sup> World Health Organisation,  
[http://www.who.int/mediacentre/news/statements/2011/breastfeeding\\_20110215/en/](http://www.who.int/mediacentre/news/statements/2011/breastfeeding_20110215/en/)

<sup>12</sup> Australian Government Productivity Commission, *Paid Parental Leave: Support for Parents with Newborn Children No. 47*, 28 February 2009, p 18



71. The proposed changes will create a regressive change in the length of time mothers will take at the time of birth and are in direct contrast to the objective of the Act, which is to provide financial support to primary carers to allow carers to take time off work to care for the child, and enhance the health and development of birth mothers and children.

72. The proposed changes are also in direct contrast with the final report of the PPL Evaluation which was released in November 2014. The report demonstrates that the desired effect of the policy has been achieved;

*'the return to work is somewhat delayed during the first few months, but not in the long run. The scheme's main effect is that mothers who otherwise would have returned in months one to three now return in month's four to six.'*<sup>13</sup>

73. The PPL Evaluation Final Report also demonstrates that the introduction of the scheme has contributed to improvements in breastfeeding outcomes which was an objective of the legislation. The report;

*'strongly suggests that the introduction of PPL provides mothers with the capacity to continue breastfeeding for longer, probably primarily because of its effect in delaying their return to work'*<sup>14</sup>.

74. The PPL Evaluation Report also found improvements in maternal health;

*'The extra time some mothers were able to take away from work also had other benefits. In particular, it resulted in a small decline in mothers' tendency to feel rushed or pressed for time. Reducing financial barriers to taking time away from work also has direct effects on the stress and worry that mothers' reported feeling while away from work. In-depth interviews showed that mothers in insecure jobs and those on lower incomes often said that the availability of PPL had removed or*

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<sup>13</sup> The university of Queensland, Institute for Social Science Research, *PPL Evaluation: Final Report*, November 2014, p 33

<sup>14</sup> *ibid*, p 60

*reduced their worries about remaining away from work for the time they wished. This is the most likely explanation for the small average improvement in all mothers' mental health following the introduction of PPL.*<sup>15</sup>

75. The achievements in relation to maternal and child health has been assisted by the complementary nature of the government and employer schemes which gives mothers access to paid leave in excess of the 18 week government payment.

76. The proposed changes are also contrary to the Coalition's own policy which it came to the 2013 election with, which was far more generous and consistent with the objectives identified by the PC than the Bill currently before the Senate Committee.

77. The *Coalition's Policy for Paid Parental Leave, August 2013*, recognised that;

*'The period following the birth of a child is one of the hardest financially for parents. With the majority of mothers now in paid employment immediately prior to giving birth, many families cannot easily forgo a second income, even temporarily, without putting the financial security of their family at risk.'*<sup>16</sup>

78. The policy also recognises that;

*'At 26 weeks, the Coalition's paid parental leave scheme is consistent with recommendations from the Australian National Health and Medical Research Council (NHMRC) and the World Health Organisation (WHO) that the minimum period of exclusive care and breastfeeding for optimal maternal and infant health outcomes is six months. As the Productivity Commission notes, the health gains from paid parental leave do not only benefit families. Society*

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<sup>15</sup> Ibid, p 187

<sup>16</sup> The Coalition's Policy for Paid Parental Leave August 2013, page 2.

*at large will benefit from lower long-term health costs and the likely long-run productivity benefits*<sup>17</sup>.

79. The Bill currently before the Senate Standing Committee effectively limits the amount of paid parental leave available to workers to 18 weeks at the national minimum wage regardless of any entitlements they may have been able to access from their employer to allow them to take 26 weeks paid leave. This is in direct contrast to the Coalition's policy, as stated above, which recognised the necessity for women to have 26 weeks paid leave available to them.

80. The impact of removing the ability of Australian women to access employer contributions in addition to the government contribution will reduce the income and duration of leave for approximately 50% of women who currently receive paid parental leave<sup>18</sup>.

81. This is an unfair proposal which will have a significant detrimental impact on the lives of working women, families and children.

#### **NEGATIVE IMPACTS ON THE CHILDCARE SYSTEM – COST SHIFTING**

82. The recent Australian Human Rights Commission National Review into Pregnancy and Return to Work Discrimination reported that they;

*'frequently heard of issues relating to early childhood education and care services as a constraint on returning to work after parental leave. Many concerns were raised regarding the limited availability, accessibility, affordability of quality early childhood education and care services in Australia'*<sup>19</sup>.

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<sup>17</sup> Op cit, page 3.

<sup>18</sup> ABS Employee Earnings, Benefits & Trade Union Membership (EEBTUM) survey conducted in August 2013.

<sup>19</sup> Australian Human Rights Commission, *Supporting Working Parents: Pregnancy and Return to Work National Review – Report 2014*, P 86

83. Of those mothers surveyed as part of the AHRC National Review who had not returned to work, they did not return because;

*'One in seven (14%) could not find childcare or thought that childcare was too expensive'*<sup>20</sup>.

84. The AHRC concluded that:

*'the lack of adequate and affordable early childhood education and care services is a key structural impediment to parents' transition back to the workplace following parental leave'*<sup>21</sup>.

85. The reduction in PPL proposed will mean an earlier return to work than desired for many women. An earlier return will create increased pressure on a childcare system which is already struggling to meet demand.

86. The proposed changes to paid parental leave could have a significant impact on the demand for child care for very young children. The Productivity Commission found that the cost of providing childcare for children aged 0-2 years was twice that of a child aged 3-5 years due to higher staff ratios,<sup>22</sup> and many childcare providers will not take children in this age group.

87. The proposed cuts to PPL forcing mothers to return to work sooner, creating more pressures on the supply of childcare places, particularly for young infants under 6 months of age.

88. Also, given that the provision of nursery (0-2years) places are often subsidised by places for older children an increase in young infants in care could increase the overall average cost of care as services move to meet this increased demand.

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<sup>20</sup> Ibid, p 47

<sup>21</sup> Ibid, p 132

<sup>22</sup> Productivity Commission 2014 Report into Childcare and Early Learning: Appendix H p. 957

89. While the government claims 240,000 families will get into work or work more as a result of its child care package,<sup>23</sup> there is nothing to indicate that there will be a commensurate increase in the number of child care places. Given that the impact of the proposed PPL cuts on childcare has not been modelled, the additional demand on the system which is likely to result has not been factored into the Budget.
90. Therefore, any budgetary gain from reducing PPL will be lost in increased costs associated with greater demand on the childcare system, particularly for young infants.

## **BUSINESS CASE FOR EMPLOYERS TO PROVIDE PPL IN ADDITION TO GOVERNMENT**

### **SCHEME**

91. Many businesses, from small to large multi-nationals, have found it extremely beneficial to offer paid parental leave as an incentive to securing good employees, particularly women, and retaining them.
92. Modern businesses recognise the value of policies which promote a healthy work life balance and that parental leave policies which include paid parental leave are crucial to creating a positive change to their workforce and are economically beneficial.
93. The SDA agrees that employers benefit greatly from women returning to the workplace after a period of parental leave. Employers have introduced PPL as a workforce participation and retention strategy and as such they should continue to pay the incentive for them to do so.
94. The SDA strongly advocates that employers should be responsible for a top up payment to make up the difference between the government payment and their

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<sup>23</sup> News.com.au, Federal Budget 2015: Government unveils Jobs for Families package, 11 May 2015, <http://www.news.com.au/finance/economy/federal-budget-2015-government-unveils-jobs-for-familiespackage/story-fn84fqcm-1227349245565>

ordinary weekly wage and to provide additional PPL to enable employees to take paid leave for 26 weeks after the birth of their child, as per the accepted recommendations of the WHO.

95. Many employers offer paid parental leave in part to be recognised as an “Employer of choice” in order to attract and retain staff. Staff turnover is a cost issue for employers and in retail and other low skilled industries turnover can be high. It is estimated in retail that the cost of replacing a low skilled casual employee after 3 months is approximately \$4,000. This figure is much higher when you are replacing a long term permanent employee.
96. Given the high cost of replacing employees there is a significant business case for providing employer paid parental leave. However, the proposed changes to the PPL scheme will discourage businesses from offering PPL and will harm businesses in the long term and lead to increased staff turnover cost.
97. The PPL Evaluation: Phase 3 Report indicates;
- ‘ that employers have maintained their own paid parental leave arrangements following the implementation of PPL. Most employers have not found it necessary to make any changes to their policies and practices in response to the introduction of PPL’<sup>24</sup>.*
98. Some employer schemes enable retail and fast food employees to access a combination of government and employer paid leave for a duration equal to or greater than 26 weeks, other schemes provide a top up to wage replacement for the period of the government scheme or both.
99. Since the introduction of the Government Scheme the SDA has continued to negotiate with employers to provide employer top-up of the difference between

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<sup>24</sup> University of Queensland, Institute for Social Science Research, Paid Parental Leave Evaluation: Phase 3 Report, April 2014, page 3.

the government payment and full replacement wage equal to or greater than 26 weeks paid leave plus superannuation.

100. The negotiations have been based on the reality of the current scheme and recognition by all parties that the intention of the scheme is one where the government and employer payments are complementary.
101. In discussions with employers, it seems unlikely that businesses will continue to provide their own PPL schemes if the legislation is changed. There will be no incentive for employers to provide PPL if their employees lose this amount from the government scheme. Why would businesses continue to fund PPL on behalf of the government when the incentives for providing employer PPL have been removed. Retail businesses have indicated that they will either switch the PPL to other employee benefits or scrap the entitlements altogether.
102. The proposed changes to the Government PPL scheme will provide a disincentive for employers to continue to provide PPL and remove the valuable mechanism this provides to ensure women remain connected to the workplace and return to work after the period of parental leave.

### **IMPROVING GENDER EQUALITY AND THE PARTICIPATION OF WOMEN IN THE WORKFORCE**

103. The Government should be asking how the proposed changes to PPL fits within a gender equality strategy – it doesn't.
104. Employer PPL which encourages increased participation of women in the workforce is an important gender equality strategy. Countries which invest in PPL schemes have far more women in leadership positions. When companies have policies such as paid parental leave taking parental leave is normalised and

women are valued more and as such are far more likely to return to work following a period of parental leave.

105. The proposed changes to the PPL scheme will discourage employers from continuing to provide paid parental leave which will have a negative impact on business, the participation of women in the workforce and the promotion of gender equality.
106. Another important objective of the PPL scheme, which was recognised by the Productivity Commission, is to encourage women to continue to participate in the workforce.
107. It is widely accepted that increasing women's participation in the workforce is vital to improving the national economy. It has been estimated that increasing women's workforce participation in Australia by 6% could increase the national GDP by \$25 billion.<sup>25</sup>
108. Last year it was reported that 'At last year's G20 meeting in Brisbane, Australia committed along with other G20 members to reduce the gap in participation rates by 25 per cent by 2025. But Treasury projections published in the Intergenerational Report last week show Australia is not on track to meet this target even in 40 years. The current gap of 12.4 percentage points is projected to narrow to 11.3 percentage points by 2055, a reduction of less than 10 per cent'.<sup>26</sup>
109. The intergenerational report says 'policies to improve the availability of childcare, to encourage flexible working arrangements and to outlaw discrimination can remove barriers to greater female participation in the workforce'. In response to the report Treasurer Joe Hockey said "That's why we need to do everything we can to be as flexible and accommodating of the needs

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<sup>25</sup> Grattan Institute, *Game-changers: Economic reform priorities for Australia* (2012), p 39

<sup>26</sup> The Sydney Morning Herald, *Australia won't meet female workforce participation target, Intergenerational Report shows*, 10 March 2015



of a diverse workforce as possible" he said. "We are determined to do what we have to do to lift participation rates."<sup>27</sup>

110. The final PPL evaluation report found that;

*'the PPL scheme has clearly had the effect of supporting and encouraging mothers to return to work in the longer run, contributing to the policy objective of increasing women's workforce participation and overall labour supply. The scheme also increased the likelihood that mothers would return to the job they held before the birth. These effects could arise because of the incentives for mothers to return to work created by the availability of PLP, or because the PPL scheme somewhat increased mothers' attachment to their jobs because PLP was provided to mothers through their employers and/or through the KIT provisions of the scheme'*<sup>28</sup>.

111. The report also stated that 'PPL's effect of increasing mothers' tendency to return to work by 52 weeks was also larger amongst low-income mothers than high income mothers'<sup>29</sup>.

112. This demonstrates that the current scheme is meeting the objective of encouraging women to continue to participate in the workforce.

113. Despite the success of the current scheme in meeting this important objective the proposed Bill seeks to reduce the scheme and shift it from being a workplace entitlement co-funded by employers and government to a below par minimum welfare scheme with little or no connection to the workplace. This will only serve to damage the positive impact the current scheme has had on improving the participation of women in the workforce following a period of parental leave.

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<sup>27</sup> *ibid*

<sup>28</sup> The University of Queensland, Institute for Social Science Research, *PPL Evaluation: Final Report*, November 2014, p 15.

<sup>29</sup> *ibid*, p 39

114. It will also discourage most employers from continuing to provide PPL which many do as part of a broader strategy to promote gender equality and increased participation of women in the workplace.

115. This is incredibly poor policy for gender equality and is yet another example of the government's hostile and aggressive stance against women.

### **IMPACT ON ECONOMIC OUTCOMES FOR WOMEN IN RETIREMENT**

116. The proposed Bill is in direct contrast with the bi-partisan recommendations of the Senate Economics References Committee which recently conducted an inquiry into economic security for women in retirement.

117. The Senate Economics References Committee inquiry into economic security for women in retirement was conducted in recognition of the 18.8% gender pay gap and the 46.6% gender gap in retirement savings and the over representation of women living in poverty in retirement. The final report was bi-partisan with very minor dissenting comments and none in relation to PPL.

118. In its final report *'A husband is not a retirement plan': Achieving economic security for women in retirement*, *'The committee considers that any proposed changes to the PPL should be assessed in terms of workforce participation and retention. The committee sees significant benefits in providing 26 weeks paid parental leave through a combination of government and employer funding'*<sup>30</sup>. This statement clearly indicates that the Committee views the paid parental leave system as a complementary one between government and employers.

119. The sixth recommendation of the Senate Committee was that the Commonwealth Paid Parental Leave Scheme continue to be improved over time

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<sup>30</sup> The Senate: Economics References Committee, *A husband is not a retirement plan: Achieving economic security for women in retirement*, April 2016. Page 45.

to allow for 26 weeks paid parental leave through the combination of government and employer funding.

120. The proposed cuts to PPL are in direct contrast to this view and will have a detrimental impact on women's ability to remain connected to the workforce and their current and long term income and economic security which will perpetuate the gender pay gap and the gender gap in retirement outcomes.

### **CUTTING PPL AN UNFAIR SAVINGS MEASURE**

121. Cutting PPL is an unfair measure to reduce the budget deficit. The government has many alternative ways it can pursue budget savings without impacting low-income women.
122. The Statement of compatibility with human rights attached to the Explanatory Memorandum for the Bill stated that 'the measure is considered reasonable and proportionate because it will contribute savings to be redirected to deliver other measures considered in the community to be more effective ways of increasing participation opportunity..' <sup>31</sup> and 'Evening out the access to paid maternity leave is considered reasonable and proportionate as it contributes savings to other measures that are beneficial to women' <sup>32</sup>.
123. Why is it appropriate that there is one pot of money in the budget for measures which are beneficial to women and that the only way to achieve an increase in expenditure in one area is to take money away from another? This is a regressive way to look at resolving the overwhelmingly obvious gender inequalities that exist in employment and society more broadly. Inequalities which this policy only further contributes too.
124. If this government continues to view policy which values women and family as purely women's issues and not issues impacting men, women, children and

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<sup>31</sup> Fairer Paid Parental Leave Bill 2016, *Statements of Compatibility with Human Rights*, page 5.

<sup>32</sup> *Ibid*, page 7.

society more broadly we are not going to make any progress in advancing gender equality in this country.

125. There are alternative budget savings measures available to the government which do not leave working women worse off and allow funding to continue to both PPL and childcare which are crucial to 'addressing barriers and creating opportunity'.

### **INTERNATIONAL COMPARISON**

126. Prior to the introduction of the current scheme Australia was one of only two OECD countries not to have a mandated PPL scheme. Therefore, the introduction of the scheme was an enormous achievement and instantly raised Australia's international standing regarding the rights of women and work.

127. In an international comparison of paid parental leave schemes the OECD concluded that;

*'the trend across OECD countries is for increase and expansion in the length of paid leave available to mothers'*<sup>33</sup>

128. While the rest of the world is looking to improve and expand paid parental leave provisions the government in Australia is attempting to implement a regressive narrowing of the entitlements to paid parental leave currently available to women and parents.

129. In its August 2013 Paid Parental Leave Policy<sup>34</sup> the Coalition made the following statements;

*Of the 34 countries in the OECD, 33 offer paid parental leave schemes. Of these 33 countries, Australia is one of only two that fails to pay leave based on a replacement wage. By offering only minimum wage, Australia is left*

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<sup>33</sup> OECD Family Database [www.oecd.org/social/family/database.htm](http://www.oecd.org/social/family/database.htm)

<sup>34</sup> The Coalition's Policy for Paid Parental Leave August 2013, p 2 and 4.

*economically behind its major OECD competitors. Due to this, we risk the productivity gains that come from greater participation by women in the paid workforce. There's no doubt, a ready way to increase Australia's productivity is to increase the participation (part-time and full-time) of women in the paid workforce which is why PPL is an economic driver and should be a workforce entitlement, not a welfare payment.*

*By paying mothers in the paid workforce their actual wage or the national minimum wage (whichever is greater) the Coalition's scheme will bring Australia into line with PPL practices the world over, particularly those in OECD countries.*

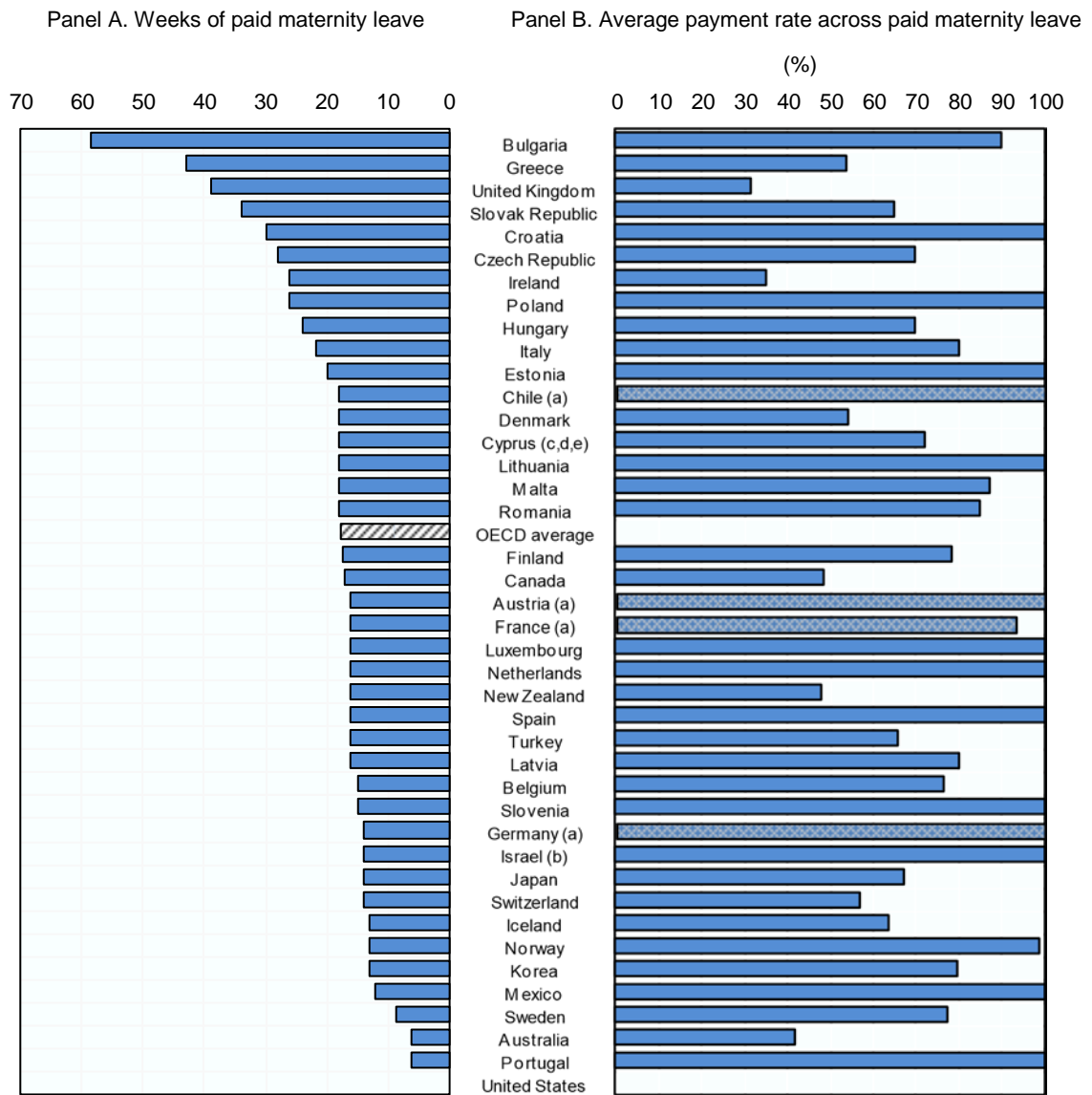
130. Despite these statements the government now wants to restrict paid parental leave to 18 weeks at the national minimum wage by removing the ability for employees to access the employer entitlements which have been bargained and negotiated for to provide a means to achieving a replacement wage for the recommended 26 weeks.
131. In doing so, the government is taking a backward step in improvements in women's participation in the workforce achieved by the current scheme and the productivity gains which come with that.
132. The current scheme is already much lower than other OECD countries. Australia has one of the lowest lengths of paid parental leave in the world and the rate of payment is below the OECD average, as the below table demonstrates:

OECD Family database <http://www.oecd.org/els/family/database.htm>

OECD - Social Policy Division - Directorate of Employment, Labour and Social Affairs

Chart PF2.1.A. **Paid maternity leave, 2015**

Duration of paid maternity leave and the average payment rate<sup>a</sup> across paid maternity leave for an individual on national average earnings



a) Cross-hatching indicates payment rates based on net earnings. See note b) to Table PF2.1.A. b) See note e) in Table PF2.1.A

c) See note f) in Table PF2.1.A

d) See note g) in Table PF2.1.A

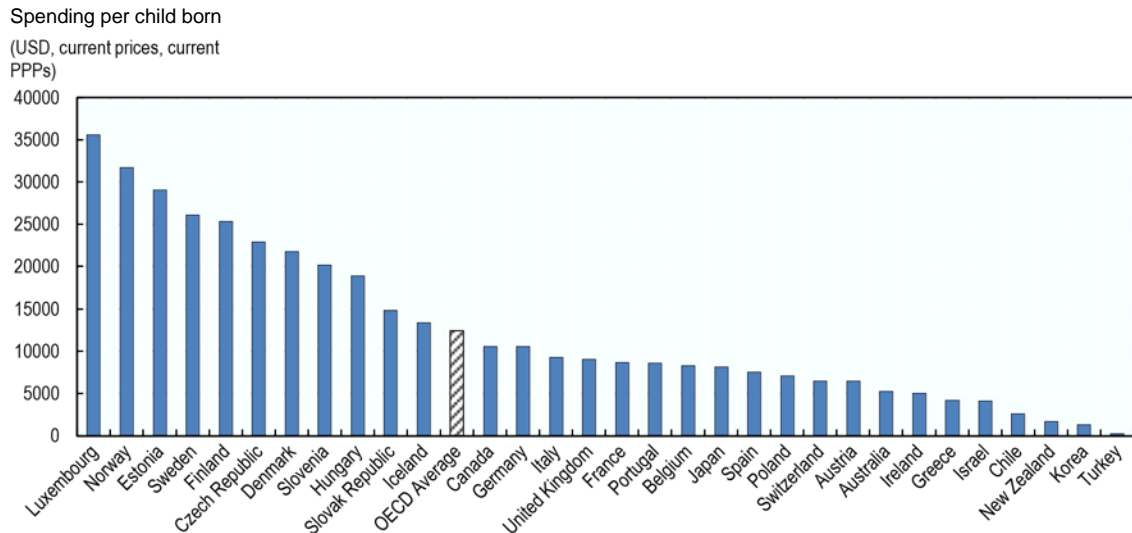
e) See note h) in Table PF2.1.A

Sources: see tables PF2.1.C-PF2.1.F

133. The table below also demonstrates that Australia contributes one of the lowest rates of public expenditure to PPL in the OECD:

Chart PF1.6.D. Public expenditure on maternity and parental leaves, 2011

Public expenditure on maternity and parental leaves per child born, at current prices and current PPPs, in US dollars



Sources: [OECD Social Expenditure Database](#); [OECD Health Statistics](#)

134. Australia has only had a paid parental scheme for five years and the government is already seeking to reduce what is an inferior scheme at a time when the rest of the world is seeking to extend entitlements to PPL.

135. No country in the world provides a direct disincentive for employers to make contributions towards employees paid parental leave.

136. It is extremely disappointing that the first change made to the PPL scheme is a regressive one, particularly given that the introduction of a PPL scheme in Australia is so recent that and that it is already one of the lowest in all OECD countries. If any changes should occur they should seek to improve the scheme, not reduce it.

## **COMPLEXITIES CREATED FROM PROPOSED CHANGES**

137. Paragraph 48 of this submission provides a table which outlines some of the current employer paid parental leave schemes in the retail industry in Australia. The employer schemes offered are varied and include top-up to full replacement wage for the period of the government scheme and/or paid leave for time taken, in addition to the government scheme.
138. Due to the nature of the retail industry and the high proportion of part-time employees who often work varying numbers of hours and the built in complexities of the employer schemes, the proposed changes to the government PPL scheme will create a range of complexities for our members when they lodge a claim for the government scheme.
139. The proposed scheme seeks to reduce the number of weeks of the government scheme by the number of weeks an employee receives an employer paid entitlement. The scheme, however, will pay the difference between the employer payment and the National Minimum Wage(NMW). For many of our members who work part time and are paid below the NMW, they will not be able to apply for the government scheme until after they receive the payment from their employer as they will be unable to accurately work out what the payment will be.
140. The last thing a low-income worker needs at a time they are already facing financial difficulties is to discover they have underestimated their employer payment and find they need to repay the government for some of the parental leave payment they received.
141. The SDA is greatly concerned that the proposed Bill does not seek to accommodate the varied employer schemes available and the complexities this creates for employees when making a claim for the government scheme and attempting to plan effectively for the period of parental leave.



142. We are also concerned that the level of complexity may be a disincentive for our members and other employees to claim the government scheme.

143. The main issues which will create complexity for our members are:

- Annualised hours in some workplaces
- Averaging of hours to determine the employer payment
- Return to work bonuses

#### Annualised Hours

144. Some businesses in retail operate using an annualised hour's system for employees where they work a guaranteed number of hours over a year but with a degree of flexibility about when the hours are worked. Generally, there is a regular base number of hours and pattern of work which forms the core of the contract but there is flexibility to work a greater or lesser number of hours depending on the needs of the business (to meet greater needs during peak trade and less hours required in quieter trade periods).

145. Where a business operates using an annualised hour's system the parental leave payment is determined by calculating the average hours worked over the six months of employment, prior to commencing leave.

146. Depending on the time of year the employee commences parental leave there can be enormous variations in what that average number of hours may be. For, example, if the employee commences parental leave in March and has worked the preceding 6 months over the peak trade months of December and January then the average hours they worked will be vastly higher than if their leave commences in September.

147. In circumstances where the payment is based on average hours the only accurate way an employee will be able to claim the government scheme is after the employee has received their full employer entitlement.

148. This provides a level of financial uncertainty at a time when families are already financially vulnerable. It also makes the process of planning for the birth and decisions involving the amount of parental leave an employee intends to take a more difficult and stressful task.
149. Many workers in the industries the SDA covers are low-skilled and often not highly educated. The level of complexity that changes of the nature proposed by the Bill create will act as a disincentive for some of our members to access the government payment.

#### Averaging of hours

150. A large proportion of SDA members work on a part-time basis. Therefore, the rate at which employees are paid parental leave is not always simple to calculate. Most schemes pay employees parental leave either based on their ordinary weekly rostered hours or based on the average number of hours worked in the 6 months preceding the period of parental leave.
151. As described above the average number of hours actually worked can vary greatly from the ordinary rostered hours. In retail stores part-time employees work a base roster but can be offered additional hours or work more during busy trade periods.
152. These additional hours are normally taken into account when calculating the average number of hours worked for the purpose of determining the parental leave payment.
153. This is again a situation where employees will not be able to accurately calculate the payment until they receive the full payment from their employer.

### Return to Work Bonuses

154. Where paid leave is offered as payment for time off in addition to the 18 weeks government scheme some businesses offer the payment at the time of commencement of the leave and some split the payment between commencement and a return to work bonus.
155. It is not clear from the Bill or Explanatory Memorandum whether or not a return to work bonus would be deemed a parental leave payment. Employers in retail who provide a return to work bonus do so as part of the paid parental leave entitlement. Those working for employers who offer a return to work bonus as part of the paid parental leave entitlement will not be able to report this payment at the time of applying for the government scheme because they may not know if or on how many hours they intend to return on and/or they may not be able to calculate the amount they will receive because they will not know what rate of pay will apply on that future date.
156. For example, one employer paid parental leave policy states that, after returning from leave the second four week payment (the welcome back bonus) will be calculated based on the average hours worked per week upon the return to work. Most employees will not be in a position to know the definitive number of hours they will work when they return from parental leave, or the rate of pay which will apply when they return. Therefore, there is no way they can report this at the time of applying for the government payment.
157. This is further complicated by the fact that eligibility for the return to work bonus in some schemes is dependant on the completion of a period of service after returning from parental leave ranging from 1 to 6 months.
158. Given that the maximum end date for the period of government paid parental leave is the child's first birthday and most employees in retail are able to access parental leave until the child's 2<sup>nd</sup> birthday they will not have returned to

work prior to the maximum end day of the government payment. Therefore they will not be able to accurately report any return to work component of the employer parental leave payment they receive.

159. The proposed Bill does not accommodate the level of complexity which is commonly found in employer paid parental leave schemes. Return to work bonuses are a common feature found not only in retail but are also used in many industries as an incentive for employees to return to work.

160. The Bill does not address what happens to those employees who take up two years' parental leave as per their entitlement under their workplace agreement and are paid a return to work bonus, as part of their PPL entitlement, on their return to work but haven't been able to report this when applying for the government scheme.

### **EMPLOYER AS PAYMASTER**

161. The current scheme was designed deliberately to mandate the obligation on employers to act as the paymasters of the PPL scheme in order to promote mothers' attachment to their employer and therefore encourage women to return to their previous employer following a period of PPL.

162. The Productivity Commission noted in its inquiry report that;

*'the current delivery option is used in a number of comparable overseas schemes and would also:*

- *signal the payment as a normal work-related entitlement*
- *encourage greater employee loyalty*
- *improve workforce and workplace attachment'.<sup>35</sup>*

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<sup>35</sup> Australian Government Productivity Commission, *Paid Parental Leave: Support for Parents with Newborn Children No. 47*, 28 February 2009, p 8.29

163. The Phase 3 PPL Evaluation Report found no evidence to support the removal of the employer paymaster role. It found that the majority of employers were easily able to organise the payments and the costs were minimal.

164. The report<sup>36</sup> found that;

*Employers generally experienced few difficulties in registering for PPL and providing PLP to their employees, and they have become more likely to say the process is easy.*

*Thus:*

- *Employers were almost twice as likely to rely on Centrelink as a source for initial information about the PPL scheme in 2012 compared to 2011.*
- *Three quarters of employers in the 2012 survey said it was easy to register for the PPL scheme.*
- *Just over 80 per cent of employers in the 2012 survey said that organising payments was easy.*
- *Employers in the 2012 survey were more likely than those in the 2011 survey to say that registering for PPL and organising payments was easy. This pattern was consistent across employers, irrespective of employer size or sector.*
- *The costs to employers of implementing PPL were generally very minimal, both in terms of time and money. Indeed, there was a decline in the amount of time employers reported they needed to implement PPL between 2011 and 2012. Nevertheless, some employers reported they found it time consuming to provide payments to their employees.*
- *Most employers in the 2012 survey reported low financial costs in implementing PPL, with only 18 per cent reporting costs of \$1,000 or more, and 54 per cent reporting costs of less than \$500. Some 16 per cent of employers were unable to estimate the costs of implementing the scheme. A very small group of employers reported very high costs.*

165. The evidence supports the continuation of employers acting as paymaster, not the removal of the obligation.

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<sup>36</sup> University of Queensland, Institute for Social Science Research, Paid Parental Leave Evaluation: Phase 3 Report, April 2014, page 4

166. In discussion with retailers, the SDA has found that most employers have not faced any major issues or costs with regard to making the payments. The feedback mainly related to delays in receiving the payment from the government not difficulties regarding the administration of making the payment to employees.
167. Most employers are already arranging payment of other forms of leave while the employee is on leave from work after the birth of a child so it is not difficult to administer this payment as part of this process.
168. The SDA strongly opposes the removal of the obligation on employers to act as paymaster for the delivery of the government PLP. This proposed change directly contradicts the objectives that the payment be viewed as a workplace payment rather than a welfare payment.