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# Submission to the Senate Inquiry into the Fairer Paid Parental Leave Bill (2016)

# Contents

Executive summary .....	3
Introduction.....	5
About paid and unpaid parental leave .....	6
Paid parental leave schemes in OECD countries .....	8
Australian Government’s Paid Parental Leave scheme .....	10
Employer-funded paid parental leave in Australia .....	11
Non-leave based measures to support employees with caring responsibilities .....	15
Employer feedback to the proposed changes to the <i>Paid Parental Leave Act (2010)</i> ....	16
Conclusion.....	18
Appendix 1 .....	21
Appendix 2 .....	22

## Executive summary

The proposed amendments to the *Paid Parental Leave Act 2010* involve the removal or partial removal of working parents' entitlement to government-funded parental leave, where employer-funded parental leave exists.

In preparing this submission, the Workplace Gender Equality Agency (WGEA or Agency) has reviewed existing research regarding paid parental leave (PPL) schemes, considered the international context and conducted limited consultation, due to time constraints with Australian employers who report into the Agency.

The Agency's remit is to improve gender equality outcomes in Australian workplaces. This includes supporting employers to remove barriers to the full and equal participation of women in the workforce, recognising the disadvantaged position of women in employment matters, and the elimination of discrimination on the basis of gender in employment matters, including family and caring responsibilities.

The availability of paid parental leave links to social, demographic and economic objectives, such as positive health effects for mother and child, increased fertility rate as well as increased women's workforce participation. Increasing women's workforce participation is linked to a country's overall economic performance. In 2014, the Australian Government committed to a G20 target of reducing the workforce participation gap between women and men by 25% by 2025 to boost global GDP.

As highlighted by many employers who responded to the Agency's request for comment, access to a greater period of PPL is beneficial to women's health, financial security and prospects for a successful re-entry to the workforce after childbirth.

A complex relationship exists between access to paid parental leave, women's workforce participation and women's financial security in retirement. The impact of any changes to a paid parental leave scheme should be viewed in conjunction with the potential short and long term impacts to individuals, government and the economy as a whole. In 2009, the Productivity Commission conducted an inquiry into improved support for parents with newborn children. Further and expanded economic modelling is required by the Productivity Commission or similar body, in order to adequately measure these interdependencies. Australia's government-funded PPL scheme offering 18 weeks at minimum pay (equivalent to 7.6 weeks at average pay) is currently one of the least generous schemes across the OECD. Based on the research the Agency conducted, the current trend among other OECD countries is to increase access to PPL for both women and men.

Australia's current scheme allows employers to offer PPL in addition to the government-funded scheme of 18 weeks at minimum pay. Across the Agency's dataset of more than 5000 reports covering 12,000 non-public sector employers, around half of all reporting organisations offer PPL in addition to the government scheme. This provides an average length of 10 weeks paid leave to primary carers. This data suggests that a significant proportion of Australian families would be impacted by the proposed changes.

WGEA sought feedback on the changes proposed by the Fairer Paid Parental Leave Bill 2016 (Bill) from 106 organisations that hold the WGEA Employer of Choice for Gender Equality (EOCGE) citations and 120 other randomly selected reporting organisations. This represented a 5% sample of the Agency's reporting organisations and was selected to give a diverse cross-section of perspectives, whilst being administratively manageable for our small Agency within the tight timeframe. The response rate for the consultation was much lower than anticipated at under 8%, in part attributable to the short turnaround time we asked of the employers and the time of the year in which we sought a response. WGEA received individual feedback from 18 organisations across eight industries. A further three organisations apologised for not responding due to the Christmas/New Year holiday break.

Employers that responded commented that:

- The proposed changes would negatively affect the health, well-being and financial security of their employees.
- Employers would have less incentive to offer PPL, if it resulted in employees losing access to the government scheme, and may choose to invest in the well-being and retention of employees in other ways.
- The changes may force some new parents to return to work earlier than intended due to financial constraints, with negative consequences for both employee and their employer.

While some respondents supported removing the burden of administering the government scheme from employers, all opposed removing access to the government-funded PPL scheme to employees who may also access an employer-funded scheme.

The WGEA Employer of Choice for Gender Equality citation requires participating employers to offer a minimum of eight weeks parental leave at full pay for primary carers, in addition to the government scheme. It also requires the eligibility period to access employer-funded parental leave to be 12 months or less – and the active encouragement of men to take parental leave. This is to facilitate an active role for fathers and partners in caring for children, an essential ingredient for improved workplace gender equality. The impact the Fairer Paid Parental Leave Bill 2016 may have on men's uptake of PPL is unclear.

#### Conclusion

- It may not be in the interests of improved workplace gender equality to limit access to the government's PPL scheme for employees who receive employer-funded PPL.
- Any proposed budget savings relating to PPL should be viewed in the context of the demonstrated economic benefits of the greater workforce participation of women, including the Australian Government's target, in line with G20 guidelines, to reduce the gender participation gap by 25% by 2025.
- Australia's existing, mandated PPL scheme is not generous by international standards. The trend among OECD countries is to expand PPL schemes to facilitate better outcomes in terms of health and wellbeing, fertility rates, women's economic security and women's workforce participation.
- About half of non-public sector employers (based on data collected by the Agency) currently offer employer-funded PPL, meaning the proposed changes would impact a significant number of families.

#### Recommendations

- The Agency recommends further engagement with employers to ensure that the responses received by the Agency are reflective of Australian business more generally.
- Further research and economic modelling should be conducted to establish the links between PPL schemes, women's workforce participation and women's longer term economic security, particularly in retirement. This modelling should quantify costs to government, and ensure that any benefits to women and the economy are both short and long term.

# Introduction

The [Workplace Gender Equality Agency](#) (WGEA or Agency) is pleased to provide its submission to the *Senate Inquiry into the Fairer Paid Parental Leave Bill 2016*. The Agency seeks to address elements of the Inquiry's [terms of reference](#) that are in line with the Agency's function:

"The FAIRER PAID PARENTAL LEAVE BILL 2016 aims to amend the *Paid Parental Leave Act 2010* to: provide that parental leave pay under the Paid Parental Leave scheme will only be provided to parents who have no employer-provided paid primary carer leave, or whose employer-provided paid primary carer leave is for a period less than 18 weeks or is paid at a rate below the full-time national minimum wage; remove the requirement for employers to provide paid parental leave to eligible employees, unless an employer chooses to manage the payment to employees and the employees agree for the employer to pay them; extend the application of the four-week backdating rule; modify the paid parental leave work test to take into account the circumstances of pregnant women in hazardous occupations and to extend the permissible break from eight to 12 weeks; and make amendments contingent on the commencement of the proposed Regulatory Powers (Standardisation Reform) Act 2016."<sup>1</sup>

In addition the Bill includes the measures to:

"remove the requirement for employers to administer Government-funded parental leave pay to their eligible long-term employees. This measure was previously introduced on 19 March 2014 in the Paid Parental Leave Amendment Bill 2014, to ease administrative burdens on business.

Employees will be paid directly by the Department of Human Services, unless an employer opts in to provide parental leave pay to its employees and an employee agrees to their employer paying them. The measure will be implemented from the first 1 January, 1 April, 1 July or 1 October after the Bill receives Royal Assent."<sup>2</sup>

The key areas that this submission addresses are:

- paid parental leave and gender equality
- paid parental leave across OECD countries
- paid parental leave in Australia
- employer-funded paid parental leave in Australia
- employer-funded paid parental leave as business case
- employer feedback.

## The Agency's role

The Workplace Gender Equality Agency is an Australian Government statutory agency charged with promoting and improving gender equality in Australian workplaces. It was created by the [Workplace Gender Equality Act 2012](#) (the Act), which requires all non-public sector employers with 100 or more employees<sup>1</sup> to report to the Agency annually against standardised gender equality indicators (GEIs):

- GEI 1 – gender composition of the workforce
- GEI 2 – gender composition of governing bodies of relevant employers
- GEI 3 – equal remuneration between women and men
- GEI 4 – availability and utility of employment terms, conditions and practices relating to flexible working arrangements for employees and to working arrangements supporting employees with family or caring responsibilities
- GEI 5 – consultation with employees on issues concerning gender equality in the workplace
- GEI 6 – any other matters specified by the Minister – sex-based harassment and discrimination

The Act does not cover the collection of data from employers with less than 100 employees or the public sector.

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<sup>1</sup> The WGE Act does not cover employers with less than 100 employees or the public sector.

The data collected from these reports (known as the WGEA dataset) can be harnessed and combined with other information and data to inform the discussion around measuring and understanding gender pay gaps, and workplace gender inequality more broadly.

The Agency also has a role in promoting and improving gender equality in Australian workplaces. This role is fulfilled through the provision of advice and assistance to employers. The objects of the *Workplace Gender Equality Act 2012* (s. 2A) are:

- (a) to promote and improve gender equality (including equal remuneration between women and men) in employment and in the workplace; and
- (b) to support employers to remove barriers to the full and equal participation of women in the workforce, in recognition of the disadvantaged position of women in relation to employment matters; and
- (c) to promote, amongst employers, the elimination of discrimination on the basis of gender in relation to employment matters (including in relation to family and caring responsibilities); and
- (d) to foster workplace consultation between employers and employees on issues concerning gender equality in employment and in the workplace; and
- (e) to improve the productivity and competitiveness of Australian business through the advancement of gender equality in employment and in the workplace.

## About paid and unpaid parental leave

The term paid parental leave is used to describe the various types of leave available to employees around the time of birth or adoption of a child.

Parental leave is the protected leave of absence from employment to allow parents to care for a newborn or recently adopted child. Unpaid leave is where an employer is required to hold an employee's job while the employee is on leave. Paid parental leave provides employees with an income while on leave.

Paid and unpaid leave benefits and entitlements are usually regulated by law and funded by the government or employers. In many countries, government-funded parental leave is paid in addition to specific maternity and paternity leave periods. Entitlement to parental leave varies across countries and is often linked to the individual and their role in the family (i.e. each parent has their own entitlement). This means that in general only one parent claims paid parental leave at any one time (except for a short period directly after the childbirth where secondary carer's leave is available).<sup>3</sup>

### Why paid parental leave?

The availability of paid parental leave links to social, demographic and economic objectives, such as positive health effects on mother and child, higher fertility rates as well as increased women's workforce participation.<sup>4</sup> Increasing women's workforce participation is linked to a country's overall economic performance. In 2014, the Australian Government committed to a G20 target of reducing the workforce participation gap between women and men by 25% by 2025 to boost global GDP.<sup>5</sup> More recently some governments, such as in Sweden, Norway and Germany have introduced government-funded paid leave entitlements specifically for fathers to promote greater gender equality in paid and unpaid work, and to help balance work and family life.<sup>6</sup>

Overall, research suggests that government-funded paid parental leave contributes to an increase in women's workforce participation.<sup>7</sup> Research suggests that paid parental leave increases the weekly working hours, rather than the pure participation rate.<sup>8</sup> For instance, research shows that the introduction of 12 months paid leave in Germany led to the increase in women's workforce participation once the child turned one year of age.<sup>9</sup> Similarly, Norway has increased women's workforce participation and the fertility rate by implementing policies that enable the combination of work-family life, such as paid parental leave, the right to work part-time and subsidised child-care.<sup>10</sup> The increases in the rate of paid parental leave in Germany also led to an increase in the fertility rate.<sup>11</sup>

The UK introduced a shared paid parental leave scheme in 2015, which means that couples can share up to 50 weeks of leave and 37 weeks of pay between them following the birth or adoption of a child. Shared parental leave was introduced to promote gender equality in paid and unpaid work; it is however, too early to assess the effects of the scheme on gender equality.<sup>12</sup>

## **Paid parental leave and gender equality**

Parental leave policies protect each parent's job for a period of time following the birth or adoption of a child. Paid parental leave policies that are available for each parent support shared responsibility for raising children. In 2014 a Swiss study showed that if parental leave policies are available to each parent, it enables a more equal division of work between women and men by fostering paternal involvement in the care for a child.<sup>13</sup> Similarly, a 2015 study found that the Norwegian paid parental leave policy (46 weeks of parental leave at 100% of the salary and 10 weeks of leave reserved for the co-parent)<sup>14</sup> contributes to a shortening of women's career interruptions and a more equal division of paid and unpaid work among parents.<sup>15</sup> These studies show that the availability of paid parental leave for each parent fosters a more equal division of unpaid care and improves family work-life balance.

## **Paid parental leave as a health and well-being policy**

The health and wellbeing of new mothers and babies is one of the reasons governments and many employers choose to provide paid maternity leave. It enables women to spend the first weeks of a child's life recovering from the birth and nurturing the baby. For this reason, the International Labour Organisation recommends no less than 14 weeks of maternity leave<sup>16</sup> and the World Health Organization (WHO) recommends six months, or 26 weeks, of breastfeeding to achieve optimal health for the infant.

Paid adoption leave allows new parents and their adoptive child time to develop a relationship and adapt to a new environment.

## **Paid parental leave and financial security**

Access to paid parental leave has a positive impact on the financial position of women and families. WGEA data shows that women's full-time total remuneration earnings are on average 23.1% (AUD \$26,853) less than men's earnings across all industries and occupations.<sup>17</sup> This gender pay gap affects most women in the workforce to some degree over the course of their working lives.

It is during the years when many women are balancing paid work with unpaid caring responsibilities in the home that the gender pay gap widens considerably.<sup>18</sup> Research by KPMG has shown that 21% of the gender pay gap is attributable to the years out of the workforce.<sup>19</sup> During this time, the cumulative loss of earnings that women experience almost becomes irreversible, regardless of their subsequent paid employment. There are few women who end their working lives having earned the same as, or more than, men working in similar employment. As a consequence, the experiences of women in paid and unpaid work impact on their retirement savings and contribute to women having, on average, half the superannuation balances at retirement age as men (\$138,150 for women compared with \$292,500 for men in 2013-14).<sup>20</sup>

Economists have reported that raising children accounts for a 17% loss in lifetime wages for women.<sup>21</sup> In addition, many women move into 'mother-friendly' occupations and/or return to work part-time following parental leave. The ABS estimates that 82% of mothers returning to work after childbirth work in part-time roles.<sup>22</sup> The decisions to change job and work part-time often have a negative impact on women's financial situation and future career opportunities.

Paid parental leave positively impacts the financial security of women, relieving income pressure during the first months with a new child.

A complex relationship exists between access to paid parental leave, women's workforce participation and women's financial security in retirement. In 2009, the Productivity Commission conducted economic modelling to identify the economic, productivity and social costs and benefits of providing paid parental leave. Their final report recommended a paid parental leave scheme based on robust modelling and extensive consultation.<sup>23</sup> The impact of any changes to the paid parental leave scheme should be considered with the same level of veracity, in order to ascertain the potential short and long term impacts to individuals, cost to government and the Australian economy as a whole. For example, changes to a paid parental leave scheme that discourage women's workforce participation may well have long term impacts that affect women's economic security in retirement. In this instance, any short term cost saving in changing the paid parental leave scheme would need to be assessed against the future economic costs to government (e.g. increased pension payments) and the economy more broadly (e.g. decreased participation of women in the workforce). Further economic modelling should be conducted to fully understand the interplay of these factors and to ensure that any changes to a paid parental scheme are made with full consideration of all future costs and benefits. The Agency is not resourced to conduct economic modelling.

# Paid parental leave schemes in OECD countries

Paid parental leave is available to parents in most OECD countries, usually paid as a government benefit, through the employer or the government.

A comparison of parental leave payments is complex, due to different leave entitlement systems, additional financial support schemes for parents, employer provided top-up payments and gaining access to the data on the take-up of these policies.<sup>24</sup>

One way we compare parental leave and family payments is by examining the proportion of public expenditure in relation to the overall Gross Domestic Product (GDP) available to parents and families.

- Australia spent 2.8% of GDP on family benefits in 2013, which is higher than the OECD average of 2.4%.
- The UK has one of the highest proportions of GDP spent on family benefits at 4.0%.
- Germany and Sweden spent slightly less on family benefits at 3.1% and 3.6% respectively.

**Table 1: Total paid leave entitlements available to mothers (includes paid maternity leave and paid parental leave available to mothers) 2013-14**

Country	Public expenditure on child-related cash transfers <sup>2</sup> (% of GDP)	Total public expenditure on family benefits (% of GDP)
Australia	1.9	2.8
New Zealand	1.7	2.8
UK	2.4	4.0
US	0.1	1.2
Canada	1.0	1.4
Japan	0.8	1.5
Korea	-	1.4
Netherlands	0.7	1.8
Germany	1.1	3.1
Sweden	1.4	3.6
<b>OECD average<sup>3</sup></b>	<b>1.2</b>	<b>2.4</b>

Source: OECD (2016), OECD Social Expenditure Database, viewed 6 December 2016, <http://www.oecd.org/social/expenditure.htm>

The entitlement to paid parental leave differs across OECD countries. In some countries it is a sharable family entitlement with certain periods reserved for use by the mother or the father. In other countries (such as Austria, Germany, Norway) 'bonus' paid weeks are offered if both parents use a certain portion of the family entitlement. Assuming that the family wishes to maximise the total length of paid leave on offer, this implies that a certain number of weeks are effectively 'reserved' for fathers.<sup>25</sup> For example, in Germany, if both parents take paid parental leave they will receive 14 months of paid leave. However, if only one parent takes leave, the family is only entitled to 12 months paid leave.<sup>26</sup>

Table 2 shows parental leave entitlements and payments available to mothers across selected OECD countries. It shows that the availability, the length, and the value of paid parental leave varies considerably across countries.

- The average length of paid maternity/parental leave available to mothers is 54 weeks.

<sup>2</sup> Includes child allowances and parental leave payments.

<sup>3</sup> OECD-33 average

- Weekly maternity leave payment across the OECD is 78% of gross earnings for a mother previously on average wages.<sup>27</sup>
- Some countries offer more than 12 months paid parental leave (Canada, Japan, Korea).

Parental payment rates tend to be lower in English-speaking OECD countries (Table 2). Australia's full-rate equivalent weekly parental leave payment is one of the lowest in the OECD.

- Australia's weekly parental leave payment covers on average 42% of previous earnings which adds up to an average 7.6 weeks of full-time payment (18 weeks of parental leave payment at minimum wage).
- The UK provides higher parental leave payments than other English-speaking countries with 39 weeks of paid leave at an average rate of 31.3% of previous earnings, which equals 12.2 weeks of full-rate earnings.
- The Netherlands' paid parental leave covers 100% of previous earnings; however paid parental leave is only 16 weeks.
- In Japan, benefits replace on average earnings of up to 61.6% of previous earnings.
- The US is one of the only countries without government-mandated paid parental leave entitlements.

**Table 2: Total paid leave entitlements available to mothers (includes paid maternity leave and paid parental leave available to mothers) 2013-14**

Country	Length of parental leave entitlements (weeks)	Average payment rate of national average earnings <sup>4</sup> (%)	Full-rate equivalent (weeks)
Australia	18.0	42.0	7.6
New Zealand	16.0	47.9	7.7
UK	39.0	31.3	12.2
US	0.0	0.0	0.0
Canada	52.0	52.6	27.3
Japan	58.0	61.6	35.8
Korea	64.9	39.0	25.3
Netherlands	16.0	100.0	16.0
Germany	58.0	73.4	42.6
Sweden	60.0	63.4	38.1
OECD average <sup>5</sup>	<b>54.1</b>		

Source: OECD (2016), Key characteristics of parental leave systems, viewed 6 December 2016, [https://www.oecd.org/els/soc/PF2\\_1\\_Parental\\_leave\\_systems.pdf](https://www.oecd.org/els/soc/PF2_1_Parental_leave_systems.pdf)

<sup>4</sup> The "average payment rate" refers to the proportion of previous earnings replaced by the benefit over the length of the paid leave entitlement for a person earning 100% of average national (2014) earnings. If this covers more than one period of leave at two different payment rates then a weighted average is calculated based on the length of each period. In most countries benefits are calculated on the basis of gross earnings, with the "payment rates" shown reflecting the proportion of gross earnings replaced by the benefit. In Austria, Chile, Germany and Romania (parental leave only) benefits are calculated based on previous net (post income tax and social security contribution) earnings, while in France benefits are calculated based on post-social-security-contribution earnings. Payment rates for these countries reflect the proportion of the appropriate net earnings replaced by the benefit. Additionally, in some countries maternity and parental benefits may be subject to taxation and may count towards the income base for social security contributions. As a result of taxation, the actual amounts received by the individual on leave may differ from those shown in the table.

<sup>5</sup> OECD-33 average

## Fathers' or partners' paid parental leave

If fathers', or partners', paid parental leave is available, it tends to be much shorter than parental leave for mothers or primary carers and it tends to be reasonably well remunerated. Table 2 shows parental leave available by governments or employers to fathers across selected countries.

- Most English-speaking countries such as US, Canada and New Zealand do not offer paid fathers or partners leave.
- Other countries, such as in Australia and the UK two weeks at a minimum average pay rate is offered.
- Germany offers 8.7 weeks at 65% of their average pay rate.

**Table 3: Total paid leave entitlements available to fathers or partners (2013-14)**

Country	Length of parental leave entitlements (weeks)	Average payment rate of national average earnings (%)	Full-rate equivalent (weeks)
Australia	2.0	42	0.8
New Zealand	0.0	0.0	0.0
UK	2.0	20.6	0.4
US	0.0	0.0	0.0
Canada	0.0	0.0	0.0
Japan	52.0	58.4	30.4
Korea	52.8	30.7	16.1
Netherlands	0.4	100	0.4
Germany	8.7	65.0	5.7
Sweden	10.0	75.6	7.6
<b>OECD average</b>	<b>8.2</b>		

Source: OECD (2016), Key characteristics of parental leave systems, viewed 6 December 2016, [https://www.oecd.org/els/soc/PF2\\_1\\_Parental\\_leave\\_systems.pdf](https://www.oecd.org/els/soc/PF2_1_Parental_leave_systems.pdf)

## Australian Government's Paid Parental Leave scheme

Australia's first national Paid Parental Leave (PPL) scheme came into effect on 1 January 2011 and provides eligible working parents with 18 weeks of PPL at the rate of the national minimum wage (currently at \$672.70 per week). In addition, fathers or partners are entitled to two weeks of paid leave, at minimum wage, on a 'use it or lose it' basis. The 18 weeks payment is technically available to be shared or taken by either parent, depending on who is undertaking primary carer duties. A total of 20 weeks PPL is available if all entitlements are utilised by a family unit.

The PPL scheme complements existing workplace entitlements, including the access to unpaid parental leave under the National Employment Standards for long-term employees. The government's paid scheme does not change any existing workplace leave entitlements. Parental leave is an additional employer-provided leave entitlement and can be taken before, after or at the same time as paid or unpaid parental leave, and other employer-provided paid leave such as annual or long service leave.<sup>28</sup>

The *Paid Parental Leave Act 2010* requires that employers administer the government's Parental Leave Pay in addition to any other obligation they have to their employees.<sup>29</sup> The Paid Parental Leave scheme review conducted in 2013-14 by the Department of Social Services showed that:

- 166,713 families accessed PPL in 2012-13

- 99.4% of the recipients in 2012-13 were women
- 77.4% of recipients had an adjusted taxable income of below \$70,000 and 54.2% had an adjusted taxable income below \$50,000
- fewer mothers returned to work before their child was six months than did prior to the introduction of the scheme
- more mothers returned to work when the child was around 12 months old than did prior to the introduction of the scheme
- PPL increased employers' retention of mothers after they returned to work
- PPL delayed entry into formal childcare as a result of mothers being able to stay at home longer
- PPL allowed mothers from low socio-economic backgrounds to remain at home longer
- there was a small improvement in mothers' perceptions of career prospects on return to work
- there was a small improvement in mothers' and babies' health and wellbeing due to increased financial security.<sup>30</sup>

This indicates that the current government-funded PPL scheme impacts positively on the wellbeing of the child and mother and contributes to the financial security of women. It could also be argued that the current PPL offsets some financial inequalities, such as the gender pay gap faced by women in the workplace.

## Employer-funded paid parental leave in Australia

Employer-funded paid parental leave, such as primary carer's leave, secondary carer's leave or parental leave replaces an employee's regular salary following the birth or adoption of a child. This payment is usually offered for a specified period of time. Employer-funded paid parental leave is not a legislative requirement for employers in Australia, but is often regulated through industrial agreements or organisational policies.

Employer-funded parental leave can be paid in different ways, such as regular salary payments including or excluding superannuation, lump sum payments, and half-pay for double the duration of the policy and/or paying superannuation contributions while on unpaid leave.

### The business case for paid parental leave

Research suggests that paid parental leave is a cost-effective means of retaining valued staff and is one initiative that may assist employees to return to work after parental leave. The availability of paid parental leave links to an increase in job satisfaction as well as an increase in employee productivity and loyalty. Paid parental leave benefits organisations by:

- increasing the number of employees returning to work after parental leave
- reducing recruitment and training costs
- improving staff morale and productivity
- providing a cost-effective means of retaining skilled staff
- improving organisational efficiency through the benefits of long service, for example, institutional memory, industry knowledge, networks and contacts.<sup>31</sup>

Other organisational initiatives and measures employers may provide to support employees with caring responsibilities include: extended unpaid parental leave, a childcare subsidy or assistance with finding childcare; a 'keep in touch' program for employees while on leave; inclusion in workplace change processes while on leave, such as team restructures or a pay review process; return to work assistance for including updating skills or re-training; or offering part-time or flexible work options.<sup>32</sup>

### Employer-funded paid parental leave enables mothers to remain part of workforce

A key finding from the evaluation of the government-funded PPL scheme conducted by the Department of Social Services shows that PPL has increased the proportion of mothers returning to work after one year of parental leave to 73% percent, up from 69% pre-PPL.<sup>33</sup> This indicates that paid parental leave supports women in, remaining in and returning to, the workforce.

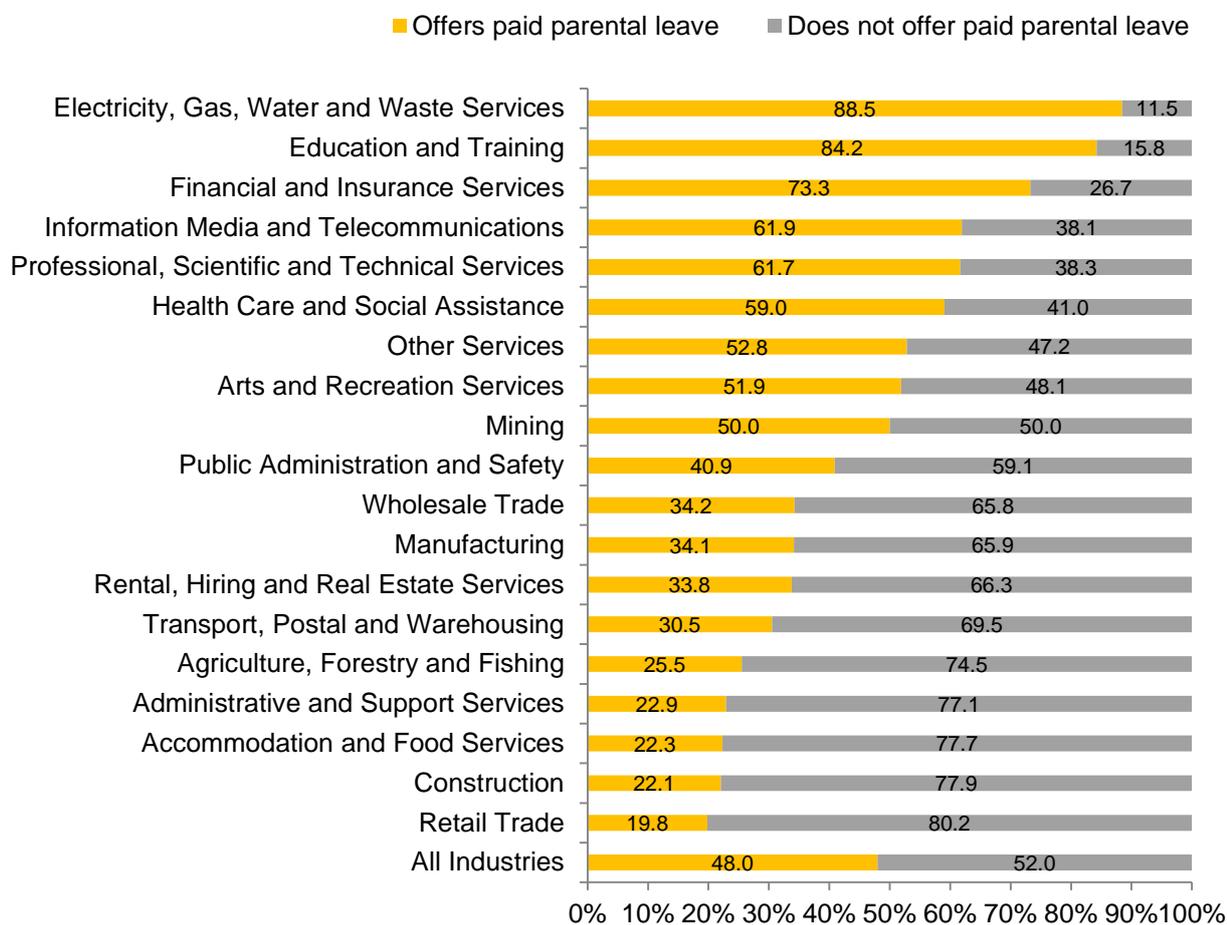
The Australian Productivity Commission concluded in 2009 that an employer administered government-funded paid parental leave scheme promotes the 'sense of belonging' to the workplace and increases workplace retention. "The more that parental leave arrangements mimic those that exist as part of routine employment contracts, the more they will be seen by employers and employees as standard employment arrangements, with the dual effect of: promoting employment continuity and workplace retention (thus helping to preserve job and employer-specific skills that would be reduced if parents were to resign or move to another employer) and reducing training costs for employers; signalling that a genuine capacity to take a reasonable period of leave from employment to look after children is just a normal part of working life."<sup>34</sup> (Productivity Commission, 2009 p. xxxiii).

## Availability of employer-funded parental leave

The WGEA data shows that the proportion of organisations that offered paid parental leave for primary carers was 48.0% in 2015-16, which is consistent with the figure of 48.2% from 2014-15. Figure 1 shows the proportion of organisations offering paid parental leave across different industries.

- Electricity, Gas Water and Waste Services, Education and Training and Financial and Insurance Services have the highest proportion of organisations offering PPL.
- Construction and Retail Trade have the lowest proportion of organisations offering PPL.

**Figure 1: Proportion of organisations offering paid parental leave by industry 2015-16**



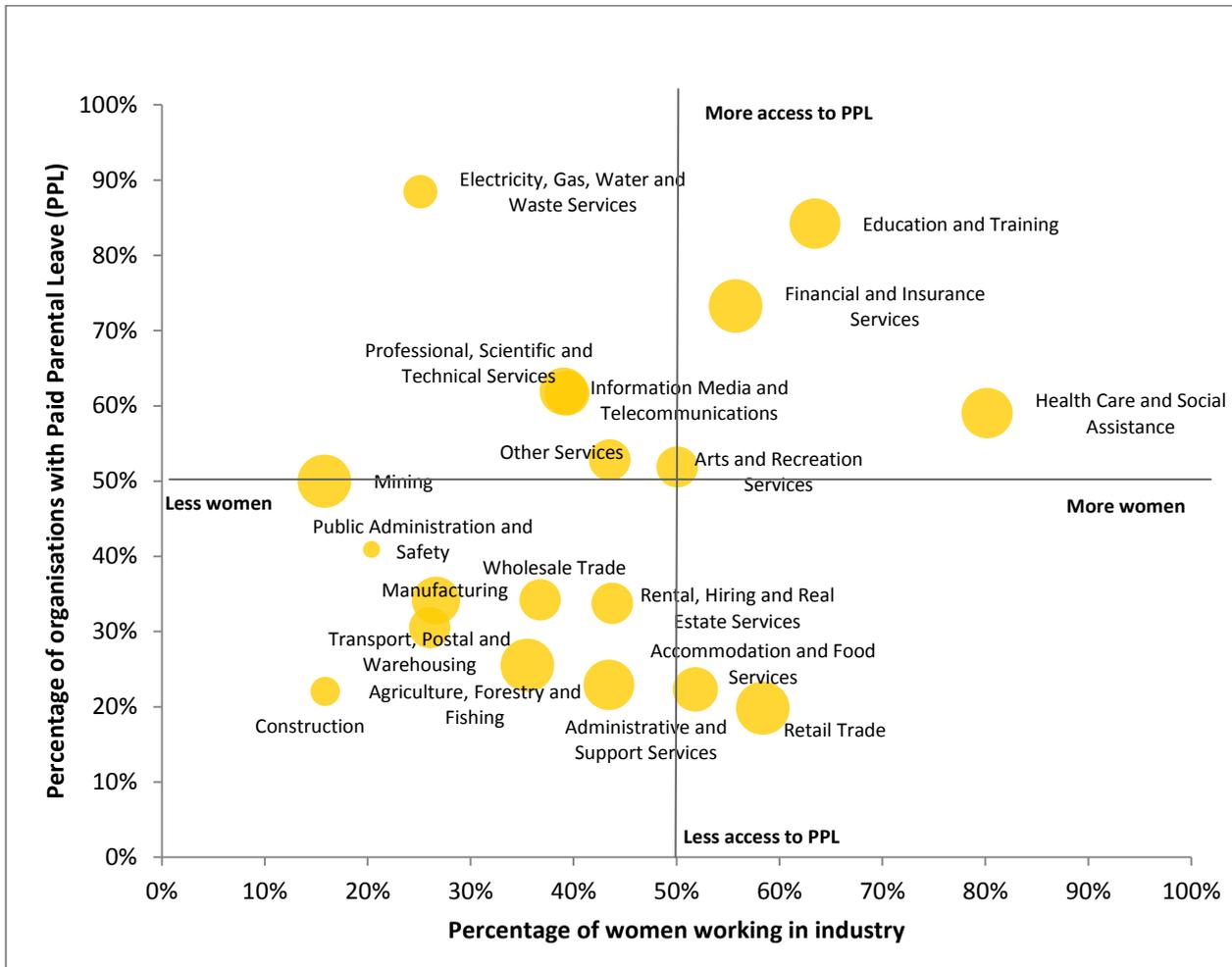
Source: WGEA (2016), Agency reporting data (2015-16 reporting period).

Figure 2 shows that organisations with PPL are unequally distributed across industries.

- In the female dominated industries, 84.2% of Education and Training organisations offer paid parental leave, compared to 59.0% in Health Care and Social Assistance.
- In other industries with a large female workforce, such as Retail Trade, 19.8% of organisations offer paid parental leave as do 22.3% of organisations from Accommodation and Food Services.

- The proportion of organisations with PPL in male-dominated industries varies: it is relatively low in Construction and Manufacturing while relatively high in Professional, Scientific and Technical Services, Information Media and Telecommunications and Mining.

**Figure 2: Proportion of female employees, proportion of organisations offering employer-funded paid parental leave 2015-16**



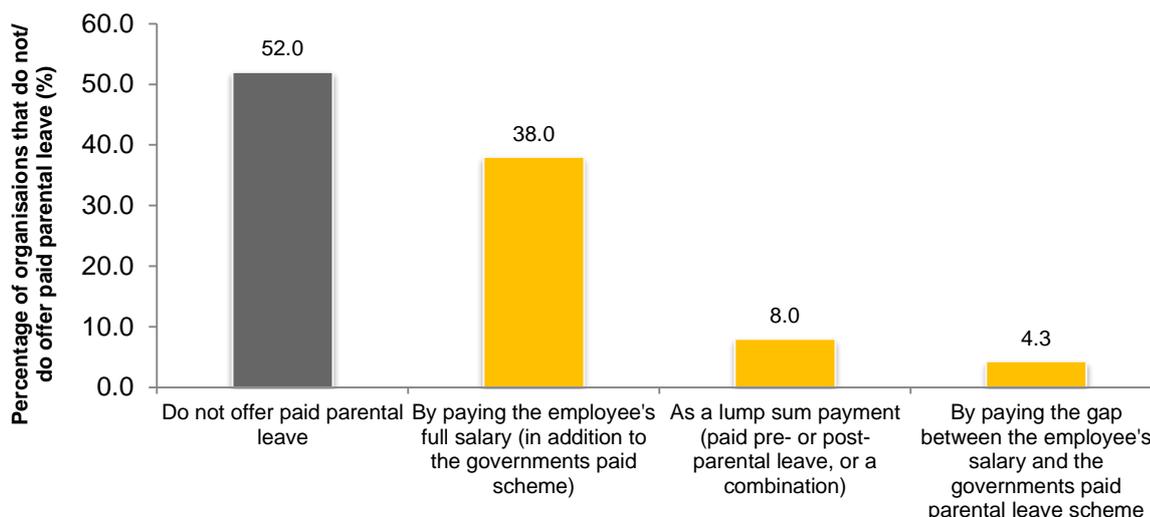
Source: WGEA (2016), Agency reporting data (2015-16 reporting period)

### Forms of employer-funded parental leave payments

Figure 3 shows that reporting organisations pay parental leave in different ways. Across all industries:

- 38.0% of employers pay the full salary in addition to the government scheme for a set period.
- 8.0% of organisations pay a lump sum payment and 4.3% pay the difference between the government scheme and the employee's full salary.
- 52.0% of organisations offer no paid parental leave.

**Figure 3: Forms of parental leave payments offered by organisations**



\*Organisations may offer paid parental leave through multiple payment methods.

Source: WGEA (2016), Agency reporting data (2015-16 reporting period)

## Length of employer-funded parental leave

The length of paid parental leave by employers varies across industries and organisations. WGEA data in Table 4 shows:

- In 2015-16, the average length of paid primary carers' leave was 10 weeks across all industries, a decline from 11 weeks in 2013-14.
- In 14 of 19 industries the average length of PPL offered declined between 2013-14 and 2015-16.
- Only four of 19 industries increased the average length of PPL offered.

**Table 4: Average length of employer-funded primary carer's leave offered by industry**

Industry	2013 - 14	2014 - 15	2015 - 16	Difference
Education and Training	14.0	13.8	12.8	-1.2
Mining	12.8	11.9	11.5	- 1.3
Financial and Insurance Services	11.8	11.8	10.8	- 1.0
Electricity, Gas, Water and Waste Services	12.3	11.2	10.7	- 1.6
Agriculture, Forestry and Fishing	8.6	10.4	10.7	+ 2.1
Rental, Hiring and Real Estate Services	8.3	10.2	10.5	+ 2.2
Other Services	11.4	11.5	9.9	- 1.5
Wholesale Trade	9.4	9.5	9.6	+ 0.2
Transport, Postal and Warehousing	9.4	9.9	9.4	-/+ 0
Information Media and Telecommunications	9.0	9.3	9.3	+ 0.3

Industry	2013 - 14	2014 - 15	2015 - 16	Difference
Professional, Scientific and Technical Services	10.3	9.8	9.2	- 1.1
Construction	9.7	11.3	8.9	-0.8
Retail Trade	9.0	9.6	8.7	- 0.3
Arts and Recreation Services	9.1	8.7	8.3	- 0.8
Accommodation and Food Services	8.1	8.0	7.8	- 0.3
Manufacturing	9.0	9.0	7.8	- 1.2
Health Care and Social Assistance	8.4	8.6	7.7	- 0.7
Administrative and Support Services	8.2	8.8	7.5	- 0.7
Public Administration and Safety	9.6	8.6	7.3	- 2.3
<b>All Industries</b>	<b>11.0</b>	<b>10.5</b>	<b>9.7</b>	<b>- 1.3</b>

Source: WGEA (2016), Agency reporting data (2015-16 reporting period)

The comparison of the average length of paid parental leave by organisational size in Table 5 reveals:

- A decline in the average length of paid parental leave in organisations of all sizes.
- The largest decline in the length of paid parental leave was found in the largest organisations (-1.6%).

**Table 5: Average length of employer-funded parental leave offered by organisational size and change**

Organisation size	2013-14	2014-15	2015-16	Difference
0-249	10.5	10.6	9.6	- 0.9
250-499	10.4	10.1	9.3	- 1.1
500-999	9.7	10.0	9.6	- 0.1
1000+	11.2	11.0	10.2	- 1.0
5000+	12.3	12.7	10.7	- 1.6

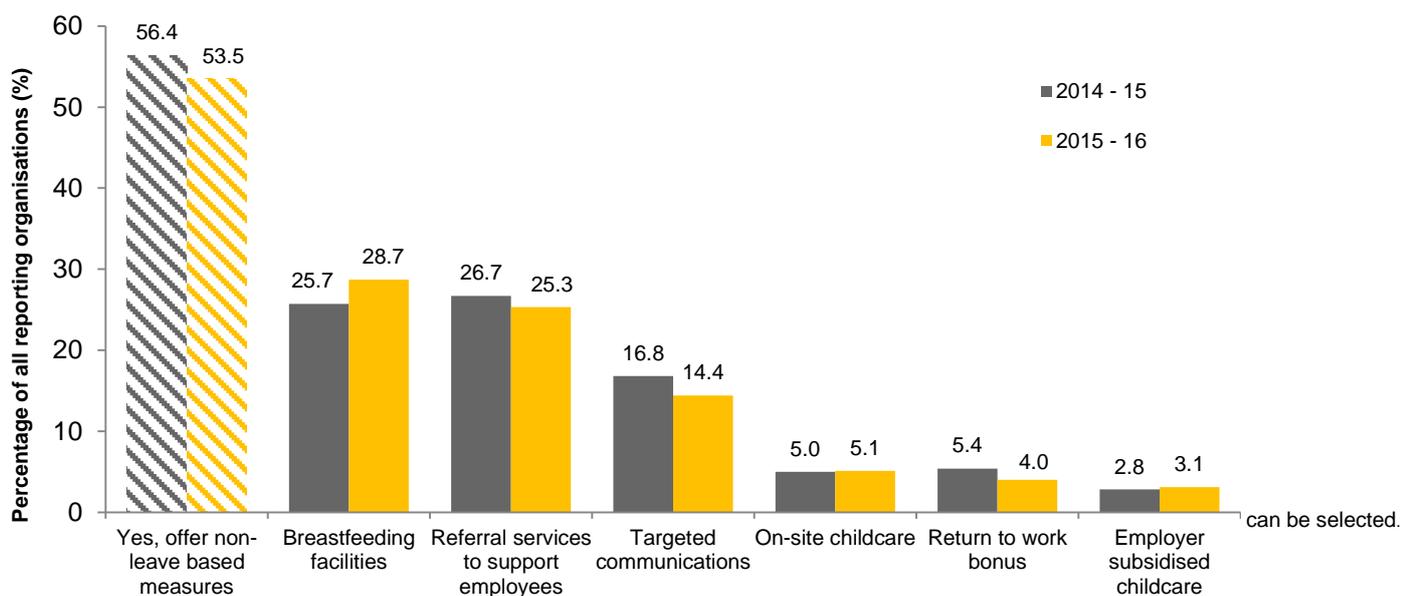
Source: WGEA (2016), Agency reporting data

## Non-leave based measures to support employees with caring responsibilities

Employers also provide non-leave based measures to support employees with family responsibilities, such as return to work bonuses and information networks, enabling parents to remain connected to the workforce while on leave and when returning from parental leave.

- The percentage of organisations that offer non-leave based measures for employees with caring responsibilities has declined from 56.4% in 2014-15, to 53.5% in 2015-16.
- About a third of organisations have breastfeeding facilities and a quarter of organisations have referral services.
- A small number of organisations offer on-site childcare 5.0% and employer subsidised childcare 3.1%.

**Figure 4: Provision of non-leave based measures, 2014-15 and 2015-16**



Source: WGEA (2016), Agency reporting data (2014- 15 and 2015-16 reporting period)

## Employer feedback to the proposed changes to the *Paid Parental Leave Act (2010)*

WGEA sought feedback on the changes proposed by the Fairer Paid Parental Leave Bill 2016 (Bill) from 106 organisations that hold the WGEA Employer of Choice for Gender Equality (EOCGE) citations and another 120 randomly selected reporting organisations. This represented a 5% sample of the Agency's reporting organisations and was selected to give a diverse cross-section of perspectives whilst being administratively manageable for our small Agency to process within the allotted timeframe.

The scope and breath of our consultation with employers was limited because of the tight timeframe between the referral of the Bill to the Community Affairs Legislation Committee (10 November 2016), the invitation to provide a written submission (12 December 2016) and our submission lodging date of 16 January 2017 (the committee approved an extension for the Agency). The response rate for the consultation was lower than anticipated at under 8%, in part attributable to the tight timeframe given to employers and the time of the year in which we sought a response. WGEA received individual feedback from 18 organisations (much lower than expected) across eight industries. A further three organisations apologised for not being able to respond because of the Christmas/New Year holiday break. Because of this, further consultation with employers is recommended to assess whether the perspectives of these 18 organisations are representative of Australian businesses more generally.

Without exception feedback received was not supportive of the the main changes to the Bill. Five organisations supported the changes to remove the requirement for employers to administer government-funded parental leave payments.

Organisations who oppose the Bill expressed the view that it would negatively impact on the employee, the organisation as well as gender equality in general. Employer arguments are summarised as:

- The overwhelming majority of respondents argued that the changes to the PPL would lead to financial stress for the whole family, and in particular to increasing financial insecurity for women because the overall amount of paid parental leave would be less. Responses included concerns for a growing gender pay gap as well as the negative impact on superannuation savings.
  - “We see the proposed changes to paid parental leave as negative with significant impact particularly on women as they will be forced to return to work sooner because of financial pressures (mortgages!) and with increased pressure on childcare (just not available).”

- “Given most employers, including (this organisation), want to support people with caring responsibilities, it is important that any changes to the current PPL scheme does not adversely affect primary caregivers’ workforce engagement or force them to return to work earlier than intended due to financial constraints.”
- Responses stressed that a reduction in parental leave pay and a potential earlier return to the workforce has a negative impact on the health and wellbeing of the mother and the child. Some employers are concerned that it would negatively impact on the ability to breastfeed for 26 weeks, the recommended time by the WHO. Other employers argued that a reduction in paid parental leave will cause stress and other mental and physical health problems for mothers. Such health problems could potentially increase the amount of sick and carers’ leave women would need to take after returning to work.
- “Longer periods of leave have been associated with better mental and physical health, with the optimum length of leave about six months. Reducing paid leave may result in employees returning to work before they are ready, resulting in stress and the potential for mental and physical health issues.”
- Employers commented that the changes to the Bill would substantially reduce the business case for employers to provide paid parental leave.
- “Parental leave payments are an important part of our (this organisation) and particularly female retention after mat leave [sic], taking it away reduces the employee’s overall mat leave pay.”
- “Parental leave was introduced and is still in existence today in order to continue to attract potential employees and help retain our existing pool of employees. It is a competitive consumer market for our industry and it is also evident that it is a competitive market for talented personnel. The element of payment for staff members who wish to access the (this organisation) Parental Leave Policy has been one of many essentials that have assisted in (this organisation) in its continued success. It is also evident as an essential requirement to be recognised by a variety of awards: Employer of Choice for Gender Equality, etc.”
- Employers argued that the proposed changes to the *Paid Parental Leave Act 2010* would negatively affect the progress towards gender equality in Australia. Half of the responses said that PPL is increasing the societal value of care and so is a key driver to cultural change. PPL was seen as being ‘the right thing to do’. In addition, some employers are concerned about Australia’s international reputation because Australia has one of the least generous PPL schemes in the OECD. Additionally, the proposed changes negatively impact on the possibility of fathers taking parental leave.
- “Employer PPL is a key driver to cultural and societal change around gender equality - it sends a strong signal to prospective and current employees as well as the community that organisations believe in investing to support working families because they add value and have positive impact in their organisation. The proposed changes remove the requirement for employers to provide PPL to eligible employees and therefore puts progress made towards gender equality in the workforce at significant risk.”
- Some employers said that the changes to the PPL could potentially put pressure on the childcare system.
- “At its most extreme this may result in people choosing to have no or less children as it is simply unaffordable to do so and take the requisite time needed to care for them before returning to work. When you couple this with the widely documented issues around the affordability and availability of childcare (especially in an exorbitantly expensive city like Sydney) it makes the whole prospect of having children incredibly daunting and stressful. Australia needs to be doing more to support people raising the next generation of Australian workers and leaders, not less.”
- One employer stressed the fact that working families pay a considerable amount of tax and should not be disadvantaged by changes to the PPL.
- “Anyone earning an income is subject to income tax, which funds a variety of government schemes, including PPL. So, it doesn’t make sense that two people who both pay the same taxes are not entitled to the full 18 week government scheme (if eligible) – as individuals, they make choices about the organisations they work for, and those individuals who seek out employers with a PPL scheme should not be penalised.”

WGEA did not receive any feedback in support of the proposal to reduce government-funded paid parental leave if employer-funded leave was provided. However, some organisations supported the proposal to relieve employers of the responsibility to administer the government-funded PPL.

- Five organisations supported the proposal to relieve administrative responsibility for PPL.
  - “We are now set up to make the payments, and therefore the establishment cost and burden has passed. However, there is ongoing effort required to administer each payment including form-filling, correspondence with the government and delays with funding resulting in regular queries from staff.”
  - “Administering the government-funded PPL payments to employees is not used as a staff engagement tool and (this organisation) supports the bill’s proposal to relieve employers of this responsibility.”
- One organisation supported the recommendation to modify the paid parental leave work test to take into account the circumstances of pregnant women in hazardous occupations, and to extend the permissible break from eight to 12 weeks.

## Conclusion

The Agency concludes that:

- It may not be in the interests of improved workplace gender equality to limit access to the government’s PPL scheme for employees who receive employer-funded PPL.
- Any proposed budget savings relating to PPL should be viewed in the context of the demonstrated economic benefits of the greater workforce participation of women, including the Australian Government’s target, in line with G20 guidelines, to reduce the gender participation gap by 25% by 2025.
- Australia’s existing, mandated PPL scheme is not generous by international standards. The trend among OECD countries is to expand PPL schemes to facilitate better outcomes in terms of health and wellbeing, fertility rates, women’s economic security and women’s workforce participation.
- About half of non-public sector employers (based on data collected by the Agency) currently offer employer-funded PPL, meaning the proposed changes would impact a significant number of families.

### Recommendations

- The Agency recommends further engagement with employers to ensure that the responses received by the Agency are reflective of Australian business more generally.
- Further research and economic modelling should be conducted to establish the links between PPL schemes, women’s workforce participation and women’s longer term economic security, particularly in retirement. This modelling should quantify costs to government, and ensure that any benefits to women and the economy are both short and long term.

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# Appendix 1

## Proportion of female employees, proportion of organisations offering paid parental leave and average primary carer's leave (weeks) by industry 2015-16

Industry	Female Employees (%)	Employers offering Paid Parental leave (%)	Average primary carer leave (weeks)
Health Care and Social Assistance	80.2	59.0	7.7
Education and Training	63.4	84.2	12.8
Retail Trade	58.4	19.8	8.7
Financial and Insurance Services	55.7	73.3	10.8
Accommodation and Food Services	51.8	22.3	7.8
Arts and Recreation Services	50.1	51.9	8.3
Rental, Hiring and Real Estate Services	43.8	33.8	10.5
Other Services	43.5	52.8	9.9
Administrative and Support Services	43.4	22.9	7.5
Professional, Scientific and Technical Services	39.4	61.7	9.2
Information Media and Telecommunications	39.0	61.9	9.3
Wholesale Trade	36.8	34.2	9.6
Agriculture, Forestry and Fishing	35.5	25.5	10.7
Manufacturing	26.6	34.1	7.8
Transport, Postal and Warehousing	26.0	30.5	9.4
Electricity, Gas, Water and Waste Services	25.1	88.5	10.7
Public Administration and Safety	20.4	40.9	7.3
Construction	15.9	22.1	8.9
Mining	15.8	50.0	11.5

Source: WGEA (2016), Agency reporting data (2015-16 reporting period)

# Appendix 2

## Employer feedback

WGEA asked the following question in an e-mail to 226 reporting organisations:

“The Agency is considering writing a submission on the Bill and is seeking feedback from leading employers on the following questions:

- Would your organisation support the Bill to change the Paid Parental Leave Act 2010?
- If not, why not?
- If yes, can you give us some feedback on why you support the Bill?”

The Agency received 18 responses from employers from eight industries within a timeframe of 10 days:

Finance and Insurance Services: 5  
Professional, Scientific and Technical Services: 4  
Retail Trade: 1  
Manufacturing: 1  
Education and Training: 3  
Construction: 2  
Administration and Support Services: 1  
Arts and recreation services: 1

Please find anonymised responses below:

### 1) Financial and Insurance Services

“My main reason for not supporting the changes is that as an organisation who prides itself on having been an Employer of Choice for many years and more recently being recognised as an Employer of Choice by the WGEA, we strongly believe that any assistance that provides women with the opportunity to spend time with their children for as long as possible after childbirth is beneficial to all concerned.

We provide 10 weeks paid parental leave to the primary carer which, added to the existing 18 weeks provided by the government, allows new mothers to remain at home without the additional financial stress of being unpaid for just over six months. We would see any reduction as being a step in the wrong direction and potentially could have a detrimental impact on the already unfavourable gender pay gap.”

### 2) Professional, Scientific and Technical Services

“As the Act 2010 suggests that paid parental leave only be provided to parents who have no employer-provided paid primary carer leave, (this organisation) does not support the Act.

The Act 2010 effectively reduces income to women and families during parental leave given primary carers will not be able to access both employer funded and government funded leave. This will put additional pressure on families and is likely to mean mothers/primary carers will have to return to work earlier than they wanted to, reducing valuable time with their newborns and potentially contributing to mental health issues. The current Act 18 weeks paid leave at the minimum wage provides basic level support and in (this organisations’s) views it was always the intention that the existing government scheme be topped up by employer-funded schemes; 26 weeks paid leave the minimum standard recommended by the World Health Organisation.”

### **3) Administrative and Support Services**

“It seems this would remove the opportunity for business to position as an employer of choice and have PPL as part of the employee value proposition.”

### **4) Education and Training**

“Our understanding is that the proposed changes basically mean that the amount of available paid parental leave will be reduced with government PPL used to ‘top up’ employer-provided parental leave – in real terms leaving new parents (almost all women) worse off. These changes mean that paid parental leave is potentially devalued.

We currently offer 26 weeks of paid parental leave to eligible employees – this amount of time is considered to be best for the health and well-being of mother and baby.

However, it is important to note, that the biggest issue for women returning to work after parental leave at (this organisation) is childcare, or the lack of suitable childcare. We actually have on-site childcare centres but they have huge waiting lists, particularly for babies and under-twos. Women cannot return to work even after 26 weeks without childcare.

While the Fairer Paid Parental Leave Bill has the stated intention of encouraging women to return to the workforce, without the government committing to additional investment in childcare, this will be impossible.

We see the proposed changes to paid parental leave as negative with significant impact particularly on women as they will be forced to return to work sooner because of financial pressures (Sydney mortgages!) and with increased pressure on childcare (just not available).”

### **5) Construction**

“I am curious as to how changes to The Bill will encourage women to return to the workforce after 18 weeks? Most women would leave their work 1 month prior to the birth of a child which then gives them 3 months at home with a new born. If this Bill is to try and encourage women back into the workforce and leave their 4 month old new born in child care is the Government going to look at reducing the cost of Child Care or provide higher subsidies?

I do not imagine it would be cost effective for a new mum to return to work with their baby at 4 months and then have to pay child care. It is very well to limit the paid parental leave to 18 weeks but there is no enticement to ensure women return to work full time in the pre-existing position as it is at times more cost effective for a working mother in a relationship with a working father to actually stay at home and receive benefits.

A colleague of mine told me she would be better off financially not working, living by herself with her child as oppose to what she is currently doing of working, putting her child in child care and living with her husband! How is that encouraging women to be back in the workforce?”

### **6) Construction**

“Families may be forced to live without the additional income they could lose due to this bill being passed or primary carers forced to return to work sooner which would mean them incurring additional childcare costs.

- Forcing primary carers back to work before they are ready, could have physical and mental health implications.
- Possible increased levels of sick leave due to the physical and mental health implications mentioned above.
- Possible impact on engagement levels of return to work parents who have to return sooner.

Forcing primary carers to return to work sooner will also put additional stress on our childcare system. It is already extremely difficult for many families to secure a suitable childcare spot.

All of the above could work to further reduce levels of female participation in the workplace across Australia.

## 7) Financial and Insurance Services

“Our perspective is that the Bill should not be changed as we see there are many benefits to having the payment in place:

- Assisting families with childcare costs.
- Positively impact on women’s financial situation at retirement.
- Reduce stress and improve wellbeing of the family at the time of the birth of the child.
- Possibly allow for fathers to take more time to spend with their children.

On another note, we do believe that the means test should be reduced to a lower figure than \$150,000 per annum as this is quite a high salary. I feel that this type of benefit should be for low income earners.”

## 8) Professional, Scientific and Technical Services

“Under the current Paid Parental Leave (PPL) scheme, it is recognised that government and private enterprises have a joint role in supporting new parents by providing access to both employer and government funded paid parental leave entitlements. To this end, our long-standing parental leave policy provides 12 weeks PPL to employees who are the primary caregiver of the child. Although the proposed changes to the Paid Parental Leave Act 2010 are not intended to have any direct impact on employer PPL schemes, consideration should be given in relation to the impact on organisations that may look to provide other benefits (eg. return to work bonus and/or child care allowance) in order to offset any reduction in employee entitlements if the Fairer PPL Bill changes do pass into law.

Given most employers want to support people with caring responsibilities, it is important that any changes to the current PPL scheme does not adversely affect primary caregivers’ workforce engagement or force them to return to work earlier than intended due to financial constraints.

As part of our commitment to facilitate a diverse and adaptable workforce, a framework is in place to support employees before, during and after a period of parental leave. As such, administering the government-funded PPL payments to employees is not used as a staff engagement tool and we support the Bill’s proposal to relieve employers of this responsibility.”

## 9) Education and Training

“In a recent Parental Leave and Return to Work survey conducted, 92% of respondents indicated they had accessed the Federal Government’s paid parental leave scheme;

- Further, 68% of those respondents indicated that this allowed them to take a longer period of parental leave to care for their child;
- The major use of the scheme was to supplement income;
- 100% of respondents who have completed their parental leave, returned to work with us;

Removing the Federal Government’s paid scheme for staff who also access our paid scheme would financially disadvantage them and reduce the amount of paid leave to provide primary care for the child. This particularly disadvantages women and would further increase the gender pay gap and projected retirement savings for women compared to men. Having longer periods of paid parental leave and a return to work grant ensures that we retain talent in our workforce and removing the Federal Government’s paid scheme would have a detrimental effect on retention.”

## 10) Financial and Insurance Services

“Thank you for providing an opportunity for us to voice our opinion on the Fairer Paid Parental Leave Bill 2016. There are number of concerns with this proposal that will have an incredible detrimental impact to our staff, their wellbeing and our ability to retain talent.

- We have offered eight (8) weeks of parental leave in addition to the government paid parental leave because all of our staff are paid above the minimum wage and this provides them with the necessary financial support they require to support their expanded family for the first precious weeks of their new born.
- This is a benefit that we provide our staff to attract and retain the best talent and to keep our staff engaged with the ‘people matter most’ philosophy of our organisation. If this is no longer a benefit, there is no point in us retaining this payment and it is likely it will be negotiated out of the next agreement. I can imagine this will be the case for a number of organisations and therefore the

'savings/less expenditure' for the government will be inaccurate and the cost of resourcing/funding this change will be a complete waste of money for the government and will undermine the entire scheme for the Libs.

- I can appreciate, although still do not support/agree, the 'double-dipping' argument when it comes to the government but not private enterprise.
- Paid parental leave isn't just the right thing to do, it is imperative in retaining women in the workforce. When providing our staff with an additional 8 weeks, it allows them to return to work around 6 months when the baby is requiring less breast milk and is being introduced to solids. Anything less is outrageous and will only impact the families wellbeing and as a result, their morale and contribution to our organisation. The government was heading in the right direction when suggesting to pay women for 6 months at full pay but to go in the opposite direction, and from the very same government, was a shock and embarrassing to say the least. There should be some compromise
- The longer that children remain at home, the more immunity they can build and we find that the later the children are introduced to childcare the less carers leave the mother takes and the less guilty they feel. Further they are more likely to return to their ordinary hours of work rather than want to move to part time.
- If the government increase the paid parental leave to 26 weeks even at minimum wage we can accept that because it at least provides families the option to remain at home until the child is around 6 months but anything less is unfair and is not supporting of those that contribute to our organisation and the economy as a whole. We want to encourage those who are working to have children and re-enter the workforce."

## 11) Manufacturing

"While Government funded paid parental leave provides critical support for families, the additional paid parental leave provided by the company creates better opportunity for and additional support for working mothers to return to the work environment. Our intent as an employer for the introduction of employer paid parental leave is provided for the purpose of allowing the parent/s of a new child a period to time to bond with and provide primary care to the child without the requirement to attend for work. It is also provided to operate as additional support to the public/private partnership we have with the government paid parental leave system, encouraging businesses to more actively provide roles for female employees to return to the workplace with minimal productivity impact.

- The removal of the government funded paid parental leave and the proposed amendments could be counterproductive and could negatively impact families and in particular female employees ability and choice around when to return to work. It has the further impact of aggravating an already concerning and high statistic around domestic violence. This could be detrimental to a single parents ability to support, provide stability and contribute productively in the work environment and subsequently the Australian economy. Parental leave payments are an important part of our EVP and particularly female retention after mat leave, taking it away reduces the employee's overall mat leave pay.
- We would support the following 2 recommendations:
- removing the requirement for employers to provide paid parental leave to eligible employees unless an employer chooses to manage the payment to employees and the employees agree for the employer to pay them. increasing parental pay where it is at a rate below the full-time national minimum wage
- modify the paid parental leave work test to take into account the circumstances of pregnant women in hazardous occupations and to extend the permissible break from eight to 12 weeks."

## 12) Retail Trade

"Today, our eligible team members are entitled to 12 weeks of Paid Parental Leave at their wage / salary prior to leave commencement, plus 18 weeks of government paid leave (if they earn less than \$150k pa) at minimum wage. This gives them a total of 30 weeks of income, enabling them to spend time with their new family without the burden of having no money coming into the bank at a time in their life that will naturally see expenses increase. Under the proposed changes, no one is better off:

1. For team members eligible for the Government scheme only (i.e. not eligible for employer PPL) – there is no impact to this group (assuming the income threshold for the government scheme remains at \$150k)

2. For team members eligible for both schemes – they are significantly worse off (with us they would be going from 30 weeks of income, to 12 or 18 depending on whether they opt for the government payments or our payments)
  3. For team members eligible for employer PPL only (i.e. they earn >\$150k pa) – they are potentially worse off in the event that the changes mean employers are discouraged from offering PPL. In this event, they will have no income at all for the duration of their parental leave, potentially putting financial pressure on them that hastens their return to work.
- Paid time on parental leave is important, because it means that new parents are not rushed back into the workforce as they have time to prepare for the transition to working parent upon their return to work. For many people, financial circumstances are a key consideration when planning the time that they will return to work. The proposed changes will mean less time with an income, so potentially a faster return to work than is optimal. Unnecessarily hastening this process can be damaging for the individual returning from work if they are not ready, and may cause added expense for employers in the event that the newly returned to work parent decides it's all too much and resigns. This happens too often when people are rushed back into work and the employer is then left with 1) an unhappy employee, 2) a vacancy to fill, 3) the costs to fill the vacancy and 4) disruption to the team.
  - The government scheme is only available to people earning up to \$150,000 pa, which means any changes are only affecting those who are already on lower wages and rely on the added 18 weeks of government funding to be able to have time at home with their new family. To put additional financial pressure on these people (i.e. not enabling them to access paid employer leave too) seems unnecessarily burdensome if corporates are willing to make the additional investment and be seen as an employer of choice.
  - The callout in relation to the changes below, stating that they 'remove the requirement for employers to offer PPL' is unrealistic. For corporates, PPL is increasingly considered as a real benefit that talent in the market seeks out (men and women alike). It is therefore unrealistic to assume that employers would choose to stop providing PPL, because the need to support their employees who are not eligible for the government scheme in taking time out when they start / grow their family isn't going to dissipate.
  - Anyone earning an income is subject to income tax, which funds a variety of government schemes, including PPL. So, it doesn't make sense that two people who both pay the same taxes are not entitled to the full 18 week government scheme (if eligible) – as individuals, they make choices about the organisations they work for, and those individuals who seek out employers with a PPL scheme should not be penalised.
  - Another significant concern with the proposed changes is related to the impact it will have on societies progress towards gender equality. Employer PPL is a key driver to cultural and societal change around gender equality - it sends a strong signal to prospective and current employees as well as the community that organisations believe in investing to support working families because they add value and have positive impact in their organisation. The proposed changes remove the requirement for employers to provide PPL to eligible employees and therefore puts progress made towards gender equality in the workforce at significant risk. This has impacts far beyond progress towards gender equality at work, which is cause for real concern.
  - Legislation has the potential to really accelerate Australia's progress towards gender equality, but the current PPL proposals are contrary to that cause. It would be encouraging to see a stronger commitment from the government to drive the gender equality agenda."

### 13) Financial and Insurance Services

"We introduced a Parental Leave Policy with a paid element of 12 weeks in 2005. It was introduced and is still in existence today in order to continue to attract potential employees and help retain our existing pool of employees. It is a competitive consumer market for our industry and it is also evident that it is a competitive market for talented personnel. The element of payment for staff members who wish to access the Parental Leave Policy has been one of many essentials that have assisted us in our continued success. It is also evident as an essential requirement to be recognised by a variety of awards: Employer Of Choice for Gender Equality, etc.

- It is our belief that competitive market forces will be eroded by the actions of this bill. It seems at odds that a Coalition Party who prides itself on normal market forces dictating outcomes would seek to step in and regulate this area. This action also seems at odds with the Coalition's active support of lowering Corporate Tax Rates.
- We agree wholeheartedly with the intention and action of the existing Government Paid Parental Leave as a rudimentary basic support payment for all eligible Australians. Through the active redistribution of revenue funds to expenses the Government PPL provides for the future of this country and its outstanding economy. Accordingly we do not view any changes to the existing policy as being required.
- We also believe that the term 'double-dipping' is an offensive expression to label hard-working employees who contribute to the Australian economy in many ways."

#### **14) Professional, Scientific and Technical Services**

"Firstly we are in agreement with the proposal to remove the requirement for employers to pass on government paid parental leave payments. It has always seemed unnecessary to introduce a third party into the arrangement (ie. the employer) and it would seem more straightforward and less open to error to make it a simple transaction between the appropriate government agency and the eligible individual.

We do not however agree with the intent of the bill to deny women who already receive PPL from their employer access to the government scheme in a bid to eliminate so called 'double dipping'. The issue with this is that we (Australia) are already significantly behind the pace when it comes to paid parental leave and supporting our working parents through the economically necessary process of bringing children into the world. When you compare our levels of support in this country with those in the UK, Scandinavia and many other developed nations we are woefully deficient. To effectively take us backwards from what is already an inadequate position surely cannot be seen as the way forward? Even if you consider people availing themselves of both current entitlements as 'double dipping' it still leaves those people seriously behind their contemporaries in a wide number of other countries.

Surely in enacting the bill the government would also be removing the incentive for employers to provide the level of PPL they currently do, as some may see this as an opportunity to minimise their need to contribute and instead rely on the government to fulfil that role for them? This then becomes a greater expense for the government, the employers are 'off the hook' and the individuals left seriously under-resourced (with a mere 18 weeks of minimum wage) at what is already an expensive and difficult life stage.

*"The stated intention of the Bill is to help parents, particularly mothers, to take time out of the workforce in the first month after the child's birth. The Bill also aims to encourage women to return to the workforce."* This bill, in removing access to government PPL where access to an employer paid PPL exists (and thereby reducing the overall monetary support available to them) does not serve to 'help' parents at all. It makes an already challenging phase of life more challenging and potentially forces new parents back to work sooner than is optimal. At its most extreme this may result in people choosing to have no or less children as it is simply unaffordable to do so and take the requisite time needed to care for them before returning to work. When you couple this with the widely documented issues around the affordability and availability of childcare (especially in an exorbitantly expensive city like Sydney) it makes the whole prospect of having children incredibly daunting and stressful. Australia needs to be doing more to support people raising the next generation of Australian workers and leaders, not less."

#### **15) Financial and Insurance Services**

"The introduction of the changes to the Paid Parental Leave Act 2010 would be unfavourable for our employees. There are a number of concerns we have with the proposed changes:

- In some locations there are significant wait times to access child care; reducing the amount of paid leave, potentially forcing employees back to work and yet not having any child care available, will create considerable stress and financial burden on families.
- A longer paid parental leave scheme helps ensure having children doesn't exclude women from holding jobs or earning income, which is a major consideration for many employees when deciding to have a child.
- Australia already has one of the least generous paid parental leave schemes in the developed world. The proposed changes further limit the amount of paid leave mothers can have with their newborn baby.

- Under the current scheme, it is recognised that both government and business have a role in supporting new parents by providing access to both employer and government payments, an approach we support.
- The current scheme has allowed our employees to make the choice to stay at home for almost six months following the birth or adoption of a child, which aligns with the recommended time (from the World Health Organisation) mother and newborn child spend together.
- Longer periods of leave have been associated with better mental and physical health, with the optimum length of leave about six months. Reducing paid leave may result in employees returning to work before they are ready, resulting in stress and the potential for mental and physical health issues.
- As an organisation we are looking to support our employees in combining family and work responsibilities, and also empowering and supporting women to make choices that work for them, their families and the organisation. The proposed Bill does not enhance or align to this aim.
- There has been considerable research on the reduced total of retirement savings for women, due to time out of the workforce. We currently pay the superannuation guarantee (SG) on the 12 weeks leave and assume it also gets paid on the 18 weeks from the Government and therefore reducing the maximum time will have negative impacts on retirement savings.”

## 16) Arts and recreation services

### “1. Quantum of payment

We don’t see that the current system is unfair as a result of the fact it operates to complement or supplement employer-funded schemes.

### 2. Develop of the current scheme

We understand the current Government paid parental leave scheme was – as the result of consultation and research – intended and designed to operate together with any existing employer-funded paid parental leave arrangements.

That research included the World Health Organisation recommendation that newborn babies be exclusively breastfed for the first six months of life (<http://www.who.int/mediacentre/factsheets/fs342/en/>):

“Mothers and families need to be supported for their children to be optimally breastfed. Actions that help protect, promote and support breastfeeding include:

- adoption of policies such as the International Labour Organization’s "Maternity Protection Convention 183" and "Recommendation No. 191", which complements "Convention No. 183" by suggesting a longer duration of leave and higher benefits...”

In addition, the then Federal Government asked the Productivity Commission (PC) to inquire into strategies for improved support for parents with newborn children. The Terms of Reference noted:

“The context for this is the need to ensure strong and sustainable economic growth, adjust to the imperatives of an ageing population, promote the early development of children and support families in balancing work and family responsibilities”.

The PC’s findings were reported in “Paid Parental Leave: Support for Parents with Newborn Children” No 47, 28 February 2009. The Report recommended a scheme whereby existing “voluntary” employer paid parental leave schemes would co-exist with a government-funded scheme, noting:

“Taking into account the above evidence, the average desirable duration of postnatal absence from work would be around six to nine months. However, the duration of any paid statutory scheme does not have to be equal to the period of absence that most helps parents and their children.

Parents already use many options – particularly access to privately negotiated paid maternity schemes and past accumulated leave – to fund a period of leave from work to care for their children” (page xx);

“The appropriate length of postnatal leave needs to balance several factors. It should:

... when supplemented by people's private efforts, achieve a length of absence from work for most families that provides significant maternal and child welfare benefits;

... not require disproportionate funding from taxpayers or employers..." (p xxi)

"While there is no exact science about choosing the precise duration, the Commission considers that a leave period of 18 weeks of postnatal leave... combined with adequate payment levels appropriately balances the above considerations. Such duration would provide the overwhelming majority of parents – more than 90 per cent according to preliminary estimates – the option of taking at least 26 weeks of leave without undue financial stress". (p xxi)

"...the Commission cannot say with certainty how businesses generally will respond to the introduction of its proposed scheme. Anecdotal evidence from the operation of the taxpayer-funded leave scheme in New Zealand indeed suggests that firms continued to offer their voluntary arrangements (in addition to the statutory provisions) after the statutory scheme was introduced. Against that background, the Commission would expect that many Australian businesses would restructure their existing leave schemes to top-up government funded leave to full replacement wages and then use the balance (if any) to extend the period of leave at full pay." (p 7.21)

"Overall, it would be prudent to, at the very least, monitor the reaction of firms that presently offer voluntary paid leave schemes. Should a pattern of behaviour emerge indicating that firms were systematically abandoning voluntary schemes, some form of policy response may be appropriate. Given that large scale withdrawal would undermine the objective of increasing the time parents can spend with their newborn children, re-consideration of who finances the statutory scheme (either in whole or part) would be one policy option worth investigating. An assessment of the statutory scheme's impact on voluntary arrangements and the most appropriate response should be an element of the review of the scheme to be undertaken three years after its introduction..." (p 7.22)

The intended co-existence of the government scheme and employer-funded schemes is clear in the Explanatory Memorandum to the Paid Parental Leave Bill 2010:

"Parental leave pay will complement parents' entitlements to unpaid leave such as unpaid parental leave under the National Employment Standards. It can be received before, after, or at the same time as existing entitlements such as employer-provided paid leave such as recreation, annual and employer-provided maternity leave" (p1)

It is clear to us in the context of the current arrangements that "double-dipping" is therefore a misnomer. The government scheme was designed to complement employer-funded schemes, not replace them, following evidence-based recommendations about the amount of time primary carers should ideally spend with their newborns.

Whether the current scheme should be altered

We aim to maintain our status as an employer of choice, attract and retain talent and improve our engagement with employees. These are among the many reasons why we have a paid parental leave scheme, and why we are continually reviewing and enhancing the scheme.

We want the experience of new parenthood to be a positive one for our people; we want them to feel supported by us, their community and their government, at a time when they feel particularly vulnerable physically, emotionally and financially. We want this for them, and we want this because it maximises the prospects they will be resilient, capable and productive when they eventually return to work and adjust to life as a working parent.

However we consider the responsibility to ensure the wellbeing of new parents, and to maximise the prospects they can successfully re-enter and remain in the workforce having taken an adequate period of leave post-natally, ought be shared by private companies and government – not one or the other.

Anecdotally, our experience is that most primary carers prefer to take at least six, and normally closer to 12 months' leave upon the birth of a child. This leave is usually taken as a mixture of our paid parental leave benefit, the government benefit (subject to means testing) and other accrued paid leave (eg annual leave), followed by a significant period of unpaid leave.

Our Leave Policy currently provides for 13 weeks of paid parental leave for the primary carer of a newborn or newly-adopted child – including superannuation contributions. We understand this benefit is at the mid-range to higher end of the spectrum of similar sized companies in Australia, and that very few Australian companies provide a significantly higher benefit.

We are concerned that reducing parental leave funding will force a number of those individuals back to work before they are ready – to the detriment of them, their child and potentially the prospects of success of their re-entry into the workforce.

We also note the significant gap between the federal minimum wage (currently \$672.70 gross) and the typical earnings of a privately employed woman who may become the primary carer of a newborn. By way of example, our median weekly base rate of pay for permanent employees (women) is currently \$1,540 (approximately \$80,000 annually). 13 weeks' pay at this rate is \$20,020. The 18 week government payment therefore would go some way to supplementing the remaining 9 months of leave our typical new parent prefers to take, and which would otherwise be unpaid leave. On the flipside, removing government support will likely cause such an employee to return to work sooner than the usual 12 months, and possibly within the initial six month period that the research suggested was so critical for bonding and child welfare.

### 3. Removing the employer obligation to make the payment

Our Payroll team reports that the facilitation of payments to employees entitled to receive the government paid parental leave is a considerable administrative burden.

We are now set up to make the payments, and therefore the establishment cost and burden has passed. However, there is ongoing effort required to administer each payment including form-filling, correspondence with the government and delays with funding resulting in regular queries from staff.

On that basis we would welcome a decision to move the obligation to make payments away from employers.

It is not clear to us how the government would monitor compliance with its “double dipping” rules if enacted, and what process would be implemented from an employer-perspective to facilitate that.”

## 17) Professional, scientific and technical services

“Providing parental leave pay only to parents who have no employer-provided paid primary carer leave.

- Disagree, should be for all parents whether they have Co paid or unpaid as the criteria currently applied by this scheme ensures those who meet eligibility for dual payment are the most needy in terms of household income. In addition, to move to global **std of 28 weeks paid is unlikely to be achieved by employers** alone in the shorter term.

Deducting employer-provided paid primary carer leave from the 18 weeks of government pay, if it is for a period less than 18 weeks,

- Agree, from the perspective that there should not be double dipping, employers and government should both shoulder the responsibility. But disagree that 18 weeks should be the target. We should be moving toward the **global standard of 28 weeks**.

Increasing parental pay where it is at a rate below the full-time national minimum wage,

- Definitely agree.

Removing the requirement for employers to provide paid parental leave to eligible employees.”

## 18) Education and Training

“Would your organisation support the Bill to change the Paid Parental Leave Act 2010?

No

If not, why not?

The current system is working well and provides organisations such as (this organisation) with the ability to complement the government system which ensures a minimum standard for all primary carers to access a period of paid parental leave.

Our 2016 reporting data indicates that the average time away from work for a primary carer at (this organisation) is 38 weeks. This may only be possible with the combination of payments from both the government and (this organisation's) own paid parental leave provisions, and is consistent with research from the World Health Organisation which recommends 26 weeks leave for parents as being the best for babies.

The current scheme assists our primary carers to dedicate time to the care of their family during the early months and then return to the workforce. In addition, the extended period of paid leave under the current system can also provide parents and carers with additional time to secure highly sought after childcare arrangements, in preparation for their return to work.

Cutting off or reducing access to the government paid parental leave program for people who are also entitled to additional employer-funded leave means new parents may be forced to return to work before they are ready to do so. The proposed changes drastically impact the primary carer and their CHOICE as to how long to care for their child.

The proposed amendments under the Bill indicate that it will be more difficult for individuals to manage their family and work commitments. The harder this is, the higher the risk to us of losing valuable and trained staff.

We see the role of the government, to support and provide innovative schemes and solutions to attract people to the workforce and balance their family commitments. The (organisation) already faces fierce competition for talented workers, and this proposed legislation provides another barrier to professional staff talent in terms of balancing their work and family commitments.

The proposed amendments under the Bill will likely have a negative impact on workforce gender equality. This Bill has the arbitrary effect of allowing employers like (this organisation) to continue to pay parental leave (as we will) and the government then paying (up to 18 weeks) to employees where the Employer will not commit to paid leave.

The Government and employers should work together to support working mothers back into the workforce and in reasonable timeframes.”