

Zonta International District 24 Response to the Draft Inquiry Report - *Paid Parental Leave: Support for Parents with Newborn Children*

Background

Zonta International is a global organization of business women, executives and professionals working together to advance the status of women worldwide through service and advocacy. Around 33,000 members belong to more than 1100 Zonta Clubs around the world. The goals of Zonta International are:

- to improve the legal, political, economic, educational, health and professional status of women through service and advocacy;
- to work for the advancement of understanding, goodwill, and peace through a world fellowship of executives in business and the professions;
- to promote justice and universal respect for human rights and fundamental freedoms; and
- to be united internationally to foster high ethical standards, to implement service programs and to provide mutual support and fellowship for members who serve their communities, their nations and the world.

Zonta International service has been closely linked with the United Nations since Zonta expressed support for the fledgling UN in 1946. As an international non-governmental organization, Zonta brings women's concerns to the UN, suggests solutions, draws public attention to issues and encourages its members to participate at the local level.

Zonta maintains representatives of its United Nations Committee at UN sites in Geneva, New York, Paris and Vienna. Since 1985, Zonta has had general consultative status with the UN's Economic and Social Council, one of the six principal bodies carrying out UN work.

Zonta International District 24 covers New South Wales and the Australian Capital Territory, incorporating 27 Clubs with just on 500 members. Members in District 24 represent women in virtually every industry in the government, private and not-for-profit sectors, encompassing a myriad of professions across the sciences and engineering, medical disciplines, academe and teaching, businesses of all sizes, the law, finance and financial services, the media, information technology, the arts and many others.

Self-evidently, provision of paid parental leave has profound ramifications for the economic, educational, health and professional status of Australian women and is, therefore, of abiding interest to our membership. In particular, as Australia is a signatory to the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW), members have a long term interest that Australia effectively prohibit discrimination in the workplace on the basis of marriage, pregnancy and maternity, introduce paid maternity leave without loss of benefits or career opportunities, and encourage the provision of supporting social services to allow parents to combine family obligations with work responsibilities.

Having children should not be a financial decision

We note that not all women have, or even want to have, children, and that the nature of this decision is intensely personal and brings with it individual responsibilities. That said, whether to have children should not be a financial decision *per se*, but the lack of an appropriate scheme to support working parents means that for many families it is precisely that.

Whatever design is adopted ultimately, paid parental leave in Australia should make a material contribution to re-orienting decisions about parenthood away from substantially financial considerations and back to those that more appropriately ought to influence such a decision in the

life of Australians, particularly working women who have a great deal to contribute to the ongoing economic prosperity of Australia that funds so many other social benefits.

With Australia as late as this to join the vast majority of the world's developed economies in recognizing the fundamental need for paid parental leave, it would be a great policy shame if other hard-won improvements to the working lives of Australian women were then diluted or lost through a poorly-crafted policy compromise on this issue.

What is needed ...

Paid parental leave for Australian wage and salary earners should be designed to enhance their working lives by being a policy measure which:

- meets the obligations of CEDAW Article 11;
- positions paid parental leave as a fundamental (non-negotiable) entitlement of working life;
- takes due cognizance of the nature of women's employment in contemporary Australia;
- provides a substantive degree of clarity and certainty about leave entitlements for parents which are portable between employers;
- recognizes the many benefits to the overall community that come from more productive working lives for all men and women;
- is genuinely available to all eligible wage and salary earners, including women whose employment circumstances leave them in a relatively poor individual bargaining position;
- highlights the benefits to the entire community, including the positive impacts on overall healthcare costs from improved outcomes for parents and children;
- recognizes the imperative to maintain a broadly based workforce participation by all men and women as a fundamental requirement of an aging nation (with a consequently growing burden in funding healthcare and social services);
- assists in improving long term retention rates for women in the workforce by maintaining their connection to work around childbirth (or adoption), as one item in a suite amongst other designed to support responsible parenting;
- allows for a wide variety of family situations and compositions among citizens and permanent residents who ultimately may be eligible for paid parental leave;
- supports improved long term productivity by encouraging an appropriate return to work after childbirth (or adoption) for both parents; and
- integrates with revision of policies regarding early childhood services and related support mechanisms that enhance early childhood outcomes.

... and what is not

Paid parental leave for Australian wage and salary earners should not be a policy measure which:

- positions paid parental leave as social welfare, putting the focus on 'poverty alleviation', rather than recognizing the indispensable and growing contribution to Australia's prosperity that is made by women who have children;
- in effect, is only selectively available;
- introduces potential or actual differentials in employment costs between women in their childbearing years (whether or not they have, or even intend to have, children) and other wage and salary earners;
- engenders hard-to-detect employment related bias or discrimination against women in their childbearing years (whether or not they have, or even intend to have, children);

- homogenizes downwards the recompense that working parents can rely upon around the time of childbearing or adoption;
- undervalues the role of fathers in childbirth (or adoption) and early childhood, and/or the importance of father/child bonding and the wider family circle;
- is not sufficiently cognizant of the risks of moral hazard or adverse selection; and/or
- is unduly complex in its administration.

Recommendations in the Draft Inquiry Report

To this end, we support and endorse recommendations in the Draft Inquiry Report as follows:

- **A taxpayer funded paid parental leave scheme** - funding on the broadest possible basis from the community recognises the benefits that accrue indirectly to the entire community, both from the work productivity of parents over the long term and from the improved outcomes for parents and children that reduce other costs to the community over the long term. This also avoids creating an illusory entitlement, which in effect provides little or nothing at all for some groups.
- **All employees with a reasonable degree of attachment to the workforce would be eligible** - assuming that this will include part time and casual workers who meet some minimum work contribution over say the previous 12 months.
- **A broad range of family types would be eligible** (including conventional couples, lone parents, adoptive parents and same sex couples) if they meet the employment test - presumably, this would include both citizens and permanent residents.
- A separate policy issue of **maternity allowance** would address families not eligible for paid parental leave, noting that the current policy on this is fundamentally flawed (see below) and should be reviewed in concert with other non-financial support for families.
- **Businesses would act as paymasters** for the scheme, assuming that the entitlement policy could be straightforward. In fact, administration through the BAS/IAS system may prove to be the easiest mechanism, given the now well-tested disciplines present in the majority of businesses for this type of reporting.
- Provide **postnatal leave for parents that can be shared** between the parents.

Equally, we do not support recommendations in the Draft Inquiry Report as follows:

- **Provide the adult minimum wage during paid parental leave** - as indicated in the Draft Inquiry Report, this is presently \$543.78, which is only half the current average ordinary time earnings for women (presently over \$1000ⁱ across all classifications) and less for men (for whom the average ordinary time earnings continue to be higher across all classifications), and so represents nothing like the normal remuneration of these people. In effect, it is little more than a welfare-type payment to women and men who contribute substantially greater economic value to the Australian community through their usual work productivity. At this subsistence level of remuneration, it is arguably not paid leave, and it does not appear to meet the obligations of CEDAW Article 11.
- **Payment subject to normal taxation** - the higher the earnings of the individual prior to parental leave, the more of their parental leave payment will be taken back in tax, which further renders the entitlement to be an illusion. If remuneration was at the majority of normal earnings, payment being subject to normal taxation would be appropriate, but otherwise this so far negates payment as to again fall short of the reasonable expectation under CEDAW Article 11.
- **Business would pay superannuation contributions** for the period of leave taken - this is an illusory entitlement where the parent is self-employed, and likely to cause subtle discrimination in hiring decisions.

- **Direct funding of any element of paid parental leave**, currently limited to superannuation contributions, severely limits the portability of paid parental leave entitlements. There may be valid reasons for moving employer in the months prior to childbirth (or adoption), but without portability, perverse and/or unintended outcomes are much more likely. Moreover, this approach may well engender hidden or hard-to-detect discrimination in the workplace on the basis of pregnancy and maternity, and further compromise the conditions of women in relatively poor bargaining positions.
- **Paid parental leave would be for 18 weeks** - the positive impacts of a full six months or 26 weeks have been clearly established, and should be supported. Using other forms of leave to “co-fund” neo-natal parental leave again provides only the illusion of paid parental leave. The reality for many parents is that all other forms of leave will be exhausted for meeting the exigencies of early childhood, and they inevitably end up on unpaid leave simply to cope with the normal events of childhood prior to school. Using this up in the ante natal period compromises the important events and requirements of the first couple of years.
- **Maternity allowance** (otherwise known as the baby bonus) would be available **only** to those not receiving paid parental leave. This allowance as implemented appears to have a variety of flaws and to require significant reconsideration in concert with other policies. If there is a sound reason for providing an offset to the cost of parenting, then this should be available on a reasonably broad basis to avoid creating disincentives for working, in a gradual fashion to avoid inflationary impacts or inappropriate uses of funds, and perhaps tied to evidence of compliance with preferred parenting actions. In line with CEDAW Article 11, it would be preferable to provide supporting social services to allow parents to combine family obligations with work responsibilities, rather than an unrestrained dollop of cash for no specific reason.
- Provide **postnatal leave for parents that has a mandatory sharing requirement** - the parents are best placed to determine the use of parental leave, and it is inappropriate for governments to intrude by mandating some arbitrary minimum for either parent.

Funding a Scheme

The broad question of who funds the scheme and how much should be paid to parents is central to whether paid parental leave is a real or simply an illusory entitlement. Rather than being just a question of general affordability, the core issue is the ability for the business to generate income from which to pay these entitlements during the absence of the woman on parental leave. The smaller the business, the less likely this is to occur. In the ultimate case of a self-employed woman, there may be no business income during the period of leave, the only option then being to tap previously generated and retained profits. Exhausting retained profits to provide paid parental leave (or even to pay the superannuation contributions) would serve only to compromise the ability of that business to continue to trade over the long term.

With about 0.6million women being business operators in Australia, and two out of three likely to be in childbearing yearsⁱⁱ, this is no small issue. Of course, the paid parental leave component taken by a father would also fail in this fashion if he is self-employed. Of those 0.6 million women, only around one in three has any employees at all, so the likelihood of this being an issue is very real.ⁱⁱⁱ For such women, paid parental leave would be an illusion, as it would be for similarly placed fathers.

Broadly based taxpayer funded paid parental leave should form part of the legitimised uses of the community’s pool of tax revenue, as much as defence, national infrastructure, sporting and arts endeavours, the environment and so on. Over decades of debate in Australia, paid maternity (parental) leave has instead been given an unfortunate tinge of being a special consideration to individual mothers, a hand out that confers some unearned benefit. We assert in the strongest possible terms that it should instead be viewed as a fundamental entitlement of working life, well-earned and recognising an ongoing contribution to the community through work productivity and tax paying (which is core to the ability of Australia to compete on a world economic stage and sustain prosperity for all Australians).

These women are the very people that Australia needs to have in the productive workforce if we are to sustain economic prosperity over the long term, competing effectively against other advanced economies. With the median age of mothers rising slowly but surely, having passed 30 in 2001^{iv}, mothers are increasingly in the most productive years of their working lives when having their children. This makes their orderly and positive return to work, and the maintenance of the trajectory of their working lives, crucial, lest Australia lose or unnecessarily reduce the long term contribution that these women can make.

Of course, as long as employers are called upon to fund directly any part of a paid parental leave scheme, the opportunity will be there for subtle and hard-to-detect discrimination against women in their childbearing years, whether or not they ever intend to have children.

Recommendations

Our strongest competitors on the global economic stage (including those noted in submissions to or deliberations of the Inquiry so far) are already set to make best use of their entire adult workforce, including mothers, by having implemented comprehensive paid maternity (parental) leave schemes. It is past time for Australia to catch up, especially in the face of tougher times ahead, and we urge the Productivity Commission to recommend a genuine entitlement of working life which should not in the main be negotiable.

This calls for (postnatal) parental leave to be implemented as an entitlement of working life and paid at a significant proportion of the individual's ordinary time earnings rather than making a *de facto* welfare payment. This would be ideally 100%, but at least 75%, which would be treated as normal income and taxed. Funding the scheme through pooled tax revenue would ensure that the Australian community which benefits from the productive efforts of mothers and fathers would also support them in the initial stages of working parenthood. Noting the data provided in the Draft Inquiry Report as to the prevailing birth rate in Australia, the liability for the Federal Government is naturally limited by the combination of that fertility rate, the minimum work contribution provisions that are envisaged in the Draft Inquiry Report (which we support) and the pro rata payment (that we recommended above).

We congratulate the Productivity Commission for the thorough-going discussion in the Draft Inquiry Report. The Report contributes to a more informed and reasoned approach to this issue of pervasive and enduring significance to the Australian community and our economic prosperity over the long term, and highlights many important issues previously ignored or given only cursory attention.



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ⁱ Australian Bureau of Statistics - catalogue item 6302.0

ⁱⁱ Australian Bureau of Statistics - catalogue item 8175.0

ⁱⁱⁱ *ibid.*

^{iv} Australian Bureau of Statistics - catalogue item 3301.0