

11 May 2010

The Secretary  
Senate Community Affairs Committee  
Department of the Senate  
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CANBERRA ACT 2600

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Business  
Council of  
Australia



Dear Secretary

### **PAID PARENTAL LEAVE EXPOSURE DRAFT INQUIRY**

The Business Council of Australia (BCA) is an association of Chief Executives of 100 of Australia's leading companies. These companies are major contributors to Australia's economy, employing nearly one million Australians and accounting for over 30 per cent of Australia's exports. Accordingly, the BCA has a substantial interest in the health of Australia's economy and policies that promote sustained growth and prosperity. The BCA is pleased to make the following submission to the Committee's inquiry on the exposure draft legislation to give effect to the paid parental leave scheme.

#### ***The economic and health benefits of paid parental schemes***

The BCA has previously published papers that highlight the need for Australia to maintain its workforce participation as the population ages. It has drawn attention to the barriers that exist for those groups of working age currently under-represented in the workforce. One of the largest such groups is women of child-bearing age who typically find the costs of workforce participation too high and the difficulties of juggling parenthood and work excessive. Although their rates of participation have increased in the past few years, it still falls below that of comparable countries. As a society, we need to make their workforce participation easier.

Financial security and the capacity to plan ahead financially are critical. It is well accepted that access to paid maternity leave, together with reasonably priced and quality childcare, support for breastfeeding and flexible work arrangements, including carer's leave, are part of the patchwork of policies needed to support effective and willing participation by women with family aspirations or responsibilities in the workforce.

In recognition of this and the increased financial need experienced by many lower and middle income households to maintain dual incomes as the cost of living and housing increases, we support the draft legislation. This legislation gives effect to the commitment to introduce a universal federally-funded income scheme to enable

working parents to have 18 weeks paid absence from work after the birth or adoption of a child. This scheme is expected to supplement existing unpaid and paid schemes

The scheme acknowledges the social benefits to Australia of supporting women to have children, and the health benefits that flow from a period of absence from work for both mothers and infants. It goes some way to addressing the disadvantages women experience in having to bear the costs of taking time off work themselves. We note research which suggests that infant mortality is reduced inversely with absence from work of mothers, and the positive benefits to childhood development that flow from stronger relationships between mothers and infants and prolonged breastfeeding. In light of current policy attention directed to improving early childhood development opportunities, supporting the introduction of a paid universal scheme is a necessary first step.

The universality of the scheme recognises that although around 40% of women in the workforce have access to some paid maternity leave, those who typically do not are the lower paid and women employed casually. Review of the incidence of infant mortality rates and entrenched disadvantage around education and employment suggests that these are the groups most at risk. Consistent with our common aim to see social prosperity spread, paid income replacement for these women is essential.

Although the basic argument in support of the scheme is made in terms of mothers, we recognise the flexibility afforded within it that allows benefits to be available to all parents, within the cap of 18 weeks, and in exceptional circumstances to carers other than parents. This flexibility recognises the variation in family arrangements, but remains linked to the objective of easing the juggling of work and family commitments for the families involved and maintaining workforce participation.

### ***The consultative process and proposed implementation scheme***

The federal government, through DEWER and FACHSIA, has run an effective consultation process on how the scheme should be implemented. As a result, the details embodied in the bill balance the need for as much flexibility for parents on the one hand with least cost administrative burden for employers on the other. Although the bill retains the government's commitment to having employers-as-paymaster as a means of reinforcing the relationships to work and workplaces, the processes for implementing this have sought to minimise the opportunities for unnecessary conflicts within the workplace and to utilise existing dispute and complaint resolution processes. The phase-in of the paymaster function also recognises the preparatory work to be undertaken within employer organisations and allows for the scheme's introduction to be matched to the financial year.

In making these comments we recognise, however, that the burden for smaller businesses will be greater than for our members. For this reason, we strongly support the ongoing monitoring and streamlining of the scheme during its implementation to identify further opportunities to reduce this burden.

### ***Will existing company schemes be eliminated?***

Many large corporate and public employers already provide paid and unpaid parental leave. A survey of our members in 2003, found that over 70% of respondent companies provided paid maternity leave (on average some 6-7 weeks) and paternal leave (on average 1 week), together with a range of other work-family supportive

policies. The terms of these schemes have been significantly improved since then and coverage extended.

Some have argued that by introducing a taxpayer funded scheme, taxpayer dollars will replace employer dollars. The feedback from our members clearly shows they have no such intention. They are currently engaged in seeking to marry their existing schemes with the new government scheme to ensure benefits for their employees are maximised.

There is widespread acknowledgment of the need to boost participation in the workforce from currently underrepresented groups in the working age population. One of the largest such groups is women of child-bearing age. Employers and governments alike should be seeking to ensure that both work and family is possible. This scheme is a sensible start and a development well overdue.

Yours sincerely

**Katie Lahey**  
Chief Executive