

# **Submission on *Paid Parental Leave Bill 2010***

Jointly made by

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**ATTACHMENT 1 *Analysis of Children's Care Funding in 2011-12 tied to Care Type and Workforce Status***  
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Source: [www.deewr.gov.au](http://www.deewr.gov.au) and [www.fahcsia.gov.au](http://www.fahcsia.gov.au)

Joint Submission on Exposure Draft of *Paid Parental Leave Bill 2010*  
Australian Family Association (National Office) & Kids First Parent Association of Australia

11 May 2010

## **EXECUTIVE SUMMARY**

Parental leave pay provided for in the *Paid Parental Leave Bill 2010* is a form of birth-specific childcare funding. It helps families afford short-term parental childcare, that is, mother care.

**Division 2 (Paid Parental Leave discriminates unfairly)** shows however, that the scheme is more about "corporate welfare" than "family welfare". (Part 2)

The scheme would unfairly discriminate by giving on average 37% more birth funding to subsidise wages and support families with "paid work" mothers, than to families whose mothers make a career and childcare choice for "parental childcare" for older siblings. This is unfair. On that basis alone, the scheme should be amended or withdrawn. (Part 4.2)

This discrimination is not justified by seeking to confine parental leave pay to a "workforce entitlement". (Part 3) Furthermore polling shows an overwhelming majority of voters want equal, modest, parental birth support for all families, regardless of the mother's workforce status. (Part 5)

The scheme's discrimination against families using "parental childcare" further punishes these families who already receive through Family Tax Benefit B only half the average childcare funding going to families that use daycare. (Part 4.3)

**Division 3 (Harmful outcomes of scheme)** shows that apart from being unfair and unpopular the discriminatory character of the scheme is inherently harmful because of the net financial and social cost of rewarding the substitution of paid work over family work and of rewarding outsourced care over parental care of children.

The government's cost/benefit analysis of the scheme fails to take account, for example, of the outcomes for **families** (with more children in institutional care, reduced childcare affordability); **society** (fewer mothers doing unwaged volunteer, charity and school work); to **businesses** (cost of holding jobs open, unnecessary burden of acting as government paymaster); and the **economy** (the significant net burden on the budget of an inevitably expanded PPL scheme, subsidies for more daycare places and the costly socialisation of unwaged work no longer done by mothers).

The key recommendation of this Submission is that the *Paid Parental Leave Bill 2010* be withdrawn unless amended to provide equal birth support for all mothers, subject to a means-test on family income up to \$150,000.

## **RECOMMENDATIONS**

The equitable scheme here recommended is referred to as a "**parental birth support scheme**".

### **Recommendation 1: Equal birth support for all families** (Part 4.2)

- (a) Withdraw the Bill in its entirety unless it is amended to omit the "work test" and fund the care of *all newborns equally*, subject to a means-test on families earning under \$150,000.
- (b) Fund the scheme by "rolling in" budgeted "parental leave pay" and the Baby Bonus to provide a weekly payment over 18 weeks from birth. Note: Commencing the benefit from birth (like the Baby Bonus) would be much cheaper and administratively simpler for families and government.
- (c) As to quantum of parental birth support, existing funding would provide \$6,300 each to families earning under \$150,000. Another option is to provide the minimum wage for 18 weeks to each of these families.

### **Recommendation 2: Equal Parent Benefit for all childcare support** (Part 4.3)

The federal government should redistribute birth support and ongoing day-to-day childcare subsidies direct to parents through a single Parent Benefit to recognise that every family gives up income to pay for childcare. This would give the same funding to every child in the relevant age group, to free families to choose parent care, grandparent care, daycare or other care from birth.

Parents should not be eligible to get a double subsidy at any time. It should not be possible, for example, to claim daycare funding centre funding and PPL. Families with both parents in paid work using granny or nanny care should no longer miss out on childcare funding for their relatives' unwaged childcare work.

### **Recommendation 3: Bereavement allowance for stillbirths** (Part 6.1)

Stillbirths should be excluded from parental birth support. However all mothers of stillborn babies (excluding stillbirths resulting from elective terminations) should qualify for a one-off "bereavement payment" being equal to or less than the support under the scheme.

### **Recommendation 4: Ineligibility for other childcare funding** (Part 6.2)

Legislative amendments must clearly provide that claimants for parental birth support should be ineligible for any other childcare funding such as the Child Care Benefit or Child Care Rebate.

### **Recommendation 5: Excise the limited "return to work" requirement** (Part 6.3)

The restrictions on "return to work" (Bill clauses 48 to 50) will be very difficult and costly to enforce and will very likely be flouted. Provided the Bill is amended to fund all families equally, this provision should be omitted from the Bill as it unnecessarily interferes with parental decisions about how to balance paid and family work.

### **Recommendation 6: Means-test on family income during leave period** (Part 6.4)

The Bill should be amended to remove the current means-test in clause 41 on the pre-birth income of the mother only. The Bill should provide that birth support payments be means-tested on the annual family income determined for the leave period commencing at birth.

### **Recommendation 7: Payment mechanism** (Part 6.5)

Fund parental birth support through Centrelink, to avoid the significant costs and the bureaucratic nightmare for businesses of becoming *de facto* paymasters for this government benefit, especially as the government plans a parallel bureaucracy also distributing PPL pay.

### **Recommendation 8: Modelling on PPL's true net cost to government to be made public** (Part 10)

The projected net cost to government of the scheme (in the Explanatory Memorandum) must be revised to take account of the lost productivity and the cost to the government of subsidising paid parental leave, childcare and community and charity work given up by mothers who move from family work to paid work as a result of the scheme. A realistic estimate of taxes generated by mothers returning to paid work (and taxes no longer generated from others losing their jobs to mothers) *as a result of the scheme* must also be provided.

## DIVISION 1 ABOUT THIS SUBMISSION

### Part 1: Introduction

#### 1.1 Subject matter of this Submission

Unless otherwise stated, this Submission is confined to primary carer mother claimants of parental leave pay under the Bill.

#### 1.2 Definitions

In this Submission, unless otherwise stated –

**Bill** is the draft *Paid Parental Leave Bill 2010*.

**childcare** refers to children's care options including parental childcare to promote maternal bonding following birth or long term, daycare centres, family day care, before and after school care, vacation care, occasional care and in home care.

**childcare costs** means the childcare costs borne by all families, whether income is reduced by giving up income to provide parent and family care, or through earning it and giving it away to an outside provider, such as a daycare centre.

**childcare funding** refers to government funding to help families with the cost of children's care including means-tested "**birth-specific childcare funding**" being either –

- (a) parental leave pay, to fund short-term parental childcare; and
- (b) the Baby Bonus for other families.

**family work** refers to unwaged work done within families including their own childcare work.

**family work mothers** are unwaged mothers doing family work, including their childcare work for their children, who are risk being denied "**parental leave pay**" by failing the "**work test**".

**income test** is the pre-birth entitlement test for parental pay, in the Bill (clauses 37-41).

**paid work mothers** refers to mothers eligible for parental leave pay as primary carer, having met the pre-birth eligibility tests.

**parental leave pay** means childcare funding delivered to beneficiary families under the Bill, whether directly by the government (for example to employees of under 12 months) or as compensation to employers legally obliged by the Bill to make these payments.

**PPL** means paid parental leave.

**pre-birth eligibility tests** refer to the "**work test**", the "**income test**" and the "**residency test**".

**residency test** is the pre-birth test for entitlement to parental leave pay, specified in the Bill (clauses 45, 46).

**return to work** is the post-birth continuing test for entitlement to parental leave pay, providing for a limited return to work, specified in the Bill (clauses 48-50).

**work test** is the pre-birth test for entitlement to parental leave pay, based on pre-birth participation in the paid workforce, specified in the Bill (clauses 32-36). **Note:** During the 13 months pre-birth, the mother must work at least 330 hours (equates to around 9 weeks full-time @ 38 hours/week) during a continuous period of 295 days (around 10 consecutive months) with no break of more than 56 non-working days (8 weeks). The 295 day period will be considered "continuous" if unbroken by no more than 56 non-working days in a row. A "non-working" day (not a term used in the Bill) is a day on which less than one hour is worked. Hours will not be counted towards the 330 minimum, for any day when less than one (1) hour is worked.

## **DIVISION 2 PAID PARENTAL LEAVE DISCRIMINATES UNFAIRLY**

### **Part 2: Discriminatory Policy Objective**

#### 2.1 Policy objective behind two-tier childcare funding discrimination

The Bill gives effect to the government's policy objective of deliberately under-funding the childcare costs of families with (unwaged) family work mothers, to induce/pressure those mothers into the paid workforce.

This grossly unfair two-tier funding approach, which fails either to respect or to fund equally the childcare costs of every family, is outlined in the Productivity Commission's report *Paid Parental Leave: Support for Parents with Newborn Children* –

"A paid parental leave scheme can only achieve its objectives if the amount government pays is greater than the benefits parents would get had they exited from the labour force. ... family assistance measures provide significant benefits to families in which the primary carer is unpaid. Accordingly, the payments have to be sufficiently high to encourage the use of paid leave, but not so easy to get as to encourage people to work only notionally to qualify."<sup>1</sup>

#### 2.2 Vested interests promoting PPL

Most Australians are unaware of this social engineering aspect of the scheme, or of the vested interests promoting it. The push for discriminatory PPL has come from government, business, unions, the childcare industry and narrow group of influential feminists who argue that all mothers should be induced/pressured into continuous paid work.

This highly funded and heavily taxpayer-dependent "paid work lobby" wants to increase overall paid workforce participation by subsidising the return of mothers with newborns into paid work. This lobby advocates "family friendly" PPL schemes, which are in reality "business friendly" government subsidies. They are in effect lobbying for a share in this taxpayer funded goldmine, with no concern or understanding of the future net cost of the scheme to taxpayers at large.

The paid work lobby argues for "corporate welfare" through maternal wage and daycare subsidies that would replace the traditional family with nanny state funded institutional care under the guise of "child welfare" or "workforce entitlements".<sup>2</sup>

### **Part 3: "Workforce right" characterisation invalid**

#### 3.1 A family benefit, not a workforce right

Some justify discrimination by arguing that parental leave pay is - and should be confined to - a "workforce entitlement". However, PPL is not a legitimate workforce entitlement, in the nature of annual leave or sick leave. Unlike sick leave and holiday pay, which are entitlements for *all* workers, parental leave pay is available only to a sub-set of mothers – those in paid work.

Restricting this benefit to paid-work mums is neither fair nor universal. Requiring women to be in continuous employment for 10 of the 13 months before having their child (and to work an equivalent of nine weeks full-time in that period) is a condition much harder to satisfy than first appears, especially for mothers who already have small children. In 2008, Canada's employment insurance funded PPL scheme was paid to just one-in-seven new mothers who met the relevant employment test.<sup>3</sup>

<sup>1</sup> Final Report dated 12 May 2009 – see Section E.1 What determines the appropriate eligibility conditions? *Social transfers for those outside the labour force need to be considered*

[http://www.pc.gov.au/data/assets/pdf\\_file/0003/86232/parental-support.pdf](http://www.pc.gov.au/data/assets/pdf_file/0003/86232/parental-support.pdf)

<sup>2</sup> "Day Care Deception: What the Child Care Establishment isn't telling us" by Brian C. Robertson, 2003, Encounter Books, p.163.

<http://old.nationalreview.com/interrogatory/robinson200310010847.asp>

<sup>3</sup> Canada's 'universal' PPL used by minority: In 2008, only 1 in 7 new Canadian mothers were eligible for paid parental leave because many Canadian mums are not eligible at all as they are not "employed" (eg are self employed or do not do paid work) or do not have enough "eligible hours" (600) in the preceding year. All up in 2008, 48,145 mothers got 'maternity leave' employment insurance and there were 364,085 births. 2008 statistics are here <http://www40.statcan.ca/l01/cst01/labor13-eng.htm> (maternity benefits) and <http://www40.statcan.ca/l01/cst01/demo04a-eng.htm> (number of births).

Employers pay sick leave to allow workers to recover and to prevent workers coming in sick and infecting everyone else. Likewise they pay holiday pay because all workers need a break to maintain optimal efficiency.

However external employee activities do not form the basis for workplace entitlements. Employers do not pay workers more if the workers decide to rent or buy a house. Why should employers pay workers more if they decide to have children?

### 3.2 Scheme provides government benefits

In any event, the Bill's "parental leave pay" despite its name is not, in substance, a genuine workforce entitlement. It is a government benefit. The Bill has been tortuously drafted to impose, complex administratively onerous provisions to give the false impression that parental leave pay is a genuine workforce entitlement.

The scheme provides for this "pay" via two government benefits. One benefit goes via the "government as paymaster" directly to employees, for example, where a mother has been employed by the relevant employer for under twelve months. The other benefit is paid via the "employer as *de facto* paymaster" indirectly. The Bill obliges employers to pay over their "own" money for the leave pay but not until the government has paid them "compensation" for the relevant payment.

These onerous and completely unnecessary obligations serve one purpose – to give the false appearance of a workforce entitlement when in reality, employees are being forced to act as the government's paymaster for a government benefit.

There is no need whatever for two paymasters, both involving extensive bureaucracies. Both streams of government funding for the proposed parental leave pay – at a uniform rate for all beneficiaries – could simply be administered by Centrelink (instead of one stream only) in the manner of the Baby Bonus – see Part 6.5.

## **Part 4: Discriminatory childcare funding is unfair**

### 4.1 Higher funding for "paid work mother" families

Whatever else the Bill's parental leave pay may be called, it is childcare funding. It funds short-term parent care for 18 weeks at the minimum wage but discriminates unfairly by denying this funding to families with mothers caring for older children prior to the birth.

While in the short-term PPL funds "parental childcare", in the long-term it encourages outsourced childcare. PPL goes only to paid-work mums to facilitate their return to work, at which point many will begin outsourcing their childcare.

All families reduce income to pay for childcare, whether income is reduced by giving up income to provide parent and family care, or earning it and giving it away to an outside provider, such as a daycare centre. Mothers, whether in family work or paid work, give up income to afford to deliver childcare themselves to bond with their babies.

The Bill provides for discriminatory childcare funding called "parental leave pay" that compensates some families only for the loss of a mother's income in order to care for her baby for an 18 week period in its first year of life.

The Bill's discriminatory mechanism is through pre-birth eligibility tests, which are specifically calculated to target and exclude family work mothers from "parental leave pay" as it goes to only to eligible "paid work mothers". Family work mothers risk failing these tests if they give up income to care for earlier children for more than 18 weeks or between pregnancies. The tests are easily failed, which explains why most mothers will miss out on the benefit in 2011. (Part 4.2)

### 4.2 Birth support should be equal, akin to unemployment benefits

If the community considers it appropriate to provide "birth support" to new mothers, then such support should go equally to all families – just as the government pays unemployment benefits to *any* workers who lose their jobs. Unemployment benefits are not increased for retrenched lawyers – the level of support is the same for everyone. In the same way, parental leave pay should be paid to all mothers equally, whether government funded or mandated through a business tax.

If the Bill were enacted, the majority of families (earning under \$150,000) with newborns in 2011 would be denied funding under it. In 2011 the Bill's "minimum wage" parental leave pay would benefit 148,000 families receiving an average of \$7,342 after tax and 161,000 families the \$5,340 Baby Bonus.<sup>4</sup>

The minority eligible for PPL and would receive 37% more (an average of \$2000) birth-specific childcare funding than excluded families who would receive just the Baby Bonus.

### **Recommendation 1 is for equal birth support to all families.**

4.3 Day-to-day childcare funding also discriminates against parent care

PPL must be viewed in the context of Australia's two-track funding for day-to-day childcare as well.

Australia's annual childcare funding (also from birth) already discriminates 2:1 against "parental childcare" by giving on average twice the funding per family for outsourced childcare, mainly daycare (\$6,041) than for parent care via Family Tax Benefit B (\$3112).<sup>5</sup>

Note that families where one parent stays home to care for children qualify for Family Tax Benefit B - but this cannot be truly regarded as childcare funding as it only partly compensates families for the loss of the extra \$6000 tax-free threshold enjoyed by two-earner families.

### **Recommendation 2 is for a Parent Benefit to fund every family's birth and day-to-day childcare choices equally, and eliminates "double funding".**

## **Part 5: Australian polling shows proposed PPL is unpopular and unfair**

### **5.1 Most want modest, equal birth funding for all mums**

A "Mother's Day Poll" conducted by Galaxy Research between 29 April and 3 May 2010 asked 1,269 mothers with children aged up to 17 years which of these two parental leave plans they preferred?

**Kevin Rudd's** plan is for mums to get 18 weeks paid leave at the federal minimum wage (about \$543 per week) - for mums earning less than \$150,000 – at a total annual cost of \$260m a year – funded from the federal budget.

**Tony Abbott's** plan is for mums to get 26 weeks of paid leave at their normal pay rate – for mums earning up to \$150,000 a year – at a total annual cost of \$2.7 billion raised through a tax on companies

Those polled preferred Kevin Rudd's plan (37%), Tony Abbott's plan (28%) and neither (35%). The preference for the Rudd scheme and the high percentage opposing any scheme is explained in part by the cost. Voters reject high cost schemes. However, the Rudd government's scheme outlined in the draft *Paid Parental Leave Bill 2010* is a wolf in sheep's clothing. It will not be "less expensive" - its costs will blow out! The public would not want it if they knew it's inevitable "true cost" in years to come as it expands in duration and to a salary based model. (Part 7)

Offered equality, Australian's overwhelmingly reject PPL in favour of a modest scheme that funds every newborn equally. This is borne out by a Galaxy Poll of 1,042 adults commissioned by the Australian Family Association in March 2010 asked -

"In your opinion, should the government's Paid Parental Leave plan give equal funding to both mums in paid work and stay-home mums to afford bonding time with their babies?"

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<sup>4</sup>Figures outlined in Attachment 1 to this Submission *Analysis of Children's Care Funding in 2011-12 tied to Care Type and Workforce Status* based on data from 2011-2012 Federal Budget Estimates - Children's Care Support. See [www.deewr.gov.au](http://www.deewr.gov.au) and [www.fahcsia.gov.au](http://www.fahcsia.gov.au)

<sup>5</sup>Ibid.

An overwhelming majority of 2 in 3 voters rejected a discriminatory PPL, preferring instead equal birth funding for both paid work mums *and* unwaged mums doing their own childcare work. Even greater numbers of parents (71%) and young adults 18-34 years (79%) favoured equal funding.<sup>6</sup>

The Galaxy poll confirmed polls in the marginal Queensland seat of Ryan (December 2009 by Kids First volunteers), held by the Liberal Michael Johnson, and in Mr Rudd's South Brisbane seat of Griffith (February 2010 by Market Facts Qld). In each of the electorates, 500 voters were randomly phoned and asked whether the government should give 50%<sup>7</sup> more PPL to paid work mums than the equivalent funding for at-home mums. (Note: With the Baby Bonus increased for CPI, 50% is now 37.5%.)

Most people said that all mums should instead get the same funding when they have a baby, by a margin of 8 out of 10 in Ryan and 7 out of 10 in Griffith.

## 5.2 Most want equal funding for day-to-day childcare too

The March Galaxy Poll commissioned by the Australian Family Association also asked –

“In your opinion, should government funding for the cost of children's care be the same per child, whether the child is being cared for at home by a parent or in a daycare centre?”

Similar numbers (approximately 2 in 3) responded that government funding should be the same for parent care as for daycare.

## 5.3 Most prefer parent and informal care

The vast majority of Australians in fact use parent and informal care including grandparent care. The Mother's Day Galaxy poll did not ask about "parental childcare" but found that the mothers randomly surveyed had a strong preference for informal outsourced care.

Asked which outside carers ever looked after their children, they responded grandparents (64%), other family members (33%), childcare facility (32%), friends (29%), babysitters (7%), nannies (1%) and none of the above (18%).

Asked which one of these would look after your children *the most*, they responded their grandparents (41%), childcare facility (20%), other family members (9%), friends (7%), babysitters (1%), nannies (1%) and none of the above (21%).

Worldwide surveys confirm the popularity of parent care. In 2004 Canada's Vanier Institute found nine out of ten persons prefer care by one parent at home with a preschool child. The Institute for Marriage and Family (Canada) poll done in 2006 found that 78% of parents preferred that "a parent stays at home" over a "competent caregiver."<sup>8</sup>

In 2003, Brian C. Robertson commented on several US surveys conducted on this issue, saying:

"The most comprehensive survey yet done on child care – by the non-partisan group Public Agenda – found that parents prefer one parent to stay at home over a "quality" day-care center as the best arrangement for children under five by a margin of 12 to 1; 71% agreed with the statement that "parents should only rely on a day care [centre] when they have no other option"; and 8 out of 10 young mothers with preschool children professed the desire to stay home with them rather than continue to work. In terms of policy, both fathers and mothers prefer options that would "make it easier and more affordable for one parent to stay at home" over those that would "improve the cost and quality of child care" by a margin of 2 to 1. Interestingly, the opinions of the "child advocates" who tend to control the debate on day care are almost exactly the reverse on these issues."<sup>9</sup>

<sup>6</sup> [http://www.family.org.au/index.php?option=com\\_content&view=article&id=308:childcare-unfair-paid-parental-leave-scheme-is-out-of-touch&catid=53:federal](http://www.family.org.au/index.php?option=com_content&view=article&id=308:childcare-unfair-paid-parental-leave-scheme-is-out-of-touch&catid=53:federal)

<sup>7</sup> Adjusting the Baby Bonus payment to include the CPI increase, the difference now stands at 37.5%.

<sup>8</sup> <http://www.kidsfirstcanada.org/supply-demand.htm>

<sup>9</sup> <http://old.nationalreview.com/interrogatory/robinson200310010847.asp>

## **DIVISION 3 HARMFUL OUTCOMES OF SCHEME**

### **Part 6: Inappropriate provisions of Bill**

#### 6.1 Provision for stillborn babies

In many cases aborted babies reaching 20 weeks gestation or 400g in weight, who are born dead or alive (to die subsequently) are recognised and recorded in Birth Registries as "stillborns". It is not appropriate that these mothers be caught by the prohibitions on "return to work" (clauses 48-50) or that PPL funding go to babies who are stillborn. A lump sum is preferable to periodic payments which may be distressing for the grieving mother.

In the case of stillbirths (other than elective terminations), it would be more appropriate:

- (a) to provide a lump sum bereavement allowance to the mother only, rather than periodic payments (which may even go to a person other than the mother) for the "care" of a deceased baby;
- (b) not to apply "return to work" limitations (clause 48 to 50) which are not applicable.

#### **Recommendation 3 is that stillbirths, but not elective terminations, qualify for a one-off "bereavement payment".**

#### 6.2 Childcare funding "double dipping"

There appear to be no safeguards in the draft Bill to stop mothers claiming parental leave pay but putting their newborns into daycare and "double dipping" by claiming the Child Care Benefit or the 50% Child Care Rebate, thereby wasting taxpayers' money and defeating the purpose of the scheme to promote mother and child bonding.

#### **Recommendation 4 is for legislative provisions to exclude other childcare funding during the leave period.**

#### 6.3 "Return to work" restriction unworkable

The Bill limits the paid work that may be undertaken during the leave period, see clauses 48 to 50. A mother who fails to comply with these provisions appears to have a duty under clause 125 (Obligation to notify of change of circumstances) to notify the government of a failure to comply with these provisions, or she commits an offence. The "return to work" limits are in part vague and subjective and in practice would be costly and virtually impossible for mothers and public servants to uniformly interpret and enforce.

Furthermore, the underlying principle of any support for parents should be that parents, not "Big Brother" governments, are in the best position to judge the balance of providing and nurturing work that is in their family's best interests.

#### **Recommendation 5 is to omit the limited "return to work" requirement.**

#### 6.4 Inequitable means-test on income of mother, not family

The \$150,000 means-test on the mother's pre-birth income is unfair for two reasons. First, the relevant period for determining need is the leave period, as this is when the family will be struggling to support an unwaged mother to bond with the newborn. The means-test for parental leave pay (clause 41) is instead based on the mother's income in the financial year before giving birth. Secondly, the means-test should be on "family" income like the Baby Bonus, not the mother's income. After all families not just mothers on their own, care for children. Otherwise families with multi-million dollar incomes will be eligible, making it unfair.

#### **Recommendation 6 is that payments under the scheme be means-tested on the family income for the actual leave period.**

## 6.5 Employer paymaster provisions unfair

The Bill's scheme to direct government funding via employer paymasters (instead of direct to beneficiaries) has created a mind-boggling, costly and productivity-sapping bureaucracy including –

- (a) A completely unnecessary double-handing "payment" bureaucracy involving -
  - Part 3-2 (Payment of instalments by employer)
  - Part 3-4 (General rules relevant to paying instalments)
  - Part 3-5 (Employee determinations)
  - Part 4-3 (Debt recovery from and by employers);
- (b) A parallel bureaucracy within the public service, for these same payments to be made by the Government where employers default or are exempted as paymasters;
- (c) the policing, investigation and penalising of employers with civil penalty orders for failure to comply with red tape;
- (d) an elaborate time-consuming and expensive administrative appeals procedure;
- (e) more government record keeping requirements (clauses 80-82 – Obligations to employer relating to paying instalments).

**Recommendation 7 is that Centrelink be sole paymaster for the scheme, instead of co-paymaster with employers.**

## **Part 7: Inevitable expansion of scheme**

### 7.1 Number of claimants will rise

The Bill's Explanatory Memorandum in noting the scheme's net cost to government (\$730 million over the four years from 2009-10 to 2012-13) contains no acknowledgment that PPL is better understood as a "Subsidy Expansion Scheme". It's very design (to induce more women back into paid work – including before they fall pregnant with their next child) is intended to increase uptake of the subsidy.

PPL will indeed be very popular, precisely because is deliberately set higher than the Baby Bonus. Note that a more modest equal birth subsidy for all families would not have the same "social engineering" incentive to induce/pressure people to rearrange their affairs to qualify for the higher subsidy.

*Demand for parental leave pay will initially blow out as many unwaged women will find ways to get themselves on a payroll, including through "cooking the books" of family businesses. Over time, more mothers will be forced to claim by reason of financial pressures (discussed further below).*

### 7.2 Duration of leave period will extend

Families receiving parental leave pay, and other indirect beneficiaries – including businesses, unions and daycare centres – are already pressuring the government to expand the scheme from 18 or 26 weeks to a year or more, as noted in the Explanatory Memorandum.

### 7.3 Wage and related benefits will increase

If the Bill is introduced in its current form, there will doubtless be pressure to move from his proposed "flat minimum wage" benefit to a full or near full wage replacement benefit, similar to the scheme currently proposed by the Coalition.

Note that the employer "paymaster" function currently excludes additional employer obligations for accrued leave entitlements, impacts on notice period and severance payments, and any impacts on payroll tax or workcover obligation. However, the government will surely come under pressure to review these exclusions once they are reviewed as foreshadowed in the Explanatory Memorandum.

This creeping expansion will almost certainly be funded through a combination of increased taxation and the cutting family allowances (such as Family Tax Benefit B) to the dwindling number of family work mothers.

## **Part 8: Reduced childcare affordability**

### 8.1 Scheme costs will be borne disproportionately by non-beneficiary families

The cost of the scheme proposed in the Bill, however funded, will be borne by all families. This means paid work mother families will benefit at the expense of families with family work mothers, as well as childless and past-childbearing families. This is unfair.

### 8.2 Support for family work mothers will reduce

The government funding – at birth and ongoing - for family work mothers who miss out on this expensive parental leave pay will be reduced over time when, inevitably, the number of families able to afford mother care dwindles and the cost of the scheme blows out.

### 8.3 Parent care will become less affordable

Increased taxation (to fund the scheme) combined with an increase in funding for PPL and outsourced care on one hand and reduced parental childcare funding on the other, will continue to pressure women into paid work despite their preference for parent care.

This has occurred in Sweden. "The admired Swedish parental leave policy is very generous up until 16 months. But after that, caring for your child is more difficult in Sweden than in most other countries in the western world. The long Swedish parental leave is a necessity in high-tax Sweden. Without it, few Swedes could afford to take full care of their babies."<sup>10</sup>

Parent care outside the parental leave system will become increasingly unaffordable, pressuring more women into paid work, and continuously expanding the demand for government subsidised PPL and institutional care.

### 8.4 Daycare fees will rise

Increasing government subsidies to daycare will not make it "more affordable". It will inflate childcare costs for everyone. We read daily that daycare costs are rising. This is because hiding the true cost of a service – such as daycare - by using subsidies simply increases demand for it. Increased demand will in turn force fees up as families compete for limited daycare spaces.

## **Part 9: Harm to families, children and society**

### 9.1 This "Bonding Time Reduction Scheme" will increase daycare use

PPL is in reality a Bonding Time Reduction Scheme, which denies funding for families using the very thing they claim to promote – mother care.<sup>11</sup>

Mums in families that pay for, but are not rewarded by, these schemes will increasingly be forced into paid work because their choice in favour of "parental care" is being effectively de-funded.

As the PPL scheme expands, so too will the demand for daycare, which is already heavily subsidised. Australian daycare lobbyists have already made public demands for more funding for daycare as a result of PPL. The two go hand in hand, as shown in Sweden, where very generous PPL policies have pushed 81.3% of 1-5 year olds into daycare centres in 2008.<sup>12</sup> The costs of subsidising childcare of this scale are formidable. Our taxes will steadily rise to pay for it, as they have in Sweden.

This is an important issue, which is often overlooked in the PPL debate. Parental leave policy must not be viewed in isolation; it is intimately and inextricably related to childcare funding. By pressuring mothers to enter the workforce in order to receive the PPL entitlement, those mothers will be forced to outsource the care of their other young children, presumably by placing those children in institutional care.

<sup>10</sup> "Secure Children – Secure Parents – The Role of Family in the 21st century " an address to the Swedish Parliament delivered by Jonas Himmelstrand, 10 December 2008 <http://www.stratletter.com/dec10speech.html>

<sup>11</sup> For example Tony Abbott's claim that his scheme would allow women "to bond with their kids" quoted in *The Australian's* online article "Tepid response to Abbott's parental leave plan," 20 April, 2010 <http://www.abc.net.au/news/stories/2010/04/20/2878239.htm>

<sup>12</sup> Himmelstrand estimated the figure was 85% in 2008. See "Secure Children – Secure Parents – The Role of Family in the 21st century " an address to the Swedish Parliament delivered by Jonas Himmelstrand, 10 December 2008 <http://www.stratletter.com/dec10speech.html>

## 9.2 Harm risks greater for children in centre-based daycare

The Senate committee conducting the *Provision of Childcare* inquiry looked at some of the high quality childcare research. It found that formal early childcare risks stunting children's social, emotional and behavioural development. It said: "Infants are typically best cared for at home by their parents."<sup>13</sup>

Outsourced childcare has significant social and welfare costs. The world's largest and most authoritative study into childcare effects is the American National Institute of Child Health and Human Development (NICHD) study. Over 1,000 children from around 10 locations across the US have taken part in research conducted by the NICHD over 15 years.<sup>14</sup>

Children surveyed periodically from birth to age 15 have been found to have a higher propensity for risk-taking and impulsive behaviour;<sup>15</sup> emotional problems such as depression, aggression, anxiety, lack of empathy; and behavioural problems, proportional to the amount of time spent in centre-based daycare. Surprisingly, the higher incidence of these negative outcomes was linked to the "dosage" of institutional daycare, *regardless* of the quality of care provided. Furthermore these daycare effects have been found to be "contagious," such that children not in daycare developed similar problems when placed in year one classrooms with "daycare children". A classroom with a handful of disruptive children makes life hard for teachers; what will be the effect when the numbers dramatically increase due to the impact of institutional childcare?

Unfortunately, the impact of institutional childcare does not end in early childhood. Previously undetected latent effects of institutional care have been observed in 15 year olds who had spent long hours in daycare when very young. In particular, such children were found to have abnormally low cortisol levels, indicating increased stress in early years.<sup>16</sup>

Finally, a study into the effects of heavily funded PPL and daycare in Quebec found "children [were] worse off by measures ranging from aggression to motor and social skills to illness." The study also uncovered "...evidence that the new child care program led to more hostile, less consistent parenting, worse parental health, and lower-quality parental relationships."<sup>17</sup>

## 9.3 Spending money on daycare does not necessarily improve its quality

Sweden, which boasts one of best government-funded daycare systems in the world, has abandoned maximum class sizes, and allows 1 staff member for up to 22 children aged 1-3 years. Similarly well-funded daycares in Quebec allow 1 staff member per 8 babies.

The problem is that the more the government subsidises fees, the more children flood the system. The Swedish government's own 2004 report, *Pre-School in Transition: A national evaluation of the Swedish pre-school*, admits "group sizes in the pre-school [daycare] increased substantially during the '90s" (p.21) and "[it] may well be that the preconditions for providing good overall quality have deteriorated, especially as a result of large groups of children and fewer staff" (p. 26).<sup>18</sup>

## 9.4 Daycare associated with lower educational outcomes

The NICHD research has shown that even high quality daycare increases the risk of aggression, disobedience and lack of cooperation in children in school later on.<sup>19</sup> It is no surprise therefore that wherever universal pre-school long-daycare has been implemented, school scores have dropped. This has happened in Sweden and the US states of Oklahoma and Georgia, as well as in Canadian provinces, including Quebec.<sup>20</sup> A 2008 study of 40,000 Quebec children found its low-fee universal childcare policy had a substantial negative effect on preschool children's vocabulary scores.<sup>21</sup>

<sup>13</sup> Final Report *Provision of Childcare Inquiry* of the Education, Employment and Workplace References Committee, November 2009. [http://www.aph.gov.au/SEnate/committee/eeet\\_cte/child\\_care/report/report.pdf](http://www.aph.gov.au/SEnate/committee/eeet_cte/child_care/report/report.pdf)

<sup>14</sup> A summary of NICHD findings and support for equal financial support to parents from lead researcher Prof. Jay Belsky – [http://www.mpsv.cz/files/clanky/6640/9\\_Jay\\_Belsky\\_EN.pdf](http://www.mpsv.cz/files/clanky/6640/9_Jay_Belsky_EN.pdf)

<sup>15</sup> Peter Cook, "Mothering Denied – How our culture harms women, infants, and society", 2008, p77.

<http://www.playgroupaustralia.com.au/qld/index.cfm?objectID=44301315-E7F2-2F96-3BE56007DF3D40A8>

<sup>16</sup> Ibid p86.

<sup>17</sup> "Universal Child Care, Maternal Labor Supply, and Family Well-Being" by Michael Baker et al., University of Toronto, *Journal of Political economy*, v.116 2008.

<sup>18</sup> See also <http://www.kidsfirstcanada.org/blog-vol1.htm>.

<sup>19</sup> Peter Cook, "Mothering Denied – How our culture harms women, infants, and society", 2008, p86.

<http://www.playgroupaustralia.com.au/qld/index.cfm?objectID=44301315-E7F2-2F96-3BE56007DF3D40A8>

<sup>20</sup> "Protect Our Kids from Preschool", *Wall Street Journal*, [http://online.wsj.com/public/article\\_print/SB121936615766562189.html](http://online.wsj.com/public/article_print/SB121936615766562189.html).

<sup>21</sup> "Childcare Policy and Cognitive Outcomes of Children: Results from a Large Scale Quasi-Experiment on Universal Childcare in Canada" <http://ideas.repec.org/p/lvl/lacicr/0823.html>

Given that the harmful effects of institutionalised childcare on children are so starkly evident in nations where it has been broadly implemented; and given that this evidence has been repeatedly brought to the attention of Australia's legislators and administrators, there is simply no excuse for any Australian government to implement a policy which will send our children headlong down a path of disadvantage and short- and long-term harm.

#### 9.5 Women will do less charity and other volunteer work

The scheme preferentially rewards families for committing mothers to paid work over unwaged volunteer work. It specifically excludes unwaged work and even some charity work (clause 35) from "work test" for eligibility under the scheme. The entire community will suffer from the Bill's short-sighted provisions, which will act as a disincentive to mothers taking on community work that provides enormous social benefits, stability and cohesion in society.

The Bill's scheme will discourage mothers from doing voluntary work including -

- (a) charities such as Meals on Wheels, care for the elderly, and work in charity shops and other volunteer work such as unwaged help; and
- (b) other unwaged work, such as vital parent classroom help, running school canteens, caring for the elderly and running community groups and sporting teams.

### **Part 10: Economic harm**

#### 10.1 The higher productivity and higher net government myths

The key argument of the "paid work lobby" for discriminatory childcare funding (including PPL) – is that increasing the number of women in paid work will increase our economic productivity and tax take - is without any foundation.

The Bill's Explanatory Memorandum states that the "Paid Parental Leave scheme will have a net cost to the Government of \$730 million over the four years from 2009-10 to 2012-13." However, the cost of this unnecessarily complex and bureaucratic scheme will surely blow out and result in ever-increasing taxation and reduced national productivity.

The current version of the draft Bill offers "concessions" to casual workers for failing to meet the 10 months continuous work test. This betrays the policy makers' false premise that the "productivity" of a worker may be measured by the taxation generated or the salary level of the worker. However, such measures are meaningless unless account is taken of the "costs" associated with the PPL subsidy and other government budget allocations that then need to be made to "take over" the unwaged work done by mothers who give it up for paid work.

The government's cost benefit analysis appears to take no account of the following costs of the scheme –

- (a) "double dipping" by families claiming third party childcare subsidies (Part 6.2);
- (b) the scheme's productivity-wasting "paymaster" obligations on employers (Part 6.5);
- (c) the cost of the scheme's seemingly inevitable expansion, to a wage-based model (Part 7);
- (d) the increased cost of subsidising daycare places as more mothers take on paid work (Part 9.1); and
- (e) the cost to government of "taking over" and funding volunteer and charity work no longer done by mothers who take on paid work (Part 9.5);
- (f) evidence that such schemes are unlikely to pay for themselves through extra taxes generated (Part 10.2);
- (g) the impact of the inevitable high cost of this scheme on Australia's global competitiveness (Part 10.3);
- (h) the long term impact on justice and health budgets of lasting negative impacts on children who are institutionalised or under supervised as a result of having increasingly absent parents (Part 10.4).

## 10.2 Parental leave pay is unlikely to "pay for itself", let alone productivity increases

Swedish commentator Bo Pettersson has likened PPL is a con trick, warning Australia against copying the Swedish model. Says Pettersson –

"It is frustrating noting how politicians try to con-trick their electorate by playing up to people's instinctive notion that tax funds are free, that others are paying for the party. ... As my fellow countrymen and women have found out long ago, Australians will be paying dearly for what they thought was free".<sup>22</sup>

There is no proof that PPL funding will "pay for itself" by generating more tax than it consumes. In Canada, economist Michael Baker's study showed that childcare subsidies in Quebec (as distinct from PPL) were a net burden on taxpayers, with only 40% recouped in taxes by the 7% increase in female paid work participation. The study included "some" increased childcare use by mothers who were not in paid work. However, the daycare funding came at a significant net cost to taxpayers, despite the large rise in labour supply.<sup>23</sup>

## 10.3 Scheme costs will harm business and consumers

However funded, the costs of an ever-expanding scheme will be passed onto businesses and consumers and, as former Treasurer Peter Costello argues, reduce Australia's global competitiveness.<sup>24</sup> His remarks were in relation to the Coalition's 26 week full wage replacement scheme. However, we should now consider overseas trends strong suggesting that initially "modest" schemes will soon morph into high-taxing Rolls Royce models.

The cost of living will rise and jobs will be lost as businesses are burdened with increased taxation to fund PPL as well as extra costs of holding jobs open. These additional stresses on marginal businesses will force many to close down, with jobs losses.

Anecdotal evidence suggests this has "feminised" the Swedish workforce and marginalised low-income adolescent males as their jobs have moved from once viable businesses to unprofitable daycares, propped up with taxpayer subsidies.

Inevitable taxes to fund an expanded scheme will affect retirees. Many of the big businesses to be taxed are super funds. Taxing them will reduce retirement payments to retirees.

Further, how can business feel secure that this these social transfers will not continue for other perceived needs further down the track?

## 10.4 Long term economic costs of absent parents

The long-term economic costs of punishing and de-funding parental childcare must also be considered. More children will be placed in daycare and deprived of their parents' care outside school hours.

Swedish education expert, Jonas Himmelstrand, says Sweden's PPL and childcare policies have resulted in plummeting education results in schools and problem teenagers –

"The teenager has attached to their peers because loving adults were not available for too long periods of time. A blind is leading a blind into the world of tomorrow. It is frighteningly similar to William Golding's novel, *The Lord of the Flies*."<sup>25</sup>

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<sup>22</sup>"Paid parental leave becoming an issue in Australia" online article by Bo Pettersson, Children's Right to Their Parents (Sweden), 10 March 2010 <http://www.barnensratt.se/>

<sup>23</sup>"Universal Child Care, Maternal Labor Supply, and Family Well-Being" by Michael Baker et al, University of Toronto, Journal of Political economy, in particular p 724-276. v.116 2008.

<sup>24</sup>"Leaders jostle in race to the bottom" by Peter Costello, Sydney Morning Herald 17 March 2010 <http://www.smh.com.au/opinion/politics/leaders-jostle-in-the-race-to-rock-bottom-20100316-qcni.html>

<sup>25</sup>"Secure Children – Secure Parents – The Role of Family in the 21st Century", an address to the Swedish Parliament delivered by Jonas Himmelstrand, 10 December 2008 <http://www.stratletter.com/dec10speech.html>.

Common sense suggests that this experiment in the under-nurturing of children is likely to become a financial as well as a social burden on society. The federal government cost benefit analysis for the scheme fails to take account of this future economic burden on our health, education and criminal justice budgets.

**Recommendation 8 is for the government to commission and release for public scrutiny modelling that takes into account all relevant costs in estimating the net cost of PPL to government.**

## **Part 11: Poverty will increase**

### 11.1 Scheme will not reduce female poverty rates

Some argue that the Bill's proposed PPL scheme coupled with generous daycare subsidies will help lift more women out of poverty by helping them into the paid workforce and onto higher incomes.

Comparative studies in Canadian provinces – some with high PPL and childcare funding and others without – show that this funding does not reduce poverty rates. Why? Because, such schemes force low-income mums into low paid “McJobs”. Mums work minimal hours in such jobs to avoid putting their children into third party care, particularly daycare.<sup>26</sup>

So-called “return to work” funding for solo mums transfers them from doing their own unwaged childcare work to paid work. Either way, solo mums rely on some form of welfare funding to relieve them of the nurturing for which they are uniquely qualified, or the providing job. Canadian figures from British Columbia show that funding a single parent family with two 3-to-5 year olds and one school-aged child with traditional welfare is cheaper than funding daycare by Ca\$5,000.<sup>27</sup>

### 11.2 Scheme transfers wealth to families outsourcing childcare

Both PPL and preferential daycare subsidies in effect transfer wealth (at all income levels) from families that do their own childcare to those that outsource it. In the US and Canada – and very likely Australia also – the middle classes are the main beneficiaries of daycare funding.

For example, in 1998 “traditional [US] families consisting of married couples in which only the husband worked had a median income of \$41,883; families in which both parents worked had a median income of \$64,020 ... Thus single-income families making financial sacrifices in order for one parent to stay at home are often subsidising rich, dual-career parents who get tax credits for putting their children in commercial care”.<sup>28</sup>

This exploits the unwaged labour and under-funded childcare of low-income families, whose efforts are directed at providing the most sought-after and beneficial form of childcare: mum and dad home care.

### 11.3 Higher taxation will reduce wealth

Although families in receipt of higher birth funding under the scheme will do better in the short term, most will end up worse off financially.

Hiding the true cost of paid parental leave and daycare by means of tax-funded subsidies does not make it more “affordable”; these “services” will still cost society more than they are worth. But granted, the subsidies will lure Australians to consume more of the services than they otherwise would, thus impoverishing Australians through higher taxation, not enriching them as the scheme's promoters seems to think.

Those arguing for this extra high subsidy for paid parental leave will be hard pressed to give a single example of an individual, a company or a nation that has become rich by insisting on producing a service whose value to patrons is below cost!

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<sup>26</sup> <http://www.kidsfirstcanada.org/blog-vol4.htm>.

<sup>27</sup> <http://www.kidsfirstcanada.org/blog-vol4.htm>.

<sup>28</sup> “Day Care Deception” by Brian C. Robertson, 2003, Encounter Books p.126.

## **Part 12: Poor strategy for increasing Australia's population**

### 12.1 No evidence scheme would increase birth rate

It is argued that parental leave pay helps more women to have more children than they would otherwise, and will therefore lift the birth rate. Again, these claims are unfounded.

Australia has too few young people to support the ageing baby-boomers' pensions, accommodation needs and health care. The reason is that couples have not been having enough children to replace the population. Mothers heavily committed to paid work (through choice or otherwise) are recognised as one of the lowest fertile groups in our society, so it does not make sense to fund them more highly than low wage or unwaged mothers.

The way to increase Australia's fertility is by supporting families to use the childcare of their choice. The most used and most popular childcare in Australia is parent care.

### 12.2 Full-time family work mothers more fertile

As Peter McDonald, Professor of Demography at the Australian National University, has shown, 32.6% of Australian women, having three or more children, accounted for 56.0% of the children that had been born to all women – as measured for 40-44 year old women, at the end of their child bearing years, at the 2006 Census.<sup>29</sup>

Australian Bureau of Statistics figures for 2004 show that around 51% of mothers with children aged under 5 years cared for those children full-time and most of the other mothers were in paid work only part time.<sup>30</sup> Similarly, US census data for 2002 indicates that 53% of children younger than five are still cared for primarily by their parents.<sup>31</sup>

Further, the 2009 Productivity Commission report on PPL reveals:

- While the vast majority of women are in the paid workforce at the time of their first child, this is for the obvious reason that most women work when they don't have the demanding and time-consuming responsibility of caring for their children.
- By the time of their third child, a clear majority of mothers are not in paid work, but are full-time family work mothers.<sup>32</sup>

The following graph shows the employment rates of mothers during pregnancy, by birth order and mother's age.

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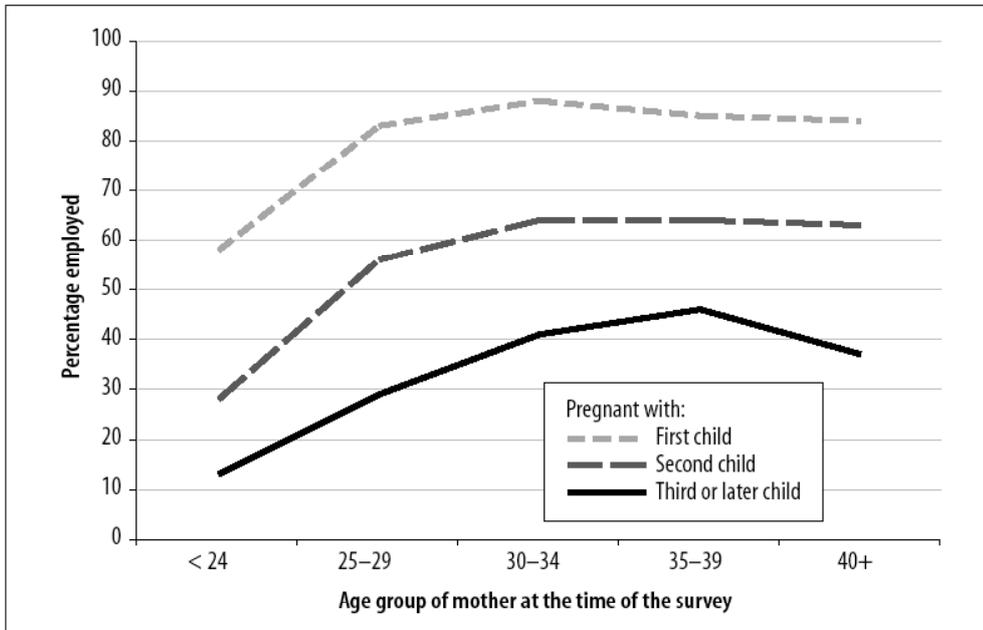
<sup>29</sup> Peter McDonald, Australian National University Professor of Demography and Director of the Australian Demographic and Social Research Institute; see also Australian Bureau of Statistics, 2006 Census, Basic Community Profiles, Table B23.

<sup>30</sup> 2007 paper from Department of Families, Community Services and Indigenous Affairs called *Mothers and fathers with young children: paid employment, caring and wellbeing*, p97

<http://fahcsia.gov.au/about/publicationsarticles/research/socialpolicy/Documents/prp30/sprp30.pdf>

<sup>31</sup> "Day Care Deception" by Brian C. Robertson, 2003, Encounter Books, p.174.

<sup>32</sup> Productivity Commission, PPL Inquiry, Figure 3.1, pg 3.8.



Source: LSAC Wave 1, infant cohort, 2004

Submission from the Australian Institute of Family Studies to the Productivity Commission Inquiry into Paid Maternity, Paternity and Parental Leave, 2 June, 2008, and reproduced in the Productivity Commission's *Paid Parental Leave: Support for Parents with Newborn Children*, February 2009, Figure 3.1, pg. 3.8.

The Productivity Commission admits that "...a large number of parents are outside the paid workforce around the time of childbirth and, consequently, are not affected by parental leave policy.

It also emphasizes: "The nature of employment among pregnant women differs significantly between those expecting their first, second or third child. Figure 3.1 [above] shows that women with more children are more likely to be outside of paid work, and therefore less likely to be associated with formal maternity leave."

### 12.3 Sweden falls behind Australia's fertility rate

The example of Sweden is telling. After 30 years of PPL and heavily subsidised daycare, the Swedish birth rate is behind Australia's. Sweden has more generous PPL than any nation, but its fertility rate in 2007 was just 1.66<sup>33</sup> – compared with Australia's 1.93.<sup>34</sup>

This is common sense. Everyone knows how difficult it is for mothers to do both family work and paid work. Generous maternity leave will not encourage paid workforce mothers to have more babies. The mothers who keep our fertility rate closer to replacement level are the full-time (or near full time) mothers – who give up a whole salary for five years or more so they can properly bond with and care for their children.

The rate needed to replace the population is 2.1 children per family. The general picture worldwide is that the longer mothers spend in full-time care of their children, the more children they have.

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**Attachment 1 Analysis of Children's Care Funding in 2011-12 tied to Care Type and Workforce Status is submitted as a separate 3 page document.**

<sup>33</sup> [http://www.indexmundi.com/sweden/total\\_fertility\\_rate.html](http://www.indexmundi.com/sweden/total_fertility_rate.html)

<sup>34</sup> <http://www.medicalnewstoday.com/articles/117701.php>