



**Australian Government**  
**Productivity Commission**

**Paid Parental Leave:  
Support for Parents with  
Newborn Children**

**Productivity Commission  
Inquiry Report**

No. 47, 28 February 2009

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***The Productivity Commission***

The Productivity Commission is the Australian Government's independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. Its role, expressed most simply, is to help governments make better policies, in the long term interest of the Australian community.

The Commission's independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by concern for the wellbeing of the community as a whole.

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28 February 2009

The Hon. Chris Bowen MP  
Assistant Treasurer and Minister for Competition Policy and Consumer Affairs  
Parliament House  
CANBERRA ACT 2600

Dear Assistant Treasurer

In accordance with Section 11 of the *Productivity Commission Act 1998*, we have pleasure in submitting to you the Commission's report on *Paid Parental Leave: Support for Parents with Newborn Children*.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R Fitzgerald'.

Robert Fitzgerald AM  
Presiding Commissioner

A handwritten signature in black ink, appearing to read 'Angela MacRae'.

Angela MacRae  
Commissioner

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## Terms of reference

### INQUIRY INTO IMPROVED SUPPORT FOR PARENTS WITH NEWBORN CHILDREN

*Productivity Commission Act 1998*

I, CHRIS BOWEN, Assistant Treasurer and Minister for Competition Policy and Consumer Affairs, pursuant to Parts 2 and 3 of the Productivity Commission Act 1998, hereby refer strategies for improved support for parents with newborn children to the Commission for inquiry and report by the end of February 2009. The Commission is to hold hearings for the purpose of the inquiry.

#### **Background**

The Australian Government wants to consider how to improve support for parents with newborn children. 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.

#### **Scope of the Inquiry**

In undertaking the inquiry the Commission is to:

1. Identify the economic, productivity and social costs and benefits of providing paid maternity, paternity and parental leave.
2. Explore the extent of current employer provision of paid maternity, paternity and parental leave in Australia.
  - a) Identify paid maternity, paternity and parental leave models that could be used in the Australian context.
  - b) Assess those models for their potential impact on:
    - (i) the financial and regulatory costs and benefits on small and medium sized business;
    - (ii) the employment of women, women's workforce participation and earnings and the workforce participation of both parents more generally;
    - (iii) work/family preferences of both parents in the first two years after the child's birth;

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- (iv) the post-birth health of the mother;
  - (v) the development of young children, including the particular development needs of newborns in their first 2 years; and
  - (vi) relieving the financial pressures on families.
- c) Assess the cost effectiveness of these models.
  - d) Assess the interaction of these models with the Social Security and Family Assistance Systems.
  - e) Assess the impacts and applicability of these models across the full range of employment forms (e.g. including for the self-employed, farmers, shift workers, etc).
  - f) Assess the efficiency and effectiveness of Government policies that would facilitate the provision and take-up of these models.
3. The Commission is to report by February 2009. The Commission is to hold public hearings and seek public submissions for the purpose of the inquiry and is to produce a report for public release by government.

CHRIS BOWEN



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# Acknowledgments

This paper uses unit record data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey. The HILDA project was initiated and is funded by the Australian Government Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA). The HILDA survey is managed by a consortium led by the Melbourne Institute of Applied Economic and Social Research, The University of Melbourne.

This paper also uses unit record data from Growing Up in Australia, the Longitudinal Study of Australian Children (LSAC). The LSAC project was initiated and is funded by FaHCSIA. The Parental Leave in Australia Survey (PLAS) was conducted through Wave 1.5 of the LSAC by G. Whitehouse, M. Baird and C. Diamond (2005), and was funded through the Australian Research Council Linkage Project.

A range of published and unpublished data from the Australian Bureau of Statistics is also used throughout this report.

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# Abbreviations

AIFS	Australian Institute of Family Studies
ATO	Australian Taxation Office
DEEWR	Department of Education, Employment and Workplace Relations
FaHCSIA	Department of Families, Housing, Community Services and Indigenous Affairs
FAO	Family Assistance Office
HILDA	Household, Income and Labour Dynamics in Australia Survey
ILO	International Labour Organization
LSAC	Longitudinal Study of Australian Children
NES	National Employment Standards
OECD	Organisation for Economic Co-operation and Development
PC	Productivity Commission
PSA	The Public Service Association and Professional Officers Association Amalgamated Union of New South Wales
sub.	submission
trans.	transcript
WHO	World Health Organization

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# Glossary

- eligible fathers** For access to the proposed paid parental leave and paternity leave, a father will be a male carer of a child, whether the biological father or the partner of the eligible mother.
- HILDA** The Household, Income and Labour Dynamics in Australia (HILDA) Survey is a household-based panel study which collects information about economic and subjective well-being, labour market dynamics and family dynamics. Interviews are conducted annually with all adult members of each household, and panel members are followed over time. In Wave 6, interviews were obtained from 7139 households.
- HILDA is funded by FaHCSIA and managed by the Melbourne Institute of Applied Economic and Social Research.
- LSAC** The Longitudinal Study of Australian Children tracks the development of children from birth to early adulthood. It examines family and social issues relevant to their development, and includes questions about family functioning, health, non-parental childcare and education.
- Data are being collected over seven years from two cohorts of 5000 children each. The first cohort, comprising children aged under 12 months in 2003-4, will be followed until they reach six to seven years, and the second, comprising children aged four years in 2003-4, will be followed until they reach 10 or 11. Study informants include the child (when appropriate), their parents, carers and teachers.
- The study is being conducted by the AIFS, together with researchers from other universities and research institutions.
- paternity leave** Leave that is quarantined for the sole use of fathers or other eligible partners on a ‘use it or lose it’ basis.
- ‘use it or lose it’** A restriction that the leave can only be taken by the intended recipient; it cannot be transferred to another person and is forfeited if not used.