



Australian Government  
Productivity Commission

# Inquiry into Paid Maternity, Paternity and Parental Leave

Productivity  
Commission  
Issues Paper  
*April 2008*

**Commissioners:** Robert Fitzgerald and Angela MacRae

### **Key dates**

Initial public hearings	May 2008
Initial submissions due	2 June 2008
Release of draft report	September 2008
Public hearings for draft report	late November 2008
Final report	28 February 2009

### **Submissions can be made:**

By email: [parentalsupport@pc.gov.au](mailto:parentalsupport@pc.gov.au) By fax: (02) 6240 3377

By post: Paid maternity, paternity and parental leave inquiry  
Productivity Commission  
GPO Box 1428  
Canberra City ACT 2601

All public submissions will be available for reading and download from the inquiry website at [www.pc.gov.au/inquiry/parentalsupport](http://www.pc.gov.au/inquiry/parentalsupport).

### **Contacts**

For administrative matters:	Roberta Bausch	(02) 6240 3221
For other matters:	Troy Podbury	(02) 6240 3257
	Chris Toyne	(02) 6240 3352
Freecall number	1800 020 083	Telephone Typewriter (TTY): 1800 803 344

### ***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.

Further information on the Productivity Commission can be obtained from the Commission's website or by contacting the Media and Publications section on (03) 9653 2244 or email: [maps@pc.gov.au](mailto:maps@pc.gov.au)

---

# Contents

<b>1</b>	<b>What has the Commission been asked to do?</b>	2
	Some definitions	3
	How can you contribute to this inquiry?	3
<b>2</b>	<b>Evaluating models of parental leave</b>	4
	Objectives	4
	Who should be eligible?	6
	Duration and generosity of benefits	7
	Financing options	8
	Return to work guarantee	8
<b>3</b>	<b>Family health and wellbeing</b>	9
	Breastfeeding	10
	The role of fathers	10
	The question of duration	11
	The effects may vary for different families	11
<b>4</b>	<b>Family income and parental employment</b>	12
<b>5</b>	<b>Broader labour market impacts of parental leave</b>	13
	Possible beneficial impacts for the labour market	13
	Other effects	14
	Behavioural change	15
<b>6</b>	<b>Impacts on employers</b>	16
<b>7</b>	<b>Interaction with social security and other government programs</b>	17
<b>A:</b>	<b>Current parental leave arrangements in Australia and overseas</b>	20
<b>B:</b>	<b>Terms of reference</b>	31
<b>C:</b>	<b>How to make a submission</b>	32
	<b>References</b>	34

---

## **How to read this Issues Paper**

This Issues Paper is intended to help you prepare a submission to the Commission's public inquiry into paid maternity, paternity and parental leave.

Section 1 summarises what the Commission has been asked to do and how you might contribute.

Sections 2 to 7 contain the core issues that the inquiry will need to consider. These sections include questions that at this stage the Commission sees as relevant to its task. You do not need to address all the issues raised and you may comment on any other issues that you consider relevant to the terms of reference.

Supporting information on current parental leave arrangements in Australia and some other countries is contained in attachment A.

We have also provided the detailed terms of reference (attachment B) and administrative information to help those who want to make a submission (attachment C).

## **1 What has the Commission been asked to do?**

There are around 250 000 children born each year in Australia. Many working parents caring for these children are not entitled to paid parental leave. The Commission has been asked to inquire into the economic and social costs and benefits of paid maternity, paternity and parental leave ('paid parental leave'). We are to:

- explore the extent of paid parental leave provided by employers in Australia
- identify models of paid parental leave that could be used in Australia.

The Commission is required to assess those models for their potential impact on:

- the financial and regulatory costs and benefits for small and medium-sized businesses
- the employment of women, their workforce participation and earnings and the workforce participation of both parents more generally
- the work/family preferences of both parents in the first two years after the child's birth
- the post-birth health of the mother
- the development of young children, including the particular development needs of newborns in their first two years
- relieving the financial pressures on families.

The Commission has also been asked to assess the cost-effectiveness of these models, their interaction with the social security and family assistance systems, and

---

their impacts and applicability across the full range of employment forms (including, for example, self-employed people, farmers and shift workers). It will also assess the efficiency and effectiveness of Government policies that would facilitate the provision and take-up of these models.

In announcing the inquiry, the Government said:

We want to explore ways to make it as easy as possible for working mums to balance their employment with the important job of raising a new generations of Australians. (Swan, Gillard and Macklin 2008)

It pointed to 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. (Terms of reference, Background)

The full terms of reference are at attachment C.

### **Some definitions**

While the terms ‘maternity’ and ‘paternity’ leave are generally understood to relate to leave from work taken by mothers and fathers around the time of the birth of their child, ‘parental’ leave can in some countries be used also to mean leave taken:

- when adopting a child
- to tend to sick family members
- to care for children at different stages of their lives.

However, for the purposes of this inquiry, the Commission will use the term ‘paid parental leave’ to cover paid maternity and paternity leave provided to a parent around the time of the birth of their child, and leave taken when adopting a child under two years of age.

### **How can you contribute to this inquiry?**

This Issues Paper is intended to both provide an initial background into current parental leave arrangements in Australia and overseas (as outlined in attachment A) and to guide contributions in areas the Commission believes need to be addressed in this inquiry. The Commission strongly encourages participants to make submissions on any issue raised in this paper or on any other issues you think are relevant. We are particularly interested in receiving submissions from parents, including your ideas on paid parental leave and exploring your experiences (box 1).

---

### Box 1 **Personal responses**

The Commission is keen for people to tell us about their experiences of time away from work to have a baby and how this has (or could be) affected by the provision of paid parental leave. For example, issues that you might address could include:

- Were you eligible for paid or unpaid parental leave? If eligible, did you take it all – and if not, why not?
- Did (or would) it affect the time you took off work, your capacity for breastfeeding, the baby's and your health, stress, relationships, your interaction with your baby, and your family life generally? How and why?
- What were the distinctive benefits of prenatal as opposed to postnatal leave?
- Did your partner get paid parental leave, and did you both use it to care for the baby?
- Did you use other types of leave to care for your baby? If so, what types and for how long?
- What were the good and bad aspects of the leave arrangements?
- How did your leave arrangements affect your employer? Was your employer positive or negative about you taking leave. Why?
- Did you return to work? On a full time, part time or casual basis? To the same employer? To the same or a similar job?
- Did your leave arrangements affect how quickly you went back to work? In what way?
- Is the amount of paid or unpaid parental leave now available from your work sufficient?

To maintain your privacy, you can provide the Commission with personal information you want kept confidential as a separate document — just let us know which document is confidential. The Commission will not make this information public, but might draw on it for the report in ways that do not allow you to be identified.

Even if the main basis for your submission is information you want kept confidential, the Commission would still like you to include your views on what the most suitable paid parental leave scheme would look like. This part of your submission should be public.

## **2 Evaluating models of parental leave**

The terms of reference for this inquiry require the Commission to examine the potential impact and effectiveness of different models of paid parental leave. A key focus for the inquiry will be to examine which elements of these models, or combination of elements, may be suited to Australia, and why. The international experience of introducing paid parental leave schemes (attachment A) have provided insights on how to assess the effectiveness of different models.

### **Objectives**

A key starting point in designing a scheme for Australia must be to specify the rationales for, and objectives of, paid parental leave. Objectives might include:

- 
- time for the mother to recover physically from the birth, establish feeding routines and bond with the child
  - better health and development outcomes for the child
  - maintaining the mother's longer-term attachment to the workforce (including, for example, her ability to better fund her own retirement)
  - increasing opportunity for fathers to establish a bond with their child
  - financial assistance for the mother and family around the time of the birth.

Related objectives might include greater gender equity in the home and in the workforce and an increased national fertility rate. On the latter, the Commission is currently completing a staff working paper on Australia's recent fertility trends. The preliminary findings suggest that Australia's fertility level has been rising recently and is relatively high compared with most OECD countries. It also finds that while there are strong grounds for family policies on many fronts, the capacity for family policies to cost-effectively make a significant further difference to fertility levels is probably small. Some of the apparent effects of greater fertility on population ageing and its fiscal implications are also questionable (an observation also made in the Commission's research report on ageing — PC 2005). In this context, while parental leave arrangements may well have some implications for fertility and its timing, the Commission considers this is unlikely to be an important objective for paid parental leave.

Views about the relevant objectives of a paid scheme, and evidence about the capacity of different scheme design characteristics to achieve them, will help shed light on what the key elements of a model of paid parental leave for Australia should be. In very broad terms, income support implies a focus on payment arrangements, job market continuity implies a focus on rules for obtaining leave, and the health outcomes of the mother and child imply a focus on the length of time away from work.

***What ought to be the objectives of a paid parental leave scheme? What are the implications of these objectives for the design of the scheme?***

While there may be multiple objectives for a paid parental leave scheme, the relative importance of these objectives will be crucial in the design of an effective scheme. For example, the objective of ensuring a sufficient period of time for a mother to recuperate after the birth could be addressed by establishing a period of leave exclusively for use by the mother. Alternatively, the objective of encouraging increased involvement of fathers in the early periods of a child's life could be facilitated by providing greater flexibility for parents to share leave provisions or even reserving some leave for the exclusive use of the father. However, different

---

considerations may be relevant to different family arrangements.

***In assessing different schemes that have different effectiveness in achieving such multiple objectives, what weight should be given to each of the various objectives? How should the various objectives be traded-off against one another if they conflict?***

Measuring the financial costs of various models of paid leave is probably easier than the benefits, many of which will be hard to quantitatively assess. The difficulty in putting a value on these benefits does not reduce their importance — there are many well-based public policies for which similar problems arise. However, there may be some ways of weighing up the various benefits and costs of different options that are more rigorous and objective than others.

***What assessment criteria should be used to assess the merits of different models of paid parental leave? Are there existing studies that provide lessons on how to undertake rigorous assessment of options in this area?***

The introduction of any policy can result in unexpected and unintended consequences. Some of the reasons for unintended impacts include the interaction of different policies, but others arise because, throughout the community, people have differing preferences and social and economic circumstances.

The risk of unintended consequences typically increases as the number of policy objectives increase. That risk can be exacerbated if the policy objectives are unrelated or potentially inconsistent. An example where two objectives of a parental leave system could be inconsistent are the potential objectives of increasing the time parents spend bonding with a newborn and maintaining parents' work-related skills and expertise. Typically, the longer the time period spent away from work, the more likely it is that the work-related skills of a parent will decline. However, shorter periods away from work reduces the opportunity for a parent to bond with a newborn.

***For each objective, can you foresee any possible unintended consequences from the introduction of a paid parental leave scheme?***

***What could be done to avoid or reduce the impact of any unintended consequences?***

## **Who should be eligible?**

There are many different ways that eligibility could be specified. Different approaches would affect: the capacity of the scheme to provide benefits where they are most needed; the numbers of primary carers who could access it; its complexity; fairness and cost; and the risks of perverse incentives.

As noted above, the choice of eligibility criteria can also be aimed at achieving a

---

range of social goals — such as greater involvement of fathers in the care of their children and broader shifts in work-family balance.

It should also be recognised that the range of carers extend beyond natural parents. For example, grandparents are often major providers of care early in a child's life.

*What type of eligibility tests should be established? Who should be eligible?*

*Should the eligibility test be designed to encourage ongoing workforce attachment? How could this be done?*

*Should other prime carers, such as grandparents, foster and adoptive parents, also be covered?*

*Should any support of a similar nature be extended to non-working parents?*

Part of the design of the scheme is to specify the range of the employment forms covered (such as self-employed people, casual workers, employees in small businesses, contractors and shift workers).

*Should all employees be covered and if not, why not?*

*What implications do different levels of coverage have for the effective administration of the scheme, the behaviour of employers and employees, and its impacts generally?*

*Should there be a qualifying period — a minimum time spent in the workforce — before an employee becomes eligible for paid leave? If so, how long should that period be? Why? Should there be an eligibility period based on time with the employee's current employer?*

## **Duration and generosity of benefits**

The length of leave provided and the rate of payment under a parental leave scheme will influence how many people use the scheme and the total amount of leave they take from work. It will have a direct impact on the financial wellbeing of families and could have indirect health and wellbeing effects.

*Should the rate of payment be linked to the employee's wage (either current or an average wage over a recent period)? If not, what basis should be used for the parental leave payment?*

*How long should a parent receive paid parental leave for? Why? What benefits would arise from longer or shorter periods of paid leave?*

*At what time in the prenatal period should people be entitled to parental leave?*

*Should each parent have a separate entitlement for leave, or should there be an amount of leave to be shared between the parents? If the leave were to be shared, should there be*

---

*an amount that is reserved for exclusive use by either parent?*

*Is there a case for a different period of leave for parents of children in different circumstances (such as children born with a disability)?*

## **Financing options**

Paid parental leave could be funded by contributions from the employee, the employer or by the government from taxation revenue. Apart from the different cost consequences of alternative approaches, different incentives will be established for employees and for employers.

*Should government contribute to the funding of the paid parental leave scheme? Should employers and/or employees contribute?*

*If the cost were to be shared among employees, employers and the government, what basis should be used to calculate each groups contribution?*

*If a scheme were to rely at least partly on direct employer funding, what mechanisms could protect worker entitlements in the event of insolvency?*

*How would any national scheme interact with existing privately funded schemes?*

*What are the likely costs of different schemes, how are these appropriately measured, who would ultimately bear them and does this influence the form of financing adopted?*

Many overseas parental leave schemes require employers to contribute to paid parental leave schemes. Under these schemes, each employer pays money into a national fund in proportion to their staff numbers or in relation to the size of their payroll. Paid parental leave is then funded from this pool. This may allay the financial risk to employers if an unexpectedly large number of staff take parental leave at the same time.

*If employees and/or employers contribute to the scheme, is a pooled funding arrangement desirable?*

## **Return to work guarantee**

If a key objective of paid parental leave is to maintain the ongoing association of the main carer (usually the mother) with the workforce, one issue is the extent to which, and under what circumstances, an employer ought to be obliged to continue to employ a person who has taken a period of paid and/or unpaid parental leave. (A return to work guarantee applies under the unpaid maternity leave provisions of the *Workplace Relations Act 1996*.)

*Should all employees who would be eligible under a national paid parental leave scheme*

---

*also be accorded the right to return to their previous job? What are the costs and benefits of mandating this requirement?*

*Should this requirement be the same in all circumstances? Should there be exceptions for particular types of jobs or particular types of employers (such as very small employers?)*

*Should the rights accorded to the employee be different according to whether the period of paid leave is funded by the employer or the taxpayer?*

*Should the qualifying period for parental leave be the same as any qualifying period for the right to return to work, or should a longer period apply in the latter case?*

### **3 Family health and wellbeing**

The early childhood years (including the prenatal period) are widely recognised as especially important for a person's future health and the development of their emotional, social and mental capabilities. They are also important for the physical, emotional and financial health and wellbeing of parents and other family members. Paid parental, and particularly maternity, leave can improve the quality of these early years (as can a variety of other policy interventions that are generally outside the scope of this inquiry).

The literature on the effects of paid parental leave on infant and parental welfare is complex and sometimes inconsistent. At this stage in the inquiry, the Commission has attempted to draw out some of the predominant themes in that literature, but without in-depth critical analysis. (We welcome the views of experts in this area.)

One of the main impacts of parental leave is on the time a mother takes away from work to recover from birth, bond with her baby, breastfeed and monitor the baby's welfare — all of which can contribute to better infant and parental outcomes. (Some countries mandate a period of absence for this reason.) The World Health Organization and the International Labour Organization have recommended an absence from work of around 4 months.

Accordingly, a crucial issue for this inquiry is how various parental leave schemes affect family health and wellbeing.

A growing literature has identified several ways in which paid parental leave can influence infant health and cognitive/social development (for example, Ruhm 2000; Winegarden and Bracy 1995; and Tanaka 2005, Waldfogel 2006). For instance, a recent study of the effects of the availability of maternity leave on infant mortality across 18 OECD countries found that in countries with longer periods of paid maternity leave, infant mortality rates were significantly lower (Tanaka 2005).

---

In assessing the beneficial effects on infant and parental wellbeing it is important to consider the different impacts of paid compared with unpaid leave. These are important in distinguishing the specific gains from paid provision. For example, in the same cross-country study found that unpaid leave had no impacts on infant mortality (Tanaka 2005).

## **Breastfeeding**

The greater incidence of breastfeeding associated with paid maternity leave may be a key factor underlying such benefits. A meta study by the American Academy of Pediatrics (2005) found significant health benefits for the child (and for the mother). For example, some of the short-term impacts include a reduced incidence of gastrointestinal infections and eczema (Kramer et al. 2001), while there is evidence that breastfeeding may reduce the incidence of obesity in later life (Arenz and von Kries 2005). Australian research based on the Western Australian Pregnancy Cohort Study has found that breastfeeding reduces the subsequent risks of depression and anxiety in teenagers (Oddy et al. 2007). Some (but not all) studies find an impact on later intelligence (Evenhouse and Reilly 2005 compared with Der et al. 2006.) (The uncertainties about the precise impacts of breastfeeding in a range of areas reflect the fact that the decision to breastfeed depends on the traits of the mother and family, which themselves affect family outcomes. This methodological issue may more broadly affect the measured effects of parental leave on infant welfare.)

Return to work is an important reason for stopping (or not commencing) breastfeeding and becomes the most important factor six weeks after birth (Baker and Milligan 2007). Yet, the World Health Organization recommends that breastfeeding should be the exclusive form of feeding up to six months after birth. Accordingly, the scope for paid maternity arrangements to defer return to work may have positive impacts on breastfeeding duration, with associated infant benefits. Baker and Milligan found significant increases in breastfeeding rates associated with paid maternity arrangements in Canada.

## **The role of fathers**

The role of fathers in childcare and development is also important, both for infant and paternal welfare. (Their role is also relevant to gender equity, the increasing importance of work-family balance and changing views about the appropriate role of men in families.) Accordingly, a relevant question is the extent to which paid parental leave actually affects the behaviour of men and the consequences for paternal and infant welfare.

---

## **The question of duration**

A key issue is the impact of paid parental leave on the duration of home-based care of the child, and the consequences of different durations of such care on infant and parental welfare. This is important for determining the appropriate duration of any care arrangement.

- For instance, research in the United States suggests adverse impacts on child health and development from returning to (especially full-time) work within three months (Berger et al. 2005). Temporary adverse impacts have been found in Canada (Ram et al. 2004).
- But some evidence suggests minimal or no adverse effects of maternal employment after that time — with Gregg et al. (2005) finding few problematic impacts from maternal employment within the first 18 months of birth.
- In schemes that do not provide for full wage replacement, there may be a tradeoff between the benefits of longer durations and the income that is forgone during periods of parental leave. (Higher income itself has positive effects on child welfare.)

Of course, some effects of paid leave on infant and parental welfare may be unrelated to changes in the duration of leave (for example, they may be associated with income security or reduced stress from resolving work-family demands).

## **The effects may vary for different families**

The infant and parental welfare impacts of paid parental leave may vary by family type, whether the return is to part or full-time work, and the other care options available to parents. For instance, quality child care may protect children from the otherwise adverse effects of the absence of home parental care (Gregg et al. 2005). Consequently, some families may benefit more than others from paid leave — with potential implications for the design of schemes. It may also be the case that complementary policies that provide parental support — for example parents' groups — play a role in determining the outcomes from parental leave.

Modern families take many forms. Responsibility for the care of children now often involves people other than the father or mother. It may involve adoptive parents, grandparents, siblings, and partners in same sex couples. Their interaction with the child can also be important for infant welfare — and this may be relevant to the design of paid parental leave schemes.

*To what extent (and why) would an increase in the availability and duration of paid parental leave significantly alter the quality of infant care and outcomes for the child?*

---

*What is the appropriate duration of leave to maximise such benefits, and should any minimum period be mandated?*

*How do the impacts on child and parental welfare vary across different types of parents and children (for example, by family income, education and Indigenous status, gender of the carer, and for children with disabilities)?*

*To what extent would the introduction of a paid parental leave scheme assist mothers in establishing and maintaining breastfeeding routines, and with what benefits?*

*What are the key impacts of parental, as opposed to non-parental, care on the health and development outcomes for children?*

*What complementary measures would reinforce the infant and parental welfare effects of paid parental care?*

## **4 Family income and parental employment**

Parents of new born children are faced with a range of decisions. With around 70 per cent of women of childbearing age in the workforce (and an even greater share of their partners), many parents will have to make the choice between going back to work or spending time caring for a child. A major part of this tradeoff relates to the loss of income that occurs if a parent – most commonly the mother – chooses to take time off work. Currently in Australia, most leave around the time of the birth of a child is taken by the mother (attachment A).

*What factors deter fathers from taking more parental leave?*

The type of parental leave available affects the tradeoff between work and leave. While unpaid parental leave gives parents the right to continued employment, it does not contribute directly to family incomes. As such, if a family extends its unpaid leave, its income unambiguously decreases. The introduction of paid parental leave would alter this tradeoff and may increase the incidence of parents taking parental leave at the margin.

However, the impact of paid parental leave on family incomes is not always clear, and is likely to vary according to the type of scheme and the characteristics of families:

- A shift from unpaid to paid leave would usually increase family income.
- For those families where both parents would have returned to work soon after the birth of the child in the absence of a paid scheme, family income may increase or decrease. This would depend on, for example, the parents' income levels, the costs of child care, the generosity of the scheme and the availability of other forms of leave.

- 
- The effects on income may be partly dependent on the decisions by working partners about their hours worked. It has been shown that fathers often increase their hours of work after the birth of a child — partly offsetting the income losses associated with fewer hours worked by mothers. The availability of paid leave may change this behaviour, with consequences for income.

The interaction of family circumstances and scheme design on the uptake and duration of leave is demonstrated in numerous overseas studies. For example, in the UK in 2002, approximately 60 per cent of mothers had access to a maternity leave scheme that provided four months paid leave, and a further three months unpaid leave. Burgess et al. (2002) found that lower income women, or those that did not have a partner in employment, generally returned to work at the end of four months, while higher income women with working partners generally returned at the end of seven months. And of the 40 per cent of mothers who had no access to the scheme, a clear majority did not return before their child was three years old.

*To what extent do income considerations, as opposed to the right to return to the same employer, play a part in the parental leave decisions of Australian families?*

*What are the non-income benefits of continued work, and do they play a significant role in the parental leave decisions of Australian parents?*

## **5 Broader labour market impacts of parental leave**

Parental support measures can affect the jobs market in many ways. The most obvious direct impact is on any change in a parent's period of absence from work — with its effect on the labour resources available in the economy. But it can also have many positive and negative indirect effects.

### **Possible beneficial impacts for the labour market**

A parent with access to paid parental leave may be less likely to resign from work and more likely to return to work with the same employer. This can have several labour market implications:

- It avoids the costs that would be incurred in looking for a new job. If a parent does prefer to change jobs after the birth of a child, this can be easier to do while in employment rather than from outside of the labour force.
- It maintains the usefulness of the employee's firm-specific knowledge — such as knowing the procedures of the employer, its people and customers. This effect appears to be strongest for more highly skilled and educated employees in higher paid jobs. In many such cases, employers voluntarily offer paid parental leave

---

because they recognise the importance of retaining these skills and avoiding costly new recruitment.

If paid parental leave contributes to better parental welfare, this may enhance the productivity, work intensity and perhaps earnings of parents when they do return to work. Longer periods away from work may improve parental welfare by avoiding some of the stresses of simultaneously looking after a baby and working. Furthermore, some Canadian evidence suggests that parents who take longer breaks are more likely to return to full-time work.

Arrangements that contribute to improved child development outcomes may have benefits for the labour market in the future. That is, improved child development may lead to the future workforce having higher productivity and better labour market prospects.

The provision of paid parental leave may increase the attractiveness of employment, encouraging some people to enter the labour market.

### **Other effects**

On the other hand, if the absence from the workforce is long (say, because of successive births), then a parent's work knowledge may start to date and be partly forgotten. The parent will also miss out on the opportunity to build additional work skills during their period of absence. Both factors may reduce a parent's future earnings potential.

Parental leave may also alter the labour market behaviour of partners. For example, as noted above, there is evidence that fatherhood increases work intensity, perhaps in response to the mother's lost income (or a 'breadwinner' ethic). Any changes to parental leave arrangements may affect this response.

Currently, paid parental leave appears to be less available in workplaces with lower skilled, lower paid, and casual employment. Depending on how a paid parental leave scheme is funded and its other design features, employers in such workplaces may discriminate against applicants who are likely to become parents — with adverse impacts on their employment. Moreover, if a paid parental leave scheme were to be funded through employer contributions or from taxes on labour (for example, payroll tax), some wages may fall. This would disadvantage those who receive no offsetting benefits from parental payments.

Depending on the eligibility criteria of any new paid leave arrangements, the labour market outcomes may differ according to an employee's skill or type of job, and may vary by the type of employee. For example, if paid parental leave was limited

---

to those who had worked for a set period of time with the same employer, or was designed to exclude particular groups (such as contractors or the self-employed), then it may create incentives for:

- workers to stay with the same employer prior to any intended childbearing; and
- employers to alter their employment arrangements to try to avoid some of the costs of the new arrangements.

This could create structural shifts in the labour market and undermine some of the objectives of any new scheme. Such employment effects may occur independently of employers' deliberate actions if, for example, demand grew in those parts of the economy that most intensively used labour not covered by the arrangements. These shifts may reduce the coverage of any paid parental leave scheme.

Some employers already offer parental leave. New arrangements would affect these businesses differently, potentially altering the wages or paid leave they offer their employees.

More generally, the extent and nature of existing paid parental support arrangements, and any changes in these as a result of new policies, raise questions about the fairness of labour market outcomes. Some people may feel current arrangements are unfair, while others may think that introducing new arrangements itself raises equity issues.

These labour market impacts occur whether or not fertility rises as a result of any new arrangements. However, any policy-induced increase in fertility can accentuate the above effects because it must increase the total number of people away from work.

The overall labour market impacts of new parental support arrangements will reflect the varying strength of the above influences. Many of the impacts are hard-to-measure or may not be apparent quickly.

## **Behavioural change**

Ultimately, the labour market outcomes of paid parental leave depend on how it changes the (short and long-term) behaviour of employees and employers.

*To what extent will any new arrangements change the period of absence from work?*

*To what degree would parental leave affect job mobility (between employers and different jobs), increase productivity, labour participation and alter choices about a return to full-time or part-time work ?*

---

*Will the labour market impacts vary by sex, age, individuals versus households, ethnicity, disability, skill-level, lone-parent status or other employee characteristics – why and by how much?*

*Are there likely to be any perverse impacts on labour markets (such as unemployment risks, labour market discrimination, or erosion of parent's work skills)? Why and to what extent? What impacts might this have on longer term job prospects for individuals and the availability of skilled labour for business?*

*What would be the behaviour of those employers that already offer paid parental leave? How would this affect wages, the leave they offer, and their employment practices generally?*

*In what ways are the labour market and equity impacts of paid parental leave likely to be particularly sensitive to the design of the scheme (for example, whether it has universal coverage, its financing methods and so on)?*

## **6 Impacts on employers**

The impacts of any paid parental leave arrangements on employers will generally be tied to the labour market effects discussed above. However, they will also depend on how any new scheme is funded, its generosity, the conditions attached, the extent to which the employees of a business are already provided paid parental leave, and any difficulties in managing longer leave periods by staff critical for the functioning of the business.

Were a period of paid parental leave to be introduced, it is likely that its impacts on business would be greater where:

- a paid parental leave scheme involved co-funding from business
- staff are mainly not covered by any existing arrangement
- their employees are mainly women in the prime childbearing ages
- businesses are small, have less capacity to manage absent staff (and for whom temporary recruitment may be more costly)
- businesses are unable to quickly pass any additional costs onto consumers, or finance them through lower wages to affected staff
- businesses are marginally viable, since small cost imposts could result in failure
- the value to a business of staff retention is relatively low (as may be the case for those often employing casual or low-skill employees).

Some of these effects will be experienced by business owners and shareholders as decreased returns, but ultimately consumers and employees, rather than businesses

---

are likely to bear any cost consequences of new parental support arrangements.

While there would be adverse impacts for some businesses, there may also be offsetting advantages stemming from improved staff morale and productivity, and greater long-run staff retention. (Just as with costs, it is likely any such benefits would ultimately be passed on to consumers and the community as a whole.)

*What affects current decisions by businesses about whether to offer paid parental leave to their employees and the eligibility conditions that they set (mothers only, exclusion of casuals etc).*

*What would be the direct impacts on business of meeting the direct and indirect costs of paid parental leave? How would these effects vary across firms and sectors, and over time? In particular what are the impacts on small businesses?*

*What would be the positive impacts – would paid parental leave improve staff retention and productivity? If so, how big is this effect, and which industries are likely to benefit most?*

*What kinds of scheme would have the largest or smallest impact on business and why?*

*Are there any distinctive business impacts of new parental support arrangements in regional and rural Australia?*

*Are there ways of implementing any changes to alleviate any adverse impacts?*

Were the scheme to be at least partly government funded, these direct impacts would be smaller. But again, the effects would differ among employers — for example, employers that already provide paid parental leave might respond differently from those that do not.

For some employers, the provision of government-funded parental leave might ‘crowd-out’ privately provided leave. This would have little effect on the overall availability of paid parental leave, while providing a direct transfer to employers from taxpayers. On the other hand, some employers may use government-financed leave to extend the period or generosity of their original schemes.

*How might employers who already offer some paid parental leave respond to a new arrangement (and why)? Were an arrangement to be government-funded, how could its design reduce the ‘crowding out’ of voluntary schemes?*

## **7 Interaction with social security and other government programs**

An important consideration is the extent to which any national scheme of paid parental leave affects the takeup and cost of social security and other government

---

programs. It may, for example, alter the extent to which parents draw upon other government transfer payments or services, such as family tax benefits and child care assistance (box 2). In turn, this may have implications for the effectiveness of those programs in meeting their own objectives.

**Box 2      Income support for families in Australia**

**Baby bonus:** A one-off lump sum payment of \$4258 that is available to parents upon the birth or adoption of a new child. It is not subject to an income or asset test and is scheduled to be increased to \$5000 in July 2008.

**Family tax benefit A:** An ongoing payment to families with children under the age of 21 (or dependents between 21 and 24). The payment is made per child and is subject to an income test. For example, the maximum payment is \$145 per fortnight per child under 13 if family income is below \$41 318 per year.

**Family tax benefit B:** An ongoing payment aimed at assisting families with one main earner (including single income families) and dependant children under the age of 18. Single parents are entitled to the maximum amount of \$125 per fortnight per child under five and \$87 per child between 5 and 18. For two parent families, the secondary earner (the parent earner the lesser amount) is subject to an income test.

**Child care benefit:** Either a fee reduction at the time of purchasing child care services, or a lump sum payment made at the end of the financial year. The child care benefit is subject to an income test and the maximum payment of \$3.37 per hour in approved child care (a slightly higher rate is available if two or three children are in childcare) is available for family income under \$35 478.

**Child care tax rebate:** A rebate covering 30 per cent of out-of-pocket child care expenses, up to a maximum of \$4354 (with an intention to change these provisions to 50 per cent and a maximum of \$7500 from 1 July 2008). This is claimed through the tax system and is not subject to an income test.

**Parenting payment:** An ongoing payment aimed at supporting families with low income. The payment is subject to both an income test and an assets test and the maximum payment is \$394 per person for partnered recipients and \$547 for single recipients.

*Sources:* Family Assistance Office: *A Guide to Payments* and the Centrelink website.

The call on particular social security payments and services might be influenced by, for example, the length of time that a parent stays out of the workforce after childbirth, and whether she or he returns to full time, part time or casual work. For instance, the higher incomes associated with a move back to full time work may sometimes reduce eligibility for, or use of, family tax benefits or other assistance programs, while a longer period at home with a child may reduce the uptake of child care subsidies. And, to the extent that paid parental leave increases the attachment of women to the workforce (as European studies suggest), then women may be better placed to look after themselves financially and therefore less likely to draw upon social security payments (for example, in old age).

The effects on child care subsidies are uncertain. While it might be expected that the introduction of paid parental leave in Australia would lead to a reduced number of

---

young children in childcare, with a commensurate fall in government payments for childcare subsidies, some overseas experience suggests the opposite. When there was a large increase in the length of paid maternity leave schemes in Canada, one unexpected response was an increase in the proportion of women working full time rather than part time when they returned to work. If such a change occurred in Australia, the overall use of childcare could increase.

The extent of changes to the use of a range of entitlements will partly depend on whether the social security entitlement applies to the individual or the family, and the conditions that attach to it (such as means-testing). It will also depend on the conditions that attach to paid parental leave.

*How, and to what extent, will paid parental leave arrangements interact with social security and other government payments, and which areas will be most affected?*

*What implications does this have for the design of a paid parental leave scheme and for the relevant social security schemes?*

---

## **Attachment A: Current parental leave arrangements in Australia and overseas**

### **1 Paid and unpaid parental leave in Australia**

Parental leave has figured in Australia’s legislative landscape since the 1970s. The first major piece of legislation in this area was the *Maternity Leave Act 1973*, which introduced 12 weeks of paid maternity leave and 40 weeks of unpaid maternity leave for Commonwealth public servants. In 1979, a Conciliation and Arbitration Commission test case provided for 52 weeks of unpaid maternity leave. A further test case in 1990-91 introduced the concept of parental leave, which covered maternity, paternity and adoptive leave. However, there is currently no mandated period of paid parental leave in Australia.

The right to 52 weeks of unpaid leave effectively provides a right of return to work for parents. During this period, parents can use a combination of paid leave including paid parental leave, holiday leave and long service leave. As such, parents are frequently on paid leave and ‘unpaid’ parental leave simultaneously.

Entitlements to unpaid parental leave are contained in the *Workplace Relations Act 1996* and in state-based industrial relations systems, albeit with some differences in eligibility rules (for casual staff, for example). The federal workplace relations system provides for unpaid parental leave for employees who have been with the same employer for at least the 12 months before the expected date of birth or adoption of a child. To be eligible, casual employees need to have been engaged by their employer on a ‘regular and systematic basis’ for at least 12 months and must have a ‘reasonable expectation of continuing engagement’ with the employer. For such reasons, not all employees are eligible for unpaid parental leave.

Current arrangements allow parents to share in 52 weeks of unpaid parental leave. Apart from the week after a child’s birth or three weeks after adoption, only one parent is entitled to be on parental leave at a time. That parent must be the primary care giver during that period.

A number of employers across a range of industries already provide paid parental leave to their employees. However, conditions and eligibility provisions vary substantially in terms of the type of leave provided, the length of leave allowed, and other conditions. (Some examples are provided in table 1.) While these arrangements typically cover paid maternity or paternity leave, some refer to ‘parental leave’ more broadly to cover leave used to look after a sick child throughout childhood — not just in the first two years.

**Table 1 Examples of paid parental leave in Australia**

<i>Organisation/ Industry</i>	<i>Type of leave</i>	<i>Entitlement conditions</i>	<i>Length of leave</i>	<i>Rate of pay</i>	<i>When introduced</i>
Australian Public Service	Maternity leave	12 months service	12 weeks	full pay	1973
AMP (Financial Services)	Parental leave	12 months service	6 weeks	full pay	1995
Esprit (Retail)	Maternity leave	12 months service	8 weeks maternity and 4 weeks sick leave	full pay	2001
Australian Catholic University (Education)	Paternity leave	none stated	15 days	full pay	2001
	Maternity leave	less than 2 years service	one week per full month of service up to 12 weeks	full pay	2001
		2 years service; must return to work for 6 months	12 months	3 months full pay, 9 months 60 per cent pay	2001
Holden (Manufacturing)	Maternity leave	24 months service	14 weeks	full pay	2002
Finlaysons (Legal)	Parental leave	2 years service; must return to work for 12 months	4 weeks, rising to 8 weeks after 5 years service	full pay	2007
Myer (Retail)	Parental leave	18 months service (not available to casuals)	6 weeks	full pay	2008
Aldi (Retail)	Maternity leave	12 months service (not available to casuals)	14 weeks	half pay	2008

## **Current availability of unpaid and paid parental leave**

### *Availability of unpaid parental leave*

At least 27 per cent of recent mothers and 35 per cent of recent fathers who had been working were not eligible for *unpaid* maternity or paternity leave (Whitehouse et al. 2006b). Many working parents do not have access to unpaid parental leave either because they are self-employed (10 per cent of mothers and 20 per cent of fathers) or because they have not worked for the same employer for 12 continuous months (17 per cent of mothers and 15 per cent of fathers).

A major benefit of the 12 months unpaid leave is the right to return to the same employer – an issue that is not relevant for the self-employed but one that could be

---

relevant under a paid parental leave scheme.

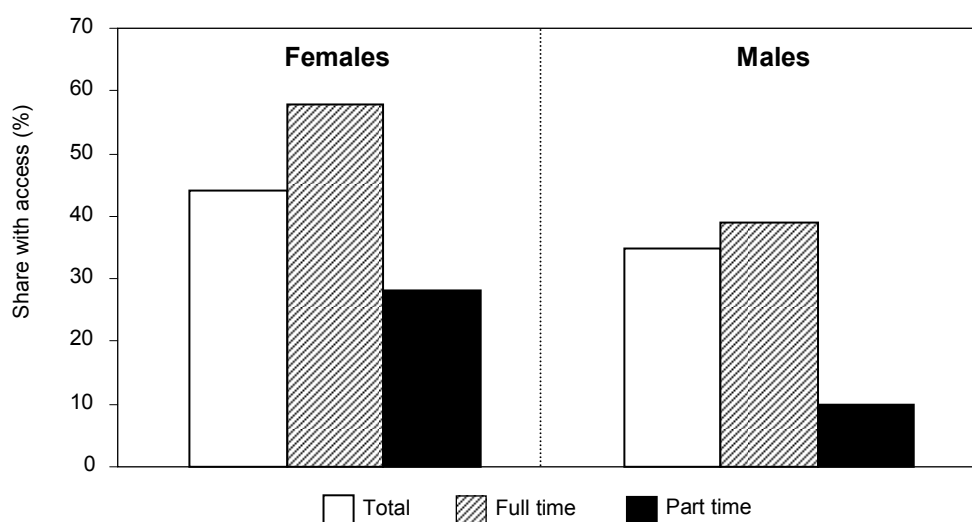
Unpaid maternity leave is more likely to be available to first time mothers. This is because mothers who have other children are much less likely to be in permanent jobs than first time mothers (Whitehouse et al. 2006b).

### *Availability of paid parental leave*

In 2005, 44 per cent of working women and 35 per cent of working men had access to *paid* parental leave as a condition of employment (ABS 2006a). However, availability varies by job characteristics.

For instance, full time employees are more likely to have access to paid parental leave. In 2006, 58 per cent of female full time employees had access to paid parental leave compared to only 28 per cent of part time employees (ABS 2006a). Paid paternity leave was available to one in ten male part time workers, compared to 39 per cent of male full time workers (figure 1).

**Figure 1 Access to paid parental leave, 2006**



Data source: ABS 2006a.

Employees on higher weekly incomes are more likely to have access to paid parental leave – both maternity and paternity leave are most commonly available for people earning in the range \$1200 to \$1400 per week (ABS 2006a). This may not only reflect differences in occupation and experience, but also possible differences in employment benefits between full-time and part-time workers with similar characteristics.

Paid parental leave is also more likely to be available in some industries than in

---

others. Industries with the highest rates of availability of paid maternity and paternity leave are:

- public administration
- electricity, gas and water; education and training
- financial and insurance services (ABS 2006a).

Over 60 per cent of female employees and over 50 per cent of male employees working in this group of industries had paid parental leave available to them. In contrast, less than 20 per cent of employees working in agriculture, forestry and fisheries and in the accommodation and food services sector had access to paid parental leave.

While this industry level data provide information on who has paid parental leave available to them, it does not indicate how much leave is provided or the extent of take up. In addition, some schemes do not entitle people to their full wage throughout the period of leave.

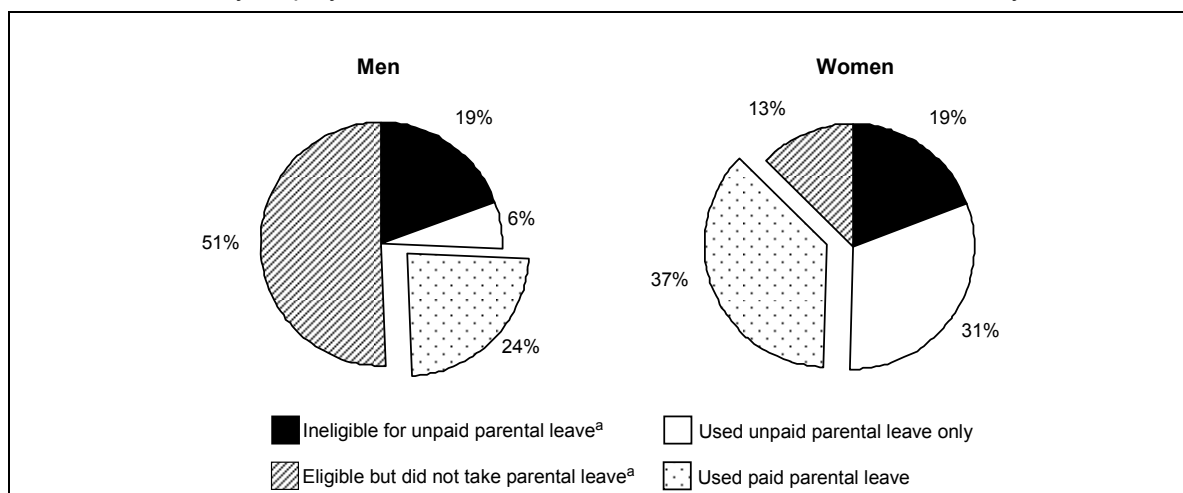
### **Current usage of parental and other leave around childbirth**

The current *use* of parental leave entitlements depends not only on availability, but also on choices made about parenting. Even parents who have access to paid parental leave may consider whether to leave employment altogether, use combinations of different types of leave or defer or bring forward child bearing. In order to gauge how working parents are affected by the presence or absence of parental leave arrangements, it is important to consider what kinds of leave parents currently take, if any.

ABS survey data provide details of leave arrangements taken by working mothers after the birth of a child. The data show that of the female employees who worked while they were pregnant and took time off for the birth, 37 per cent used paid maternity leave and 51 per cent used some form of paid leave (ABS 2007).

A separate survey based on the Longitudinal Study of Australian Children also found that 37 per cent of female employees used paid parental leave. Just under a quarter of male employees used paid parental leave (figure 2). Parents usually used parental leave in combination with other forms of leave. Around 31 per cent of mothers and 6 per cent of fathers used unpaid parental leave — but not paid parental leave.

**Figure 2 The use of paid and unpaid parental leave in Australia**  
by employees with children born between March 2003 and February 2004



<sup>a</sup> All employees with 12 months or more continuous employment with the same employer were considered eligible for unpaid parental leave. Some casual employees in this group probably were not eligible.

Data source: Whitehouse et al. 2006b.

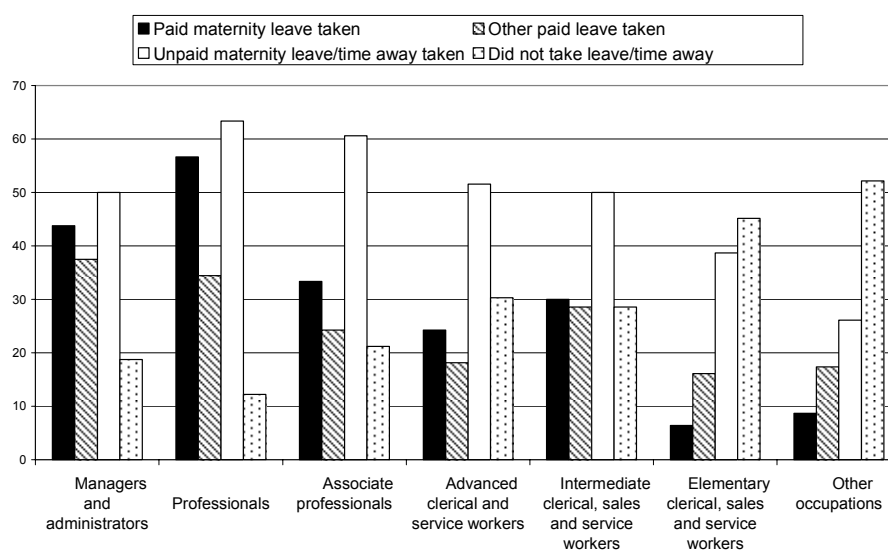
Several factors may influence the pattern of leave-taking. For example, figure 3 shows the variation in the patterns of leave-taking for women in different occupational groups – it is again worth noting that most people who take leave will use more than one form of leave. The occupations with a higher incidence of paid maternity leave have a lower proportion of people not taking any leave.

The use of different types of leave also differs between industries, although the mix is relatively unique in each industry. This may reflect differences across industries in terms of work agreements, work culture, or other organisational characteristics. The use of paid maternity leave ranged from around 5 per cent for the retail trade sector to around 76 per cent of women giving birth who are employed in government administration and defence (ABS 2006a).

From ABS (2006a) data, the proportions of women who took paid maternity leave in 2003–2005 were:

- 75 per cent of mothers working in the public sector and 25 per cent of mothers in the private sector.
- 44 per cent of mothers working full time and 25 per cent of those working part time
- 56 per cent of mothers in workplaces with 100 or more employees, and 18 per cent of those in workplaces with fewer than 20 employees
- 46 per cent of mothers with access to paid holiday and sick leave, and around 5 per cent of mothers without such access (casuals).

**Figure 3 The use of leave by women for maternity purposes**  
by mothers of children born between March 2003 and February 2004



<sup>a</sup> 'Other occupations' refers to the summation of the following groups within the Australian Standard Classification of Occupations: *Tradespersons and related workers*; *Intermediate production and transport workers*; and *Labourers and related workers*.

Data source: ABS (*Pregnancy and Employment Transitions, Australia*, November 2005, cat. no. 4913.0).

For fathers, a study shows that less than one quarter of male employees took some kind of paid paternity leave (Whitehouse et al. 2006a). Over 80 per cent of fathers who did take leave only used paid leave — usually annual leave. As with mothers, fathers were more likely to take paternity leave if they worked in the public sector or were highly paid.

### Moving in and out of the labour force

Of those mothers who worked while pregnant, 25 per cent returned to work within six months of the birth, and 70 per cent returned within 15 months (Whitehouse et al. 2006b). The average duration of combined leave is 40 weeks for recent mothers and 14 days for recent fathers. Among mothers who returned to work within 15 months, 46 per cent had indicated that they would have returned later if they had access to more paid maternity leave (this includes mothers who had no access to paid maternity leave).

Mothers often return to jobs that are different from their previous job. For instance, 83 per cent of mothers returning from child-related leave return to part-time work. This includes 70 per cent of mothers who worked full-time during the pregnancy. Further, 13 per cent of mothers who were permanently employed prior to taking

---

leave returned to non-permanent jobs.

Around 14 per cent of mothers resigned from paid work during their pregnancy — over half of this group (8 per cent) would otherwise have been eligible for unpaid maternity leave (Whitehouse et al. 2006a). Around one in five of these mothers indicated that they would have stayed in employment if paid maternity leave was available.

ABS (2006b) data shows that in general, women are more likely than men to be outside of the labour force in order to care for children (aged up to 12 years). Among people who are aged 25–44 years and outside the labour force, 25 per cent of women and 3 per cent of men cited child care as the reason. While relatively low compared to that of women, the proportion of men who are caring for children instead of working is at a historically high level (Lattimore 2007).

## **Previous reports**

This is not the first inquiry into a national scheme for paid parental leave in Australia. The Human Rights and Equal Opportunity Commission investigated this issue in a report released in 2002. In the same year, a Senate committee held an inquiry into an amendment to introduce paid maternity leave. The submissions to each of these inquiries and the reports themselves should provide valuable information for this inquiry.

In addition, the Human Rights and Equal Opportunity Commission process has been instrumental in the collection of additional data — notably the ABS collection on *Pregnancy and Employment Transitions* and the parental leave questionnaire in the *Longitudinal Survey of Australian Children*. Both will be valuable data sources for this inquiry.

## **Obligations under international agreements**

Australia has no specific obligation to provide paid parental leave under international law. Many international policy instruments are non-binding, such as International Labour Organisation (ILO) Recommendations. The two binding international agreements relevant to paid parental leave are the United Nations *Convention on the Elimination of all Forms of Discrimination Against Women* (1979) and ILO Convention 183, *Maternity Protection* (2000) and Recommendation 191, *Maternity Protection* (2000).

While Australia ratified the UN Convention in 1983, it did so with a reservation against Article 11.2, which deals with the introduction of ‘maternity leave with pay

---

or with comparable social benefits'. Australia was not one of the 13 countries that ratified ILO Convention 183.

## **2 Maternity and parental leave in other countries**

By 2002, Australia and all states of the United States other than California, were the only jurisdictions in the OECD without some form of statutory paid parental leave (New Zealand and California introduced maternity leave in 2002.) In contrast, while publicly-funded family support is actually relatively high in Australia by OECD standards (Whiteford 2005), that support mainly takes the form of targeted income support for families, a one-off maternity payment at the birth of a child, and various childcare subsidies.

While the provision of parental leave is common among OECD countries, its specific features vary considerably. (Table 2 provides some examples of this.) Broadly, schemes differ according to: the generosity of parental leave payments, eligibility requirements, the length of leave offered and the manner in which the programs are funded:

- *How much is paid?* Usually payments are a percentage of salary, sometimes with lower or upper limits. Some countries set payments according to unemployment benefits (Canada and Denmark). The level of payment is generally constant during the leave period, however some countries pay different rates over the period of leave, with lower rates applying after a certain time of leave (UK and Belgium).
- *Who is eligible?* There is usually a requirement to have participated in the labour market for a certain amount of time. The typical requirement is around six months. In some cases (UK and New Zealand) there is a further requirement to have worked for the same employer for a given period or to have earned a certain amount. Recipients are generally required to contribute to social insurance and to be residents of the country. In Finland, recipients are also required to have lived in the country for a certain amount of time during pregnancy. Benefits are sometimes restricted to mothers, or can be split between parents. Several countries have a period of mandatory maternity leave (Belgium, Italy).
- *What length of paid leave is provided?* The lowest period applies for the State of California, which provides six weeks. The highest is in Sweden, which potentially allows for 470 days (pregnancy benefit plus parental leave). Most maternity leave is between 14 and 48 weeks.
- *How is parental leave funded?* Parental leave is usually funded through

---

compulsory social insurance contributions. The social insurance schemes often cover cash sickness benefits and/or unemployment benefits. Typically, payment is split between employer contributions (a percentage of payroll) and employee contributions (a percentage of salary). The self-employed usually pay a percentage of earnings. In some cases, contributions are capped at a certain level. The government pays for any intended or unintended deficit between benefits paid and the receipts from employer and employee contributions. New Zealand is unique, with parental leave solely funded from general government revenue.

Some parental leave arrangements include other features intended to achieve social goals or to provide more enduring support beyond early infancy.

- Parental leave in several Scandinavian countries offer bonuses designed to encourage fathers to take paternity leave. In Sweden, 60 days of parental leave (out of the possible 480) can only be taken by the father. In Finland, paternity leave is extended if the father uses a certain amount of the shared parental leave.
- Parental leave is sometimes supplemented with child care leave which can be taken at any time before the child reaches a certain age (Italy, Denmark and Finland).

Table 2 Parental leave arrangements in selected countries

	Belgium	Sweden	New Zealand
Who gets it?	<ul style="list-style-type: none"> <li>• <i>Maternity benefit:</i> Women who have completed 120 days of work and have been covered by social insurance during the previous two quarters.</li> <li>• <i>Paternity leave:</i> Men who meet the conditions above.</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Pregnancy benefit:</i> paid to women who have strenuous physical work that they are unable to cope with because of their pregnancy.</li> <li>• <i>Parental benefit:</i> All residents are entitled to the minimum payment (180 SEK per day). Each parent is entitled to benefits above the minimum payment if they have contributed to (and been covered by) social insurance for at least 240 days before childbirth.</li> <li>• Can be split between parents.</li> </ul>	<ul style="list-style-type: none"> <li>• Worked for the same employer for six months, but with additional conditions related to hours of work.</li> <li>• Can be split between parents.</li> </ul>
How much?	<ul style="list-style-type: none"> <li>• <i>Maternity benefit:</i> 82% of salary, with no ceiling for first 30 days, 75% of salary with €110 (per day) ceiling thereafter.</li> <li>• Federal civil servants receive 100% of salary.</li> <li>• Self-employed women are entitled to a lump sum of €2 041</li> <li>• <i>Paternity leave:</i> First 3 days at 100% of salary, thereafter 82% of salary up to a ceiling of €110.</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Pregnancy benefit:</i> 80% of income with a maximum of 7 times the 'price base amount' of 40 300 SEK (around 95% of average salaries in 2006<sup>a</sup>).</li> <li>• <i>Parental benefit:</i> 80% of income (up to a ceiling) for the first 390 days (around 135% of the average salary). The minimum payment is 180 SEK per day.</li> <li>• Flat rate of 180 SEK per week for an additional 90 days.</li> </ul>	<ul style="list-style-type: none"> <li>• Entitled to gross weekly rate of pay (pay before tax) to a maximum of NZ \$391 (around 90% of the average weekly wage and salary income in 2006<sup>b</sup>).</li> <li>• (The payment itself is taxed).</li> </ul>
How long?	<ul style="list-style-type: none"> <li>• <i>Maternity leave:</i> A maximum of 15 weeks, with up to 6 weeks taken before the expected date of birth. 1 Week before the expected date of birth is obligatory leave.</li> <li>• <i>Paternity leave:</i> 10 days.</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Pregnancy benefit:</i> 50 days</li> <li>• <i>Parental benefit:</i> 420 days, with a further 60 days available to primary carer's partner</li> <li>• Total benefit potentially available to mother is 470 days</li> </ul>	<ul style="list-style-type: none"> <li>• 14 weeks</li> </ul>
Who pays?	<ul style="list-style-type: none"> <li>• Paid out of social security insurance, which also funds medical care and benefits, unemployment benefits and pensions. Typically 13.07% of 'reference earnings' is paid by the employee and 24.77% is paid by the employer.</li> <li>• Self-employed pay a percentage of their earnings which declines as earnings rise.</li> <li>• This scheme is subsidised by the government.</li> </ul>	<ul style="list-style-type: none"> <li>• 2.2% of payroll paid by employer into social insurance fund.</li> </ul>	<ul style="list-style-type: none"> <li>• Government (Inland Revenue)</li> </ul>

(Continued next page)

Table 2 (continued)

	United Kingdom	Japan	Norway
Who gets it?	<ul style="list-style-type: none"> <li>Statutory maternity and paternity pay available to employees with weekly earnings of at least £87 (before tax). Must have worked continuously for the same employer for the 26 weeks up to the 15<sup>th</sup> week before the expected week of childbirth.</li> <li>Self-employed or otherwise ineligible persons may be able to claim maternity allowance.</li> </ul>	<ul style="list-style-type: none"> <li>Must be in covered by the Work Place Health Insurance System. Employers are required to have their regular employees enrolled if the hours worked equal three quarters of the time worked by full time employees.</li> </ul>	<ul style="list-style-type: none"> <li>Must have been in paid work (employed or self-employed) for 6 of the last 10 months</li> </ul>
How much?	<ul style="list-style-type: none"> <li><i>Statutory maternity pay</i>: First 6 weeks at 90% of recipients' average weekly earnings with no upper limit. The remaining 20 are the lesser of 90% of recipients' wages or £112.75 per week (around 25% of average gross weekly pay in 2007<sup>9</sup>).</li> <li><i>Maternity allowance</i>: the lesser out of the standard rate (£112.75) or 90% of recipients average weekly earnings.</li> <li><i>Statutory paternity pay</i>: The lesser out of £112.75 a week, or 90% of recipients average weekly earnings.</li> </ul>	<ul style="list-style-type: none"> <li>60% of normal daily wages.</li> </ul>	<ul style="list-style-type: none"> <li>Either 44 weeks at 100% of earnings or 54 weeks at 80% of earnings.</li> <li>Maximum benefit is six times the national insurance basic amount of NOK 62 892 (roughly equal to the average wage for salaried employees<sup>9</sup>).</li> </ul>
How long?	<ul style="list-style-type: none"> <li><i>Statutory maternity pay</i>: 39 weeks. Leave can commence 11 weeks before the expected date of child birth at the earliest, and on day after childbirth at the latest.</li> <li><i>Maternity allowance</i>: 39 weeks.</li> <li><i>Statutory paternity pay</i>: 2 weeks</li> </ul>	<ul style="list-style-type: none"> <li>42 days before and 56 days after the expected birth.</li> </ul>	<ul style="list-style-type: none"> <li>Either 44 weeks at 100% of earnings or 54 weeks at 80% of earnings.</li> <li>6 weeks are reserved for the father.</li> <li>3 weeks before the expected date of childbirth and 6 weeks after are reserved for the mother.</li> </ul>
Who pays?	<ul style="list-style-type: none"> <li>Paid out of social security insurance, which also funds unemployment, work injury and disability benefits as well as the old age pension. Typically: <ul style="list-style-type: none"> <li>11% of weekly earnings is paid by the employee</li> <li>12.8% of each employees earnings is paid by the employer.</li> <li>8.9% is paid by the self-employed.</li> </ul> </li> <li>Maternity payment is initially made by the employer, who then is compensated between 92% and 104.5% (depending on the size of the business) from the social security fund.</li> </ul>	<ul style="list-style-type: none"> <li>Paid out of the Work Place Health Insurance System. 4.1% of monthly earnings paid by both employer and employee.</li> </ul>	<ul style="list-style-type: none"> <li>Paid out of social security, which also funds unemployment, sickness and disability benefits, as well as the old age pension.</li> <li>Employees pay 7.8% of income and employers pay 14.1% of payroll.</li> <li>The self-employed pay 10.7% of personnel income.</li> </ul>

Source: Office of Policy Data and governmental websites

Notes: <sup>a</sup> PC calculations based on Statistics Sweden, Average Monthly Salary By Sector 1992-2006, <sup>b</sup> PC calculations based on Statistics New Zealand, New Zealand Income Survey, <sup>c</sup> PC calculations based on The Office for National Statistics, Annual Survey of Hours and Earnings, <sup>d</sup> PC calculations based on Statistics Norway, Wage Statistics, All employees, 2006

---

## Attachment B: 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;
    - (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

---

## **Attachment C: How to make a submission**

This is a public inquiry and the Commission invites all interested individuals and organisations to take part. Anyone can make a public submission. In your submission, you do not need to address all the issues raised in this paper and you may comment on any other issues that you consider relevant to the terms of reference.

### There is no specified format

A submission can be anything from a short note or email outlining your views on a few matters to a more substantial document covering a wide range of issues. Where possible, you should give evidence to support your views, such as data and documentation. Although we welcome every submission, multiple, identical submissions do not carry any more weight than the merits of an argument in a single submission.

Participants can make subsequent submissions throughout the course of the inquiry. In particular, participants will be invited to make further submissions to respond to the draft report, which is expected to be released in September.

### Submissions should be public documents

The Commission seeks to have as much information as possible on the public record. This is a public inquiry, and the Commission will make submissions available for others to read. Submissions will become publicly available documents once placed on the inquiry website. This will normally occur shortly after receipt of a submission, unless it is marked confidential or accompanied by a request to delay release for a short period of time. Any confidential material sent to the Commission should be provided under separate cover and clearly marked.

### Email lodgement is preferred

If possible, submissions should be lodged by email or as a text or Microsoft Word document (.txt, .rtf, .doc), rather than Adobe Portable Document Format (.pdf), to ensure screen readers can read them. (Submissions may also be sent by mail, fax or audio cassette, and arrangements can be made to record oral submissions over the telephone.)

Please ensure that the version sent to the inquiry is the final version, and that you have removed any drafting notes, track changes, annotations, hidden text, marked revisions, as well as any internal links. Please also remove large logos and decorative graphics (to keep file sizes down). This will enable the submission to be more easily viewed and downloaded from the website. Copyright in submissions sent to the Commission resides with the author(s), not with the Commission.

Each submission should be accompanied by a submission cover sheet containing the submitter's personal and organisational contact details. The submission cover sheet is available at the end of this attachment or from the inquiry's website.

Please lodge your submission with us by 2 June 2008 so that we can make full use of it in our draft report. However, participants appearing at the first round of public hearings in May will need to provide at least a summary of their views prior to appearing. We have provided key dates, submission addresses and contact details at the front of this paper.

---

**Productivity Commission**  
**SUBMISSION COVER SHEET**

(not for publication)

*Inquiry into Paid Maternity, Paternity and Parental Leave*

**Please complete and submit this form with your submission:**

By email: [parentalsupport@pc.gov.au](mailto:parentalsupport@pc.gov.au) OR By fax: (02) 6240 3377

Or by post: Inquiry into Paid Maternity, Paternity  
and Parental Leave  
Productivity Commission  
GPO Box 1428  
Canberra City ACT 2601

Organisation.....

Street address.....

Suburb/city..... State & Postcode

Postal address .....

Suburb/city..... State & Postcode

Principal contact..... Phone .....

Position..... Fax .....

Email address..... Mobile .....

**Please indicate if your submission:**

- contains NO confidential material
- contains SOME confidential material (provided under separate cover and clearly marked)
- contains confidential material and the WHOLE submission is provided 'IN CONFIDENCE'

*Please note:*

- For submissions made by individuals, all personal details other than your name and the state or territory in which you reside will be removed from your submission before it is published on the Commission's website.
- Submissions will be placed on the Commission's website, shortly after receipt, unless marked confidential or accompanied by a request to delay release for a short period of time, where they will remain indefinitely.
- Confidential material should be provided under a separate cover and clearly marked 'IN CONFIDENCE'.
- Copyright in submissions resides with the author(s), not with the Productivity Commission.

---

## References

- ABS, 2005, *Pregnancy and Employment Transitions, Australia*, cat. no. 4913.0.
- 2006a, *Employee Earnings, Benefits and Trade Union Membership, Australia*, Aug 6310.0 -
- 2006b, *Persons not in the Labour Force*, cat. no. 6220.0
- 2007, *Maternity Leave Arrangements, Australian Social Trends*, cat. no. 4102.0
- American Academy of Pediatrics, 2005, 'Breastfeeding and the use of human milk', *Pediatrics*, Vol. 115 No. 2, February, pp. 49–506.
- Arenz, S. and von Kries, R. 2005, 'Protective effect of breast-feeding against obesity in childhood : Can a meta-analysis of observational studies help to validate the hypothesis?', *Advances in Experimental Medicine and Biology*, vol. 569, pp. 40-48.
- Berger, L., Hill, J. and Waldfogel, J. 2005, 'Maternity leave, early maternal employment and child health and development in the US', *Economic Journal*, vol. 115, no, 501, pp. F29–F47.
- Burgess, S., Gregg, P., Propper, C., Washbrook, E. and the ALSPAC Study Team 2002, *Maternity Rights and Mothers' Return to Work*, CMPO Working Paper Series, no. 02/055.
- Der, G. Batty, G. and Deary, I. 2006 'Effect of breast feeding on intelligence in children: prospective study, sibling pairs analysis, and meta-analysis', *British Medical Journal*, 4 October.
- Evenhouse, E. and Reilly, S. 2005, Improved Estimates of the Benefits of Breastfeeding Using Sibling Comparisons to Reduce Selection Bias, Population Association of America, Meeting program.
- Gregg, P. Washbrook, E., Propper, C. and Burgess, S. 2005, 'The effects of a mother's return to work decision on child development in the UK', *Economic Journal*, vol. 115(501), pp. F48-F80.
- HREOC (Human Rights and Equal Opportunity Commission) 2002, *A Time to Value: Proposal for a National Paid Maternity Leave Scheme*.
- Kramer, M. et al 2001, 'Promotion of breastfeeding intervention trial (PROBIT): a randomised trial in the Republic of Belarus', *Journal of American Medical Association*, vol 285(4), pp. 413-420.
- Lattimore, R. 2007, *Men Not at Work: An Analysis of Men Outside the Labour Force*, Productivity Commission Staff Working Paper, Canberra, January.
- Oddy W., Kendall, G., Silburn, S., Zubrick S., De Klerk N., Li J., Robinson M., and Stanley, F. 2007, 'Breastfeeding And Child Mental Health: A Pregnancy Cohort Study To 10 Years', Abstracts of Presentations at the 13th International Conference of the International Society for Research in Human Milk and Lactation, *Journal of Human Lactation*, vol. 23.
- PC (Productivity Commission) 2005, *Economic Implications of an Ageing Australia*, Research Report, Canberra
- Ram, B., Abada, T. and Hou, F. 2004, The effects of early maternal employment on children's cognitive outcomes: the Canadian experience, presented at the annual meeting of the Population Association of America, Boston, USA, April 1-3.
- Ruhm, C. 2000 'Parental Leave and Child Health', *Journal of Health Economics*, vol. 19 no. 6, pp. 931–960
- Swan, W., Gillard, J., and Macklin, J. 2008, Productivity Commission to investigate paid maternity leave, Media release no. 010, 17th February.
- Tanaka, S. 2005, 'Parental Leave and Child Health Across OECD Countries', *Economic Journal*, vol. 115 no. 501, pp. F7–F28
- Whiteford, P. 2005, The welfare expenditure debate: "economic myths of the left and the right" revisited, presented at the Australian Social Policy Conference, University of New South Wales, Sydney, 21 July
- Whitehouse, G., Baird, and M., Diamond, C. 2006a, Highlights from The Parental Leave in Australia Survey, <http://www.polsis.uq.edu.au/polsis/parental-leave>
- Whitehouse, G., Baird, M., Diamond, C. and Hosking, A. 2006b, The Parental Leave in Australia Survey: November 2006 Report <http://www.uq.edu.au/polsis/parental-leave/level1-report.pdf>.
- Winegarden, C. R. and Bracy, M. P. (1995). 'Demographic consequences of maternal-leave programs in industrial countries: evidence from fixed-effects models', *Southern Economic Journal*, vol. 61, No. 4, 1020–35.