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PRODUCTIVITY COMMISSION

**DRAFT REPORT ON PAID MATERNITY, PATERNITY
AND PARENTAL LEAVE**

**MR R. FITZGERALD, Presiding Commissioner
MS A. MacRAE, Commissioner**

TRANSCRIPT OF PROCEEDINGS

AT CANBERRA ON TUESDAY, 18 NOVEMBER 2008, AT 9.21 AM

MR FITZGERALD: Good morning, I'm Robert Fitzgerald. I'm the presiding commissioner on this inquiry and my fellow commissioner is Angela MacRae. This is the second day of public hearings following the release of the draft report into paid parental leave. The first day of hearings was held in Adelaide last week and we will be holding hearings in Sydney, Brisbane and Melbourne over the next couple of weeks.

As with the first round of hearings, they are informal in nature, nevertheless participants are reminded they are required to be truthful in the evidence that they provide to the commission. Otherwise it is very much the same as it was previously. If you would like to give you full name and organisation you represent and then some opening comments and then we will have a discussion. Thank you.

MS GARVAN: My name is Joan Garvan. I am a postgraduate at the ANU and I'm in the last six months before I submit and it's a topic related to maternal subjectivity, so it's not looking at detailed maternity leave, but it's making an argument of the cause itself in terms of drawing from research and maternal health and those kinds of things. First I will just start with an overview and then I will give points that back up the overview. Procreation and the care of children clearly make a substantial contribution to the nation's economic, social and cultural capital. Many couples and individuals within families are struggling with issues related to the sharing and care after the birth of a child and the transition to parenthood is said to be a critical life stage across the western world.

I am arguing that current social structuring of dependency within the gendered family form is perpetuated through current wage-fixing methods. These practices are reinforced through an expectation that women bear the economic brunt of child-bearing and rearing and thus contribute to increasing levels of maternal depression, along with greater marital dissatisfaction; this is drawing from a lot of international research.

The failure of Australian governments to guarantee paid maternity leave across the board serves to reinforce these trends and is perpetuating inequitable gendered outcomes. The current research on infant brain development in terms of promoting social character, along with calls for gender equal outcomes, highlights the need for review of institutionalised practices in the workplace as well as irrelevant government instrumentalities so as to overcome entrenched disparities and enhance outcomes for children. Paid maternity and parental leave is only a first, but a necessary step in this agenda. If the government were to establish a basis to achieve these ends, then the groundwork would be in place to unleash a new round of productivity falling in line with an international trend in attempts to overcome critical tensions between the workplace and families.

So the main points that underlie this statement are an important and relevant

argument is made by Martha Fineman, professor of feminist jurisprudence in Cornell Law School in the USA and Eva Feder Kittay, maintaining that both the state and the market have historically relied on a gendered family form to accommodate dependency for infants and children, but also infirmed, aged, chronically ill and disabled. The second point: trends towards gender equity in the workplace and education, along with new models of collaborative partnerships between couples has led to altered expectations regarding equal or egalitarian arrangements after the birth of the child.

The third point: an international field of research was developed around a notion of the transition to parenthood, though little research has been carried out in Australia under this banner. The transition to parenthood (TtoP) is marked by five categories: changes to identity; changes to relationships, partner, friends and family; changes to life course; more housework and, finally, the line between self and baby. In 2004 the European Economic Union established a working group with eight participating countries called Transitions, a very extensive research project, and their mandate was to examine how young European adults negotiated motherhood and fatherhood and work family boundaries. Policy recommendations from the report concluded:

A frequently recurring theme across the countries is the way in which gender shapes parenthood and makes motherhood different from fatherhood both in everyday life and in the workplace. The transition to parenthood appears to be a critical tipping point on the road to gender equity.

This is important and relevant to the case for maternity pay across the board because the TtoP is the first two years after the baby's born and that is often when entrenched practices get into place. The third point: the most commonly reference authors, Philip and Carolyn Cowan state that:

The TtoP spans the months after the birth and into the second year postnatally. In the current social and economic context there is ample evidence that the TtoP represents a critical life stage.

Research from the United States, Sweden, Switzerland, Finland and the United Kingdom and a smaller number of local and relevant studies. Amongst the research findings there is evidence of an increased level of maternal depression and high levels of marital dissatisfaction. A further point: the TtoP marks the beginning of new social divides amongst women, those with access to family-friendly policies, including maternity pay, and those without; women who can breach the gaps between the workplace and the home and those who can't.

The argument in the attached paper that these results are a consequence of the

male breadwinner model of wage fixing that is giving way to an independent worker model that does not account for care or dependency foregrounding a need to consider new models, for example, a universal carer or caregiver or caregiver parity, as set out by Nancy Fraser. The last point: both ante and postnatal services across Australia are very patchy, indicative of a need for substantial reform. However, the current review of maternity services winds up at six weeks post-partum and thus severely limiting any potential to engage with issues raised in the TtoP.

I am arguing that paid maternity or parental leave is a first, but a necessary, step towards a new era of gender-equal families. There is substantial evidence there are huge tensions between workplace, institutionalised cultures and the necessary care of dependants that takes place within families. If governments around Australia were to commit themselves to revise institutionalised processes that reinforce gender practices within families, the nation would be well-placed to unleash a renewed round of productivity across the board.

MR FITZGERALD: Thanks very much, Joan. Angela might want to start.

MS MacRAE: If I could just ask a couple of questions in particular about some specifics that you have raised.

MS GARVAN: Yes.

MS MacRAE: In relation to the transition to parenting studies that you reference, was Australia offered an opportunity to be part of that, do you know?

MS GARVAN: No.

MS MacRAE: That was just those six countries?

MS GARVAN: The transition one was in Europe. It was an Economic Union study.

MS MacRAE: In relation to the findings there, you've said that the findings were that there was evidence of increased levels of maternal depression and higher levels of marital dissatisfaction.

MS GARVAN: Yes, that was other studies. The EU study was one, but there has been other numerous studies carried out by other people.

MS MacRAE: Was that, I am just interested to know, increased relative to what? So relative to families that didn't have children or relative to countries that had better family-friendly practices? What was the baseline, I suppose, that gave those increased levels?

MS GARVAN: I presume it was levels of depression that increased after the birth, so compared to before the birth. I presume that - I would have to have a look at those particular studies to - - -

MS MacRAE: Okay. I am just thinking that if it is across the board that in a policy sense what does that tell us? What would you see as a policy response to those sorts of outcomes for a family?

MS GARVAN: The services, particularly after the birth, are concerned with the child, especially the maternal and child nurse services. I think it's wonderful that there is a review of maternity services actually for the birth, that's excellent. But, as I said, that finishes at six weeks after the birth and I think the maternal and child nurse services are very lacking in that way. With my research for the PhD I interviewed 16 women extensively, three-hour interviews, and we talked about that postnatal phase. It was very common with them and this was even when the baby was 18 months to two and a half and there was some distress amongst those women in terms of no-one to turn to, in terms of negotiating where they stood.

One of the things, as I mentioned, with the TtoP is changes to identity and a lot of these women - now the common age is in their early 30s and they have travelled, they have worked, they have done all sorts of things and then all of a sudden here they are with a baby in the home and they just don't know where they fit. It is a very personal transition and there are no services relating to those issues. One of the women said to me, "You could be screaming and they wouldn't ask you," because it's not part of their agenda. I know in Canberra the maternal and child nurse services, up until at least 18 months ago, was organised by a paediatrician and I think that was quite common. So the emphasis on the service is on the wellbeing the child and they are not taking into account issues. Often they do not know about the issues, they don't know to ask about those things because it doesn't seem relevant. I mean historically it has been the child. In this current context things have changed, women's expectations have changed to how they used to be 30 years ago. They expect that they are going to be able to work and have a family. They just expect it.

MS MacRAE: Those comments that you make in the current review of maternity services, is that for the ACT only?

MS GARVAN: No, that's national.

MS MacRAE: It's national? Okay.

MS GARVAN: Yes.

MS MacRAE: I probably should be aware of that but I'm not. So that's helpful.

MS GARVAN: Yes.

MS MacRAE: But that review - so that's a Commonwealth review?

MS GARVAN: Yes.

MS MacRAE: Yes, okay. But that's looking at just the first six weeks post-partum?

MS GARVAN: It finishes at six weeks post-partum.

MS MacRAE: Okay.

MS GARVAN: Which again is very indicative of concerns with the child and not the mother.

MS MacRAE: Because we are interested in other policies other than parental leave for those two years of a newborn coming in. So that's why I wanted to just probe that a bit. So that's useful, thank you.

MR FITZGERALD: I was just wondering - I know that you didn't want to be specific in terms of the actual scheme design but you have quoted from research that talks about the transition to parenthood spanning the months before birth and into the second year.

MS GARVAN: Yes.

MR FITZGERALD: I was wondering whether you do have a view as to the nature of the paid parental leave in terms of duration and also the issue about paternity leave as well?

MS GARVAN: I personally think 12 months is - I mean in Europe they often - I think in Scandinavian countries 12 months is - everyone gets 12 months. But I think 12 months is really - would be optimum. I think there is a difference between men and women after having a birth and in my PhD I'll be arguing that case. There is a difference, there is a gender difference. I'm not looking at men, I'm only looking at women. But because women are the ones who have the baby I think - especially the first few months. Obviously it would have to be open to choice. So I think it's good if the option is there. If they want to go straight back to work and their partner takes it obviously I wouldn't have any problem with that.

But I think it's important that - I mean they have to - women have to also get over the birth, the physical and also often they're breastfeeding so it's - I don't know

how people go back to work so quickly. It must be so hard. There's research to do with maternal fatigue, which is legendary across the world. So I think - you know, I would definitely err on the side that the women have access to it primarily but, if they choose not to, their partner could take it.

MR FITZGERALD: Just one of the other points you made, you say - you argue that the results are a consequence of the breadwinner model of wage fixing that is giving way to an independent worker model that does not account for care or dependency.

MS GARVAN: Yes.

MR FITZGERALD: Do you just want to explore a little bit further where you think we're going with this - what you call independent worker model?

MS GARVAN: Yes, well, it assumes that somehow or other there is this independent person who all of a sudden materialises and hasn't been cared for. Unfortunately it's a historical development that happened because women were at home doing the caring. Now because women are in the workplace that's caused all these huge tensions and therefore it's necessary to reconsider, re-conceptualise. I think that's why this issue to do with work-family balance is proving to be so difficult because it's not a matter of just tweaking policy or tweaking services, it's a matter of totally re-looking at the way the workplace and the home work together.

There is, as I mentioned, important work by Martha Fineman and Eva Kittay along these lines that are very well regarded in academic circles. It's an important argument to be made. Martha Fineman's book is called *The Autonomy Myth* and it's making an argument in terms of this idea of the autonomous individual that doesn't require care, which everyone knows is ridiculous.

MR FITZGERALD: Okay. Angela, anything else?

MS MacRAE: Just in relation to the comments that you make about the family-friendly policies and the gap that opens up between those women that can't have access to those services and policies and those that don't.

MS GARVAN: Yes.

MS MacRAE: Are you able to elaborate a bit more? Have you got academic research in that area and looked at the relative differences that occur in - I guess not just for the mother but potentially for the children or the family?

MS GARVAN: I don't specifically, because it doesn't really relate to my topic of research, although I do have - there is research that looks at class differences in terms

of motherhood and those early years. So there is an argument that - there's arguments along the lines that middle class women are developing selves in terms of the children in terms of getting them to classes and things like that - getting them to music and drama and education and all that - whereas working class women are doing something different. There is not a lot of research along those lines, only some, and so it's an emerging area.

MS MacRAE: Right, okay.

MR FITZGERALD: Okay. Anything else? All right, thanks very much, Joan.

MS GARVAN: Thank you.

MR FITZGERALD: Thank you for that. If we could have the Queensland Public Sector Union, please.

MR FITZGERALD: If you could give your full name and the organisation and the positions you hold and then, as previously, just some opening comments and then we will have a few moments for discussion.

MS DOOGAN (QPSU): Thank you. Vivienne Doogan, I'm the president of the Queensland Public Sector Union.

MS PICKERING (QPSU): And Anna Pickering, I'm the women's officer for the Queensland Public Sector Union.

MR FITZGERALD: Okay, good.

MS DOOGAN (QPSU): What we wanted to do was I was going to provide some background about what our union represents and also what our current entitlements are in relation to parental leave and then Anna's going to raise our main issues in relation to the proposed scheme.

MR FITZGERALD: Yes.

MS DOOGAN (QPSU): Okay. Queensland Public Sector Union represents over 30,000 workers across public and private sectors in Queensland. We're one of the largest unions in the public sector in Queensland. We are committed to progressive social and industrial policy and to working with the government to deliver outcomes for workers which are of benefit to our members as well as to the economy as a whole. Paid parental leave is an example of that.

We have campaigned at a state level for many years to achieve paid maternity parental leave, with our first success back in 1996. We have had a couple of improvements since then. We feel we are well qualified to speak to you about how the proposed scheme will impact on our members and how we would like to see it enhanced so that they actually get more benefit out of it.

Our membership is over 58 per cent female and over 50 per cent of the workforce that we represent is female. Of those the women are concentrated in the lower levels of the streams that we have, in particular in the administrative stream. Approximately 36 per cent of our female members come in the 20 to 40 year age group, what we call the sort of child-bearing years. We cover approximately 84 organisations across state government departments through to statutory authorities, government-owned corporations et cetera. We represent workers in traditional public service areas as well as in public health sector and in schools and some private organisations as well.

In terms of our current entitlements our members are currently entitled to

14 weeks of paid maternity leave. That can be taken either at full pay or can be extended at half pay to 28 weeks. It can also commence prior to the birth of the child, up to six weeks - or depending on medical certificates - prior to the birth of the child. As I said, we first got six weeks' paid maternity leave in 1996. That was subsequently improved to 12 weeks and then this year to 14 weeks.

Partners of the eligible employee are also entitled to one week of paid parental leave or they can take that at two weeks at half pay. Employees in the Queensland public sector also have the option of using accrued recreation leave, long service leave et cetera which again can be taken at either full pay or half pay. Our members are also entitled to up to a week of leave during the pregnancy to attend ante-natal appointments et cetera. While they're on parental leave - whether it be recreation leave, long service leave or the paid parental leave - they have access to paid sick leave if they are sick during that time as well. There are also reasonable policies in our public sector in relation to being able to negotiate part-time employment when a worker returns to work and also various flexible work options. The policies are good. The uptake is not necessarily as good as it could be for a variety of reasons.

So from that background you can see we've achieved a reasonable scheme for our workers but as far as we are concerned it's far from ideal. We continue to campaign to increase our paid parental leave from 14 weeks. We would certainly like to think that the scheme that is being proposed by the Productivity Commission can be used in conjunction - in addition to what we're doing. That's the sort of thing Anna is going to now elaborate on. Thanks.

MS PICKERING (QPSU): Thank you, Vivienne.

MR FITZGERALD: Okay.

MS PICKERING (QPSU): We certainly didn't want to waste any of the commission's time rehashing the information that has already been put into submissions by both the QCU and the ACTU. So again, as stated in our written submission, we support and mirror the points that they have made. But we did want to use this opportunity just to highlight some particular concerns. There's basically four of those concerns. The first relate generally to the issues around structure of the scheme and probably more predominantly regulation after its implementation.

So firstly, I'll go to the structure of the scheme and regulation. As we're all aware there's a number of different opinions being canvassed at the moment about what the best mechanism is in order to actually apply a paid parental leave scheme. We have, through our investigations and discussions with the QCU discovered that there are some potential inconsistencies and anomalies between the national employment standard and some Queensland legislation, including the Industrial Relations Act.

There's quite a good breakdown of those anomalies contained as appendix 1 in the Queensland Council of Unions submission. So again, we seek to highlight that we wouldn't want to see anything implemented that actually took away any of those other social, important conditions for Queensland workers.

I guess that really, we feel that without a clear understanding of what a proposed legislative tool would be, whether it is the Industrial Relations Bill or something that is stand-alone, it's quite difficult to really make the call or give a recommendation on whether the lesser of two evils is in fact the NES or a piece of legislation. So we did want to call on the commission and the government to maybe hold their fire a little with that particular issue and to nut down the specifics of the scheme and then work out that next logical conclusion of what the best way is to actually apply that.

The other issue that we wanted to highlight in terms of structure was regulation after the scheme is actually implemented, something that we've seen happen many times in Queensland with various well-thought-out, well-meant, well-intentioned initiatives is that without some real money and structure in the regulation and enforcement of those initiatives it tends to be great words on paper that goes absolutely nowhere. A good example of that in Queensland is the work and family balance entitlements that have been negotiated and developed over a period of 15 or so years. We actually have some really innovative options that people can apply for and in theory shouldn't be too hard to get but we find that to - - -

MR FITZGERALD: The bells are about to go, but you don't have to move. So at least we don't have to evacuate, so that's okay - which did happen to us in Melbourne, I have to say, in a previous inquiry.

MS PICKERING (QPSU): Should we wait for the bells?

MR FITZGERALD: No, just keep going.

MS PICKERING (QPSU): All right, okay. Yes, so similarly with the work-family balance entitlements we would hate to see something great on paper, come out with a paid parental leave scheme and not have a robust - whether it's a function that's given to an existing commission process or Fair Work Australia or whatever is open to discussion or whether it's a specific body that's set up to regulate this; even perhaps for a transitional period of five years whilst the business community and employees and the public sector organisations get used to how to actually manage it.

Now, the second point that we wanted to make was in relation to the quantum of payments and superannuation benefits. We have actually put together in our submission - I will draw your attention to page 3 - - -

So if we draw your attention to page 3, obviously this scheme needs to actually be workable for working families. It needs to provide a rate of income that can actually help them survive during that period. When we see a growing trend towards a joint system of breadwinning - or, you know, it's not necessarily the case that you have one clear breadwinner in the family. So we felt that we needed to point out for the commission that without some kind of employer top-up - which is what we would recommend, an employer top-up to the previous rate of pay being provided before leave - that it may actually be difficult for working families to maintain a reasonable standard of living that they had been previously accustomed to prior to that leave.

So if we go to page 3, we actually have some figures around the numbers of our members, which obviously might extrapolate out differently to look at the whole public service numbers, but as far as our membership goes in the Queensland public service we actually have approximately nine and a half thousand people who sit at those lower A02 and A03 levels, which is a significant portion of our membership, certainly, and of the public service in general. So even at those lower levels where the difference is much smaller than at the higher levels it would still be - a real cost would be felt - difference would be felt by those families. As I suggested, we do feel that the best option there is for employers to top that up and we feel that some of the reasons why employers should top that up is to actually help nurture the loyalty, help get that employee wanting and willing to come back to work after that period of leave.

The third point that we wish to raise was around some - what we feel is probably confusion about some wording. I will draw your attention to draft recommendation 2.7 on page 4 of our submission where it states:

The statutory paid parental leave scheme should provide a total of 18 weeks' paid leave for the parents of a newborn child to meet the test including a requirement that (a) the period of leave must commence at birth or after a period of other continuous leave that commences at the birth of the child and (b) must be commenced within six months of birth.

I won't go on to read the rest of that recommendation. When you then look at the overview document and table 1, the very first box in table 1 states:

18 weeks of paid parental leave. This must be commenced after any period of other continuous leave available at the birth of the child and before six months.

We had some concerns when we read this because of - as Vivienne talked about, we do have entitlements that actually allow people to take their leave at half pay.

MR FITZGERALD: Yes.

MS PICKERING (QPSU): As you will see at page 5 we have actually gone to some people who have recently taken leave or are about to and tried to do some real case studies about how that might affect them. So that's probably the key concern that we had and that we wanted to reinforce to the commission today.

Then lastly, before we open it up for discussion, we have been really impressed and encouraged by the number of our members - male, female, child-bearing age, not child-bearing age - who are genuinely interested and keen to push for a system like this being implemented. As such we feel there's a real community sentiment to have this happen immediately and we would hate to see the economic downturn - which is obviously a big issue for us all in every sphere of our life - we would hate to see this be put on the backburner. Whilst that's not a Productivity Commission decision as such we certainly seek to use this opportunity to push that we hope that the commission is strenuously going to recommend that this happen in the next budget.

MR FITZGERALD: Good. Well, thanks very much for that. If I might just start with your last point. We acknowledge that there is confusion in relation to the issue of the commencement of leave. What we were seeking to do was to have a situation where this leave would not be taken concurrently with other leave. What we thought we were saying was that it doesn't matter whether you take this leave first or last, that's a matter for the individual and the employer, but what we did say is we would like you to start within six months. Now, the wording has led to a view that people say you have to take the other leave first before you take ours and as a consequence of that you'd miss out. That wasn't our intention.

But I suppose a fundamental question that I put to you is should we be concerned about the concurrent taking of leave or not? In other words it may well be that one of the options is that we simply say you have to take the leave within six months and it's up to employers and employees how they arrange the leave. In other words, if you take it concurrently, you take it concurrently. If you take it sequentially, you take it sequentially. But should we be concerned about that? The reason we were concerned was to get additionality. But it may be that it is so complex, given the variety of schemes that are out there, that we simply should say as long as you take it within - commence it within six months, commence it within 12 months - and not worry about how it's actually taken.

MS DOOGAN (QPSU): I would say from our perspective that as much flexibility as possible is what we would argue, which would, I guess, mean that the option of taking it at the same time could be a possibility. The other concern is the six months, because there are some schemes out there where some workers are currently getting even up to six months or even 12 months' paid leave, which means that they will miss out on this as well. I know it might seem like they're being a little greedy but

the research does show that in an ideal world women would be a lot better off if they could get access to a substantial period of say up to 12 months of paid leave.

MR FITZGERALD: If you were to say - just let me test this with you. If you were to say it would still have to be taken within six months but there was no other qualification, that is, it would have to be started within six months, would the voluntary schemes that currently exist - or could be designed - be able to accommodate that, so that in a sense you could take - you can still take the total amount of time that you get now plus this scheme but the way you might do it is you might take X period of time from the voluntary scheme, the statutory scheme and then conclude with the voluntary scheme.

We had a sense that it may be easier with the voluntary or workplace arrangements to be more flexible than it is for a mandatory statutory scheme which by nature has some complexity attached to it already. We were concerned that if the mandatory scheme came in too late there are administrative burdens back in government. So I was just wondering whether or not you think there is sufficient flexibility to allow the accommodation of both schemes without us being prescriptive other than to say you have to commence it within a period of time?

MS PICKERING (QPSU): Yes, I think if that period of time was extended to 12 months then there wouldn't be too much of an issue. But from - I guess from a union movement point of view clearly if we had members on a large scale who still wanted at a workplace level to continue to campaign for more we would want to support them doing that. If we had a restriction of six months then there might be no point in actually pursuing an increase in voluntary schemes.

MS DOOGAN (QPSU): But what you're saying is use the federal one first or - - -

MR FITZGERALD: Doesn't matter.

MS DOOGAN (QPSU): - - - in the middle and then put the rest of it on top of that?

MR FITZGERALD: It strikes us that going forward that a number of the existing voluntary schemes or collectively bargained schemes will change in character, and we would support that. But they will change in character depending on the circumstances of the individual enterprise over time.

I suppose our principle was to avoid concurrency, in other words, to try and get the extension. Our formula clearly doesn't work, or if it does it's confused. So I was trying to find a way - but also to balance the needs of the administrative - or, you know, the administrators of the scheme, the government, so that you don't have the mandatory scheme being activated a long way from the actual date of the birth. So I suppose we're trying to find a way that makes sense both from administrators' point

of view but also from the workplace point of view.

MS PICKERING (QPSU): I think it's a really tricky one because I think there does need to be some standard or some parameter put in there so that there is the ability to make it happen and make it measurable. Where I was heading before in a not particularly eloquent way was that with some of the voluntary schemes in particular in Queensland you can actually access it before birth. So my concern in my head was that if we can access it up to six weeks - in fact, you have to start it six weeks - - -

MS MacRAE: You are supposed to, yes.

MS PICKERING (QPSU): Yes, you are - unless by agreement with your doctor and employer. So if you have to start that voluntary scheme six weeks before, if at some point down the track it's negotiated and campaigned for that to extend you then actually might go over that six months. So increasing that to 12 months may actually - - -

MS MacRAE: But your current arrangement wouldn't allow you to say take that first six weeks as your prenatal, then take the government scheme and then reactivate your - - -

MS DOOGAN (QPSU): That would require some renegotiation.

MS MacRAE: It would? Okay, yes.

MS PICKERING (QPSU): Yes, it's not the way it's established.

MR FITZGERALD: But could it be - do you - I mean this is just - not locking you into a position but do you think that that could reasonably occur in the renegotiation of these arrangements which inevitably must take place after the statutory scheme comes in?

MS DOOGAN (QPSU): Yes. It would be something that we would definitely have to fight hard to - what we want to make sure is that our members get what they're currently entitled to and this gets added on as an extra.

MS PICKERING (QPSU): I think the concern, from my discussions with other unions also, is that if we need to go back and renegotiate existing schemes it may well be that we ourselves are opening the door to those schemes being thrown out the window or lessened in some way. So obviously our primary concern is protecting those entitlements, which won't be everybody's concern but from our perspective it's something key.

MS MacRAE: But if we were to make it 12 months, just going back to your earlier suggestion, that would solve the majority of the problem at least. I mean I can see in one of the examples here that there's somebody that's already looking at 50 weeks if they were to take it at half pay, so you're already getting up against the 52.

MS PICKERING (QPSU): Yes.

MS MacRAE: But I guess in terms of their recreation and long service leave, if I can just pursue this a bit more, they could take that subsequent, couldn't they? There wouldn't be a problem with taking that subsequent to the government scheme?

MS DOOGAN (QPSU): No.

MS MacRAE: No.

MS DOOGAN (QPSU): I mean really from our perspective we would much prefer that a paid parental scheme was such that workers didn't have to use recreation leave and long service leave because they are there for different purposes.

MS PICKERING (QPSU): That's right. The reason that we actually included those in that calculation was that there was some confusion or people were interpreting it to mean that potentially you would have to take - - -

MS DOOGAN (QPSU): Yes, all other leave. Yes, that's right.

MS PICKERING (QPSU): - - - all of those other kinds of leave, which we didn't necessarily believe was the intent behind the words.

MS DOOGAN (QPSU): No.

MS PICKERING (QPSU): But certainly some people were reading it, so we felt worst-case scenario we should lay it all out there.

MS MacRAE: I mean just to be perfectly clear about what we did mean, that the duration - the little section that you've got there from table 1, it was really just a problem that we were trying to summarise everything into one table and I can easily see how people have read that as it must be commenced after any period. We didn't put the word "must" in there and we didn't intend that that's how people would read it. But we did intend that it should be taken within six months, but not that there should be any other ordering of leave - that should be first. So that's our intention, but we have already heard enough to know that the six-month rule has got problems with it. So happy to talk about that today.

The other issue that you raised, and it's kind of on the same issue, slightly, was

just in relation to being able to take it at half pay. Now, we came to the view that if somebody wanted to spread the leave over a period that there would be nothing to stop them taking it at the full rate and then extending the leave and saving some of the money and taking a longer period of leave. It just makes it easier for the government administratively than having to pay out some at full rate, some at half rate and the potential for then impacting more on - because it's a taxable payment. If you take it at half pay you might be able to reduce your tax a bit and sort of gain the system slightly.

So that was our thinking about not allowing it to be taken at half pay, really an administrative issue as well as a slight issue with the interaction with the tax system. Do you see that as a big issue for your members? Is it something they've really pushed for or is it something that has just sort of come up because, "Look, we were entitled with our other kind of leave to be half paid. Couldn't this be taken at half rate as well?"

MS PICKERING (QPSU): Yes, certainly the half pay concern was coming more from the perspective of we already access other leave at half pay.

MS MacRAE: Right.

MS PICKERING (QPSU): I think at that minimum wage rate it's very unlikely that any of our members who would already have - - -

MS MacRAE: Yes, taken a cut.

MS PICKERING (QPSU): - - - suffered a bit of a cut, that they would want to take it at half pay.

MS MacRAE: Choose to do at half pay anyway, okay.

MS PICKERING (QPSU): Yes, I'm not sure that would be an issue.

MS MacRAE: No, okay.

MR FITZGERALD: Just that microphone's not picking up on the PA. No, that one's not.

MS PICKERING (QPSU): Sorry.

MR FITZGERALD: You may have to speak closer.

MS PICKERING (QPSU): Yes.

MR FITZGERALD: That's okay.

MS PICKERING (QPSU): It's my fault.

MR FITZGERALD: In relation to the actual payment side of the top-up, in relation to your own members your members are getting full replacement wage as to 14 weeks currently, and many other organisations are providing some form of voluntary leave. Whilst I appreciate that in relation to the actual weeks, this 18-week period, a number of your members would in fact not receive the same level of their current pay. To some extent our target group for this are those that are at or are receiving less than the minimum wage. It's the low income workers, because the pattern of behaviour already is that many women are taking six months off currently. So what we've got is - again, going to the additionality - it seems to us that the greatest behavioural change that you seek, that is, the ability to stay at home longer and then to return to work, are for those that are at or below the minimum wage. That's the group that's most affected.

So whilst we recognise there is this difference I wonder whether or not to achieve this sort of additionality that we're talking about in terms of people taking more time off you actually do need to pay that at the full rate. I mean if you're already getting, in your scheme, 14 weeks full and then you get another 18 weeks at minimum wage, given that our objective is to get people to six months, the ability to stay at home for six months, do you really need to go to full replacement wage? I can understand that it would be beneficial but from a public policy point of view we're not convinced that you need to have full wage replacements to achieve the objectives of the scheme.

MS MacRAE: That's to say to mandate it.

MR FITZGERALD: To mandate it.

MS MacRAE: Obviously we've got no problem with you in voluntary arrangements to get those sort of arrangements.

MR FITZGERALD: Not the voluntary scheme but in a mandated scheme.

MS DOOGAN (QPSU): Could I just ask the question - you talk about six months.

MR FITZGERALD: Yes.

MS DOOGAN (QPSU): Why didn't you make it 26 weeks?

MR FITZGERALD: That makes no difference. It can be 26 weeks or six months.

MS MacRAE: No, I think - no, the point is we don't have to pay - - -

MS DOOGAN (QPSU): No, I mean your scheme is 18 weeks - - -

MS MacRAE: Yes, we don't have to pay six months to get most people to six months. When we looked at the data of how much leave people are currently taking about 30 per cent of women are currently returning to work before the child turns six months old. When we look at the number of weeks that the vast majority of those are taking already, we estimated that if we provided 18 weeks at the minimum wage that the vast majority of women would be - it wouldn't be a financial reason that pushed them back to work, given the extent of leave that they're currently able to access or unpaid leave.

But those arrangements - what we really wanted to do was try and make sure that women would have - or families would have the option of having a primary carer home for the first six months. Looking at the data of what people currently take we estimated that the vast majority of people would be able to get to the six months if we paid 18 weeks at the minimum wage.

MR FITZGERALD: We know that 85 per cent of women are still at home at three months and a number of that 15 per cent are high income women who return to work and will continue to return to work irrespective of the scheme because they make that choice for other reasons. So if you take it from where you are then that's the rationale. Now, many of the submissions we will receive will indicate that the 18 weeks is inadequate and we will listen to that and have a look at that. But you don't need to pay 26 weeks to get 26 weeks. That's the reality from a mandatory publicly-funded scheme.

MS PICKERING (QPSU): I mean from my personal perspective I completely appreciate why that is the target group. So I understand exactly what you're saying in terms of why the model and the time frames and the way it has been set up that way. Clearly though from our particular perspective as an industrial organisation we're going to push on a workplace level and through campaigning - if our members care about the issue enough - to get that topped up to a full replacement for those members.

MR FITZGERALD: Yes.

MS DOOGAN (QPSU): We would certainly like to think that this is a first step in an ongoing process at the federal level. So as an industrial organisation we will be applying whatever pressure we can to improve things as time goes on.

MS MacRAE: Can I just - sorry, Rob - - -

MR FITZGERALD: Yes.

MS MacRAE: - - - I know we're out of time, really, aren't we? But just in relation to your first issue, and it's something that we were interested and we looked at and I think it's fair to say we didn't feel we could come properly to grips with it for the draft. You're basically saying at the moment on the basis of information you've got you're not making a call about whether it be promoted through specific legislation or the NES. But I just want to be clear, the problem with going through the NES is it doesn't cover those people that don't fall within the federal sphere. I haven't had the chance to look at the QCU submission yet but that has got an attachment there that talks about the anomalies for those that fall outside, okay.

MS PICKERING (QPSU): Yes it does. It has a one and a bit page appendix that talks about - - -

MS MacRAE: Okay. Would that be a change to one industrial instrument in Queensland to cover those people or would it be a whole range of different ones that you might have to - if we were to say go down the route of, "Well, let's do the NES and let's change the other state-based legislation, that would then give equal coverage," is that - is it one or many instruments in Queensland?

MS PICKERING (QPSU): It would be more than one.

MS MacRAE: Right, okay.

MS PICKERING (QPSU): But the family leave award now covers most of - certainly the parental leave issues. It's possible that it would just be the family leave award that would have to be amended. But I can't - don't quote me - - -

MS MacRAE: No, you couldn't guarantee, okay. No, that - well, that's very useful and it's helpful to us so we'll definitely be looking at that.

MR FITZGERALD: Just on that point, we have not been prescriptive about how - what's the right instrument to bring this in. I suppose our preference has been so far for legislation. The business groups have been adamant that they don't want it through the NES and we have raised that several times as to why, why is it such an anathema to business that it goes through the NES. I'm not completely sure that I understand why it's so objectionable, although I understand that it is.

MS PICKERING (QPSU): We might have to change our position now.

MR FITZGERALD: No, no. I suppose in a sense we've been seeking clarification as to is there an absolute best way to do this. At the moment I must say that I'm not sure that we could say there's a best way to achieve this. There might be by the time

we do the final but it's not clear to me at the moment.

MS MacRAE: Just as a matter of interest on that point, what proportion of your membership would be covered by the NES and what proportion would fall outside it. Would you know?

MS PICKERING (QPSU): Well, I guess it depends what happens with the harmonisation projects federally.

MS MacRAE: Okay.

MS PICKERING (QPSU): I mean if the harmonisation goes through the way the federal government wants it to, everyone would be covered. But at the moment there's still actually quite a lot of resistance at the state level about the way that that harmonisation project is progressing.

MS MacRAE: Right.

MS PICKERING (QPSU): So I wouldn't say it's in the bag at this stage - - -

MS MacRAE: No, okay.

MS PICKERING (QPSU): - - - that Queensland will definitely hand over, in which case you're looking at a much smaller percentage that would actually be covered by the NES.

MS MacRAE: The vast majority would be covered by?

MS PICKERING (QPSU): State.

MR FITZGERALD: Legislation.

MS MacRAE: Right, okay. All right, thank you.

MR FITZGERALD: Look, thanks very much for that. That's been very helpful.

MS PICKERING (QPSU): No worries.

MS DOOGAN (QPSU): Thank you for the opportunity.

MR FITZGERALD: Well, that's great. If we could have Unions ACT that would be terrific.

MR FITZGERALD: Okay, if you could give your name and the organisation, the position you hold.

MS SATTLER (UACT): Unions ACT, and I'm the secretary of Unions ACT.

MR FITZGERALD: Okay. If you could just give us your opening thoughts and comments and then we'll have a chance for discussion.

MS SATTLER (UACT): You'll be pleased to know that I have a written submission to give you.

MR FITZGERALD: Yes.

MS SATTLER (UACT): It has just needed a final edit - which I will submit to you this afternoon. I thank you for the opportunity to come and present again. I also thank the ACTU for their contribution in terms of the research for my submission. So there are a number of recommendations in the submission which go to the issues that were raised by the QCU, particularly around wording. We have actually given you some alternative wording that might actually get round some of those problems, particularly in relation to taking concurrent leave and when the leave should commence and a number of those sort of matters. So I won't go into detail about that because I think it's explanatory in the submission.

I have to say that we probably - as a part of the union movement we were very pleased with the Productivity Commission's report. We are very supportive of the proposal for a taxpayer funded universal scheme offering 18 weeks. Of course we would like more but we absolutely recognise that the lowest-paid women in the workforce are the ones who have missed out and it's those women that we really want to bring up to a level that is somewhere near the entitlements achieved by public sector women and higher paid women in the workforce.

We believe obviously that the primary aim for a universal scheme, and I think the Productivity Commission report confirms this also, is to ensure the continued high participation rates of women in the workforce and to extend coverage to lower-paid women who currently are at or below the minimum wage. It is critical to the Australian economy, and I think everyone recognises that now, that women's participation in the workforce is absolutely critical if not at any time in the past it certainly is now. That's because of the massive skill shortages that we still experience across the country but with the added stress now of the credit squeeze and recession happening all around us in terms of other countries.

Women can only really actively participate in the economy - not only as workers and as taxpayers but as consumers, which our prime minister is urging us all

to be over the next few months - they can only do that if they've got money. So we would stress that it is more critical than ever that in the next budget that this scheme is actually put forward as a budget proposal. I think you will be well aware that the whole union movement is actually campaigning around that particular matter. We do not want to watch it slip off the agenda yet again. For a lot of us this is the third campaign we have run over the last 20 years and we think it is long overdue.

These women who currently do not have access to paid parental leave are the very women that we actually want to be able to access paid parental leave when they have their first child, and particularly younger women. It's actually impacting on whether women make a decision to have children. Our birthrate is now also an issue for concern. Certainly we've had an increase in the birthrate since the baby bonus came in. I'm sure that the economists at the moment are still counting on that sort of rate continuing. I don't think it can continue in terms of encouraging women to participate in the workforce unless we have a paid parental leave scheme.

I think the other added stress that should be taken into consideration, and we will certainly be pointing this out to the federal government, is that the current acute shortage of child care also has a massive impact on people's ability to be able to return to work. We now have 1000 child care centres across the country managed by - "managed", I used the term loosely - by ABC Child Care. So we have hundreds of thousands of families at the moment who are really worried about whether they're actually even going to have child care places for their babies and their children after January next year.

So it is - I think that actually gives further impetus as to why there should be a paid parental scheme in the next budget, because this is going to be really critical to people's ability to be able to make a decision (1) about having a baby and whether they are going to continue back in the workforce and exactly how they're going to cope after the six-month period. So if we don't even give them the option of any paid leave, we continue with the baby bonus then we're actually going to have a big crisis occur as soon as people read that sort of - between three and six-month period after they've had the baby. If they can't get a child care place and they're not entitled to any paid parental leave then those women's ability to be able to remain in the workforce is actually at risk.

We have been doing that to those women in those sort of income levels for over 20 years. You will recall that at the last - the last time I gave a submission I brought a case study of a woman who had had four children, had not ever been able to access any type of even unpaid maternity leave to have those four children, yet she had come in and out of the workforce many, many times and she worked way below her skill level because she could never guarantee the sort of child care arrangements and the income she needed to actually bring into that family. Yet women like myself were accessing paid maternity leave 25 years ago. I have a child 25 and a child 22

and I had paid maternity leave of 12 weeks because I worked in the public sector. This sort of inequity and the difference between women who work in the public sector and those that work in the private sector is something that we really should have addressed a very long time ago. If we fail to address it now then we will suffer the economic consequences of not facing up to it.

Look, I support everything that the Queensland Council of Unions has said about keeping an eye on the impact of any universal scheme on existing voluntary schemes. In my submission I have a number of recommendations which actually say that there should be no disadvantage, some sort of no-disadvantage test applied to ensure that women who currently have entitlements do not actually lose those entitlements as a result of a voluntary scheme. This is actually quite important.

If we in fact have the - if employers have the ability to play off - and I grant you that unions have a particular point of view about employer positions. But it is born out of experience and it is born out of decades of bargaining and sitting around the negotiation table. If they can see an advantage and a loophole, they will go in and they will use that advantage. Not all of them, I'll grant you not all of them, but a significant number of them will actually use that advantage to actually downgrade entitlements for certain employees. Unfortunately women have been on the losing end of some of those sort of negotiation trade-offs.

So we think it's actually quite important that workforces and organisations that have worked very hard to bring in family leave arrangements such as the family leave award in Queensland are not disadvantaged as a result of having been more progressive and more supportive and more able to recognise the importance of helping women stay in the workforce.

I would also stress that we had the same difficulty in terms of the wording around when leave could be accessed. It's very helpful to have heard your explanations around that so I won't labour that point. But we have actually given you some other wording that we hope will actually help you get round that particular problem.

We believe that is really critical that women have the option to be able to access leave prior to birth if they currently don't have some other leave that they can access to do that. It's for all the obvious reasons. Some pregnancies are more difficult than others. Some workplaces are unable to provide suitable work for a very pregnant woman. Somebody who is eight months pregnant finds it fairly difficult to do a number of tasks, and some workplaces, even with their best efforts, could not really offer suitable work. A woman should not lose her job or lose pay because she has actually reached that part of her pregnancy. So if she can access some kind of leave - and I think it's about making sure that you build in safeguards and you ask for the right kind of evidence. Traditionally the evidence would be provided by the

woman's doctor that it's not suitable for her to do particular kinds of women at that point. Also, you know, all the obvious ones: premature birth, difficulties where women have to rest in that last month.

We would also stress to you that we think that employers should actually pay a top-up. In circumstances where the universal scheme may only offer the minimum wage we would be campaigning and we certainly do campaign in terms of our bargaining negotiations around employers providing full pay restitution. I will put the position that we think employers do have a responsibility - we actually think it's a social responsibility - to contribute to the workforce and the future development of the workforce. One of the reasons we have the crisis of skills and labour in Australia is that the employers have on the whole not taken a big social responsibility around developing the workforce.

It's about time - some organisations actually stepped up to the plate and accepted that if they actually want to have a vital, vibrant, accessible workforce that they can continue to train then they have to make some contribution towards generating that workforce; and then we wouldn't have the cyclical sort of arguments about whether we import labour or not and at what rate we import labour. If you watch that migrant labour debate, the arguments change depending on whether employers are going to benefit or whether they actually don't wish to actually contribute to the scheme, because it does have a cost factor for them. So why would they contribute to migrant labour schemes yet not contribute to actually encouraging and supporting women who already are in the workforce in Australia to continue their participation and to do it at the level that they are willing to participate?

For many years we have had in agreements and even in awards the capacity for people to convert to part-time work. Historically it has continued to be really difficult for full-time workers to actually negotiate part-time work. What we have seen instead is a reversion to a whole lot of positions becoming casual rather than a full-time job being able to converted into part-time work. This also is an indicator that the lowest common denominator is often sought in those sort of situations. That is again why we are in the crisis that we're in in terms of labour shortages.

There are a lot of women who if they were able to in the past have been able to convert to part-time work - and it's a lot of public sector women, even though it's written into agreements and it's written into a whole lot of other arrangements it's actually still really traditionally difficult for those women to actually negotiate part-time arrangements. Clearly that is why in some areas of the country people have opted to develop a family leave-type award in order to try and bring those sort of conditions forward.

So I guess that's a warning that there are risks where you bring in a scheme which allows some people to actually lower their standards. Unfortunately if you

don't build in protections there will be a push by some employers to actually lower the standard for a whole range of other workers, and that defeats the purpose of what we're all trying to achieve here.

I think that for a lot of the union movement we have - we represent a broad range of workers, some of whom are actually enjoying some of these benefits and some of whom have never been able to access these benefits. So we're often trying to weigh up how we actually come up with a road that assists the lower paid to actually step up without undermining the conditions of those women who have already achieved some of these entitlements. That is actually quite important. It's not just important for the union movement to actually address that but it's important for the whole country to address that, because if you downgrade the entitlements of the women in the public sector then they will make different decisions about whether they're going to come back to work and they may make different decisions about whether they work in Australia or in some other country where they're actually given much better entitlements than they are here.

Now, I think this is a critical issue for young women because of the number of young women that we actually lose leaving the country and going and working elsewhere. I think that young women and young couples will actually make decisions based on what sort of entitlements they can receive here as compared with what they may be able to bargain for in the UK or in South-East Asia.

MR FITZGERALD: Okay. Thanks very much for that. Can I just start, if I might. Your call for a no-disadvantage provision - can I just clarify. In the lead-up to the Territory elections I understand that the Labor Party and now the Stanhope government committed to 18 weeks' parental leave for its public service. If you were to apply a no-disadvantage test - would in fact you acknowledge that that scheme was precipitated on the basis that there would be a mandatory scheme or would you be saying that the new 18 weeks, it's up from 14 weeks, would in fact now be the current position and that everything that came in the mandatory scheme would be over and above that?

In other words, one of the reasons we have not gone for a no-disadvantage test is that we anticipate that most of the current voluntary arrangements will change in character over time once a mandatory scheme is brought into place. It seems that some people are actually moving ahead of that in anticipation that there will be a mandatory scheme. So I was just wondering - your understanding in the ACT, if the Stanhope government does in fact implement its election pledge.

MS SATTLER (UACT): This is why I pointed out the difficulty for people like ourselves in trying to weigh up everyone's needs. As the person who negotiated the ACT agreement on behalf of all the unions, I can tell you that this topic was already in play two years ago when we commenced those negotiations and we were pushing

for increased maternity leave entitlement.

The critical reason why ACT Stanhope government is pushing for increased leave is because of the critical shortage and the inability to recruit into the ACT public sector because of their competition with the federal public sector. So they are looking for any options that will enable them to retain workers and attract new ones. Certainly they are cognisant of the debate that's going on around a universal scheme. But what we're - in our negotiations what we would maintain is that anything that's obtained through bargaining would be in excess of a universal scheme. So whatever groups of workers can actually bargain for more leave under their bargaining arrangements, that's certainly something we're progressing across the country. So we don't want that to disenfranchise other workers who currently have no entitlement but it certainly does create a strata of workers who have more entitlement than others.

MR FITZGERALD: Can I just - a second question, but it's related, is you've indicated your concern that some employers may simply substitute the mandatory scheme for their current arrangements and you would see that as a diminishing of the entitlements that have been won through collective bargaining. But one of the reasons why employers enter into those arrangements, apart from the negotiating processes, is because they see value in it as being the employer of choice.

MS SATTLER (UACT): Absolutely, yes.

MR FITZGERALD: If you introduce the statutory scheme everybody comes up to the same level and then to be an employer of choice you're going to have to maintain additional voluntary arrangements. I suppose we came to a view that the vast majority of employers would not trade down the current arrangements - they may change them in nature - because the whole reason that they've got voluntary arrangements is to be employers of choice - - -

MS SATTLER (UACT): Yes.

MR FITZGERALD: - - - as you've indicated between the ACT public service versus the Commonwealth public service. So why are you so concerned that employers might in fact lower their voluntary commitments, given that there's a positive advantage for them?

MS SATTLER: I think we'd call it experience. Even though we have had a federal government that has abolished AWAs, it's not stopping some employers still offering them out there, so you will always get a percentage of employers who will go in to take the advantage, and look, I admit, they're not the majority by any means, but they can be very large employers.

Industries such as the cleaning industry, such as the textile and footwear

industry, the retail sector, those are areas where this sort of thing has happened in the past to disadvantage lower-paid workers. I mean, look at what happened to low-paid women under WorkChoices. That's just evidence enough I think that some people will choose to do the wrong thing. The majority of employers in Australia generally choose to do the right thing, particularly if they're smart and they'd like to keep a workforce.

MS MacRAE: Could I just come to one of the other issues, which was pre-birth access. One of the reasons that we decided in the draft to make access to any government-funded scheme from birth was to try and get additional weeks post birth, because on the evidence that we could see, it was really the post-birth period where people appeared to be constrained in their behaviour for financial reasons in particular, of not being able to stay home as long as they might have liked, and in particular, under the NES, there's the safe job protections.

Do you have evidence of a couple of things, I guess? One is general evidence around women not taking the pre-birth leave that they might need. Obviously there's access to those that have got it to sick leave and other kinds of leave, pre-birth as well, and do you see that that pre-birth access is really critical, given the safe job protection; at least that's available in the NES and whether or not you've got information about whether or not that sort of safe job protection is available for those workers that are not covered by the NES but other state-based instruments?

MS SATTLER: It's that very group that you just outlined at the end there that the work is not covered by NES that we are probably most concerned about, and that would be those that are covered by state awards, and again, I would support what the QCU said. The whole award modernisation process is very difficult for us to predict at the moment what the outcome for certain groups of workers is going to be. So, in my submission, again, and you'll find it repeated in the ACTU's submission, we do want certain things built into the New Employment Standards to provide that added protection.

I haven't got any direct evidence of women not taking pre-birth leave, except anecdotal, and we think that the reason that a lot of women are not taking pre-birth leave is just the pressure of work in their workplaces. So it's now much more common trend, even in the public sector, for people to be working up to the point of birth, and that's something that I've noticed that's a trend that has developed, particularly over the last five years. So I think there are other factors which are coming into play in terms of that.

Certainly women who are having a difficult birth or actually really genuinely need for medical reasons to take that time, they're probably still attempting to access it through other leave arrangements, unless their instrument actually denotes that their maternity leave must be taken six weeks before and six weeks after or similar to

those. But I'll certainly raise that with the ACTU and see if we can find some data on that.

MR FITZGERALD: Just following up on Angela's question, if one were to acknowledge a need to introduce pre-birth leave specifically, is it your view that the 18 weeks that we've recommended would in fact be able to start pre-birth, or is your submission that there would be an additional period over and above the 18 weeks, which would be able to be taken pre-birth?

MS SATTLER: No. We would have a position that it may be able to be commended pre-birth. Look, I think that that's one of those areas where because the situation is so rapidly changing, and because of pressures in workplaces, women are making a whole range of decisions, which are not necessarily to the benefit of their own health and their baby's health because of work pressures and economic pressures.

So if we can build in in a universal scheme the planks that we've already tried to establish, which is that it is good for maternal and child health that women actually have this time to bond and spend time with each other and breastfeed and do all those things, then we've got to keep that uppermost in our mind basically, to try and ensure that we assist no matter what the circumstances are. So for some women, there will be a real need to access before birth. For others, they may be quite happy to wait until three days before, before they leave work.

MR FITZGERALD: Angela?

MS MacRAE: I think that's all.

MR FITZGERALD: Just one of the notes that you had down but you didn't actually mention in your presentation, you've indicated here that the workforce participation criteria should be broadened to allow applicants to use more than one employer service to achieve eligibility. Of course we do have that in our model. That is the 12 months is with any one or number of employers, except to say that if you haven't been one with employer for more than 12 months, you won't be able to access superannuation. What did you have in mind - - -

MS SATTLER: I'll give you an example that's actually been provided by the Shops Assistants Union, the STA, and they actually state that nationally they have 16,000 women working in the retail sector between the ages of 21 and 45 who have less than 12 months' service and six and a half thousand who would not work more than 10 hours per week. So this is what's happened in terms of that sector and casualisation. So you have a lot of women who may have actually quite a number of years ago been able to access more hours per week. Their hours have not converted from permanent part-time; they've become casual. So it's that very group of women that we are most

concerned about, who may end up missing out altogether again.

MS MacRAE: So it's the hours a week that's the issue there, though, not the employer - - -

MS SATTLER: Well, it could be the length of time. A lot of these women of course have to patch together more than one job. So a lot of these women will work in more than one retail outlet and they'll have different periods of service, and even though they may actually end up with quite a lot of hours of work, they may still be disenfranchised in terms of this entitlement, and that's a concern. We're just trying to give you case studies of the sorts of women who exist out there.

MR FITZGERALD: Sure. That's fine. We'll look forward to reading that because that will be helpful. Obviously one of the issues we're looking at is the eligibility criteria to see whether what we've proposed is appropriate or otherwise as we go forward. Any other questions? Thanks very much for that. That's terrific.

MS SATTLER: Thank you.

MR FITZGERALD: If we could have the National Foundation for Australian Women, that would be terrific. If you could give your name, title and the organisation that you represent and then your opening comments, and we'll have a discussion.

MS COLEMAN: Thank you. My name is Marie Coleman and I represent the National Foundation for Australian Women. I think this submission to you is a little confusing for you perhaps, but I hope not so, in that it represents both the views of the NFAW as an organisation, and also puts together for you some of the issues which have been raised with us in the consultations we've held around the country.

I'd like to stress that I'm hopeful that you are actually getting submissions from many of the organisations who have taken part in those consultations, and in particular, when I address the matter of the situation of indigenous women, the last thing I would want to do would be put myself forward as a spokeswoman for indigenous women. But I'm very anxious that we do convey some of the issues that they've raised with me.

As the preceding presenter has mentioned, this is not a new issue. I was, in the course of preparing some notes, quite enchanted to discover a 1993 paper called the Economic Rationale of an Extension of Paid Maternity Leave by Prof Judith Sloan. I don't know whether you're familiar with it. But it was prepared in 1993 for one of the previous exercises that was an attempt to bring about a national paid maternity leave system. You would not be surprised to know that Prof Sloan referred both to social and equity reasons, but also addressed productivity issues. If you don't have the paper, I'll happily give it to you at the end.

We are very convinced at the moment that it's not appropriate for this matter to again slip off the agenda because of the current economic circumstances. As we've said there in those opening remarks, there seems to us to be an essential validity in terms of the maintenance of policies and programs which aim on increasing workforce participation over lifetime, which are aimed at skilling the workforce and which have regard to enhancing capacity such as through an emphasis on programs which benefit early childhood. We think that the commission's recommendations in the draft report have the potential to greatly enhance infant development and wellbeing with all of the implications of that for future education, socialisation and eventual social participation.

I think we take the view that it is essential that we need to enhance productivity and we need to invest in soft as well as hard infrastructure, and we do need as a nation to invest in policies and programs which will enhance child and maternal development and wellbeing. We're particularly impressed with the evidence which you've adduced in the draft report for providing full parental care of infants under the

age of six months to ensure optimal neurological and health development of the infant. You'll note that there's slightly less conclusive evidence supporting the case for a 12-month period of leave. We think this needs to be taken into account in all public policies on early childhood, and obviously the issue of child-care services gets picked up as far as that is concerned. So we do welcome the draft report, its recommendations, and we commend the proposed scheme to government.

We've come up with a number of subsidiary concerns, which don't mean that they're unimportant, but they're points which have been raised with us in particular. We think that the statement of objectives is extremely important. I note from media reports this morning that some entities are proposing that really, reform of the tax system is all that's necessary, which I guess would be news to the European Union. Most European countries, the Scandinavians in particular, see immense benefit in having a system of paid parental leave.

We generally endorse the workforce attachment eligibility proposals, but we do completely understand the issues which were raised by the preceding speaker about whether increased casualisation is making it difficult for some people to achieve the 10 hours. We also noted the issues around cadetships and traineeships which we'll raise later. We noted from the very welcomed participation by commissioners in several of our consultations that there are thoughts about some kinds of administrative arrangements which might allow for special circumstances and the potential for some kind of appeal process as against decisions. We do welcome the explicit generosity in this proposal in terms of very low income women. These are indeed the people who are most disadvantaged, whose workforce attachment is particularly important for them as a means for getting themselves out of poverty and minimising their dependence on the welfare systems. They of course are the ones who tend to miss out under employer-provided schemes.

We, along with our colleagues in the Human Rights Commission, welcome the emphasis on enhancing and increasing the role of the father or partner in the early years of the child's life and the normalisation of shared parenting and work roles for both partners. We also welcome the proposal that the paid parental leave should be available for fathers, whether or not the mother is workforce attached. We think that's a very sensible contribution. Again, we particularly welcome the proposals for regular reviews. We think that underpins the way forward.

Now, if I might turn briefly to the issue of indigenous women, which has aroused some interest. I was able in Sydney, in Darwin and in Perth to have particular discussions with indigenous women and we have encouraged as vigorously as we can that they make direct contact with the commission. Many indigenous women are not workforce attached. I have a document here which is produced by the West Australian Government Department for Community Development. It's a summary on indigenous women in WA; certainly it's 2006. But they clearly show

that the average household income of indigenous women aged 18 years and over was \$364 a week, around \$200 less than the average income of non-indigenous women; that the numbers of indigenous women in the lowest weekly income groups were much higher; that employed indigenous women were also much more likely to be in the lowest or second-lowest household income groups, and that 62 per cent of indigenous women aged 18 and over were dependent on pensions.

Now, these are the sorts of facts which underpin the critical importance of programs such as an indigenous employment strategy and programs to encourage indigenous women to become skilled and enter the workforce, which in turn highlights the need I think for any program such as a national system of paid parental leave to have regard to some of the issues which the indigenous women have raised. The issue of traineeships and cadetships has been particularly raised. If there is a need for special circumstances arrangements which would allow young indigenous women on cadetships or traineeships which didn't involve them reaching the 10 hours a week average, we think it's critically important that measures be taken to look to that.

We noted that indigenous women who have often been engaged over long periods of time in CDEP programs have no entitlement to any kinds of benefits, which seems to us to be absolutely disgraceful in terms of the contributions that those women are making to their communities. They have raised with me the matter of different cultural values about child-rearing and are particularly interested to see whether or not the primary carer recognised by such a scheme as the commission proposes could be the person who is commonly called an aunty, but an older woman who takes responsibility.

They also pointed out the problem for many of them of cultural requirements to take part in Sorry Business, which tends to diminish the availability of any accrued regular work-related leave. They particularly drew to attention the problems of the increasing use of short-term contracts. Even those women with whom I was speaking in Western Australia, for example, who were public servants were in fact on short-term contracts. They were talking to me extensively about the problems this raised for them in terms of their eligibility for any kind of accrued work-related benefits, as well as whether or not arrangements could be put in hand to make sure that they fitted within the sort of mandatory scheme which is under consideration.

The general approach that we've taken there, then, is to report the views of people. We have noted, as we've gone around the country, that there are extreme levels of anxiety among small employers. Some of those levels of anxiety we think are perhaps about issues which are more apparent than substantial. But we do think that there are distinct issues for some small employers which ought to be addressed in terms of assisting them with the cost of recruiting staff in replacement. We further picked up, after a lot of discussion, the issue of juniors, and in your draft report you

invited comment on whether or not payments for juniors should be pro-rata'd. We explored the trends in relation to births to teenage mothers, and compared those with the rate of growth of maternity allowances, baby bonuses and the like.

It's pretty clear that there is no statistical relationship, and perhaps it's because I was born to a mother who was 19 at the time of her birth I don't have the view that 19-year-olds are necessarily incompetent parents. I note that my mother used to point out to me that it cost just as much to buy baby gear for me as it would have done for somebody who was a few years older.

I don't think it's appropriate or defensible on the basis of the evidence that we've given you that we should be pro-rating junior payments. But we do consider that it's important to look at the eligibility criteria and ensure that we are dealing with genuine workforce attachment, in terms of the eligibility of juniors. We've made some notes about other programs where there are interrelationships, but why don't I stop there.

MR FITZGERALD: Thanks very much, Marie. Thanks for the submission, which is quite detailed. So I might ask Angela to start and then we'll come back.

MS MacRAE: Yes. In relation to the indigenous issues, and we're certainly looking to have a further interaction with them, and I appreciate you're saying you're not a spokesperson for them, but it seems to me that the nub of the concern for indigenous women is that the eligibility rule is potentially difficult for that group. Have you made any suggestions about how we might be able to vary that in a way that isn't going to undermine the more general eligibility rules or, given the relative disadvantage that those groups are facing, is it appropriate that some other scheme or policy might be in place to underpin some sort of arrangements for that group because of the difficulty of melding it into the scheme that we've proposed as a general one?

MS COLEMAN: I'm not quite sure that there's a simple answer to that question, and if there was, I think we'd have found it. So many of these women who appear to be in well-paid jobs, are caught with all the problems that flow from public sector increasingly using short-term contracts, and it would be hard to devise an alternative policy or program without somehow persuading a lot of governments that they need to rethink this practice of employing people on short-term contracts.

I mean, I might say that problem with the short-term contracts is equally true whether one is a teacher's aide in Tasmania or a high school teacher in the ACT. The increasing numbers of agencies which are employing people on short-term contracts is a real problem in terms of their eligibility for accrued entitlements, which are available to people who are permanent employees. I'm not quite sure what the answer is there. Where we're looking at women who are coming through schemes of

particularly cadetships and traineeships, I think there's a need for a specific provision for that. I can't think of any other way of getting around it.

MS MacRAE: Just in relation to the definition of primary carer, that's another issue where initially we had, in looking at the possibilities for a scheme, considered something broader than the pure family unit. I guess in many ways we've tried to keep the scheme as simple as possible with the idea that maybe even over time certain things might be able to be broadened or reviewed once an administrative arrangement was up and running and in place.

It's hard to think of a way of making a specific exception for indigenous families. But on the other hand, if we broadened the eligibility criteria for the general population, that would affect, I guess, both the cost and the general attachment issues that we've tried to address in our scheme. So I guess I'm throwing the hard question to you, but have you thought of a way of potentially addressing that?

MS COLEMAN: We do have a constitutional amendment, which when I voted for it all those years ago, I thought it was about protecting the rights of indigenous people. It never occurred to me that it would be consciously used to overturn the rights of indigenous people, but we'll put that to one side. There is a right. There is a power there to make special provisions, and I am inclined to think that there's some merit in looking at something specific in relation to indigenous people in Australia.

They are certainly among the most disadvantaged sector in our community, and they are the original Australians. It's interesting that in this West Australian document, for example, they show that in remote areas of Western Australia, more than 85 per cent of indigenous women with primary responsibility for children reported access to formal childcare facilities, which is interesting. But they also do have data in here about the extent to which other family members are the primary carers.

MS MacRAE: Yes, weighing that up. Just on a completely separate point, and you did skip over it a little bit at the end, but just if I could draw you out slightly. We're interested in just looking at some of the other policy issues that bear on care of the children and the wellbeing of the children in the first two years, and you've mentioned towards the end of the submission about the importance of child care for school age children, and how important that is for ongoing workplace attachment of women.

MS COLEMAN: Correct, yes.

MS MacRAE: I guess one of the objectives of our scheme is to keep them attached to the workforce.

MS COLEMAN: That's correct.

MS MacRAE: I just wondered if you wanted to elaborate a little bit on that.

MS COLEMAN: Yes. I'd very much like to. Bearing in mind, of course, that with your proposals, we're quite likely to have a woman accessing paid parental leave who may well have a school age child. That's not unknown. We've had a close look at the situation about care for school age children of working parents, for both before and after school programs and for school holiday programs.

In our submission to the House of Representatives Committee on employment and the workforce participation, we have simply described it as a complete failure of policy. There could be harsher words, more vulgar words, but let's say it's a failure of policy. We commissioned in association with a number of other agencies some news polling of use parents made, and we were unsurprised but depressed to realise that the extent to which parents made use of school holiday programs was a function of parental income; that is to say, poorer families couldn't and didn't access formal child-care programs during school holidays.

We found that there was a very high incidence of the use of grandparents or older siblings to provide care during school holidays in particular, and that that is not necessarily always something which people like or feel comfortable about in changing social circumstances. We found that a significant number of women reported that they took leave without pay quite often during school holidays in order to be able to care for their children. So there is an absolute shambles nationally.

If people think there's problems with child care for the nought to fives, they haven't lived until they've tried to find child care for children between, say, six and 14, and many parents are deeply, deeply anxious and perturbed, and it's undoubtedly one of the most significant factors, in my view, alongside access to a paid parental leave scheme, impacting on women's return to the workforce on a full-time basis.

MR FITZGERALD: In your submission, but you didn't refer to it in your comments, you've talked about employer incentives and the concerns that have been expressed by employers, particularly those of small organisations and small business.

MS COLEMAN: Yes.

MR FITZGERALD: I was wondering whether you could just reflect on what approach you think your submission should take in relation to businesses, but particularly small businesses.

MS COLEMAN: Yes. As I've indicated in the document, I think there is merit in

offering a direct cash incentive to very small enterprises, related perhaps to the cost of attracting, recruiting and training a replacement worker for the duration of the employee's leave on paid parental leave. In some cases, that might hardly be necessary in terms of financially, but I think it goes a long way towards overcoming the apprehension that many small employers have. There is also the point that there are certain industries which have a very high likelihood of having more than one woman in this age group wanting to take leave, although it's not standard, but I notice this is from your web site that this has been a point particularly brought up by the Hairdressing Industry of Queensland, I think. Yes. I know, as somebody who goes from time to time to the hairdresser although you wouldn't be able to tell it today, that this is an industry where there's a very high degree of churn.

I know also that when I began to talk about paid parental leave, paid maternity leave, the young woman who was then employed in my hairdressers, but who has since left to go elsewhere and have a baby in between times, assured me that there would be an enormous level of support from young women in the hairdressing industry if there was a national scheme, and that in her view it would do a lot to stop people churning through different employers at the rate that people do. It's important by means of helping employers get over their anxieties about something which is coming in like this.

Employers have also, some of them, expressed anxiety about the costs to them of being the so-called pay master. I heard this from a couple of not-for-profits in Western Australia. So I took the opportunity at the beginning of the week to ask of two organisations in Canberra who are in the not-for-profit sector who would count as SMEs, I think; the YWCA - and I have authority from them to quote their responses to you. The YWCA of Canberra said to me that - she said, "I would say that employers provide a range of these administrative processes as a matter of course; sometimes on behalf of government and sometimes internally." For examples, she calculates and forwards employees tax contributions; she calculates and passes on superannuation contributions of the staff; she calculates and holds back payment for leave such as long service leave. She says as long as there's a simple process for refunds to occur to an employer from government and support through the method of collection, she doesn't think it should be too onerous.

Now, she's certainly - as a young woman who has twins and I think is pregnant again - is very sensitive to an employment situation where there are a number of young women who are having babies. I also got a similar comment from the Canberra Rape Crisis Centre which basically said, "We do it already. You know, it's just not a problem. It's just part of our standard administrative procedure." So I think there are different agencies that have different experiences: some of them are just not seeing it as panic stations; some of them are. I would take the view that part of this is about education and part of this is about offering some kind of modest incentive for the very smaller employers.

MR FITZGERALD: Okay. Thanks for that. In relation to the duration, I notice in your written submission that you've talked about a 24-week paid parental leave as distinct from our eighteen. But you've also indicated I think in the same area that you think it should be able to be taken pre-birth as well as post-birth.

MS COLEMAN (NFAW): Yes.

MR FITZGERALD: If we were to maintain 18 weeks, not 24 weeks, what would your view be about the pre-birth component?

MS COLEMAN (NFAW): I think if you were to maintain 18 weeks, we would reluctantly, as it were, agree that the leave should only be taken from birth. But there was a very interesting range of discussion around this topic with a number of the women's organisations, some of whom have members of sufficient maturity to recollect a period when women were forced out of the workforce at certain periods prior to the birth. We don't want that ever again. But there was felt to be a need to understand that there will be some women who work as casuals who will not have an entitlement very much to any kind of protection, and for whom it would be better in terms of their own health if they had the option of some paid leave immediately prior to birth. It's a vexed question, but there would always be trade-offs, I guess.

MR FITZGERALD: Just in relation to juniors and traineeships and what have you, you've expressed the view fairly strongly today that you don't think there is any justification for them being treated separately, in other words pro rata. Can I just ask, on the political side of that we're looking at this issue as one of many. But some people would say that this is a politically contentious issue, the whole issue around teenage pregnancies and what have you.

MS COLEMAN (NFAW): Yes.

MR FITZGERALD: Now, in truth, Australians are seeing a reduced rate of teenage pregnancy, and it wasn't very high relative to other nations, particularly America where it is much more substantial. But nevertheless even in the consultations we did immediately following the draft release, there were some issues raised about would the scheme provide a perverse incentive for younger workers and so on and so forth. So I'm just wondering whether you've thought about - how does one respond to that?

MS COLEMAN (NFAW): Well, it's like the great myth of the plasma TV, isn't it; the assertion that the increased sales of plasma TVs were directly related to the introduction of the Baby Bonus as a lump sum. Look, I've had a long life of working in human service and in policy about human services. I've been familiar over the decades with working with agencies who are dealing with young women

who have children who are in need of care and protection and so forth. It's been my experience that the people who are the most inadequate mothers - and I don't wish to be prejudicial about them - are also quite likely the people who are least likely to have workforce attachment and to meet the eligibility criteria, quite frankly.

If people are mincing their way around the issue of remote indigenous communities where I would be the first person to agree that I thought the lump sum Baby Bonus was a disaster, I go back to that question about workforce attachment. We're not talking about workforce attachment as something that you avoid. We're talking about emphasising genuine, ongoing workforce attachment and I think it's going to be hideously difficult, given that there are slightly different rates for determining what a junior is between states, to have a situation where a woman of 20 who has a baby and is in a stable relationship doesn't get paid the same rate of parenting allowance as the woman of 21. I just think it's unconscionable.

MR FITZGERALD: My final question: in your consultations, you may have it in your actual submission but the consultations, the issue of women having a second and third child, or six.

MS COLEMAN (NFAW): Yes.

MR FITZGERALD: It's certainly been raised with us, but I was wondering whether you have any thoughts or insights into what has emerged from your consultations as to the way in which that issue should be dealt with, or not dealt with.

MS COLEMAN (NFAW): Well, what emerges from discussions is that people are saying that they have a worry that if somebody has gone back to work, say after the child is six months old, and falls pregnant again in a fairly short space of time, which is not unknown, that it might be quite difficult for that woman to establish the adequate duration of employment between births. They're concerned to see something come up from the commission which addresses that possibility, because obviously people are having second and third babies. I don't think it's appropriate for government policy to be trying to dictate to people how they space them, implicitly rather than expressly.

MR FITZGERALD: No, but therefore could I just ask, as the foundation, do you have a view - we have made an assumption that people should in fact have active workforce participation between births.

MS COLEMAN (NFAW): Yes.

MR FITZGERALD: Because the payment is by nature a work-related payment.

MS COLEMAN (NFAW): That they come back to work, yes.

MR FITZGERALD: Given that if somebody doesn't meet those eligibility criteria, they'd still be entitled to the equivalent of the Baby Bonus and other benefits.

MS COLEMAN (NFAW): Yes.

MR FITZGERALD: Do you have a particular view as to how it should be handled? You don't have to, it's just a question.

MS COLEMAN (NFAW): I'm inclined to want to be relatively sympathetic to the woman who has gone back to work part-time so that perhaps she can continue to breastfeed, and then finds that she is going to not have a full 12 months' spacing between children. I think we need to take some account of that. I was asked last night by somebody whether this might not have a perverse incentive of causing a lot of 40-year-olds to be popping babies out at an untoward rate. But my comment was that there tend to be other factors associated with menopause which tend to put a lid on that.

MR FITZGERALD: Yes, that's true. All right. Angela, do you have any questions?

MS MacCRAE: No, that's fine. Thank you.

MR FITZGERALD: Thank you very much, Marie. We'll now have a rather substantial break until 1.30, when we will recommence, where we have three presentations this afternoon. Thank you very much.

(Luncheon adjournment)

MR FITZGERALD: If you could give your name and organisation you represent, that would be terrific.

MR MOORE (PHAA): Thank you. It's Michael Moore. I'm the Chief Executive Officer of the Public Health Association of Australia Incorporated.

MR FITZGERALD: Fine. Over to you, Michael.

MR MOORE (PHAA): Thanks. To begin, I'd like to say thank you again for the opportunity for further input into this inquiry by the Productivity Commission. I would like to extend apologies for my policy officer who, until a few hours ago, was actually going to be with me, but there has been a mini crisis that she's dealing with so you'll have to put up with just me.

MR FITZGERALD: That's fine.

MR MOORE (PHAA): She does have considerably more knowledge in this area than I do, but she has certainly provided me with a briefing as well. Can I say to start off with, that something quite interesting has happened in the process that we actually have. We respond to these sorts of things on our policy and our policy positions. The policy process for us is a triennial review process. Between the time that we appeared before you last time and when we made our submission, the policy in this area has been reviewed in the normal triennial process and was adopted at our annual general meeting at the end of October. It's particularly interesting to us because you have recommended a longer period for paid maternity leave as one example than we had recommended in the initial instance.

However in the interim - and our policy has taken into account your discussion paper - we have changed to advocating a minimum period of 24 weeks. However our original suggestion was a minimal period of 12 weeks, and we recognise that the commissioner suggested 18. We do think that 18 is a very good first step, but our policy now advocates a longer period than that. There are actually reasons behind that as we development the policy. We believe there is compelling evidence of child and maternal health and welfare benefits from a period of absence from work for the primary caregiver, and by and large that has been the thrust of our argument.

But I think it's also important for us to emphasise that the Public Health Association doesn't just look at maternal and child health; we are actually an organisation that is very focused on equity and we're very focused on the social determinants of health. We believe that one of the most significant social determinants of health - and there are a wide range of them - that has an impact here is the issue of work and working mothers. So we're delighted that the commission is looking at this issue. In our understanding in terms of social determinance of health and what we perceive as a healthier society, even though you're not using that language, we see it coming

through everything that you're doing.

Michael Marmot from the United Kingdom recently spoke at a national conference that we were part of organising. If I can summarise, his reaction was by and large the wealthier you are, the healthier you are; it's pretty well on a straight line, the evidence that he's collected in his work with the World Health Organisation. We believe though that there are ways to tackle those inequities and those differences and that paid maternity leave supported by the community at large is one of the ways to tackle the social determinants of health. So we are delighted to be able to by and large support the discussion paper that has been brought down by the commission.

As I say, we've moved our position from less time than you've suggested to more time than you've suggested, which I'll leave for you to interpret. But we also are very keen to support some of the peripheral areas that you have wrestled with, like same-sex couples and those issues that I think are difficult issues to deal with. However our interpretation is that you have also dealt with those in an equitable way. We still consider that from a direct health perspective that breastfeeding, the evidence is overwhelming of the advantage of breastfeeding, and breastfeeding as the single method of feeding, for the first six months. In as far as paid maternity leave can assist in facilitating that, we think that has very positive health outcomes as well. There is also considerable evidence for exclusive parental care in that first period which fosters the improved developmental outcomes.

In making our submission and reiterating it, we do support the International Labour Organisation's Protection Convention 183 and, as I say, we've now taken the position of 26 weeks for mothers. We still hold our position that it should be capped at average weekly earnings, which is a slight difference from the suggestion in your discussion paper, and that the payment should be a cash benefit equivalent to the income replacement for women on low income support, or at the capped level of average weekly earnings, and that those funds should be derived from the consolidated revenue. The other issue, you've talked about a two and five year review. We've suggested a review period of between 12 and 24 months, so the two-year period is fine. We certainly have no objection of course to a five-year review period.

Those were the main thrusts of the approach that the Public Health Association has taken to the discussion paper, but I'd be delighted to answer any further questions if it was helpful to the commission.

MR FITZGERALD: Good. Well, the obvious question, Michael, is why did you move from 12 to 26?

MR MOORE (PHAA): The way we develop our policies is that we have a series of special interest groups, and in this particular case our special interest group on

women's health and gender health has provided the work here. They have been gathering more and more evidence that the advantages in terms of both maternal health and for child health provides a significant enough reason to increase from that level.

I think there was also three years ago - it's now three and a half years ago - when the original policy was reviewed. In fact our policy was from 2002, then reviewed in 2005 and 2008. In the iteration of 2005 and the 12-week period, it was still at a time when it appeared that it would be highly unlikely that paid maternity leave that was funded in the way we believe it should be through consolidated revenue would be likely to come about and I think what the people at the time were trying to do was find a policy that would be as acceptable as possible.

MR FITZGERALD: One of the differences we've tried to I suppose highlight in the report is that if you believe that parents or families should be able to exclusively care for their child for the first six months, you don't necessarily have to pay for that full period to get to that point. In other words, as you would have seen in our document, we say that paying 18 weeks up to the minimum wage will allow the vast majority, almost all women, to be able to take 26 weeks off.

MR MOORE (PHAA): Yes.

MR FITZGERALD: So when you look at the 26 weeks' paid leave, is your aim to allow women to be able to stay at home for six months or are you seeking a longer period because if you pay for 26 weeks, you get considerably longer than that.

MR MOORE (PHAA): Yes, and in fact we are looking to have women being able to stay at home at 26 weeks. We're also conscious that there are many other demands on public funds and on consolidated revenue and we are very involved in a number of other areas of health and believe there should be a significant increase in the funding of preventative techniques in health, as one example. So where we can take a sensible approach to consolidated revenue, that is what we will be looking for, and our aim is to ensure that women are able to be at home for those six months.

MS MacRAE: I guess the other question that's related to it is the position on average weekly earnings rather than the minimum wage, and again how did you make that assessment?

MR MOORE (PHAA): The assessment is still about equity and attempting to ensure that there is no significant disadvantage for women who choose to have children. So the choice to have children or not have children is not dependent, as so much of it has been in the past, on whether or not they think it's possible to sustain a reasonable living. However, in what we perceive to be an ideal situation, there would be no change to incomes. However, we're also practical about that and

believe that women who are on much higher levels of income have the wherewithal often to be able to manage those issues. So, if you like, the compromise position for us was income and when we discussed the Productivity Commission's report on that, it is fair for us to say that we do believe that the approach you've taken we would consider a very reasonable second strand. So our position still is very clear, that it's average weekly earnings, but we think you should not proceed on that basis.

MS MacRAE: Yes. But did you consider a contribution from business at all or do you consider - well, how would you see that issues?

MR MOORE (PHAA): The Public Health Association from the beginning has considered that consolidated revenue is the appropriate way to go, that this is a community responsibility, rather than an individual business responsibility. We recognise that something in the order of 30 per cent of women are already able to access some form of paid maternity leave and that's a great contribution by business, but we think that businesses make their contribution through their taxation processes and the community, but we see it as a community responsibility rather than an individual business responsibility which would also take us to the issue of superannuation because although we don't deal specifically with that, our general policy thrust is about the consolidated revenue and therefore believe that that should also be an issue for consolidated revenue.

MR FITZGERALD: Can I ask just a broader question which is not contained in your submission or in the points you've given us today: this inquiry, whilst it's focusing on leave is also trying to look at other supports that should be provided to parents of newborn children and we have only very cursorily dealt with that in our report. I was just wondering whether you had a chance since our last discussions to reflect on other initiatives that are needed to support parents of newborn children in that first six to 18-month period over and above just the leave issue.

MR MOORE (PHAA): If my policy officer had come with me, I think I could have been much more helpful in those circumstances and I am aware we have had some discussions in that area but I'm not completely au fait with them. Perhaps we could send you something in writing on that.

MR FITZGERALD: No, that's fine, and we'd be grateful because we're not getting a lot of feedback about those other measures and I'm sure that there are some that should be taken account of. The other thing it raises I suppose is the issue about breastfeeding which we've heard a great deal about and you've restated about the six months of exclusive breastfeeding. One of the issues that has come up in the inquiry I suppose is the issue to which some of the claims around breastfeeding are overstated in relation to part-time work versus full-time; in other words, we've got a number of women that return to work after three months and up to six months and some of those continue to breastfeed and some don't; some people part breastfeed

and part don't. I was just wondering where you believe the evidence is once you get past three months in relation to the need for exclusive breastfeeding versus partial breastfeeding in that three to six-month period.

MR MOORE (PHAA): Our policy still relies on World Health Organisation recommendations that favour the full six months of breastfeeding as the exclusive form of feeding for healthier outcomes for children. That is how we have based our policy. But we wouldn't see it as a direct cut-off sort of thing and for that reason we also recommended that part of the legislation that would facilitate this should also guarantee a woman's right to breastfeed in the workplace and so I think that really touches on the issue of the extent to which a woman is breastfeeding. In our society, clearly this is an issue that is one that we would try to facilitate, but of course it's something that women will make a choice on and we would support first and foremost their right to make that choice.

MR FITZGERALD: Sure. The other question - and again it's not clear from your submission and again you may want to take it on notice - is your view about pre-birth parental leave. As you know, our scheme proposes that it commences at birth.

MR MOORE (PHAA): Yes.

MR FITZGERALD: In order to maximise the period of duration when a parent can be at home with the child after the birth of the child, a number of submissions have indicated that it should start earlier than that. I was wondering whether you had given any consideration to that or not.

MR MOORE (PHAA): There was some consideration given to it but in our change in our policy from the 12 to the 26 weeks, we felt that there was room still available for other forms of leave for parents prior to the birth of the child and that's why we remained silent on that. But we still believe that 18 weeks is perfectly reasonable, 26 is our preference, but there is room for other leave to deal with that sort of issue.

MR FITZGERALD: Good. Angela, any other questions?

MS MacRAE: No, thanks.

MR FITZGERALD: All right, well, thanks very much for that, Michael.

MR MOORE (PHAA): My pleasure.

MR FITZGERALD: I'm pleased that we have got your updated position now. That's great.

MR MOORE (PHAA): Thank you. I have attached the upgraded policy.

MS MacRAE: Yes.

MR FITZGERALD: Yes. That's terrific. Good, thank you very much.

MR FITZGERALD: Do we have Sarah McFarland here with us? Great. Sarah, if you could just give your name and if you are representing any organisation, that would be terrific.

MS McFARLAND: My name is Sarah Faith Ms McFarland and I'm just representing myself.

MR FITZGERALD: A very important person. If you can just give us your introductory comments and then we can have a discussion.

MS McFARLAND: Yes, my comments, I'm current pregnant at the moment, looking at going on maternity leave in April next year. My current options are I with the department of finance and we get 12 weeks' full pay maternity leave. I'm actually taking that at half pay and doubling the time, taking 24 weeks' leave and then taking my annual leave on top of that, giving me approximately seven months off.

I guess my concerns are - I mean, I don't know if this will be available when I do go on maternity leave - just how it would affect maternity leave conditions as they stand now and I guess I was sort of looking at it from the perspective if it is going to run with current maternity provisions as a top-up almost or if it's going to completely overrule it and therefore the 18-week leave will be all that's available to new mums. That was sort of my first comment about it, sort of on the understanding, yes, I'm a lucky position that I am getting maternity leave and not a lot of people do, but I'm still concerned. I'm the primary breadwinner in my family, if I lose my income it's very detrimental to me and my partner.

MR FITZGERALD: We can clarify the first point. I very much doubt whether this scheme will be in by the time you have your child. At the moment people are concerned that it may be deferred for a long time. Hopefully, that's not the case. But your second point, just in terms of your own arrangements - with the Australian government in particular, I'm sure that they are going to be renegotiating parental leave arrangements - in light of any scheme that the government might endorse, what the shape of that would look like I have very little idea at this stage. But the unions are certainly asking that any mandatory scheme be additional to any currently-existing scheme. Whether or not that's what occurs, I'm not sure at this stage. As you say, you have got 12 weeks' leave and you're taking it at half pay.

MS McFARLAND: Yes.

MS MacRAE: I guess the other thing, just to round that out a bit, is that we have proposed that where people have existing leave entitlements that they could take them before or after any government scheme, if our scheme was adopted, but that it must be commenced within six months of the birth. Now, if you have got 24 weeks

effectively, if you're taking it at half pay, if you had other leave to take, then, to get within the six months, you might need to take then the government-funded leave next and then take your annual leave after that, so those sorts of mixing or different ways of taking your leave. We have tried not to be prescriptive about that, but we appreciate that the six-month cut-off might create a problem for some people and so that's certainly an issue we are looking at for the final.

Whether or not that six months is either too short or whether concurrent leave, it wouldn't matter if people took concurrent leave, that would be another way of dealing with that issue. But we certainly wouldn't expect that anyone would be worse off. It's not like we would think that if the government was to put in a minimum wage sort of scheme for 18 weeks they'd say "Well, we're just going to replace that now with the 12 weeks' full pay we were giving you previously."

Generally, from the evidence we have got, and it is limited, most voluntary arrangements - for example, in New Zealand when they introduced a government-funded sort of for their parental leave the voluntary arrangements they had in place they're pretty much as they were, and most of the governments that we have spoken to, either state of Commonwealth, have advised us that one of the reasons that they have got this parental leave entitlement is to ensure that they are competitive in the marketplace for workers.

If they want to keep that relative competitiveness they're going to have to keep some level of sort of family-friendly policy even if they were to substitute out some of the paid leave for some other family-friendly policy or some other aspect of a package that would be just as attractive to their employees. So I guess in terms of the outcome that we'd expect, we would think that the package of benefits that are available to employees would be largely the same as they're getting now but the form they might take could vary. But we certainly wouldn't expect that anyone would be worse off, in terms of, you know, going backwards, in terms of dollars in their package.

MS McFARLAND: I guess my concern was if it was cut to the 18 weeks I'd be taking less than my 24 weeks, I'd have to go back to work after that 18 weeks, you know, despite my annual leave, I'd be able to top up with that, but I think it's only four weeks, at that time. But then I think in the draft report you said the baby bonus will then be taken away with this new scheme coming in. So currently I've got 24 weeks plus the baby bonus and my annual leave, it gives me a longer period that I can take off to spend with the baby.

MS MacRAE: I was just going to say, the other thing about our scheme is that it's optional. So if you chose not to take the paid leave you would still get the baby bonus.

MS McFARLAND: Okay.

MS MacRAE: So you only lose the baby bonus if you take the paid leave. In general, we would expect that most people that are entitled to it would choose to take it because they'll be better off doing that. But there will be some instances we're aware of where that won't be the case, and there may be some special circumstances that we're not fully familiar with that would mean that some people would choose to take that. But you can't be any worse off, in terms of the current welfare entitlements would remain unchanged if you chose not to take the paid leave.

MS McFARLAND: Yes. Okay.

MR FITZGERALD: If I can just ask you a couple of questions. When you've thought about the seven months, what period of time would you have desired to take off?

MS McFARLAND: A year.

MR FITZGERALD: 18 months.

MS MacRAE: No, a year I think.

MS McFARLAND: A year. 12 months off was my optimal.

MR FITZGERALD: 12 months. On what basis did you sort of form that view?

MS McFARLAND: Mainly just bonding, breastfeeding. I wanted to breastfeed for two years - well, up to two years, depending on how I obviously go, to start. Just spending time. It's my first child. I mean, you know, everyone says it's different and when you start your maternity leave that could change, but I sort of don't want my child not to have me around. My partner may or may not be at home when the baby comes. At the moment he is not working, so he might be a stay-at-home dad. But I guess it's more emotional based in my reasoning than any other sort of substantive reasons. But, given our financial position, I'll have to return to work, yes.

MR FITZGERALD: When you return to work, how do you expect the child to be cared for? I mean, you've said that your partner may or may not be in work at the time, but let's assume he was, what sort of decision processes have you gone through in thinking about that.

MS McFARLAND: I have looked into child care. The finance department has its own child care within finance. Also grandparents are always helpful; both families, both his parents and my parents, are retired. I was also not thinking of returning full-time. I was thinking of returning on a three-day-a-week basis. Just having that

seven months off and then returning to full-time work I didn't see as an option. I have watched the show I think that was running on SBS about separation anxiety with children and issues going to controlling their emotions from womb to basically when they're born, and I didn't want separation anxiety.

I'm the breastfeeder, the baby is going to have a lot more time with me than with its father. I sort of want to give my child the best emotional start in life. I don't want separation anxiety starting, I don't want depression or anything like that, and I can prevent that at an early age - I don't know the research into it - that's the main reason. So yes, three days a week; probably one day with grandparents, two days in child care.

MR FITZGERALD: With, given that you're a government employee, the terms offer, maternity leave are reasonable currently, by general standards, how do you perceive the atmosphere within government and your employer in relation to women having children? Without making comments about the actual department itself, is it broadly a work-friendly environment and do you feel supported in both your pregnancy and what is to come, do you think?

MS McFARLAND: Initially, no. My direct supervisor wasn't too happy about the idea. But our director was very happy; he's supportive on any choices I make. But initially there was a bit of fear there. I haven't been working there for 12 months; I'm 12 months in January so there was a fear about what would happen, telling them that I was pregnant, but it ended up going pretty smoothly. They're generally supportive. They want to get me back as soon as possible. I don't think they want - I've got the general opinion they don't want to lose me and they don't want to lose me for a very long period of time. But they've also made it clear that it's my choice. But they're - yes, I think people tread around it very lightly.

MS MacRAE: Under the current arrangements you were looking to take seven months' leave, but ideally you would take 12. If a scheme such as the one we're proposing was to come in and you didn't have any change to your existing entitlements, so you were looking at an additional 18 weeks potentially if you took it at the minimum wage, do you think that would change your leave period by as much as 18 weeks or more or less than that?

MS McFARLAND: Yes. Well, I worked it out, if this was to top-up what I currently have, I'd have my 24 weeks that I would take, which I think is just under the six month mark of when I've got to start the 18 weeks under your draft report, so that would give me, I think it works out to be 42 weeks. If I then took my annual leave on top of that, I've got about - I think it works out to be about 50 weeks. I'd also be taking annual leave at half pay. So that would give me basically my year off. So yes, it would change what I would do.

MS MacRAE: Okay.

MR FITZGERALD: On the return to work, you mentioned you were thinking of going back part-time. One of the things that's come through this inquiry is that if people are provided with a reasonable amount of maternity or parental leave, then the issues become around the return-to-work conditions and all those sorts of things. When you've looked at that in your own work environment, how flexible are they to meet your needs? I mean, it's months away, but when you look forward.

MS McFARLAND: Finance has a work/life balance policy, especially with people with kids, with having casual/part-time work for its employees - you know, work three, four days - considering the person's needs. So they have that policy in place. My hope is that when I do return that that's sort of enforced and I get my options of, I want to work three days not five, or I want to work five hours a day instead of seven and a half. I'm not sure how that's going to go. I have discussed it with my branch manager, how much time I want to take, and also what's going to happen when I come back. I think that there's a lot of travel involved in my position. I think they would like to have me back on a full-time basis or at least four days a week, but I think that will be something that will be negotiated more come the time when I'm going to come back. I think they're expecting that I might not come back at all.

MR FITZGERALD: Well, it will be interesting times. Have you got any other points you would like to make, Sarah?

MS McFARLAND: No, I think that was - - -

MR FITZGERALD: We have plenty of time. We're running ahead of ourselves.

MS McFARLAND: I could make a comment on one of the questions you asked before about leave before.

MS MacRAE: Yes.

MS McFARLAND: Yes. I think that would be helpful. Currently - well, you know, the leave I've got is the 12 weeks. If I take two weeks off before I give birth, I've got 10 weeks now left with baby. So it makes it - for me, making the decision, I'm trying to push my dates to go on my maternity leave up as far as possible. But Finance also has a policy that you have to take leave four weeks before you give birth, but that's four weeks of my maternity leave I'm losing that I want to spend with baby rather than sitting at home waiting for baby to come.

MS MacRAE: You hope.

MS McFARLAND: Yes. So I mean, I'm getting a doctor's certificate to say that I

can work up as far as - well, I'm pushing to get a doctor's certificate to let me work about two weeks prior to the birth, but I think any time you can give a mum before a baby comes just to do the running around even, to get things set up would be helpful.

MR FITZGERALD: Sure. So just to clarify that, in your work environment you have to take four weeks prior to birth.

MS McFARLAND: Four weeks prior to the baby is born.

MR FITZGERALD: Unless you have a medical certificate that says that you can remain in that work.

MS McFARLAND: Yes.

MR FITZGERALD: All right. What's the experience - although you've only been with the organisation a short time, what do most women who are pregnant do in terms of that period of time before birth? Do they take the full four weeks?

MS McFARLAND: I've been given conflicting views on that. One lady who is my mentor advised that, "You should take as much time off before baby comes as possible." She said it's baby comes and then everything changes. She said it's good to have that time just even to set up the nursery, relax, actually take time off work and have that break. Another lady I spoke to, she worked right up like I want to, to two weeks before the birth and ended up only having a week off and the baby was a week early. So there are conflicting views about it, but people seem to do what they feel is best. I think before I was pregnant I was of the view that I'd work right up to the day it was born, but I was a bit more, I guess, career focused at that point rather than family oriented.

MR FITZGERALD: All right. Thanks very much for presenting, Sarah.

MS McFARLAND: Thank you.

MR FITZGERALD: Our next participant is not here yet and they're not due for a little while, so we'll just pause until they're here. They're due at 2.30 but they may come a little bit earlier. Thanks very much.

MR FITZGERALD: If you could give your names and any organisations you represent, just for the record, and then over to you.

MR HIGGINS (ANU): Tim Higgins, I'm at ANU.

PROF CHAPMAN (ANU): Bruce Chapman, I'm at ANU too. Thanks very much for the opportunity to come back and talk further. We've done some additional modelling. I think one way in which, with your agreement, we might go through this is to have Tim present the modelling. The modelling matters a lot because some part of your concerns with the suggested optional top-up income contingent loan come down to the possibility of adverse selection and the possibility of large government costs. That might be because we, for illustrative purposes, chose 26 per child. It doesn't have to be that; it could be one second or two years, it doesn't matter. We just wanted to illustrate it. So Tim has done that modelling and I think that will set the scene for a more informed discussion about some of your concerns. After Tim does that, perhaps I could just go through what we think are your concerns and our response to them and have a conversation about that.

MR FITZGERALD: Sure.

PROF CHAPMAN (ANU): I'll just pass over to Tim for some more data.

MR HIGGINS (ANU): Thanks, Bruce. First of all, there's a few levels here and I'm not going to be saying anything that isn't in the extra submission that we've provided in any case, but I just want to emphasise some of the points. The first is, as you would well be aware, the original submission was based on 26 weeks. For illustration, if we considered a 10-week period, well, then of course the amount of loans that have dropped substantially for a single child, \$5,500; 11,000 for two children. Table 1 on page 5 of the extra submission has subsidies associated with a 10-week ICL period and the assumptions that we've used here, besides the 10 weeks as opposed to 26 weeks, are the same as those in the original submission as well. So you can compare those numbers directly. The main point to take out of that is, in all of the scenarios considered there, the subsidies are negative with the exception of a single parent working part-time on the lowest income quartile.

Now, another point that I want to make that I emphasise there - and we emphasise in I think page 1 of this submission - is that just because they're negative subsidies doesn't mean that it would necessarily be unattractive for an individual or a parent to take it up. The negative subsidy is an indication of cost to government or those subsidies as presented are an indication of cost to government, not a cost to an individual. To produce those subsidies, we discounted the government's effective cost of capital or the risk-free discount rate. When a parent is assessing whether this scheme is financial attractive, they would have to base it on their own cost of debt

financing, whereas a negative number here might at first impression appear to indicate adverse selection or indicate a version for an individual participating, that is not necessarily the case and indeed given the cost of debt that new parents face, personal loans, secured and unsecured are over 10 per cent nowadays, mortgage interest rates 7 or 8 per cent, either way, they're above the 5 and a half per cent discount that we've assumed.

So as I say in the submission, instead, to determine whether a parent would benefit financially, we should be comparing the repayments of the repayment with those they would otherwise face through the private sector, in the event that private sector loans were available, and of course there's the other issue that private sector loans may not be available in these circumstances. One point that I wanted to make through all of this is that a scheme that's appropriately designed could be beneficial or attractive both to government in the form of negative subsidies but also to parents.

Following on from table 1, we wanted, as Bruce mentioned, to present some aggregate results, very back-of-the-envelope type things which you can appreciate is all we can do at this stage. We did that by taking a very conservative approach. Bruce will argue against there being large adverse selection effects in this particular scheme, but putting that aside, assuming that indeed there even were adverse selection effects, the back-of-the-envelope aggregate modelling that we've done would suggest that the aggregate subsidy and the scheme costs are still very manageable and negligible, even under some extreme circumstances.

So to illustrate that, we assumed that 50 per cent of all take-up was by single parents and according to ABS statistics, about 15 per cent of the population with nought to two-year-olds are single parents. So in contrast to 15 per cent, if we assume that 50 per cent of single parents took it up and next assume that 50 per cent of those single parents were on the lowest income quartile as opposed to the actual distribution of income, and under a number of other tenable assumptions - and we put those in the footnote - even under those extreme circumstances of adverse selection, the total aggregate subsidy is positive but it's a small positive, 4.9 per cent.

Just to put that in number terms or to put that in dollar terms, I should say, the next paragraph - this is near the top of page 6 - outlines what that cost would mean in dollar terms, depending on one potential take-up, the take-up being 78,000 parents taking it up. If that was the case and if it was 10 weeks at five and a half thousand dollars a child, the total outlay might be about half a billion dollars, but the cost would only be around 21 million, assuming that subsidy came to the fore. So that's what I wanted to emphasise.

The other point to make is that under the assumptions of no adverse selection, if there was no adverse selection, if the population that took up the scheme was consistent with the demographic make-up of the population, it would lead to an

aggregate subsidy closer to minus 8 per cent. Again, that wouldn't necessarily mean no interest from the population because that minus 8 per cent is from the perspective of the cost to government, not the cost to an individual. I will pass back to Bruce.

PROF CHAPMAN (ANU): I think the critical point is that we've chosen the most very extreme assumptions here, half the take-up with single parents and all the people who take up are in the bottom 50 per cent of the income distribution. So that pretty much loads the dice up against finding negligible costs, and my guess is that if this scheme happened, the actual outcome will be somewhere in between there and someone between a random distribution of new parents.

New parents with relatively high incomes are more likely to have access to other forms of paid paternity leave, paid maternity leave in particular, so if the story turns out to be about in the middle - and I'm guessing - the costs are close to nothing, slightly positive. You think: why is that? How can a government actually have a system whereby it puts out loans with a surcharge which, if the money is paid back quickly, it actually doesn't cost the government anything. They can make a bit of money. The critical point is that people are liquidity constrained, not all of them, but a significant minority of new parents will not have access to bank loans. It's a classic capital market failure. They have disrupted their lifetime earning streams. There's an asymmetric information problem with the banks. This will not work unless you've got assets such as the extension of a mortgage.

So I think the bottom line here is with the lower level of weeks chosen at 10 and even with fairly hostile assumptions for the modelling, this is not costly. If you wanted to respond to that, that would be good, but if you don't want to respond to that, that will be good.

MR FITZGERALD: No, if you just keep going through, then we'll come back.

PROF CHAPMAN (ANU): Okay.

MS MacRAE: Sorry, perhaps I could just say one thing at that point just so I'm clear about what you are proposing. I understand the point you've just made about cost. Just in relation to the key point though about the liquidity constraint you've just talked about there, it seems to me there's a fundamental difference if you're talking about this scheme as a top-up to a government scheme such as we've proposed that might look after a lot of that liquidity constraint or one that's a stand alone, so do you have a preference for looking at this as a stand-alone versus a top-up or - - -

PROF CHAPMAN (ANU): No, we never have.

MS MacRAE: Okay.

PROF CHAPMAN (ANU): In the submission we've said right up-front maybe the first sentence or in the - - -

MS MacRAE: No, I know in your first - I just wanted to check you hadn't had a change of view on that since.

PROF CHAPMAN (ANU): No, we haven't changed anything about that at all.

MS MacRAE: No, okay.

PROF CHAPMAN (ANU): This was only a top-up. It was only optional. It was only on top of the 18 or 20 weeks, what we ended up coming up with.

MS MacRAE: So just in relation to that liquidity constraint then, do you take the point that the government will have looked after a lot of that in terms of its provision for a lot of those families that are facing a liquidity constraint - - -

PROF CHAPMAN (ANU): It's looked after some of it. It's looked after 18 or perhaps 20 weeks. But there's a significant proportion of people who report going back to work sooner than they expect because of financial reasons. I'd expect that when you're talking about five months here, basically the 20 weeks, there will be a proportion of people who would prefer more. So I don't think that once they've got - this is a guess - the 20 weeks, they say, "Fantastic, now it's time to go back to work straightaway," and by the way, they won't have an option in general for financial reasons without this kind of top-up, but there will be a proportion of people who would prefer longer - - -

MR FITZGERALD: But one of the problems there, I guess, taking that point, is that I do remember your first submission and the discussion we had where you were very explicit that once government had established the level of commitment it wanted to make, then this is over and above that. But to establish a scheme which is sponsored by government, you have to be making some considered view as to what the objective would be. The fact that some people would want more is true, but does that justify the establishment of a scheme over and above the minimum scheme that we've already got?

Just to explain that, we would have thought that the scheme we've got, together with the current behavioural patterns and the current voluntary arrangements, all of which go together, we actually get to a point which meets most of our objectives, that is, the capacity of just about everybody to be able to stay at home for six months. Some people will argue the 18 weeks doesn't get you there, some will say it's enough. But if you're looking at an additional government scheme over and above that statutory scheme, you'd have to be making some assumption that there's a need for that to occur because there are costs associated with just the establishment of a

new scheme for what is a very narrow social policy area.

MR HIGGINS (ANU): One of my quick responses is that although there obviously is some sort of establishment cost and an administrative cost, under many of the modelling scenarios that we've considered, there would be a total negative aggregate subsidy and that cost as well as the repayment cost and the opportunity cost to government, some of that administrative cost, and indeed, if the scheme is designed appropriately, the total cost, can be recouped, so the total scheme could be cost-neutral. If it is designed appropriately, in which case there isn't really an argument against it.

PROF CHAPMAN (ANU): Can I also add that your language is essentially from mainstream economics. What is the role of government? If you think there's a certainly an optimal level of the provision something or other, let's call it parental leave, and you think you've got less than you want, then the government subsidy is there, you hope, equated to the marginal value of that social activity; and then you stop, you say this market now is fixed up. This top-up income contingent loan is not about subsidies, it's not even about externalities; it is essentially about choice. It is basically saying you need government intervention because of the market failure here, the government intervention can take the form of a grant, you've provided, or I expect that in the end you'll provide the arguments for a grant.

If in addition there is an existing market failure - that is, the commercial sector does not cope with this and doesn't want to get involved in this - then we're offering a choice. So the critical distinction, and I don't we made it clearly enough in our submission, is between subsidies on the grounds on there being externalities that should be subsidised, that's one way of thinking about what you've done, this is in addition, it's government intervention because of the market failure, government intervention with or without subsidy.

You could have a HECS system where students repay absolutely everything, there's no subsidy, you'd still want it, and the reason you'd want it is this market does not work and so people are not allowed free choice to borrow from a bank, as I think we made clear, and I think Joshua Gans made it even more clear, and that's the point about this as a optional add-on. It's not about a traditional form of government involvement in terms of getting markets right through the provision of subsidy.

MS MacRAE: In that instance then, if we're saying there's a liquidity constraint here, which is the key concern that we still have over and above the government-supplied scheme, however we put it, you would always be then - or, if I understand what you're saying, anywhere there's a market failure we might want a HECS type arrangement. I'm kind of wondering what makes parental leave special to have this arrangement compared to other areas where there might be market failures? We are actually looking at relatively short period of time, potentially.

MR HIGGINS (ANU): Yes. Well, let's take you wanting to buy a Porsche. So you go to the bank and you say you've got a steady income stream. Does the bank want to give you the money for the Porsche? Probably they do, because they have got the Porsche; it's like a mortgage. So long as you've got a fairly secure income stream then there's no need for an income-contingent loan so long as you've got certainty. The critical point is that if people come from a position where they have injected uncertainty into their future income stream, for example by taking leave - that is, by one parent, even two parents for a short period, taking time off work - you don't know if they're going to go back and you particularly don't know with people who have come from fairly low-income situations what their future plans are going to be, whether or not they will come back.

That's a fundamental asymmetric information problem. That's why the banks won't help. They'll help some people, no problem, ones with mortgages, ones that have extended mortgages, ones with very secure high income positions, particularly, say, in the case of the maternity leave, a woman coming from a professional area where she has been there for a while, "That looks pretty safe, that looks pretty secure". but for other people the signal to the bank is that "You've disrupted your income stream. We don't know what is going on into the future. We probably want to make the debt of the parent taking the leave," the asymmetric information, the lack of collateral, that's a classic case.

MS MacRAE: I guess the other issue in relation to HECS-type arrangements is that there's an expectation I guess that people going into education to build up the human capital and you would expect that in the majority of cases - obviously there will be exceptions, in the majority of cases you're building human capital, so you are going to go in and you are going to return to a high-income earning position. That sort of nexus doesn't really apply in this case; we're not looking at building of any sort of capital, there's not a house or I guess a bit of concrete capital or human capital that's related to this scheme, and so that's another area where I guess your point is that even with that, if you design it, you can still keep the costs low enough that that shouldn't be a concern.

MR HIGGINS (ANU): Yes, well, I mean, there is social capital here. Presumably, if people want paid maternity or paternity leave it's because of family relations and it's because of those kind of private benefits. They don't build up working capital that you can tax, except in what happens to the child eventually. I don't think we want paid child leave where the child actually contracts to repay through the income tax system.

But it doesn't really matter that it's not increasing earnings capacity, it's an intervention because of a market failure, and one of the reasons that HECS kind of works okay is because people do go on, on average, to have high incomes, and that's

why you want a relatively high threshold, to protect the ones underneath, that's the 42,000. When it was originally designed it was even higher than that. But in this case, because people aren't actually building up human capital to sell in the marketplace, you needed a lower threshold, and that's why thresholds are low, in part to deal with the adverse selection as well, and on top of that of course that's why the rates of collection are low as well.

MS MacRAE: I guess one of the other main aspects of the proposals that we have is that to get the payment from the government you actually have to take the leave. Now, there's nothing contingent about requiring a leave period, is there, in your arrangement? You're not saying, "We're giving you the money but it's going to be reliant on you having to take a period of leave," because it strikes me that that's a very big difference between a government subsidy that's a direct handout, as we're proposing, compared to earning cum contingent loan.

MR HIGGINS (ANU): I don't know why you couldn't make it conditional on that. What is the problem? I mean, it would seem to me that one of your criticisms was that people may not be using this money for leave. Well, if I understand that as a dead-weight loss issue, there'll be some people who will take the leave anyway. If you're giving them 18 weeks, which I think is a fine thing to do, then you've got the potential dead-weight loss. "I was going to take 18 weeks anyway and I was going to live off savings or I was going to somehow work this through, and now the government through the Productivity Commission, is giving me the 18 weeks." You've got exactly the same issue.

That dead-weight loss means there's no behavioural consequence, which may be true with what we're doing, and I don't know enough about the way you've organised your 18 weeks, but I don't see any issue with, if you want to, to make it contingent. But the other point is, let's say that they were going to stay out for 16 weeks and you give them your 18 or the government's possible 18, plus another eight, and they say, "Thanks very much for the extra eight. We were going to stay out anyway." What is the issue? Because you can get the money back.

If you designed this in a way which is heavily subsidised, no real rate of interest for example or you didn't have sufficient attention to adverse selection and the collection issues or you hadn't had a lot of modelling on the design parameters of that, I don't see why it would matter. Policing it would be really difficult, but even so I think the bottom line is why would you consider this to be problematic, particularly if you choose just to have a low level of the top-up.

MS MacRAE: I guess in terms of the population, for modelling purposes, you've sort of taken sectors of the distribution of income, just to sort of crunch some numbers, but in terms of the behavioural response, what do you think the actual real world impacts might be in terms of take-up, who would take it and why? I mean, do

you see, for example, that there might be an aversion to debt among some people that it might actually help the most, I suppose?

MR HIGGINS (ANU): Two things there. The first is because we weren't able to come up with some firm numbers on what the behavioural response was, we took the extreme case to the modelling. The second thing is we're dealing with such small amounts of money really. Now, I know that's a relative term, but five and a half thousand dollars for a single child isn't too different from the baby bonus now and it's an amount - I don't have any numbers to back this up, but I can't conceive of it having a huge behavioural effect on a large number of people, in terms of their decision to return to the workforce, given what average weekly earnings are.

PROF CHAPMAN (ANU): Can I just say something about debt aversion? Normal debts can be very risky; the bank does not take into account your circumstances. Capacity of pay is not relevant to a bank loan. So having a mortgage when you come from a poor circumstance or having a mortgage-type repayment loan, and then you're hit with bad luck, loss of job, illness, accident or whatever, the bank is still going to want the money back for a normal bank loan. So I can completely understand debt aversion for mortgage-type debts.

In some examples in which I've looked at in higher education, we have mortgage-type bank debts for individual graduates who end up paying 50 per cent of their income for the debt. It cannot be the case with an income contingent loan, because designed properly, there's no issue of default. If it's designed properly, there is real consumption smoothing. In other words, when your income is slow, you don't pay. It's all right for people to say, "Yeah, but that's just right in theory." Is it the way people think? Well, I don't know how people think because you don't know how I think. But look at the data.

There's been a huge amount of work done on the student demand coming into the higher education system with a zero charge which went up in current dollars to \$4000 straightaway, no planning, with an income contingent loan. The theory predicted that there would not be a response. That's kind of what happened, and when the debts were increased, they were almost doubled, and in present value terms, nearly more than doubled in 1997.

That's when I expected to find something. There was nothing there. So debt aversion, I think, is a concept that makes a lot of sense with normal loans. I think it's aversion to capacity to pay or the incapacity to pay that's the critical point, and if people understand that you don't pay anything till you're at 27,000. Even at 27,000, which is pretty low, it costs you \$10 a week, and if you fall under the 27,000, once again, you don't pay.

MS MacRAE: Did you have any other opening things you wanted to say? Sorry.

I've just got a couple of other general things. Did you want to say more to start with? Sorry. We've sort of gone off - - -

MR FITZGERALD: Did you want to go through some of these points and then we'll come back and have some further discussion.

MR HIGGINS: We've probably covered quite a few of them in general discussion.

PROF CHAPMAN: We have touched on a lot. Let's just go through them. We may have misinterpreted what you meant, and so this is a chance for you to correct our misunderstandings if we have them. The first point was that the disincentives may be disincentives to exceed the income threshold, reducing the incentives to work. Maybe that's right but Kim and I spent a huge amount of time - we maybe didn't get it right - worrying about issues of adverse selection and moral hazard.

This is your classic moral hazard. But remember that this is the debt of both parents, and remember that this is a permanent debt. So the idea that in the situation of a couple of them deciding both not returning to work to earn more than 27,000, to avoid the repayment of \$10.36 a week is kind of empirically not credible. Can I say that politely? Secondly, that's the second point I've just made basically. The empirical magnitude of this is really small. Both parents decide, "We're not going to work to earn over 27,000 for the rest of our lives because we've got this debt of 5000." We're talking about upwards of \$600,000 that they've avoiding.

So if you want to comment on that, that's fine, but let me just complete this by saying one thing we didn't provide before was some evidence on bunching, and this is work I've done with Andrew Lee. Because when you think about the HECS system, it's really very strangely designed and it's critical to your point about whether or not there is aversion or behavioural consequences once people reach the first threshold. So if you earn \$41,999, the extra dollar you then pay \$1600 work of HECS debt. If you don't think about this properly, that's an effective marginal tax rate of about 76,000 per cent. So would you expect to find bunching there? We expected to find a lot of bunching. The effective marginal tax rate is not that big because you have to repay it at some point.

So Andrew, who is a very persuasive character, got a whole lot of data on HECS debtors from the Tax Office and we investigated econometrically the extent of bunching below the 42,000 and it's there, it's statistically significant. Its economic size is really tiny. The reason is it's kind of hard to bunch. The reason I bring this up is that in a case where you've got a very strong behavioural incentive to do something avoid paying an income-contingent loan we find close to nothing. I guess the final point is that if you're worried about this, potential moral hazard effects, then I would think a sensible thing to do if you've not got other major concerns with the scheme, would be to start small. Start at six weeks. Let there be close monitoring of it and

seeing what happens. I would be astounded if you found important behavioural effects.

But there is a way of dealing with this and I guess we were kind of disappointed that if you were sceptical about the scheme there were a couple of reactions. One is to say, "We're sceptical and so we want it to go away," which is what you said. Another reaction would be to say, "We're sceptical for these reasons and we want to have a further discussion and we want some more modelling," you could have asked us to do it - in fact we did it without being asked - or you could have said to government, "Look, we don't know about this. It's kind of strange and people don't normally think like this." So we would like to recommend that the government considers it rather to close it off. That was a disappointment. Do you want to respond to that?

MR FITZGERALD: Only the last part and then Angela might respond. The whole purpose of the draft is to in fact allow that to take place in relation to the various models that have been put forward. As you know, there is at least four different models for funding this arrangement that have been put forward. So we take the view that the draft presents both your submissions, our commentary or critique of it and then we can have a further dialogue. So this process that you're engaged in today is exactly what we would see as enabling that. That's as true with the Perry model, it's true with a number of the other models that have been put forward, all of whom will be disappointed with our treatment, I might, say because we didn't accept any of those.

So you are but one of a number who would be disappointed with our treatment. What we are keen to do is exactly this process and say, "Why are you disappointed? Where have we got it, in your mind, wrong? Where have we made decisions that you think are flawed?"

PROF CHAPMAN (ANU): Okay.

MR FITZGERALD: Angela might just have a comment on that.

MS MacRAE: Yes. We do appreciate all the extra work you have done and we also do appreciate - and I think there were a couple of phrases in the draft that may have caused offence when we were intending to be complementary and calling it elegant was actually supposed to be. We do regard it as very elegant and it has been well thought through and it is working well with HECS. We certainly weren't trying to be disparaging in the draft. If that is the way you have read it, I am very disappointed and I hope that is not the case.

PROF CHAPMAN (ANU): No, I think "elegant" was very fine.

MS MacRAE: That's all right. As long as you didn't read it the wrong way.

PROF CHAPMAN (ANU): I think Joshua reacted strongly to elegant but I said, "Hey, come on, would you prefer inelegant?"

MR FITZGERALD: Joshua's scheme is also another one, so there is a list of them.

MS MacRAE: If I can just go back - and this is on a slight tangent, I guess, to the discussion to date. But in terms of the first objective - as you know, we've outlined three objectives for our scheme and the first one is trying to increase or get some additionality, so getting people to take some additional weeks leave. We've already discussed and it's useful to know that you think if we linked it to having to take some leave that might be another way of trying to get a bit more additionality out of a funding mechanism such as you're proposing.

But our second objective was about encouraging labour force participation by women. While obviously we've designed something to try and get them out of the labour force for a short time after the birth of the child, we were trying to design something that would attract women back into the workforce and perhaps work more intensively after the initial period out of the workforce for the birth of a child. If I understand it correctly, the rate of subsidy that's implied - I appreciate that the negative numbers are the government numbers and so I take your point on that. But the subsidy is relatively small, isn't it, under your scheme for most people and I guess how much of an incentive for labour force attachment would you see or would you not see that as an important objective of an ICL-type arrangement?

PROF CHAPMAN (ANU): We didn't really come at this with that particular point as a goal and, without thinking about this too much, but maybe we can talk about this and get back to you, I don't think it would have major effects on it.

MS MacRAE: Our model as proposed isn't going to have a huge impact either, to be frank about it. But we're expecting we will get some positives there.

PROF CHAPMAN (ANU): I don't think there's anything in the modelling that actually tells us much about that at all. I can't imagine that it makes things harder though.

MS MacRAE: No, it won't make it worse, but will it make it better, I guess, is the question.

MR HIGGINS (ANU): I suppose if you structured the loan in such a way that repayments of some of the debt was taken on, not just by the individual but by the individual's employer, then there's an incentive to return. Whether you could build that into scheme design in some way, whether that would have to be a separate

arrangement between the employer and employee prior to leave.

PROF CHAPMAN (ANU): That's a very good point. When this was originally conceived it was also considered possible to link it with returning to work. So the original employer could repay some of the debt. Say, for example, I've got a \$5000 debt, if I go back to the original employer - which is a good thing for the employer because they don't lose their investments in specific capital, and a good thing for the worker for the same reason - then you could make that a shared arrangement, it diminished the debt for the parents to be paid for in part by the employer. At the time of writing our submission we thought what we're saying and what we're modelling is kind of complicated and a bit new, so that we kept it simple. But there are ways, if you wanted to, if a government wanted to, they could institute this top-up kind of arrangement, softly-softly, and down the track explore the potential for it to be a shared arrangement to encourage people to re-enter.

MS MacRAE: I guess then the final point that I'd want to make is just about our third objective then, and I guess we make the point in our report, it's the most contested. But in terms of the normality of people having children, working, balancing those things, gender equity, seeing this as more of a work entitlement than a welfare payment, I think most of the participants, in terms of the inquiry, have seen it as very important that this paid leave be seen as a workplace entitlement, and the idea that you'd be asking people to go into debt and fund it themselves as a private matter would be sort of anathema to that. So implying I guess that, as an ICL does, that it's a privilege for mothers, that they have actually got to go into debt to be home with their child, is something that isn't consistent with the general objective of saying, "Well, look, this is a workplace entitlement. It's reasonable that there should be a sharing of this cost."

PROF CHAPMAN (ANU): I don't think we have got an issue with that. This is on top of, this is not instead of. So no matter what you come up with in terms of workplace arrangements, the employer contributions, the government, the taxpayer contributions, this is all in addition to. So the idea that this is kind of people having to take out a loan to pay something which might be there from taxpayers or by contributions in other ways from employers doesn't seem to me to matter; this is in addition to and it's choice.

MR HIGGINS (ANU): And potentially cost-neutral, if the scheme is behind it appropriately.

MS MacRAE: Yes.

PROF CHAPMAN (ANU): One of the things I was grateful for from the draft report as that I had to, and we both had to, rethink this whole concept of the market failure, and that was very productive for me. I mean, you'd think if I'd been on about

this stuff for all this time I'd know what I'm talking about, but it was quite important I think to understand that the market failure here is unusual, and it's because of the disrupted income stream, and it is very similar to what Joshua Gans and Stephen King promoted for housing credits for low-income people.

The people in public sector housing who can't pay the rent because they lost their job or had an accident can end up on the street and they're usually quite poor, and their idea was that there's a capital market failure here; the bank won't give you the money because you're unemployed, but the government could cover it with an income-contingent credit, they called it. It's very similar to the HECS scheme. The banks don't know what is going on, it's too risky for them, they don't have the collateral, and I think that that was helpful. So we were forced in a sense to respond to your market failure point, and I think that that was useful for us. It's there for you to read. But now I think it is clearer.

What else might we raise? Well, we have covered many of these things. You do say, "Scheme errors will be difficult and costly to reverse." It would have been useful to know what they were, and we presume that the scheme error is adverse selection and moral hazard. I think the moral hazard stuff is potentially much overstated because, as I said before, are you going to avoid for the rest of your life earning 27,000 because you've got a debt which is like \$10 a week, so empirically I don't think that that matters terribly much. So adverse selection does matter.

In this scheme, who are the people who are more likely to take it up? They're more likely to be poor. They're more likely to be single parents. If the cost that you're imagining - I mean, after reading our submission you might say, "What are these guys talking about? It's 26 weeks, for two children it's 52 weeks. It's \$28,000 per family. The government might be stuck with, you know, hundreds of millions of dollars of debt for something we didn't understand." Now, we have tried to understand it and we have tried to model it with adverse selection firmly in mind, and then I think the critical point is that if there are errors that we haven't thought about, we need to think about them. But I think that the major potential error is the adverse selection and the accumulated debt that gets unpaid.

Some part of this debt being unpaid is not a bad thing, because in a lifetime income context it doesn't get paid by the poorest people. So we didn't see that necessarily as a disadvantage, we saw that as having a propitious equity outcome. But even so, it would have been irresponsible not to try and model it with strong assumed adverse selection effects to see what these big errors might be that you're worried about. I think that we show with the 10-week period and the exaggeration, in my view, of the adverse selection consequences that that's not where the problem is.

MS MacRAE: I think the other issue around the potential problems, if there was a scheme that was introduced and then for whatever reason it was decided that it wasn't

effective and wasn't to be continued, is the potential long tail on those things. So we have already got a bunch of people in this scheme. If it's not paid back, they have got to continue to be monitored; maybe, you know, if they're a young couple and they're on low incomes and they're not likely to get past the threshold maybe for another 10 or 15 years, it's that kind of tracking when you get to where people start to get past the threshold, checking then that it's paid, especially if there's a couple and that couple splits up and the debt has to follow both of them. It's those issues I think that we were thinking about in terms of it being costly or difficult to unwind.

PROF CHAPMAN (ANU): Yes, very few households, even young households, would have incomes as low as that, household income of 26,900, it's not that much more than social security, with family tax benefits. So empirically there won't be very many there. Let me say something about the administration cost. Once you've got a comprehensive income tax system, to overlay something on this, the marginal costs are very small. It costs roughly 30 to 40 million to collect HECS. HECS brings in revenue of 1.4 billion roughly a year. So we're talking about two to three per cent. You've already got a HECS system in there. Remember, this has been designed in the same way, that you basically have a click when your income goes over a certain level and it's taken out by the employer. That's all up and running. The administrative risks here are close to negligible, in my view.

MR FITZGERALD: Can I ask a broader question - and we all acknowledge that this is a very narrow part of the social policy landscape and it affects a relatively small number of individuals, particularly if it's only top-up, that really could access it - do you have in your thought processes other parts or other areas of social policy where this could be connected?

In other words, as it stands alone - I mean, I still have a fundamental question as to whether or not it is worthwhile to actually establish such a scheme, notwithstanding the comments and the additional figures you've given, for simply this area. But if you would look at a broader scope. So do you have a view as to whether or not this would be the beginning of something larger, rather than what appears to be a stand-alone for a very limited number of people and frankly a very narrow area of policy, albeit important?

MR HIGGINS (ANU): We have. Myself and a couple of my honours students bandied about the idea of applying something like this to child care a couple of years ago. Child care since then has changed, the rebate has gone from 30 per cent to 50 per cent; things are looking much better for parents with children in child care, such as myself. If someone came in and said, "Sorry, we're taking away that benefit and now you have to repay it," I'd be pretty upset.

There is one area that we've considered in the past that goes hand in hand with parental leave. Besides education, there's consideration of extension to mature-age

training. It's been considered now for TAFE in some areas. You might be aware it's been looked at for drought relief, looked at for research and development or innovation.

MR FITZGERALD: Sure.

MR HIGGINS (ANU): But in terms of social policy, child care, education and parental leave are the three.

PROF CHAPMAN (ANU): Could I just add a bit of detail on that. The market failures are absolutely clear-cut in all the areas of training and they're not just about the payment of tuition but their income support. If you're in your 30s and your 40s and you've got a couple of dependants but you wanted to go back to tertiary education, Austudy is not enough. You probably would need something considerably more generous, at least in the short run, than the Austudy levels. We have seen data which suggests that something of the order of well over 100,000 Australians who are over the age of 30 said they would like more training but they can't afford it and one reason they can't afford it is Austudy is parsimonious and not adjusted for dependants. You can have a top-up, income-contingent income support arrangements for those people.

Child care is a hard one because it's private sector. Paid parental leave is not that hard in my view because you don't have a price effect. In the child care sector, every time you give a subsidy for child care, the price goes up a lot, so I'd be very careful about that. Potentially that is there, and potentially it could take this kind of form.

MR HIGGINS (ANU): I'll just interrupt. Following the fall-out from ABC Learning, we will see what position we're in in a few months from time with regards to child care, whether it indeed is a private sector infrastructure.

PROF CHAPMAN (ANU): But in general, I think if you can find market failure that lead to social inequities such as the one we're talking about here, or lead to under-provision of training, such as with the case of mature-age training, then you've got a case for government intervention of this kind. So I don't think it's kind of a one-off. The goal is to HECS everything.

MR FITZGERALD: We've noticed that a bit, Bruce, but that's all right. It does emerge in a few of our inquiries. I'm sure you'll put a submission in to the drought inquiry as well.

PROF CHAPMAN (ANU): We have. They hated ours too.

MR FITZGERALD: And it was a totally different team, let me assure you. It's

coming up to 3 o'clock so I'm just a bit mindful of the time. Are there any other concluding comments you want to make or questions that Angela wants to raise?

MS MacRAE: Nothing else from me.

PROF CHAPMAN (ANU): No, we're grateful for the opportunity and I was pleased to hear you say that this is a genuine draft.

MR FITZGERALD: Sure.

PROF CHAPMAN (ANU): I've seen other inquiries where the green paper becomes the white paper just by changing the colour of the cover and if you're in this to continue the dialogue, we're very appreciative of it.

MS MacRAE: We definitely are.

MR FITZGERALD: I can make the comment: very much so. What we decided to do with this particular inquiry was to in fact not simply put up a range of options but rather to chance our arm with a detailed scheme and as a consequence, everybody is coming back to us in relation to different components of it. The commission doesn't often actually come up with a detailed scheme, it's more in principle what you would do. So our view is - Angela and I and the team's view is - that it is a draft. We are actually expecting people to contest a whole number of elements within it and at the end of the day, we'll evaluate those in light of the more recent information and submissions. So it is a draft; how much of it will change, I haven't got the slightest idea at this stage, but yes, it is a draft and it's specifically out there for comment.

In relation to the funding and the financing arrangement, we spent a considerable amount of time looking at the different models that were put to us, more than is actually in the text. The text only summarises our views. But going forward to the final part, it is an enormously important part of our considerations as to not only the quantum but also the best methods, so we'll be evaluating all of those in light of additional information.

PROF CHAPMAN (ANU): Okay. If you want us to do modelling along the lines that we've already done, we're very happy to.

MR HIGGINS (ANU): Absolutely.

MR FITZGERALD: Okay. Thank you very much for that.

MS MacRAE: Thank you.

MR FITZGERALD: Good. We'll now conclude these set of hearings and adjourn them until we next meet in Melbourne. Thanks very much.

AT 3.03 PM THE INQUIRY WAS ADJOURNED UNTIL
FRIDAY, 21 NOVEMBER 2008

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