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**TRANSCRIPT
OF PROCEEDINGS**

PRODUCTIVITY COMMISSION

**INQUIRY INTO PAID MATERNITY, PATERNITY
AND PARENTAL LEAVE**

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

TRANSCRIPT OF PROCEEDINGS

AT MELBOURNE ON WEDNESDAY, 11 JUNE 2008, AT 9.00 AM

Continued from 5/6/08 in Brisbane

MR FITZGERALD: We might commence and I'll just make a couple of formal comments. Welcome to the final day of public hearings in relation to the inquiry into paid maternity, paternity and parental leave. This is the 10th day of public hearings and the second time that we've held the hearings in Melbourne. Obviously the inquiry has sparked considerable interest around the nation, as it should, as it affects over 250,000 families that have children each year.

Just in relation to the formalities, the commission seeks to run these hearings as informally as possible, but all of the presentations by participants are recorded and the transcripts are available on the web site shortly thereafter. Whilst participants are not required to take an oath, they are required to be truthful in their answers and I'm sure all of them have been, or at least a good majority of them. The written submissions are now due into the commission and the draft report will be released by the commission to the public in September of this year. We will then hold another series of public hearings, calls for written submissions and consultations prior to the final report being provided to the Australian government at the end of February 2009. So with that said we might start. If you can give your full name, the positions you hold and the organisation you represent.

MS BOWTELL (ACTU): It's Cath Bowtell from the ACTU, Australian Council of Trade Unions, senior industrial officer.

MS TKALCEVIC (ACTU): Belinda Tkalcevic from the ACTU, industrial officer.

MR FITZGERALD: I you could just make some opening comments and then we'll have a chat.

MS BOWTELL (ACTU): Thank you. First of all the ACTU does welcome the opportunity to participate in this inquiry which, as you will be aware, has generated an enormous amount of interest from the public and we've certainly seen that through our interactions with our affiliates and with members of trade unions who have been involved in making submissions to you but via our web site as well. You've got a copy of our submissions so we don't intend to take you in detail to anything there, but would rather spend the time answering questions. But because we have had the opportunity to read some of the other submissions that have been put to you - it's the benefit of going last, I guess - we would just like to pick up on four things that I think have come through in some of the other submissions where our position is somewhat different to what has been put to you by some other people and draw your attention to those, and then we're happy to answer questions.

The four things that I just wanted to touch on were: the ACTU has proposed, as you know, a model full-time maternity leave of 14 weeks based on ordinary time earnings of the mother and I just wanted to touch on that issue if there is to be a system of maternity leave what the earnings base should be. Secondly, I think our

proposal for who would be eligible is somewhat different to some of the other submissions that have been put to you, so I want to talk about the eligibility issue. Thirdly, we've proposed that employers be required to bear some cost, and that's obviously an issue where there's difference of opinion around the community. Finally, I just want to touch on the issue of the impact of maternity leave or parental leave on labour force participation. I will only be very brief on each of those.

First of all, in relation to the issue of the ACTU submission calling for 14 weeks' paid leave at ordinary time earnings. Many of the other submissions have called for a similar proposal but at either the minimum wage or at a discounted wage from the minimum wage. Obviously we have an interest in advocating on behalf of employees so we're going to pick a higher rate, but if you think of the policy outcomes that you're trying to achieve through a system of parental leave, if you had to summarise them, I guess, you've got two social goods, you've got the benefit to the economy and to households associated with increased maternal participation in the paid workforce and you've got the child and maternal health benefits associated with delayed return to work or getting the timing of the return to work right. They're almost competing policy outcomes, but that's what you're looking for.

We think, and it's our submission that if you discount the rate at which the leave is paid, you won't necessarily get families and mothers returning to work at a time that is best suited to them. A discounted rate won't empower families to stay out of work for a longer period of time. I note the Australian Institute of Family Studies have a similar view in their submission. The risk is that if it's a discounted rate or a partial replacement rate that people won't take the leave that they need for the child and maternal outcomes that we're looking for. We have some anecdotal experience in this in relation to long service leave where union officials and delegates and members tell us that those members who have their long service leave paid at their ordinary time earnings, but they are generally employed on a night shift with a 30 per cent premium, don't take long service leave because if you lose 30 per cent of your wage, you can't afford to take long service leave. So a similar dynamic would happen if you're taking parental leave at a discounted rate.

The second point that I just wanted to touch on was the eligibility issue. As you would know from reading our submission, the ACTU for the minimum component, that is the taxpayer-funded component which we argue for, we argue that that is paid regardless of the maternal or family income and we don't distinguish between women who are in paid work or not in paid work, or between employed women and women who are self-employed or otherwise participating in paid work, and we don't distinguish within the group of employed women between casual and permanent or tenure or so on.

There are really four reasons why we've taken that approach of putting everybody in the one basket. First of all, we think that there is a baseline of support

that's required for all babies and mothers, regardless of the employment status of the mother. Secondly, there is a simplicity argument. It's quite difficult to negotiate the boundaries between whether someone is or is not in the labour force, employed or in paid work and at what time you make that judgment about a particular mother and/or her child or a family or whoever you're basing it on. So in particular the boundaries between employed and being self-employed are very difficult to negotiate and navigate and they can vary depending on whether you're looking at it from a tax point of view or from a vicarious liability point of view, the same set of facts can be dealt with quite differently.

Thirdly, a mother's labour force participation won't be static during her child-bearing years and if you have artificial boundaries you might actually distort labour force behaviour as people seek to manipulate the system. So for those reasons we think that it's probably better to have a fairly simple and, although I hate to say it, a one-size-fits-all approach to the minimum payment, but we have taken a slightly different approach when it comes to the employer top-up, which brings the fourth point I wanted to touch on, which is our proposal that employers would bear some of the cost in relation to the model. There is clearly some opposition to this. We're not surprised - perhaps disappointed, but not surprised - that employers are acting predictably as they have every time the ACTU or unions have proposed that they make a contribution towards paid leave.

I guess at this point all we ask you to do is really look at the arguments that they're putting forward and distinguish those arguments that are about the cost of paid parental leave as opposed to the participation in the schemes that already exist. A lot of the employer arguments are really arguments against parental leave at all, paid or unpaid, about disruption to business and so on and so forth, and secondly, we really do ask you to really look closely at the argument that is put forward about that any cost on employers will result in discrimination against women of child-bearing age. It has certainly not been the experience of the Australian labour market that improvements in women's pay or work/family provisions have led to a decrease in maternal employment. In fact the history is the opposite and we think that the occupational segregation of the Australian labour market means that the choices available to employers are somewhat limited in terms of who they could choose to employ if they were to discriminate against mothers or potential mothers.

The last point that I wanted to touch on is the issue around labour force participation. Our submission relies quite heavily on the argument that paid maternity leave is associated with higher maternal employment rates and I note that a number of people have suggested that that's not the case. Some have suggested that you can't draw that conclusion using the overseas data because the overseas data combines the impact of the job protection part of maternity leave and the income protection part of maternity leave and we've already got the job protection part, so to draw conclusions based on what might happen in Australia when we're only

potentially adding one bit is erroneous. There's probably some truth to that but I think that the experience of individual firms in Australia has been that the introduction of the paid component has increased retention and return-to-work rates, so to the extent that you can then extrapolate that out to the broader economy we don't think that you can simply discount all of the overseas experience based on that argument.

The second argument is that even if it is associated with increased maternal participation, there's not much left. We've actually changed our behaviours over the last period and that there's not a lot of fat left in the maternal underemployment, I guess, and I think we'd have to acknowledge that mothers' behaviour has changed despite the policy framework over the last 20 to 30 years. If you look back at the data from the census in 1985 we had around half of mothers back at work by the time their child was school aged, and by - sorry, by 1995 that was. By 2001 it was half back by the time the child was two, and we now look like we've got half back by the time the child is one.

So that is a significant change over 10 years and it may well be that there has been this change without the policy setting. That doesn't mean you don't change the policy setting to make things easier for those that come behind. Those people who have managed to make the changes, but more generally we think there are also issues around the quality of work and the productivity that you can get out of return to work to what job. So it's not just the mothers coming back into the labour force, it's what job are they coming back to, and we think that parental leave - there's still a fair bit of fat in that argument. So on the basis of those four things it's probably enough for us to say by way of introduction and we're happy to take your questions.

MR FITZGERALD: Good, thanks very much. Angela, do you want to start off?

MS MacRAE: Okay. If I could perhaps just take the first issue that you raised about the 14 weeks and the importance of the rate that was paid, and I think if I understood you correctly the main issue you had there about the discounted rate and what some others were suggesting was that you wouldn't get the maternal and child health benefits. I just wonder, though, looking at that issue, we've had arguments from a range of groups that says that if you do want those benefits in full you need a lot more than 14 weeks. So I'm wondering how you settled on the 14 weeks and how you see that sitting with the maternal and child health goals.

MS BOWTELL (ACTU): Yes. Look, I think we've taken a fairly minimalist position. We'd certainly support those people who are saying that mothers and babies need longer, and ideally would have longer at home and that we should load a fair bit of our family support policy into the first year of life. We're certainly also cognisant of the arguments around exclusive breastfeeding for the first six months of life, so we're certainly supportive of those arguments. I guess we came down on

balance about how much was a realistic ask of government and employers.

In the first serious look at whether this could be delivered, which isn't to say that we wouldn't say - and we do say that we should review any model after a couple of years to see if it has had the effect that we would want it to have. But certainly people returning to work at seven, eight, nine, 10 weeks post-birth I think is a magnitude of risk higher than returning to work at six, seven, eight, nine months post-birth, and so that's the immediate harm that we're seeking to address - or harm is probably too strong a word, but that's the immediate and most urgent and pressing area where we think the commission should be looking.

MS MacRAE: A similar issue, I guess, was it, that drove you to the view that that 14 weeks should be maternity leave, and that you would build on that later, potentially, for a paternity leave component.

MS BOWTELL (ACTU): Absolutely. If you think about the two pressing social policy outcomes you're looking for are child and maternal health, and the economic uplift through increased participation, but the family wellbeing arguments are certainly there and they would be addressed through either longer leave or through introducing leave for the partner as well.

MS TKALCEVIC (ACTU): Just on that, I think the model does provide the option of 14 weeks at full income replacement for those employees who need full income replacement, but if you are financially able to take half pay then it stretches out to 28 weeks. So for those it kind of covers both those scenarios, for those who are able to survive off the reduced level they would be able to take a longer period of time.

MS BOWTELL (ACTU): It's also cognisant of the fact that people do cocktail other leaves and so on.

MS MacRAE: Yes.

MS BOWTELL (ACTU): So you might end up with something closer to a realistic six or even nine months, and it's also cognisant of the fact that this is a build-on, so not meant to supplement what's already out there in the economy.

MS MacRAE: Yes. Just in relation to the taxpayer-funded part, we have, as you noted, had quite a range of views about whether mothers outside the workforce should be entitled to the same amount or a different amount, and you've chosen to differentiate in relation to those that everyone would get the taxpayer funded part but the differentiation comes in those that might get more. Now, if I read your submission correctly, is it 57 per cent of women, something like that, wouldn't get a top-up. Is that right?

MS TKALCEVIC (ACTU): Two-thirds. One third don't earn any income because they are out of work, and a further third earn less than the federal minimum wage largely because they already have families and they're working part-time. So two-thirds I think.

MS BOWTELL (ACTU): So two-thirds of all mothers and about a third of employed mothers would get no top-up.

MS TKALCEVIC (ACTU): Yes.

MS MacRAE: So I guess my question to you, then, is in relation to the benefits you might see in terms of workforce participation, you'll be affecting for that top half a relatively small portion of the population and that portion might have a relatively high level of coverage anyway through the voluntary schemes because they'd be the higher paid which are currently covered. I'm just wondering if it's going to be worth all the effort on the administration side to bring employers in and have all those top-ups operating on a mandatory basis. I guess, how much bang are you getting for your buck in terms of the admin costs because bringing in that top-up is going to add quite significantly, I would imagine, to the admin costs for the scheme, and potentially, I guess, the political issues around getting employers involved when they've obviously indicated that they're not happy about that.

MS BOWTELL (ACTU): I think that the administrative costs would be relatively minor in that employers already pay employees a wage, they suspend that during a period of leave. They wouldn't be suspending it or they would be adjusting it for a period of leave to discount the taxpayer-funded component, so there's not enormous administrative burden on employers there anyway. The woman is still on their books as an employee. They're still required to do a tax return for her at the end of the year, or a tax statement for her at the end of the year and those sorts of things, but if you think about the group that are not getting a top-up, some of them are getting paid more during those 14 weeks than they would otherwise be earning, and the group that are already getting something from their employer are getting full income replacement. You have this gap of a fairly big cluster of women in the middle who would be getting a discounted wage, and if they're the group that then end up not being able to afford to take the period of leave and are returning to work earlier, then they are at a disadvantage compared to - and it may discourage people from working at full-time wages. That issue around manipulating people's participation becomes a problem.

MR FITZGERALD: Just on a point that Angela has raised. One of the things that you will have seen from both the submissions and also from the transcripts, is that most employer groups are adamantly opposed to a compulsory top-up, even those that provide voluntary top-ups, and have already indicated they would continue to do so into the future. Given that hostility that exists to that, and given that a fair

percentage of the lower paid workers are not entitled to a top-up anyway, because they're not going to get it, just taking Angela's point, is it worth that hostility? Would it be better to introduce a scheme and allow the top-ups to be negotiated through collective bargaining over time or not? Because you may get there. It may take a little longer, but you may get there without having an open confrontation to this system. I just want to come to a couple of those factors that you've raised in terms of discrimination against women and so on in a second, but what's your view about that?

MS TKALCEVIC (ACTU): It's clear that unpaid maternity leave was introduced in 1979 and two-thirds of women still don't get any paid maternity leave. So I think any arguments that bargaining is going to deliver are very flawed. I mean, there's been a lot of opportunities to do some and they've not been taken up by employers, in particular in those areas where women are working in the lower income. So we know that 75 per cent of high income earning women and the public sector women get the bulk of paid maternity leave, and I think it's 24 per cent of women in retail. So I think that the time has come for everyone to acknowledge that bargaining is not going to deliver this, not in a - - -

MS BOWTELL (ACTU): You've got to deliver universal access.

MS TKALCEVIC (ACTU): - - - in a period of time that would be acceptable, I think, to most - - -

MS BOWTELL (ACTU): I think the other thing is that there is a - regulation has a normative effect and if you look at, for example, paid carer's leave, five days' paid carer's leave, there was enormous hostility to the introduction of five days' paid carer's leave in 1994/95 when the ACTU ran its test case on that. By 2002, when we were arguing for 10 days, there was enormous opposition to that as well, to extend it from five to 10 and it was going to bring business to its knees and the sky would fall in and so forth, and then when the Howard government legislated 10, it went through reasonably quietly, perhaps because it was a government of a different persuasion introducing that legislation, and now it's fairly a well-accepted standard of 10 days. So over a period of 10 years you get a change in attitudes.

Universal superannuation is another one where now I think employers and unions jointly claim the credit for introducing compulsory superannuation for something which there was a lot of hostility about, and it was again going to cripple business, this impost on business. So I think that you've got to, as I say, dig under some of those arguments, see where the costs really are, look at the incidents of parental leave in businesses. Again, anecdotal evidence isn't all that useful, but when you do talk to people and they say, "It would cripple my business," you say, "How many people have you had take parental leave over the last 10 years?" "We can't recall anybody," or "One."

That is not a cost that should cripple any business, and particularly when we've said that if you look at the distribution of maternal earnings, we've got a very big cluster of whom the cost would be under \$600 and under \$600 every couple of years is not going to break any business. We acknowledge that the higher paid women are, the higher the cost to business, but we think that in those areas you're more likely to have already introduced some paid maternity leave, so there's going to be no additional cost to those businesses.

MS TKALCEVIC (ACTU): That's right. It's the women earning more than the Federal minimum wage, but not necessarily in that sort of industry or labour market sector where paid maternity leave was being provided because of the need to retain and attract them, that are suffering that squeeze, and who are facing things like the costs of childcare and all the disincentives to returning to work. They are a very significant group of women, policy-wise. They are the women who we wish to retain and link with the labour market who employers would benefit from retaining and developing their skills.

There is, when you read through a lot of the employer organisation submissions, a subtext of what's happening is because they don't get paid maternity leave, they actually resign, and that's where the arguments about, "It's going to cost us more because we'll have to find replacement costs," because at the moment it's those women who are so disadvantaged by not getting paid maternity leave that they actually just resign and then take up work on a casual or part-time basis in a lower skilled or less capacity for career path kind of job, and they are almost the most important target group for this policy. This is to try and make it easier for them to contribute to the labour market and have a family.

MS BOWTELL (ACTU): They will also be often - not always - the group of award dependent workers who are earning more than Federal minimum wage but are not in the bargaining stream, which is - it's only 19 per cent of the economy award dependent, but a third of women employed in the private sector are award dependant. Very few of them are earning the Federal minimum wage because you only earn the Federal minimum wage for the first couple of months of employment, and then you move onto one of the other minimum wages in our minimum wage matrix. So they won't necessarily be in a collective bargaining stream. That's a challenge for unions and it's a challenge for the government's new IR policy to ensure that people can get off the safety net, but at the moment that's a group that don't have that bargain strength.

MR FITZGERALD: In your argument in relation to this issue, you've dismissed the argument of employers that this will further aggravate discrimination against the employment of women of that particular age. In at least three of the public hearings we've held so far, we've had presentations indicating the level of sex discrimination

already in relation to women who are either pregnant or have had children. Some people have said to us that if you increase the monetary burden on businesses, that is likely to increase. Others have said it will make no difference at all. Given that people are discriminating, even now when they don't pay anything, one is not quite sure what will happen. But you've dismissed that argument whereas a number of groups have said to us, "You do have to be mindful of the likely or possible implications for discrimination against the employment of women."

So any cost impost, even if it's not actually great in monetary terms, psychologically is great, so that a lot of the behaviour is not based on an analysis of what the costs really will be. It's the psychology that, "There will be a cost and I can't afford the cost. Therefore, I don't employ." So it may be an argument that goes beyond the actual dollar impact on the business. Rather, it might go to the psychology of the employer, and thus have an effect if you impose additional top-ups over and above the government subsidised figure.

MS BOWTELL (ACTU): There's no doubt that if there was a significant impost on employers that could potentially have that effect. One of the things I think, if you look at the history of minimum wage adjustments in Australia, is that because we've had gradual and predictable increases in minimum wages we've been able to sustain relatively high - by international comparison - very relatively high minimum wages without any noticeable effect on Australia's employment rate, our employment to population ratio, the employment of some of the more vulnerable groups in the community, despite the fact that many economists tell us this is what's going to happen. The evidence over 25, 30, 40 years has not been that modest, predictable increases in the minimum wage have had that effect.

So I think the same can be said of a modest impost on employers in relation to paid parental leave, but there's no doubt that there's a psychological component and there's a place for education and communication to minimise that. A misinformation campaign can do a lot of damage, as we've seen in relation to one survey I saw, 60 per cent of small business employers believe that a small business has never won an unfair dismissal case in Australia, which is not the case, but if you all believe that then it's going to change behaviour even if it's patently wrong.

MR FITZGERALD: One last question around that issue, and then Angela might have some more and I'll come back on others, is that in your submission, as I understand it, and correct me if I'm wrong, during the period of paid parental leave the normal rights and entitlements in relation to annual leave, long service leave and so on would continue to accrue. Some might say that that in fact is sufficient employer contribution. Taking it at its base, if a woman takes six months at half pay or whatever it is, that they get an entitlement to a couple of weeks annual leave and so on and so forth, so that irrespective of the actual contribution for the top-up, if your proposal were to be accepted of accrual during the period of paid parental leave,

there is going to be an impost on business which would happen at some later or future date if the employee returns. So again it's not as if the employer isn't making some contribution.

MS BOWTELL (ACTU): We would acknowledge that that's part of their contribution, yes. Again it's a modest contribution. Taking six months at half pay doesn't mean you get two weeks annual leave, of course, it means you only get one because you're pro rata.

MR FITZGERALD: No, you've got to pro rata it.

MS TKALCEVIC (ACTU): That's right.

MR FITZGERALD: Yes. I keep doing that.

MS BOWTELL (ACTU): We would all be doubling our leave at half pay if we can accrue at double rate. A double-dip would be nice, but no.

MS TKALCEVIC (ACTU): But Cath mentioned earlier that gender segregation issue, which I think is also a factor in terms of, you know, in those sectors where women are most likely not to get paid maternity leave it's in fact in female-dominated sectors like retail and hospitality. The gender segmentation of the labour pool there is always going to mitigate any resistance to employing women. Then the biggest form of discrimination and disadvantage facing women is that they have to resign in order to take time off to have a baby anyway. So you have to balance all of those things against the fact that - a significant number of them are resigning anyway because they don't get any paid assistance to take leave. Employers do have a role in contributing to trying to keep them in the labour market.

MS MacRAE: Can I just be clear then about the proposals that you have. I understand that you were saying that this is for the unpaid leave, that you would be looking to try and get something in the National Employment Standards for eight weeks' concurrent partner leave. Is that right?

MS BOWTELL (ACTU): Yes.

MS MacRAE: Did you have other proposals around the unpaid leave and the problems about qualifications for that, because you have mentioned already that a large percentage of people don't get access to that unpaid leave currently. What are your proposals around the unpaid leave?

MS BOWTELL (ACTU): We propose a removal of the 12-month qualifying period on access to unpaid leave, so it would be available because you've had a baby, not because of how long you've been employed.

MS MacRAE: So you could have been in the workforce only a month or so?

MS BOWTELL (ACTU): You could, yes.

MS MacRAE: How would casuals be treated? There would be no qualifying period for them either?

MS TKALCEVIC (ACTU): Casuals don't technically get leave, they get job protection.

MS MacRAE: No, I understand that.

MS TKALCEVIC (ACTU): But in terms of the employer top-up component, we have said that we acknowledge the concerns that employers have in that regard in terms of certainty and so we have said a six-month qualification period for employment. So no disqualification because you're casual or non-permanent, but for the reasons that employers have set out in their submissions and discussions that we had earlier, that six months would be a balance between those interests and the fact that the evidence suggests that a lot of women, particularly those who are already trying to juggle work and family, are cut off by the 12-month qualification period, but six months would actually increase their capacity to take that leave, but also give employers some certainty.

MS MacRAE: Can I just ask about the inclusion of these standards in the National Employment Standards because another issue that employers have been very strong about is that they definitely don't want them in the NES and I just wonder if you could flesh out for us a bit more about the reasons why you would like to see it as part of the NES.

MS BOWTELL (ACTU): It's a relatively new vehicle obviously, the National Employment Standards, in that the Commonwealth hasn't traditionally used its constitutional authority to legislate directly terms and conditions of employment. But in our view you may as well put them all in one basket. Parental leave is already in the National Employment Standards, so if you're going to have adjustments to the parental leave requirements on employers putting them all in one place makes it easy for people to understand their rights and obligations. It's certainly an argument that people have used already to say - employers have used this argument in their submissions in relation to what should go in modern awards is that if it's in the National Employment Standards there shouldn't be an award because of the argument of putting everything in the one place. So having entitlements sit in super legislation on one hand and WorkCover legislation in another place and National Employment Standards in relation to unpaid leave and then somewhere else in relation to paid leave, just makes it difficult for either workers or employers to understand their

obligations. That's the first thing.

I think the second thing that you see in the employers' submissions is that they have enormous concern that anything that you do in this area will be used as a Trojan Horse to expand and extend into all sorts of claims that the unions that might put on them in future. I think that to some extent whatever you do it won't make any difference; if we want to make a claim, we'll make a claim through whatever vehicle is available. But our approach has been that those National Employment Standards should set a universal entitlement for all workers on the core things that the society has accepted are the minimum standards that apply to every worker and that's what those 10 things that are in there now are: annual leave, personal leave, redundancy pay and so forth. If at the very end of this process there is an acceptance that one of the core standards that should apply to every worker is an entitlement to some period of paid parental leave or paid maternity leave, then that is the obvious place to reflect that outcome.

MR FITZGERALD: Just on that, some have said to us that the problem is that whatever you put into the NES becomes binding, but what doesn't bind is the government funding of that scheme and so a question we've got and we've asked a couple of people in the last few hearings is, can you have a condition in the NES that is subject to the government funding?

MS BOWTELL (ACTU): The government sets the NES, it's an act of parliament so it's not as though you - - -

MR FITZGERALD: You can actually have it, because what they're fearful about is that let's assume you put in a minimum standards of 14 weeks, if that were the standard then in fact whether or not government funds it, employers are locked into it, so what they would want is a condition - - -

MS BOWTELL (ACTU): You could put in a minimum standard which is a top-up to - - -

MR FITZGERALD: Subject to.

MS BOWTELL (ACTU): - - - subject to it remaining a certain - you can draft legislation to do those sort of things. But there is no capacity for anybody extraneous of government to amend the NES in the government's policy. We don't know what will be in their substantive legislation, but their policy is that that remains. As they're acts of parliament they would have to be amended by parliament. So if the parliament were to remove through budget process the funding and not amend the NES, then the parliament would wear the political risk on doing that.

MR FITZGERALD: So you're of the view that the government could in fact put

that into the NES to give some assurance?

MS BOWTELL (ACTU): Yes.

MS TKALCEVIC (ACTU): Even if it was drafted in a way that it said that the employers were obliged to pay the gap between the federal minimum wage, then whatever the government subsidy is, is set it a step aside, I suppose, from the federal minimum wage amount.

MR FITZGERALD: Good. Can I just return to eligibility for a moment. Can I just be clear about this. As I understand it the ACTU's position and that of many other unions is that this is a first step, that in fact over time one may extend the scheme out further. A number of your constituent union body members have in fact asked for 26 weeks and I think very few unions have gone beyond that. The difficulty I have is in relation to the same payment being paid to those in the paid work and those not in the paid work. There seems to be universal agreement that those not in the paid work should be entitled to a payment, either be it the baby bonus or some sort of reformed payment at an increased level.

But if they're identical - and I know that you're talking about ordinary time earnings, but just put that aside for the moment, just assume the minimum wage level for the moment - if there was no differentiation between the two, then in fact where in fact do you pick up the workforce components to this? In other words, if we simply have two identical payments being paid to those in the paid work and those out, it seems to me that all you're doing is recognising the cost of having the child. If that's the main aim, then in fact we don't need to have parental leave at all, all we need to do is increase the baby bonus to an acceptable level and forever thus continue to increase it. But one of the reasons to introduce a parental leave scheme is to acknowledge the workforce issues.

If you were to move beyond 14 weeks, would you continue to increase the payment to both parties - in other words, people in the paid workforce and people outside the workforce - or at some point do you actually have a differential, because at the moment one of the reasons people are arguing for a parental leave scheme is to acknowledge not only the cost of child bearing, but the disruption to the workforce participation and the other is of a different nature. Some people have also said it is absolutely critical to differentiate between a social security payment, which is effectively the baby bonus and these workforce payments, and therefore they have to be different in character and in quantum and your submission is really treating them the same.

MS TKALCEVIC (ACTU): Well, the financial quantities are different, so if you up from 14 weeks to 16 weeks, the person who gets the employer top-up maintains - - -

MR FITZGERALD: Just on the government one, just put the top-up aside for a moment. What is the rationale for having them identical and are they going to be identical into the future if you go to 26 weeks or does one stop? I understand your issue about complexity of defining who is in and who is out, but just put that aside for one second. Is there a risk in having identical payments by the government's contribution, at least?

MS BOWTELL (ACTU): I think that you were to move beyond 14 weeks it's entirely in the hands of the designers as to what they do with that and whether they do bring in the issue of two streams. I don't think you could say in perpetuity that you would continue to adjust them for ever and a day in parallel. But given what we're arguing for is what we think is a minimum that is required, then we don't have that problem. If you were to come back and say, "We're looking at 26 weeks, does it apply to everybody?" we'd come back and give you an answer on that, or the 12-month proposal that Barbara Pocock and others that have advanced, then we'd come back and give you a proposal around that. What we're trying to do, I think, is balance all of those competing issues. The employer top-up is important in terms of the workforce participation. I said in the beginning it is the thing we think that does make the difference in terms of enabling the extended period of time-out, but it also is about maintaining that continuity of income that families have become used to and so there is a reason to return to work and so on.

As I think we have acknowledged, there has been a fair behavioural shift without the policy, and perhaps the focus is more on the child and maternal health because a behavioural shift has gone almost too far and you're trying to redress that. But the quality of work issue is also there and the employer top-up is an important component in terms of retaining an investment in that worker and the return on the education, the training, the inductions and so on flowing back to the employer when she returns to the job for which she was trained rather than, as Belinda said, opting out of that job and joining the part-time labour force, which is the poor quality labour force by and large. But we've also said it has to be coupled with these other things around flexible work arrangements and things. On its own it won't necessarily achieve all of the increased participation objectives.

MR FITZGERALD: Can I just ask a very final question because I'm conscious that you've got to go at quarter to. The issue about workforce participation, what's become intriguing to us, I suppose, in this inquiry is that more and more emphasis is being placed on child and maternal wellbeing rather than the workforce issues by some participants. Now, you've made the point that there is contention around the workforce participation issues themselves and you've said that we should try and look at the issues and unpack them, but I wonder how certain are you that this scheme will in fact have significant workforce participation impact, particularly for women, and how confident are you of that?

MS BOWTELL (ACTU): Look, I think that this is a really complex area of social policy and I think that any policy lever that you pull - if you look at any setting, they have not been pulled in isolation, and trying to disaggregate them and see which one has led to the behavioural change is really difficult. As I've also said, I think we've acknowledged that a lot of the behavioural change has occurred over the last 10, 15 years, even quickly over the last five years. We are confident that we still have fat in our maternal labour force participation.

We have fat in terms of whether people are in or out of the labour force and we are confident that we also have the capacity for women to be engaged in longer hours of part-time work and potentially return to full-time work earlier than they have traditionally done so, and that, in combination with other policies, including, for example, the proposed national employment standard on the right to request flexible working hours for parents of new children, that you will see the uplift. Whether, at the end of the day, you'll be able to look back and say, it was this in isolation that did it, I'm not sure, but the fact is there and if you put a couple of the policy parameters together, the income support for flexible work and the child care - you get all of them right, you'll get the uplift. One in isolation may not do it but attacking it from those three prongs, we think you'll get the uplift.

MR FITZGERALD: All right. Good. Thank you very much for that. If we could have our next participants, the Australian Institute of Family Studies.

MR FITZGERALD: Good. If you could give your full name and the position in the organisation that you represent, and then your opening comments and we'll have a discussion about those.

PROF HAYES (AIFS): Professor Alan John Hayes. I'm the director of the Australian Institute of Family Studies and I have with me - - -

MR GRAY (AIFS): Matthew Cameron Gray, deputy director, Australian Institute of Family Studies.

MR FITZGERALD: Good. Over to you.

PROF HAYES (AIFS): Thank you, Robert. I'd like to make a brief opening statement, if that's okay. The Institute is pleased to have had the opportunity to provide a submission to this inquiry and to participate in the public hearing. We aim to provide in our submission research-based evidence that can assist you in the task of assessing the relative merits of paid parental leave and the different models of such. We present information about parental leave use and employment around child-bearing, and much of this is based on new analyses of data from the Longitudinal Study of Australian Children, or LSAC as we refer to it, which is being conducted by the Institute in partnership with the Department of Families, Housing, Community Services and Indigenous Affairs. We also refer in the submission to data from the Household, Income and Labour Dynamics Survey, or HILDA, and other ABS data.

The Institute's submission discusses some of the reasons why Australia is one of the few OECD countries without statutory paid maternity leave. It provides background data on employment across the life cycle and provides data on, and analyses of, women's employment during pregnancy. In this introductory statement I highlight the key points made in our submission, albeit briefly. Dr Jennifer Baxter has conducted research which we will release soon that shows that there's relatively little difference in the rate of return to work for Australian women according to whether they use paid leave, unpaid leave or a combination of paid and unpaid leave.

The conclusion we draw from this is that in Australia, the available data suggests that current paid leave arrangements are not, in and of themselves, associated with higher rates of return to work relative to unpaid leave. Of course, I hasten to add that this is reflecting the current situation, not the impacts of future policy shifts. This should not be all that surprising given that unpaid parental leave provides job protection and the paid leave that is available is generally for a relatively short period of time. About half the mothers who were employed while pregnant said that more or some paid maternity leave would have helped them following the birth of their child, and only 8 per cent said that more or some unpaid maternity leave would have helped.

There's only limited evidence available for Australian on the likely impacts of the introduction of statutory paid parental leave on the lifetime labour supply of women, and the literature from the OECD can't be directly used to address this question. It's because the international literature generally compares the impact of having paid leave to having no leave at all, whereas in our context the relevant comparison when assessing the impacts of statutory paid parental leave is to compare paid leave with unpaid leave. The key determinants of the effects of statutory paid parental leave on employment are likely to be; firstly, whether the introduction of statutory paid parental leave increases the number of women who are employed prior to child-bearing, although it should be noted that Australia does not have low employment rates for women without children; and secondly, whether the number of women returning to work between pregnancies increases in order to maintain access to paid maternity leave. The probability of this happening will be very dependent upon the length of paid maternity leave available and the rate at which it is paid.

Our assessment is that the introduction of statutory paid parental leave of around 14 weeks at the minimum wage with consequent reduction in the government maternity payment is unlikely to generate significant behavioural change unless there's significant workplace cultural change generated. This assessment is based upon job protection being provided by unpaid maternity leave and the maternity payment being quite significant. However, a scheme that provides paid leave at the level of the mother's pre-birth earnings, or a substantial proportion of pre-birth earnings, is likely to mean that some women delay returning to work because their financial constraints are reduced.

According to the LSAC data, 44 per cent of mothers who were employed while pregnant, who used leave and returned to work while the child was aged 12 months or less, said that they returned to work earlier than they would have because they needed the money. However, it should be noted that only about half of the mothers have returned to work by the time their child is 12 months of age. I'd like to acknowledge the contributions of Dr Jennifer Baxter and Dr Matthew Gray in conducting the new analyses that underpin our submission and preparing it. So thank you, and we're happy to take your questions.

MR FITZGERALD: Thanks very much, Alan. I might ask Angela to start off.

MS MacRAE: It's slightly off the points you raised, but I just wondered if you had a view - given your role with looking at family structures - about two issues, really. One is whether you see that there is a desirable period that you might see for mothers or at least one of the partners to be home with a child. We've had quite a lot of debate from the submissions we've received to date about whether it's ideal for parents to be home for six months, 12 months, sometimes even longer. So whether you've got research that gives you information about that sort of issue, obviously it's

going to vary for different sorts of families; but do you feel there's a general sort of period that might be beneficial? Because that's one of the issues that we're sort of coming across a lot in determining how long the rate might be, because you've talked a lot about employment and the attachment to the workforce, but we're also interested in that child-health issue.

Secondly, then relating to family structure and the importance of the family unit: whether you have views about the sharing of leave and whether or not it would be a good thing to have a period of statutory paid parental leave; if we were to have a parental leave scheme, whether we should have a particular period set aside for the supporting partner as well as the mother. So, sorry, I'm throwing you things that aren't directly relevant to the issues that you've already raised, and if you don't have a view, that's fine as well.

PROF HAYES (AIFS): Well, I think that the point that you made - and that's that there's no hard and fast rule - I think that essentially you see that many of the mothers in the LSAC sample, of course, opt for self-employment for the flexibilities that that gives and capacity, therefore, to return to some form of paid employment earlier. Around the issues of breastfeeding, for example, you find that the differentiator is not so much the leave that's available, although you do find a relationship between leave that's been taken and breastfeeding, but it's the differentiation by, for example, maternal education.

What you find is around employment and involvement, for example, in a range of behaviours related to parenting, you do find large divides by maternal education and by family structure. So you find lower rates, for example, among younger women of employment as a function of their lower education. So you have quite a divide in terms of the story that's emerging from our data. Do you want to add to that, Matthew.

MR GRAY (AIFS): Yes, I mean, it's a very contested area around what's the impact essentially of non-parental care on very young children. I think that there is some evidence from overseas - and Alan may correct this - that very long hours for very young children can have detrimental effects. The evidence isn't at all clear for older children and it would depend very much on the quality of the child care. The other point to note is that for mothers and infants - and I don't have the exact figures here, but the most common form of non-parental care is grandparents by a significant margin.

Much of the employment is part-time and so there may be a combination of various family members as well as some formal child care. The proportion of infants who are in long day care, while growing, is still a minority. The other point is that - and we'll be publishing a paper on this towards the end of the month - is that a significant number of coupled families in which both parents are working don't use

any form of non-parental care. I don't have the exact figure, but I think it's around 30 per cent. So that - - -

MS MacRAE: So they manage to balance the hours between them? Is that how they manage to do that?

MR GRAY (AIFS): No, well, some do that but actually it looks like the mother generally is caring for the child and working and - - -

MS MacRAE: Okay.

MR GRAY (AIFS): - - - so that can occur in a variety of ways. Sometimes they will be working from home, sometimes they will be working while the child is asleep and so on. So in a sense, the partners might be at home, kind of supervising the child's sleeping but - - -

MS MacRAE: Right, okay.

MR GRAY (AIFS): So that's another thing that we find that families do do. I think that Alan is correct that there is no hard and fast rule and it will vary very much depending on the family, their expectations; but also the impact on children will depend very much on what the other care is, for how long it is and the quality of the care.

MS MacRAE: Yes.

PROF HAYES (AIFS): I think that's where the US literature is very misleading when compared to the Australian situation because what you find is return to work is earlier - - -

MS MacRAE: In the US?

PROF HAYES (AIFS): - - - in the US, and what you find also is that arguably the quality of care is much more variable, with a higher bulge towards low-quality care in the US because you don't have the same national quality accreditation systems that you have, for example, here, or the extent of regulation of quality. So when you look at it - and these are approximate figures - I think we have somewhere over 4000 centres that are involved with the quality improvement and assurance system in Australia. The voluntary system in the US, the last time I looked at it, had about 4000 centres that were voluntarily involved in quality assurance. So it's very misleading, I think, to make comparisons across those two areas, and yet a lot of the literature on the impacts of child care on young children is based on US studies, and particularly Belsky's work.

MR FITZGERALD: One of the interesting things in this inquiry so far has been almost the universal non-support for the placing of children under the age of six months in formal child care, even by the industry itself. We've actually had, neither in the private discussions nor in the public hearings so far, any support at all for increasing the placement of children under the age of six months in formal child care and most people have said under 12 months, which seemed to indicate to us, I suppose, a sort of a sense that there was a growing view that a minimum of 26 weeks is the period of time that you would wish for mothers to be able to stay at home with the child, and if that could be extended to 52, that's even better.

I was just wondering whether that's also your sense. Now, of course, people will say it's about quality and that's absolutely right. So your point about comparing poor quality to good quality is in fact not a good comparison at all, in terms of the US versus Australia. But it does seem to be universally the case in Australia, so far in this inquiry, that almost nobody is supporting a move to greater formal child care for very young children as a matter of course, and hence they're saying invest that money or invest more heavily in paid maternity leave so that people can stay at least for 26 weeks, if not longer.

PROF HAYES (AIFS): I think that's what the submission shows: that the proportion of mothers who return to work early is comparatively small and essentially they're more likely to be self-employed mothers who will do that. So that in a sense, they do what historically - if one goes back a couple of centuries - was the nature of work-family balance. It was collocated with home.

MS MacRAE: Yes.

PROF HAYES (AIFS): So that's the solution, but clearly people bear out what you're saying, which is the majority of course tend to return after children are 12 months of age. What you see is a progressive increase over time. I refer you to figure 11, I think it is, which shows that cumulative increase over time. Matthew, do you want to add?

MR GRAY (AIFS): I don't think that there is clear evidence from Australia that child care per se is bad for children between the ages of six and 12 months. So that may or may not be the case, but my assessment of the literature is that that's not at all clear. One of the difficulties is that most of the Australia data has taken a snapshot of children or a measurement for a very short period of time of people who are in care and not in care, and you compare outcomes and you try and control from parental education and so on. But in the end, there's a selection of effects so one reason you might put a child in child care is the mother is not coping. Another reason might be reverse effect, so these effects are very difficult to measure. So that would be my assessment: that there's not strong evidence for that proposition.

PROF HAYES (AIFS): That's why longitudinal research is the sine qua non in this because what you need to look at is the pathways and patterns; which children are vulnerable? One of the unique features of the study is that we have access to the quality assurance data so you can actually model this or analyse it by the quality of the centres that children are in. But as Matthew mentioned, you've got a considerable mix of types of care that children are involved with, and that's the other complicating factor: that it doesn't come down to centre care versus - it comes down in a sense to the broad question of mother versus other carer of some sort.

The other thing is that Family Matters has an article by Linda Harrison that looks at the impact of quality of care on a range of child-developmental outcomes and shows that quality of care does associate positively with some cognitive outcomes and also behavioural and social-emotional outcomes. The adverse of course applies to poor-quality care. So I think that's probably the issue. That's a longwinded answer to your question.

MS MacRAE: No, it's very helpful though, because, I mean, as Robert has pointed out, we've both been quite surprised about the strength of feeling about that first six months in particular than we were expecting. That was more contested than it has been to date, so we're just interested in your views on that.

PROF HAYES (AIFS): I think that's fairly culturally entrenched in Australia to be frank, I think, and as I said, to reiterate, the data show that and the patterns that we're finding. There's 10,000 families, 5000 who started the study with infants under 12 months of age, so it's a fairly large sample that's representative of all communities except the most remote indigenous communities.

MS MacRAE: Can I come then to some of the issues that you did raise in your paper and in particular the impacts that you think you might see out of a paid scheme and basically, if I understand it correctly, 14 weeks at a minimum wage is unlikely to change anything very much unless it was to generate some cultural change within workplaces. Now, we've heard quite a lot about cultural change and in fact that might be something you would get, so that's not to discount that completely but that's one of the issues.

The other issue though, in relation to the rate, was if you were looking at even only a 14-week period we were saying if it was paid at the pre-birth rate of pay that you might expect an increase in the period out of the workforce; so a delay in the return to work. You would still be looking only at a relatively small adjustment, wouldn't you, for that?

MR GRAY (AIFS): Yes, that's our assessment of the evidence, really.

MS MacRAE: Yes, yes.

MR GRAY (AIFS): I mean, to my mind it's obvious that without the workplace change, you'd get a slight increase in payment over the current maternity payment. It's going to have little effect because the important thing is unpaid leave in terms of providing job protection, but if it's a replacement wage and the LSAC don't suggest that a significant number of women - I mean, a considerable number don't return to work for 12 months but, of those who do, a significant number are saying they return to work earlier than they would have liked because of financial reasons and the extent to which that additional money means the family can survive financially.

MS MacRAE: Yes.

MR GRAY (AIFS): I think an interesting issue will be, in the current economic climate of higher rates and petrol price, and food prices and so on, that it is clearly going to increase financial pressure on families and they will be able to ill-afford the loss of the income through the mother and so to that extent I think it helps them. It's also worth noting that most of the mothers who return to work are returning part-time not full-time and so it may - - -

MS MacRAE: Yes. Did you have a proportion that were self-employed of that? Sorry, I was just interested in that.

MR GRAY (AIFS): Self-employed?

MS MacRAE: Yes. That return.

MR GRAY (AIFS): Yes - - -

MS MacRAE: It was just one of those things that's of interest because the eligibility for ongoing leave is important and, if you're self-employed, many of the schemes that we're looking at or that have been proposed don't include the self-employed so you'd be counting those people out. I mean - - -

MR GRAY (AIFS): Yes, generally. I mean, you could design a scheme that applied to the self-employed, which if you think of various models which would either be publicly funded, or they may have to be forced to make a contribution to their own - but I mean that's a bit smoke and mirrors in some ways but certainly of the mothers who return to work with a child under three months a significant proportion are self-employed.

MS MacRAE (AIFS): Right. That's okay.

MR GRAY (AIFS): I can't give you exact figures.

MS MacRAE: No, that's fine.

MR GRAY (AIFS): But we can get that for you.

MS MacRAE: Yes.

MR GRAY (AIFS): But of the proportion of women who return to work, the proportion who are self-employed declines as the age of the child goes up.

MS MacRAE: Yes. Right.

MR GRAY (AIFS): But self-employment also, because it's not only about the flexibility, it's also about if you've invested in a business.

MS MacRAE: Yes.

MR GRAY (AIFS): The business may well fall over if you don't keep working and so the costs for that can be very high.

MR FITZGERALD: Some people have said to us that one of the impacts of paid parental leave - I presume drawing on overseas evidence but perhaps from Australia as well - is that people are less likely to move out of the workforce entirely; in other words, there is almost this sort of learned survival that you can survive on almost nothing and you don't go back to work. But people have said that paid parental leave reduces the drop-out rate from the workforce but also increases the intensity with which people return to work - if it is of sufficient duration.

In other words, if people have - I'm not saying 14 weeks, but a period of time where they have been well remunerated and sufficiently rested and been able to bond with the child they will return with greater intensity to the workforce either full-time or at greater levels of part-time. Now, we're looking at that sort of information but I wonder whether you have any views or data around that?

MR GRAY (AIFS): From a theoretical point of view I have difficulty understanding the argument really. I mean, it's true that if you have substantial paid leave that mothers may take the view that they will return to work in between children in order to retain that - the retention to the labour market and because they want the paid maternity leave and that means that presumably they space out time between children further; that would be one of the implications of that from a theoretical point of view. So you might have a higher rate of potential labour market from mothers and we know that the longer you're out of the labour market the harder it can be to get back in. But, of course, for many people retention of their job is also important so they might return so they can restart the unpaid maternity leave as well, but I expect that there would be some who would return to work between children

who wouldn't have otherwise.

What the consequence of that is for the lifetime labour time supply we don't really know for Australia. I mean, I think the other issue though is - and where I struggle to understand is the argument around why you would return to work with greater intensity, other than you are returning when your child is older. We know that women who return to work when a child is younger is very part-time and then their hours will tend to increase as the children get older anyway. So, yes, they may return with longer hours but that may be a function of the age of the child, rather than - I mean, it's an empirical question which we should be also to use the LSAC data to look at actually.

MR FITZGERALD: Yes, some are arguing that in fact you need a longer paid parental leave period in order to be able to meet those sort of demands of both the mother's restorative health and the body, and all of that, but it consequentially has that impact of greater intensity. Now, it may well be that you've simply delayed the returning to work, as you say, until the child is slightly older in which case they would say, "Well, that's an obvious benefit of the paid parental leave." But I'm just wondering what evidence we have of that in terms of Australia.

MR GRAY (AIFS): Yes. I mean, there is often an argument about Australia does have relatively low employment rates of women with children and actually Australia's employment rates are particularly low of single mothers. So if you do international comparisons that's where Australia really stands out and that's why Australia has a very high proportion - well, a relatively high proportion of jobless families. It's not because of joblessness amongst couple families; it's about joblessness in one-parent families. So the important question is about the differential effects on lone versus couple mothers, and of course lone mothers will tend to have a lower education.

PROF HAYES (AIFS): Younger.

MR GRAY (AIFS): Younger, and so that sort of a complicating issue.

PROF HAYES (AIFS): So a lower probability of capacity to be as engaged.

MR GRAY (AIFS): Yes.

PROF HAYES (AIFS): The other thing that's interesting is figure 4, which shows the rates of employment as a function of first pregnancy versus second pregnancy versus third pregnancy, and the rate of engagement in work drops. Now, that may be what a parental leave system will change, as Matthew has argued. But it's a moot point.

MR GRAY (AIFS): I mean, yes, it's difficult to imagine that it would have unless it's a very significant paid maternity leave scheme, then it would have dramatic effect. The other point of course is that the age of child-bearing has been delayed in Australia so women - well, it has in most other countries so many women are having children from 32 to 35, and 35 to 40 even, so that if you are going to have multiple children at that age, you've actually got to have them more quickly because of age. So, again, this idea of returning to work might be less attractive for people who are in their mid-30s having families. Also, often people in their mid-30s are better established financially and so on, and more able to afford it.

MR FITZGERALD: Some people have argued that even people who are taking time off from work, they're doing so under great financial stress and I just wanted to put that through. So even if you had only minimal impact on the rate of return to work, some of the child welfare experts have said to us that in fact the level of stress that is now evident in families of young children is such that that in itself is a cause of concern. Now whether you need a parental leave scheme as distinct from sort of other benefit is the question, but, putting that aside, they're saying that in fact what we're seeing is increasing stress. So whilst the person may not be returning to work, the circumstance within the family and for the child and mother are in fact increasingly worsening. But again, what's the evidence for that? I'm not sure.

MR GRAY (AIFS): I think it's very important in this discussion that level of support to families with children has gone up dramatically in Australia and it's gone up at a much higher rate than the OECD average. Of course, Family Tax Benefit has increased in value compared to previous payments, the introduction of maternity payment is very substantial and that's a payment on the birth of the child. The current government has made some changes to that, but it's still a payment that is available to the majority of families with children; it's a payment made irrespective of your employment status, except for the recent change in income testing. So that's worth bearing in mind: that Australian governments have provided significantly greater public support to children.

The ministerial taskforce on child support looked very closely at this issue and found that, for many low-income families, the government support basically covered the costs of children. The LSAC data would show that while there is a significant number of families with an infant who say they're just getting along - poor or very poor - the majority of families don't say that and, again, the majority of families don't experience financial hardships in terms of not being able to pay for things like utility bills and so on. But there is no doubt that for some families there is financial hardship, but the majority of Australian families don't in fact report significant financial hardship, which is what you would expect in Australia currently, given the strong economy. I mean, the recent change around mortgages may make an impact.

MR HAYES (AIFS): Those on unpaid parental leave were the most likely to say

that they were just getting along, although you've got to take that in the compass of the father's income as well. You'd often see that those who were accessing unpaid leave had partners who were earning, on average, more. So I think those factors need to be taken into account as well.

MR FITZGERALD: Other questions? Can I just ask you - I'm just conscious of the time; we're just about out. It's going back to a question that Angela has raised. In terms of public policy terms, if one was to support a statutory paid parental leave scheme - and you did discuss the issue about timing - notwithstanding that there's no one right answer, given the nature of families are very variable, in public policy terms, most people have said to us we should look at the World Health Organisation's 26 weeks explicit breastfeeding as a benchmark, or the ILO recommendation, which is 18 weeks, or the ILO convention, which is actually 14 weeks, and many others have said to us it's much longer.

I suppose I just want to revisit that issue. I know you're not making recommendations as to the scheme, but do you have a sense of a figure and a rough period of time that you think would bring about beneficial change, either in terms of rates of return to work or benefits - because at the moment, as I say, the World Health Organisation and the ILO are the dominant drivers in terms of the number of weeks that people are suggesting; which of those they chose depends on a number of factors. So where is the guidance for policy makers? Where should policy makers take guidance from, is really my question.

MR HAYES (AIFS): What I'm not clear about is whether statutory paid maternal leave on its own would lead to that behaviour change, given the other differentiators of breastfeeding in women. So that's the uncertainty for me. So I'm loath to put a magic figure on this. Ideally, of course, the six months for all children does carry with it a range of health benefits that you'd have to say are very important, but the drivers for why some women sustain breastfeeding across, say, 10 or 12 months as opposed to some women who don't breastfeed are very complex. You do find a broad, as I said before, differentiation by maternal education and maternal education, of course, co-varies with maternal occupation. So in a sense, untangling that is very difficult and I find it difficult just to give a single answer on this.

MR FITZGERALD: Just on that, this inquiry is - - -

MR HAYES (AIFS): Sorry, Robert.

MR FITZGERALD: No, no - - -

MR HAYES (AIFS): The flexibilities around the way that workplaces provide capacity for women to continue to breastfeed, for example, is another dimension of it.

MR FITZGERALD: One of the things about this inquiry, whilst it's got this title at the moment as a working title, the inquiry is about support for parents of newborn children up to the age of two. So we are going to be looking beyond just parental leave and you've continued to refer to it by itself. So this inquiry is in fact a broader inquiry than just parental leave, although it's the dominant issue quite clearly. I was wondering then, what is the package of measures that in fact will bring about substantial change?

Now, people have obviously talked about the right to return to work or the unpaid leave; we've talked to many people about paid parental leave; we've talked about greater support for breastfeeding of children, both at home and in the workplace; people have talked about greater access to quality child care, particularly for older children and so on. So we are keen to look at a range of measures for kids under the age of two, but I was wondering whether you have a basket - a package - of goods, either now or later, that you think might bring about a desirable change. Because we are clear that by the end of the inquiry, we want to move just beyond paid parental leave as the only issue.

MR HAYES (AIFS): A glib answer would be "all of the above".

MR FITZGERALD: Sure.

MR HAYES (AIFS): But I think the thing that we're particularly focused on at the moment is the impacts on disadvantaged children and the need to provide the sorts of supports - when I look at the literature on return on investment in early childhood, the big returns really are from the programs that target disadvantaged children. So you need two things: you need a universal system of supports for all children. Now, I'm not saying by that universal child care for all children, let me be clear, but a universal package of supports that in a sense are like the public health model. What you have is access to appropriate health screening, access to appropriate supports for breastfeeding for mothers, access to appropriate patterns of care or provisions of care - a range of those.

But then, I think that the real area where you get the impacts are on things that support engagement of families with disadvantaged children more effectively around capacity to return or to get out of joblessness. They're where you'll get huge impacts. So I think in a sense the social inclusion agenda needs to be thought of in this space as well because the most prejudiced development is occurring among children who are arguably very disadvantaged in this society and they tend to be from families with high rates of joblessness, families where you've got low parental education, where you've got low capacity to engage in the workforce or, where engaged in the workforce, it's fairly low quality, with low provision of care. Matthew?

MR GRAY (AIFS): I think also at a general level, looking at workforce incentives and trying to ensure that, if people do go to work, the way in which tax and income assistance interact and the way in which they interact with any paid maternity leave scheme is something that - if that in fact is where it goes, would require very careful attention because there are a number of different payments for families with children and the way in which they interact would be very important to consider, and to ensure that is not punitive, affecting marginal tax rates on the second income earner, certain points of distributions.

MR FITZGERALD: Yes, okay. Is there anything else? Any other final comments you'd like to leave us with?

MR HAYES (AIFS): No. We'd be happy though, if there were other analyses that we can run, on the LSAC data particularly, don't hesitate to ask.

MR FITZGERALD: I'm sure our staff will come back to you on this and a number of other - - -

MR HAYES (AIFS): We'll tell you if we can't.

MR FITZGERALD: That's fine. All right, thank you very much. Are we going to have the next participants?

MR FITZGERALD: Just have your full name, the position and the organisation that you represent and then some opening comments and we'll have a discussion.

MR EVANS (ARA): Richard Evans, executive director of the Australian Retailers Association.

MR BARRESI (ARA): Phil Barresi, director of employment relations of the Australian Retail Association.

MR EVANS (ARA): Commissioner, we'll go to an opening comment but we'll just give you a bit of a brief background as to what the Australian Retailers are, and that is, we are an Australian-based organisation, Australia-wide. We're an employer group and we have over 5000 members and we represent large retailers and right down to the single unit retailers. I'd like to welcome Phil Barresi, who is, as I said, the director of the employment relations specialist and he will make the opening comments for us.

MR BARRESI (ARA): Thank you, commissioners. We'd like to thank you for the opportunity to appear before the commission and talk to the ARA submission. First, we'd like to begin by congratulating the federal government on its decision to refer this very important public policy matter to the Productivity Commission for its investigation and eventual recommendations. We'd also like to take this opportunity to thank the commission for their very comprehensive issues paper. It was a most helpful resource for our consideration and certainly presented many of the challenges which both the commission and we as an employer association need to consider as part of any likely adoption of the universal scheme.

To assist proceedings, and I noted some of the discussion took place earlier on, we'd like to refer to parental leave as being the all-encompassing descriptor of the three types of leave being investigated by the commission. This is in no way meant to detract from the unique place that paternity and maternity leave have in the workplace. We recognise as an employer association that whatever changes are made to either or all of these leave provisions, they will have a common impact on small and medium-sized enterprises. The retail industry is, in fact, is a stand-out industry group that fully represents all of the difficulties and complexities that the commission and eventually our legislators will need to overcome prior to endorsing a one size fits all universal parental leave scheme, whether it be taxpayer or employer funded.

As a background, allow me to say that while other voices may speak out on behalf of retailers, those voices will need to be seriously qualified. The ARA, as Mr Evans has mentioned, is a peak national retail association representing the interests of the largest employing industry in Australia with coverage in all states, and our members come from the ranks of the large national retail chains right

through to your corner store retailer.

In formulating our submission, the ARA recognise a number of issues affecting the retail industry need to be considered by the Productivity Commission in its deliberations. Some of these issues are certainly well canvassed in your issues paper. They go to issues such as capacity to pay, the capacity to administer a universal scheme, which has public policy objectives more so than employer workforce considerations, the economies of scale between your large retailers to the small retailer, the right to return to work, that is, integration of any replacement staff and the returning employee in the workforce, the impact of a universal scheme on the nature and the structure of the employment relationship that is a resulting casualisation of an already highly casualised workforce, and the current economic conditions as reflected by retail sales, retail margins and consumer confidence.

All these issues are canvassed to varying degrees in our written submission before you. As stated in our submission, the retail industry, as of December 07, contributed 5.78 per cent of Australia's GDP and is the largest employer in Australia, providing 15 per cent of all jobs. The sector contributes over \$290 billion to the Australian economy. The ARA strongly contends that a maternity, paternity and parental leave industry-wide scheme that leads to additional on-costs, substantial or otherwise, for small to medium-sized retailers would seriously harm the economic viability of the industry group.

Small to medium retailers are very quick to respond to on-cost labour burdens by either adapting the nature of their workforce mix, changing the employment structure of the workforce arrangements, passing on any inflationary cost pressures to consumers and making a decision as to whether or not to even remain within the business. The ARA does not necessarily oppose a taxpayer-funded parental leave scheme, as long as there are no additional costs on the business entity. However, we do oppose a scheme which creates operational uncertainty and employee insecurity.

Due to sector diversity, parental leave should be an enterprise by enterprise decision unless sponsored fully by the government. By way of background, the retail industry recorded a very strong performance in 2007, which was underlined by record pre-Christmas sales. Since then, the start of a new calendar year until now, we have witnessed a significant decline in retail sales, thereby giving retailers cause for concern on the financial position they are potentially confronting. The combined pressures of successive RBA official interest rate increases, major banks unilaterally increasing their loan rates, along with the general inflationary pressures flowing through the economy has created a downturn in business and consumer confidence levels.

The ABS data, specifically on the retail sector, clearly shows that the high retail sales figures recorded late last year were not sustained into the near year. The

2008 year is showing a trend line of declining sales performance. Consumption data from the RBA clearly demonstrates the downward trends and there's nothing currently in the economy to indicate any change to these trends. The turnaround in the retail and general business sector is coming through a number of official survey results, notably consumer confidence surveys. Many of these figures and data are contained within our submission.

There are significant pressures on the retail sector that go to any consideration of capacity to pay; for example, the costs of goods from suppliers where we have seen some changes certainly taking place in the last year or so. Labour and occupancy costs - IBIS World states that labour costs equate to somewhere around 13.7 per cent of total revenue for the retailer. Margin pressures - the days of gross profit margins of around 50 per cent are by and large a thing of the past. Many retailers are sitting on occupancy costs of 12 to 15 per cent in shopping strips. On-costs, that is, wages bills, of approximately 13 or 14 per cent on normal costs of approximately 8 per cent.

Vertically integrated retailers, that is your large chains, that have controlled their supply and distribution lines are more likely to absorb a parental leave scheme with some employer-based contribution. Many, if not all, these retailers have larger gross profit margins. Inflationary pressures - unfortunately the inflationary pressures faced by the small to medium-sized retailers, such as higher wages, successive interest rate increases and return to a penalty rate regime to cope with extended trading hours has far greater consequences than a drop in margins.

The ARA strongly contends, based on the economic overview provided in our submission, that the retail industry at the small to medium enterprise end does not have the capacity to contribute either directly or indirectly to the implementation and subsequent administration of a parental leave scheme. The ARA focus group's discussions and surveys, which were part of our formulation of our submission, suggest that the smaller the enterprise the greater the resistance and incapacity to make a direct or indirect contribution to the scheme.

The history of employment in the retail sector demonstrates volatility, willingness and a capability to rapidly adjust employment levels to match economic activity. The current economic uncertainty should provide a warning that any additional impost may result in reduced levels of employment or at best a significant shift in the structure and nature of employment arrangements of the employer. To get a sense of likely response from retailers one only needs to read a sample of the feedback we received in our focus group discussions and surveys.

We would like to comment on two of the more high profile retail industry schemes that have achieved public attention: Myer and Woolworths. Before we begin, the ARA would like to place on the public record now, our congratulations to

both retail organisations on the decision they have made for the benefit of their female permanent staff. There were two key observations that needed to be made as to the relevance of schemes such as those to the overall retail sector. Firstly, given the size and market reach of organisations such as Myer and Woolworths, even they have implicitly acknowledged the difficulty of offering anything which approximates the schemes being called for by other parties.

Six- and eight-week employer-funded schemes are a long way short of some of the other calls being made on employers by unions and other special interests groups, nonetheless these two schemes are still far more than what any small to medium-size retailer could possibly contemplate if they have an eye to survival in the retail market place. Both retailers have acknowledged that they treat their schemes as an incentive to attract and retain staff. The second observation is that the Myer and Woolworths schemes, together with the other retail examples contained in the commission's issues paper, are examples of retail organisations with considerable economies of scale advantages; advantages which are not available to the overwhelming proportion of Australia's retailers.

The ARA acknowledges that momentum towards a national parental leave scheme is inevitable. However, we strongly dispute that such a scheme needs to be supported by employer contributions. Financial and economic disparities between the largest and smallest of the retail entities that make up the tens of thousands of retailers within the industry will have dramatic consequences on their viability within the industry sector to survive financially.

We thank the commission for the opportunity to be here today to present and we're more than happy to take questions on anything in our submission or generally in regard to the retail industry.

MR FITZGERALD: Thank you very much for that. Can I ask a question about data. Do you have available to you a breakdown of the workforce in the retail sector, and specifically a couple of issues. One is the number of workers that are on or below the minimum wage currently, because it would be my assumption - but it may be totally incorrect - that the vast majority of retail workers would in fact not be substantially paid above the minimum wage, but I'd like to know that. The second thing is, therefore that would impact on whether or not there was a substantial impost imposed on retailers by a compulsory top-up, and the ACTU this morning presented here and they're seeking 14 weeks at ordinary timed earnings. But we already know that a very substantial portion of the workforce doesn't receive much more than the minimum wage.

We would assume that that's so in retail, so it's just the question, "Do you have a breakdown of the employment profile for retailers in terms of wages, and secondly, by size of employer?" Because you've indicated Myer, Aldi, Woolworths and some

others have in fact entered into arrangements, but I'd be keen to know what percentage of the workforce is covered by existing voluntary arrangements because one of the things here is to try to unpack the sentiment from the reality. All small businesses would say to us, "This will be an unaffordable impost." If you were to ask individual small businesses how they're affected of course the answer is very different. When you actually say, "Well, how many women have you got, how many have taken time off?" So there's a sentiment which I understand fully, and then there's the reality. I just want to make sure whether the sentiment and the reality are in balance.

MR BARRESI (ARA): Sure.

MR FITZGERALD: The only way one can do that is by the data. So a very longwinded question, but I wanted to contextualise why I want the information if we had it.

MR BARRESI (ARA): We can see about looking into getting some of that data for you if it exists. I know that we had this discussion a matter of a few weeks ago as part of the award modernisation process, and one of the things that we came up with, and I think the ACTU even recognised, was the difficulty of getting breakdowns within the retail sector. Certainly our understand is that great majority of retail employees are covered by awards and are being paid on the award rates. That does vary from state to state and also on the classifications that the individuals are in. We did try and get some data on the various - on numbers of employees within the various retail classifications as to whether or not they were a store manager versus a sales assistant, et cetera. That data apparently just does not exist in terms of that kind of a breakdown, but you're looking at something a bit more general than that, but we can certainly have a look at that.

MR FITZGERALD: Well, we'd be fitting in any data, because at the end of the day, whether or not there is a scheme and whether or not it is government funded or government funded and employer funded, we are very concerned about the impact. We're very concerned about the impact both economy-wide but also industry specific, and as you indicated you have 15 per cent of all jobs in Australia so the more information we have about that sector, the more we can analyse it, the more helpful that would be.

MR EVANS (ARA): I think you said it might also be worthwhile to say to you as to the amount of employers in the marketplace, and that is that our data indicates there's around about 950 chains which is two-plus stores, but there's 150,000 retailers. So there's 149,000 basically single unit retailers out there, which gives a different view to the mass employment structures. They might only have one or two staff.

MR FITZGERALD: So the second point about the data would be helpful. In relation to the 150,000 very small businesses that only have two or less outlets, the average employment profile of those businesses would be helpful. Now, you may not have that, because again it may well be that when you actually look at that the impact is not as severe as first thought. It could be in some businesses, I fully understand that, but again it may not be as great, so I suppose the better the information we have the better off we would be. But can I ask a general question - sorry?

MR BARRESI (ARA): I was just going to add some of the anecdotal evidence from the survey, because I tried to get that sense from our members as I was responding to those sections in terms of how much of our workforce is casualised, and even such a direct question, it was a very imprecise answer that I got, but certainly it's fair to say that overwhelming, though, the answer was of a high casualisation that does exist within their retail business. Anywhere from 70 through to 100 per cent casualisation was what was fed back to us.

MR EVANS (ARA): I think it's important to understand that retailers have very limited opportunity to manage their costs. They have occupancy costs which are fairly set for them. They have other costs such as supply channel costs and banking costs.

MR FITZGERALD: Sure.

MR EVANS (ARA): The only real significant cost factor that they've got is actually their labour costs, so therefore consumers have a direct impact upon retailers' costing, so therefore they - if there's less demand they look at their labour cost, and I think that's why there's a great - and we'll get these figures - but there's a great number of juniors within the sector as well and that's why junior wage structures are very important for the sector, because I think everyone probably in this room, their first job was probably in a retail environment and the reason for that is because the actual costs of employing a junior is far less than a senior, so therefore that's what retailers use to manage that particular cost. So any impost upon that labour is going to have a direct impact upon that retailer.

MR FITZGERALD: Just a couple of other questions then Angela might have some questions. There are two types of contributions that are being considered by participants. One is a compulsory top-up from, let's assume, the minimum wage funded by government to the ordinary client's earnings, the second is that unions have maintained that there should be the accrual of annual leave, sick leave, compassionate leave and superannuation during the period of paid parental leave so there are two levels of contribution.

I was wondering whether you have a view - I mean, you're saying that no

contribution, but do you think employers would be prepared to at least meet the commitment to ongoing accrual of annual leave, long service leave and those other benefits, and I just put that in context that in Queensland of course there is a statutory requirement that they be accrued anyway for three months. It's the only state I'm aware of that has that and we haven't heard too much from the business community up there. So there's two issues. One is about the top-up, one is about the accrual of benefits. Now, you may not have a position on the second part of that.

MR EVANS (ARA): It's important I believe, commissioner, that there are two actual segments to retail, and that is the employers which have a significant employee group, and there's the individual retailers that might have one or two. In terms of the top-up, my view is that it would be difficult for single employers to be able to subscribe to that. The reason is this, is that if they are required to keep a job open for someone, for instance, therefore they have to replace that particular person on a temporary basis, therefore their costs in indeed employing someone on a temporary basis is going to be actually greater than holding that job open. To then have to apply some costs to that person who is actually on leave, whilst not a bad notion, it just financially is going to impact upon that business in a significant way. So our view generally for the individual retailers would be not supporting a top-up process and it should be fully funded by the government, and indeed any administration costs would be a significant impact upon small retailers as well. In terms of accruals, we haven't got a view on that, but, Phil, have you got anything else you want to add?

MR BARRESI (ARA): I just want to add to the consideration of employer contributions. We certainly canvassed that as a proposition with our members and interestingly over half - 56 per cent of all those that were involved in our survey, which were the largest of all our retailers, we actually went to the larger ones, 56 per cent said they would consider supporting a taxpayer funded scheme, so that wasn't even an overwhelming endorsement at 56 per cent of taxpayer funded scheme. But 70 per cent said they weren't even prepared to even make limited employer contributions, so that gives you an idea of where they stand. There are the one or two that did say, "If I have to I have to, but the consequences I'll have to wear further down the line," so there's acknowledgment of the inevitability of some of these schemes but there certainly is very little appetite for even a small employer contribution.

MR EVANS (ARA): It should also be noted, though, that Myer and Woolworths are offering it to permanent staff, not their casual staff.

MR FITZGERALD: Sure.

MR EVANS (ARA): Casualisation in the retail market for labour is significant because retailers can use casualisation to meet demand when it's there. When

demand is not there - - -

MR FITZGERALD: Would it be true that most casual workers in the retail sector would not earn from a single employer more than the minimum wage so there would be no top-up for most casuals in the retail. I mean, it's a question you may not be able to answer that, but I would be very surprised if a majority of casuals were earning from a single employer more than the minimum wage.

MR EVANS (ARA): It depends how you measure that, because if you're measuring it based upon their pay, based upon the award, then the answer is yes, they are pro rata, but the actual cash in hand, probably you're right.

MR FITZGERALD: There would be no top-up. Yes, right.

MS MacRAE: The first question I want to ask you was just in relation to that casualisation, are you able to say what proportion of the current workforce is entitled to unpaid leave, the unpaid leave entitlements now? Do most of your casuals have an ongoing level of employment sufficient to make them entitled to unpaid leave?

MR EVANS (ARA): I think it depends on some of the awards. If they're considered to be a casual that's been there for more than 12 months, I think there is some consideration of that, that those casuals are entitled to conditions which would be available to some permanent employees, but that wouldn't be across the board.

MS MacRAE: No, okay. I just wondered what the experience was of the sector if you were able to advise on how many of your retailers might have had experience of trying to manage that unpaid leave entitlement, because many of the issues you raised there, Richard, about the problems of having to take on a temporary person, they go with unpaid leave as well as paid leave. Obviously if you're paying a top-up as well that's an additional element, but I just wondered if you had any feedback in your survey or other data you might have with experience with the unpaid leave.

One of the things that we're trying to be clear about is what are the costs and burdens that are currently in the system and what is additional if we had a maternity or a paternity paid scheme, and some of those issues around managing absences and things are already there and may not change very much, especially if the government was to fund the scheme rather than having employer top-ups. You may get some extension of the period of leave but we have heard in some instances that would actually help employers because that certainty issue that if people have 26 weeks they might say, "I'm taking 26," and they take 26. If they've only got six weeks they might say, "I'll take the six," and then find that they really want longer, and there's all that toing and froing for shorter periods, and trying to backfill for six weeks is not impossible, but backfilling for 26 might be easier.

MR EVANS (ARA): Sure. Well, the unpaid leave is an entitlement which all employers, no matter which industry sector, they are involved in, but some of the evidence that we certainly heard is that very few in the retail sector, if you come back, they might take the unpaid leave but the return to work is not as prominent within the retail sectors as it may be elsewhere. So what often would happen is that, yes, the person would take their leave, but those issues of coming back are not presented to employers.

MR FITZGERALD: Do you have understanding of why that is occurring in retail. We were conscious of that in some other industries as well. What is it in retail do you think is occurring that they're not coming back even on a reduced part-time or casual basis?

MR EVANS (ARA): My view is that it's employer loyalty and that there's not much, because retail is seen as a shifting labour market that you can move in and out of it at your will. Certainly on a casual basis we all learnt that from a very young age, you can move in and out and have no particular loyalty to a brand or an employer, and I think it's significant that Woolworths for instance have offered a two-week bonus if indeed they come back to work, which is a significant move I think for that employer to offer. If you're selling fruit, hamburgers or shoes it's the same dynamics.

MR FITZGERALD: Some people have argued that a paid parental leave scheme, just assume government funded for the moment, would in fact increase the return to work. International experience seems to indicate that paid parental leave people return to the same employer in greater numbers than they would otherwise. Now, in Australia we're looking at the schemes that are in place to see whether that's so or not, but I was wondering whether you have any sense of that, that a paid parental leave scheme of an adequate nature could in fact or might in fact increase the level of return to work to that particular employer, or is it likely in your view to make no difference at all?

MR EVANS (ARA): Look, I think that what we can see from the Myer and the Woolworths experience, the most recent ones, is that they spend and invest an awful lot of money on training staff and having good competent staff on the floor for both operations, and I think their offering - and not out of goodness of their heart, but I think it's a commercial decision to actually offer an incentive so they in fact become employers of choice for people who are wanting to move into retail. It's very easy to move into retail as an employee right now, because there's a lot of vacancy in it - right now there is.

Who knows what it's going to be like in two years time but right now there is, and I think it's significant for Myer and Woolworths to move into that because they want to retain their staff, and indeed our estimates are that what they're offering in

terms of parental leave is cheaper for them as an investment for them in their staff as opposed to retraining, or employing and retraining new people to that competency. Because of the casualisation of the staff in retail you don't have consistency of standard of employees, so if you have a long-term employee they know the systems, they know the training, they know what the requirements are, so it's better for the employer to encourage that employee back into the work. But because of casualisation, because it's so easy to pick up a job, it doesn't matter. I mean, if I'm a father on parental leave and I'm working in the city, well, then I can sort of move to where I am in Camberwell and therefore get a job closer to home if indeed I happened to have children now. So what I'm saying is it's transportable. The skills that you have as a retailer is transportable as an employee.

MR BARRESI (ARA): If I recall, I think it's actually canvassed in the issues paper, the differences in skills of the occupations in terms of coming back, the higher skills in some of the professional occupations there is a desire to go back into the workforce in case your skills and yourself as an individual become redundant. Whereas in the retail sector yes, there is skills involved but there's a lot more transportability of those skills and it doesn't take as long to get back to a level of competency once you've been out compared to some of the professional occupations.

MR FITZGERALD: One of the proposals we're looking at is whether or not if there is a paid parental leave scheme that it be paid for by the government through the employer. In the United Kingdom the employer makes the payment, the government reimburses and reimburses at more than 100 per cent for small business to factor in some administrative cost recovery component. The view there being that if the employer makes the payment, even though it doesn't actually fund it, that will increase the likelihood of employer retention with that employer. Others have said it probably makes no difference at all. I was wondering whether you have a view about that. I hear a number of employer groups have said they don't want the administrative burden, on the other hand, and you acknowledge this yourself, that there are benefits from retaining the same worker because of training and other issues. Do you think your members would be prepared to countenance a proposal whereby they were required to make the payment but funded by government?

MR EVANS (ARA): Look, I think in the modern workplace the relationship that an employer has with the employee is a very important one, and I think that if an employer is indeed paying directly the employee, there is a relationship between those and maybe a sense of obligation between one party and the other, but I would take the argument that employers probably would support that so long as all their administration costs are covered. Now that will vary between employer to employer. A single operator with probably two staff probably wouldn't have that support to be able to administer - even if they were getting 110 per cent back, the 10 per cent wouldn't pay for the administration costs, which is of the opportunity cost loss as well.

I think whilst that may sound on the surface a significant development in the debate, I would tend to suggest that the majority of retailers still wouldn't have the capacity to engage in that form of relationship if you like, drawing it back from the government through their BAS statements. Perhaps that's the way you pay it; I don't know. But certainly 110 per cent probably in a lot of cases wouldn't be enough.

MR FITZGERALD: We're just about out of time, Angela.

MS MacRAE: Yes, that's fine.

MR FITZGERALD: Any other final comments you'd like to make to us?

MR EVANS (ARA): The only thing that we'll say, and put some really serious weight on this, and that is that there is 150,000 retailers, 900 of which have got more than two stores. So that there's 149,000 out there struggling to survive as small business operators, and whilst this whole debate about parental leave is significant and it is a growing debate within the community, we cannot do it industry wide. It's got to be enterprise by enterprise specific, and therefore if the government is encouraging an industry-wide approach then the government has to pay.

MR FITZGERALD: All right, good. Thank you very much for that. Is Andrew Scott here? We might just take five minutes if that's okay with Andrew and then resume, so just time to grab a coffee and then we'll start again. Okay, thanks.

MR FITZGERALD: Okay. Are we ready to start? Okay, Andrew, if you can give your name and any organisation that you represent and then we'll lead off with some comments and then questions.

DR SCOTT (RMIT): Dr Andrew Scott from RMIT University. I am making this submission as an individual academic who has done research on the relevance of Scandinavian policy successes for Australia, and I think in this context the generous paid parental leave provision in Sweden, Norway, Denmark and Finland has been demonstrably associated with higher workforce participation by women and therefore higher national productivity. On the very latest OECD data subsequent to my submission, Sweden and Denmark now have gone above 80 per cent labour force participation rates, while Australia's is less than 76 per cent, and family friendly policies which would boost Australia's participation rate to the Nordic levels would substantially increase Australia's productivity without further work intensification or imbalance between work and family.

There are different roads to higher productivity of course and some may be better than others. Another feature of the Scandinavian approach has been team-oriented workplaces, which has been industrially and economically successful. So I think the evidence is strong that the Nordic countries who are the leaders in the provision of paid parental leave gain productivity benefits from that and higher workforce participation. Now, the Issues Paper of the commission does state at page 18 that paid parental leave increases the attachment of women to the workforce, according to European studies, which means women are better placed to look after themselves financially and therefore less likely to draw upon social security payments for example in old age. I think that point perhaps could be made somewhat stronger and more prominent in the draft report, that's what I'd urge for your consideration.

So first of all there are the arguments about participation and productivity. Secondly, the Scandinavian approach is also notable for providing explicitly for substantial periods of paternity leave as well as maternity leave, and in Sweden for example a minimum of two months must be taken by fathers. This has gradually built up over time and has had the effect of giving fathers a more positive role in the development of children. I say this as I'm looking towards the old Mercy Hospital where both my own children were born, so it's quite appropriate. I didn't have the advantage of paid paternity leave in this county. One of the Issues Paper's concerns is the extent to which paid parental leave actually affects the behaviour of men as stated in the Issues Paper and the consequences for paternal and infant welfare.

Well, according to the Swedish Institute's publication on equal opportunities - Sweden paves the way - updated in 2007, there's been a very clear effect in terms of the increase of the father's role in their children's upbringing with the point being made it is now almost as common for fathers as it is for mothers to pick up and leave

the children at preschool and school. So the role of fathers in children's development is positive. There is also the question of fertility rates, which is a more complex area. However, recent studies, including OECD studies, have confirmed that the Nordic countries have combined high employment rates with reasonably high fertility rates. Of course a combination of those two things is good for overall productivity in terms of ensuring a sustainable, experienced participatory workforce, which is also motivated to return to work and continue working in various parts of the economy.

The final point I wanted to emphasise is that the paid parental leave in these Scandinavian countries is part of a wider policy approach which puts children at the centre and which has produced very impressive results in terms of the lowest child poverty rates in the world by far. Denmark 2.4 per cent rate of child poverty; Australia, just under 15 per cent. All of the Nordic countries are under 5 per cent rate of child poverty. This of course is not entirely due to paid parental leave but that's an integral element of the package which has produced that pretty important outcome, which is something that I think would be worth aiming for in Australia too.

MR FITZGERALD: Thank you, Andrew, for that. A couple of questions if I might, and Angela no doubt will have some. You may or may not have been here for the ACTU's presentation this morning and the Australian Institute of Family Studies, and there is some contention about workforce participation generally, and specifically for women. I was just - given your expertise in this area - trying to unpack this. What was said by the Australian Institute of Family Studies today, and obviously we're going to look at their submission in some detail, is that there is little evidence that paid parental leave has an impact on workforce participation if we're talking about schemes such as being proposed, 14 weeks and so on. The second thing is that there's, in the Australian context, they were not convinced that if you introduced a scheme such that is proposed by the ACTU you would have a significant impact on return-to-work rates, so there's the overall participation as return-to-work rates. As we've got around we've been asking people about that, so I was just wondering - you indicated that a package of family friendly measures contribute to higher workforce participation rates, but do you have a sense or evidence about the role that paid parental leave can and does play in those high levels?

DR SCOTT (RMIT): Well, I think it's key, but of course a big difference is that paid parental leave in Sweden, for example, is a lot longer than 14 weeks. It's 12 months or so. It can be longer. 44 weeks in Norway as identified in the Issues Paper, and I think that probably comprehensive paid parental leave is more likely to make an impact on workforce participation than minimal paid parental leave. Obviously the ACTU and other participants in this discussion make judgments about tactics based on past experience and so on, and I respect those. However, I think it's worth keeping in mind how successful in boosting participation these countries with greater levels of paid parental leave have. Child care is also extremely important in

that equation in the Scandinavian countries, as indeed are a whole range of approaches which emphasise the needs and the rights of children.

MR FITZGERALD: Do you believe therefore in order to achieve increased workforce participation rates that the desirable approach, or the only approach that will work, is one that has a comprehensiveness to the scheme. You have talked about 38 weeks or 52 weeks - below which, what is your view, that it's unlikely to have any impact, or the impact will be minimal.

DR SCOTT (RMIT): No, I think any move to pay parental leave would have some impact, and positive impact, on women's workforce participation in Australia. However, a larger move would have a larger impact.

MS MacRAE: Could I perhaps just ask a question. It was just something that was only half a sentence, I just wanted to pick up on it.

DR SCOTT (RMIT): Sure.

MS MacRAE: I think you said that one of the things they had was team-oriented workplaces. Was that right?

DR SCOTT (RMIT): Mm.

MS MacRAE: So is that the notion, that you have a team of people working on a project rather than individuals. So if you have people in and out of the workforce, that it's easier to manage that period that they're away. Is that the notion?

DR SCOTT (RMIT): That can help, I think, yes. I mean, I was talking there broadly about some well-known Swedish corporations, like Volvo for example, which has pioneered team approaches in car production, as opposed to the old assembly line model, which is being seen as an alternative road to productivity whereby employees are better motivated and enjoy their work more, and therefore are likely to stay in the corporation more. In terms of how it fits with paid parental leave, well, it would seem to fit well in the sense of rotation and planning and so on and periods of leave followed by re-entry into the team arrangements.

MS MacRAE: Just in relation to the workplace structure in those Scandinavian countries, do they have the same predominance of small business that we have in Australia.

DR SCOTT (RMIT): I think they may have less of a predominance of small business.

MS MacRAE: Right.

DR SCOTT (RMIT): I haven't done a sectoral analysis. You will know that business makes a contribution to those schemes in Scandinavia, and no doubt of course some of these schemes have been around a long time, from 1974 in Sweden, and there was opposition from business initially to those, but then business of course is quick to see the short-term costs of a change. But Sweden, and neighbouring countries, has now benefited from the long-term positives of that change, in terms of having a good pool of workers with experience who want to return to work because they have been given consideration in their family lives.

MS MacRAE: So are you aware that the level of employer support there is now very high?

DR SCOTT (RMIT): The level of employer support is as set out. You mean - I beg your pardon, yes, sorry.

MS MacRAE: I mean, yes, not in terms of the percentage they pay but in terms of their support of the scheme overall.

DR SCOTT (RMIT): I am aware that there's no campaign by employers to wind back parental leave.

MS MacRAE: I guess it's part of the furniture there so much now, because it has been there for so many years.

DR SCOTT (RMIT): It has been there so long. But other aspects of the Swedish model, if you like, have been contentious. There has been a change of government in Sweden, from a social democratic government to a more conservative government, but there has been a move to dismantle paid parental leave. Whenever anyone at the margins has suggested dismantling of those kinds of things, there has been a strong opposition, because people have now seen the benefits long enough not to want to lose them.

MS MacRAE: Okay.

MR FITZGERALD: One of the things in Australia, it seems, through the public hearings, has been that many businesses have embraced paid parental leave, either through collective bargaining or voluntarily. But employer groups by and large here acknowledge that there is likely to be a scheme, and either don't oppose it or support it provided they don't have to make any contribution. A question we have asked all employer groups is, "Are there not any benefits for business?" and I suppose the second question is, "If there are, why aren't you prepared to contribute to that?" I was just wondering what you see as the fundamental difference in Australia, compared to the Nordic or Scandinavian countries, in terms of the

employer-employee relationship that has so far not produced universal paid parental leave, either voluntarily or statutorily, over the last 30 years, whereas in other countries such has been introduced.

DR SCOTT (RMIT): There has been a tradition of greater cooperation in the Nordic countries, it has been called social corporatism. I suppose in a sense Australia had a brief experiment with it in the Accord period, but it has been much more entrenched institutionally in northern Europe and not only in Scandinavia, in fact in Germany and some other countries as well, which has led employers to participate in discussions about long-term economic outcomes of policy moves, and I think that goes a long way towards explaining it. So you could say it's path-dependent, as the academics like to say, or historically determined, and so on.

So yes, there are reasons for it. But the work of Francis Castles, which is well known in comparative public policy, shows how much a difference governments can make with different policies. One of the interesting things of course is that the fertility rates in Sweden are higher than in Italy, despite the fact that Sweden is a secular, nominally Lutheran country; Italy is a Catholic country which nominally opposes contraception and abortion. It's an interesting comparison and contrast insofar as family-friendly public policy measures of the kind associated with Scandinavia may have more effect than attempts to block women's participation in the workforce by making it less financially attractive, or to encourage large numbers of children through negative means.

MR FITZGERALD: Another question, if I can. In the Australian context people have indicated to us that child and maternal wellbeing is a very important consideration in relation to the provision of paid parental leave. Already we have, however, the majority of Australian women don't return to work within 12 months already. So some people have said, well, with a modest adjustment to the baby bonus or so on or so forth, or enhanced social security payments, you can increase the level of income support and that will have the same effect. You don't actually need a paid parental leave scheme. In other words, historically in Australia we seem to have used social security as a means of enhancing family income support, both with children and in other circumstances, rather than through the industrial system. I suppose my question is, in order to achieve some of the benefits that come from paid parental leave schemes, can they be achieved without the need to establish such a scheme? Can we achieve those benefits through the social transfer schemes?

DR SCOTT (RMIT): I don't believe so because that doesn't promote workforce attachments, which as your Issues Paper has already identified is the outcome of the European approach. Money will always help make the extra costs of children easier to bear but if your interest is in promoting long-term workforce participation, a parental leave scheme ensures that women and men who take advantage of paternity leave provisions can re-enter their career path and therefore have confidence that

they're going to continue working long into the future.

MS MacRAE: Just in relation to that workplace attachment issue, can you tell me what arrangements are there for women that are outside the workforce in Scandinavia? So if they're not working, is there a sort of a social security safety net, if I can call it that? I don't know if that's the right terminology for the Scandinavian countries. And if there is one, is there a significant difference between what you get if you're outside the workforce and what you get inside? So what sort of incentives are there for women to return to work in that differential? Because we've also seen quite a variation in the schemes proposed to us in terms of the difference or the similarity between those in and outside the workforce and whether you see that as an important element in the participation question.

DR SCOTT (RMIT): I do and I think the answer is the Scandinavian approach is to tie benefits to work, as in previous work entitles you to parental leave and return to work is envisaged and seen as the norm. And I think Peter McDonald has made the point that in Australia we have incentives going in different directions. We have some incentives for some mothers to stay at home and other incentives for other mothers to go into work. In Sweden it's a productivist culture. The idea is that work is good and work should therefore be enjoyable and able to be balanced throughout one's life with other key events in one's life, which I think children would be one. So I think the answer is that it is strongly tied to work. I could give some more details; if you want me to provide those I can obtain those.

MR FITZGERALD: Well, just related to that question, the Australian Institute of Family Studies made the comment this morning that Australia's greatest problem in terms of workforce participation is with sole parents, particularly sole mothers as parents, and that in a sense that's the real area of concentration, and whether or not paid parental leave would make a difference there or not is an interesting question. Do you have a view as to why we have such a low level of workforce participation by sole parents vis-a-vis other countries? Now, in that question I'm assuming something which may be wrong, that in fact sole parents in Scandinavia and in Nordic countries have in fact a much higher participation rate than in Australia. Now, I don't know the answer to that so I may be wrong.

DR SCOTT (RMIT): Yes, well, I don't know the answer to that either actually because I haven't seen disaggregation between sole mothers and other mothers. But the overall difference is substantial between women's participation rates in Scandinavia and Australia, four percentage points or so. So one would suspect that single mothers are participating more too. As to the reasons why they are participating less in Australia, well, then I think you're going into the areas of the whole welfare to work regime and the attitudes to single mothers perhaps. I'm aware of the general contours of the debate but I don't have data really to say something meaningful on that here.

MR FITZGERALD: That's fine.

MS MacRAE: I had another question on the tip of my tongue and I was interested in that and it's taken me away.

MR FITZGERALD: Well, let me ask a very general one. I mean, if you were able to influence public policy in relation to this area - we are conscious that it is a package of measures and obviously this inquiry is largely about paid parental leave but not exclusively so - I was wondering whether or not you might be able to tell us in your own view what would be a good package of measures that you believe might significantly impact on workforce participation rates for women? If that's one of the central goals of what we're about and that obviously is one of the goals.

DR SCOTT (RMIT): I strongly recommend the Scandinavian approach as the most coherent and proven successful approach in boosting workforce participation. It would involve a major change for Australia but what is our purpose? If our purpose is to increase productivity, then the more people that work over the longer period of time will do that in the best possible way. And from this part of the world we have evidence of the link between extensive paid parental leave and long-term workforce participation. One of the things I am concerned about is that although we hear about globalisation, we don't hear enough about some of the parts of the world, parts of the globe that actually have done things differently and most successfully. It seems to be an Anglo-globalisation. I'm very keen to see Sweden, Norway, Denmark and Finland and their achievements looked at seriously and for Australia to perhaps aim for those outcomes that they have achieved.

MS MacRAE: Can I just return to one of the other things, you'd said that a couple of the elements of the Swedish scheme had been contentious, I understood, in relatively recent times. I just wondered what those elements were and are there still changes being made. I guess one of the things is you've said there's been more of a move to greater paternity leave and the use it or lose it option has become more entrenched as well. Are there other things about this actual scheme design that you think we should be looking at in particular?

DR SCOTT (RMIT): Well, no, the main issue has been the increase in paternity leave minimum and various academics, including Prof Anita Nyberg, have commented that although parental leave days taken by Swedish fathers went up to 20 per cent in 2006, it has increased a lot more since the two month minimum rule has been brought in. The debate has been some initial reluctance of fathers to taking so much time off for leave and even though Sweden is a less - well, what's the right word - "macho" country, where gender equality is much more entrenched, there still has been this debate. But while there has been debate there has also been a lot of acceptance and it's not as if it's been a national trauma. And fathers I think are

enjoying the opportunities to spend more time with children. Of course that is part of promoting greater gender equality in Sweden and surrounding countries.

MS MacRAE: I was just going to say, just in relation to that gender equality, obviously again it's a whole package of issues that are assisting that in Sweden but do you say that the parental leave arrangements have made it easier for women in relation to their career paths, supporting themselves in retirement, keeping their status in the workforce when they return. Are all those sorts of issues also positive from the Scandinavian perspective?

DR SCOTT (RMIT): Absolutely.

MS MacRAE: Right.

MR FITZGERALD: Can I ask a final question in relation to child care. You've mentioned child care as an important component, and we acknowledge that, but can I just be a little bit more precise, what elements of the child care are of significance. That is, we seem to be hearing that further investment in formal child care for children under six months or 12 months is an option but very few participants believe that it is necessarily in the best interests of the child for a child under 12 months to be in formal child care, whereas obviously after 12 months there's a very different view. Now, all of that is contestable and we're not getting into whether child care is good, bad or indifferent, but it is clear from public policy point of view you have to make some decisions. I was wondering from the Scandinavian point of view what lessons can we learn in relation to child care, especially for children under the age of 12 months. Is there any lessons or guidance that we can take as to the approach?

DR SCOTT (RMIT): Well, I think the key point is that children under six months are with their parents because of the paid parental leave and so the child care issue doesn't arise so much there, indeed for the first 12 months. So child care is important but I don't think there is a desire for it to be available from the time of a child's birth. I think those first six to 12 months are crucial for parents to spend with their children and that brings us back to parental leave and the absence of paid parental leave in Australia.

MR FITZGERALD: Okay. Good. Are there any other final questions or any final comments you'd like to made, Andrew?

DR SCOTT (RMIT): No. I thank you for the opportunity to present and appreciate having the chance to listen.

MR FITZGERALD: That's terrific. Thank you very much for that.

MS MacRAE: Thank you.

MR FITZGERALD: If any other thoughts come to you in the next few weeks just drop us a note or give us a call.

DR SCOTT (RMIT): I will.

MR FITZGERALD: As I've said to many participants this is an iterative process so we are learning as we're going and the more we know, the better the quality of the report. So thanks very much for that.

DR SCOTT (RMIT): Thank you.

MR FITZGERALD: Miles, thanks for very much for agreeing to the hook-up. I think you're our last participant, not only for today but also for our public hearings. So you get pride of place.

MR PARRY: That's good.

MR FITZGERALD: The formality is very simple. If you can give your name and the organisation that you represent, and then if you could make some opening comments, and then Angela and I, as the two commissioners, will sort of have a discussion and chat, and it's that simple. Of course these are all being recorded and the transcripts will be made available on the web site.

MR PARRY: Before we get into it, fortunately my wife has been able to call in home as well. Now, not only is she obviously an active participant of the leave that I've been able to take - I don't know if you know the background at all but we currently have two children, both of which have benefited from me being able to take unpaid leave from my employer. Now, she's not only, as I said, the wife who is involved in this but also she's a small business owner. So would you be interested in her joining in as well?

MR FITZGERALD: Yes, that's fine. No problems at all with that. If you can just give both your full names, that would be helpful.

MR PARRY: Okay then. One moment, I'll bring her into the room. Okay. Jocelyn is in the room now. Jocelyn, this is Roger and Angela, they're commissioners from the Productivity Commission inquiry.

MS PARRY: Hi there.

MR FITZGERALD: Hi, Jocelyn. So we've got Miles Parry and Jocelyn Parry. Miles and Jocelyn, are you representing an organisation or just in your own capacity.

MR PARRY: In our own capacity.

MR FITZGERALD: Okay. That's fine. All right. If you'd like to make some comments that would be terrific.

MR PARRY: Okay. The background is I'm a station officer within the Queensland Fire and Rescue Service. I was approached by the United Firefighters Union to put a submission in. Having said that, I don't represent them in any way. I've been with the organisation for 15 years. We have two children. The first was born on 13 January 2006 and the second child was born two months ago. Part of the conditions that I work under, my award picks up the family leave award, which allowed me to take 12 months' unpaid leave across however many children we have

or chose to have. So I split that into two six-month blocks.

The first six months I commenced on 13 January. That was six months' unpaid and then the award conditions allowed for me to then work part-time until the child's second birthday. I took up that option as well as taking annual leave prior to the birth of the child. So I took leave in early September, which was annual leave and my wife also closed her business. Her child was due at the end of December. So she closed her business for that period at that time. The child was then born two weeks late, which meant that he was born on the Friday and my wife had to resume - was not actively working the business, it was open for business on the Monday. Our second child was born, as I say, two months ago and again, it took much the same format in that I took some annual leave prior to the child being born and then went onto - I'm currently on unpaid leave now and my wife is actively back in business.

Looking through the dot points here that - I'm checking on the email so we can work through those now. Number (1), "Were you eligible for paid maternity leave or paternity leave when your child was born?" I'm eligible for one week paid leave on the birth of the child, which I took up. Point 2, "What were the terms available?" be it of pay entitlements. I've covered those. "Did you take all of your paid paternity leave?" Well, yes, one week on both occasions. "How much paternity leave, paid or unpaid did you take after the birth of your child?" Covered that. "Did the period of paid paternity leave available to you influence the amount of paternal leave taken?" No, not really. It was only one week for each child so that wasn't a great influence in any decisions that we made.

"How did you arrange to leave to have your baby if you're self-employed, contractor or business?" We can branch out the - take that across to Jocelyn's position where she's the owner of the business. It enabled her to keep the business functioning. It's a small business. She's not in a position to take extended time away from the business. So the ability for me to take leave, albeit unpaid, was a huge benefit to us, and has significantly influenced the fact of whether we decided to have children at all. Of course, if I wasn't able to stay home with them, then it's certainly not how we want to bring up children without one of us being home to care for them.

Point 6, "Did you leave your job prior to your child being born?" Yes, that was annual leave, varied between three and four weeks' annual leave before the child was born. "If so, did the leave provisions available influence your decision?" It was just straight annual leave that I was entitled to. Fortunately I was within a position in my organisation where I could take leave pretty well at any time, and then I was in a non-operational position. If I was in an operational position then my ability to take leave is severely constrained as to - varies throughout the year whether leave is available to me.

Point 7, "How did you access paid or unpaid paternity leave? Did it affect your

decision on when to return to work?" Well, it's part of the award condition that part-time leave is available to me up until the second birthday of the child. That was when I returned to work full-time. Point 8, "How important was the time off with your baby for you and the baby's health?" I'm of the opinion that it's vital. "What aspect of your baby in care were most affected by the time you were able to spend home with your baby?" I believe that having a constant carer, being one of the parents, available to the child in the formative months of life, it is very important to both the physical and the mental health of that child. It's a period in their life when they're building trust with the environment around them. Having a consistent carer with them, there's a huge benefit to that.

Our child now is just over two, two and a half. He's physically and mentally very healthy, intelligent, sharp, socially well-adjusted, confident, beaming young boy - and I'm not biased at all - and that's comments we receive constantly, not only from family and friends but also carers who are in the profession who come across him, teachers who have met him occasionally all comment on it. So we'd like to think that that's part of the environment that we've been able to provide for him. He went into part-time childcare at one of the centres at eight months of age, and there was a noticeable increase in stress in his life, being dropped off there, foreign environment, more people, a lot more children, different carers coming and going. You know, the roster days off and they get sick as well and there's a change.

So there was a noticeable amount of stress that he took on board having to go there, and also his health did deteriorate when he started going there in that he's picked up bugs like they do at child care centres, then brought them home and shared them with us, and it got to the stage where for pretty well a year I would drop him off one week, he would get sick and I'd have to stay home with him the following week, or keep him home with me, which I was able to do because I arranged my working days so that my days off coincided with his days at the child care centre. Originally it was the other way around. I thought, "Well, I'll go to work while he's at child care and that will work well," but because he was sick as much as he was, I had to change it so that I was able to be at home when he was supposed to be at child care, and every second week he would be at home with me because he had a cold or a sniffle or something that was going around.

That said, the prospect of putting a child in there at an earlier age, not having that sort of flexibility to look after them when they're sick, I just don't know how people do it. It's not good for the parents, not good for the child, in my opinion. So point 9, do you want to take up that point now, Jo?

MRS PARRY: When Miles was at home, he would look after - enabled me to go to work, and it was really important for me when I went to work for three hours in between breastfeeding that Miles had him 100 per cent and I could focus on my job at hand again, so it was really important.

MS MacRAE: We're not hearing you so well. Are you able to come a bit closer to the phone?

MRS PARRY: Sorry.

MS MacRAE: That's all right. That's much better.

MRS PARRY: The good thing about having the parental leave for Miles was that I was able to go to work in, say, mainly two to three hour blocks of work. I live very close to my office from home so I can race down the road and know that when I was there that Miles could look after Ewan and now Owen 100 per cent for that time, and that I could concentrate at work. Whereas if he went to child care I'd be thinking how's he getting on, whereas it was great to have that security and having Miles at home as the primary caregiver, looking after him while I raced off to work and I could focus at work then. So that was really important for me, and again, with this child, it's the same. Did you get that?

MS MacRAE: Yes, thank you.

MR FITZGERALD: Thank you.

MR PARRY: "If you returned to work, would you have liked to wait longer before returning to work?" I would have preferred to have 12 months' full-time leave so that the child would be one before having to put them in some sort of organised care. What benefits would that provide? I believe the child is better able to cope with the stress of child care, both from a health point of view and also from a mental point of view, from 12 months onwards. We were fortunate in being able to hold it till eight months (indistinct)

Point 11, "The concerns about the effect of parental leave on your work prospects that your decision about the length of leave you took? What were your primary concerns in your decision about returning to work?" Well, it's certainly a concern in that my career has stalled. I was in the position of being the acting manager of the compliance and prosecution sections of Queensland Fire and Rescue Service, so I managed the prosecutions and training the prosecution officers and a couple of solicitors and other support staff across the state, and that was in an acting capacity. It was a promotion from my standard position of station officer, and I basically handed that back and my career has stalled completely really, and will continue to do so for at least pretty well another two years. There's currently another acting position that I'd be ideally suited for that I noticed came through on the email, and it's my decision to stay home and look after my child rather than pursue that.

The concerns about returning to work, well, the two best positions that were in

the organisation currently open now, and I then believe they'll be well and truly filled within two years time. I'll just be going back to a station officer position of some description when I return to work. "Would you have taken longer parental leave if your family could afford it, how much longer would have you liked?" Ideally I'd like to be able to take part-time until the child's fifth birthday, which I notice is part of the state award now, in family leave award state I think it is, or Family Leave Act for Queensland. I haven't looked into it a great deal but I believe it's part-time until the child's fifth birthday. I think going to school would be the best position, and a year off (indistinct) completely.

Point 13, "Did you access social security payments?" Well, we're not eligible for that so it has a big influence. 14, "Did you return to the same employer?" Yes. "Was the maternity leave you were offered affect your decision to return to the current employer?" I'm in a career position so I wouldn't certainly change my career pursuing better family leave conditions. I'm a professional fire officer and not in a position to work for anyone else. That's not really an option that's open to me. 15, "What other features of your employer influenced your decision?" Something my employer has the flexibility to administer those award conditions, and I find that quite beneficial.

The notes I've got down the bottom here, the decision for me to take this leave or take these leave conditions, both unpaid and part-time, would cost us \$200,000 in lost wages over four years for the two children, as well as it's cost me career progression as well as the superannuation implications as well. So it's certainly at quite a high cost to the family to pursue this level of care for our children but we believe it's the right thing to do. Are you taking submissions on funding models for paid maternity or paternity leave?

MR FITZGERALD: Yes, absolutely.

MR PARRY: Okay. I am of the opinion that the wellbeing of the children is improved by somebody providing consistent care for them and it's certainly a high level of care for them. I believe that happy, healthy children go on to be happy, healthy productive adults which benefit society as a whole. Therefore the whole of society benefits from better children, better adults, not only from a social point of view but in also a financial point of view, both in that they go on to be more productive human beings and they also cost less in any form of law enforcement or social dysfunctionality. That can be reduced.

Therefore it's a cost that should be borne by all of society through some form of government funding. Whatever model that takes this isn't a great concern to me but certainly it should be a government cost and not a direct employer costs. My wife being in small business is attuned to just how much of an impact any increase of cost can have to a small business. They don't make that much money that they can

afford to incur additional costs. So I'm of the belief that that should be a government-borne cost, ie society as a whole should bear the cost.

That would be, I believe, some form of base weekly amount that you're eligible to claim in some form; rather than getting a percentage of wage or anything like that, it would be a few hundred dollars a week or whatever, some form of financial assistance that was available to somebody staying at home, and that would be means tested at a high level and it would be on the income coming into the family after the person had gone on leave, then the remaining income to the family would be a certain amount, set it at \$150,000 a year or something of that figure and then the person staying at home would be eligible for a payment of X many hundred dollars a week or something of that nature. That's the model that I see would have assisted us. Would you like to make any comments just on the funding side of things?

MRS PARRY: I have my own small business as Miles said, and I primarily employ females. It's just the nature of the type of business I'm in, and for me it's a big deal if one of my girls has decided to have a family. Not only do I have to replace the person in this employment environment, which is the labour market is tight at the moment but it hasn't always been like that I understand, but for them to be constantly sort of disappearing and me keeping their position open for 12 months it's one thing, but for me to fund that would be pretty much impossible. I wouldn't have a business to fund. I wouldn't be funding them because I just couldn't afford to do it.

We've made sacrifices here, as a family do, and it's been great that Miles has been able to, but as an employer and small business owner I really couldn't afford to do the whole fully paid maternity thing and then still keep the job open. She will then at the end of that 12 months turn around and say, "Thanks for the memories but I'm not coming back anyway." So for me as an employer that's a really big commitment. Only that it's been great for me to know that I can actually go to work as the primary income earner while Miles can stay at home and look after our children. We certainly couldn't have had another baby without Miles being able to stay home because I was not of the opinion that I wanted to put my month-old baby in five days care and end up with a completely dysfunctional family. So it's great that we can have that flexibility of him being able to stay home.

MR PARRY: Do you have any questions of her?

MR FITZGERALD: Yes. Look, thanks very much for that. Just a couple, and I'm sure Angela has some. I suppose the question if a paid parental leave scheme was introduced along the lines of, say, the ACTU is proposing, 14 weeks maternity leave or shared parental leave paid for by the government, what difference do you think that would have made to any of the decisions that you did make in relation to your two children? One, as parents, and the second thing to Jocelyn is, what difference would that make to you as an employer if the government was to provide 14 weeks'

paid parental leave for your staff? So just two things. How would it have impacted you as a family and how would it impact as an employer?

MRS PARRY: As an employer that would certainly - 14 weeks, that's a reasonable chunk of time and paid, well, yes, we could certainly cope with that, and then the government paying for it, but not me. What was the first one?

MR FITZGERALD: What difference would it have made to the decisions that you've made as a family? In other words, if either one of you were to receive 14 weeks' paid leave up to the minimum wage or whatever, what difference would that make?

MRS PARRY: It would certainly help.

MR PARRY: Well, it helps to, as I say, \$200,000 - that's a pretty serious chunk of money to go missing out of the family income over four years. But we'd already made that decision. The decision has already been made so that offer would not have affected that decision because we made it before it was available, but it would have certainly made that decision easier.

MS MacRAE: Do you think you might have extended your leave a bit, because you did say on a number of occasions that you went back part-time after eight months, I think, but you would have preferred to be home for 12 if you could have and maybe longer.

MR PARRY: Yes.

MS MacRAE: Do you think you would have stayed out of the workforce a bit longer if you'd had that income support?

MR PARRY: Certainly, yes. It would have relieved the stress from having to make that decision in the first place, as in that money was there. Then it would be an easier decision to make and certainly a less stressful one to make and it would allow, as you say, us to stay off completely potentially as to that 12 month period. So if they're proposing 14 weeks' paid leave, then my scenario would be, I'd have 14 weeks' paid leave and then I'd have the option of being unpaid until the child's first birthday, and then the option is part-time until the child reaches school age would be the ideal model - - -

MS MacRAE: Right. Can I just ask, it's relatively unusual, I think, from what we've heard about fathers taking particularly a long period of time off to care for the children. Have you found that your employer has been supportive of that? We've heard a little bit from some of the male-dominated unions; those that have predominantly male members that there's a problem sometimes in that even where

leave is offered that there's a bit of reticence about men taking that leave because of a workplace culture that it's sort of really women's business and men don't do that sort of thing. Have you found that sort of workplace culture an issue in your taking of leave, and has the employer been supportive of that?

MR PARRY: Well, my employer is the state government, as in Queensland Fire and Rescue Service. When I made the application, I was in a fortunate position of being the manager of the legal unit. So I just did all the research, photocopied all the relevant acts, awards, legislation that was necessary, documented the application and handed it. So it was all fully documented and supported and award conditions. The only grounds that they would have had to refuse it would have been that they weren't in a position to let me go in that part-time position. They're a state government employer of 2005 fire officers. It would be a hard case to put that they weren't in a position to release me. Having said that, one of the female fire officers who was working at the section that I was previously occupying took leave, so I never expected any resistance at all.

MS MacRAE: Right, okay. That's good to hear. To some extent, people will come to us when they have had problems, I suppose, and that's one of the reasons they're excited about the issue, but we have heard from quite a few women who have talked about problems on returning to work, there's been issues, and sometimes in just taking the leave to which they are entitled that there's been some resistance to that - not only among the employer but amongst work colleagues on some occasions, that some colleagues feel they've been left to carry more of a burden than they might have because of the absence of a work colleague.

MR PARRY: I think potentially where that could come about is, having said that, there's the odd comment of, "Gee, I'd like to take leave like that," and I'd say, "Well, certainly, if you want to take it unpaid and have a child, go right ahead." They get pretty quiet then. If I was on 14 weeks' paid leave, then I could just shorten the answer to, "Well, you can have it. Just go and have another child. You're 40 now. I'm 46." I'll bet you're younger than me. They go pretty quiet.

MS MacRAE: Can I ask, what's the nature of the business that you're in, Jocelyn? Is it retail?

MRS PARRY: Yes, I'm retail food.

MS MacRAE: Right, okay. I'm just also interested, the ACTU proposal - and you may not have followed this as closely as obviously we are, but their model was proposing that the government pay to the minimum wage for employees, that the employer be required to top up to ordinary time earnings for those employees. We understand that many workers in the retail sector actually don't earn much more than the minimum wage, so in that case, the employer wouldn't be funding very much in

the vast majority of cases, if at all. From your point of view, one question would be how many employees do you typically have, and if you were looking at the government funding up to a minimum wage amount, how much would you, as an employer, be required to pay, do you think, if you were looking at an ordinary time earnings sort of phase?

MRS PARRY: I don't have anyone on a minimum wage and I have 26 employees, so yes.

MS MacRAE: So you would have some level of top-up under that sort of model for those employees, all of those?

MRS PARRY: A lot, and I mainly employ women.

MS MacRAE: Right.

MRS PARRY: I've got a reasonable operation. I've got professional people and retail people. But if I've got a casual person, they're certainly not going to be taking maternity leave when they're on two days a week or something. That's a different scenario, but I'm talking about my key people. I'd be coughing up a fair bit.

MS MacRAE: Right.

MRS PARRY: It's retail food. It's a patisserie.

MS MacRAE: Right, okay. We heard from the Retailers Association today and I think it would be fair to say, you would say they'd fairly reflected your views in terms of what you see as an ideal sort of scheme from an employer point of view for that sector. So I was just interested to probe that a bit more.

MRS PARRY: With me when we had Ewan - as Miles said, that was our first son - I closed my shop for two weeks, thinking that that's when the baby was coming, which was as a small business owner, that's my choice to be in business and have that risk. But I closed the shop. The baby was late. Then all of a sudden I'm right back in the driver's seat, and you have to go back to work, whereas with this fellow, I guess because we'd had a bit more experience and sort of half knew what was going - then at the end of nine months, I really didn't go to the shop for pretty much a month. I was in phone contact, but really, my maternity leave, paid or unpaid, call it what you like, was over in that month and I was back on deck, because I felt as not only the boss having the baby, I was still an employee and I was still a cog in the wheel like the other staff members.

MS MacRAE: Yes.

MRS PARRY: So you were saying 14 weeks? I think 14 weeks is adequate. I don't think it should be longer than that because once you come back, you need to slot back in, particularly as an employee, like a normal employee. 14 weeks is certainly enough to get back into the groove and be working with your colleagues, being part of a team again. So I think if I was a normal employee and had 12 months off to have a baby or eight months, it would be difficult to get back into the groove after eight months being away. Things move on. New projects start. Staff leave. Things change on a daily basis in a small to medium-sized business. So 14 weeks is certainly adequate, I think.

MR PARRY: To assist in that, the - which is the benefit we had is the ability to move it around between who the primary caregiver is at the time. There's a shift in that. So it doesn't have to be the one person for the 14 weeks. As far as my skills maintenance is concerned, I'm in a state government organisation which half our life is training, so for me to get back into it or to get back into the groove in my situation isn't an issue because of the type of organisation I work for.

MS MacRAE: Yes.

MR FITZGERALD: Look, thanks very much, Miles and Jocelyn. Time is beating us. Is there any final comment that you'd like to make before we conclude?

MS PARRY: No.

MR PARRY: No, I think we've covered everything.

MR FITZGERALD: That's terrific. Well, thanks very much for making the presentation and we've had a number of individuals provide both submissions and also to present at the hearings, and that's been very helpful to us to get a real understanding of how it operates both in the family and in the business environment, and you've covered both today, so thank you very much for that.

MS MacRAE: Thank you. Especially as you've got such a little one as well. You've got a lot on your plate, so it's much appreciated.

MR PARRY: He's been sitting here joining in occasionally.

MS MacRAE: Yes, we've heard a few little chirps.

MR FITZGERALD: Very welcome as well. Look, thanks very much for that. Take care.

MS MacRAE: Thank you.

MR FITZGERALD: Good. That concludes the public hearings for the draft report. Further public hearings will be held after the draft report is released in September. Thanks very much. That's it.

AT 12.08 PM THE INQUIRY WAS ADJOURNED ACCORDINGLY

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