



**Construction Forestry
Mining and Energy Union**

**Submission to the
Productivity Commission Public Inquiry
into
*Paid Maternity, Paternity and Parental Leave***

June 2008

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CFMEU



Executive Summary

The CFMEU is strongly of the view that Australia can not continue to be one of only two OECD countries without a national system of paid parental leave.

The evidence clearly indicates that it is still predominately women who provide primary care to children (ABS Employee Earnings, Benefits and Trade Union Membership 6310.0 August 2007). Therefore, the primary focus of this submission is to provide a workable model that adequately supports women through a universal system of paid maternity leave. Nonetheless, the CFMEU also strongly advocates the advancement of paid paternity leave as an important policy mechanism to support families and adequately reflect the new reality of parenting, particularly in industries such as ours that are dominated by male workers.

Trade unions won the right for Australian woman to take 52 weeks unpaid maternity leave in 1979. At the time, a prevailing view was that paid leave would evolve over time. Yet in 2008, two thirds of Australian women receive no paid leave at the birth of their child (ABS Forms of Employment, Australia, November 2007; ABS Labour Force Status 2008). This situation is no longer acceptable.

Within the scope of the Productivity Commission's review, there is a focus on both the economic and social benefits of providing paid parental leave. On the economic question,

the CFMEU submits that increasing the participation of women in the labour force is a vital economic necessity, and that paid maternity leave is an integral element in aiding this to occur.

It is relevant and concerning that across the labour market, within the key demographic of women aged 22-44, Australia ranks 23rd in participation rates amongst OECD countries. In the context of skills and labour shortages producing capacity constraints, we can no longer afford to be complacent about underutilising such a large section of our domestic labour force. Paid parental leave, as part of a suite of properly designed policy responses, is critical to encouraging greater labour force participation by Australian women.

The social benefits of providing a universal system of paid parental leave are quite apparent. There is a great deal of research and literature indicating that policy focused on allowing parents to spend more time with their children in the early stages of life strongly correlates with positive outcomes for future learning and the development of children (Ruhm 2000). Further, we submit that a policy focus on provision of paid leave to fathers will go some way to addressing gender imbalances where women continue to shoulder more of the burden of child rearing and career responsibility than their partners.

The CFMEU will detail a model where 14 weeks of pay at the minimum wage (\$522.12) is paid to all Australian women upon the birth of their child beginning 1 January 2010, bringing Australia into line with the ILO Maternity Protection Convention 2000 (ILO 183).

This will increase incrementally to 26 weeks by 2015. The National Employment Standards would be adjusted to require employers to top up that payment to the workers' ordinary salary (where women are in paid employment). The same model should also be used to provide an entitlement of 4 weeks paid paternity leave for men. Unions and employers should then be free to bargain above and beyond this statutory minimum.

On the cost side of the equation, it is important to note some key facts. Firstly, there are approximately 265,000 births in Australia every year. This represents only about 2% of the female workforce accessing maternity leave in any given year. The ACTU submission to this Inquiry correctly points out that for a small business of 20 employees, this represents 1 employee taking maternity leave every 10 years. Any question of costs, particularly to small business, should be considered in this context. Additionally, paid maternity leave will assist business with staff retention, offset recruitment costs and aid long term skills development. The economic costs to business do not outweigh the benefits of the scheme advocated by the CFMEU.

The CFMEU Model

The CFMEU calls on the Productivity Commission to recommend to government the following model:

- 0.1. On 1 January 2010, the Commonwealth Government introduce a universal entitlement of 14 weeks paid at the minimum wage (currently \$522.12) for all Australian women who give birth or adopt a child under the age of 5. The Commonwealth should also provide superannuation at the mandatory level (currently 9%) on top of this payment. This brings Australia into line with ILO Convention 183.
- 0.2. The leave entitlement should then rise incrementally to 26 weeks by 1 January 2015.
- 0.3. These payments should be granted to all Australian women whether or not they are in employment and regardless of length of service to any particular employer.
- 0.4. The National Employment Standards be amended to require employers to top up the Commonwealth payment to the woman's ordinary wage (taking the average for the last 12 months or 4 weeks, whichever is the greater) for the period of leave stipulated by the Commonwealth scheme.
- 0.5. The Productivity Commission should consider whether such a scheme could be delivered through the use of a centralised fund where employers could make

contributions on behalf of employees. Such a model exists in the construction industry where there are central funds for redundancy pay and portable long service leave schemes.

- 0.6. Budget outlays currently earmarked for the “baby bonus” should be diverted into the new parental leave scheme. The baby bonus should be abolished.
- 0.7. Normal taxation arrangements would continue to apply to both the Commonwealth payment and the employer top up.
- 0.8. Where current entitlements to paid parental leave are higher than this model, those entitlements should continue to operate above and beyond this minimum statutory scheme. That will require some amendment to the current industrial law.
- 0.9. Above and beyond the Minimum Statutory Scheme (MSS) unions and employers should continue to be able to bargain outcomes higher than those required by law.
- 0.10. An option should be given to women allowing the scheme to operate at half pay for double the length of time taken as maternity leave. This is common practice in countries where maternity leave entitlements operate currently.
- 0.11. An entitlement of 4 weeks paid paternity leave should also be legislated on the same model as the above. (While this entitlement will most often be accessed by male partners, the Productivity Commission should consider whether it is equitable to also grant such an entitlement to same sex partners.)

0.12. With a view to increasing women's participation in the labour force, the Productivity Commission should recognise the importance of other policies and their relationship to paid parental leave. Whilst outside the scope of this review, policy areas such as childcare and early childhood services, flexible hours and employment protection, as well as skills training and education are all vital to raising women's participation in the workforce.

Costings

The CFMEU bases the costing of this proposal on the ACTU figures. Both the CFMEU and ACTU advocate a similar model up to the point of 14 weeks paid maternity leave. The CFMEU position however supports an expansion of the scheme to 26 weeks by 2015. It is reasonable to expect that the cost associated with this expansion, over time, would roughly double the costs modeled by the ACTU submission. Additional costings are required and provided below as estimates for the higher cost of providing paid paternity leave of 4 weeks.

1.1 The ACTU estimates that the net additional cost to government of implementing the scheme would be \$518 million after the abolition of the baby bonus. Below is the methodology used to arrive at that figure:

"7.6 The ACTU estimate is based on the following components:

- 1. The net cost of the 14 weeks at fulltime adult federal minimum wage, plus*
- 2. The net cost of superannuation, plus*
- 3. The multiple birth allowance.*
- 4. These costs are offset by the abolition of the baby bonus.*

1. Net costs of 14 weeks at federal minimum wage

We have applied a gross cost to government of \$7,309.68 (14 weeks at fulltime adult federal minimum wage) amounting to \$1.74bn.

The net cost is calculated by deducting the tax payable at each income range. We have used unpublished ABS labour force and births data to predict the number of mothers by each income range.

We calculated the personal income tax and Medicare levy based on an additional 14 weeks income per mother. However, to account for the fact that births are spread across the tax year we discounted maternal income by a factor of 50 per cent and

conservatively assumed that mothers do not return to paid employment in the tax year that their baby is born. This resulted in revenue of \$194 million.

We also discounted the revenue estimates to ensure we were not double counting revenue already received on existing employer funded paid maternity leave schemes. We did this by assuming that the new tax receipts are the lesser of the tax payable on 14 weeks ordinary time earnings or the tax payable on the \$7,310 government funded component.

2. Net cost of superannuation component

To this cost we add the net cost to government of the superannuation component to be \$39.94 per week (\$46.99 less tax at 15 per cent) or \$559.19 over 14 weeks = \$148.4million

3. Cost of multiple birth allowance

We added \$22.5 million to allow for a \$5,000 payment in respect of an estimated 4500 multiple births per annum.

The total outlays were \$1.92bn.

4. Less savings from abolition of baby bonus

Savings from abolition of the baby bonus are estimated at \$1.404bn dollars.

Cost to employers

7.7 The cost of the employer top up is directly associated with the mother's ordinary time earnings.

7.8 ABS data indicates that 57 per cent of all mothers (which includes almost a third of employed mothers), earn less than the fulltime adult minimum wage, and therefore will rely entirely upon the government contribution.

7.9 More than half of employed mothers earn less than \$29,187.

7.10 This means there are 20 per cent of mothers earning more than the federal adult minimum wage, but less than \$29,187. For this group, the cost to employers is under \$600.

7.11 Another 20,000 mothers, or around 10 per cent of employed mothers, earn less than \$750 per week, or \$39,090 per year. Employers of these women will be required to pay just \$3,477 to top up the mothers earnings and superannuation to ordinary time earnings.

7.12 While the cost obviously rises as maternal income rises. However the distribution of maternal incomes means that only 7.5 per cent of employed mothers earn a high enough income for the employer component to amount to more than \$10,000.

Annual Income	Number of employed mothers	Cumulative proportion of employed mothers	Employer top up OTE plus superannuation
\$0	1451	0.8	NA
\$5,212	16377	9.6	NA
\$13,030	10557	15.3	NA
\$18,242	13025	22.3	NA
\$23,454	14454	30.1	NA
\$28,666	16805	39.1	\$425.45
\$29,187	21568	50.8	\$578.05
\$39,090	19487	61.2	\$3,477.45
\$44,302	15902	69.8	\$5,003.45
\$49,514	11945	76.2	\$6,529.45
\$57,332	19582	86.8	\$8,818.45
\$67,756	10629	92.5	\$11,870.45
\$78,180	4882	95.1	\$14,922.45
\$88,604	3297	96.9	\$17,974.45
\$99,028	5723	100.0	\$21,026.45
	185684		

1.2 The CFMEU model adds an additional entitlement to the ACTU position in the form of paid paternity leave.

1.3 The CFMEU position is for this component of the scheme to be funded in the same manner as maternity leave. However, because the gap between the minimum wage and Average Male Weekly Earnings is higher, a larger proportion of this cost would be covered by the employer (all-be-it for a shorter period of time).

1.4 Average Male Weekly Earnings in 2006-07 was \$1134.72 (ABS cat no. 6302.0.). The ACTU model assumes 265,450 births per year. Due to the structure of Australian families, single parents and cultural issues surrounding parental leave, we assume that

70% of partners will access paid paternity leave for a 4 week period.¹ This equates to 185,815 workers.

1.5 The assumption above may overstate the number of men who would access paid parental leave. Only a quarter of male employees currently access paid paternity leave. Additionally, the current rates suggest that 51% of men with an entitlement to unpaid parental leave did not take it (ABS 2007).

1.6 On this basis, the extra cost to government of paid paternity leave at 4 weeks would be \$388.07 million (185,815 times the minimum wage).²

1.7 The gap between the minimum wage (\$522.12) and average male weekly earnings (\$1134.72) is \$612.60. This figure is the top up component covered by business.

1.8 The added cost to business of this component based on the above assumptions is \$455.32 million.

1.9 This is an aggregate figure and does not take into account cost savings to business in areas such as recruitment, staff retention and training and skills utilisation. Nor does it quantify the probability that the father is not as productive for the firm during the period around the birth of his child.

1.10 The CFMEU believes the Productivity Commission should consider whether a pooled central fund would assist business to meet the costs of a new parental leave system.

¹ This assumption is based on ABS data that shows that 80% of fathers took paid annual leave at the birth of a child (ABS Employee Earnings, Benefits and Trade Union Membership 6310.0 2007). It is adjusted downwards by 10 percentage points to take account of sole parents.

² There are undoubted social and economic benefits for the family unit (and the nation) from the support that the father can offer during this critical period. It is difficult to strictly quantify this benefit.

The Case for Paid Parental Leave

2.1 ILO Convention 183 Maternity Protection (2000) article 4 requires a minimum of 14 weeks paid leave. Most countries in the OECD exceed this minimum standard.

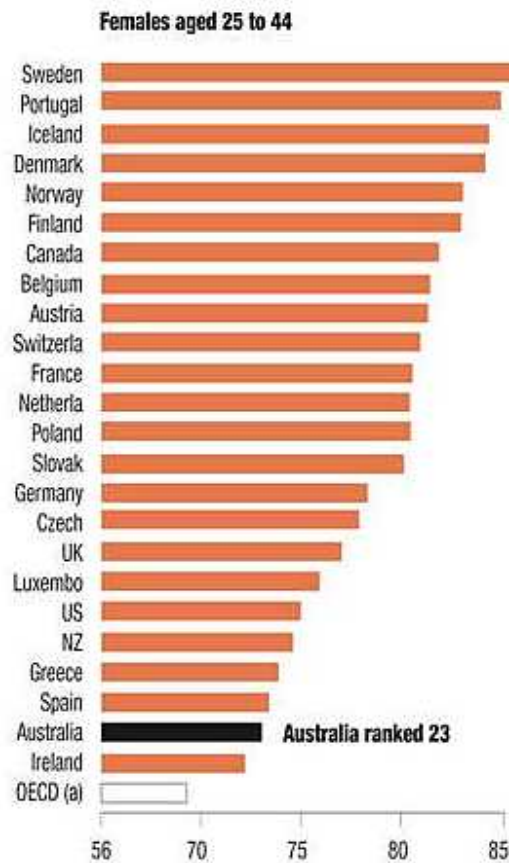
2.2 There is a strong correlation with provision of paid maternity leave and women's participation in the workforce. For example, Sweden has a system whereby mothers may take up to 18 months leave, and has had the highest labour force participation rate of women in the child bearing age group in the OECD. Australia, without such a scheme, has one of the lowest.

2.3 Increased participation of women in the labour market is important for Australia's continued economic prosperity. We are experiencing a tight labour market. In some industries in some parts of the country there are labour shortages. These shortages are causing capacity constraints that are holding the economy back and adding to inflation.

2.4 A further policy consideration (following from the capacity constraints issue) is skills and training, particularly as they relate to women. The CFMEU submits that Australia is underutilising the skills of women workers through low participation rates.

2.5 The serious neglect of training and education under the previous government has also lead to skills shortages in some industries. However, there is a trend toward women gaining higher skills levels. Currently, 47.5% of students in Vocational Education and Training in Australia in 2006 are women (Women in VET NCVER 2006). As well, 57.9% of Bachelor Degree completions are now women (ABS 4102.0). In this context

Australia has an untapped source of supply of skilled labour which is not being used to best effect.



OECD female workforce participation rates by age, 2005 – How does Australia compare?

2.6 The OECD also points out that paid parental leave drives productivity gains. In its 2007 Employment Outlook, the OECD noted that by implementing the average rate of paid parental leave, countries like Australia and the United States could increase multi-factor productivity as much as 1.1 over time.

2.7 There is a strong economic case for paid parental leave. The CFMEU takes the view that this is particularly relevant in our industries³ which have both very low levels of women’s participation and correspondingly low parental leave entitlements. A

³ The CFMEU is the predominant union covering workers in the heavy industries of “building and construction,” “coal mining,” and “forestry, furnature and pulp and paper production.”

statutory scheme of universal entitlement to paid parental leave could, in our estimation, be of substantial benefit to addressing skills and labour shortages in construction and mining.



C F M E U



The Role Women in Construction and Mining Industries

- 3.1 The CFMEU represents members across a range of industries that are historically and continue to be male dominated. The table at Appendix A details rates of women's participation across key industries and trades: in February 2008, only 1.4% of trades people, 6.2% of workers in coal mining and 13.2% of workers in general construction were women.
- 3.2 The low rate of women's participation, particularly in the trades demonstrates the need for coordinated policy not just in the area of paid parental leave but also in training. While it is outside of the scope of this review, encouraging women into trades training is also an important policy consideration in raising the participation rate of women in our industries.
- 3.3 In construction and mining, rates of paid maternity and paternity leave are amongst the lowest in the private sector. Given the strong correlation between paid parental leave and women's participation and retention, this is a critical starting point for raising participation rates in these industries.⁴
- 3.4 It is clear from the table that women's participation in our industries fluctuates marginally. However, rates are particularly low when compared with other parts of the Australian labour market such as hospitality and tourism where the majority of workers are women.

⁴ As noted earlier, countries in the OECD with a generous system of paid parental leave such as Sweden consistently out perform countries that do not (Australia and the United States) on key measures of women's participation in the labour market.

3.5 In some areas of the construction and mining industries, there are skills and labour shortages. These are by no means uniform and there are often different labour market characteristics between different states and between urban and regional areas.⁵

3.6 Where genuine skills and labour shortages do exist, the CFMEU advocates that policy settings should encourage women to participate in these industries.

3.7 Recent policy announcements have focused almost exclusively on immigration as a potential solution to labour shortages. The CFMEU argues that encouraging participation by Australian women should also be a key policy focus of government. In our view, it holds considerable potential as a medium and longer term solution to the labour supply issues that confront construction and mining in Australia.

3.8 The experience of the labour market gender imbalance in our industries is not unique. In the United Kingdom for example, roughly 10% of the construction workforce is women and that figure for trades people is 1% (Baldwin 2007). These figures are very close to the Australian figures when taken as a 5 year average. A report in Brittan's *Building & Engineer Online* in March of this year states:

"More females are needed in the construction industry according to one MP.

Claire Curtis-Thomas, the MP for Crosby, said that women could play a key role in plugging the skills shortage in the industry, reports Builder & Engineer Online.

Speaking at the Builder & Engineer's Women in Construction dinner last week Ms Curtis-Thomas said she was not the only one who held these views.

"I speak to MPs on a daily basis and they say, 'We want more women'. In the construction industry

⁵ The DEEWR Vacancy Report May 2008 shows clearly variations by state and region.

the percentage of women is still terribly small but it is a great job to do and has something to offer everyone."

She added that the only way women will succeed is if they give each other "a hand up".

Ms Curtis-Thomas was previously the site engineer for Shell Chemicals, the first woman to hold the post.

British construction workers recently expressed concerns over the number of foreign workers in the industry." (Building & Engineer Online 11/03 2008)

3.9 Low rates of participation in construction and mining are consistent across the OECD.

The current situation adds to earnings inequalities between men and women.

3.10 As a concluding point, increasing women's participation in construction and mining would have a positive effect on the gender wage gap. The industries we represent are comparatively highly paid. The difference in earnings between men and women is partly explained by the industries in which women work. Lower paid industries such as hospitality tend to have an over representation of women whereas higher paid industries tend to exhibit an over representation of men. Over time, if industries like ours could increase female representation, it would likely have a positive impact in narrowing the gender wage gap.

APPENDIX A

Analysis of Men and Women Employed in Construction and Mining Industries
Between 2003-2008



C F M E U



	03 M	03 F	03 M	03 F	04 M	04 F	04 M	04 F	05 M	05 F	05 M	05 F	06 M	06 F	06 M	06 F	07 M	07 F	07 M	07 F	08 M	08 F	08 M	08 F	Av2003-2008 %
	'000	'000	%	%	'000	'000	%	%	'000	'000	%	%	'000	'000	%	%	'000	'000	%	%	'000	'000	%	%	
Coal Mining	23.2	0.2	99.1	0.9	21.6	0.8	96.0	4.0	22.0	2.2	90.9	9.1	26.5	1.4	95.0	5.0	25.0	1.2	95.4	4.6	22.8	1.5	93.8	6.2	95 / 5
Metal Ore Mining	34.7	5.0	87.2	12.8	34.4	5.2	87.1	12.9	32.3	4.1	88.7	11.3	31.2	8.1	79.4	20.6	40.3	6.8	85.6	14.4	38.1	4.8	88.8	11.2	86 / 14
General Construction	202.3	39.4	83.7	16.3	217.6	35.0	86.1	13.9	205.4	41.0	83.4	16.6	242.1	41.5	85.4	14.6	249.6	38.3	86.7	13.3	272.5	41.6	86.8	13.2	85 / 15
Construction Trade Services	462.7	66.3	87.5	12.5	456.7	51.9	89.8	10.2	526.7	58.2	90.0	10.0	534.4	59.4	90.0	10.0	582.2	65.4	90.0	10.0	593.3	68.1	89.7	10.3	90 / 10
Construction Tradespersons	305.5	3.0	99.0	1.0	302.1	4.3	98.6	1.4	325.5	4.6	98.6	1.4	341.9	3.7	99.0	1.0	337.4	4.7	98.6	1.37	368.6	5.3	98.6	1.4	99 / 1
Tradespersons and related workers	1089.3	129.2	89.4	10.6	1118.9	117.9	90.5	9.5	1122.3	129.4	89.7	10.3	1146.8	119.8	90.5	9.5	1171.9	136.9	89.5	10.5	1226.4	147.1	89.3	10.7	90 / 10

Source: ABS - Australian Labour Market Statistics 6105

