



GM Holden Ltd

Trading as Holden
191 Salmon Street Port Melbourne
Victoria 3207 Australia
ABN 84 006 893 232
All correspondence to:
GPO Box 1714 Melbourne
Victoria 3002 Australia
Telephone (03) 9647 1111
Facsimile (03) 9647 2550

GM Holden Submission

to the

Inquiry into

Paid Maternity, Paternity and Parental Leave

June 2008



Inquiry into Paid Maternity, Paternity and Parental Leave 2008

Submission by GM Holden Ltd to the Productivity Commission

June 2008

Submitted via email: parentalsupport@pc.gov.au

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For questions regarding the content of this submission:

Samantha Read
Associate Director – Government Relations and Public Policy
Tel: 03 9647 2017
Fax: 03 9647 1997

Rosemary Kelly
Diversity and Work Life Manager
Tel: 03 9647 2820
Fax: 03 9647 2538

For media comment on this submission:

John Lindsay
National Manager – Media Relations
Tel: 03 9647 5278
Fax: 03 9647 1997



1. Introduction

GM Holden is a wholly owned subsidiary of General Motors Corporation (GM), and occupies a special place in Australian automotive history. GM Holden is a trusted Australian brand, and iconic automobiles such as the Commodore and Holden Ute are part of the Australian culture.

In Australia, GM Holden markets a range of vehicles under the Holden brand including the locally manufactured VE Commodore and WM Statesman and Caprice, and vehicles imported from GM affiliates world-wide including the Captiva, Barina, Viva, Astra and Rodeo. In addition, GM Holden markets the GM brands Saab and Hummer, and will introduce Cadillac into the Australian market later this year.

As Australia's largest vehicle manufacturer, with major facilities located in South Australia and Victoria, GM Holden's operations include a vehicle assembly plant in Elizabeth, South Australia. Established in the period from 1958 to 1966, this year marks the facility's 50th anniversary. Holden's Vehicle Operations (HVO) is noted as one of the world's most versatile vehicle assembly facilities, producing a number of body styles in both right and left-hand drive configurations. The annual capacity of the plant is 145,000 vehicles over two shifts and on that basis the plant can produce at its full capacity 620 vehicles per day.

GM Holden's manufacturing facilities also include Holden Engine Operations (HEO) in Victoria. HEO currently manufactures the Family II 4 cylinder and Global V6/HFV6 engines, along with iron castings and brake and suspension parts. HEO is Australia's largest exporter of automotive components, producing 269,421 engines in 2007 (132, 721 HFV6 engines and 136,700 Family II engines), of which 184,795 were exported to China, Europe, Korea, Thailand and South Africa. Other facilities based in Victoria include the Holden Service Parts Operations (HSPO) in Dandenong, and the Holden Proving Ground based at Lang Lang, which has been the testing ground for every Holden developed in Australia.

Over the last 5 years, GM Holden has invested more than \$3 billion in its Australian operations. This has included major investments in the new HFV6 engine plant, upgrades to the vehicle assembly plant to support the introduction of new models such as the VE Commodore and derivative vehicles, and in product development.

GM Holden's Australian headquarters is located at Port Melbourne and importantly incorporates significant design and engineering activity. The launch of the new VE Commodore range in 2006 represented GM Holden's largest ever R&D program and Australia's first billion dollar car. Since its launch, the VE has continued Commodore's twelve year leadership as Australia's best selling car, earning a number of awards including the prestigious title of Wheels Car of the Year 2006. In recent year's, GM Holden's design and engineering expertise has been recognised by GM, with the responsibility for global rear wheel drive vehicle design and architecture development now a significant part of our business in Australia.

GM Holden has successfully evolved from a local car manufacturer to become a truly global business with exports a key part of future business strategy. In 2007, GM Holden announced new vehicle export programs to the US and Korea, and two versions of the Global V6 engine to China to power the new Buick Park Avenue. The Pontiac G8 Sedan also commenced production in November 2007 for export to the US, adding to existing programs for markets including the Middle East, New Zealand, Brazil and South Africa – recognising GM Holden’s capability to produce high quality, internationally competitive vehicles. In 2008, we have announced the Pontiac G8 GXP sedan and sport truck (Holden Ute) export programs to the United States, and for the first time in Holden’s history, over 50 percent of our locally manufactured vehicles will be for export markets.

GM Holden is a significant employer in the Australian automotive industry, with more than 6000 employees, of which 12% are female. The average age of our workforce is 38.

GM Holden welcomes the Government’s commitment to conduct a review of paid parental leave in Australia. This submission details GM Holden’s comments and views on a range of policy issues related to parental leave, and draws on our own experiences of offering paid maternity leave to our employees. In particular, the submission discusses the challenges facing our organisation.

2. GM Holden's Parental Leave Policy

Question:

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

2.1 GM Holden's Objectives for the Introduction of Paid Maternity Leave

GM Holden has a predominantly male workforce, with women currently representing around 12 per cent of employees. In 2002, women accounted for 9 per cent of the workforce. At that time, GM Holden offered 6 weeks of paid maternity leave (which was the standard entitlement provided by all of the local vehicle manufacturers) and was retaining only 65 per cent of women following maternity leave. This situation presented a significant challenge as GM Holden's business objective is to improve gender balance and to increase the representation of female employees in the workforce. In addition, the inability to retain more than one third of these female employees was a significant issue given the investment over time in their skill development and the loss of corporate knowledge.

As a result, in September 2002 GM Holden made the decision to extend paid maternity leave to fourteen weeks for employees who had at least two years of service with the Company. For those female employees with less than two years of service, the entitlement to six weeks leave was maintained. In addition, the entitlement to six weeks of paid maternity leave was introduced for casual employees who had worked regular hours for twelve months or more.

Although referred to as "maternity leave", the provision of fourteen weeks paid leave is in fact available to either parent who is deemed to be the "primary carer" to the newborn or adopted child. In the vast majority of cases, this is the mother of the child.

2.2 Operation of GM Holden's Paid Maternity Leave Scheme

GM Holden employees are able to elect the form in which they take their maternity leave payments. The choices available to eligible employees are as follows:

- a lump sum payment of the entitlement at the beginning of the leave period;
- full pay for fourteen weeks (either weekly or fortnightly as applicable) for employees with at least 2 years service (or six weeks if they have 12 months service or have been employed on a 'casual' basis for 12 months); or

- half pay for a period of twenty eight weeks for employees with at least 2 years service (or 12 weeks if they have 12 months service or have been employed on a 'casual' basis for 12 months).

GM Holden's research demonstrates that the combination of these initiatives, together with the opportunity for flexible work arrangements on return to work, has contributed significantly to an increased level of retention of our female employees.

2.3 Outcomes Achieved

GM Holden has closely monitored the outcomes of introducing extended paid maternity leave provisions. In the period from 2002 to 2007, a total of 210 applications for maternity leave were received from 179 female employees (some women took maternity leave more than once in this period). Of these 179 women, 90 per cent have returned to work at GM Holden. This is a significant increase from the 65 per cent of women who returned to work prior to 2002. Notably, of those who have returned since 2002, 52 per cent have returned into some form of flexible working arrangement (primarily part-time).

Since 2002, female representation in GM Holden's workforce has increased to 12 per cent overall, and to 18 per cent in the salaried workforce. Due to the demographic profile of our workforce, most requests for paid maternity leave have come from the salaried areas of our business where there are more women employed in their child bearing years.

When GM Holden announced in 2002 that it was extending its paid maternity leave provision, it was greeted with significant media coverage and labelled as a "leading edge" employer by political, social and media commentators at the time. The introduction of fourteen weeks paid maternity leave has contributed to GM Holden being awarded the EOWA (Equal Opportunity for Women in the Workplace Agency) citation of "Employer of Choice for Women" (EOCFW). GM Holden has received this award each year since 2004, in recognition of this "leading edge" provision and the successful outcomes achieved in relation to increased employee retention and greater flexibility in working arrangements.

2.4 Paid Paternity Leave

At GM Holden, male employees have an entitlement of one day of paid paternity leave (which is taken as part of their 'family leave' entitlement), to be taken at or around the time of their child's birth. Increasingly, we are noting the desire for fathers to be able to support their partners and be involved in the care of their family members, following the birth of their children. Given the success of the paid maternity leave scheme, GM Holden continues to explore options relating to the needs of fathers around the time of the child's birth.

Many male employees take unpaid leave to care for their partner and child/ren around the time of the birth or baby coming home.

3. Future Policy Options

Question:

Can you foresee any possible unintended consequences from the introduction of a paid parental leave scheme?

As mentioned in this submission, female representation has increased from 9 per cent to 12 per cent at GM Holden since 2002. In addition, the percentage of new female employees hired has increased from 16 per cent in 2004 to 25 per cent in 2007.

As such, GM Holden believes that the introduction of fourteen weeks paid maternity leave has achieved the desired business objectives.

Question:

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

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

In GM Holden's case the vast majority of women taking paid maternity leave have at least two years of service and are therefore eligible to fourteen weeks of paid leave. GM Holden also extends this provision to employees who adopt a child up to the age of five.

As the objective of the provision is to maximise the return to work rate of our female employees, the provision has not been extended further, for example, to grandparents, foster parents or other family members.

Question:

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

A number of benefits are available to GM Holden employees after they have completed a defined period of service. In the case of GM Holden's paid maternity leave policy, it is our view that the prerequisite service period of two years

demonstrates a degree of employee loyalty, the acquisition of skills and knowledge, and their contribution to the business.

Question:

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

GM Holden's scheme achieves a direct linkage with the employee's wage or salary. The employee's normal wage or salary is paid in full as their entitlement. This ensures that employees continue to receive an income stream for a period of fourteen weeks (or 28 weeks if they elect to take the leave on half pay). The majority of employees combine this with any other paid leave that has been accrued (e.g. annual leave, long service leave) as well as unpaid leave, up to a maximum period of leave of 52 weeks.

Question:

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

GM Holden is currently satisfied with the provision of fourteen weeks of paid leave for the "primary carer" of a baby.

Question:

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

At GM Holden, employees can commence their parental leave at any time during the pregnancy as long as they provide the required documentary evidence within the defined notice period (e.g. medical certificate, statutory declaration advising they are to be the 'primary carer' to the baby). Our evidence suggests that most women begin their period of maternity leave sometime within the last four weeks of their pregnancy.

Question:

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

As outlined earlier in this submission, the provision of fourteen weeks paid leave is available to the parent who is deemed to be the "primary carer" to the newborn or

adopted child. Our policy maintains sufficient flexibility in that couples can determine which one of the parents shall take the leave to be the primary carer.

Question:

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

GM Holden would consider each situation on a case by case basis and determine whether special consideration would be extended, in the particular circumstances, to the employee.

Question:

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

There is an opportunity for Government to conduct a comprehensive review of the various mechanisms available to support families, and to review these in conjunction with schemes currently offered by employers.

GM Holden has made its decision to support fourteen weeks of paid maternity leave based on our commitment to our employees and our objective to increase the retention of female employees.

The key issue for employers is to ensure that they can maximize the skills sets of their employees and optimise retention rates as employees take time out to support their families. Not all employers will be in a position to provide paid leave to their employees like GM Holden has. There is a role for Government to assist all employers to enrich their workforces, to maximise human capital and to support initiatives across the community in order to encourage employees back to the paid workforce to maintain a productive and sustainable society and economy.

Question:

Should all employees who would be eligible under a national paid parental leave scheme also be accorded the right to return to their previous job? What are the costs and benefits of mandating this requirement?

If the period of leave is 52 weeks, we consider that the current situation of the “right to return to the previous job” should remain in place. Our policy states that after a period of up to 52 weeks leave, the employee “shall return to the same job they held prior to going on leave”. If the position no longer exists, then our policy

states that “GM Holden will attempt to return the employee to a job comparable in status and pay as the one held prior to going on leave”.

If the period of being away from the workplace was for longer than 12 months, it would be more difficult for the business to keep open the previously held position.

Question:

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

GM Holden’s experience is that fourteen weeks paid maternity leave provides mothers with the opportunity to establish and maintain breastfeeding routines.

In addition, GM Holden has established a lactation facility and provides lactation breaks for women returning to work, who wish to continue to express milk to feed their baby.

Question:

What factors deter fathers from taking more parental leave?

A number of factors may deter fathers from taking more parental leave, and these may be influenced by the personal, family, career and financial circumstances of both partners at the time. It is likely that the inability of fathers to access paid paternity leave may be a factor in the decision not to access longer periods of parental leave.

4. Summary

GM Holden's experience demonstrates that there are significant business benefits resulting from the provision of paid maternity leave, which have substantially offset the costs incurred. These benefits include an increase in female participation rates and retention in our organisation, and the opportunity to be viewed as an "employer of choice".

In regard to the Government's response to this issue, GM Holden believes there is an opportunity to review all support mechanisms rather than considering paid parental leave in isolation. These support mechanisms are both financial (e.g. baby bonus, child care rebate schemes), and non-financial (including maternal and child health centres, child care and early learning development, including kindergarten education). Taking a holistic view of all of these mechanisms to support parents and children in our society will assist in developing an effective Government response which will build a stronger, more supportive and more sustainable society and economy in Australia.