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D08/76080

Mr Robert Fitzgerald and Ms Angela MacRae
Commissioners
Productivity Commission
GPO Box 1428
CANBERRA CITY ACT 2601

Dear Mr Fitzgerald and Ms MacRae

PRODUCTIVITY COMMISSION INQUIRY INTO PAID PARENTAL LEAVE

The Victorian Government welcomes the opportunity to make a submission to the Productivity Commission's Inquiry into Paid Maternity, Paternity and Parental Leave.

Over the past nine years, the Victorian Government has been committed to assisting working families achieve a better balance between their work and family responsibilities. Forms of paid parental leave have long been recognised as important steps in helping working families achieve this goal.

Finding the right balance between work and family responsibilities also makes good commercial sense for business and, as a large employer, the Victorian Government recognises the many benefits gained by both employers and employees through the provision of paid parental leave options.

This submission is to inform the Inquiry of the rationale and current practice of the Victorian Government as an employer, in regard to paid maternity and paternity leave. The Victorian Government looks forward to making a detailed response to the Productivity Commission's options paper when released in September this year.

Yours sincerely

HON JOHN BRUMBY MP
Premier of Victoria

Productivity Commission Inquiry into Paid Maternity, Paternity and Parental Leave Victorian Government Submission

Introduction

The Victorian Government is committed to assisting working parents and families and welcomes the opportunity to make a submission to the Productivity Commission Inquiry into Paid Maternity, Paternity and Parental Leave. The provision of paid maternity leave (PML) is important for the health and wellbeing of mothers and their new born and for the community and the economy.

In the Victorian Public Service, the Victorian Government currently provides employees who have had 12 months continuous service:

- 14 weeks PML, plus superannuation contributions;
- one week paid paternity/partner leave; and
- one week of paid adoption leave to the secondary carer.

The Victorian Government provides the vast majority of women employed in the public sector a 14 week entitlement to PML. In an international context, 14 weeks PML is the standard endorsed by the International Labour Organisation. Further, the Victorian Government believes encouraging greater paternal involvement in caring duties will reduce the onus on women to balance work and family responsibilities.

Although other government initiatives to support non-working mothers are outside the scope of this inquiry, and therefore not detailed in this submission, financial support for all women giving birth is important. The significant contribution non-working mothers make to community life should not be undervalued and any future scheme should recognise their contribution and the costs involved in childbirth.

Why PML?

Health and Wellbeing

In 2002, the Human Rights and Equal Opportunity Commission (HREOC), after wide consultation to which the Victorian Government contributed, released the publication *A Time to Value: Proposal for a National Paid Maternity Leave Scheme*.¹ This publication included evidence linking PML to improved maternal health, bonding with the child, and infant and child health (including birth weight). Such benefits are gained through increased time for maternal recovery from birth, as well as maternal rest in late pregnancy, greater opportunity to establish breast feeding and a good early feeding regime in general, and enhanced opportunities for child/parent bonding. These benefits have long-term positive impacts on maternal mental and physical health, child health and development, and overall family well being.²

In broad terms, the Victorian Government considers a PML scheme to be beneficial to long term human capital development. There is strong evidence to demonstrate the critical nurturing and educational role of families toward their children, especially in the early stages of their lives.³

¹ HREOC (2002) *A Time to Value: Proposal for a National Paid Maternity Leave Scheme*, Sydney

² *ibid* pp 51-61.

³ Gerhardt S (2004) *Why Love Matters: How Affection Shapes a Baby's Brain*, London, Palgrave Macmillan; OECD (2006) *Starting Strong II: Early Childhood Education and Care*

**Productivity Commission Inquiry into
Paid Maternity, Paternity and Parental Leave
Victorian Government Submission**

Retention and Equity

Relative to men, women's workforce disadvantage is illustrated by reduced participation rates and loss of income through the necessary interruption of work to give birth and care for children. Importantly, the loss of superannuation contributions extends this disadvantage into a woman's retirement years. A PML scheme not only encourages women's ongoing labour market participation, it will also help to reduce women's experience of financial disadvantage in the workforce.

Evidence from Australian employers has shown that PML results in a higher rate of return to work by employees.⁴ Participation and retention of women in the workforce in their younger years also translates to ongoing participation of women as older workers⁵.

The Victorian Government also believes that a PML scheme helps to address some of the many financial disadvantages already faced by women in the workforce when compared with men (pay inequity, reduced participation and a higher rate of part-time work) and in particular the effect on superannuation.⁶ As superannuation is becoming the pillar of a self-funded retirement, women's financial disadvantage is continued when they move into retirement. Therefore, a PML scheme with compulsory superannuation contributions helps address women's disadvantage through loss of superannuation when they stop work to give birth and care for children.

Victoria and paid parental leave

As a major employer the Victorian Government recognises the benefit of providing PML to attract and retain a skilled, committed and motivated workforce. As provided in the predominant workplace agreement covering the Victorian Public Service, the Victorian Government currently provides 14 weeks PML, plus superannuation contributions, to approximately 28,000 public service employees who have had 12 months continuous service. This is available for the birth of a child to the employee or the adoption of a child to the primary care giver.

The Victorian Government further believes that men should be financially and culturally supported to access flexible working options and take on an equal parenting and unpaid working role. Paid paternity/partner leave (PPL) of one week is also available, as well as one week of paid adoption leave to the secondary carer.

In addition to establishing a minimum standard for maternity leave, the Victorian Government supports employees and their families in various forms of employment by providing flexible paid leave options. For example, the take up of PML at half pay or in combination with recreation leave to extend the duration of time taken overall.

⁴ Finance Sector Union (2002) *Submission to the Senate Employment, Workplace Relations and Education Legislation Committee*, Canberra, p 4

⁵ Victorian Office of Women's Policy (2005) *Paving the Way for Older Women in the Workforce 2025 Project*, Melbourne

⁶ Extracted from *Paving the Way – Chapter 3: Australian Women's Labour Market Participation and their Retirement Incomes: A Literature Review*

http://www.business.vic.gov.au/busvicwr/_assets/main/lib60079/wiwchapter3.pdf

**Productivity Commission Inquiry into
Paid Maternity, Paternity and Parental Leave
Victorian Government Submission**

The Victorian Government has further taken steps to assist parents with young children to return to work by including family responsibility as a ground of unlawful discrimination. The Equal Opportunity (Family Responsibilities) Act 2008 will help working parents and carers, by requiring an employer to not unreasonably refuse to accommodate the family responsibilities of an employee. An employee's responsibilities may be accommodated for example through working part-time, flexible starting and finishing times or working from home.

The Victorian Government supports private sector employers that provide paid maternity or adoption leave. In 2002, the Victorian Government introduced a payroll tax exemption, in respect to wages, for those employers who pay up to 14 weeks maternity or adoption leave.⁷ The exemption took effect from 1 January 2003.

The payroll tax exemption provides savings to employers and underlines the Government's commitment to providing practical support for employers assisting the balance between family and work.

Conclusion

The Victorian Government has sought to establish PML as an employment related entitlement in recognition of the intrinsic health and wellbeing benefits that PML affords newborn children and their families. Some provision of PPL seeks to address the gender imbalance currently experienced by carers. Equally as important is the positive effect that paid maternity leave has on the retention of women in the workforce and how it begins to address the financial disadvantage faced by women who leave employment to have children.

⁷ The maternity leave applies to all employed women. The adoption leave applies to both women and men. The exemption does not apply to paid sick leave, annual leave, recreational leave, long service leave or similar leave taken while the employee is absent due to a pregnancy or adoption.