



**Chairman**

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28 November 2008

Mr Robert Fitzgerald  
Commissioner  
Productivity Commission  
GPO Box 1428  
**CANBERRA CITY ACT 2600**

Dear Mr Fitzgerald

**Re: Proposal for Paid Parental Leave**

Thank you for the opportunity to speak to you and Ralph Lattimore on 14 November about the Productivity Commission's draft proposal on paid parental leave. The Australian Fair Pay Commission reviewed the issues at a recent meeting and now seeks to raise its concerns more formally.

The Australian Fair Pay Commission's chief concern is the Productivity Commission's proposal, advanced in its Draft Inquiry Report, to link weekly rates of paid parental leave to the adult standard Federal Minimum Wage (FMW).

The Australian Fair Pay Commission is charged with setting and adjusting minimum wages to promote the economic prosperity of the people of Australia. In doing so, the Commission is directed by its enabling legislation to have regard to a range of criteria, specifically:

- the capacity for the unemployed and low paid to obtain and remain in employment;
- employment and competitiveness across the economy;
- providing a safety net for the low paid; and
- providing minimum wages for junior employees, those to whom training arrangements apply, and employees with a disability to ensure those employees are competitive in the labour market

As is evident from this list, the legislation does not direct the Commission to have regard separately to the needs of new parents in making its determinations. In the Commission's opinion, expanding the coverage of the FMW to encompass new parents would give currency to the view that the Commission should indeed have regard to their needs, especially the needs of new mothers.

At present, we estimate that around 150,000 Australians receive wages at or near the level of the FMW. By extending paid parental leave at this rate to some 140,000 new parents each year, the Productivity Commission's proposal would almost double the population directly affected by our determinations of the FMW.

Our well established processes of submissions, consultations and research are designed to encourage all Australians to participate in the Commission's annual review of minimum wages. Views are sought respecting the various matters to which, by law, the Commission must have regard.

We are concerned that our focus on low-paid Australians will be diluted by the addition of another constituency as large again as those directly reliant on the FMW but who might generally be expected to be in very different circumstances from the low paid.

The fact that new parents would receive the FMW while on parental leave gives them a direct pecuniary interest in the level of the FMW which they might not otherwise have. At the very least, this complicates the Commission's processes for determining adjustments to the FMW. Arguably, it also exposes the Commission to pressure to adjust the FMW in a manner contrary to the interests of the low paid.

On behalf of the Australian Fair Pay Commission, I ask that you reconsider your proposal to link the rate of paid parental leave directly to the FMW. I would hope that alternatives might be investigated which avoid conflating two policy instruments whose objectives are very different from each other.

I would be pleased to discuss our views at greater length should you or your colleagues wish to do so.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian R. Harper', followed by a long, sweeping horizontal line that extends to the right.

Ian R. Harper  
Chairman