

Thursday, 15 December 2016

Committee Secretary
Senate Standing Committees on Community Affairs
PO Box 6100
Parliament House
Canberra ACT 2600

Diversity Council Australia Ltd
Level 1, 225 George Street
Sydney, NSW, 2000
Phone: (02) 9322 5197
Fax: (02) 9255 8372
Email: sydney@dca.org.au

ACN 006 898 406
ABN 64 421 748 342



DIVERSITY
COUNCIL
AUSTRALIA

By email: community.affairs.sen@aph.gov.au

Inquiry into the *Fairer Paid Parental Leave Bill 2016*

Dear Committee Secretary

Thank you for the opportunity to provide a submission in response to the Committee's inquiry into the *Fairer Paid Parental Leave Bill 2016*.

Diversity Council Australia (DCA) is the only independent, not-for-profit workplace diversity advisor to business in Australia. We have a wealth of experience providing advice to our members on the business benefits of diversity.

DCA opposes the proposed changes to the Government-funded Paid Parental Leave scheme.

Increasing the amount of time new parents can spend away from the workforce by supporting them with paid parental leave has improved the return to work rates for women. This is good for business, good for families and good for women. Any reduction may have a negative impact on return-to-work rates.

Please feel free to contact myself or DCA's Policy and Research Manager Cathy Brown on 0424 578 698 should you require any further information about this matter.

Yours sincerely

Lisa Annese
Chief Executive Officer

I. ABOUT DIVERSITY COUNCIL AUSTRALIA

Who we are

Diversity Council Australia (DCA) is the only independent, not-for-profit workplace diversity advisor to business in Australia. We offer a unique knowledge bank of research, practice and expertise across diversity dimensions developed over 30 years of operation. In partnership with our members, our mission is to:

- Lead debate on diversity in the public arena;
- Develop and promote the latest diversity research, thinking and practice; and
- Deliver innovative diversity practice resources and services to enable our members to drive business improvement.

DCA's income is generated from membership fees, sponsorships and services to businesses.

Our member organisations are estimated to employ more than one million Australians, representing around 10% of the Australian workforce.

What we do

We work in partnership with members and thought leaders to generate ground breaking diversity projects. DCA identifies internationally emerging diversity and inclusion trends, and brings these first to market to Australia, introducing them in well-considered way which speaks to Australia's unique context.

Our research is tailored to Australia's unique institutional, cultural and legal context. It:

- Challenges organisations and triggers action in the Australian labour market;
- Establishes leading thinking and practice;
- Enables organisations and policy makers to respond to the latest trends;
- Creates a lasting difference to the community through fostering innovation and creativity; and
- Drives business improvement through evidence-based, practical guidance.

II. SUMMARY

DCA strongly supports a national paid parental leave scheme as a central plank of workplace gender equality and in particular its role in encouraging and supporting women to continue to participate in the paid workforce. This signals that taking time out of the paid workforce to care for a child is part of the usual course of life and work for both parents; and this helps in promoting equality between men and women and more affordable and accessible childcare.

Employers increasingly recognise the benefits of paid parental leave (PPL) for productivity and business.

It plays a key role in:

- Attracting and retaining talented employees;
- Protecting the significant investment organisations make in training and developing employees;
- Reducing staff turnover and the cost of having to replace experienced employees; and
- Supporting family friendly practices in workplaces crucial to keeping skilled workers.

DCA submits that the proposal to scale back access to Government-funded PPL for parents receiving employer funded PPL is bad for business, women and families:

- Increasing the amount of time new parents can spend away from the workforce by supporting them with PPL has improved the return to work rates for women. Any reduction may have a negative impact on return-to-work rates.
- A reduction in the amount of financial support for women may mean employers will need to increase their leave entitlements to fill the gap. Conversely, it may act as a disincentive to business to provide additional payments, which in the long run would erode employer incentives.
- By reducing income to women and families during parental leave, it will put additional pressure on families and is likely to mean some mothers will have to return to work earlier than they wanted to, reducing valuable time with their newborns.
- It only serves to add to the significant gender pay gap that women experience as a result of child-bearing and rearing.
- Women who are forced to return to work earlier will put further pressure on an already overloaded childcare system.

DCA recommends that the current system be maintained and the Government instead focus on providing support for flexible work for both men and women and more affordable and accessible childcare.

III. DCA's response to the 2013 review of the Australian Paid Parental Leave Scheme

In 2013, DCA provided a **Submission on the Australian Paid Parental Leave scheme**, in which we argued that:

DCA strongly supports a national paid parental leave scheme as a central plank of workplace gender equality and in particular its role in encouraging and supporting women to continue to participate in the paid workforce. This signals that taking time out of the paid workforce to care for a child is part of the usual course of life and work for both parents; and promoting equality between men and women and greater balance between work and family life. We are delighted that the current Australian Government introduced a national PPL scheme and that it has now been fully implemented.

DCA looks forward to the embedding of the scheme as a key component of delivering tangible improvements in gender equity in this country.

Despite efforts to date, there remains substantial opportunity for improvement in gender equality as evidenced by key equality indicators such as the gender pay gap (17.4% in 2012)¹, and the negligible change in executive ranks with women (e.g. women comprise 9.2% of executives in the ASX 500, only 12 ASX 500 companies have female CEOs, women hold 12.3% of directorships in the ASX 200 but only 9.2% in the ASX 500 women²). Women still face significant barriers to their inclusion in employment, either directly through discrimination or indirectly through the way employment fails to recognise the role many women play as carers to children, the aged and family members with a disability.

Leading employers have long recognised the benefits of paid parental leave to productivity and business which include:

- *Attracting and retaining talented employees;*
- *Protecting the significant investment in training and developing employees;*
- *Improving staff retention and reducing turnover; and*
- *Supporting family friendly practices in workplaces as crucial to retaining skilled workers.*

In a recent survey, 91% of DCA members reporting having a paid parental leave policy, which provided for an average of 14 weeks' paid leave.

Given Australia's ageing workforce, tight labour market and relatively low rates of workforce participation for women of child-bearing age, retaining women in the workforce has never been more important.

¹ Workplace Gender Equality Agency: Gender Pay Gap Fact Sheet, May 2012.

² 2012 Women in Leadership Census, WGEA

As The Grattan Institute has noted³, increasing the labour market participation of women, particularly mothers, in Australia offers one of the two greatest opportunities to increase our nation's productivity. Childbirth and childcare have a big impact on female workforce participation: the vast majority of women who do not participate in paid work, or who work part-time, have children. The Institute emphasises that female workforce participation can only change significantly if more mothers have jobs.

DCA also supports the vital role of PPL in ensuring financial security for families – particularly low income working families and sole parents – at the time of birth/adoption while encouraging mothers to remain attached to the labour market.

³ J. Daley, C. McGannon and L. Ginnivan, *Game-Changers: Economic Reform Priorities for Australia*, Melbourne, Grattan Institute, 2012.

IV. THE BUSINESS BENEFITS OF PAID PARENTAL LEAVE

Employers increasingly recognise the benefits of PPL for productivity and business.

It plays a key role in:

- Attracting and retaining talented employees;
- Protecting the significant investment organisations make in training and developing employees;
- Reducing staff turnover and the cost of having to replace experienced employees; and
- Supporting family friendly practices in workplaces crucial to keeping skilled workers.

*Since 2007, **K&L Gates Australia** has had a strategy to improve the gender balance of partners within the firm and in 2012, established a Women in Leadership Strategy. In the first three years of the strategy, the firm increased its representation of women in partnership roles from 19% to 22%. In 2016, 50% of promotions to partnership were awarded to women.*

Women in senior associate and special counsel roles has also increased over the past three years, with a number of women appointed to partnership and special counsel roles while on maternity leave. The increase in women in leadership is also a result, in part, of initiatives such as paid parental leave, flexible working and specialist professional development programs.

*In recognition of changing family dynamics, in 2015, **NAB** made its 12-week paid parental leave entitlement accessible to non-birth parents to help increase the number of men taking time to help raise their children.*

NAB employees can now take paid primary carers' leave anytime within the first twelve months of a child's life – previously only available to the primary carer for 12 weeks upon the birth or adoption of a child (or 24 weeks at half pay). Up to 40 weeks of unpaid parental leave is recognised for long service leave accrual. Superannuation contributions on the unpaid portion of a primary carer's leave up to a maximum of 40 weeks is paid upon return to work. Employees returning from parental leave also receive a remuneration review and this has been included as a firm commitment under the Enterprise Agreement.

***ANZ** is taking the lead on addressing the imbalance of women's superannuation in comparison to men by paying an additional annual \$500 lump sum contribution to permanent and fixed-term female employees in Australia who are on our payroll in January each year.*

ANZ also pays superannuation during the unpaid portion of parental leave, and the Long Service Leave policy covers up to 24 months for employees in Australia. These changes to parental and long service leave will benefit both male and female employees.

Women are more likely to stay in the workforce when they take paid parental leave

DCA consulted with its members in 2012 in relation to the PPL Review and they indicated that providing greater PPL than that provided through the Government scheme shows important returns for their businesses through measures such as significant increases in parental leave return rates (and average of 89% across DCA members) and the associated benefits of reduced turnover costs and increased employee engagement. These organisations recognise the importance of providing employees with the opportunity to devote time and care to their newborn or adopted children, without disadvantaging their careers.

DCA members report that parents on PPL are currently using the *Keeping in Touch* provisions and these are proving useful in facilitating a smooth transition back to the workplace. For example, DCA member GHD Pty Ltd (an engineering company) have a return to work program for staff on parental leave which has resulted in a 99% return to work rate in 2015-16:

*To facilitate a successful return to work, **GHD** also encourages people to keep in contact with their manager and colleagues. As part of this program people are teamed with 'parental leave buddies' to share organisational and team news and support the person's return to work. As well as 'keeping in touch days' during paid parental leave, there is the option to work casually while on unpaid parental leave, as well as training for managers to support people and teams who wish to work flexibly.*

***Caltex** benefits from experienced and skilled employees returning to work and continuing to contribute to the company's business success. To address the issue of a low parental return-to-work rate, the BabyCare Package was introduced in 2012. The initiative was launched because many working parents found the practical and financial challenges when transitioning back to work made it challenging to achieve their goal of balancing their careers and family.*

Up until the baby's second birthday, the BabyCare Package offers a 3% bonus each quarter (a total of 12% per year on base salary inclusive of superannuation) to a primary carer once they return to work to help offset additional costs, particularly childcare. Access to Dial-an-Angel mothercraft nurses or carers is available for up to five times each year until the child turns two, as well as a specialist service helping parents identify longer-term childcare solutions. There is also a Parental Transition Group to provides opportunities for parents and parents-to-be to network.

Businesses save money on employee replacement costs as paid parental leave reduces turnover

In 2002, the Australian Human Rights Commission⁴ (then HREOC) highlighted that the cost of replacing a staff member is significant and include the following.

- *Separation costs - undertaking exit interviews and administrative costs associated with deletion of the employee from the payroll, separation certificates and references and completing personnel files.*
- *Replacement costs - including time taken to place an advertisement, human resources time in preparing the advertisement and responding to telephone enquiries about the advertisement, cost of placing the advertisement, cost of short listing applicants and interviewing costs.*
- *Training costs - induction training and training in the organisation's systems and processes to specific professional training. There is a reduced investment return to employers for training provided to an employee who does not return from maternity leave.*
- *Loss of productivity - this component factors in the greater efficiency an experienced employee contributes to the organisation compared with a new employee. Other things being equal, a new employee does not perform at optimal efficiency immediately. The period over which an employee builds his or her skills to that of an experienced employee is a period of loss to the employer.*

Aurizon's 'Shared Care' program provides a financial incentive based on 'half-pay' for a partner to take a leave of absence to stay at home and care for their child in their first year, allowing the mother to return to work full-time. The 'Shared Care' paid partner leave has been effective since 1 May 2016 and can be accessed if one or both parents are Aurizon employees. It is inclusive of all families including same sex couples, single parents, birth parents and adoptive parents.

To access the program Aurizon male employees are required to take on primary care of their child for at least 13 weeks during their child's first 12 months, while their partner returns to full time work. In this scenario the man would receive 50% of his salary while he is undertaking full time care of his child, up to a maximum of 26 weeks. A female Aurizon employee who returns to full time work in the first year after her child is born and whose partner has taken on full time care of their child in that period (and takes leave without pay from his employer to do so) will receive 150% of her salary, also up to a maximum of 26 weeks.

⁴ HREOC, 2002, *Valuing Parenthood*, available online: <http://www.humanrights.gov.au/our-work/sex-discrimination/publications/valuing-parenthood>

V. DCA's response to removing payments from parents who have employer funded PPL

Proposed cuts to the PPL program

The current scheme provides 18 weeks of leave to primary carers at the minimum wage who earn less than the annual threshold.

Under the proposed legislation, parents who have a workplace scheme that offers more than the Government's will lose government support altogether. Parents whose workplace scheme provides PPL which is less than the Government's offering, will have access to partial Government funded assistance.

It is estimated that this will affect about half of new parents⁵.

Why is 26 weeks important?

Around the world, we see other countries offer much more [generous](#) paid parental leave schemes than Australia⁶. This includes the U.K. which provides 39 weeks (at 90% of mother's average weekly earnings for at least 6 weeks, then capped at GBP £137 for remaining 33 weeks), Canada which provides 50 weeks (at 55% of average insured earnings) and Sweden which provides 60 weeks (at 80% of earnings for 47 weeks; remaining 13 weeks at SEK kr1260 a week).

The existing scheme was always intended to be topped up by employer-funded schemes⁷ - ideally providing up to 26 weeks paid leave which is an important time for bonding and to establish breastfeeding. The World Health Organisation recommends 26 weeks of paid leave as the minimum standard for new parents to adequately bond with their newborn and establish breastfeeding – something that has long term societal benefits.

⁵ Baird, M. and Constantin, A. 2016, *Analysis of the Impact of The Government's MYEFO Cuts To Paid Parental Leave*, Women and Work Research Group, University of Sydney Business School.

⁶ FACHSIA, 2013, *International examples of paid parental leave schemes*, available online: https://www.dss.gov.au/sites/default/files/documents/06_2013/ppl_international_factsheet_web_version2.pdf

⁷ In introducing the *Paid Parental Bill 2010*, the then Minister for Families, Housing, Community Services and Indigenous Affairs stated that "*The government's scheme has been designed to complement and enhance the existing family-friendly arrangements that many employers already offer.*"

Australia, House of Representatives 2016, [Debates](#), Thursday, 12 May 2010, p. 3204

In fact, the Government's own *Australian National Breastfeeding Strategy 2010 – 2015*⁸ states that:

A large body of Australian and international evidence shows that breastfeeding provides significant value to infants, mothers and society:

- **Babies:** *breastfed babies are less likely to suffer from a range of serious illnesses and conditions such as gastroenteritis, respiratory illness and otitis media (AIHW 2009, NHMRC 2003);*
- **Mothers:** *breastfeeding promotes faster maternal recovery from childbirth and women who have breastfed have reduced risks of breast and ovarian cancers in later life (AIHW 2009, NHMRC 2003); and*
- **Society:** *protective effects of breastfeeding in infancy may extend to later life, with reduced risks of obesity and chronic disease (Horta et al. 2007). Breastfeeding may assist the bonding and attachment between mothers and babies.*

The Productivity Commission (2009) noted that several Australian and overseas studies estimated substantial hospitalisation costs associated with premature weaning because of the association with infant illness. Breast milk is an environmentally friendly product and there are health risks and financial costs associated with not breastfeeding. This applies to developing countries and developed countries such as Australia. It is important to protect, promote and support breastfeeding at a population level and for those members of the community who are vulnerable to social and health disadvantage. Despite these considerations, about half of Australian babies are not receiving any breast milk by the time they reach six months of age (Baxter 2008).

How much PPL are Australian businesses currently providing?

DCA's consultation carried out in 2013, found that 91% of DCA members reported having a PPL policy, which provided for an average of 14 weeks' paid leave. As many DCA members already had well established PPL schemes in place when the national scheme was introduced, they have retained, and in some cases, enhanced, their existing schemes as well as administering the Government scheme.

According to the Workplace Gender Equality Agency⁹, in 2015-16, 48.0% of the 12,000 organisations that are required to report to them offered paid primary carers' leave – an average of 9.7 weeks, which is down from 11 weeks in 2014-15.

⁸ Australian Health Ministers' Conference, 2009, *Australian National Breastfeeding Strategy 2010 – 2015*, available online:

[http://www.health.gov.au/internet/main/publishing.nsf/Content/6FD59347DD67ED8FCA257BF0001CFD1E/\\$File/Breastfeeding_strat1015.pdf](http://www.health.gov.au/internet/main/publishing.nsf/Content/6FD59347DD67ED8FCA257BF0001CFD1E/$File/Breastfeeding_strat1015.pdf)

⁹ Workplace Gender Equality Agency, 2016, *Australia's gender equality scorecard*, available online: <https://www.wgea.gov.au/sites/default/files/2015-16-gender-equality-scorecard.pdf>

PPL increases the likelihood that new parents will return to work

One of the most significant findings for the Australian economy is that increasing the amount of time new mothers can spend away from the workforce by supporting them with PPL has improved the return to work rates for women. This is good for women, good for families and good for business.

According to the Minister for Social Services' second reading speech¹⁰:

One of the key findings from the PPL evaluation was that PPL has increased the length of time that mothers spend away from work following the birth of a child, and increased the likelihood that they return to work by the time their baby is 12 months old.

These findings have also been echoed in the comprehensive analysis carried out by Sydney University Business School¹¹, which summarised the findings of the Government review into the existing Commonwealth funded PPL scheme, highlighting that it:

- *Significantly slowed the rate at which mothers return to work, up to about 6 months following a birth;*
- *Provided both income security and the opportunity to spend time at home with their new babies. This was shown to be especially important for low income mothers;*
- *Produced small improvements in mothers' physical and mental health, extended breastfeeding duration, and led to slight improvements in babies' health;*
- *As a result of allowing more mothers to delay their return to work; delayed infants' entry into formal childcare and thus also delayed their exposure to potential infection;*
- *Improved mothers' perceptions of their career prospects; Reduced the proportion of mothers who felt rushed and pressed for time due to additional time and income security provided by PPL.*

DCA'S VIEW

DCA's view is the proposal to scale back access to Government-funded PPL is bad for business, women and families:

- **A reduction in the amount of financial support for women may mean employers will need to increase their leave entitlements to fill the gap. Conversely, it may act as a disincentive to business to provide additional payments, which in the long run would erode employer incentives.**

¹⁰ Australia, House of Representatives 2016, [Debates](#), Thursday, 20 October 2016, p. 2686.

¹¹ Baird, M. and Constantin, A. 2016, *Analysis of the Impact of The Government's MYEFO Cuts To Paid Parental Leave*, Women and Work Research Group, University of Sydney Business School.

- **By reducing income to women and families during parental leave, it will put additional pressure on families and is likely to mean some mothers will have to return to work earlier than they wanted to, reducing valuable time with their newborns.**
 - **It only serves to add to the significant gender pay gap that women experience as a result of child-bearing and rearing.**
-

VI. THE IMPORTANCE OF CHILDCARE

Availability, cost and access to childcare a major difficulty for Australian business.

DCA also notes that any proposals which may impact on the time that new parents can spend with their infants will inevitably impact on the childcare system.

The University of Sydney's Business School's¹² analysis found that:

Given our modelling and based on what we know about how women in Australia use parental leave, we expect the changes will... increase demand for childcare for the very young, in a system that is already struggling to keep up with demand.

This is a view echoed by our members. In preparing a submission to the Productivity Commission's Inquiry into Childcare and Early Childhood Learning in February 2014, DCA consulted with employers and individual parents working in its member organisations.

Employers reported that access to childcare presented major difficulties for their business:

- Nearly 95% said access to and availability of affordable childcare presented difficulties for their employees.
- 97% reported that access to childcare limited the number of hours their employees were available to work.
- 95% described the impact of access to childcare on parents in their organisations returning to work from parental leave as significant or major.

DCA'S VIEW

DCA's view is that any cuts to PPL must be considered in the context of an already overburdened childcare system.

¹² Baird, M. and Constantin, A. 2016, *Analysis of the Impact of The Government's MYEFO Cuts To Paid Parental Leave*, Women and Work Research Group, University of Sydney Business School.

VII. CONCLUSION & RECOMMENDATIONS

DCA strongly supports a national PPL scheme as a central plank of workplace gender equality and in particular its role in encouraging and supporting women to continue to participate in the paid workforce. This signals that taking time out of the paid workforce to care for a child is part of the usual course of life and work for both parents; and this helps in promoting equality between men and women and greater balance between work and family life.

DCA submits that the proposal to scale back access to Government-funded PPL for parents receiving employer funded PPL is bad for business, women and families:

- Increasing the amount of time new parents can spend away from the workforce by supporting them with PPL has improved the return to work rates for women. Any reduction may have a negative impact on return-to-work rates.
- A reduction in the amount of financial support for women may mean employers will need to increase their leave entitlements to fill the gap. Conversely, it may act as a disincentive to business to provide additional payments, which in the long run would erode employer incentives.
- By reducing income to women and families during parental leave, it will put additional pressure on families and is likely to mean some mothers will have to return to work earlier than they wanted to, reducing valuable time with their newborns.
- It only serves to add to the significant gender pay gap that women experience as a result of child-bearing and rearing.
- Women who are forced to return to work earlier will put further pressure on an already overloaded childcare system.

DCA recommends that the current system be maintained and the Government focus instead on providing support for flexible work and childcare.