

Chief Executive Women

Women leaders enabling women leaders

Tuesday, 4 August 2015

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

Dear Sir/Madam

RE: FAIRER PAID PARENTAL LEAVE AMENDMENT BILL 2015

Chief Executive Women (CEW) is pleased to make a submission to the Senate Inquiry into Fairer Paid Parental Leave Amendment Bill 2015.

CEW is committed to advancing the economic status of women in Australia, and is driven by the purpose of “women leaders enabling women leaders”. To advance this mission, CEW:

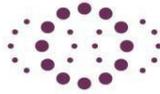
- advocates for change within businesses to enhance the numbers, acceptance and progress of women to senior leadership
- encourages government policies which enhance workforce participation
- invests in scholarships and leadership development initiatives to support women’s access to opportunities which underpin their leadership skills
- supports CEOs and leadership teams in their specific endeavours to secure gender parity throughout their own organisations
- undertakes and shares research and case studies about actions required to progress women’s leadership in businesses
- engages with other groups and organisations with aligned goals.

CEW offers a unique perspective, representing more than 330 of Australia’s most senior women leaders from the corporate, public service, academic and not-for-profit sectors. Many of our members have extensive experience as employers, as employees, as parents, and as mothers.

This submission provides a top-level view of the issues surrounding paid parental leave and workforce participation, and outlines CEW’s recommendations regarding the Fairer Paid Parental Leave Amendment Bill 2015.

Paid parental leave – an enabler of workforce participation

CEW acknowledges paid parental leave, along with accessible, affordable and flexible childcare, as one of the best mechanisms to help women remain in the workforce while having children. The Productivity



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Commission has outlined the benefits of a government-provided paid parental leave scheme as supporting maternal and child health, increasing women's workforce participation, enhancing gender equity and normalising taking time out of the workforce to raise children for both mothers and fathers.¹

The *Intergenerational Report* (2015) argues that our nation's future prosperity rests on our ability to attract more women into the workforce. Therefore, boosting workforce participation rates of women is an economic rather than a gender issue.²

Australia's current workforce participation rate for men rests at 71 per cent, compared to 58.6 per cent for women. The percentage of women in leadership positions is even lower. According to the Workplace Gender Equality Agency's latest figures, women hold 12.0 per cent of chair positions, and 23.7 per cent of directorships in Agency-reporting organisations. Furthermore, women represent 17.3 per cent of CEOs and 26.1 per cent of key management personnel.³

The *Intergenerational Report* notes that Australia's female participation rate is around four percentage points lower than that in New Zealand and Canada.

According to the Grattan Institute, "If Australian women did as much paid work as women in Canada - implying an extra six per cent of women in the workforce - Australia's GDP would be about \$25 billion higher."⁴

Impact of the Bill

Our understanding of this Bill is that it is intended to change the Paid Parental Leave Act (2010) so that an employee's entitlement to government-provided paid parental leave will be reduced by some forms of employer-provided paid parental leave.

The government has referred to this as removing the previous explicit and government-endorsed ability of employees to 'double dip' by accessing the full entitlement under both employer and government-funded schemes.

It appears that the Bill is intended also to make 18 weeks pay at the minimum wage rate the maximum government-funded payment under the PPL Act. This total will then be reduced by the monetary value of any eligible payments provided by an employer.

¹ *Paid Parental Leave: Support for Parents with Newborn Children*, Productivity Commission, Inquiry Report, No. 47, 28 February 2009, Australian Government, Canberra, accessed 31 July 2015
<<http://www.pc.gov.au/inquiries/completed/parental-support/report/parental-support.pdf>>.

² 2015 *Intergenerational Report: Australia in 2055*, March 2015, Australian Government, Canberra, accessed 29 July 2015
<<http://www.challengeofchange.gov.au/>>.

³ Workplace Gender Equality Agency, *Statistics at a Glance 2015*, accessed 29 July 2015
<https://www.wgea.gov.au/sites/default/files/Stats_at_a_Glance.pdf>.

⁴ Submission to the Productivity Commission Inquiry on Childcare and Early Childhood Learning, John Daley and Cassie McGannon, March 2014, p. 4.



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Rather than reducing the overall monetary amount of the instalments paid to employees, or reducing the overall entitlement, the Bill operates by shortening the actual period of paid leave rather than the rate of payment. The adjustment is based on a complex series of calculations and it is not clear whether the Government or the employer will bear the burden of working out these calculations.

Impact of less paid parental leave

- **Financial penalty:** CEW is concerned that some of Australia's lowest paid female workers will be up to \$11,000 worse off as a result of the Bill's changes to paid parental leave.

While the Australian Government's narrative has focused on public servants 'double dipping' taxpayer and employer-funded leave, changes to paid parental leave will also hurt thousands of Australian women working on award wages. For example, checkout operators at Woolworths will lose \$6,550 a year, while their counterparts at Coles will take home \$6,376 less. Ikea workers will be \$11,539 worse off.⁵

Women in other industries, such as the healthcare, hospitality and education, may also be significantly affected by these changes to paid parental leave. In all, it has been estimated that up to 80,000 workers in the private and public sectors would lose some or all of their government-paid parental leave.⁶

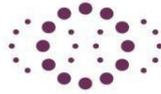
- **Drop in workforce participation:** While, in some cases, women will be forced to return to work earlier, in other circumstances, women will leave the workforce completely. The Productivity Commission has found that low levels of paid parental leave is particularly prevalent in industries with casual, less-skilled and lower-paid employees. These employees often resign when they have a baby.⁷
- **Heightened social inequity:** The European Commission has argued that children's dependence on one breadwinner's income represents an insecure strategy in times of rising risk of unemployment. A second earner's employment is increasingly considered a crucial element of social protection against child poverty.⁸

⁵ *Low-paid mums lose thousands*, 23 May 2015, The West Australian, accessed 29 July 2015 <<https://au.news.yahoo.com/thewest/wa/a/28198870/low-paid-mums-lose-thousands/>>.

⁶ *80,000 mothers to lose in leave changes*, 11 May 2015, Sky News, accessed 31 July 2015 <<http://www.skynews.com.au/news/national/2015/05/11/80-000-mothers-to-lose-in-leave-changes.html>>.

⁷ *Paid Parental Leave: Support for Parents with Newborn Children*, Op.Cit., 2009.

⁸ Bothfeld and Rouault, *Families Facing the Crisis: Is Social Investment a Sustainable Social Policy Strategy?*, Social Politics: International Studies in Gender, State and Society, Volume 22, Number 1, Spring 2015.



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- **Superannuation penalty:** These changes also have the potential to widen the superannuation gap between men and women at a time when Treasurer Joe Hockey is insisting Australians must be independent in retirement. According to the Industry Super Australia, the current gender gap in superannuation savings is 47 per cent. “Women are currently retiring with \$90,000 less than men, and 29 per cent of women over 65 are living below the poverty line,” Industry Super Research finds.⁹

ANZ's *Women's Report: Barriers to achieving financial gender equality* has found that full-time female workers are paid on average \$295 per week less than men – \$15,000 dollars a year. Over an entire career, the gap extends to around \$700,000 dollars, which is why ANZ is implementing superannuation contributions for up to two years for staff returning from paid and unpaid parental leave.¹⁰

- **Disruption to family planning:** We note that since the commencement of the PPL Act, employers and employees have agreed upon arrangements for employer-funded paid parental leave on the basis that such payments would be in addition to any payments under the government scheme. Although the amendments will only apply to children who are born or adopted on or after 1 July 2016, employees and their partners will have planned their long-term arrangements in the context of the previous legislation. This Bill has the potential to disrupt these plans.
- **Increased pressure on employers to enhance parental leave:** The changes to the PPL Act may lead unions, in a bargaining context, to place pressure on employers to increase parental leave and other entitlements to ‘make up’ the payments which employees would lose as a result of the Bill. This dynamic occurred when the government froze previously legislated increases in compulsory employer superannuation contributions.
- **Incentive for employers to remove paid parental leave entitlements from contracts:** In some workplaces, the changes contemplated by the Bill may also create an incentive for employers and employees to agree to remove paid parental leave entitlements from contracts of employment and enterprise agreements. Agreements could be reached for employers to instead e.g. increase wages or incentive payments. Such measures could be structured so as to be cost-neutral for employers and beneficial for employees, while also reducing the anticipated cost savings which the government anticipates will flow from the amendment of the PPL Act.

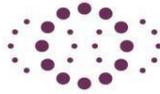
Childcare is a lever for participation and economic productivity

Increasing access to affordable and high quality child care to all parents will drive the most significant increase in workforce participation generally, and specifically for women. The Productivity Commission's report into childcare estimates that approximately 165,000 parents with children under 13 would like to work or to work more but aren't able to.¹¹

⁹ *The gender superannuation gap*, Industry Super Australia, accessed 31 July 2015
<<http://www.industrysuperaustralia.com/media/media-releases/the-gender-superannuation-gap-without-policy-action-now-women-will-retire-with-far-less-than-men-for-decades-to-come/#sthash.iPCGW3yA.dpuf>>.

¹⁰ *ANZ's Women's Report: Barriers to achieving financial gender equality*, July 2015, accessed 31 July 2015
<<http://www.women.anz.com/content/dam/Women/Documents/pdf/ANZ-Womens-Report-July-2015.pdf>>.

¹¹ *Paid Parental Leave: Support for Parents with Newborn Children*, Op.Cit., 2009.
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Improving access to childcare will also boost productivity and prosperity, in terms of both increased economic capacity and the creation of better educational, health and social outcomes for children as they emerge into adulthood. There is a substantial body of evidence that indicates that investing in accessible and high quality early childhood learning and care is more effective than addressing the chronic social, economic and health challenges individuals can experience as adults. The World Health Organisation, for example, states that early childhood development “strongly influences wellbeing, obesity/stunting, mental health, heart disease, competence in literacy and numeracy, criminality, and economic participation throughout life. What happens to the child in the early years is critical for the child’s developmental trajectory and life course”.¹²

The levers for driving improvements in workforce participation and optimising children’s learning and development affect multiple areas of public policy. Achieving improved outcomes depends on a complex inter-relationship between the child, the family, the quality of the early childhood learning and care as well as broader societal factors. Focusing on reform in just one area will not lead to progress overall if reform in other relevant areas is left behind.

CEW recommendations

We call on the Australian Government to:

- Preserve the current paid parental leave scheme, providing 18 weeks of leave at the minimum wage to primary care givers earning \$150,000 a year or less.
- Invest in policies and programs that provide a smooth transition between paid parental leave and quality child care to encourage more parents back into the workforce. These policies and programs should focus on making childcare benefits simpler and focus on low-income earners to help more women enter the workforce.

Conclusion

Paid parental leave is an enabler of productivity and workforce participation, and provides important social benefits to families and children. Chief Executive Women is concerned that changes to the Paid Parental Leave Act 2010 (PPL Act) will have a detrimental effect on social equity by financially penalising the people least able to afford a reduction in entitlements. It will do nothing to address the already yawning gap in superannuation savings between men and women. And it has the potential to act as a disincentive to workforce participation while placing more children and families at risk of poverty.

Yours sincerely

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President, Chief Executive Women

¹² World Health Organization (2014). ‘Social determinants of health: Early child development’.