



SUBMISSION TO THE COMMUNITY AFFAIRS LEGISLATION COMMITTEE

The Parenthood - January 2023

About The Parenthood

The Parenthood (TPH) is an independent, not-for-profit advocacy organisation that represents more than 78,000 parents, carers and supporters nationally. Our mission is to make Australia the best place in the world to be a parent, because when parents and caregivers are supported, children can thrive.

Introduction

This submission responds to the Community Affairs Legislation Committee's invitation for submissions on the Paid Parental Leave Amendment (Improvements for Families and Gender Equality) Act 2022.

TPH commends the Commonwealth government's recognition of the importance of paid parental leave (PPL) for families and gender equality. The benefits associated with PPL are wide-spanning for childrenⁱ, parents, government, workplaces and the economy. It is recognised as one of the "few policy tools available" to governments to directly influence behaviour among parentsⁱⁱ. PPL impacts the start of a child's life and sets up a pattern for parental involvement and caring that persistsⁱⁱⁱ. Achieving a more equitable division of unpaid care between men and women is fundamental to achieving gender equality. PPL is uniquely positioned as a public policy setting that can help realise the Commonwealth government's stated ambition to make Australia a world leader in gender equality.

We welcome the proposed expansion of PPL and acknowledge the significance of the object of the act specifically identifying the need to recognise 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". Similarly we commend that the object of the act explicitly notes that PPL exists to:

- promote equality between men and women and balance between work and family life; and
- provide financial support to parents caring for children, in order to:
 - allow those parents to take time off work to care for the child after the child's birth or adoption; and
 - enhance the health and development of birth mothers and children; and
 - encourage women to continue to participate in the workforce; and
 - provide those parents with flexibility to balance work and family life; and
 - increase the time that fathers and partners take off work around the time of birth or adoption; and
 - create further opportunities for fathers and partners to bond with their child; and

- allow fathers and partners to take a greater share of caring responsibilities and to support mothers and partners from the beginning.

Recommendations

Recommendation 1: Introduce a 6 week ‘use it or lose it’ provision in the 26 week PPL scheme to encourage greater shared caregiving by both parents, and specifically to incentivise men to access PPL.

The use of parental leave by fathers in Australia is very low by global standards. Fathers in Australia take less than 20% of the parental leave their international peers take and receive just 0.04% of all publicly-provided PPL. Because caring patterns that are established in the first year of a child’s life persist so the underutilisation of parental leave among men entrenches stereotypical gender roles. The gap between how mothers and fathers work, care and earn after a baby is more pronounced in Australia than in comparable nations^{iv}.

For heterosexual couples in Australia a mother’s role as dominant carer for a new baby is carried through the child’s first decade and beyond. This is true in almost all heterosexual two-parent families, even where the mother earned more than her partner before the child was born^v. Men taking extended PPL enables families to more equitably share the caring responsibilities and unlocks women’s workforce participation.

The importance of fathers spending time with their children in the first year of life is acknowledged in the Paid Parental Leave Act 2010, as one of the objects is to “increase the time that fathers and partners take off work around the time of birth or adoption.” In Australia, more needs to be done to ensure fathers take enough leave to support their family.

Globally the evidence is strong that men’s uptake of PPL significantly increases when a “use it or lose it” component is introduced. When this occurs, men are also more likely to continue shared care of their children throughout their early years.

In countries where mothers and fathers share PPL to a greater extent than in Australia it leads to greater parental satisfaction for men, improvements in child development and higher economic participation by women. Increasing the number of dads taking extended PPL is a unique opportunity to help achieve gender equality while also supporting child development.

Australia’s female workforce participation is peculiarly low, ranked by the World Economic Forum in 2022 as 38th out of 153 nations^{vi}. Of women in Australia aged between 25-40 with young children just 56% participate in paid work^{vii}. Of these 61% work part time, one of the highest rates of part time work of any industrialised country. A 2020 Grattan Institute report found that the most significant financial barrier to women in Australia working more is the high cost of childcare^{viii} but identified inadequate paid parental leave^{ix} as another key factor.

The Parenthood’s 2021 research report, [Back Of The Pack - How Australia's Parenting Policies are failing Women and our Economy](#), examines the working patterns of women after they have children in Australia, Canada, Germany and Sweden. Compared to global peers, mums in Australia fall behind in work participation after children and never catch up. This is despite

starting at the top of global standings on education levels and working more than women in other countries before having children.

This is explained by an inadequate statutory PPL scheme that promotes 'mothers as primary carers' and 'fathers as primary breadwinners', as well as prohibitively expensive ECEC.

If the average Australian woman had the same workplace participation patterns after having children as the average Swedish woman, she would earn an additional \$696,000 over her working life; and retire with an additional \$180,000 in superannuation^x. Mums in Sweden being able to more consistently participate in paid work after having children is a result of having access to the infrastructure that enables mothers and fathers to equitably and sustainably combine work and care.

In Sweden, caring is more equitably shared due to a generous PPL scheme that openly incentivises fathers to take extended parental leave. There, parents have access to 16 months' PPL, of which a minimum of 3 months must be taken by the father if the family is to gain full entitlement. As a result, women are able to more freely participate in paid work while managing their caring responsibilities. Workplaces and communities are more accommodating and accepting of men and women sharing the care. The proportion of women in full-time employment in Sweden is almost 83 per cent, whereas in Australia it is less than 63 per cent.

A comparison across countries suggests that fathers are more likely to take up leave when policies offer an individual 'use it or lose it' entitlement for an extended period (more than two weeks).^{xi} A 'use it or lose it' scheme - where, for example, each parent has an allowance of six weeks they must use or they "lose it" - will motivate more fathers to take leave.

By supporting parents to share the responsibilities of caregiving in the first year of a child's life, an equitable paid parental leave policy is a gamechanger for mums, dads and children. It gives parents the ability to truly share the care. Recognising the important role that men can play as caregivers is key to dismantling one very stubborn barrier to women's workforce participation.

There are clear benefits from supporting and encouraging men to be active fathers and take on responsibility for the care and wellbeing of their young children. Men taking more parental leave is terrific for child development, improves the mental health of mums and the strength of relationships and reduces the 'motherhood penalty'.

Paternity leave benefits include:

- Improved child development outcomes; engaged fatherhood is linked to positive outcomes for children such as higher school achievement, better cognitive and social skills, higher self-esteem, fewer behavioural problems and increased stress tolerance^{xii}.
- Enhanced gender equality in caring roles: The likelihood that fathers will share care when their child is three years old is significantly higher if the father shared care in the first nine months after birth^{xiii}.
- Paternity leave take-up has been linked with improved parental relationships^{xiv}.
- Increased earnings for mothers: In Quebec, the introduction of non-transferable paternity leave reserved for men led to mothers earning an additional \$5,000 per year and doing an hour extra of paid work per day^{xv}.

Recommendation 2: Stage further increases to the PPL scheme up to 52 weeks, to be equally shared between parents where there are two carers

The time right after a baby is born or adopted is a time of extraordinary growth, development, and connection for a family. Parents and their babies have the right to dedicated time together to develop close, nurturing relationships that set the foundation for a child's healthy development. This relates directly to one of the objects of the Act, to "signal 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 it is important this is adequately reflected in the parental leave scheme.

In 2021, The Parenthood commissioned Equity Economics to produce a research report, [Making Australia The Best Place In The World To Be a Parent](#), which proposed best practice evidence-based policies to enable Australian parents and children to thrive in the early years. One of its four recommendations was a parental leave scheme that provides one year of paid parental leave, to be shared between parents. This would support all parents to care for infants and gain skills in caring at a critical stage of child development.

Between January 2011 when PPL was first introduced in Australia, and 2022, there was no substantive change to the paid parental leave policy, so increasing the entitlement to 26 weeks by 2026 is a significant improvement. Nonetheless by OECD standards Australia lags in the provision of PPL where of 51 weeks of PPL is average^{xvi}. The OECD average for paid parental leave at a full-time equivalent pay is 36 weeks, while Australia currently offers 8.6 weeks. Less than 60% of the largest employers in Australia offer any paid parental leave^{xvii}.

Longer paid leave has been associated with:

- Benefits for mothers such as a lower employment gap between mothers and non-mothers, an increase in the proportion of household income earned by women and a more equitable division of housework, as well as long-term improved maternal mental health^{xviii}.
- Increased rates of breastfeeding until a baby is six months old.
- Enhanced workplace diversity with research showing the low numbers of women in leadership positions in the private sector "can be linked to the uneven distribution of parental leave and care at home"^{xix}.

A scheme of 52 weeks would require an investment of an additional \$7.6 billion and lead to:

- A GDP increase of \$116 billion or 2.9% by 2050 from higher female participation and productivity due to less time out of the labour market;
- A 4.6% increase in breastfeeding rates and associated long-term increase in labour productivity.

Recommendation 3. Increase the rate of payment from minimum wage to a replacement wage rate

PPL schemes that provide a replacement wage rate, that is capped at a certain income level, are more effective at encouraging men to take extended parental leave than schemes that provide the minimum wage. This is due to families being less likely to be financially disadvantaged when the leave is paid at a higher rate. Due to the pay gap between men and women, it remains the case that in heterosexual relationships men are still more likely to be paid more than women.

The highest rates of PPL utilisation by fathers are in countries with designated schemes for men that provide high income replacement rate, as well as incentives for fathers to take the leave, for example the Nordic countries and the Canadian Province of Quebec.^{xx} Deakin University's Professor Andrew Scott says that, "If the government was serious about genuine parental leave reform, it would extend paid parental leave to six months at a replacement wage".^{xxi}

The OECD average for paid parental leave at a full-time equivalent pay is 36 weeks. In comparison, Australia currently offers just 8.6 weeks. Increasing the rate of payment will help achieve the stated object of the act in promoting "equality between men and women and balance between work and family life" by lifting utilisation rates among fathers.

Recommendation 4: Extend the superannuation guarantee to PPL.

PPL is one of the only types of paid leave for which the superannuation guarantee does not apply. The provision of superannuation in a PPL scheme would deliver improved outcomes for gender equality, thus promoting "equality between men and women", and normalise the taking of PPL to care for children, both of which are objects in the Paid Parental Leave Act 2010.

While women and men work a similar number of total hours each week in Australia, almost two-thirds of the hours worked by women are unpaid care work, which contrasts with just over one-third of hours worked for men^{xxii}. Women shoulder a significant financial burden when providing care often with little or no payment and at an enormous saving to the government.

The annual value of unpaid care work in Australia is estimated to be approximately \$70 billion^{xxiii}. Currently, 12.3% of all women in Australia identify as a carer, and women represent 7 out of 10 primary carers^{xxiv}. Informal care has, historically, been undertaken mostly by women which has correlated with women's underrepresentation in the paid workforce. As a result older women are at higher risk of retiring in poverty and, on average, accumulate 47% less super than men^{xxv}.

When mothers take time out of the workforce to care for their babies and children, not only do they struggle to maintain a meaningful connection to the workforce, they can go years without receiving any super. This means many women miss out on crucial years of super accumulation while supporting their family. The payment of super on PPL is one important step to enable parents, and mothers in particular, to maintain some retirement savings while on parental leave.

A 2021 research report by Equity Economics, commissioned by The Parenthood, '[Back Of The Pack - How Australia's Parenting Policies are failing Women and our Economy](#)', examines how mothers in Australia fall behind their global peers in regard to workforce participation when they have children and never catch up. This is despite starting at the top of global standings on education levels and working more than women in other countries before having children.

A PPL scheme that includes superannuation will help redress the economic insecurity women experience on account of taking time out of the paid workforce to undertake unpaid care, and normalise PPL as part of the "usual course of life and work for *both* parents".

Recommendation 5: Abolish the work test

The changes to the income test in the Paid Parental Leave Amendment will benefit many families by enabling them to access PPL when they were previously locked out of the system. However, there will remain vulnerable groups of parents and carers unable to access the new scheme because they do not meet the criteria set in the work test.

We recommend the abolition of the work test to ensure that all parents and carers receive some financial support, as per the object of the act, to care for and bond with their new babies. Every parent and carer deserves the opportunity to take time off work to care for the child after their birth or adoption without financial hardship. Supporting parents to care for their babies will enhance the health and development of birth mothers and children.

SUMMARY

Every Australian stands to benefit from a growing population in which all children are supported to reach their full potential. A strong, equitable and sustainable future depends on it. PPL is a critical health, social and economic policy that delivers profound benefits and delivers huge savings. To enjoy the optimal economic, health and social benefits, an expanded Commonwealth PPL scheme should provide 52 weeks of paid parental leave, to be shared between parents where there are two carers, at a replacement wage rate, with superannuation.

Such a PPL scheme would require an investment of an additional \$7.6 billion and lead to:

- A GDP increase of \$116 billion or 2.9 per cent by 2050 from higher female participation and productivity due to less time out of the labour market;
- A 4.6 per cent increase in breastfeeding rates and associated long-term increase in labour productivity.

This would make Australia a world leader in the provision of best practice evidence-based policies that support children and parents, and achieve gender equality.

Thank you for the opportunity to make this Submission. The Parenthood will welcome any further opportunity to engage with the Committee.

Author

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End Notes

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- ^v Grattan Dad days: How more gender-equal parental leave could improve the lives of Australian families, 2021
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- ^{xvi} https://www.oecd.org/els/soc/PF2_1_Parental_leave_systems.pdf
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- ^{xxv} KPMG (2022) Towards a new and improved era in women's equality