

**Submission to the Senate Community Affairs
Legislation Committee**

on the

**Paid Parental Leave Amendment (Improvements
for Families and Gender Equality) Bill 2022**

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About the Centre for Future Work

The Centre for Future Work is a research institute located at the Australia Institute (Australia's leading progressive think tank). We conduct and publish research into a range of labour market, employment, and related issues. We are independent and non-partisan. This submission draws primarily on our past research on employment and working arrangements. All research published by the Centre for Future Work can be found on our website at <http://www.futurework.org.au/>

About the Nordic Policy Centre

The Australia Institute established the Nordic Policy Centre to explore the policy lessons that Australia can learn from the Nordic nations. Through research, stakeholder engagement, policy development, events, and public education, the Centre hopes to widen the Australian policy debate to include Nordic solutions to the big economic, social and environmental questions facing Australia.

This submission

We thank the Senate Community Affairs Legislation Committee for its invitations to us to make this submission on the *Paid Parental Leave Amendment (Improvements for Families and Gender Equality) Bill 2022*. We will be happy to provide further details and evidence if the Committee will find this useful.

Introduction

We welcome the proposed amendments to the *Paid Parental Leave Act* contained within the Bill to make the payment more accessible and more flexible. We also welcome the Government's commitment to further expansion of Paid Parental Leave in the coming years. However, we believe that the proposed amendments do not extend and improve the Paid Parental Leave provision enough. There is an urgent need for additional changes to be made now to improve and expand Australia's Paid Parental Leave arrangements to an acceptable standard. As the Work and Family Policy Roundtable note:

The best international evidence shows that a paid parental leave system that delivers positive outcomes for mothers, fathers, babies, families, workplaces, society and the economy must include (1) adequate time for mothers to recover from birth and care for a newborn, including establishing breastfeeding where desired, (2) dedicated time for fathers and other parents to contribute to the care of the new baby, (3) income replacement and provision of other payments (e.g. superannuation) that provide economic security at a time of intensive care responsibilities.¹

Australia's Paid Parental Leave needs to be longer in duration, provide a higher level of income replacement, include superannuation payments, and be better integrated into Australia's ECEC system. It also needs to be designed to support greater sharing of parental care, including by providing further requirement for men to take leave to care for their children. By international comparison, Australia's current paid parental leave arrangements rank near the bottom of wealthy nations in terms of duration and level of income available to mothers, as well as for availability of dedicated leave for fathers.²

Duration

The immediate extension of the duration of paid parental leave to 26 weeks is warranted.

Payment level

The economic security of parents is not adequately supported by the low payment, set at the level of the minimum wage. Nor does this low level of payment support shared parenting, as fathers generally earn more than mothers, meaning households face a greater loss of income when fathers, rather than mothers, take parental leave. Increasing the

¹ Work and Family Policy Roundtable (2022) *Submission to the Senate Select Committee on Work and Care*, <https://www.workandfamilypolicyroundtable.org/>

² Anna Gromada and Dominic Richardson (2021) *Where do Rich Countries Stand on Childcare?* UNICEF Office of Research-Innocenti, Florence, <https://unicef-irc.org/publications/pdf/where-do-rich-countries-stand-on-childcare.pdf>

payment rate of paid parental leave to a high proportion of the wages foregone will increase the likelihood of men taking up the leave.

The non-payment of superannuation on paid parental leave also limits the economic security of parents and contributes to the lifetime economic insecurity faced by many women. The accumulated effects of loss of superannuation due to parenting and caring over the lifetime are very significant for women.³ Paying superannuation during paid parental leave is a critical step towards reducing this inequity.

Australia's paid parental leave provision needs to move towards being at full pay, at a replacement wage – as it is in the Nordic nations – if we are to make serious inroads into reducing gender inequality. This will be in accordance with the ALP platform commitment, which states clearly that:

Labor will...expand access to paid parental leave to increase support for parents and promote equal parenting. Labor's goal is for 26 weeks of paid parental leave at full pay.⁴

Fathers

We welcome the removal in this Bill of reference to 'primary', 'secondary' and 'tertiary' claimants and the requirement that the primary claimants of parental leave pay must be the birth parent. We also welcome the retention of a 'use it or lose it' provision for each parent as this is very important to encourage shared caring through fathers taking up parental leave.

However, two weeks for fathers is not an adequate period. We endorse the Work and Family Policy Roundtable's case that the full period of paid parental leave should be extended to at least 32 weeks, comprising 26 weeks available for parents to share, plus an additional 6 weeks available on a "use it or lose it basis" for partners', with sole parents having access to 32 weeks.⁵ Further, increasing the income replacement wage of parental leave is essential to provide incentive for men to take more parental leave.

A dedicated period of two weeks at the minimum wage will not achieve further required change. This has been shown by the minimal take-up of primary parental leave by men to

³ Alison Preston and Robert E. Wright (2022) *Gender, Financial Literacy and Pension Savings*, IZA DP No. 15250, <https://www.iza.org/publications/dp/15250/gender-financial-literacy-and-pension-savings>

⁴ Australian Labor Party (2021) *ALP National Platform as adopted at the 2021 Special Platform Conference*, Sydney, Chapter 2, point 10 (p 24). Emphasis added. <https://alp.org.au/media/2594/2021-alp-national-platform-final-endorsed-platform.pdf>

⁵ See *The Senate, Select Committee on Work and Care, Interim Report* (2022) Commonwealth of Australia, Canberra, p 83.

date (13%).⁶ In Sweden, both parents, when on parental leave, receive 80 per cent of their previous actual wage.

Flexibility

We welcome the proposed amendment making all paid parental leave flexible leave as this provides more opportunity for parents to remain attached to paid employment while their children are young.

Further comments

We recognise that this Bill cannot, in the short term, achieve all objectives to boost women's workforce participation and enhance gender equality in Australia. However, we consider that it is essential that the Bill be designed in a way which will enable steady, further, incremental progression of policy measures to fully achieve those objectives.

A more substantial minimum 'use it or lose it' leave requirement for both parents is one of the most important elements which needs to be in this design, in order to realise the Bill's objectives for fathers to play their proper part in caring for children.

There is clear evidence from independent evaluation that the initial fortnight of minimum national paternity leave in Australia introduced in 2013 had positive effects in that it "cemented a 'soft' norm of fathers taking two weeks' leave around the time of a birth" of their child. That evaluation also found that the provision of two weeks of paternity leave made fathers more resolute in insisting on their right to take parental leave following the birth of their child, and it made both employers and co-workers more accepting of fathers taking that leave.⁷

'Dad and Partner Pay' (DAPP) slightly increased the time new fathers spent away from work in the first two months of their child's life. The two weeks of paternity leave, introduced in 2013, slightly improved opportunities for fathers to support new mothers, to contribute to the care of their newborn child, and to bond with their newborn child. DAPP uptake was also significantly higher amongst fathers who previously had limited paid leave eligibility

⁶ Workplace Gender Equality Agency (2022) *WGEA Scorecard 2022: The State of Gender Equality in Australia* <https://www.wgea.gov.au/publications/australias-gender-equality-scorecard>. Note: This estimate is for employees in large (100+) non-public sector workplaces.

⁷ Bill Martin, Marian Baird, Michelle Brady, Barbara Broadway, Belinda Hewitt, Guyonne Kalb, Lyndall Strazdins, Wojtek Tomaszewski, Maria Zadoroznyj, Janeen Baxter, Rachael Chen, Meraiah Foley, Duncan McVicar, Gillian Whitehouse and Ning Xiang (2014) *PPL Evaluation: Final Report*, The University of Queensland Institute for Social Science Research, Research Report prepared for Commonwealth Department of Social Services, Brisbane, p 184.

such as casually employed and self-employed fathers (around 50 per cent uptake for both groups).⁸

International research shows clearly that children who have fathers who participate more in their care and in family life have better cognitive and emotional outcomes, as well as better physical health. Fathers who engage more with their children also report greater satisfaction with their own lives, and better physical and mental health.⁹

As leading scholars of paid parental leave write, the time is well overdue now to build on the very small base of paternity leave which has existed in Australia for nine years, by significantly increasing the sharing of paid leave between parents. Those scholars contend – and we agree – that “extensive change is needed”. As they point out, providing options for fathers to take paid parental leave will be most “effective if done in a ‘gender collaborative context’”, by lengthening the overall duration of paid parental leave available to couples and by then “building in features that enable and encourage couples to share the leave more equally”.¹⁰

The scholars we are quoting advocate – and this submission endorses – “measures [to] be introduced” by the Australian government, i.e. now, with this Bill, which will “encourage the more gender-equal sharing of primary carer leave, following international precedent in nations that include father/partner quotas and other incentives...[e.g.] Iceland, Norway, Sweden, Denmark...[and] Finland”.¹¹

These authors also argue that the Australian government should consider “introducing a bonus period of leave on top of the 26-week period (a ‘shared care bonus’) offered to couples who have shared the original period of leave equally or, where the whole or most of the 26-week period was used by one parent, [this bonus] must be used exclusively by the other parent in order for the couple to receive the bonus. The duration of this bonus period must be adequate, such as at least eight weeks, in order to shift behaviour”.¹²

The proportion of Australian women in full-time employment has been recently measured at only 62.9 per cent compared with 71.5 per cent in Norway, 75.7 per cent in Denmark, 78 per cent in Iceland, 81.3 per cent in Finland and 82.7 per cent in Sweden. The proportion of working women who have a full-time job peaks in Australia in their late twenties at 75.9 per

⁸ Ibid., p 181.

⁹ Brandon S. Allport, Sara Johnson, Anushka Aqil, Alain B. Labrique, Timothy Nelson, Angela KC, Yorghos Carabas, Arik V. Marcell (2018) ‘Promoting Father Involvement for Child and Family Health’, *Academic Pediatrics*, Vol. 18, No. 7, pp 746-753.

¹⁰ Marian Baird, Myra Hamilton and Andreea Constantin (2021), ‘Gender Equality and Paid Parental Leave in Australia: A Decade of Giant Leaps or Baby Steps?’ *Journal of Industrial Relations*, Vol. 63 No. 4, p 563.

¹¹ Ibid. Emphasis added.

¹² Ibid.

cent and never reaches this level again. After this, the highest proportion of Australian women in full-time work is those aged in their late forties, at 69.4 per cent. By contrast, a high proportion of working women continue in full-time jobs in the Nordic countries until they are in their late fifties and their early sixties. That proportion is above 90 per cent for women in their late forties in both Finland and Sweden.¹³

That much higher extent of workforce participation increases gender equality, and ensures higher life-time earnings for women in Nordic countries. That in turn reduces their susceptibility to poverty and housing insecurity in retirement compared to women in Australia. As the Interim Report of the Senate Work and Care Committee recently noted, analysis by the Australia Institute of workforce participation shows that “if Australian women had the same opportunity to work full-time as Nordic women, Australia’s GDP would be \$132 billion per year higher”.¹⁴ The government needs to follow through the logic of this to make Australia wealthier by supporting now a bigger boost in men’s taking of paid parental leave.

The Interim Report of the Senate Work and Care Committee also noted how:

In Finland, both parents are entitled to the same amount of parental leave;

in Iceland, 13 non-transferable weeks are reserved for each parent and 13 weeks can be divided flexibly;

in Norway, 15 non-transferable weeks are reserved for each parent and 19 weeks can be divided flexibly;

while in Denmark

the key to men taking parental leave is a ‘use it or lose it’ component...this saw a significant increase in men’s uptake of parental leave and men were more likely to continue shared care of their children throughout the early years [because this provision] normalises shared care responsibilities, unlocking women’s workforce participation and strengthening their financial security.¹⁵

The Interim Report further noted how

¹³ See further Andrew Scott, Matt Grudnoff and James Fleming (2021), ‘Boosting Workforce Participation and Wages’, in Andrew Scott and Rod Campbell (eds), *The Nordic Edge: Policy Possibilities for Australia*, Melbourne University Press, Melbourne, pp 125-126, <https://www.mup.com.au/books/the-nordic-edge-paperback-softback>

¹⁴ *The Senate, Select Committee on Work and Care, Interim Report* (2022) Commonwealth of Australia, Canberra, p 48.

¹⁵ *Ibid.*, pp 84, 86. Emphasis added.

babies are benefitting from more time with parents in the early stages of development and declared that

Australia must look to comparable international jurisdictions where better, longer parental leave entitlement systems have been implemented, to positive effect.

Australia...can turn to other countries, such as Sweden, to see what a more successful and fair approach might look like.¹⁶

In Sweden the minimum required paid paternity leave – i.e., if it is not taken by fathers then the family does not receive the total possible sixteen months – was, in 2016, increased to three months.

So with the sixteen months total paid parental leave in Sweden, each parent is required to take three months leave and the remaining ten months are shared between the parents as they choose.

Sweden did not jump to this minimum required paid paternity leave straightaway. It built up to that in increments: first one month in 1995; then it increased that to two months in 2002, then it increased that to three months in 2016 – all on the basis of the positive evidence of how well the designated minimum requirement for fathers to care for their children was working, and how it would work even better if expanded.

Since Sweden's 2016 expansion of paternity leave, Iceland and Finland have expanded their parental leave. Iceland's parliament extended paid parental leave in that country to twelve months effective from the start of 2021. Finland's government also decided to further extend paternity leave provision in 2021, and total paid parental leave there has been extended to fourteen months, of which nearly seven months is for fathers.

In Iceland, three months of paid parental leave was reserved for each of the parents, and three months could be shared between them, prior to the recent expansion.

Employers in Nordic nations see the benefit in retaining skilled, experienced and valuable employees, who return to work, appreciating being given proper consideration at the crucial time in their lives when they become parents.

¹⁶ Ibid., p 111.

The Swedish and Icelandic experiences, in particular, prove that parents will divide work and care much more equally in the longer term if there are more adequate requirements for fathers to take parental leave, at sufficient payment levels, in the crucial first year and more of a child's life.

Iceland academic Ásdís Aðalbjörg Arnalds, who visited Australia during 2019, highlighted startling new research on how Iceland, by pursuing those policies, has increased the proportion of fathers and mothers who equally share the care of their children when those children are three years old.

That figure doubled from less than 40 per cent to close to 80 per cent for babies born in 2014.¹⁷ This shows how effective increased paternity leave provisions are in changing parenting patterns, well beyond the period of paid leave itself.

The proportion of paid parental leave taken by fathers has been assessed at just 5 per cent in Australia but has risen above 30 per cent in some Nordic countries.¹⁸

Support for change to ensure men's much greater role in parenting is widespread including from former Defence Minister, Liberal Party Senator Linda Reynolds, who has praised the 'great' programs in Nordic countries for men to take a more equal share of childcare responsibilities. Senator Reynolds has endorsed giving fathers in Australia paid parental leave entitlements equal to those of mothers, to overcome the career penalty suffered by women who have a family. She indicated the Swedish approach is something she wants the Australian Government to consider.¹⁹

A recent Victorian Government inquiry, meanwhile, made the following points about world's best practice parental leave policies:

Nordic countries that have implemented dedicated parental leave for fathers experienced a significant increase in uptake by men. Iceland and Norway have a three-part leave system. In Iceland, there are 13 weeks allotted to the father, 13 weeks to the mother, and 13 weeks to share. In Norway, there are 15 weeks allotted to each parent and 16 to share. In 1993, Norway became the first country to introduce dedicated leave for fathers, and the number of men who took parental leave has since skyrocketed from

¹⁷ Caroline De La Porte, Guðný Björk Eydal, Paul 't Hart, Jaakko Kauko, Daniel Nohrstedt and Bent Sofus Tranøy (eds) (2022) *Successful Public Policy in the Nordic Countries: Cases, Lessons, Challenges*, Oxford University Press, Oxford, p 374.

¹⁸ Emma Walsh (2018) *Fathers and Parental Leave*, Australian Institute of Family Studies, Melbourne, 2018, p 1; Nordic Council of Ministers (2019) *Shared and Paid Parental Leave: The Nordic Gender Effect at Work*, Nordic Council of Ministers, Copenhagen, p 11.

¹⁹ Adrian Rollins (2020) 'Give Fathers More Leave to Narrow Gender Gap: Defence Minister', *The Canberra Times*, 26 February.

4 per cent to 70 per cent. When Iceland introduced their three-part system in 2002, the number of fathers who took leave increased from less than 1 per cent to 80 per cent in just a few years....The implementation of the 'Daddy Quota' in Sweden doubled the number of fathers who took up leave.²⁰

Conclusion

We urge the Government to make this vital Bill as progressive and effective as possible now, in accordance with the points we have made above, in terms of its design features; in particular by increasing the effective requirements for fathers to take more paid parental leave than a mere two weeks. We urge the Government to foreshadow, and budget for, a rise in the rate of paid parental leave from minimum wage towards full replacement wage. The medium term budgetary costs of that higher payment for when parents are on leave will be more than recouped by the much greater workforce participation, and thus government revenue, which will ensue, as has been proven by Nordic nations' experiences.

We wish the Committee the best with their deliberations and we are happy to provide additional information and input to the discussion of how to take this very important Bill forward.

²⁰ Victorian Government (2022) *Inquiry into Economic Equity for Victorian Women, Final Report* <https://www.vic.gov.au/sites/default/files/2022-09/Inquiry-into-Economic-Equity-for-Victorian-Women-Final-Report.pdf>, p 63.