

Abbott government's paid parental leave ignores hidden costs and implications



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TRACY ANGWIN

I've recently read many articles about the Abbott government's proposed paid parental leave scheme. Most contributors to the debate lament the cost of the scheme, saying it's giving the most money to the already wealthy. As such, the government has lowered the eligibility limit to those earning less than \$100,000 a year, down from \$150,000.

Those that support the scheme say that it will boost productivity and female workforce participation. It will allow mothers to spend more time with their babies and increases the likelihood of a mother returning to work. Often it is said that this policy addresses discrimination of pregnant women in the workforce.

The payroll sector employs a majority of females and those working in payroll are currently responsible for administering all government parental leave pay at significant cost to employers in both wages and lost productivity.

Although my views may be somewhat controversial, I don't think we have analysed the real cost and the real implications of a scheme such as that being proposed.

Firstly, it doesn't really matter whether you think the proposed scheme is expensive or not. Either way, I don't believe it will in any way meet its goal to improve female participation in the workforce and therefore boost productivity.

As a mother of two, when I chose to have children I assumed I would have a period of no income, and factored this into the decision to have children and the timing. After having both my children, I took 4-5 months off work, which is slightly less than the 32 week average for Australian mothers. However, if I had expected to have six months on full pay following the birth of my children, I would certainly have extended my maternity leave by that time and taken close to the full year I had been entitled to.

However, if you add 26 weeks' full pay to the Australian average of 32 weeks currently taken on average that totals 58 weeks, more than a year, therefore overcompensating in relation to time on maternity leave.

There are some who say that the proposed scheme creates a long-term attachment to the workplace for women and increases the likelihood of a mother returning to work after 12 months. I think it would have entirely the opposite effect. Again, if you have financial certainty for the time off work it only increases the chance of extending the time taken on maternity leave and therefore decreases attachment to the workplace and therefore also decreases the likelihood of returning to work.

Some also suggest that this policy addresses pregnancy-related workplace discrimination. This may be the case, however, I believe it will significantly increase pre-employment discrimination for women of childbearing age, whether they intend to have children or not. Most employers I speak to, everything being equal, would prefer to employ a man than a woman of child bearing age.

Then there's the cost. This is what seems to have taken up most column inches and talkback time in regards to this scheme. But it's not just the cost of the scheme to the government we should consider. How about the costs to the employer, and I'm not talking about the direct costs of administering the scheme or the additional tax to fund the scheme by the largest employers in Australia.

What about the cost of finding and recruiting a replacement? Or the cost of lost productivity while training the replacement? Or the cost of the uncertainty because the likelihood is that mothers who might have taken six months' maternity leave will likely be taking 12 and therefore less likely to return to work. Then there is the very real cost, never spoken of in public, of terminating the mother's employment when the employer decides that her replacement is actually better suited to the role.

Based on all this, I believe that a longer period of paid parental leave will lead to a loss of productivity and female participation in the workplace.

The one saving grace about this proposed scheme is that it is planned to be administered by Centrelink. This will remove a significant and very costly burden borne by employers who currently act as the government's pay office.

Bravo to that!

Tracy Angwin is the founder and managing director of the [Australian Payroll Association](#).