



Centre for Work + Life

**A Time to Act:
Paid Maternity Leave for All South Australian Women**

*Supplementary Submission to the Select Committee on Balancing
Work and Life Responsibilities*

August 2007

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Discussion Paper No. 4/07



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ISBN Number: 978-0-9803798-9-1

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Executive summary

- In the absence of national action, this paper argues for the South Australian Government to provide paid maternity leave (PML) to South Australian working women to increase labour market participation, the well-being of men, women and children and boost fertility.
- PML is not a ‘magic bullet’. However, it can help to increase fertility, reconcile work and family, increase women’s employment rate, improve equal opportunities, reduce inequality between women, and improve the health and wellbeing of women, infants and children. It is one of a range of measures which can make a significant contribution to *each* of these six policy objectives. This makes it a potent policy intervention.
- It addresses three of the objectives of the State Strategic Plan: growing prosperity (Objective 1), improving wellbeing (2) and expanding opportunity (6) and a number of specific targets in each of these.
- Government funding of PML makes sense as it is fair (drawing on contributions from general revenue where both employers and workers are contributing) and efficient. In contrast, an employer funded approach creates an incentive for employers to discriminate against women of childbearing age and is unfair on those employers with many female workers.
- Paid maternity leave has been an objective of many in Australia over an extended period. Recent HREOC papers make a cogent case for a national system of PML (2002, 2007). However, it has been slow in coming except for those in public employment and, to a lesser extent, the private sector, and in many locations it is available for only short periods.
- Australia has a PML regime that is less a *system* and more a lottery. Arrangements give general access to twelve months *unpaid* parental leave to the three-quarters of women with a year of service with their current employers, but patchy access to *paid* maternity leave, leaving the majority of working women – about 63 per cent - without it.
- Significantly, many Australian women have access to very limited periods of paid leave. The accident of employment confers very different levels of paid leave on the birth of a child. This variation is unfair. It does not characterize other forms of leave like holiday, sick or even long service leave.
- The fact that PML is available to only 37 per cent of Australian women eighty years after the ILO recommended the general provision of 12 weeks paid leave (now 14), makes debate about its universal availability, passé. Australia and the US are the last OECD countries without a national system of paid leave available to working women.
- The participation of women in paid work and education, especially women with young children, continues to grow at a steady and significant rate. South Australia’s labour market is increasingly dependent upon their contribution. Australia’s work/family arrangements (and South Australia’s within them) lag well behind international standards in the industrialised world. Our provisions have not kept up with the changing shape of Australian workers, families and workplaces. Improvements to at least the ILO recommended quantum of PML for all working women are well overdue in a prosperous first world economy that increasingly relies on the paid work of women.
- PML is especially significant in an environment of low fertility and prospective labour market shortages. It is also important for Governments that support equity at work on two

fronts: equity through the provision of practical equal opportunities *between women and men at work*, and *equity between women* in different work situations (ie public and private employment, and high and low paid jobs).

- The arguments in favour of PML are multiple: it improves the well-being and health of mothers, infants and children, increasing breast feeding, birth weights and the probability of good infant care; it assists employers by increasing labour market attachment and lowering the costs of turnover and recruitment; it improves equal opportunities for women; it reduces inequities between women in different sectors; it meets international obligations and it has positive effects on fertility rates.
- At a time when international provisions are increasing, the best available data suggests that 37 per cent of Australian working women at present use to some amount of PML, leaving 63 per cent without any.
- Only 19 per cent have access to 14 weeks or more paid leave.
- Women on low pay, in smaller workplaces, in the retail and accommodation sectors, and/or in private employment, have much less access than other women.
- Neither collective nor individual bargaining are likely to ensure a system providing general access to the majority of Australia's working women anytime soon – almost a century after the ILO declared PML a basic work right.
- Public support for PML is high, with over three-quarters of all Australians in favour of all working women having access to some type of PML.
- International research about the positive effects of PML is increasing. This evidence is convincing on several grounds: the effects on women's labour market participation, the well-being of women, infants and children; and fertility. The evidence extends across a range of years, countries and policy contexts.
- The calculation of the cost of a state system is sensitive to assumptions. A precise estimate requires detailed data about participation rates and fertility rates by age as well as detailed income data. However, rough estimates suggest the cost to South Australia of the provision of 14 weeks PML to all women who worked 40 of the last 52 weeks before birth (including the self-employed), excluding those employed by the State and Commonwealth Governments, capped at minimum wage, would be in the range of \$31-47 million and most likely at the lower end or less.
- The *House of Assembly Select Committee on Balancing Work and Life Responsibilities* should make a recommendation to set up a state-based PML system. The state should also offer payroll exemption to employers who provide 14 weeks PML above and beyond any government support (adopting the approach of the Victorian Government).
- Further, the Select Committee should recommend the appointment of a high level Work and Life Council to independently advise the South Australian Government on future policies for work and life, applying a whole-of-government approach to policy development. Finally, the Committee should recommend the development and funding of a research program to create an evidence base to underpin policy addressing work-life issues.

Introduction

On 31st July 2007 I appeared before the *House of Assembly Select Committee on Balancing Work and Life Responsibilities*, chaired by the Hon G. Portolesi MP, giving evidence about work and life issues in Australia and potential South Australian responses. As recorded on the transcript of that appearance, I advanced an argument – amongst others - in favour of South Australian Government-funded paid maternity leave for South Australian women who currently lack any paid leave, perhaps beginning with those covered by state awards.

A state-based approach is a second best option: the most efficient and equitable approach to PML is through a national government-funded system. However, in the absence of commitment to a national approach by successive federal Governments, and in light of the compelling and growing international evidence about the health and wellbeing, fertility and labour market benefits of PML, there is a strong case for the South Australian Government to act. These arguments are especially compelling in view of the state's Strategic Planning objectives, along with its commitment to equitable governance, including for disadvantaged workers, women and children.

Why Government Funding?

Government funding is essential for PML for several reasons. An employer funded scheme would create an incentive for discrimination against fertile women; it would be unfair to employers with large number of female employees; it would not reach the thousands of women who are self-employed. Further, a government funded scheme has low transaction costs (eliminating the need to collect funds for the specific purpose of PML or create elaborate administrative structures). Instead it builds upon existing tax and administrative machinery. It has the additional virtue of drawing on the contributions of government, employers and workers through their payment of taxes, an approach which most Australians favour, according to opinion polls.

Structure and Content of this Paper

This paper reviews evidence about PML and summarises research in support of a state system of 14 weeks government-funded paid maternity leave for all Australian women.

The paper falls into five sections. I review the arguments in favour of paid maternity leave (PML). Secondly, I consider the current level of provision of PML in workplaces, including the quantum of that leave. Thirdly, I review the level of public support for PML before weighing recent research about the effects of PML, including its association with women's labour market participation, its connection with the well-being and health of women, children, and families and the link with fertility. The paper concludes with some discussion of costs and a method of implementation at state level in South Australia.

The Arguments for Paid Maternity Leave

Seven reasons for at least 14 weeks government-funded paid maternity leave exist in South Australia in 2007:

1. Wellbeing and health of the mothers, infants and children

There is widespread evidence that maternal health, bonding with the child, and infant and child health (including birth weight) are improved through PML. These benefits are well documented in international literature (see below) and include maternal recovery from birth, maternal rest in late pregnancy, opportunities to establish breast feeding and a good early feeding regime in general, and better opportunities for child/parent bonding. Many of these positive effects have long-term positive effects on maternal mental and physical health, child health and development, and overall family well being. The arguments consistently advanced by the World Health Organisation (2001) and the ILO have connected to the health and well being of mother and child, as well as the provision of genuine equal opportunity for women workers. The literature in support of these effects is extensive and incontrovertible, establishing a strong argument for extended paid maternity leave (HREOC 2002, p. 51-61).

2. Discrimination against women in the workforce.

It is women who bear children and take time out of their paid working lives to do so. As a result, their employment is affected negatively, relative to men's. Their earnings are lower, their careers and experience are truncated, and their retirement benefits are reduced. Without compensating arrangements, like PML, women are systematically, indirectly discriminated against by the facts of motherhood and caring. Paid maternity leave goes some way to address the physical reality that distinguishes women's workplace experiences from men's on the birth of a child. In this sense, PML is a basic and essential workplace measure to prevent indirect discrimination against women, who forego between \$167,000 and \$239,000 (in 1999 dollars) as a result of the birth of their first child alone, depending upon their qualifications (Chapman, Dunlop, Gray, Liu and Mitchell, 1999). PML is a workplace anti-discrimination measure that underpins women's paid employment, in recognition of their difference from men.

Just as the average Australian worker now has greater responsibility for the care of others, and is more likely to be a woman, households with dependents are more likely to be dual earner rather than male-breadwinner households, with significant growth in sole parent/sole earner households (mostly headed by women). This has important implications on the birth of a child, with many women now in work – commonly for a decade – before the birth of their child. Their families are dependent upon their earnings as surely as they are dependent upon those of men. Year by year, women continue the long march from the private unpaid sphere into public, paid work in their labour market participation. The gendered participation gap across Australia (that is, the gap between women's and men's rate of participation in paid work) has narrowed from 39 per cent in 1981 to 16 per cent in 2004 (ABS, supercube, lm8.srd). The labour force participation rate of Australian women of childbearing age (15-44 years old) has increase from 59 per cent in November 1980 to 71 per cent in November 2005 (ABS Cat No 6291.0.55.001 2005).

Changes in labour force participation are having seismic effects in Australian workplaces, homes and communities and they are very likely to continue¹. They strengthen the argument in

¹The growth in services sector employment, which is expected to continue to rise (indeed it is *fed* by women's rising participation in paid work as they substitute purchased goods and services that replace their own labour and expressions of love), will feed continuing increases in demand for the labour of women. Further, as employers shift their temporal organisation of work, and seek to closely match

favour of improved PML standards to accommodate and support the labour market contribution of women while minimizing indirect discrimination.

3. Employer benefits

Both governments and employers recognise the benefits for employers flowing from family friendly provisions like extended paid maternity leave including saving on rehire costs, training, and higher morale, retention and productivity (AIG, 2002: 21 WEL 2002: 8). There is evidence from Australian employers that the introduction of PML results in increased rates of return to work by employees (FSU, 2002: 4), hence its adoption amongst a growing number of larger companies, and the extension of the length of leave available in sectors like the vehicle industry.

4. Equity between women.

Ironically, PML is less available in smaller, feminised workplaces in the retail and hospitality sectors (see below for the latest data). Women's employment is especially concentrated in these sectors. It is also less available to lower paid women. This uneven provision results in significant inequities between women, disadvantaging women in lower paid, feminised jobs and employment sectors. The length of leave available also varies widely between women.

5. International Standards

There are several international standards relevant to family friendly provisions at work and PML, including the 1979 United Nations Convention on the Elimination of Discrimination Against Women (CEDAW); ILO Convention 183 (C183), Maternity Protection 2000 (with associated Recommendations); and ILO Convention 156, Workers with Family Responsibilities, 1981, (C156 and Recommendations). Australia ratified C156 in 1990, CEDAW in 1983 with a reservation in relation to paid maternity leave, and has not ratified C183. These standards reflect the international view that family friendly measures, including 14 weeks paid maternity leave, are essential to the promotion of equal opportunity and treatment for women workers, and to substantive equality of opportunity and treatment between men and women with family responsibilities.

6. A positive impact on the declining birth rate.

There is research evidence that better provision of PML, and more financial assistance for families around birth, positively affects the total fertility rate (TFR). It may be the case that PML will assist in stemming the fall in South Australia's TFR, now well below the replacement rate of 2.1. PML can affect the timing of births and marginally increase their incidence.

labour to the timing of production and service delivery through a variety of non-standard employment forms, demand for women's labour can be expected to continue to rise, as will non-standard employment itself. Younger Australian women (generation X (born 1960-1980) and Y (born 1980-2000)) show no sign of a slowing this pattern of rising participation. Most expect to work for significant parts of their lives, many are educating themselves for this, and by the time of the birth of their first child at around 30 years, many will have a strong sense of identity connected to their jobs, will have build a significant part of their social lives in their workplaces, and will be used to earning and spending a sizeable pay packet. This is likely to drive further growth in dual earner households (Reed, Allen, Castleman and Coulthard 2003; Pocock 2004). A kind of 'generation X' 'work/work' cycle is increasingly evident it seems, replacing a 'work/care/work' cycle as young women's pre-maternal work habituation stimulates an early return to work after children in pursuit of the reestablishment of pre-maternal identity and social connection. For others it seems that the rewards, identity and social connection from work overwhelm maternity entirely. These shifts are especially evident amongst more educated, professional and white collar women in higher income jobs (Newman 2003).

However, it is likely that fertility changes are dependent upon a range of family friendly policies and cultural changes, rather than attributable to single policy measures. Australia has seen, since 2001, a more open public discussion about the decline in fertility rates amongst women and men as they age, with a growing public awareness about the much greater chances of conception before the mid-thirties. These add weight to the argument for paid maternity leave where it will enable people to exercise their fertility choices early in their careers, when financial burdens of household and family formation are intense.

7. Advancing the objectives of the State Strategic Plan

The provision of PML to South Australian women connects to three objectives in the State Strategic Plan: growing prosperity (Objective 1), improving wellbeing (2) and expanding opportunity (6). The prosperity target aims to increase the age-adjusted employment to population ratio to the Australian average. At present women in South Australia have an employment to population ratio of 52.7 per cent, compared to 54.9 nationally (ABS, Cat No 6202.0 July 2007). The interstate migration target is to reduce annual net loss to zero by 2010. The fertility target is to maintain a rate of at least 1.7 births per woman. Other relevant goals include reducing the number of low birth-weight babies and improving South Australia's performance on the Australian Early Development Index. Specific work-life goals include improving the quality of life of all South Australians through maintenance of a healthy work-life balance.

International literature suggests that paid maternity leave is relevant to all of these targets.

South Australia's birth rate has increased from 1.68 in 2001 to 1.79 in 2005 (an increase of 6.9 per cent), reflecting the national trend (from 1.73 to 1.81, an increase of 4.5 per cent). However, the state remains below the national average and – as the State Strategic Plan recognises – the challenge is to get it above 1.8 and keep it there.

South Australia is facing significant shifts in demographic patterns especially general population and fertility challenges. These are expected to lead to tightening labour markets and higher dependency ratios. These changes make increases in labour force participation rates amongst existing South Australian residents of particular policy interest, and create strong arguments for considering measures like extended PML to stimulate women's employment participation.

Existing PML provisions

PML provisions have been improved in a range of countries in recent years, including in New Zealand (which now offers 14 weeks PML including to the self-employed), the UK (26 weeks, 6 weeks at 90 per cent of full pay and 20 weeks at a fixed amount), and Canada (PML was expanded from 10 weeks to 35 weeks in 2000).

At the 2004 election the federal Coalition adopted a Maternity Payment which now pays a one-off cash benefit of \$4,100 on birth of a child. This is, however, some distance from PML in that it does not give a working mother a guaranteed rest from work on pay or recognise and support her employment connection. International research shows that PML creates benefits above and beyond cash payments for mothers, infants and children (see below).

1. Eligibility in theory

Twelve months unpaid maternity leave is available to permanent full-time and part-time employees with 12 months continuous service with their employers through the *Workplace Relations Act 1996*. Since 2001, some casual workers under federal awards also have this entitlement where they have been regularly employed over a 12 month period and have a reasonable expectation that this will continue.

In considering existing provisions a few issues arise. Firstly, the existence of the entitlement is not the same as *meaningful access*. For example, PML available to women over 45 is not a very meaningful provision. Employer refusal of unpaid PML undermines meaningful access. What counts is practical availability to women having babies. *Availability in theory* is quite different to *availability in practice*, as various sources of data show (Whitehouse et al 2006; ABS Cat No 4913.0 November 2005). Thousands of Australian women who undertake paid work are eligible in theory to unpaid leave of up to a year, but do not have meaningful access to it for a range of reasons: in some cases because they are self-employed, or contributing to family businesses, or because they are denied it or erroneously believe they are not entitled to unpaid leave.

In August 2006, 43.7 per cent of women employees had an entitlement, at least in theory, to some paid maternity leave in their main jobs (ABS Cat no 6310.0 August 2006)². This is up from 33.8 per cent in August 2004.

This theoretical access varies widely by industry, occupation, income and sector. Women on lower incomes, in less skilled jobs and in the private sector have much less access than women on higher incomes, in professional and management jobs, and women in the public sector. Only a quarter of women earning \$200-400 a week had access in theory to some PML in August 2005 compared to over 70 per cent of those earning \$1000-1400. Only 12.3 per cent of those women working in accommodation and food services had access, 25.9 per cent of those in retail, 36.5 in manufacturing and a third of those in general services employment, while around two-thirds of those in the finance industry and education had access. The gaps are very wide by skill with only 21.2 per cent of labourers and 22.1 of sales workers having theoretical entitlement to any PML, compared to over half of managers and 63.9 per cent of

² In a Media Release on 9 July 2007, Minister Joe Hockey said: 'Family friendly provisions in Australia are improving with the ABS reporting highs in paid maternity and paternity leave – 47 per cent of all female employees and 40 per cent of all male employees now have access to paid parental leave'. (Hockey, July 2007, p 1). It is not clear where these figures come from. The latest ABS figures (Cat No 6310.0) show that in 2006 43.7 per cent of women had an entitlement to paid maternity leave. However, a smaller proportion used it in practice, as we see below.

professionals. Just over a third of those in the private sector had any entitlement, compared to 73.5 per cent of those in the public sector. The gap is also very wide for part-timers, with only 27.7 per cent of part-time workers having any entitlement compared to 57.5 of full-timers (ABS Cat No 6310.0, August 2006).

No other form of leave has these extraordinary inequities based on industry, occupation, income, skill and sector. For example, sick leave and holiday leave – and even long service leave - are much more widely enjoyed than PML, regardless of employment type (ABS Cat No 6310.0, August 2006).

2. Access in Practice

Beyond eligibility, who has practical access to paid or unpaid PML? There are two sources of data for this. The ABS survey 'Pregnancy and Employment Transitions, Australia' (PaETS) was conducted as a supplement to the ABS Monthly Population Survey in November 2005. *The Parental Leave in Australia Survey* (PLAS) was conducted in May 2005 as part of LSAC (See Whitehouse et al 2006).

PaETS gives reliable estimates across the Australian population on a range of pregnancy issues based on responses from birth mothers with at least one child less than two years of age living with them at the time of the survey. This source is a good indicator of *actual* leave arrangements across the Australian population in a recent period.

The results suggest that the proportion of women with practical access to PML – who actually take paid leave - is lower than those who are eligible for it. In 2005, 37 per cent of women employees who had worked as employees in their last main job while pregnant used some PML, compared to the 41 per cent who said they had the entitlement in August 2005 (ABS, Cat No 4102.0).

PLAS results confirm this result, with 37 per cent of employees surveyed through PLAS using some PML.

This suggests that the most reliable recent Australian estimates of the proportion of women with practical access to PML stand at 37 per cent.

According to the ABS PaETS study, 73 per cent of women working while pregnant used some form of paid or unpaid leave when they had their babies. This leave included *all* forms of leave including sick, holiday and long service leave.

In the PaETS survey, twenty-seven percent (or 99,000 women) working when they were pregnant did not take any (paid or unpaid) leave when they had a baby, almost three-quarters of these because they left their job before birth. The other quarter of those who did not take any leave were business owners, or believed that their employers did not offer it or that they were not eligible for leave.

The PaETS survey suggests that around 16 per cent of women eligible for unpaid leave do not take any because their employer does not 'offer it' (despite it being a legal entitlement), or because they do not believe they are entitled to it, or cannot afford to take unpaid leave (ABS Cat No 4102.0 2007, p 5). This suggests that a significant number of women at work when pregnant do not have practical access to *unpaid* leave. PaETS also shows how women in small workplaces especially miss out: only 15 per cent of women in workplaces with less than 10 employees had taken paid leave, compared to 56 per cent in workplaces employing 100 or more (ABS Cat No 4102.0, 2007, p 4).

Table 1 Women with children under 2 years who worked as an employee in their last main job while pregnant, August 2005

	Number	Of all women	Of those taking any form of leave
Used a combination of paid (annual, LSL, PML) and unpaid leave	101,000	37.3%	50.8%
Used paid leave only (annual, LSL, PML)	37000	13.7%	18.6%
Used unpaid leave only	61000	22.5%	30.7%
Did not use any leave	72000	26.6%	
	271,000	100.0%	100.0%

Source: ABS, Cat No 4102.0, August 2007

3. Length of PML

The recommended international standard of PML is 14 weeks (C183 Maternity Protection Convention 2000, ILO). Australian women's length of paid leave ranges from two days upwards. However, according to the PaETS survey only 19 per cent of women who were employees in their last main job while pregnant used 14 weeks or more. Of those using PML, their average period of PML was 11 weeks (ABS Cat No 64201.0, August 2007 p 4), the same average duration revealed in the PLAS survey.

4. Access through bargaining: the slow inequitable road

Over recent decades a number of Australian employers have increased the level of paid maternity leave they make available to their employees. Some Australian trade unions have pursued maternity leave, including paid leave, as an industrial issue and won significant gains in terms of availability of PML and the length of leave. The standard is slowly improving, though progress is quite modest outside the public sector.

However, this means of provision of paid leave – by means of individual employer decision and by enterprise bargaining or award provision – has not resulted in the extension of theoretical access to paid leave to the majority of Australian women workers.

In 2001 only six of the top one hundred federal awards (by size of coverage of employees) provided some level of paid leave (HREOC, 2002:19) and only seven per cent of federal enterprise agreements current in 2001 included such provisions (see table 1: Department of Employment and Workplace Relations et al. 2002:7).

There are many examples of family friendly steps being taken in individual firms, including through paid maternity leave of various lengths, extra leave to care for families, flexible work arrangements, permanent part-time work and other measures. They have been widely celebrated, documented and critiqued (see national annual awards by DEWR for family friendly exemplars, ACTU 2000, Whitehouse and Zetlin 1999, Breakspear 1998, Strachan and Jamieson 1999 for examples). Many of these steps have assisted employees in significant ways. However, they are islands of enterprise-based exemplary good practice, afloat in a sea of poorer practice, and they provide very variable standards. They do not do Australian working/carers justice and they represent a patchy and uneven set of developments with all too little impact on the majority of women employees, especially those who rely on minimum statutory standards for their rights, particularly those in small and medium sized businesses.

Perhaps worse, these exemplars obscure a deterioration in employee access to many established leave standards like the weekend, sick leave, annual leave, RDOs, Long Service Leave and unpaid parental leave (especially through the casualisation of the workforce).

The growth in the proportion of Australians who are employed on casual or precarious terms (now 30 per cent in South Australia, ahead of the national average of 26 per cent) has resulted in a contraction in eligibility for significant forms of paid leave including sick, holiday and paid and unpaid maternity leave. *WorkChoices* has exacerbated these losses, especially for low paid working women (Elton et al, 2007).

There are now a significant and growing number of agreements and arrangements that reflect the ILO standard and in some cases, go well beyond it. For example, most university enterprise agreements now provide 26 weeks paid weeks. The best of these agreements exists at the Australian Catholic University where a year's paid maternity leave has been available since August 2001 (12 weeks on full pay and the remaining 40 weeks at 60 per cent of normal pay).

The duration of paid maternity leave varies widely from a few days to fourteen weeks, or – exceptionally – 52 weeks at the Australian Catholic University. The most common period of paid maternity leave in 2001 in federal agreements was 2 weeks (3.5 per cent of agreements), ‘followed by twelve and then six weeks’ (Baird, Brennan and Cutcher 2002: 9). The average in government administration and defence in 2001 was 9.5 weeks (Baird, Brennan and Cutcher 2002: 9). The average duration for those taking paid leave is now around 11 weeks according to the latest surveys (ABS Cat No 4102.0 2007 and Whitehouse et al 2006).

Enterprise bargaining has not provided a route to paid leave for most women, and reliance upon enterprise level developments to deliver a general gain would require a long wait (Baird, Brennan and Cutcher 2002). Individual bargaining through AWAs does not hold promise for wider advance; indeed the reverse seems more likely (Elton et al, 2007).

Public Support for PML in Australia and South Australia

Paid maternity leave has had variable political support in Australia. It has been supported for federal public employees by the Australian Labor Party since before the 1972 election of the Whitlam Government and its implementation for federal public service staff. A national system of general provision is currently supported by the Australian Labor Party, the Greens and the Democrats.

HREOC has twice published significant reports recommending the adoption of government funded PML, following extensive national consultation (2002, 2007).

Senator Natasha Stott Despoja introduced a Private Members Bill into the Senate in 2002, to provide fourteen weeks PML for most working women by means of a government payment at the level of the minimum wage, topped up where possible by local bargaining (Parliament of the Commonwealth of Australia, *Workplace Relations Amendment (Paid Maternity Leave) Bill 2002* and its Explanatory Memorandum). A redrafted private members Bill is planned to be introduced in September 2007.

A representative Newspoll of 1202 Australians (commissioned by the National Foundation of Australian Women (NFAW), the NSW and Queensland Commissions for Children and Young People and NIFTeY) in June 2007, shows a high level of support for PML (in the following discussion, results are weighted by age, sex, area, education) (see <http://www.nfaw.org/social/maternity/index.html>).

Over three-quarters of respondents (78.0 per cent of men and 74.9 per cent of women) were personally in favour of all working women in Australia having access to some type of paid maternity leave. Only 17.4 per cent were opposed. 89.2 per cent of those under 34 years supported paid leave compared to 66.5 per cent of those over 50. Support was slightly higher amongst those with children (81.9 per cent) than those without (73.0) and amongst those at work (78 per cent) compared to those not working (71.9 per cent). Support was strong in Victoria (83.0 per cent) and lowest in Western Australia (66.7 per cent). It was 74.4 per cent in South Australia. Those with household incomes over \$70,000 were especially supportive (83.3 per cent) compared to 70.3 per cent of those with household income below \$30,000.

In terms of funding, the greatest support exists for a funding approach which shares financing between employers, workers and the Federal government (77.7 per cent overall, 77.6 in South Australia) with the lowest support for worker funding (56.2 per cent overall, 47.0 per cent in South Australia).

As a result of the survey results, the NFAW has called upon each major political Party to commit to establish an expert committee to examine and advise on the options to achieve a cost-effective universal system of paid maternity and parental leave for Australian families; to publish the report of the expert committee and to implement the recommendations of the expert committee within two years.

Recent International Research about the Effects of PML

1. PML and Labour Force Participation

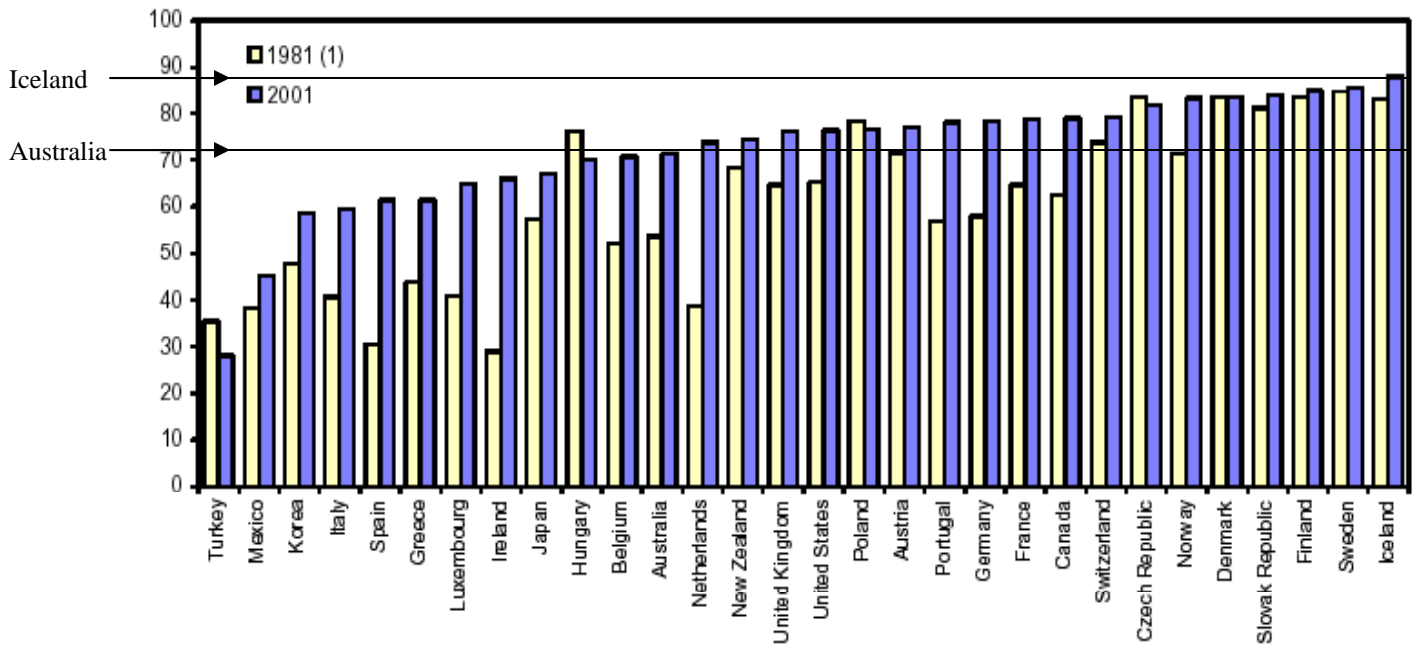
International and national interest in PML reflects, amongst other things, increasing reliance upon the workforce participation of women. The labour force participation rate of Australian women of childbearing age (15-44 years old) has increase from 59 per cent in November 1980 to 71 per cent in November 2005 (ABS Cat No 6291.0.55.001 2005). Despite this increase, Australian women's employment rates are much lower than in the OECD area as a whole (even allowing for the high proportion of Australian women who work part-time relative to the OECD average). In 2002, 49.6 per cent of women whose youngest child was under 6 years were employed, compared to an average of 59.2 per cent across 20 OECD countries for which data exist (ABS Cat no 4102.0 2007; in Sweden the rate was 77.5 per cent). The rate of withdrawal from paid work of women of childbearing age is much higher in Australia than in countries like the UK, US and New Zealand (ABS Cat No 4102.0 2007 p 3).

The OECD has specifically referred to the scope in Australia of raising women's labour force participation to meet the challenge of an aging workforce (OECD 2006).

Jaumotte recently undertook a comparative analysis of labour market participation rates of women and work and family arrangements in various OECD countries. Figure 1 shows that many OECD countries have higher levels of labour force participation amongst prime aged women than Australia. Countries like the UK, United States, Germany, France, Canada, Norway all have higher rates of female participation that Australia in 2001 – ranging from a few percentage points to over 10 points.

Alongside relatively lower rates of participation in paid work amongst prime aged women, a relatively large proportion of Australian women work part-time. Figure 2 shows that the proportion of women working part-time in the OECD area is around 25 per cent compared to 44.6 percent in July 2007 (ABS Cat. No 6202.0). Australia is on a par with the UK and Japan and only significantly surpassed by The Netherlands.

Figure 1: Labour Force Participation, Prime Age Women (aged 25-54)

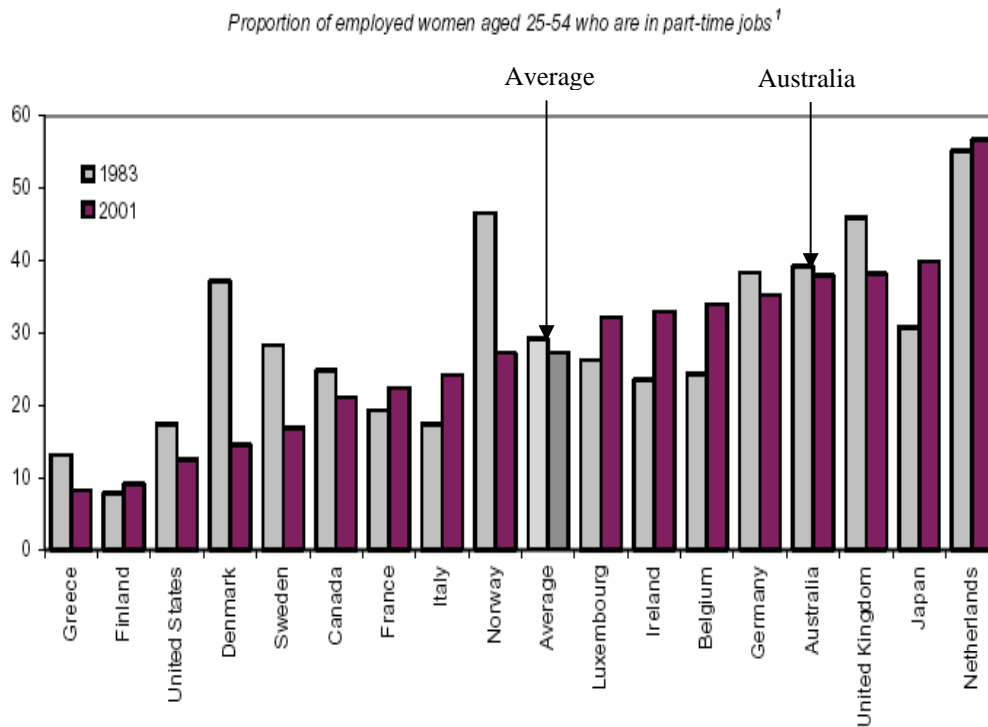


1. 1983 for Greece and Luxembourg, 1986 for New Zealand, 1988 for Turkey, 1991 for Switzerland, Iceland, and Mexico, 1992 for Hungary and Poland, 1993 for the Czech Republic, 1994 for Austria and the Slovak Republic.

Source: OECD Labour Market Statistics.

Source: Jaumotte, 2004: 2.

Figure 2: Proportion of Employed women in part-time jobs in various OECD Countries, 1983, 2001



1. Part-time employment refers to persons who usually work less than 30 hours per week in their main job. Data include only persons declaring usual hours. For Australia, part-time data are based on actual hours worked, and include hours worked at all jobs. For Japan, part-time data are based on actual hours worked and defined as less than 35 hours per week. For the USA, the share of part-time in employment is for wage and salary workers only.

Sources: OECD Labour Market Statistics.

Source: Jaumotte 2004, p. 3.

Jaumotte argues that overall female participation is affected by education levels, labour market demand and cultural factors. In this light she undertakes regression analysis of labour force participation in 17 OECD countries over the period 1985-1999, controlling for female education, proportion of married women, number of children, and overall labour market conditions. She finds potential determinants of participation include:

- the availability and length of paid parental leaves;
- flexibility of working-time arrangements;
- the taxation of second earners;
- childcare subsidies;
- child benefits.

These are all significant elements affecting female labour participation. She then compares the nature of family supports across OECD countries in 1999 (figure 3), placing Australia seventeenth out of twenty countries in terms of overall support for working women with children, including support in the form of paid maternity leave, childcare and child benefits.

This places Australia on a par with New Zealand, Turkey and Mexico and well towards the delinquency end of support for working carers. Since 1999 there have been some improvements in arrangements in New Zealand (with paid maternity leave established and the length of leave extended) and some improvements for Australian working carers through baby payments, some remediation of the high effective marginal tax rates applying to second earners, and increased childcare places (though demand continues to outstrip supply).

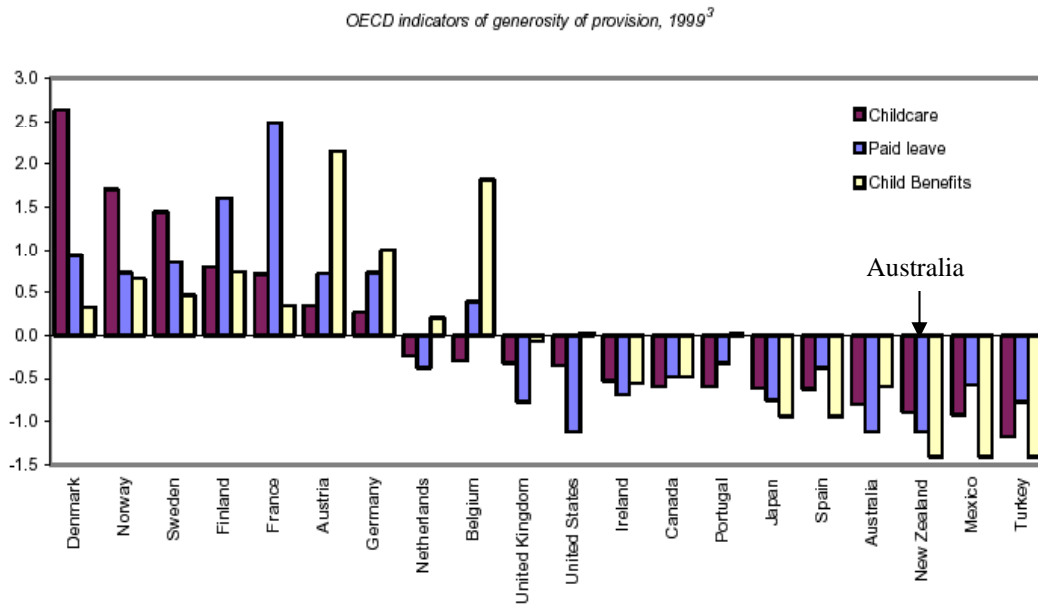
Jaumotte goes a step further and simulates what improving various work/family supports³ would do to labour supply, concluding that this improvement would increase the labour force participation rate of women by an average of 10 per cent in OECD countries (around 8 percent in Australia with positive benefits especially flowing from increased spending on childcare and better tax incentives to share market work) (Jaumotte 2004: 12-15).

Her analysis confirms what a number of Australian analysts have been arguing for some time: that Australia currently exhibits an inferior policy and regulatory regime for working mothers, and that this inhibits their labour market participation. Paid maternity leave is a significant element in this story: improvements in paid leave are revealed as likely to lead to improvements in labour market participation rates.

Other studies suggest that labour market attachment is enhanced by PML. For example, using panel data across Europe, Ruhm (1998) and Ruhm and Teague (1997) show that women's attachment to employment increases with PML.

³ ie a neutral tax treatment of second earners, high tax incentives to share paid work between spouses and an increase in public childcare spending per child to the highest level in the OECD.

Figure 3: Comparison of Various Provisions in Support of Working Carers, 1999



1. *Childcare* subsidies per child (in 1995 PPP-US\$) are calculated as total government spending on formal day care and preprimary school in 1999, divided by the number of children of age lower than the age of entry to primary school. Non-refundable tax allowances and credits for private formal daycare expenses are not included. However they constitute a relatively small part of total spending.

Paid leave refers to the maximum number of paid leave weeks a woman is entitled to by the national legislation on account of maternity, parental and childcare leaves for the birth of a first child. The number of leave weeks is the sum of leave weeks, each multiplied by the corresponding statutory income replacement rate. Means-tests are not taken into account.

Child benefits denotes the percentage increase in household disposable income between a family with two children and a childless couple, where the husband has gross earnings of 100 per cent of APW, and the wife 33 per cent of APW.

2. For countries for which data was not available for 1999, the closest available year was used. See Jaumotte (2003) for country notes.

3. Each indicator is calculated as the deviation from its OECD mean and is expressed in multiple of its OECD standard deviation.

Sources: For government spending on childcare (i.e., formal day care and pre-primary school): OECD Education database; OECD social expenditures database; Eurostat; various sources. For parental leave: Gauthier and Bortnik (2001) and "Social Security Programs Throughout the World" from the United States Social Security Administration. For child benefits: OECD database "Taxing Wages". See Jaumotte (2003) for details.

Source: Jaumotte, 2004: p. 10.

2. PML and Infant, Child and Parental Health and Well-being

The effects of a good system of PML go well beyond positive benefits for labour market participation, as a growing body of international research confirms. Fraser Mustard, thinker in Residence in South Australia in 2006 and 2007, made this point in a number of his public contributions while in South Australia: alongside quality early childhood education and care, a good system of paid parental leave which allows parents to spend all-important time with their children is a vital contributor to the early, healthy development of children.

A body of international research and the positive benefits from a period of paid maternity leave is summarised by Waldfogel (2004):

A host of studies have found that parental leave is associated with better maternal and child health, with specific findings for lower maternal depression (Chatterji and Markowitz, 2004); lower infant mortality (Ruhm, 2000; Tanaka, in press); fewer low birth-weight babies (Tanaka in press); more breast-feeding (Berger, Hill and Waldfogel, in press); and more use of preventative health care (Berger et al., in press). The research is also clear that unpaid leave does not have the same protective effects (Ruhm, 2000, Tanaka, in press), which makes sense, given that parents are less likely to use paid leave if it is not paid. (2004, p 5).

The international consensus is that responsive, sensitive care is the critical element of early care for children. Most parents prefer to offer that infant care themselves, but for many it is only possible through paid leave arrangements. In this circumstance, the international literature suggests that paid leave will result in significant improvements in children's long term cognitive, physical and emotional health. This is confirmed by a range of international surveys of literature (see for example Shonkoff and Phillips 2000 and Smolensky and Gootman 2003). As Waldfogel summarises:

Maternal employment in the first year, particularly if begun early and full-time, is associated with poorer cognitive development and more behaviour problems, for at least some children (see Brooks-Gunn, Han and Waldfogel 2002 for the US; and Gregg, Washbrook, Proper and Burgess, in press for the UK; see also reviews in Shonkoff and Phillips, 2000; Smolensky and Gootman, 2003). These effects vary by the type and quality of childcare, the quality of parental care, and family income (Waldfogel 2004, p 6).

Early return to work by women when they have limited (or no) access to paid leave has negative outcomes for children; these are especially visited on the children of low income parents.

Waldfogel explains how the overall benefits of increasing PML can be measured in terms of significantly improved infant mortality and post-neonatal mortality, as well as improved parental choice and savings for childcare. For example, she recommends that the UK specifically increase the period of PML from 6 to 12 months, arguing that:

The benefits would be very substantial: reduced infant mortality (based on results from a study of parental leave and child health across OECD countries, extending paid leave from 6 to 12 months in the U.K. is estimated to reduce overall infant mortality by 6.8% and post-neonatal mortality by 10.5% (Gregg and Waldfogel, in press; Tanaka, in press); improved child cognitive and social and emotional development; longer breast-feeding; and improved maternal and child health. In addition, extending parental leave would produce savings in child care costs, and would be responsive to what parents say they want. (Waldfogel 2004, p 15).

James Heckman's analysis (2006) of the economic dividends of early quality parental care are also convincing, showing how early investment in quality early care for children (including through measures like PML) result in long term savings for governments (alongside better well-being for parents and children).

Ruhm's 2000 article makes a convincing case about the effects of paid parental leave on infant health. He studies aggregate data in 16 European countries between 1969 and 1994, finding that 'more generous paid leave is found to reduce deaths of infants and young children. The magnitudes of the estimated effects are substantial, especially where a causal effect of leave is most plausible' (2000, p 931). For example, a 10 week increase in paid leave 'is predicted to reduce infant mortality rates by between 2.5% and 3.4%. By contrast, unpaid leave is unrelated to infant mortality which makes sense of parents are reluctant to take time off work when wages are not replaced' (2000, p 947). Ruhm estimates that a year of paid leave is associated with around a 20 per cent decline in post-neonatal death (ie deaths of babies more than 28 days old and less than a year) and 15 per cent in deaths between 1 and 5 years (Ruhm 2000, p 947).

The World Health Organisation now recommends that women exclusively breastfeed their babies for six months (HREOC 2002; WHO 2001). PML increases the effective period of leave taken by mothers and is associated with longer periods of breastfeeding. Roe et al (1997) found that an extra weeks paid leave after birth increases the length of breast-feeding by 3 or 4

days. This also has effects on neo-natal death. Ruhm finds that a substantial paid leave period ‘might increase breast-feeding sufficiently to prevent 0.5 to 1.0 post-neonatal deaths per 1000 live births. This represents a 7% to 14% reduction in this source of mortality, compared to the 1969 average’ (2000 p 952).

The recent special issue of the prestigious *Economic Journal* advances the state of knowledge about the effects of PML internationally. Berger et al in that issue assess US data about parental leave and find:

causal relationships between early returns to work and reduction in breastfeeding and immunisations, and increases in externalising behaviour problems among children whose mothers worked pre-birth...These results suggest a causal link between early maternal employment and child outcomes. They also imply that longer periods of maternity leave could enhance children’s health and development (2005, p F30)

In the same special issue of the *Economic Journal* Tanaka analyses the effects of maternity leave in 18 OECD countries between 1969 and 2000. Her analysis includes Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, the United States and the UK. She finds that longer periods of paid leave are correlated with reduced infant mortality and that this persists regardless of country, year, controls on general health expenditure and other social programs affecting children.

Specifically her study shows that a ten-week extension in paid leave reduces the infant mortality rate by 2.6 per cent with an even greater effect for post-neonatal mortality (of 4.1 per cent). Applying her findings, increasing paid leave to twelve months in the US (which lacks any paid leave at present) would reduce infant mortality rates by 13.6 per cent. In the UK (where currently the paid leave entitlement is six months) it would cut them by 6.8 per cent.

By contrast, unpaid leave has no significant effects on infant health. Paid leave is also found to be an important factor in infant health with low birth weight associated with the absence of paid leave. However, the positive effects of paid leave persist when controlling for low birth weight, suggesting that PML also has other positive effects on pre-natal care and breast-feeding.

While social policies like cash payments to families also have significant effects on decreasing post-neonatal mortality rates, controlling for such policies does not eliminate the positive effects of PML on post-neonatal mortality. Paid leave has effects beyond the cash payment benefit, in Tanaka’s study.

The editors of the special *Economic Journal* issue summarise how this new research provides robust evidence that longer periods of maternity leave lead to better child health and lower infant mortality across time and place (Gregg et al 2005, p F4):

Children whose mothers stay out for more than 12 weeks are more likely to be breast fed, are breast fed longer, are more likely to be fully immunised and are more likely to receive recommended preventative (well-baby) care. The policy implication of this is clear: extending paid job-protected maternity leave will lead to improvements in child health. How large the gains are will depend on what the leave entitlement is currently and how long the extensions are (2005, F4).

More recent studies confirm these findings. Baker and Milligan have analysed the impact of increases in PML in Canada (from 6 months to around a year from 2000). They find that breastfeeding increases a third of a month ‘with each additional month not at work, which implies an elasticity of 0.458’ (2007, p 4). Also analysing this ‘natural experiment’ Hanratty and Trzcinski recently found that the changes in Canada resulted in a substantial increase in the

duration of time at home in Canada relative to the US, and that this increase was larger for more economically advantaged groups of women' (2007, p 1). They found no sign that these extended periods of leave were associated with a decline in women's employment rates after their children reached 1 year.

3. PML and Fertility

What of the effect of PML on fertility? There is less research about the association between PML and fertility compared to PML and labour market participation and health. Nonetheless, there is material available and it suggests a positive association, of varying strength, between PML and fertility. Some of this effect relates to the timing of birth; however, most of it finds some kind of positive association between financial and leave benefits and overall fertility outcomes.

European demographers suggest that pro-natalist policies like PML, public childcare and extensive parental leave may raise the birth rate by between 0.2 and 0.5 of a percentage point (Insight, SBS Television, 15 August 2002). This would take Australia to replacement rate, and stem recent declines. Australian demographer Peter McDonald has claimed that such policies can have a real effect in Australia (McDonald, 2002). Certainly the higher average age of mothers on their first birth (now 30 years), and the consequent loss of opportunity to have a second or third child, has contributed to the low birth rate.

Recent literature on the question of fertility has been summarised by LaLive and Zweimuller (May 2006) as a precursor to their own analysis of data about how changes in parental leave have shaped fertility in Austria.

A study of the effects of East Germany's extension of PML from 18 to 26 weeks in 1976 found that it resulted in a very significant increase in fertility in subsequent years (Buttner and Lutz 1990).

Even unpaid PML in the US has been found to increase the probability of birth (Averett and Whittington, 2001) as have US financial incentives (for example tax exemptions for dependents) (Alm and Peters 1990 and Whittington 1992). Similar effects have been observed in Canada and the UK (Zhang et al 1994, Ermisch 1988). A panel study in 22 OECD countries shows that financial benefits for families have a significant, if modest, effects on fertility (Gauthier and Hatzius 1997).

In Sweden, changes to parental leave payment rules in the 1970s let parents keep their parental leave benefits when an additional child was born within a certain time frame. This led to a 'substantial increases in Swedish fertility rates' in the late 1970s and early 1980s (LaLive and Zweimuller, 2006, p 4). Financial payments to parents at birth have also been found to increase fertility: the introduction of a payment of C\$8,000 on the birth of a child in Quebec Canada had a significant positive impact on fertility (Milligan 2005).

LaLive and Zweimuller find in their analysis of Austria that the 1990 policy change which increased the maximum period of PML from a child's first to their second birthday had a 'strong impact' on the probability of having a second child, decreasing the spacing and increasing the number of births – by at least 15 per cent over three years (2006, p 21). They also analyse the effect of a reduction in the leave period from 24 to 18 months in 1996, concluding that an 18 month period of leave maximises fertility and return to work in the Austrian context.

To conclude, there is considerable research interest in the positive benefits arising from PML with mounting evidence of positive benefits for health, participation and fertility. These outcomes are consistent in a range of countries, years, economic circumstances and independent of other positive family-friendly measures.

Cost and Arrangements

PML calculations are quite sensitive to assumptions about age-specific birth, income and participation rates, pre-birth employment patterns, hours of work, and the form of employment (part-time, full-time).

If South Australia were to implement a PML system with the following features, upper and lower bounds of cost are estimated below, applying two methods. Both are rough estimates. These are *gross* costs, without assuming any changes in other payments (eg maternity payments) and net of any tax payable (PML is assumed to be taxable, though not means tested). In the following estimates I assume:

- 14 weeks government funded PML capped at federal minimum wage;
- for all working women who worked in 40 of 52 weeks leading up to birth, including part-time, full-time and self-employed women whether casual or permanent;
- Paid at the rate of federal minimum wage (\$522 a week) or the usual weekly wage level, whichever is the lower;
- Half are employed full-time and half part-time, with part-timers assumed to work for half the week for half the federal minimum weekly wage.

A lower estimate: In 2002 HREOC proposed a national government-funded system of 14 weeks PML at minimum wage level or ordinary earnings, whichever was the lesser, for all women in paid work (permanent, casual or self-employed) for more than 40 on the 52 weeks preceding birth (HREOC 2002). This was costed by NATSEM at a gross level of \$460 million a year (assuming a federal minimum wage of \$447.30). The federal minimum wage is currently \$522, suggesting that this scheme would now have a gross cost of around \$537 million applying an adjusted level of minimum wage. In 2005, South Australia accounted for 6.86 per cent of all births in Australia. If PML costs as calculated by NATSEM for HREOC are accurate, and the incidence of PML is spread evenly across the states, this would give a gross cost for SA of around \$37 million. If we then exclude those employed by the State and Commonwealth Governments (because governments are already paying PML for them), the cost would be around \$31m.

An upper estimate: Another way of calculating the cost (rather more conservatively to arrive at an upper bound) is to assume that around 70 per cent of those giving birth in 2005 in SA (17,800 women) were in paid employment prior to birth (as PLAS data suggests), that around 81.63 per cent of these were in employment for 40 of the 52 weeks leading up to birth (an estimate used by NATSEM for HREOC, 2002, p 258), and that these women are paid minimum wage for 14 weeks, assuming half are full-time and half are part-time (with an average wage of half of the minimum weekly wage for part-timers). These are plausible – if conservative - assumptions based on ABS labour force data. This gives a cost of \$55.7 million. If we then exclude those employed by the State and Commonwealth Governments (because governments are already paying PML for them), the estimate would be around \$47m.

In sum, a rough estimate of the cost of giving 14 weeks PML to South Australian women working for 40 of the 52 weeks leading up to birth, whether part-time, full-time or self-employed, at the rate of their usual earnings or the federal minimum wage whichever is the lower, and excluding State and Commonwealth employees, is likely to be in the range of \$31 and \$47 million a year, and probably closer to the lower figure. It may well be lower, depending upon actual birth, wage and participation outcomes. It is assumed that any state arrangement would embed a clause making the arrangement null and void when a national system is adopted.

Improving Paid Maternity Leave in South Australia

In industrial life it is often difficult to win conditions like paid maternity leave because they confer benefits that are rarely used and are not available to large proportions of employees (in this case, all men, and women who do not have children). This means they are sometimes an issue that divides constituencies, weakening community momentum in their favour. For this reason, it is often the case that leaders – whether governments, employers, unionists or industrial decision makers – must exercise leadership to ensure their adequate provision. Such leadership is long overdue in relation to a proper quantum of paid maternity leave for women workers in South Australia, based on the national and international evidence. The state case is especially strong in the absence of national action, particularly in light of its strategic objectives.

South Australian Governments have long prided themselves on providing exemplary conditions for their employees and for innovative social policies. The state is currently widely advertised interstate as providing an environment that supports family-friendly living and working. The State Strategic Plan includes three goals which the international evidence suggests can be positively advanced through PML.

Many years ago, not long after colonial settlement, South Australia led the nation in terms of its provision of long service leave. Since then it has led the nation on a range of important economic and social policies, including on equal opportunity and equal pay. It can once again take national leadership and open the door to gradual improvements in PML for all women in the state, especially those who need it most on low incomes, by being the first state to adopt a comprehensive state approach to PML.

The feminisation of the labour force, and the need to increase labour force participation rates in an environment of population and fertility decline, create strong pragmatic reasons to remedy the institutional unevenness of existing PML arrangements. Equal opportunity and maternal and child welfare add their weight to create strong economic, employment, justice and welfare arguments in support of action by the South Australian Government on this issue.

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