



**Submission from the Australian Manufacturing Workers' Union to the
Inquiry into the Fairer Paid Parental Leave Bill 2016**

16 December 2016

About the Australian Manufacturing Workers' Union

Who we are

1. The Australian Manufacturing Workers' Union (**AMWU**)¹ represents tens of thousands of workers employed across major sectors of the Australian economy:
 - a. our members work in the manufacturing sectors of vehicle building and parts supply, engineering, printing and paper products and food manufacture.
 - b. our members work throughout the resources sector, mining, aviation, aerospace and building and construction industries.
2. Our members work in technical and supervisory occupations across diverse industries including food technology and construction.
3. Our members have varying skills and classifications, from entry level to professionals holding tertiary qualifications.
4. Our members include shipbuilders, mechanics, food technicians, boilermakers, maintenance workers and print machinists.

What we do

5. We exist to fight for a fair deal for Australian workers – both at work and in the community. We believe in a fair and equal society for all, with the provision of public social services including education and health care and of dignity in retirement.
6. At the core of our work is the fight to improve members' entitlements and conditions at work, including improvements to paid parental leave. Our union

¹ Registered as the "Automotive, Food, Metals, Engineering, Printing and Kindred Industries Union"

has a proud history of campaigning for employee entitlements that are now keystone features of Australian workplaces, including occupational health and safety protections, annual leave, long service leave, paid public holidays, parental leave, penalty and overtime rates and loadings, and superannuation.

Executive Summary

7. The AMWU opposes the Fairer Paid Parental Leave Bill 2016 (**the Bill**) because of the inevitable impact that the changes in the Bill would have on Australian working families.
8. Parental Leave permits thousands of working families the opportunity to share the joy of a new born child and to be a constant, nurturing presence in its early life.
9. Paid Parental Leave (**PPL**) provides critical financial assistance and increases the overall period of paternal leave that new parents can take.
10. The Bill limits this important workplace right, and would leave an unfair PPL system that:
 - a. discriminates against working mothers and their families;
 - b. destroys additional entitlements to PPL already bargained for;
 - c. discourages enterprise bargaining; and
 - d. represents poor public policy.
11. The consequences of this Bill would lead to a weaker PPL system and arrest the collective effort to improve this important workplace right.
12. The inevitable conclusion is that the Bill seeks to disincentivise a program critical to our national well-being.
13. The AMWU supports and adopts the submission of the Australian Council of Trade Unions to this inquiry.

What the Bill does

14. The Bill proposes changes to *Paid Parental Leave Act 2000* that if passed in present form would mean:

- a. Working parents would not receive a bargained entitlement to PPL in addition to the complete Government entitlement to PPL; and
- b. Employers would no longer be required to be paymaster of the entitlement.

15. The AMWU is opposed to these changes. Our reasons are set out below.

A. Changes to the Paid Primary Care Leave Provisions

The AMWU Experience

16. For the AMWU, changes brought about by the Bill would affect thousands of members who are covered by agreements which contain employer funded PPL provisions.

17. An analysis of hundreds of AMWU agreements reveals entitlements to paid parental leave in 350 agreements covering 8427 employees. The agreements include:

- a. Periods of paid parental leave in addition to the present 18 weeks of Government PPL²;

² See for example: *Orica Australia Pty Ltd Kooragang Island Enterprise Agreement 2014* which provides 12 weeks paid parental leave; *H.J. Heinz Company Australia Ltd Echuca Enterprise Agreement 2016* which provides six weeks paid maternity leave and two weeks paid paternity leave; *GM Holden Ltd Enterprise Agreement 2014* which provides for between six to twelve weeks paid paternity leave.

- b. Ex-gratia payments on the commencement of the present guarantee of 12 months unpaid parental leave; and
- c. Periods of unpaid parental leave in addition to the present guarantee of 12 months unpaid parental leave for eligible employees.

18. The Bill penalises those who have an additional entitlement to PPL in their enterprise agreement.

Rights have been bargained for

19. The nature of collective bargaining is such that employees will trade off prior entitlements in favour of new entitlements. In each affected agreement, it is reasonable to assume that other entitlements, pay increases and the like were forgone to receive the entitlement to additional PPL. In this context, the charge of “double dipping” is particularly specious – the entitlement is earned.

20. The form of the PPL provisions in AMWU agreements reflects our experience of bargaining, which is that PPL is bargained for against the ongoing expectation of Government PPL. That is to say, additional PPL entitlements are agreed to on the understanding that it augments the existing Government standard – that it is an *additional* entitlement.

21. The outcome of the Bill is unjust - those workers who had secured PPL will be much worse off than workers at a similar business without a PPL clause.

The Bill is a disincentive to bargain

22. The Bill punishes workers with a bargained PPL scheme in their enterprise agreements and in doing so creates a disincentive to bargain.

23. The exclusion of employees from access to a government payment based on the contents of their enterprise agreement will necessarily reduce the extent of bargaining around new terms and conditions in the future. This will mean that enterprise bargaining, one of the most productive methods of improving living conditions and delivering tangible benefits to Australian workers, is damaged.
24. For example, the Bill will force many companies to withdraw their existing PPL schemes, to allow their employees to access government funded leave. In simple terms, many companies will wonder why they would continue to reach into their pockets to pay for an employee to go on leave when their competitors have the government foot the bill.
25. This will inevitably place pressure on employees and unions to remove PPL schemes from enterprise agreements in future bargaining periods. This would result in significantly lower savings to the budget than are currently projected and would be a retrograde step for workers' rights.
26. It is curious that a conservative government would introduce changes that will shift the economic burden of PPL provision from employer to government.

The Bill will negatively affect future PPL improvements

27. The Bill will stymie efforts to improve PPL across the economy. The current structure of PPL allows, and actively encourages, workers and employers to negotiate for improved pay and conditions for employees accessing PPL. This has taken the form of top-up pay, extending the duration of paid leave, payment of superannuation and more. The Bill undermines these efforts by ensuring that the marginal cost to the employer will be greater than the marginal improvement for the employees of employer-funded PPL schemes.

B. Removal of the employer paymaster function

28. The decision to remove the requirement for an employer to provide parental leave pay (**paymaster function**) is ill considered.

29. The paymaster function is of demonstrable practical importance: it ensures workers remain in contact with their employer whilst they are accessing their PPL.

30. This is not a coincidence but rather a key feature of the PPL. Keep in touch provisions assist parents on PPL to stay engaged with their workplaces and increase their attachment to the workforce. Removing the paymaster role for PPL will mean a greater burden for workers wishing to “keep in touch” with their workplace by attending training, meetings or planning sessions while on parental leave.

31. Removal of paymaster provisions for employers is yet another barrier to improved PPL conditions being adopted. By creating an additional (albeit very small) administrative burden on employers wishing to provide PPL to their employees, the Bill further increases the marginal cost to employers without improving the marginal benefit to employees. This would compound the significant failures outlined above and make it even less likely that workers will be able to bargain for improved PPL conditions.

C. The impact of the changes on working mothers

32. Working mothers will bear the brunt of the changes in the Bill. That is because of the 180,000 workers that accessed the government funded PPL scheme last year, around half that number had access to employer funded PPL and almost all of these workers were women.

33. The changes will result in working mothers spending longer periods of time on either underpaid or unpaid leave. For example, in 2011, the average

length of leave for a mother who was in the workforce was 32 weeks³. Given that the government funded paid leave lasts only 18 weeks, and is paid at the minimum wage, women continue to perform significant amounts of unpaid/underpaid child care work in the first year of a child's life.

34. The result of the changes in the Bill is clear - a reduction in financial support for women in the first year of a child's life will result in women performing more unpaid child care work.

35. We represent thousands of working mothers and in our experience, they make choices about where to work based on the PPL policies of their employer. An analysis our records lead us to predict the Bill will be particularly damaging to women working in the Food and Print industries, and those in technical occupations.

36. The Bill will reduce the earnings of thousands of women while they take leave to provide childcare for their children.

37. But the consequences of this Bill are not limited to a diminished PPL entitlement. By actively discouraging workplace bargaining, the Bill means that PPL will never meet the needs of working women for replacement wages and payment of superannuation while on parental leave. The Bill will reduce women's long term workforce attachment, which will in turn affect women's lifetime earnings, retirement savings and career satisfaction. Across the economy, it will result in valuable skills being lost and a lower participation rate than would otherwise be the case, at a time when the country cannot afford either⁴. The Bill will inevitably contribute to an increase in the gender pay gap.

³ Australian Bureau of Statistics, *Pregnancy and Employment Transitions*, 4913.0, November 2011

⁴ Commonwealth of Australia, *Intergenerational Report*, March 2015, p. 21

D. Conclusion

38. The Bill purports to establish a “fairer” paid parental leave system, yet a more unsuitable descriptor for the Act could not be found.

39. The outcomes of the Bill are clear and unfair and include:

- a. the reduction of entitlement to paid parental leave for those who have bargained for a PPL in their enterprise agreement;
- b. discouragement for employers to provide PPL in addition to government PPL;
- c. a further attempt to destroy a collective bargaining system which delivered and could improve PPL.

40. The AMWU does not support the Bill.

41. The AMWU otherwise supports and adopts the submission of the Australian Council of Trade Unions to this inquiry.

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