

# The benefits of paid parental leave



In 2007, around 280 000 mothers gave birth in Australia and around 175 000 of these were working mothers who intend to work again. Consequently, there is a significant number of working mothers who require taking leave from work. There have been debates in Australia over a proposal of a statutory scheme that would offer paid parental leave to parents. The concern of paid parental leave has been significant because of the increasing women's part on jobs, family income sources and children carers. Women's participation in work has increased compared to the past. Female aged 25 to 34 years had increased from 45 to 70 per cent from 1978 to 2008 whereas men's participation in the same age range fell by 4 per cent (Commonwealth of Australia, p. 5. 6). There are three proposed objectives for a paid parental leave, such as the wellbeing improvement of families, especially child and mother's health, associated with leave from work around the baby birth and secured financial during that period; encouragement of women to return to the workforce by the social welfare and tax system; and by the norms of community, having family time is the basic human rights for many people including fathers and the importance of caring and valuing children. This paper will discuss the major issues and models with regard to paid leave and the methods to assess these models.

Paid parental leave provides benefits for parents, especially for mothers. From the mother's point of view, paid parental leave allows her to take a longer leave from job than she could otherwise have afforded and to enjoy extra financial assistance. However, problems arise with the paid parental leave. The first major issue is that the mother's attachment to the job might be deteriorated along with extended period a home; her skills will decline

and as a result will create obstacles to her return (Commonwealth of Australia, p. 5. 17). Moreover, the impacts of paid leave on labour market also broaden beyond parents too. For instance, paid leave affects employees' wage rates and may discriminate against women because employers are alert that female employees might have children in the future. There are incentives for discrimination on women if paid parental leave actually increases the costs to the employers. The absence of employee inflicts costs on employers, this may include leave administration costs, hiring and training replacement costs which will reduce the productivity level (Commonwealth of Australia, p. 24). However, on the employee side, the incentives to stay inside labour force and to choose occupation and employer are determined by the costs and benefits of these choices, which unnecessarily a monetary value. People outside the labour force get welfare transfers and benefits from untaxed work that they do, but they might be marginalized socially and economically. However, people inside the labour force get wages and benefits from parental leave and childcare rebates, but it might be difficult to balance between the importance of caring and working.

The second issue of paid parental leave is concerned with the impact of paid generosity and leave duration. More generous payments increase the financial support for women and encourage them to return to work. On the other hand, greater generosity increases the length of leave from work. At some circumstances, the employment benefits are eroded by excessive absence from work which would reduce work skills and productivity.

Moreover, female labour wages would increase slowly if female labour supply

increases while demand is not following due to the paid parental leave (Commonwealth of Australia, p. 5. 2). Employers might also reduce wage when excessive absence from work increases costs for employers. Therefore, the productivity, wages and female labour skills rises as long as the duration of leave is not excessively long.

Third issue is the paid parental leave concerns with the equitably issue. In principle, paid leave should pay attention to the fairness in both horizontal and vertical dimensions (Commonwealth of Australia, p. 1. 19). Horizontal equity refers to individuals and families in similar economic situations and being treated similarly whereas vertical equity refers to individuals and families in different economic situations and being treated in a different manner. However, equity is difficult to achieve in practice. People will be treated differently for different situations and it is inevitable. For instance, paying paid parental leave to working mothers may be seem as equitable but not equitable for women not working in the legal labour force.

Replacement wages paid by employer seems to be more equitable for low income earners than a government-funded scheme that pays the minimum wage.

Fourth major issue of paid leave in Australia is that only one-third of women labour force is eligible for the paid leave because women in Australia is highly segmented and in part-time employment, all of which are reducing female's eligibility to paid leave (Baird, M., 2002). Fifth issue is the payment of parental leave. A payment equivalent to their minimum weekly income is justified if the objective is to assure their demand. However, full income payment is justified if the objective is to assure their social and economic

independence (Frank, M., p. 317). The final issue is regarding the funding source. There is an argument over which parties responsible to fund the leave as small employers cannot afford and thus women will be discriminated in work force.

Australia has the lowest level of women labour force participation in the OECD (AEU Federal, p. 2). If women labour force is declining, this will raise the inflation and reduce productivity and there will be a shortage of labour supply. Thus, women with paid leave tend to return to work than those without and will push-up the labour supply. To illustrate the paid parental leave, it is important to compare the different parental leave models in different countries. The Swedish parental leave system is seen to be a good model because of its commitment to developing equality between men and women and because of its generosity of payment. The Swedish allows parents a twelve-month of absence from work in regard to birth and parents - either father or mother - receive 90 per cent untaxed of their salary for their first nine months of leave (Allen, J. P., p. 248). Whereas in Germany, parents are allowed to take leave for a shorter time of period only compared to Sweden because women in West Germany have not entered the labour force as many as other industrialized countries. Only women are eligible to receive the leave payment and that also depends on their incomes.

However, the United States is among the few industrialized countries that do not provide employment benefits, including sickness benefit, health insurance benefits, and paternal benefits. Therefore, to compare the equality issue between these three countries, the paid parental leave provided in Sweden and Germany helps female labour force to enter and remain at work,

whereas female labour force tend to exit the labour force in the United States. Sweden is the most generous in paid parental leave and should be considered as a model in Australia whereas the U. S. fails to provide equality and support for parents and children.

There are several models with regard to paid leave. First, 52 weeks paid parental leave starts with 26 weeks paid leave now, 39 by 2012 and 52 by 2016. Second, 26 weeks basic paid maternity and supporting parent leave as follows: (i) Basic Paid Maternity Leave (BPML) provision in which Australia should provide paid basic maternity leave of 24 weeks for all working women, and (ii) Basic Paid supporting Parent Leave (BPPL) provision in which Australia should provide basic paid partner leave of 2 weeks for all supporting partners. Third, the paid partner leave: 'use it or lose it' in which partners who do not use their paid leave will not be able to reallocate it to mothers. This system induces fathers to take leave efficiently. Fourth, the existing paid maternity leave. Fifth, the basic payments through employers in which government provide payment similar to employers for employee and taxable. Payment through employers is desirable because all factors of employment will not be missed out. Sixth, the simultaneous leave in which parents can take leave simultaneously. Finally, the provision of rights to be protected from discrimination and the rights to return to work after their leave (Hill and Pocock, p. 11).

There are two methods to evaluate financial of paid leave and they have to be implemented simultaneously to provide the most effective paid leave policy. First, the income of financial contributor should not be affected. Second, the method should not create negative economic incentives. For <https://assignbuster.com/the-benefits-of-paid-parental-leave/>

example, an employer pays for his employee's leave and financial method encourage the employer not to hire a female worker who would likely to take the leave (Frank, M., p. 319).

To summarize, paid parental leave is a system that provides benefits for mothers who give birth to achieve specific social and economic outcomes. There are three proposed objectives for a paid parental leave, such as the wellbeing improvement of families, especially child and mother's health, associated with leave from work around the baby birth and secured financial during that period; encouragement of women to return to the workforce by the social welfare and tax system; and by the norms of community, having family time is the basic human rights for many people including fathers and the importance of caring and valuing children. To help inducing the benefits of paid parental leave, it is necessary for financial assistance for mothers in order for them to spend time with their newborn babies, rather than just taking financial assistance, limit their leave and exit the labour force. The paid leave system has particular objectives that are valued differently to individual. In order to deliver those objectives efficiently, the system should provide incentives for mothers to increase the absence time from work to be with their child and to return and remain to the workforce. Parental leave would be a crucial system to encourage labour market efficiency and would represent the equality between men and women in the workforce.