



## PAID MATERNITY LEAVE IN 2011: THE BUSINESS CASE

### **Paid maternity leave**

Paid maternity leave comprises payments to an employee in place of their regular salary or wages following the birth or adoption of a child, and is usually offered for a specified number of weeks. Paid maternity leave is not currently a legislative requirement for private-sector employers in Australia. Paid maternity leave may be provided in the form of paid parental leave or primary-carer leave to make the provision available to primary carers of either gender.

### **Paid paternity leave**

Many employers also provide paid paternity leave, available to male employees on the birth or adoption of a child. This is most commonly offered for a shorter duration than paid maternity leave. Where organisations have a paid parental or primary-carer leave policy, male employees are able to access the full duration of paid leave, as is offered to women, if they are the primary carer.

### **NEW parental leave entitlements**

The Australian Government passed the Paid Parental Leave Bill into legislation on the 17<sup>th</sup> June 2010. Australia's first national Paid Parental Leave (PPL) scheme came into effect on 1 January 2011 and provides eligible working parents with 18 weeks of pay at the weekly rate of the National Minimum Wage, bringing us into line with other international schemes.

To be eligible for PPL, a mother (or other primary carer including an adoptive parent) will need to:

- have been engaged in work continuously for at least 10 of the 13 months prior to the expected birth or adoption of the child;
- have undertaken at least 330 hours of paid work in the 10 month period (an average of around one day of paid work a week);
- have an adjusted taxable income of \$150,000 a year or less in the previous financial year.

Importantly for employers, the Bill requires that they provide the statutory entitlement: "in addition to any other obligation they have to their employees". This means that employers will be prohibited from using the Government scheme to offset paid parental leave benefits that they are required to provide employees under industrial instruments or other laws. For further information on the Government's Paid Parental Leave Bill, [click here](#) and for information for employers or how to apply [click here](#).

### **Payment structure**

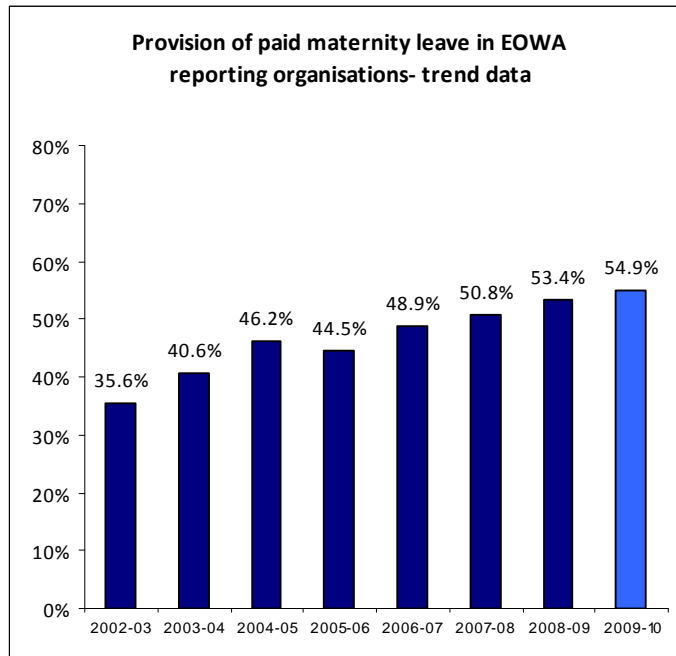
Paid maternity leave is usually offered as a series of payments in place of regular salary or wage payments. Some employers however, provide it in one or more lump sum payments, with the final payment sometimes linked to a minimum return-to-work period. Some employers also allow employees to take their entitlement at half-pay for double the duration of the policy thus reducing the tax component of the benefit, so the employee effectively access a larger net payment.

### **Paid maternity leave in EOWA Reporting Organisations 2010**

In Australian private-sector organisations with 100 or more employees, 2009 EOWA survey data reveals that 54.9 per cent of EOWA reporting organisations

provide paid maternity leave to their employees. This represents an increase of 19.3 percentage points in the provision of paid maternity leave in reporting organisations since 2003 (from 35.6 per cent). However, while over 50 per cent of EOWA reporting organisations now provide paid maternity leave, not all women in these organisations will be eligible to access this provision.

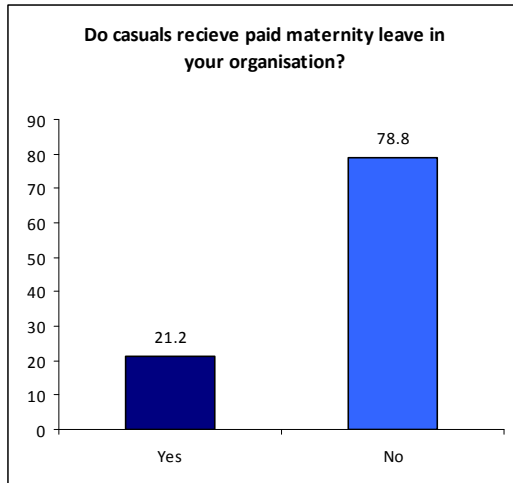
**Figure 1**



Conditions and eligibility periods vary considerably in terms of the type of leave provided, the length of leave allowed, and the status of the employee. Of the surveyed organisations that report to EOWA and provide paid maternity leave, only 21.2 per cent provide paid maternity leave to casual employees.

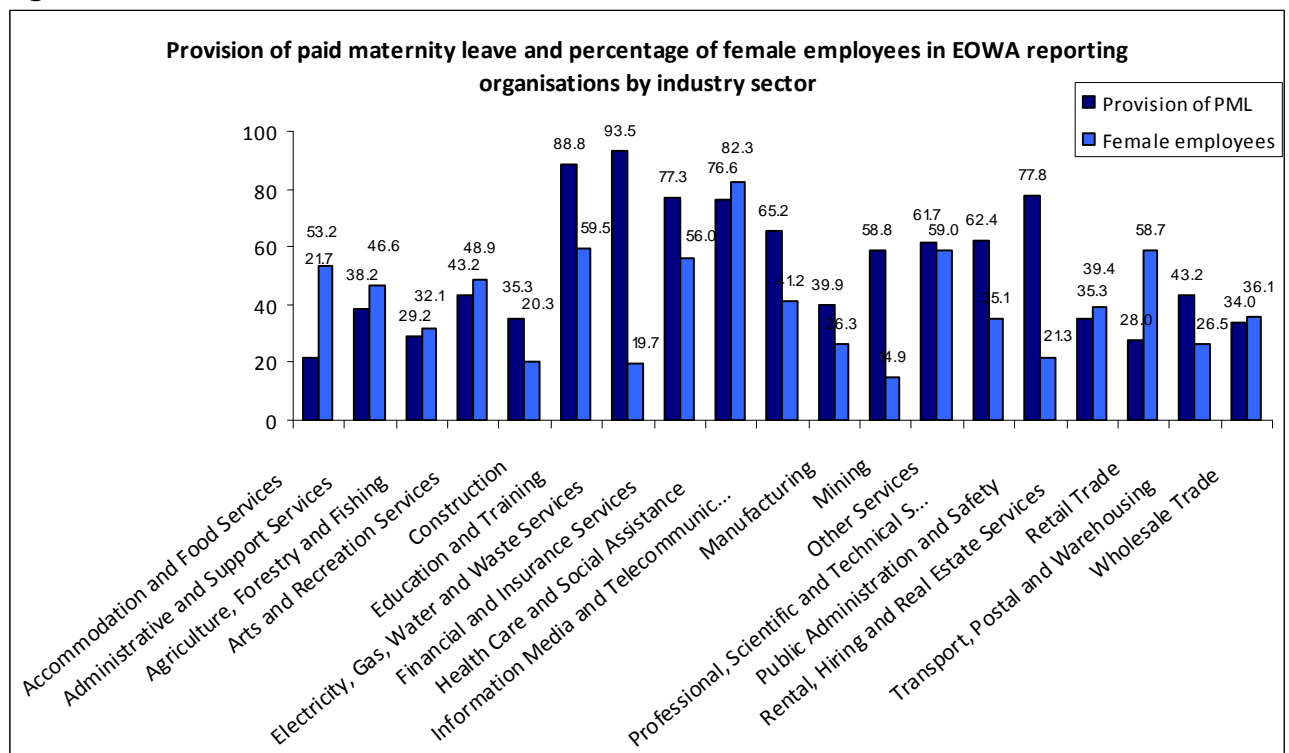
In EOWA reporting organisations where *all employees* (excluding casuals) receive the same maternity leave entitlements (80.5 per cent), the average duration is 9.7 weeks, down slightly from 9.9 weeks in 2009. Eighteen weeks is the maximum amount of paid leave to be provided in the Government's PPL scheme and fourteen weeks is the recommended minimum by the International Labour Organisation.

**Figure 2**



In EOWA reporting organisations, the industry sectors with the highest provision of paid maternity leave are Electricity, Gas, Waste and Water Services (93.5%), Education and Training (88.8%), Public Administration & Safety (77.8%), Financial & Insurance Services (77.3%), and Healthcare & Social Assistance (76.6%). The high incidence of paid maternity leave in Electricity, Gas, Waste and Water Services and Public Administration & Safety may be the consequence of the small sample group in these industry sectors. Accommodation and Food Services and Retail Trade are female-dominated industries and are both highly casualised which may explain the low incidence of employer-funded paid maternity leave.

**Figure 3**



## **BUSINESS BENEFITS OF PROVIDING PAID MATERNITY LEAVE**

Employers that provide paid maternity leave provisions are signalling their commitment to their employees. This typically translates into increased job satisfaction, greater employee productivity and improved employee loyalty.

Leading practice organisations know the value to their business' bottom-line of an important retention strategy such as paid maternity leave and regard it as a core to a suite of flexible workplace practices.

Paid maternity leave is increasingly seen by employers to benefit their organisation by:

- Increasing the number of employees returning to work after maternity leave
- Reducing recruitment and training costs
- Improving staff morale and productivity
- Providing a cost-effective means of retaining skilled staff; and
- Improving organisational efficiency through the benefits of long service, e.g. institutional memory, industry knowledge, networks and contacts.

### **Paid maternity leave as a staff retention strategy**

A growing number of organisations are introducing paid maternity leave as a cost-effective means of retaining valued staff.

A 2003 EOWA survey found that organisations with paid maternity leave had a higher average retention rate (67%) than organisations without paid maternity (56%).

Paid maternity leave is one of a suite of initiatives that may assist women to return to work after maternity leave. Other initiatives include:

- A Keep in Touch program for women while on maternity leave
- Return to work assistance, for example in updating skills or providing re-training or part-time work options
- Inclusion in the annual pay review process while on leave
- Extended unpaid maternity leave beyond the legislated one year
- A childcare subsidy or assistance with finding childcare

### **Paid maternity leave as a health and well-being policy**

The health and wellbeing of new mothers and babies is one of the reasons many employers are choosing to provide paid maternity leave. It enables women to spend the first weeks of a child's life recovering from the birth and nurturing the baby. For this reason, the International Labour Organisation has recommended 14 weeks leave and the World Health Organization has recommended 16 weeks leave.

## **NEW CASE STUDIES 2010**

### **Westpac**

Westpac is providing employees with the flexibility to decide on the work and family conditions that suit them and their families. Westpac's scheme will be in addition to the government's paid parental leave scheme and will pay employees superannuation when taking unpaid parental leave. Westpac's changes to parental leave mean that employees who take unpaid parental leave will now be paid full superannuation payments, for up to 39 weeks. This is in addition to the 13 weeks paid parental leave, with full superannuation payments, that employees are entitled to under Westpac Group's existing parental leave scheme. This means employee superannuation contributions will now be paid for the full year of their parental leave.

### **Savings & Loans Credit Union**

Savings & Loans Credit Union provides up to 26 weeks of paid parental leave (which can be taken at full pay or half pay) for primary caregivers and up to 92 weeks of unpaid parental leave. They also provide four weeks of paid bonding leave and 48 weeks unpaid leave for a non-primary caregiver following the birth of a child.

### **Edith Cowan University**

Eligible staff members are entitled to access 24 weeks leave at full pay or 48 weeks at half pay to allow an employee to take time out from work to look after themselves and their new baby. Employees are also entitled to access up to one week's leave prior to commencing maternity leave to attend prenatal appointments in work time, and utilise a graduated return to work program at the conclusion of their maternity leave. These parental leave guidelines have been in place since 2006. Return rates have been consistently improving each year.

### **Swinburne University of Technology**

Swinburne University provides academic and general staff with 14 weeks paid maternity leave and 38 weeks at 0.6 of salary up to 52 weeks in duration, and TAFE staff with 14 weeks full pay, after 12 months service.

### **HSBC**

HSBC recognises the importance of family friendly working conditions and offers a range of initiatives to support their men and women before and after the birth of a child. HSBC offers 12 weeks paid maternity leave and up to an additional 40 weeks of unpaid maternity leave for the primary carer as well as a week of paid leave for the secondary carer. This period of unpaid parental leave can be extended for an additional period of up to 12 months on application by the employee. Upon returning to work, employees can access flexible working options such as working 80% of the time for 80% of the pay, a 9 day fortnight or choosing to only work during school time. HSBC also provides access to breastfeeding and nappy changing facilities in the office as well as a childcare centre.

### **Alcoa**

Alcoa offers 13 weeks paid maternity leave and 1 week paid paternity leave, as part of up to 24 months leave from work after having or adopting a child.

## QUOTES FROM EMPLOYERS ON THE BUSINESS BENEFITS

**"While this is a substantial investment in our people, we have done sufficient cost-analysis to know that we reap the dividends in terms of employee productivity, job satisfaction and retention".**

*Helen Ormond, Head of Organisational Capability, National Australia Bank*

**"I have been berated by my peers in the industry for creating workplace precedents that they perceive as too costly...The only way that other CEOs are going to get it is with the business case. In my case, all these family and women-friendly policies have paid huge dividends. Our employee turnover rate is so low that we rarely - if ever - have to advertise to recruit...On top of that, the company's growth has averaged 20 per cent year on year, making us a sound and profitable business."**

*Robert Franklin, CEO Autoliv Australia (Source: CEOs Unplugged)*

**"Before I joined, Holden did not offer female employees maternity leave benefits. So we introduced 14 weeks' paid maternity leave in October 2002...and since we have, the number of women who have returned to work after taking maternity leave has jumped from 65 per cent to 100 per cent. Offering maternity leave benefits is relatively simple to do, and costs much less than one imagines, but what a difference it makes to employees' perceptions."**

*Peter Hanenberger, Chairman & Managing Director, GM Holden (Source: CEOs Unplugged)*