

# Family and Domestic Violence Leave Review

Report prepared by Bankwest Curtin Economics Centre for the Australian  
Council of Trade Unions

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## SUMMARY

The Bankwest Curtin Economics Centre has been asked to provide estimates and expert opinion on the cost of providing 10 days paid family and domestic violence (FDV) leave in all modern awards and to present this evidence at a formal hearing if required. This report provides the following estimates for the costs and benefits of 10 days of FDV leave:

### ***Costs of providing 10 days paid family and domestic violence leave.***

*The average wage of award-covered employees is the lowest compared to the average wage under all other methods of pay setting.*

**KEY FINDING:** *The total annual cost to employers of providing an entitlement of 10 days of paid family and domestic violence leave to award-covered employees is between **\$13.1 million and \$34.3 million.***

*Small and medium enterprises (SMEs) will bear a greater burden than larger enterprises in the provision of paid family and domestic violence leave, since the SME workforce is comprised of a larger share of award-covered employees.*

### ***Costs of not providing 10 days paid family and domestic violence leave***

**KEY FINDING:** *The estimated cost to employers from the time lost due to absenteeism of award-covered employees because of family and domestic violence is estimated at **\$14.3 million***

*Since financial stress is expected to play a significant role in this issue, the cost of not providing 10 days paid family and domestic violence leave tends to be reflected in greater loss of output due to extended absenteeism and reduced productivity.*

### ***Benefits of providing 10 days paid family and domestic violence leave***

*The direct benefit to employers of providing 10 days paid family and domestic violence leave is the cost reduction from extended periods of employees' absenteeism and lost productivity due to financial constraints.*

*The direct benefit to award-covered employees is the prevention of financial loss due to unpaid leave following family and domestic violence. Indirect benefits include intangible nonmonetary benefits, including better mental health due to less financial stress.*

## INTRODUCTION

- [1] Family and domestic violence is pervasive in Australia. Such violence occurs among family members, and most commonly, in intimate partner relationships. According to the 2016 Personal Safety Survey, approximately 1 in 6 (17%, or 1.6 million) women and 1 in 16 (6.1%, or 548,000) men have experienced physical or sexual violence from a partner since the age of 15 (Australian Bureau of Statistics 2017). Experiences of violence have profound impacts on the lives of individuals, affecting their health, wellbeing, education, relationships and housing outcomes (Australian Institute of Health and Welfare 2018). As such, violence imposes major costs on society as a whole with the annual cost of violence against women to the Australian economy in 2014-15 estimated at \$21.7 billion (PricewaterhouseCoopers 2015). The returns to interventions to prevent such violence as well as to mitigate its impacts are of paramount economic and social significance.
- [2] One policy response to mitigate the consequences of experiencing family and domestic violence is the provision of family and domestic violence leave to support the efforts to address the situations of violence including undertaking activities such as attending legal proceedings, counselling, medical appointments, relocation or other actions to escape a violent situation. Currently, all employees in Australia are entitled to 5 days unpaid family and domestic violence leave each year (Fair Work Commission 2021). Family and domestic violence is defined by the Fair Work Commission (2021) as ‘violent, threatening or abusive behaviour by an employee’s close relative that seeks to coerce or control the employee or cause them harm or fear.’ However, the adequacy of the current unpaid leave entitlement has been brought into question, particularly in light of the COVID-19 pandemic, which has seen an increase in the incidence of family and domestic violence in Australia (Boxall et al 2020; Duncan 2020).
- [3] Provision of paid family and domestic violence leave as an alternative to current unpaid leave entitlements has been a matter of public discourse in recent years. The first clauses providing paid leave and other entitlements to employees experiencing family and domestic violence included in union negotiated enterprise agreements registered with the Australian Fair Work Commission date back to 2010 (Baird et al 2014).

[4] Although the legislative framework for paid family and domestic violence leave has not been fully established, a substantial number of Australian employers have already adopted paid domestic leave. Of the organisations that currently report to the Workplace Gender Equality Agency, 35.5 per cent of all employers offered paid domestic violence leave in 2020, increasing from 12.1 per cent in 2016 (Workplace Gender Equality Agency 2020).

This report adds to the evidence base on the provision of paid domestic violence leave entitlement by addressing the three questions outlined in the instruction letter provided to us by the Australian Council of Trade Unions:

1. What is the likely cost to employers of award-covered employees of providing 10 days paid family and domestic violence leave?
2. What is the cost to employers of award-covered employees of not providing an entitlement of 10 days paid family and domestic violence leave?
3. What are the likely benefits for award-covered employers and employees of the provision of an entitlement of 10 days paid family and domestic violence leave?

[5] In order to answer these questions, we apply a cost-benefit evaluation approach, drawing insights from existing literature and various data sources that span labour force and personal safety statistics. We apply sensitivity analysis through comparing two separate approaches and vary assumptions of family and domestic violence paid leave take-up rates.

## BACKGROUND

- [6] What is the evidence on the costs associated with providing family and domestic violence leave entitlements? What are the benefits associated with providing such entitlements and are these likely to offset the costs? This section provides insights on these questions through drawing on existing studies.

### Costs of providing family and domestic violence leave entitlements

- [7] What are the existing reservations associated with providing family and domestic violence leave entitlements? There are some perceptions in place that mandating paid domestic violence leave entitlements will result in negative corporate outcomes, particularly through an increased labour cost burden on employers and decrease in international competitiveness (Stanford 2016). Discussions around the economic costs associated with broader workplace protection measures for employees experiencing family and domestic violence have also highlighted the perceptions of time lost from work from flexible working arrangements, perceived costs of implementation of relevant human resource policies, costs of training and induction programmes and work lost through days of leave (Kahui et al 2014). It has also been posited by some employer groups that paid domestic violence leave would open the possibility of union claims for leave entitlements for ‘myriad’ social problems such as mental health issues, relationship breakdown, drug dependence, alcohol dependence and crime (Williamson et al 2019, p. 352).
- [8] Only a few studies have undertaken to formally evaluate the costs associated with provision of paid family and domestic leave entitlement. The Australian Chamber of Commerce and Industry (2016) provided one of the first estimates of the costs associated with offering 10 days of paid family and domestic violence leave, arriving at a figure of \$2 billion per year. However, the assumptions underlying this estimate, especially those around the utilisation rate and employment base, have been strongly criticised (Stanford 2016; O’Brien 2016). Stanford (2016), in particular, collected primary qualitative data on family and domestic leave utilisation across Australian companies and showed that utilisation of the paid leave provision was ‘relatively infrequent’ (p. 14). Similarly, Breckenridge et al (2015) showed that two-thirds of 102 surveyed Australian employers with family and domestic violence leave provisions had never had a leave request.

[9] Applying a data-driven approach, Stanford (2016) estimated that the incremental wage payouts to workers on family and domestic violence leave associated with the provision of a 10-day paid family and domestic violence (FDV) leave policy would be in the order of \$80 to \$120 million per year across all Australian businesses. This represents an assessment of FDV costs for all types of workers, and assumes that:

- women who experience family and domestic violence are twice as likely to take time off work as a result, compared to men;
- the share of employees experiencing family and domestic violence taking time off work will double under the proposed universal paid family and domestic violence leave scheme;
- about one-third of employees experiencing family violence other than partner violence take time off work; and
- the average male and female weekly earnings used to cost the provision of FDV are drawn from ABS data, and apply to all workers regardless of their characteristics and wage setting methods.

[10] The study concluded that the costs of a 10-day paid family and domestic violence leave policy are likely to be largely offset by the estimated benefits to employers associated with the provision of paid domestic leave, including reduced turnover and improved productivity.

#### Returns to providing paid family and domestic violence leave entitlement

##### ***Reductions in violence associated with family and domestic violence-related entitlements***

[11] Paid domestic violence leave can offer financial relief and stability to employees affected by family and domestic violence, assisting their efforts to address the situation of violence including fundamental challenges, such as maintaining employment and ensuring financial independence from their perpetrator. Based on existing evidence, employment and financial independence can play an important role in preventing family and domestic violence either through enhancing the intra-household bargaining position of individuals affected by it or through diminishing their contacts with perpetrators (Chin, 2012; Henke and Hsu 2020; Mavisakalyan and Rammohan 2021).

[12] The introduction of paid family and domestic violence leave may give rise to other complementary initiatives to support employees affected by family and domestic violence (FDV) within the workplace, including training of managers to better deal with situations of family and domestic violence, provision of relevant information and resources to employees (Stanford 2016). In addition, an institutional arrangement targeted towards employees experiencing FDV may serve to further elevate the status of family and domestic violence as an important problem of national significance. There is evidence from a large literature that changes in institutions may result in changes in norms (Beaman et al 2012; Alesina and Giuliano 2015). It is possible, therefore, that the provision of paid FDV leave entitlement may affect the violence norms and prevalence beyond the case of an individual employee.

***Productivity gains associated with family and domestic violence-free workforce***

[13] Reduction in family and domestic violence has significant personal- and societal-level benefits. But what does the reduction of prevalence of such violence among employees mean to employers? Alongside evaluating the costs associated with paid family and domestic violence leave provision, the costs associated with the prevalence of violence within the workforce should be considered. A growing body of evidence suggests that introduction of workplace protection measures for employees affected by family and domestic violence will increase the overall productivity in the workplace.

[14] A large body of evidence shows that family and domestic violence has significant effects on individuals' physical and mental health and wellbeing (Ellsberg et al 2008; Devries et al 2013; World Health Organization 2013). Unsurprisingly, these effects of violence feed into workplace performance with a large body of literature documenting links between FDV experiences and negative work outcomes. Evidence from a number of studies suggests that employees that experience family and domestic violence tend to have concentration difficulties, decreased job satisfaction and reduced work performance (Banyard et al 2011; LeBlanc 2014; Wathen et al 2015). Experiences of violence also affect the employees' ability to get to work and result in missing time at work because of absenteeism (Reeves and O'Leary-Kelly 2007, LeBlanc 2014; Wathen et al 2015). In their projections of the costs of family and domestic violence on workplaces, KPMG (2016) assume that 7.2 workdays are lost each year from absenteeism due to physical violence, 8.1 days as a result of sexual violence, and 10.1 days as a result of stalking.

- [15] Family and domestic violence also has profound implications for the quality and stability of employment. Loss in productivity, increased absenteeism and prejudice may lead to disproportionately high job losses following the violence (Staggs et al 2007; Finlay 2012; Yragui et al 2012). Studies have shown that family and domestic violence contributes to more disrupted work histories, intentions to quit work and lower earnings (Crowne et al 2011; Adams et al 2013; Le Blanc 2014). This, in turn, implies that family and domestic violence bears implications upon the costs associated with increased staff turnover, including recruitment and training for new employees.
- [16] There are also potential indirect productivity losses associated with the presence of employees experiencing family and domestic violence in the workforce. Even if the violence itself does not take place in the workplace, there are risks of spillover effects. The literature suggests that the productivity of co-workers may be affected if a colleague is distressed or injured and when a family member visits the workplace causing safety risks (Murray and Powell 2008; Walden and McFerran 2014; Wathen et al 2015).

#### ***Returns to corporate image from with family and domestic violence-related entitlements***

- [17] With increased awareness of corporate social responsibility, employers are held to increasingly higher standards of behaviour in relation to employees and the wider society (Waddock 2004; European Commission 2011). One of the earliest aspects of corporate social responsibility to gain recognition in the literature is the responsibility for employee welfare (Compa 2008; Pearsons et al 2013). 'Family-friendly' policies are a key ingredient of corporate social responsibility that have emerged in recognition of employees' responsibilities towards their families (Albrecht 2003; de Cieri et al 2005).
- [18] Family and domestic violence is an aspect of the lives of many employees, and as such, there is a valid case of regarding family and domestic violence-related entitlements as part of family friendly policies aimed at facilitating the ability of employees to balance work and family obligations (de Jonge 2018; 2019). Existing evidence shows that family-friendly policies as a form of corporate social responsibility economically payoff: firms profit from implementation of such policies (Arthur and Cook 2004; Ngo et al 2009).
- [19] Moreover, as de Jonge (2018, p. 473) argues, "*Investing in systems and procedures to help affected workers offset the costs of domestic violence also makes economic sense...*". In particular, provision of paid family and domestic violence leave may give employees the

sense that employers care about them through extending support in difficult times; this may in turn have positive effects on morale, dedication and productivity.

## ANALYSIS

### Cost of providing 10 days paid family and domestic violence leave

What is the likely cost (if any) to employers of award-covered employees, including small and medium sized businesses, of providing 10 days of paid family and domestic violence leave?

#### Data and estimation approaches

- [20] This report uses data on the prevalence of family and domestic violence among workers to estimate the costs and benefits of 10 days of paid family and domestic violence leave offered to award-covered employees, including those employed in small and medium sized enterprises. This approach captures the costs associated with family and domestic violence in a specific year using information on the number of employees experiencing violence in that year.
- [21] This approach is widely used in the literature (e.g., PricewaterhouseCoopers 2015; KPMG 2009, 2016; Oliver et al. 2019). Data on family and domestic violence are obtained from the 2016 Personal Safety Survey (PSS) of the Australian Bureau of Statistics (ABS). In all estimations and analyses in this report, the data used to estimate costs to the employer of paid FDV leave include employed people aged 18 years and over that experienced FDV in the last 12 months before the survey.
- [22] This report uses weekly wage data for award-covered employees from the latest (wave 19) release of the Household, Income and Labour Dynamics in Australia (HILDA) survey. Based on data availability, our estimates are based on wage data for 2019, uprated to 2021 to reflect current remuneration rates. The main advantage of using unit record wage data from HILDA compared to studies that use only aggregate average wages from the Australian Bureau of Statistics (e.g., Stanford 2016) is that we can use detailed wage profiles by age and contract types to provide more precise estimates of the costs of paid FDV leave.

- [23] The probability of experiencing family and domestic violence is estimated by age and sex using the 2016 Personal Safety Survey (PSS) data from the Australian Bureau of Statistics (ABS). To estimate the number of people affected by family and domestic violence, the probability of experiencing violence is applied to the population estimates of award wage holders by age and sex categories. Total leave payments to employees affected by family and domestic violence can then be forecast by multiplying the number of employed people that took time off work in the last 12 months following the incidence of FDV by the 10 days average wage for the respective sex and age group.
- [24] Existing literature on family and domestic violence in Australia focuses on estimating the economic and social costs of violence against women and children (e.g KPMG, 2009, 2016; PricewaterhouseCoopers 2015). Yet, little is known about the costs and benefits of providing paid family and domestic violence leave to affected employees in Australia. Stanford (2016) is the only closest study to this report that attempted to estimate the costs of 10 days paid leave provision to employees affected by family and domestic violence. While this study has an important contribution to the subject, there are several limitations regarding the assumptions and methodology employed.
- [25] First, Stanford (2016) assumes that aggregate average weekly wage is applicable to all employees regardless of age and methods of wage setting (including modern award, collective agreement, and individual arrangements). However, average wage significantly varies across these dimensions. To circumvent this issue, this report utilizes detailed wage profile by age, sex and employment contract type using unit record data from the latest release of HILDA. Specifically, this report utilizes average weekly wages for award-covered employees from HILDA by sex and age groups in line with the aim of the report.
- [26] Second, while there is a clear progress in data driven estimation approach, there are still several arbitrary assumptions picked up exogenously as admitted by the author. For example, it is assumed that men are likely to take half of the time taken off work by women. In this report, that data on time taken off work by male and female employees are obtained from PSS 2016 using the TableBuilder tool. Moreover, Stanford (2016) arbitrarily assumes that one-third of those employees who experience family violence other than partner violence took time off work due to FDV. To be practical, this report utilises data on time taken off work by employees experiencing family and domestic violence using the family relationship to the preparator as a filter in TableBuilder in PSS (2016).

## Estimations and analysis of results

- [27] Table 1 shows the estimated prevalence rate of family and domestic violence for wage and salary earners in Australia as at June 2021, by age and sex. Using prevalence rates calculated from the Personal Safety Survey (2016), and assuming prevalence has remained stable in the period to 2021, we estimate that 186,400 employed women and 142,400 employed men in Australia have experienced family and domestic violence in the last 12 months. Prevalence rates of FDV among employed people decrease consistently with age for both women and men, with rates typically higher for women (3.0 per cent) compared to men (2.1 per cent).

**Table 1.** Number and share of employed persons experiencing family and domestic violence (FDV) in the last 12 months: by age and gender

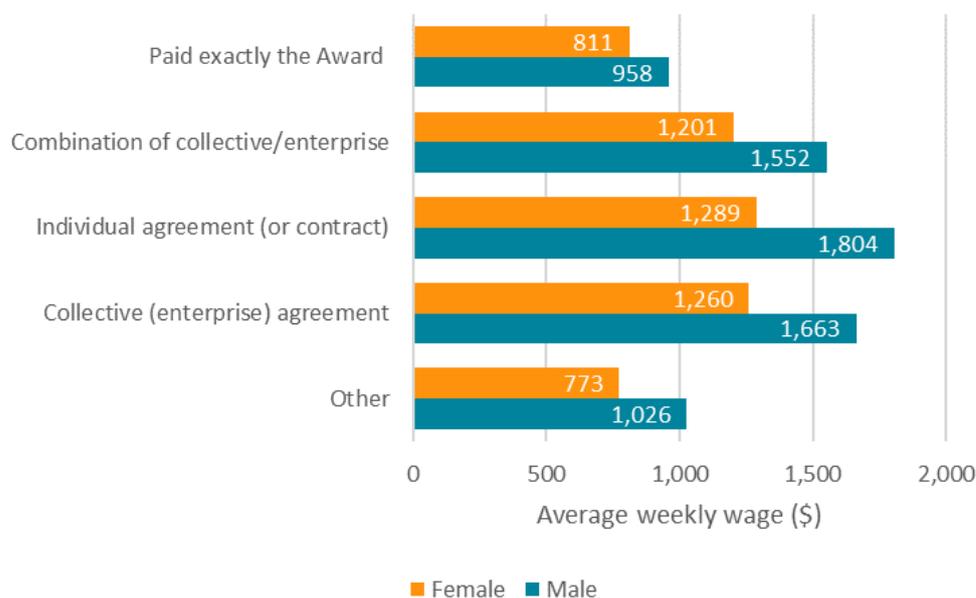
	Age 18-24		Age 25-34		Age 35-44		Age 45-54		Age 55-64		Age 65 years +		All ages		
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Persons
Employed persons, June 2021 ('000s)	963	956	1,439	1,603	1,385	1,546	1,291	1,359	940	1,047	247	392	6,265	6,903	13,168
Estimated number of employed people experiencing FDV, June 2021	60.3	33.8	48.2	45.1	37.7	29.4	25.0	17.3	13.2	12.4	2.0	4.4	186.4	142.4	328.8
Probability of experiencing FDV	6.3%	3.5%	3.3%	2.8%	2.7%	1.9%	1.9%	1.3%	1.4%	1.2%	0.8%	1.1%	3.0%	2.1%	2.5%

**Notes:** Estimates of the number of people experiencing family and domestic violence in the last 12 months include those subjected to violence from current or previous partners or family members. Prevalence rates are calculated as the ratio of FDV incidence to the number of employed people, by age and gender. Counts are uprated to June 2021 using ABS counts of employed persons by age and gender.

**Source:** BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations based on ABS Personal Safety Survey (2016) and ABS Cat. 6291.0.55 Table 1 (Labour force status by Age, Social marital status, and Sex)

- [28] To estimate the costs of providing 10 days of paid family and domestic violence leave for award-covered employees, we use weekly wage data for workers on award wages from Wave 19 of the Household Income and Labour Dynamics in Australia (HILDA) survey, uprated to June 2021 dollars using CPI data from the Australian Bureau of Statistics (ABS).
- [29] As shown in Figure 1, the average weekly wage for award-covered employees is lower than all other formal methods of pay setting. Specifically, the average weekly wage of award-covered male employees is approximately \$958, and \$811 for female employees.

**Figure 1.** Average weekly wages by gender and methods of pay setting



**Notes:** Average weekly wages are shown for all employed people, with values updated to June 2021 figures using ABS Cat: 6401.0 Consumer Price Index, Australia.

**Source:** BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from HILDA (2019).

- [30] The costs of providing 10 days of paid FDV leave requires an assessment of the proportion of employees who might access paid FDV leave entitlement as a result of experiencing family and domestic violence, including the number of days that may be claimed.
- [31] The 2016 ABS Personal Safety Survey provides evidence of the proportion of employees who take time off work under current leave arrangements as a result of experiencing family and domestic violence. Table 2 shows the estimated proportion of male and female employees who took time off work in 2016 as a result of experiencing family related violence of different forms. These include the incidence of family violence (from partners, parents, siblings or relatives), intimate partner violence, current partner violence, or current and/or previous partner violence.

**Table 2.** Share of employed taking time off work due to experiencing FDV in last 12 months

		Nature of most recent experience of family related violence				
		Violence from family member	Intimate partner violence	Current partner violence	Current and/or previous partner violence	Highest share
Share of employees taking time off work as a result of FDV	Men	1.3%	2.3%	0.0%	2.7%	2.7%
	Women	16.0%	15.9%	17.2%	20.1%	20.1%

**Source:** BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Personal Safety Survey, 2016.

- [32] The results from Table 2 show a fairly consistent pattern in which a significantly higher share of women than men take time off work as a result of FDV. Depending on the nature of family violence experienced, between 15.9 per cent and 20.1 per cent of women were found to take leave due to FDV. For male employees, the shares were far lower, up to 2.7 per cent for men who experienced violence from a current or previous partner.
- [33] To estimate the costs of providing 10 days of FDV leave entitlement for award-covered employees only (Table 3), we start with the projections of the number of employees who have experienced FDV over the previous 12 months as reported in Table 1. These projections account for the fact that FDV prevalence differs between women and men by age range.
- [34] Around 26.3 per cent of female employees across all age groups are on award wages, compared to 16.1 per cent of male employees (the second row of Table 3). As expected, a far higher share of younger workers are on modern awards. Over 41 per cent of female workers and 35.4 per cent of male workers aged 24 and under are on award wages. This is an important step when projecting the potential costs of paid FDV leave entitlements, given that younger workers will typically be receiving lower award wage rates than older workers.
- [35] Using this information on the proportion of male and female workers in different age bands who are on modern award wages, we are able to estimate the number of award-covered employees who have experienced family and domestic violence in the last 12 months (the third row of Table 3). Overall, we estimate 54,100 of female and 26,600 male award-wage holders to have experienced FDV during the previous year (80,800 in total), the majority of whom are aged 34 and under.
- [36] Starting with an assumption that award wage workers who have experienced FDV during the past 12 months will access paid FDV leave entitlements at the same rates as under current arrangements (using the maximum rates shown in Table 2), the costs of 10 days of paid FDV leave entitlement can be estimated as the number of award-covered employees who have experienced family and domestic violence in the last 12 months (Table 3 row 3), multiplied by the share of those workers who access paid FDV (Table 3 row 4), times 10 days of average pay for modern award wage holders (Table 3 row 5).
- [37] Assuming that the share of employees that took time off work remains constant and employees use the full 10 days of paid leave, the estimated total cost of providing 10 days of paid FDV leave to award-covered workers is \$17.1 million (Table 3 row 6), of which \$15.9 million is for female employees and only \$1.2 million to male employees.

**Table 3.** Estimated cost of 10 days paid FDV leave, award-covered employees

	Age 18-24		Age 25-34		Age 35-44		Age 45-54		Age 55-64		Age 65 years +		Total		
	Female	Male	Female	Male	Female	Male	Persons								
Estimated number of employed people experiencing FDV, June 2021 ('000s)	60.3	33.8	48.2	45.1	37.7	29.4	25.0	17.3	13.2	12.4	2.0	4.4	186.4	142.4	328.8
Estimated share of award wage holders among employed workforce, June 2021 ('000s)	41.3%	35.4%	24.4%	18.0%	22.4%	8.8%	21.9%	10.2%	24.1%	13.3%	19.3%	13.2%	26.3%	16.1%	
Estimated number of award wage holders experiencing FDV, June 2021 ('000)	24.9	12.0	11.7	8.1	8.5	2.6	5.5	1.8	3.2	1.7	0.4	0.6	54.1	26.6	80.8
Projected share of those experiencing FDV who take time off work (ABS estimates)	20.1%	2.7%	20.1%	2.7%	20.1%	2.7%	20.1%	2.7%	20.1%	2.7%	20.1%	2.7%			
Average weekly modern award wage (HILDA) (uprated to June 2021) (\$)	481	572	921	1,008	978	1,352	946	1,258	954	1,199	681	715			
Total cost of 10 day paid FDV leave among award wage holders (\$m)	4.8	0.4	4.3	0.4	3.3	0.2	2.1	0.1	1.2	0.1	0.1	0.0	15.9	1.2	17.1
Projected number of leave days taken (Stanford 2016)	7.8	5.9	7.8	5.9	7.8	5.9	7.8	5.9	7.8	5.9	7.8	5.9	7.8	5.9	
Total cost of paid FDV leave, using projected number of leave days taken (\$m)	3.7	0.2	3.4	0.3	2.6	0.1	1.6	0.1	0.9	0.1	0.1	0.0	12.4	0.7	13.1

**Notes:** Estimates of the number of people experiencing family and domestic violence in the last 12 months include those subjected to violence from current or previous partners or family members. Prevalence rates are calculated as the ratio of FDV incidence to the number of employed people, by age and gender. Counts are uprated to June 2021 using ABS counts of employed persons by age and gender. The proportion of employees on award wages by age and gender are calculated using data on pay setting arrangements from the Household Income and Labour Dynamics in Australia (HILDA) survey, Wave 19.

**Source:** BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations using HILDA (2019) ABS Personal Safety Survey, 2016.

- [38] There are a number of assumptions underlying this analysis that can be tested to provide some sensitivity analysis of the estimated costs of 10 days paid FDV leave entitlements.
- [39] It may not be the case that all workers who access FDV leave would utilise the full 10 days entitlement. In his costings, Stanford (2016) assumes that women would access an average of 7.8 days of leave, and men 5.9 days. If we apply these settings in place of an assumed utilisation of the full 10 days of paid FDV, **the estimated total cost to employers of 10 days of paid FDV entitlement would be \$13.1 million**, of which \$12.4 million would be accessed by female employees and \$0.7 million by male employees (Table 3 row 8).
- [40] To see the implication of the recent Annual Wage Review on the estimates, this report assesses the impact on estimated costs of the 2.5 per cent increase in wages as per the Annual Wage Review 2021 by the Fair Work Commission (FWC). Our estimates suggest that the estimated cost to employers of providing 10 days of paid FDV leave to award wage holders would increase only marginally, from \$13.1 million to \$13.4 million (Table 4 row 2).
- [41] The number of employees that may take time off as a result of FDV may plausibly increase with the provision of paid leave entitlements. Stanford (2016) assumes that the proportion of employees that may take time off will double under the paid FDV provision. Assuming the rate at which employees experiencing FDV will access leave will double, this report estimates that the cost of 10 days FDV leave will be approximately \$34.3 million.

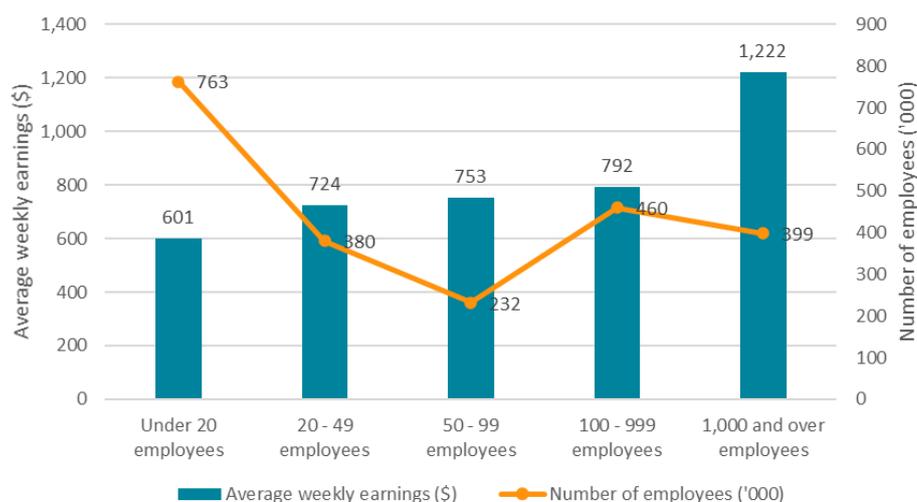
**Table 4.** Estimated costs of 10 days of paid FDV leave for award-covered employees: alternative scenarios.

	Female	Male	Persons
	\$m	\$m	\$m
Paid FDV leave accessed at the same rates as under current arrangements; average number of leave days per year as per Stanford (7.8 days for women, 5.9 days for men)	12.4	0.7	13.1
Same modelling assumptions as above, adding 2.5% Annual Wage Review increase	12.7	0.8	13.4
Paid FDV leave accessed at the same rates as under current arrangements; 100% utilisation of paid FDV leave days (10 days per year)	15.9	1.2	17.1
Paid FDV leave accessed at <b>double</b> the rates compared to current arrangements; 100% utilisation of paid FDV leave days (10 days per year)	31.8	2.5	34.3

**Source:** BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations based on HILDA (2019), ABS Personal Safety Survey (2016) and Annual Wage Review 2020-21.

- [42] An important point to note is that small and medium enterprises account for a significant proportion of employees under the modern award pay setting. As shown in Figure 2, the largest employers of modern award employees are small businesses (under 20 employees) which amounts to 763,000 employees in 2018.
- [43] Businesses with a total workforce of under 100 employees collectively account for more than 60 per cent of all employees whose wages are set under the modern award contract. And smaller businesses typically recruit a *larger share* of award wage holders too. Around 33% of workers among businesses with under 100 employees are on award wages only. This compares to 16% of workers in businesses with between 100 and 999 employees, and 13% of businesses with 1,000 or more employees.
- [44] This suggests that small and medium sized businesses will bear a greater cost burden in the provision of 10 days of paid family and domestic violence leave. However, costs are likely to be largely offset as a result of the entitlements, with improved productivity and reduced absenteeism among those experiencing family and domestic violence.
- [45] The average modern award wage increases with firm size while the number of award-covered employees decreases with firm size. Figure 2 clearly shows that the average award wage in large businesses (with 1,000 or more employees) is more than twice of the average wage in small businesses (with under 20 employees). This evidence is in line with earlier estimation results that show the estimated cost of 10 days paid family and domestic leave entitlement for award-covered employees may not be significant.

**Figure 2.** Number of award-covered employees and average weekly earnings by firm size.

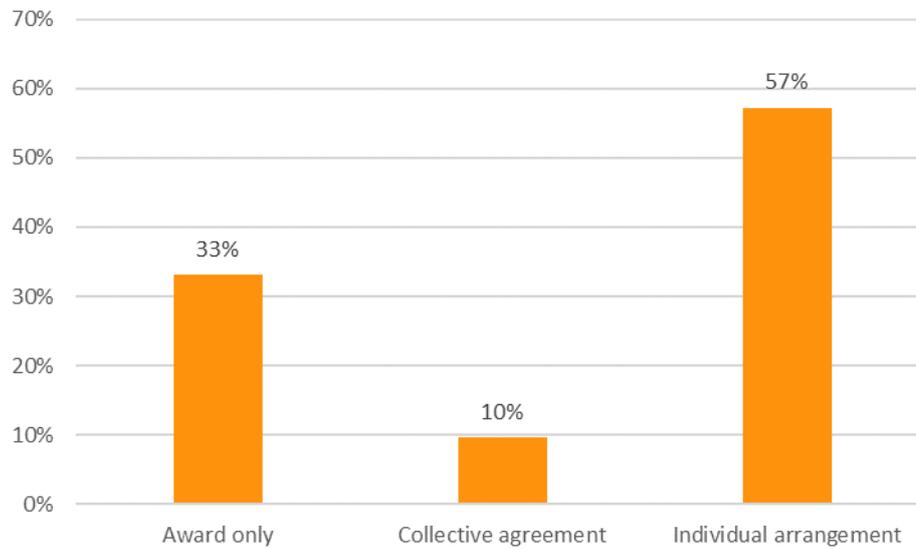


**Notes:** According to the Australian Bureau of Statistics definition, small businesses are firms that employing fewer than 20 people. Medium sized businesses employ between 20 and 199 workers, while large businesses employ 200 or more workers. The Employee Earnings and Hours survey only provides counts of employees according to methods of pay setting for the aggregate of firms who employ between 100 and 999 employees. As a result, in this report, we consider small and medium sized employees as those employing fewer than 100 people.

**Source:** BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Cat 63060 (Table 7).

- [46] Figure 3 compares the share of employees under different wage setting methods among small and medium sized businesses (less than 100 employees), and shows that 33 per cent of employees have their wage set under modern award method. A further 57 per cent of employees in small and medium businesses have wages set under individual arrangements. The remaining 10 per cent of employees are paid under collective agreements.
- [47] As noted earlier, small and medium businesses will face a larger cost burden from providing 10 days of paid family and domestic leave entitlement to award wage holders, given that they employ the largest share of workers on the modern award wage. However, it is worth noting that a significant number of employers are already providing paid family and domestic violence leave entitlements. Therefore, the additional cost the proposed provision may be less than the estimated value. Stanford (2016) assumes that about 15% of the entitlement is already covered by employers implementing paid family and domestic violence leave.

**Figure 3.** Proportion of award-covered employees in small and medium sized businesses (under 100 employees) by methods of setting pay.



**Source:** BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Cat 63060 (Table 7).

#### Costs of not providing 10 days paid family and domestic violence leave

- [48] Is there a cost to employers of award-covered employees, including small and medium sized businesses, of not providing an entitlement of 10 days paid family and domestic violence leave?
- [49] The literature on domestic violence suggests that FDV imposes significant costs on employers, including lost productivity due to absenteeism from work and hiring and retraining costs (KPMG 2009, 2016; Stanford, 2016). While there are several potential factors that may lead to employee absenteeism, such as attending courts, time lost from paid work could be more severe if employees also face financial constraints for adjustments they may need to make following the incidence of FDV, including arranging new accommodation and schooling for their children.
- [50] Assuming a competitive labour market where workers are paid their marginal product, the cost to employers of not paying the 10 days leave entitlement in terms of lost output is estimated by the number of days that employees took off work multiplied by the average daily wage of award-covered employees.

**Table 5.** Estimation of the cost of absenteeism / lost productivity

	Male	Female	Total
<b>Number of people took time off work in the 12 months after most recent incident</b>			
Employed working full-time (000)	1.9	20.7	22.6
Employed working part-time (000)	0.0	6.3	6.3
<b>Total</b>	<b>1.9</b>	<b>25.8</b>	<b>27.7</b>
<b>Average amount of time taken off work in the 12 months after most recent incident (days)</b>			
Employed working full-time (days)	9.1	9.6	
Employed working part-time (days)	0.0	75.6	
<b>Total</b>	<b>9.1</b>	<b>26.8</b>	
<b>Estimated total cost of absenteeism</b>			
Employed working full-time (m\$)	4.6	48.4	53.0
Employed working part-time (m\$)	0.0	52.8	52.8
<b>Total (m\$)</b>	<b>4.6</b>	<b>101.2</b>	<b>105.8</b>
<b>Proportion of award-covered employees</b>	<b>8.8%</b>	<b>13.7%</b>	<b>22.5%</b>
<b>Estimated cost of absenteeism for award-covered employees (m\$)</b>	<b>0.4</b>	<b>13.9</b>	<b>14.3</b>

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations based on HILDA (2019) and ABS Personal Safety Survey, 2016.

- [51] **Table 5** provides an estimate of the costs of absenteeism using the number of people that took time off work and the average number of days off work in the 12 months after the incidence of FDV. The estimated total cost of absenteeism based on data from HILDA (2019) is \$14.3 million. Under the assumption that financial constraints play a significant role in employee absenteeism (e.g., Kim et al. 2006) and reduced productivity, employers can partly reduce the costs of lost production from time lost from work due to employees' financial stress by paying the 10 days family and domestic violence leave entitlements. It is important to note that as worker days lost due to family and domestic violence cannot be calculated separately for award employees, a key assumption is that absenteeism rates are similar across the workforce. We note also that some of the time taken out of work due to family and domestic violence may already be compensated for by other paid leave entitlements provided by the employer.

#### Benefits of providing 10 days paid family and domestic violence leave

- [52] What are the likely benefits (if any) for award-covered employees, including those working in small and medium sized businesses, of the provision of an entitlement of 10 days paid family and domestic violence leave?
- [53] Evidence from the existing literature shows that family and domestic violence has a significant impact on employers in terms of lost output. In a survey of the impact of

domestic violence on the workplace in six European countries (France, Belgium, Germany, Italy, Spain, UK) based on survey responses from 6,639 employees, Pillinger et al. (2019) find that 55 per cent of employees who experience domestic violence reported that it affected their work negatively through lateness, absenteeism or being less productive. One-quarter of respondents had taken time off work and being late because of domestic violence, and one fifth of respondents report absenteeism because of domestic violence.

- [54] The benefits of providing 10 days of paid FDV leave for award-covered employees can be classified into direct (monetary) benefits and indirect (intangible) benefits. As discussed in the previous section, the direct benefits to employers from providing paid FDV leave include the reduction in costs from absenteeism and lost productivity due to financial constraints. The indirect benefits to employers include the mitigation of the negative effects of family and domestic violence on workplace productivity (Murray and Powell 2008; Walden and McFerran 2014; Wathen et al 2015). In a similar vein, de Jonge (2018) suggests that providing support to employees affected by family and domestic violence could have a positive effect on productivity in the workplace.
- [55] Stanford (2016) suggests that the benefits of 10 days of paid family and domestic violence leave would offset the costs to employers in several ways. Specifically, the paid leave provision will reduce absenteeism following episodes of domestic violence, as the financial support helps employees to resolve and escape from traps in the violent situations more effectively. Productivity gains can be expected as a result of the greater capacity to escape FDV, with employees better able to focus and perform the tasks because they are less likely to experience fear and violence at home. Lastly, the provision of paid FDV leave could reduce turnover costs as well as hiring and training costs, with workers who are financially supported through FDV being better able to retain their jobs while still resolving or escaping from violent situations. Along these lines, earlier studies (see e.g., Reeves and O’Leary-Kelly 2007, LeBlanc 2014; Wathen et al 2015) show that violence can affect the employees’ ability to get to work and result in lateness at work and absenteeism.
- [56] The direct benefit to award-covered employees is the avoidance of financial loss. The literature on cost of domestic violence suggests that those affected by the incidence bear the significant financial cost due to loss of income with unpaid leave as well as consumption related costs due to loss of economies of scale following family break-up (e.g., KPMG 2016).

- [57] The indirect benefits to award-covered employees may include the reduction of psychological distress and sufferings that is attributed to financial stress. Although it is difficult to disentangle the effect of financial stress from other health effects, earlier studies show that the costs related to mental health and suffering constitute the largest share of the total cost.
- [58] It is plausible to expect that financial stress may exacerbate this issue. Evidence from existing literature shows that family and domestic violence has significant effects on individuals' physical and mental health and wellbeing (Ellsberg et al 2008; Devries et al 2013; World Health Organization 2013). Therefore, 10 days of paid family and domestic violence leave entitlement could partly reduce the negative effects on health that is attributed to financial stress.

## SUMMARY AND DISCUSSION

- [59] Based on 2019 data, the estimated total payment for 10 days family and domestic violence leave for award-covered employees is estimated at \$13.1 million. The estimated payment to female employees constitutes \$12.4 million and the estimate for male employees is \$0.7 million.
- [60] Our estimates suggest that providing 10 days paid family and domestic violence leave for award-covered employees may not impose a significant cost to businesses, particularly when set against the potential benefits of providing such leave to both the employer and employee.
- [61] Nevertheless, the direct and indirect benefits to award-covered employees are estimated to outweigh the cost to employers. This finding is also widely established in the literature that documents large costs to individuals affected by FDV compared to the costs to employers (PricewaterhouseCoopers 2015).

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We have made all the inquiries that we believe are desirable and appropriate and that no matters of significance that we regard as relevant have, to our knowledge, been withheld from the Commission.

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