

Inquiry into Paid Maternity, Paternity and Parental Leave

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Any potential parental leave policy introduced in Australia should encourage reproduction, participation in the labour market and maximisation of the utilisation of available qualifications and skills.

Australia's ageing population poses a number of challenges for the Australian government, predominantly the costs of supporting an ageing population in retirement income and health care, exacerbated by a reduced tax revenue base.

The government has identified through the Productivity Commission Intergenerational Report and Australia's Demographic Challenges that the solution to the ageing population is to grow the economy as quickly as possible through increasing productivity and participation in the labour market, particularly by women.

Firstly, it must be acknowledged that the cause of population ageing has been the shift to low mortality (and increased life expectancy) and low fertility.

Research has identified that the current system of compulsory superannuation employer contributions at 9% is not sufficient to self fund retirement in the future.

Any policy addressing population ageing should therefore not be considered in isolation of fertility related policy.

Policies should aim to both increase participation and levels of labour market attachment and increase fertility.

The Inquiry into Paid Maternity, Paternity and Parental Leave provides the opportunity for the government to set in place a policy to achieve an increase in the level of labour market attachment and increase fertility to replacement rate.

Any policy should not discriminate between the sexes and should be a two pronged approach involving publicly funding paid maternity/paternity and the introduction of an appropriate tax structure to save for and fund the costs of childrearing.

- 1) Publicly funded maternity/paternity leave
 - 14 weeks available per child for both mother and father
 - Equivalent to minimum wages
 - Subject to prior labour market participation
 - Private enterprise can use additional paid maternity/paternity leave as a recruitment attraction and retention strategy
- 2) Investment structure

- Provide for an investment tax structure to assist financial support of child rearing.
- Increase superannuation compulsory employer contribution from 9% to 12% (preferably 15%) with the option to receive this additional 3% (or 6%) into a 'family support' fund with identical taxation structure to superannuation funds. For the first three years, this should be funded equally by the individual, government and employer. Following three years, it should form a normal part of salary packaging.
- Salary sacrificing and undeducted contributions into family support funds should be treated in the same manner as salary sacrificing into superannuation funds.
- However, income generated by fund to be utilised as financial support/supplement for child rearing.
- Income to be drawn only when first child is imminent (eg when six months pregnant) and treated/taxed as per allocation pension income.
- Income could be utilised as income for unpaid leave
- This additional income could support costs associated with child care, education and health care while also providing a saving mechanism.
- Once youngest child turns 18, option to roll over balance of family support fund to superannuation fund or withdraw balance as a lump sum (subject to same taxation rules as superannuation).
- Baby bonus to be paid to family support fund.

Benefits of this solution:

- Increased incentives for childbearing will increase fertility rate
- Increased incentives for return to work will lead to greater labour force participation and level of labour market attachment.
- Ease financial burden of child rearing
- Mechanism to fund parental leave
- Greater provision for retirement
- Enforced savings
- Increased tax revenue for government (from both investment fund and increased participation in the labour market)

In addition, the following changes to legislation should be considered:

- that both men and women be entitled to 12 months unpaid parental leave.
- that men and women are able to return to the workplace to the same level position in a flexible or part time capacity.