



The Australian Institute of Superannuation Trustees

Submission to the Inquiry into Paid Maternity, Paternity and Parental Leave

Introduction

The Australian Institute of Superannuation Trustees (AIST) is a national not-for-profit organisation whose members are superannuation fund trustee directors and officers of industry, public sector, and corporate superannuation funds who operate with a representative Trustee Board of Directors. AIST provides professional training, consulting services and support trustee directors and staff to help meet the challenges of managing superannuation funds and advancing the interests of their fund members.

This submission is made in response to the Productivity Commission's Inquiry into Paid Maternity, Paternity and Parental Leave.

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Background

AI ST Supports paid parental leave for the following reasons:

- Income support for new parents at a financially difficult time, with flow-on benefits for family harmony and alleviation of parental stress;
- Improved maternal and child health and welfare, both during the period of leave, and in the subsequent lives of both mother and child;
- To the extent that the arrangements provide paid paternal leave as well as maternal leave, potential benefits for family life, father/child relationships, gender equity and work/family life arrangements;
- Maintaining women's connection with the workforce, retaining their skills, reducing employers' costs on recruiting replacement staff, continued utilisation of women's firm-specific skills and knowledge, and economy-wide productivity gains resulting from these factors;
- Increased workforce participation by women (both through women returning to work more reliably following the birth of a child, and currently unemployed women being encouraged to join the workforce because of the availability of the scheme);
- Continued accrual of employment-related benefits, notably recreational leave, long service leave, and Superannuation Guarantee (provided these were brought within the scope of any proposed scheme)

AI ST believes there are many challenges for any proposed scheme:

- The financial impacts of the scheme on small business if the scheme is funded through employers;
- The labour market distortions that may occur whether the scheme is funded by Government or employers, particularly in small business and/or low-paid, unskilled occupational groups;
- The interaction with existing voluntary or negotiated paid parental leave arrangements;
- In the case where the scheme is linked to employment, equity issues for women outside the workforce, or self-employed;
- Issues specific to single mothers;
- Does any proposed scheme address the shortfalls in women's superannuation savings.

AIST proposal

AIST proposes a Government funded maternity leave scheme providing 20 weeks of paid leave for all new mothers. This would be overlaid on existing entitlements for up to 52 weeks unpaid leave. The benefit would be paid by the Government to the new mother from the date of birth of the child, for 20 weeks. The level of benefit would be Average Weekly Earnings for women. For women earning less than AWE prior to the birth, we recommend no reduction in this amount, as lower income earning women are more likely to need additional assistance with the expenses associated with motherhood.

Mothers wishing to take longer periods of leave would be able to continue as unpaid leave.

Superannuation

AIST believes that the absence of superannuation contributions during periods of maternity leave is a major contributing factor to the much lower superannuation savings of women when compared to those of men. We recommend that the Government make a once-off payment to the nominated superannuation account of each new mother, equal to the net Superannuation Guarantee contributions that would be payable on the maternity leave income payments. (The "Super Baby Bonus")

The Super Baby Bonus amount is calculated as:

AWE for Full time adult females (Feb 08):	\$1,003.20
20 weeks payment:	\$20,064
9% of 20 weeks payment:	\$1,806
9% contribution netted off for contributions tax:	\$1,534.90

We recommend the Super Baby Bonus is commenced at \$1,500, and is increased in line with adult female full-time ordinary time earnings. A copy of our Super Baby Bonus policy document is attached.

Existing schemes and laws

Existing paid maternity leave schemes

It is proposed that, where voluntary or negotiated schemes already exist, no automatic offset against the maternity leave payment would apply, although employers would have the right to renegotiate the level and duration of their existing scheme in light of the paid maternity leave scheme;

Under current law, voluntary or negotiated schemes are not included in the definition of Ordinary Time Earnings for the purposes of the Superannuation Guarantee. Women under these schemes are missing out on superannuation

entitlements now. Regardless of the outcome of the Commission's enquiry we strongly recommend that maternity leave be brought within the scope of the Superannuation Guarantee.

A number of employers now offer 14-20 weeks paid maternity leave. Where a woman takes such leave as part time over a longer period, there is an increased risk that her earnings will fall under the present \$450 per month earnings threshold for Superannuation Guarantee. This may mean that inclusion of maternity leave within the scope of the Superannuation Guarantee is of no effect in such cases. We strongly recommend the \$450 per month threshold on earnings be removed.

Existing Baby Bonus

The 2008-09 Budget announced the introduction of means testing for the Baby Bonus, and the Family Tax Allowance. We support means testing of the Baby Bonus.