Australia: Behind the Labor government's paid parental leave fraud

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The Labor government of Prime Minister Kevin Rudd has promised to introduce a publicly-funded parental leave scheme by 2011. In a joint press statement on May 10 (cynically timed to coincide with Mother's Day), Rudd and Deputy Prime Minister Julia Gillard described the measure as "historic", ending Australia's status as one of just two OECD countries without a national statutory paid parental leave scheme.

Union leaders rushed to endorse the scheme and claim credit for its introduction. Australian Council of Trade Unions (ACTU) president Sharan Burrow hailed the plan as "an historic win for working women and their unions" and a "significant social reform" that was about "dignity and respect for women".

These claims are outright lies. The proposed Paid Parental Leave (PPL) scheme has nothing to do with ensuring the well being of working mothers and their children. The policy's central aim is to deliver greater productivity gains for business through increased workforce participation. Paid maternity leave is designed to increase part-time and casual women workers' "attachment" to the workforce, thereby expanding the pool of available cheap labour and driving down wages.

The PPL scheme represents the "progressive" facade of the Rudd government's agenda of addressing the corporate sector's concerns over the country's ageing workforce. A number of other measures in the May federal budget for 2009-10 were aimed at coercing more people into insecure and poorly paid work, including raising the pension age from 65 to 67, forcing young people to work at least 30 hours a week for 18 months before they are eligible for the youth allowance while studying at university, and scrapping the youth allowance for those under 20 and not enrolled in vocational training.

For all the rhetoric surrounding the PPL scheme, the measure is to involve additional net annual public spending of just $260 million. The initiative is essentially a restructuring of existing family payments. Parents who opt into the scheme will receive for 18 weeks the federal minimum wage, currently $544 per week. This will count as taxable income; moreover, parents will lose benefits they would otherwise be entitled to, including the $5,000 "baby bonus" currently available to all families earning under $150,000, and the Family Tax Benefit B of $3,693.80 available to single-income families.

As a result of the government's sleight-of-hand tricks, the Productivity Commission estimated that families participating in the new scheme will on average receive just $2,000 more than they would otherwise—equating to less than four weeks additional leave at minimum wage.

The scheme is largely based on the Productivity Commission's recommendations in its "Inquiry into Paid Parental Leave: Support for Parents with Newborn Children", which was delivered to the government in March and publicly released with the budget in May.

The Productivity Commission report made clear the scheme's central purpose—bringing about "behavioural change" in women with a weak "attachment" to the workforce. This includes those who don't work prior to starting a family, as well as the 28 percent of women who don't take any parental leave, mostly because they resign from their job during pregnancy or around the birth of their child. These mothers are regarded as an untapped source of cheap labour that can be opened up by the introduction of the PPL.

Every aspect of the parental leave scheme was assessed in terms of its impact on the competitiveness of Australian capitalism. While the commission acknowledged that there was "compelling" scientific evidence that a period of at least 26 weeks is most beneficial to the health and well being of mothers and their babies, it recommended an 18-week parental leave period on the grounds that research indicated that this was optimal for stimulating workforce participation. Longer periods have a negative impact.

Based on overseas experience, the commission estimated that paid parental leave will increase lifetime workforce participation by an average of six months per woman, boosting the female labour supply by around 1 percent. Buried in the commission's report—and ignored by the media, parliamentary parties, and the trade unions—is the forecast that this increase in supply will result in average "long run wages" falling by 2 percent. This underscores the reality that the PPL scheme has been deliberately designed to boost corporate profits by undermining the wages and conditions of working women.

Those in usually low-wage casual and part-time jobs are the central target. According to the Productivity Commission estimates, families with a combined income of between $40,000 and $80,000 are unlikely to opt in to the parental leave scheme because they will be worse off as a result of the withdrawal of other benefits. Mothers or "primary carers" with an income over $150,000 are ineligible. For the majority of working mothers, who take on average 34 weeks of unpaid parental leave (out of a legislated maximum 52 weeks unpaid leave), the scheme will do little to alleviate the existing economic burden. The commission report made clear that parents in a position to finance an extended period off work—through their savings or reduced consumption, accumulated leave, or "borrowings on the basis of housing equity"—will continue to "co-fund" parental leave by drawing on the same resources.

The rationale is that there is little to be gained in workforce participation or productivity terms by providing anything more than token financial assistance to those women who are already strongly "attached" to the workforce, that is, those willing and able to take unpaid leave and then return to work.

The scheme is to be entirely publicly funded, with employers contributing nothing. Employers have no obligation to top up the minimum wage payment to the equivalent of a worker's normal salary. In addition, there is no requirement for those employers who now voluntarily provide paid parental leave to continue to do so, potentially allowing them to reduce costs by forcing staff to rely on the taxpayer funded scheme. No superannuation payments have to be paid during the PPL period, nor do annual and long service leave entitlements continue to accrue.

Working women opting into the scheme will nevertheless receive their leave payments not from Centrelink or the Family Assistance Office but from their employers who will receive the funds in advance from the government. The Productivity Commission report explained that this was necessary to ensure the maintenance of workers' connection to their employer, and ensure that the payments are seen as an "in-work benefit" rather than welfare. All this amounts to a concealed public subsidy for business to reduce staff turnover costs.

There is every possibility that additional pro-business measures will be incorporated into the government's scheme by the time it is due to be implemented in January 2011. Significantly, the Rudd government rejected the Productivity Commission's recommendation for some form of paid paternity leave on the grounds that the "global economic downturn" made it unaffordable. This leaves the door open for the scheme to be further watered down or scrapped altogether as the full impact of the global financial crisis hits Australia.