Australia: Parental leave plan provokes outrage in business circles

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Big business and the national media reacted with fury last week to a proposal by opposition Liberal Party leader Tony Abbott for a parental leave scheme to be funded by a tax on the largest corporations. The reaction demonstrates just how deeply entrenched is the opposition in ruling circles to putting any impost on corporate profits, no matter how minimal, to meet basic social needs. Amid the continuing global economic crisis the demand on governments is to cut debt, slash public spending and reduce corporate costs—not the reverse.

The offending leave scheme proposal—a populist election-year pitch announced at an International Women's Day breakfast—would see leave-taking parents paid their full wage, up to a maximum annual pay rate of $150,000, during the first 26 weeks after their child's birth. But even more troubling for business than the proposal's relative generosity—compared to the poverty-level scheme the Labor government of Prime Minister Kevin Rudd has developed in collaboration with business and the unions—is its proposed funding. The $2.7 billion annual cost of the Abbott plan would be met by a 1.7 percent tax surcharge on the profits of Australia's 3,200 largest companies, effectively a tiny increase in the 30 percent corporate tax rate.

The public response of employer groups has been complete opposition. Heather Ridout, chair of the Australian Industry Group, described the scheme as "flawed, unrealistic and a deterrent to investment in Australia". The Australian Chamber of Commerce and Industry called the policy a "mistake". According to the Business Council of Australia, the proposed scheme would be "unfair" because the costs of parental leave should be shared between employees and employers, and not borne by employers alone.

The media was unanimous in opposition. An editorial in the *Australian Financial Review* last Friday criticised Abbott's plan as "far too generous," contrary to the opposition's "preaching of fiscal restraint" and left no doubt that the newspaper backed Labor's "far more modest scheme". The editorial concluded with a warning: "If Abbott wants to be regarded as a serious contender for the prime ministership, as opposed to a serious irritant, he will have to come up with more credible policies than this." Abbott will no doubt fall into line.

Big business is doubly hostile to Abbott's plan as it cuts across Labor's parental leave scheme which will cost $240 million per year, be funded from general revenue (not by business) and will offer the leave-taking parent the minimum wage ($544 per week) for 18 weeks. Parents who take up this stipend, which counts as taxable income, will lose other welfare entitlements. As a result, according to a Productivity Commission report released last year, families will receive on average only $2,000 in extra income from the Labor policy. Large numbers of poorer families will simply decide they cannot afford to take up the "family friendly" scheme. This is precisely what Labor intends. Its scheme was chosen from a range of Productivity Commission recommendations as the policy most likely to increase workforce participation.

The most scathing response to Abbott's plan came in two columns last week by Peter Hartcher, the *Sydney Morning Herald* political editor. "The Liberal Party has

spent 66 years developing its brand as the party of enterprise and low taxes," he wrote. But by proposing a business-funded parental leave scheme, Abbott has been able to "inflict serious damage to the brand… If Abbott takes this policy to the election, he will have made the Liberals the party of first recourse to taxing the wealth-generators and job creators of Australia. By proposing a $2.7 billion impost on business, Abbott has betrayed the Liberals' core identity."

Hartcher baldly set out the underlying economic imperative, explaining "it took Australia a painstaking 16 years to make its corporate tax rate internationally competitive. Starting in 1986, Labor, then Liberal leaders, gradually cut the rate from 49 percent to 30 percent in 2001, where it remains today." Hartcher criticised Abbott for threatening business' hard fought gains, then pointed out: "Capital is mobile, and an internationally competitive tax rate is central to a country's ability to attract and retain investment. Australia, with a chronic current account deficit, is highly dependent on foreign capital."

The logic is impeccable. In the era of globally mobile capital, the Australian corporate elite must maintain a competitive tax rate to attract the necessary investment that it needs as a matter of survival. Governments, Labor and Liberal, have obliged. In effect, they have handed big business tens of billions of dollars in tax concessions annually since 1986. The former Howard government's decision in 2001 to cut the company tax rate from 36 percent to 30 percent gave Australia the eighth-lowest corporate tax rate in the OECD. But this is a race without a finishing line as governments in other countries respond to defend the position of their financial elites. Australia has slipped back to ninth place and has a rate significantly above the OECD average of 26 percent. What Hartcher ignores is that in Australia, as in every country, it is working people who are compelled to pay for this government largesse to business through cutbacks to public spending, particularly essential services such as health, education and welfare.

As far as Hartcher is concerned, the very idea that social needs should be met by taxing corporate profit is an outrage. In an outburst of exasperation, he exclaims: "If [Abbott] will add 1.7 percent to the corporate tax rate to pay for maternity leave, why not another 1.7 percent to improve Aboriginal health, and another 2.7 percent for hospitals to trump Rudd's policy?" Why not, indeed? If one adds up all of Hartcher's suggestions, it amounts to just over 6 percent—far less than the 19 percent that has been deducted from the corporate tax rate over the past 24 years. In fact, why not go further and insist that corporations be taxed to pay for other much needed services, including free, high quality public education, decent low-cost public housing and efficient, low-cost public transport? If corporations had been taxed last financial year at the 1986 rate of 49 percent rather than the current 30 percent, government income from business would have been $35 billion higher—$91 billion rather than $56 billion. Far from there being "no money" as governments and the corporate press constantly insist, the profits extracted from the labour of the working class are more than adequate to meet social needs.

Hartcher's argument makes clear that the basic social needs of the working class are incompatible with the continued existence of the profit system. In the first decades after World War II, the Labor Party sowed the illusion that it was not necessary to abolish capitalism—resources could be redistributed from the wealthiest layers of society through a progressive tax system to provide for the well being of the needy. Now the corporate elite insists that to be "internationally competitive" the process has to be reversed, resources redistributed up the income scale and what remains of the welfare state dismantled. The necessary conclusion for workers is that to secure their most basic rights requires a struggle against the capitalist system and all of its political defenders to refashion society along socialist lines, not only in Australia but internationally.