

A short note on paid maternity leave in Australia

Submission to the Productivity Commission

Inquiry into

Paid Parental Leave

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Introduction

The Productivity Commission's Issues Paper for this Inquiry (April 2008)¹ lists the baby bonus in Box 2, but there is no discussion of the role of the baby bonus, or its predecessor, the Maternity Allowance. The attachment on "Current parental leave arrangements in Australia and overseas" (pp 20-26) overlooks the history of the baby bonus – a history that is central to the development of the public debate about paid maternity leave Australia, and the de facto implementation of paid parental leave in Australia.

I am moved to put this information forward because I have been fascinated by the way in which an important policy initiative, taken only 13 years ago, seems to have been completely obliterated from public memory.

The purpose of this submission is to draw the Commission's attention to this gap in the information presented. It does not constitute a considered investigation of this history,² but provides sufficient leads for the Commission to investigate this matter.

¹ http://www.pc.gov.au/__data/assets/pdf_file/0011/78491/parentalsupport.pdf

² I am currently occupied with other research and do not have the time.

The introduction of paid maternity leave into Australia in 1995-96

Paid maternity leave was an active matter of public debate in the early 1990s. However the size-distribution of business in Australia, with a very long tail of small and micro businesses meant significant industry opposition to private sector provision of paid maternity leave except in larger businesses for more senior staff.³ Against this background, an alternative model – provision of paid maternity leave through the social security system – was investigated. This model was used in a number of European countries.

This submission has been constructed partly from memory of the policy debates and announcements of the time, and partly from a very brief internet search for materials from the period around 1994-96. It does not cover the transformation of this benefit into what is now called “the baby bonus” under the Howard government.⁴

The important point is that this was a *new* social security payment. As will become clear from the context of its introduction (see below), it was specifically designed to be a social security alternative to private sector provision of paid maternity leave.

Accord Mark VII

In June 1994 the then Prime Minister, Paul Keating, announced that the Accord Mark VII would include in-principle agreement on payment of a maternity allowance *in the spirit of ILO Convention 103* (Cass, 1994: 3).⁵ The context thus included not just the International Year of the Family, but also negotiations between the government and trade unions on market wages and the social wage. It continued the tradition of introducing a range of reforms, such as compulsory superannuation, through the “social wage” elements of the

³ Indeed ILO Convention 103 (Maternity Protection) implicitly recognises the challenges for small employers of paid maternity provisions. Article 4:8 states “In no case shall the employer be individually liable for the cost of such benefits due to women employed by him [sic].” (<http://www.ilo.org/ilolex/cgi-lex/convde.pl?C103> (accessed 28 May 2008)).

⁴ There have been frequent changes to the baby bonus in its 13-year life. In 1997 the payment was split into two parts, with the second payment received only after the infant had received all recommended vaccinations/immunisations. “Maternity Allowance was spilt into two separate parts: the first instalment of \$750 is paid shortly after birth, and the second instalment of \$200 is paid after 18 months subject to the child having received age-appropriate immunisation” (Rodgers and Wilson, 1998). In 2004 it became formally known as the baby bonus, with the infamously irresponsible statement by the then Treasurer, Peter Costello: “have one for mum, one for dad and one for the country”. The amount of the payment was significantly increased.

⁵ ILO Convention 103, inter alia, provides for 12 weeks’ maternity leave during which sufficient income shall be provided to the mother “for the full and healthy maintenance of herself and her child” (Article 4) (<http://www.ilo.org/ilolex/cgi-lex/convde.pl?C103> (accessed 28 May 2008)).

Accords. These social reforms were negotiated as offsets to agreed restraint in the rate of increase of market wages.

Discussion at the time emphasised that Australia, like New Zealand, did not conform to the OECD minimum of 12 weeks' paid maternity leave (OECD, 1990). Cass noted that the costs of such a period of paid maternity leave were generally split between employers, employees and governments, and suggested that Australia could follow this example by "introducing a maternity/parental allowance for early infant care for 12 weeks, as an addition to family payments in the social security system." (Cass, 1994: 13)

When Prime Minister Keating announced the negotiation of this element of the proposed seventh Accord he said:

"the government ... will give consideration to introducing a maternity allowance paid through the social security system, in the spirit of ILO Convention 103 (Maternity Protection)" (quoted in Cass, 1994: 14).

In commenting on this initiative in the June 1994 issue of the *Social Security Journal* – a publication of the Commonwealth Department of Social Security – Cass recommended a universal payment, conditional only on the provision of full-time care to the baby, to be paid for 12 weeks (Cass, 1994: 16). She further recommended that the first six weeks payment be to the mother, with the remainder being to either parent. The National Council for the International Year of the Family (1994) advocated universal paid maternity/parental leave funded through the social security system (Wolcott and Glezer, 1995: 143).

The Maternity Allowance

The result of these negotiations, and the surrounding public debate, was the introduction of a universal Maternity Allowance in the 1995-96 Commonwealth Budget (the last Keating government budget). It was set at a rate equivalent to six weeks of Parenting Allowance, and payable as a lump sum (MacDermott, 1996: 209). While means tested, it was "estimated that 85 per cent of women who gave birth will be eligible for the payment."

(Wolcott and Glezer, 1995: 143). It was immediately referred to popularly as a “baby bonus” despite the formal name “maternity allowance”.⁶

In the report of a major Australian Institute of Family Studies (AIFS) project on work and family, Wolcott and Glezer provide information on the intent underlying the introduction of the Maternity Allowance:

"In acknowledgement that the majority of Australian women are not entitled to paid maternity leave, a Maternity Allowance was announced in the 1995-96 Budget to take effect in February 1996. The Maternity Allowance was introduced as part of the Accord wages and salaries agreement with the ACTU."

(Wolcott and Glezer, 1995: 143, emphasis added)

There were, however, immediate criticisms that this payment could not be considered to be an alternative to paid maternity leave as it did not replace income for paid workers (MacDermott, 1996: 210). This argument – that the payment could not be seen as forming a base paid maternity leave provision because it was also provided to women not in the paid workforce – is an very narrowly market-oriented view, which ignores the social value of the unpaid work done by women at home. The universality of the payment recognises the important social value of full-time care of very young infants.

A more cogent criticism might have been that the level of payment, at 6 weeks' social security income, was insufficient to cover the minimum ILO 103 recommendation of 12 week's (unpaid) maternity leave. It did, however, align with Article 3:3, that the minimum period of leave after the birth of the child should be six weeks.

Criticism that the level of payment is inadequate is no longer well founded, as the amount payable has steadily increased. From 1 July 2008 the level of payment for the baby bonus (now the official as well as the popular name) will rise to \$5,000.⁷ This is equivalent to just

⁶ While it would be highly relevant to see the wording used by the government in introducing this initiative, internet resources do not allow access to the formal budget papers for 1995-96 and earlier years.

⁷ http://www.centrelink.gov.au/internet/internet.nsf/payments/pay_how_maty.htm

over 18 weeks' income at the current Parenting Payment level.⁸ Furthermore, the income test has been removed from the baby bonus, making it universally available.⁹

Interpreting the Baby Bonus in its Historical Context

Recognition of the public debate occurring prior to the initial introduction of the Maternity Allowance – specifically its consideration in the context of the negotiations of the Accord Mark VII – makes it clear that this new payment was designed to begin the process of a social security-based implementation of paid maternity leave in Australia. It was negotiated as an offset to an increase in market wages, as was the earlier move to compulsory superannuation.

The Australian baby bonus parallels the social security provision of paid maternity leave in some European countries, except that in many European countries the level of payment is earnings-related (Wolcott and Glezer, 1995: 150-151).¹⁰ Commentators at the time, such as Wolcott and Glezer, clearly identified the Maternity Allowance as a step towards universal paid maternity leave in Australia. The very substantial subsequent increase in the amount of the maternity leave payment means that currently it provides the equivalent of over 18 weeks' income, albeit at the level of a social security income. To suggest, as many do, that Australia does not currently have paid maternity leave is to ignore the very substantial outlay by Australian taxpayers providing a sum equivalent to over 18 weeks' income for all mothers of new babies.

Early criticisms of the then Maternity Allowance as an approach to paid maternity leave revolved around its payment as a lump sum, and its universality. The payment of a benefit as a lump sum or as a series of weekly or fortnightly payments is a simple design issue.

The universality of the payment raises issues about double-dipping, and about appropriate arrangements for new mothers/parents who are not in the paid workforce. The benefit as it currently exists involves double-dipping for two groups: the better-off group who receive paid maternity leave from their employer in addition to the baby bonus, and a lower-income

⁸ The current level of Parenting Payment (single) is \$546.80 a fortnight (<http://www.centrelink.gov.au/>, and links through Parenting Payment, accessed 27 May 2008).

⁹ http://www.centrelink.gov.au/internet/internet.nsf/payments/pay_iat.htm (accessed 31 May 2008).

¹⁰ Many European countries have contributory social security systems, and these involve differential contributions as well as differential benefits. Australia's social security system, in contrast, is funded from general revenue, and payments are generally means-tested (though not the baby bonus).

group who are in receipt of ongoing income in the form of Parenting Payment or other forms of social security benefits or pensions and who are also paid the baby bonus.

The Productivity Commission Issues Paper indicates that 44 per cent of Australian working women have access to employer-funded paid maternity leave as an employment condition (page 22). The double-dipping at the top end of the scale therefore seems very substantial. Formal recognition that the baby bonus is a social security based implementation of paid maternity leave would allow the introduction of offset arrangements to curtail such double access to benefits.

There is also a line of argument that rejects accepting the Maternity Allowance / Baby Bonus as de facto implementation of paid maternity leave because it is also provided to new mothers not in the paid workforce. However the important contribution to net social welfare provided by unpaid work in the home and community is now generally recognised. Payment of the maternity leave on a universal basis formally recognises this important contribution, and thus contributes to a more equal valuing of the work done by women and men.

References

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