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Senate Inquiry
Paid Parental Leave
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

By on-line submission through <https://senate.aph.gov.au> website

Dear Sir / Madam,

SUBMISSION ON PAID PARENTAL LEAVE BILL

I wish to make the following public submission to the Senate's Inquiry into the recently released Paid Parental Leave ("PPL") Bill.

Eligibility Requirements

Under the PPL scheme introduced by the Bill, mothers must meet the following requirements to be eligible for PPL:

1. Have worked continuously for at least 10 of the past 13 months prior to birth of the child (working at least 330 hours in that 10 month period);
2. Have an individual income at or below \$150,000.00;
3. Live in Australia and meet the necessary residency requirements.

Discriminatory Impact of the Work Test

The work test included in the Bill (outlined at point 1 above) discriminates against many mothers.

Some mothers are rendered so ill by continuous "morning sickness" or serious medical conditions throughout their pregnancies that they cannot meet the work test even if they wished to work and there was work available.

The PPL scheme also discriminates against women who are not in the paid workforce because they are busy caring for other young children during their pregnancies. These women have usually chosen to undertake this vital work of caring for and raising the next generation as they wish to give their children the best start in life.

These women are usually working long hours as nannies, cooks, drivers, cleaners and

pre-school educators in the normal course of caring for their children. The only difference is that these women are not paid for their labour.

The PPL scheme contained in the Bill merely reinforces this inequity by containing a work test which only recognises work done “for financial reward or gain”. The PPL scheme must be non-discriminatory and allow women the freedom to choose the best care option for their children without forcing them into the paid workforce.

Mothers should be treated equally, regardless of their work choices.

Lack of a minimum income test

The Bill’s PPL scheme sets no minimum income test before the PPL is paid. It would therefore be possible for a woman in the paid workforce to not pay any tax but still be entitled to the full PPL.

For example (using 2009 financial year tax rates), a woman working part-time one day a week and earning \$14,000.00 a year would not pay any tax at all due to the impact of the Low Income Tax Offset. Despite not paying any tax, such a woman would still receive the full PPL.

On the other hand, a woman who is employed full-time at home in an unpaid capacity would similarly not pay any tax but the PPL’s work test would deny the PPL to such a woman.

The PPL is also available to self-employed women working in a family business, even if that business does not generate any income. If a woman works 1 day a week in a direct selling / Amway-type business which generates no income after expenses are taken into account, that woman would be eligible for the PPL despite not being involved in a profitable business. Yet a woman who works full-time providing valuable services to her children for no pay does not qualify for the PPL.

These inequities of the PPL do not have any logical basis, and also highlight how the PPL is likely to be significantly more expensive for the government than originally foreshadowed.

Increased Costs to Government

The work test in the current PPL scheme would force women into the paid workforce who are currently caring for their own children at home. Most of these children will then be placed in institutionalised child care.

Financially, the main negative impact of increased levels of institutionalised child care is the increased cost of funding increased childcare places.

According to data contained in the 2011-2012 Federal Budget estimates, each institutionalised child care place costs approximately \$6,041.00 to fund each year.

The cost of this government funding is continuing to rise over time. Parents are no

better off, since child care centres have developed the habit of increasing their fees as government funding increases.

In addition, studies show that children cared for at home achieve significantly better social and educational outcomes than children cared for in institutionalised child care.

I believe the government should be encouraging mothers to care for their children at home so as to allow these women the opportunity to bond with their children and give their children the best chance to achieve their best social and educational outcomes. In addition, there would be significant cost savings to the government in having to fund fewer institutionalised child care places.

Introducing a PPL such as that contemplated by the Bill will escalate costs to government significantly since:

1. Childcare services currently provided by mothers free of charge at home would have to be outsourced to institutionalised child care centres subsidised by the government;
2. Volunteer work currently provided by mothers in school tuckshops, classrooms, etc will have to be done by paid government employees; and,
3. If mothers forced into the paid workforce displace other job seekers, there will be increased costs to government in having to fund unemployment benefits for these disappointed job seekers.

A better, cheaper and simpler alternative

The proposed two-tiered birth benefit model (PPL vs baby bonus) has more costs than benefits and will need to be funded through higher taxation or spending cuts to other programs as more women are financially pressured to qualify for the higher benefit.

I believe there is a fairer, cheaper and simpler alternative to the PPL proposed in the Bill. A better PPL should simply be an overhaul of the existing baby bonus scheme. The baby bonus / PPL could be increased to approximately \$6,000.00 and made available to all parents, regardless of their work status. This would provide an increased fertility incentive without increasing the cost of the scheme beyond the total cost of the proposed PPL and the existing baby bonus schemes.

Paying the PPL to all parents would remove any discrimination between different women and avoid the illogical and inequitable results which would be produced by the Bill's PPL scheme.

It would also be simpler to administer since there would be no onerous work test to audit. There would be no need for inspectors to audit a range of new self-employed "businesses" to determine if they are real businesses and not shams. There would be no need for those inspectors to also audit home businesses to try to determine if 330 hours of work had been undertaken in the relevant 10 month period.

Consequently, a simpler PPL scheme would also be much cheaper to administer as it would not require a large bureaucracy of auditors and inspectors. It would also be more efficient since less government expenditure would be required to get these funds to mothers.

There would also be savings to government by tailoring the PPL scheme to the existing baby bonus scheme since it would not involve creating an entirely new bureaucracy, payment scheme or eligibility scheme. It would also avoid the additional compliance costs placed on businesses and employers by the Bill's PPL scheme since employers will not need to be responsible for paying PPL instalments as required by Part 3-2 of the Bill.

I would therefore submit that the PPL must be amended to make it a flat-rate, non-discriminatory payment made to all mothers. This would make it much fairer than the proposed PPL, as well as being simpler and cheaper to administer and fund, as outlined above.

Yours faithfully,

Suryan Chandrasegaran