

News release

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Maternity Leave: Affordable HECS Alternative, or Top Up

An innovative HECS style loan scheme to fund paid maternity leave is proposed in the September issue of The Australia Institute's newsletter released today.

The scheme for paid maternity leave financed in part by subsidised loans is put forward by Dr Bruce Chapman of the Centre for Economic Policy Research at the ANU. Dr Chapman was the architect of Australia's Higher Education Contribution Scheme (HECS) in the Hawke Government.

His paid maternity loan option is based on cheap negotiable loans with repayments determined by a mother's or partner's future income.

Institute Director Dr Clive Hamilton said: "Dr Chapman's proposed income contingent loans provide an innovative way out of the maternity leave maze.

"Most importantly, it is affordable."

Dr Chapman said the scheme recognises that families benefit also from paid maternity leave, and offers an optional method in which parents could help finance paid maternity leave beyond 14 weeks. It involves the government distributing financial assistance in the period of leave, but with parents repaying some part of this if and when future incomes exceed a certain level. In this respect it is like HECS.

He described a possible example of how the scheme might work. A family would apply for a loan paying, say, \$1000 per month for nine months of leave and would not have to begin repaying until either the mother or her partner's income reached, say, \$38,000. If the government subsidised the loan by requiring only \$6,000 of the \$9,000 to be repaid, there would be a \$27 a week repayment for four years after the leave finished. Dr Chapman stressed that the example is illustrative only, and noted that loan subsidies, repayment levels and amounts were all matters for government.

"The Australian Government has a proven capacity to collect income contingent loans", Dr Chapman said. "The circumstances for PML are very similar to the sorts of problems facing students. Without government intervention parents wishing to take leave for child-rearing purposes face unpalatable alternatives – a period of reduced incomes, running down savings or extended borrowing from a bank.

"Government-sponsored income related loans could help resolve the issue. As well, they could be used as a top-up to other schemes, and thus allow mothers to extend periods of leave.