Note on proposals to change the Paid Parental Leave (PPL) scheme: Budget 2015

What is proposed?

The details are sketchy so far. The Budget papers state:

- The Government says it will achieve savings of $967.7 million over four years by removing the ability for individuals to ‘double dip’ when applying for the existing Government Parental Leave Pay (PLP) scheme, from 1 July 2016.
- Currently individuals are able to access Government assistance in the form of PLP, in addition to any employer-provided parental leave entitlements.
- The Government will remove the ability for individuals to take payments from both their employer and the Government.
- The Government will ensure that all primary carers would have access to parental leave payments that are at least equal to the maximum PLP benefit (currently 18 weeks at the national minimum wage).

What we don’t know

- It is not clear how the Government proposes to administer the changes to the scheme. Nor is it clear what the costs of the new administrative arrangements would be.
- It is also not clear how employers will react. If, as Kate Carnell of the ACCI suggests\(^2\) some employers withdraw their own PPL schemes (i.e. those in company policy, not enterprise agreements (EAs) which are obligatory to pay) allowing their employees to access the Government scheme, then the savings to Government will be less than estimated in the Budget.
- Unions & employers may also work to renegotiate EAs to redirect money spent on company PPL to other benefits, where employees will receive a benefit and be able to also collect the Government payment.
- It is not clear how many women will need to return to work at 18 weeks, rather than later, and therefore what additional child care places for infants will be needed.
- It is not clear which women will decide to leave the workforce completely, therefore preventing the government from achieving another of its objective of increasing female workforce participation.

\(^1\) See in full at Appendix 1 below

How will new mothers be affected?

Public sector women employees: 76.7% reported access to Paid Maternity Leave (PML).
Private sector women employees: 44.1% reported access to PML.
Of all employees: 51.4% reported access to PML.³

Below are Mercer’s calculations of how some corporate sector employees may be affected.⁴

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Corporate PPL Median</th>
<th>Commonwealth PPL Scheme</th>
<th>Combined PPL</th>
<th>Income Cover during PPL as % of Income⁵</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Existing Provision</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>200,000</td>
<td>46,154</td>
<td>46,154</td>
<td>23%</td>
<td></td>
</tr>
<tr>
<td>150,000</td>
<td>34,615</td>
<td>11,539</td>
<td>34,616</td>
<td>31%</td>
</tr>
<tr>
<td>100,000</td>
<td>23,077</td>
<td>11,539</td>
<td>34,616</td>
<td>35%</td>
</tr>
<tr>
<td>50,000</td>
<td>11,538</td>
<td>11,539</td>
<td>34,616</td>
<td>46%</td>
</tr>
<tr>
<td><strong>Probable Impact of Budget Proposal</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>200,000</td>
<td>46,154</td>
<td>46,154</td>
<td>23%</td>
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</tr>
</tbody>
</table>

Source: Mercer ‘2015 Federal Budget: Implications for superannuation funds, employers and individuals’ Table 3, p. 15.

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⁵ These figures represent the proportion of the annual wage replaced by PPL payments.
Background to the scheme

PPL came into effect on 1 Jan 2011 (Paid Parental Leave (PPL) Act 2010)\(^6\) after a lengthy and thorough inquiry by the Productivity Commission (PC) in 2008/09 resulting in their 2009 report Paid Parental Leave: Support for Parents with Newborn Children.\(^7\)

The current PPL scheme provides eligible employees and the self-employed with:

- 18 weeks pay at the national minimum wage (NMW) for the primary carer of a newborn or recently adopted child: the mother may transfer some or all of this to the father/her partner.
- Two weeks pay at the NMW for fathers and partners including same-sex partners: this cannot be transferred to the primary carer.

Under the Fair Work Act (2009):

- **12 months job protected unpaid leave** from work is also provided to employees for leave associated with a birth/adoption, where the leave taker is the primary carer.
- **A further 12 months may be requested** by the partner who has used their 12 months entitlement, with a limit of 24 months leave per couple\(^8\)

What are the aims of the PPL Act 2010?

Importantly for the current debate, PPL Act 2010 objectives include (s.3A):

(1)....to **provide financial support to primary carers** (mainly birth mothers) of newborn and newly adopted children, in order to:

- (a) allow those carers to take time off work to care for the child after the child’s birth or adoption; and
- (b) enhance the health and development of birth mothers and children; and
- (c) encourage women to continue to participate in the workforce.

(3) **The financial support provided by this Act is intended to complement and supplement existing entitlements to paid or unpaid leave in connection with the birth or adoption of a child.**\(^9\)

These aims broadly reflect those set out in the PC report (see below).

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\(^8\) The 24 months includes any of the 8 weeks taken of the concurrent unpaid leave provided for fathers/partners when they are not the primary carer.

\(^9\) S 3A PPL Act 2010.
The 2009 PC report on PPL: Support for Parents with Newborn Children

1) The PC report stated those ‘with access to privately negotiated paid parental leave schemes would still receive statutory parental and paternity leave payments’ (provided they met the eligibility conditions such as the work test) (at 2.2)

After extensive examination of the benefits of exclusive breastfeeding and parental care for infants in the first six months of life, the PC decided 18 weeks government funded PPL would allow for almost all families ‘with parents co-funding options (self and employer funded leave)’ to achieve the recommended 6 months’ time away from work (4.1)

The extensive and high quality independent evaluation\(^{10}\) of the scheme funded by the government found that:

- ‘PPL had a clear effect of delaying mothers return to work up to about six months after the birth of their baby, and then slightly increasing the probability of returning to work before the baby’s first birthday.’
- For example by 18 weeks following the birth of their child 85% of post-PPL mothers had not returned to work compared to 78% of pre-PPL mothers.
- The impact ‘was most pronounced amongst mothers on lower incomes and with lower formal education’ (including casuals)

Other data

Proportion of women employees with some paid maternity leave: 51% of female employees reported in August 2013 they were entitled to paid maternity leave.\(^{11}\)

A fair proportion of lower paid women have some paid entitlement: eg one third of those earning $400-500pw.\(^{12}\)

In November 2011, there were 523,300 mothers in Australia with a child aged less than two. Over two thirds (68% or 357,500) of these women had a job during their pregnancy.\(^{13}\)

There were 308,100 births in 2013.\(^{14}\)

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\(^{11}\) See fn. 3.

\(^{12}\) Table 20 of EEBTUM (see fn 3) provides the percentage of women with PML by income level. These weekly income levels will include women who may work part-time in better paid jobs or have better off partners.


Australian Public Service (APS) at a glance

At 30 June 2014 there were 159,126 employees in the APS (FT & PT) of whom 145,891 were ongoing employees.

- Women make up 57.6% of ongoing APS employees.
- In general, women are still employed at lower classification levels than men. ‘The highest concentration of women is at …APS 4 (24.6%) and APS 6 (21.0%)’
- Of 145,891 ongoing employees 71.2% are APS 6 or below.

For more information on public servants generally see Dr Sue Williamson’s piece in the Conversation.

Other issues

The cost (to immediate finances and career advancement) of stopping work for up to 12 months and then of part-time work to care for children is far larger than any payment anyone receives from both public & private PPL at present: this change will set women back whereas the payment for small business investment is likely to be more advantageous to men than women. Currently:

- 18.8% is the gender pay gap between average weekly full-time earnings in 2015
- 45.7% was the superannuation gender gap in 2011-12

Superannuation contributions during the statutory parental leave payment period are not required to be paid by employers or government.

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15 From the APS Statistical Bulletin

16 WGEA:

17 WGEA, from data produced by the Australian Superannuation Funds Association
Some of press statements:

11 May 2015. Radio Interview with Minister Morrison¹⁸

“And we just don’t think it’s fair that if you’re getting a paid parental leave payment from your employer which is more than what you’d get from the taxpayer then you’re able to turn up and say well I’ll take my $20,000 from my employer, which is usually the Government because its public service type arrangements or it’s big corporates, and turn around and say and I want $11,000 from the taxpayer as well.

What we are going to do is make sure that if you get a paid parental leave payment from your employer, which is less than the general entitlement well it will be topped up to that general entitlement. Now that will effect some 45,000 odd people and then you’ve got around 34,000 people who are basically getting some 11,000 more or there abouts from the taxpayer. We just don’t think that’s fair.”

11 May 2015 Interview on Sky News with Minister Morrison ¹⁹

GILBERT: Sometimes employers don’t give generous programmes. I know of a lawyer in Canberra she gets six weeks, how is that generous?

MINISTER MORRISON: Well she will get the balance through the paid parental leave scheme which is provided by the taxpayer. She will get the same thing as someone working for the bakery and that’s the important thing here we are getting rid of what is an inequity and frankly in many cases I think is a rort.

## APPENDICES

### APPENDIX 1

Budget Paper No 2 states\(^\text{20}\)

**Removing Double-Dipping from Parental Leave Pay**

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<thead>
<tr>
<th>Expense ($m)</th>
<th>2014-15</th>
<th>2015-16</th>
<th>2016-17</th>
<th>2017-18</th>
<th>2018-19</th>
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<td>Department of Human Services</td>
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<td>5.4</td>
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<td>2.4</td>
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<td>Department of Social Services</td>
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<td>-</td>
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Total — Expense

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<tr>
<td>-</td>
<td>9.8</td>
<td>-467.6</td>
<td>-592.8</td>
<td>-617.1</td>
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**Related revenue ($m)**

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<td></td>
<td>-</td>
<td>-</td>
<td>-200.0</td>
<td>-250.0</td>
<td>-250.0</td>
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</table>

**Source:** Budget Paper No.2, 2015---16 Budget Measures, pp.168

APPENDIX 2

PPL Act 2010 (as amended)

3A Objects of this Act

(1A) This Act establishes a paid parental leave scheme with 2 payments—parental leave pay, and dad and partner pay.

(1B) The objects of the paid parental leave scheme are to:
   (a) signal that taking time out of the paid workforce to care for a child is part of the usual course of life and work for both parents; and
   (b) promote equality between men and women and balance between work and family life.

(1) The object of parental leave pay is to provide financial support to primary carers (mainly birth mothers) of newborn and newly adopted children, in order to:
   (a) allow those carers to take time off work to care for the child after the child’s birth or adoption; and
   (b) enhance the health and development of birth mothers and children; and
   (c) encourage women to continue to participate in the workforce.

(2) The object of dad and partner pay is to provide financial support to fathers and partners caring for newborn or newly adopted children, in order to:
   (a) increase the time that fathers and partners take off work around the time of birth or adoption; and
   (b) create further opportunities for fathers and partners to bond with the child; and
   (c) allow fathers and partners to take a greater share of caring responsibilities and to support mothers and partners from the beginning.

(3) The financial support provided by this Act is intended to complement and supplement existing entitlements to paid or unpaid leave in connection with the birth or adoption of a child.

9 June 2015