



ANALYSIS OF THE IMPACT OF THE GOVERNMENT'S PROPOSED CHANGES TO PAID PARENTAL LEAVE ON KEY WORKERS IN SOUTH AUSTRALIA

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Executive Summary

The current paid parental leave (PPL) system commenced operation in January 2011, after the Productivity Commission recommended a system that allowed for the combination of government and employer provided paid leave. In making their recommendations, the Productivity Commission highlighted the importance of new parents attaining a minimum of 26 weeks post-natal paid leave. This period is considered important for health and welfare reasons for both a baby and new mother.

The current PPL system provides 18 weeks government pay at the national minimum wage, to be used in combination with any leave the eligible parent has secured in employment agreements or policies. This system was specifically designed to enable more new parents to reach 26 weeks or more of paid parental leave by adding their employer paid leave to the 18 weeks of government provided parental leave pay.

Under the changes proposed by the government in November 2016, the combined paid leave available to any of the eligible parents will be capped at 20 weeks. The response from employers is as yet unclear. Employers may offer more than 20 weeks, but in that case employees would receive no payment from the Government's scheme.

While offering a small benefit to many parents of two additional weeks at the national minimum wage, this change will prevent tens of thousands of working parents from utilising provisions negotiated into their employment arrangements (often in lieu of other entitlements) to extend the time they can afford to care for their newborn. It will also hinder parents from achieving the recommended 26 weeks + minimum exclusive postnatal care period.

Approximately 160,000 familiesⁱ accessed PPL in 2015, and approximately 50 per cent of women receive some employer PPL. Media reports suggest that **under a 20-week capped system 72,000 families will have their parental leave cut.**ⁱⁱ

Analysis of impacts on different workers outlined below shows that, among others, we can expect that women who are in occupations who provide care and nurturing to other families' children, such as **nurses, teachers and ambulance service workers, will be hit hard by the proposed changes. In the sample scenarios modelled below the workers affected are on annual salaries of between \$37,000 and \$50,000.**

Under the government's proposed cuts, the families modelled in the below scenarios would be left with leave income that is the equivalent of just 8 – 11 weeks of living costs for their families. That's less than half of the 26 weeks experts recommend. The financial loss suffered by these families would be \$9,408.

Given this modelling and based on what we know about how women in Australia use paid parental leave, we expect the changes will:

- prevent more women from spending critical time at home with their newborn baby;
- or lead to financial duress for those who try to take the leave periods recommended by health experts;
- reduce the number of women able to afford to stay at home for 26 weeks and thus adversely impact on the health and welfare outcomes of new babies and mothers;
- increase demand for childcare for the very young, in a system that is already struggling to keep up with demand.

As a result of the cuts to their income which will occur if these changes to the Paid Parental Leave system are introduced, we also anticipate negative flow on impacts for new families and the communities in which they live.

About Paid Parental Leave

Paid parental leave (PPL) is an employee benefit available in most countriesⁱⁱⁱ. PPL is usually a government provision which aims to assist parents to afford time to care for newborn children, and provide them the care required for health and welfare benefits, while also maintaining the employment connection. In Australia the objectives of the PPL scheme are explicit in the Act. They are to:

- allow those carers to take time off work to care for the child after the child's birth or adoption,
- enhance the health and development of birth mothers and children,
- encourage women to continue to participate in the workforce, and
- promote equality between men and women, and the balance between work and family life.^{iv}

The changes currently being proposed to our parental leave system undermine these objectives. In Australia 99% of those who access the Government's Paid Parental Leave system are women. Therefore, any cuts to paid parental leave can be expected to disproportionately affect women, negatively impacting their finances and potentially their ability to participate in the workforce. Cuts to PPL will mean reduced family income, potentially forcing mothers to return to work earlier and to spend less time at home with their newborn baby.

In international studies, paid parental leave has been shown to have several positive social and economic outcomes.^v It:

- relieves some of the time and income pressure placed on women and families when they welcome a new child;
- makes it possible for an average family to maintain employment continuity while providing quality care for a new infant;
- enhances child and maternal health and development;
- improves women's workforce participation and economic growth ;
- increases gender equity through improving work/family balance.

Paid Parental Leave in Australia

Following a comprehensive review of the available research and after widespread consultation, in 2009 the Productivity Commission^{vi} recommended a paid parental leave system for Australia which provided government parental leave pay and recommended it be combined with employer paid parental leave where provided. The Paid Parental Leave Act was subsequently introduced by the Labor Government in 2010 and government payments commenced in January 2011.

A rigorous review^{vii} of Australia's current PPL model has shown it:

- Provided working parents with income security and the opportunity to spend time caring for their new babies. This was shown to be especially important for low income mothers;
- Produced small improvements in mothers' physical and mental health, extended breastfeeding duration, and led to slight improvements in babies' health;
- Allowed more mothers to delay their return to work and as a result delayed infants' entry into formal childcare and thus also delayed their exposure to potential infection;
- Significantly slowed the rate at which parents had to end their exclusive care of a newborn to return to work, up to about 6 months following a birth;

- Improved mothers' perceptions of their career prospects;
- Reduced the proportion of mothers who felt rushed and pressed for time due to additional time and income security provided by PPL.

PPL also has the potential to enable mothers to remain part of the workforce after having children. Recent research has emphasised the importance of more women entering Australia's workforce in order to improve our GDP^{viii}. Taking parental leave allows for continuity of participating in the workforce and allows women to sustain their relationship with their employer, increasing their chances of return to work.

Importance of 26 weeks

In making the recommendations that led to the current PPL model, the Productivity Commission highlighted the importance of new parents attaining 26 weeks or more post-natal paid leave. And noting that the "average desirable duration of postnatal absence from work would be around six to nine months."^{ix}

Being able to spend this time at home to care for a new baby is important for health and welfare reasons of the primary carer and newborn. It is also important in supporting new mothers to breastfeed and bond with their infant. The Australian National Health and Medical Research Council^x recommends that infants be exclusively breastfed to around 6 months of age. Breastfeeding has positive effects on the nutritional, physical and psychological well-being of the infant. The World Health Organisation recommends 26 weeks of exclusive breastfeeding^{xi}. The NHMRC also warns parents that sub-optimal infant feeding is responsible for 45% of neonatal infectious deaths, 30% of diarrhoeal deaths and 18% of acute respiratory deaths in children under five years.

The Australian paid parental leave model was specifically designed to enable women to reach 26 weeks or more of paid parental leave by adding their employer paid leave to the 18 weeks of government pay.

Proposed Cuts to the PPL model

Under the proposed cut to the parental leave system, the Government payment would be increased from 18 weeks to 20 weeks for some working parents, but would cap the available combined time for all eligible workers at 20 weeks.

For any workers who seek to utilise parental leave negotiated into their employment agreements (which have often been negotiated in lieu of other benefits), they will have an equivalent number of weeks cut from their government provided leave (deducted from 20 weeks).

The proposed changes would also include a positive change to the eligibility rule for a break in work - from 8 to 12 weeks, allowing some women who are currently ineligible for paid parental leave because they have breaks in work longer than 8 weeks, to access the government parental leave pay (for example jockeys). It is possible that some workers, such as casual academics, will still be ineligible because the break between semesters over the summer is longer than 12 weeks.

The Impact of the New Proposed Change

Under the new proposed cuts, 72,000 families are expected to have their parental leave cut.^{xii} The amount taken away from these families will depend on how many weeks of paid parental leave they have from their employer, in either their award, enterprise agreement or company policy. Women who are paid lower wages and who have some weeks of employer provided paid parental leave negotiated into their employment contracts will be, in relative terms, hit hardest by these cuts.

The analysis of impacts on key workers in community service roles below shows that, among others, we can expect that nurses, teachers and patient transport officers will be hit hard by the proposed changes – and that, if implemented, the proposed cuts will reduce the amount of time new parents working in these roles can afford to spend at home caring for their new baby. Furthermore, these are not highly paid. The annual incomes in these three scenarios range from \$37,000 to \$50,000.

Primary carers in these roles would all be left well short of the leave payments reasonably expected to support them to stay home with a new baby for the minimum 26 weeks recommended by experts (see explanation above), with their access to income reduced to 20 weeks, or the equivalent of just 8 – 11 weeks of living expenses for families in their situation.

Given our modelling and based on what we know about how women in Australia use parental leave, we expect the changes will:

- prevent more women from spending critical time at home with their new baby; lead to financial duress in the households affected;
- reduce the number of women able to afford to stay at home for 26 weeks and thus adversely impact on the health and welfare outcomes of new babies and mothers;
- increase demand for childcare for the very young, in a system that is already struggling to keep up with demand.

Access to good paid parental leave is not only critical for ensuring the next generation has a bright future; but also for tackling financial inequality faced by women. Right now 99% of those accessing paid parental leave are women, and given economic disparities in women and men's working lives often start at motherhood, we can expect these cuts will disproportionately hit women. Including those who spend their working lives in service of others' children.

It's critical to remember that the current paid parental leave scheme was introduced as a stepping stone to be built upon, to allow more parents to be able to afford to spend the recommended 26 weeks at home caring for their new baby. This proposed cut drags us in exactly the wrong direction and can be expected to have negative impacts on our country, community, and new mums and dads.

Scenario 1: Part-time Nurse in South Australia

This scenario models the impact of the government's proposed cuts on a mother who works part-time (3 eight-hour shifts a week) as a nurse. She lives with her partner and their newborn in South Australia. For her work, this mother earns about \$30 per hour and she is entitled to up to 16 weeks of employer PPL. This amounts to \$11,520. Under the present PPL model, the government also provides 18 weeks pay at the national minimum wage, equal to \$12,096. Therefore the total support she would currently receive from her employer and the Government is \$23,616 - equivalent to about 14 weeks of their living costs.

With the proposed cuts, the period of combined parental leave income would be capped at 20 weeks. Given the mother's employment agreement provides 16 weeks of leave, she would have her government leave cut to 4 weeks, and the amount of income support she would have access to during the critical first months with her baby would be reduced to \$14,208.

According to Australian Bureau of Statistics data average living expenses^{xiii} in South Australia for this type of household (plus child costs) are \$1,705, which means that under the new model, this mother would receive income equivalent to just **8 weeks** of family living expenses^{xiv}. This family would lose \$9,408 of parental leave income – an amount equivalent to 25% of the mother's annual salary.

| Mother works part-time (3 shifts a week) as a nurse in South Australia | Part-time |
|---|----------------|
| Average hourly pay rate* | \$30 |
| Worked hours/week | 24 |
| Average weekly earnings | \$720 |
| Average annual earnings^ | \$37,440 |
| Employer PPL weeks^ | 16 |
| Employer PPL total value | \$11,520 |
| Current PPL model | |
| Government weekly Parental Leave Pay rate (at the minimum wage, for up to 18 weeks) | \$672 |
| Government PPL weeks | 18 |
| Government PPL total value | \$12,096 |
| Total current PPL (Government pay topped up by Employer) | \$23,616 |
| Weeks of average living costs covered under the existing model | 14 |
| Hypothetical 20 week PPL model | |
| Government PPL in weeks (20 minus weeks of employer provided PPL) | 4 |
| Government PPL total value (weekly rate at minimum wage) | \$2,688 |
| Total new PPL(Government pay & Employer) | \$14,208 |
| Weeks of living expenses covered under the new model | 8 |
| Weeks of income lost under proposed new model | 14 |
| Financial loss for the new parent | \$9,408 |
| Living costs | |
| Average weekly expenditures for a couple with children household in South Australia | \$1,561 |
| Average weekly cost of child 0-4 yo | \$144 |
| Total average weekly costs (weekly expenditures plus child costs) | \$1,705 |
| Weeks of average living costs lost as result of government's PPL cuts | 6 |

Scenario 2: Patient Transport Officer in South Australia

This scenario models the impact of the government's proposed changes on a mother working full-time as a patient transport officer in South Australia. She lives with her partner, their 5 year old daughter and their newborn baby. This mother earns \$23 per hour and as part of her employment package, her award includes 16 weeks of employer PPL, which amounts to \$13,826. Under the present PPL system, that employer provided income is supplemented by an additional 18 weeks of pay at the national minimum wage, which is \$12,096, from the Government. With the proposed cuts to government contribution, the leave income available to this parent would be capped at 20 weeks. Given the mother has 16 weeks of leave negotiated into her employment contract, if she utilises this her government parental leave would be cut down to 4 weeks.

According to Australian Bureau of Statistics data average living expenses^{xv} (plus child costs) in South Australia, for this type of household weekly living expenses in South Australia are \$1,705, which means that under the new model, this mother would be left with the equivalent of just **10 weeks** of family living expenses^{xvi}. This family would lose \$9,408 of parental leave income – an amount equivalent to 21% or one-fifth of the mother's annual salary.

| Mother working full-time as a patient transport officer in South Australia | Full-Time |
|---|----------------|
| Average hourly pay rate* | \$23 |
| Worked hours/week | 38 |
| Average weekly earnings | \$864.12 |
| Average annual earnings^ | \$44,934 |
| Employer PPL weeks^ | 16 |
| Employer PPL total value | \$13,826 |
| Current PPL model | |
| Government weekly Parental Leave Pay rate (at the minimum wage, for up to 18 weeks) | \$672 |
| Government PPL weeks | 18 |
| Government PPL total value | \$12,096 |
| Total current PPL (Government pay topped up by Employer) | \$25,922 |
| Weeks of average living costs covered under the existing model | 15 |
| Hypothetical 20 week PPL model | 20 |
| Government PPL in weeks (20 minus weeks of employer provided PPL) | 4 |
| Government PPL total value (weekly rate at minimum wage) | \$2,688 |
| Total new PPL(Government pay & Employer) | \$16,514 |
| Weeks of living expenses covered under the new model | 10 |
| Weeks of income lost under proposed new model | 14 |
| Financial loss for the new parent | \$9,408 |
| Living costs | |
| Average weekly expenditures for a couple with children household in South Australia | \$1,561 |
| Average weekly cost of child 0-4 yo | \$144 |
| Total average weekly costs (weekly expenditures plus child costs) | \$1,705 |
| Weeks of average living costs lost as result of government's PPL cuts | 6 |

Scenario 3: Part-time teacher in South Australia

This scenario models the impact of the government's changes on a part-time teacher who works 3 days a week in South Australia. She earns \$40 per hour and her average annual earnings are \$49,920. Under her state award she is entitled to up to 16 weeks of employer paid parental leave. Under the proposed cut she would receive only four weeks parental leave pay from the government rather than the current 18 weeks.

Her employer agreement includes the equivalent of 16 weeks' pay at her wage level - or \$15,360. Under the present PPL model this is supplemented by the 18 weeks pay at the national minimum wage provided by the Government (\$12,096). The total income this new mum would currently receive over the duration of her parental leave period is \$27,456. Assuming she lives with her partner and newborn baby in South Australia, this would be the equivalent of 16 weeks of their living costs.

Under the proposed 20 week cap system, the total support this parent would receive to cover costs while she cares for her new baby would be \$18,048 for the critical first months with her baby. According to Australian Bureau of Statistics data^{xvii} the average weekly household living expenses (plus child costs) in South Australia are \$1,705, which means that under the new model, this family would have only enough parental leave income to cover **11 weeks** of family living expenses^{xviii}. That leaves this new family 15 weeks of income short of the 26 weeks experts recommend they spend at home with a newborn for health and welfare outcomes.

This family would lose \$9,408 of parental leave income – an amount equivalent to 18% of the mother's annual salary.

| Teacher mum who works part-time (3 days a week) in South Australia. | Part-time |
|---|------------------|
| Average hourly pay rate* | \$40 |
| Worked hours/week | 24 |
| Average weekly earnings | \$960 |
| Average annual earnings^ | \$49,920 |
| Employer PPL weeks^^ | 16 |
| Employer PPL total value | \$15,360 |
| Current PPL model | |
| Government weekly Parental Leave Pay rate (at the minimum wage, for up to 18 weeks) | \$672 |
| Government PPL weeks | 18 |
| Government PPL total value | \$12,096 |
| Total current PPL (Government pay topped up by Employer) | \$27,456 |
| Weeks of average living costs covered under the existing model | 16 |
| Hypothetical 20 week PPL model | |
| Government PPL in weeks (20 minus weeks of employer provided PPL) | 4 |
| Government PPL total value (weekly rate at minimum wage) | \$2,688 |
| Total new PPL(Government pay & Employer) | \$18,048 |
| Weeks of living expenses covered under the new model | 11 |
| Weeks of income lost under proposed new model | 14 |
| Financial loss for the new parent | \$9,408 |
| Living costs | |
| Average weekly expenditures for a couple with children in South Australia | \$1,561 |
| Average weekly cost of child 0-4 yo | \$144 |
| Total average weekly costs (weekly expenditures plus child costs) | \$1,705 |
| Weeks of average living costs lost as result of government's PPL cuts | 6 |

Conclusion

The Federal Government's proposed changes will reduce the number of weeks women who have negotiated parental leave into their employment agreements, (often by foregoing other benefits or a pay rise), can afford to take off work to care for their newborns.

This proposal is regressive and the analysis shows it will have a negative impact on many lower paid women whose work is critical to the health and education of other children. Women who are in regular, but relatively low paid jobs or part-time work with modest benefits from employers will lose government financial support, and therefore their ability to afford to spend time with their newborns in these critical first months will be compromised.

These scenarios show that the loss to women in these critical jobs will be about 16 weeks of paid parental leave and amount to about \$9,408. This represents a significant loss of resources to the primary carer and their family during this key time when they will already be financially under-pressure, and a huge portion of income those workers would have planned for and rely on.

A cut to the paid parental leave available to parents who have negotiated or receive employer provided leave can be expected to increase the costs and time pressures on these parents (the vast majority of whom are women), and this in turn may be expected to force more women to return to work earlier than desired and to seek childcare for their babies in a system that is already failing to meet demand amongst infants.

As a result of the cuts to their income which will occur if these changes to the Paid Parental Leave model are introduced, we can also anticipate negative flow on impacts for new families and the communities in which they live.

Appendix

Methodology

Scenarios are based on a series of estimates derived from official statistics^{xix}:

- Average weekly earnings - calculated as the average hourly pay rate for each type of occupation multiplied by the number of hours worked;
- Average weekly expenditures – estimates for each Australian state are provided by the Australian Bureau of Statistics, calculated for different household types depending on the family / household composition; These estimates include goods and services average weekly expenditures;
- Average annual earnings - calculated as 52 weeks multiplied by the weekly earnings.
- Total average weekly costs - calculated as the total average weekly expenditures plus average weekly cost of child 0-4 year old;
- Government PPL total values – calculated as the Government weekly Parental Leave Pay multiplied by the Government PPL weeks;
- Employer PPL value – calculated as the Employer PPL weeks multiplied by the average weekly earnings for each occupation;
- Total current PPL (Government pay plus Employer) – calculated as the Government PPL total value plus the Employer PPL total value;
- New PPL Model - Government PPL in weeks calculated as 18 minus weeks of employer provided PPL);
- Government PPL total value (weekly rate at minimum wage) – calculated as number of Government PPL weeks under new model multiplied by \$672;
- Total new PPL(Government pay & Employer) - calculated as the Government PPL total value (weekly rate at minimum wage) plus the Employer PPL total value;
- Weeks of income lost under proposed new model – represents the difference between the number of weeks provided under current model minus number of weeks provided under new model;
- Financial loss for the new parent – calculated as weeks of income lost under proposed new model multiplied by Government weekly Parental Leave Pay rate (at the minimum wage, for up to 18 weeks);
- Weeks of average living costs lost as result of government's PPL cuts – calculated as the financial loss for the new parent divided by the average weekly expenditures (plus child costs) for each case.
- Note that the estimates do not include changes to superannuation or Family Tax Benefits.

ⁱ Government figures as quoted in 'Is this the winning compromise on paid parental leave? Women's Agenda, 21 November 2016.:

ⁱⁱ A similar estimate was reported by Stephanie Anderson, 'Paid parental leave: Government to change proposed offerings, Social Services Minister confirms' Updated Wed 16 Dec 2015, 11:19am, ABC News

ⁱⁱⁱ International Labor Organization. (2014). *Maternity and Paternity at Work: Law and Practice Across the World*

^{iv} Lanfranconi, L. M., & Valarino, I. (2014). Gender equality and parental leave policies in Switzerland: A discursive and feminist perspective. *Critical Social Policy*, 34(4), p. 551. doi:10.1177/0261018314536132

^v Rønsen, M., & Kitterød, R. H. (2015). Gender-equalizing family policies and mothers' entry into paid work: recent evidence from Norway. *Feminist Economics*, 10(1):59-89. p. 59.

^{vi} Productivity Commission (2009) 'Paid Parental Leave: Support for parents with newborn children', Australian Government, <http://www.pc.gov.au/inquiries/completed/parental-support/report/parental-support.pdf>

^{vii} Martin B. *et al* 2014 'PPL Final Report', ISSR, Department of Social Services.

^{viii} Daley J 2012.

^{ix} Paid parental leave: Support for Parents with Newborn Children, Productivity Commission Inquiry Report, No, 47, 28 February 2009.

^x National Health and Medical Research Council (2012) Infant Feeding Guidelines. Canberra: National Health and Medical Research Council.

^{xi} WHO (2013) 'Postnatal care of the mother and newborn' p.3 http://apps.who.int/iris/bitstream/10665/97603/1/9789241506649_eng.pdf

^{xii} A similar estimate was reported by Stephanie Anderson, 'Paid parental leave: Government to change proposed offerings, Social Services Minister confirms' Updated Wed 16 Dec 2015, 11:19am, ABC News

^{xiii} ABS Average weekly expenditures - source: ABS, Household Expenditure Survey, Australia, 2009-2010 (65300D0001 Database available at <http://www.abs.gov.au/>)

^{xiv} ABS Average weekly expenditures - source: ABS, Household Expenditure Survey, Australia, 2009-2010 (65300D0001 Database available at <http://www.abs.gov.au/>)

^{xv} ABS Average weekly expenditures - source: ABS, Household Expenditure Survey, Australia, 2009-2010 (65300D0001 Database available at <http://www.abs.gov.au/>).

^{xvi} ABS Average weekly expenditures - source: ABS, Household Expenditure Survey, Australia, 2009-2010 (65300D0001 Database available at <http://www.abs.gov.au/>).

^{xvii} ABS Average weekly expenditures - source: ABS, Household Expenditure Survey, Australia, 2009-2010 (65300D0001 Database available at <http://www.abs.gov.au/>). Estimated weekly costs only refer to total goods and services expenditure. The estimates do not include superannuation and life insurance, mortgage repayments – principal (selected dwelling), income tax. Please refer to ABS database for a detailed list of expenditures included.

^{xviii} ABS Average weekly expenditures - source: ABS, Household Expenditure Survey, Australia, 2009-2010 (65300D0001 Database available at <http://www.abs.gov.au/>).

^{xix} Available on the Australian Bureau of Statistics and the Australian Government Fair Work OMBUDSMAN websites. All sources noted in endnotes.