



Australian Government



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Paid Parental Leave scheme review

Discussion paper

Introduction

The Australian Government's Paid Parental Leave scheme started on 1 January 2011.

It is designed to provide financial support to working parents to take time off work when they have a baby or adopt a child.

The *Paid Parental Leave Act 2010* (the Act) is the legislation that sets out how the Paid Parental Leave scheme operates and the eligibility requirements.

The Act also specifies that a review of the Paid Parental Leave scheme must start by 31 January 2013. The Act sets out the issues to be considered as part of the review and requires the review to take account of public submissions and the emerging findings of the Paid Parental Leave evaluation.

In line with the legislation, in January 2013 the Minister for Families, Community Services and Indigenous Affairs, the Hon Jenny Macklin MP, directed the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) to conduct the review of the Paid Parental Leave scheme. FaHCSIA has also established an expert Steering Group to oversee the review.

The full Terms of Reference for the review are available on the Paid Parental Leave review webpage at www.fahcsia.gov.au/pplreview

The Australian Government welcomes public contributions to the review through submissions from interested individuals and organisations.

This discussion paper outlines:

- the scope of the review
- how the review will be conducted
- the public consultation process including how to make submissions and the review questions to be addressed in submissions
- relevant information about the Act and the Paid Parental Leave scheme.

Scope of the review

Section 307A of the Act requires the review to consider the following issues:

- a) the amount of time off work that primary carers are taking to care for newborn or newly adopted children
- b) the availability and amount of leave and payments provided by employers in relation to the birth or adoption of a child, and the interaction of those entitlements with parental leave pay provided under the Act
- c) the operation of the work test
- d) whether primary claimants' partners should be paid parental leave pay separately from, or in addition to, primary claimants
- e) whether employers should make superannuation contributions in relation to parental leave pay
- f) the results of any evaluations conducted in relation to the operation of the Act
- g) the administration of the Act
- h) any other matter relevant to the general operation of the Act.

In taking account of these legislated matters the review will draw on public submissions, consultations, administrative data and the emerging findings of the Paid Parental Leave evaluation.

As Dad and Partner Pay only recently commenced (on 1 January 2013) it will not be considered in the review, except to the extent that it interacts with the rest of the Paid Parental Leave scheme. Dad and Partner Pay is being evaluated as part of the Paid Parental Leave evaluation.

The Paid Parental Leave evaluation

In addition to the review, the Government is conducting an evaluation of the Paid Parental Leave scheme, including its implementation, its immediate outcomes, and the extent to which the scheme is likely to meet its longer-term objectives.

The evaluation is based on parent and employer surveys conducted in three phases from 2010. Phase 1 of the evaluation has been completed and the findings from Phases 2 and 3 will be available later in 2013.

As required by the Act, the evaluation findings will be considered as part of the review.

The reports of the completed phases of the evaluation are available on the review webpage at www.fahcsia.gov.au/pplreview

In addition, the findings of completed phases are summarised in the review fact sheet series, available on the same webpage.

The Paid Parental Leave review Steering Group

An expert Steering Group has been appointed to oversee the review. The Steering Group includes representatives from employee groups, employer groups, women's and community groups, the Human Rights Commission, independent research institutions and relevant Government departments.

The Steering Group will meet regularly during the course of the review. It will provide advice to FaHCSIA on how to conduct the review, including the public consultation process, analysis of evidence and the report to Government. The Steering Group will provide expert input on policy issues that emerge from the review findings. Members of the Steering Group will also promote the review and encourage stakeholder participation.

How FaHCSIA will conduct the review

FaHCSIA will draw on the following sources of evidence:

- submissions received from individuals and organisations during the public consultation process
- discussions with key stakeholders to find out about employee and employer experiences with the Paid Parental Leave scheme
- available evidence from the evaluation of the Paid Parental Leave scheme.

FaHCSIA may also use data as appropriate from key government sources, including:

- the Department of Human Services (Centrelink)
- the Department of Education, Employment and Workplace Relations
- the Fair Work Ombudsman
- the Fair Work Commission
- the Australian Bureau of Statistics
- the Department of Industry, Innovation, Science, Research and Tertiary Education.

Timing of the review

Date	Action
March – 31 May 2013	Public consultation period for written submissions and consultations.
June – October 2013	Analysis and assessment, including incorporating data from Phase 3 of the Paid Parental Leave evaluation, which are expected to be available in October 2013.
By 31 December 2013	FaHCSIA will provide the final report to the Minister and the Act specifies the Minister will table the report in Parliament within 15 sitting days of receiving the final report.

Review questions

Before making a submission to the review, you may wish to consider the following issues and respond to one or more of them.

- How the scheme works in practice for parents, including parents' awareness of the scheme and their experience of applying for, and receiving, Parental Leave Pay.
- How the scheme works in practice for employers, including employers' experience of receiving Paid Parental Leave funds and providing Parental Leave Pay to their employees.
- The amount of time that mothers and fathers (or other partners) are taking off work after the birth or adoption of a child—including with the Government's Paid Parental Leave and employer provided leave entitlements including paid and unpaid leave.
- The availability of other types of leave, including unpaid leave and any paid leave provided by employers, as well as other employer provided benefits.
- How employer-provided leave and other employer entitlements interact with the Government's Paid Parental Leave scheme.
- How the Paid Parental Leave work test operates. The work test is the set of rules about how much a parent must have worked before the birth of the child to be eligible for Parental Leave Pay.
- How fathers and other partners access payments under the Paid Parental Leave scheme including in the rules that set out how a mother can transfer unused Parental Leave Pay to her partner.
- Whether superannuation contributions should be made on top of Parental Leave Pay, and how superannuation contributions could work.

The legislation also sets out that the review can consider any other issues relevant to the Paid Parental Leave scheme. You should feel free to comment on other relevant issues even if not set out above.

How to make a submission to the review

The Australian Government welcomes written submissions from individuals and organisations.

The closing date for submissions is 5pm Friday 31 May 2013.

Submissions should be concise and supported by evidence, such as:

- real examples of how an individual, business or sector has experienced the scheme and the effects of those experiences for parents (including employees) or employers
- explanations about how aspects of the scheme seem to be effective or ineffective in practice
- specific and practical suggestions about how the scheme could be improved
- information from the resources provided on the Paid Parental Leave review website
- analysis of quantitative and/or qualitative data
- research evidence including academic literature.

Please visit the Paid Parental Leave review webpage at www.fahcsia.gov.au/pplreview to upload your submission. If you have any issues using the website, please contact the FaHCSIA Paid Parental Leave review team at ppl@fahcsia.gov.au

If you are unable to access the internet, you can post a copy of your submission to:

Paid Parental Leave review - FaHCSIA
AW3
PO Box 7576
CANBERRA BUSINESS CENTRE ACT 2610

Submissions will be analysed by FaHCSIA in consultation with the Paid Parental Leave review Steering Group. The results of the review will be published in the review report.

Privacy information

Submissions to the review will be analysed by policy and research officers in the Parental Payments and Family Research Branch in FaHCSIA. The analysis of submissions will be published in a report to Government. Any personal information provided in submissions is protected by law, including the *Privacy Act 1988 (Cth)*.

We encourage you to allow your submission to be treated as public to promote discussion. This means your name would be included in the list of submissions received on this website, and provided to external parties on request.

If you make a submission to the review, parts of your submission may be used in the report. If you wish, we can do this in a way that does not identify you. If you prefer your name and submission to be confidential, you can specify this when you make your submission.

Further information about how submissions will be treated is provided on the Paid Parental Leave review webpage at www.fahcsia.gov.au/pplreview

More information

More information about the Paid Parental Leave scheme is available in the appendix of this discussion paper and fact sheets with more detailed information are available on the Paid Parental Leave review webpage at www.fahcsia.gov.au/pplreview

Enquiries about the review and the public consultation process can be directed to ppl@fahcsia.gov.au

Appendix: Background information about the Paid Parental Leave scheme

Overview of the Paid Parental Leave scheme

The Paid Parental Leave scheme demonstrates the Australian Government's ongoing commitment to supporting working families. The scheme provides Parental Leave Pay to eligible primary carers of newborn and recently adopted children.

Key features of Parental Leave Pay are:

- primary carers receive up to 18 weeks pay at the rate of the national minimum wage (currently around \$606 per week before tax)
- the payment must usually be claimed by the mother but can be transferred to the other parent if they are eligible
- it must be taken in one unbroken period anytime in the first year after the birth or adoption
- it can be taken before, after or at the same time as employer-provided paid or unpaid leave
- parents eligible for both payments can choose between the Baby Bonus and Parental Leave Pay
- most mothers receive government-funded Parental Leave Pay through their employers.

On 1 January 2013 the scheme was extended to include Dad and Partner Pay for eligible fathers or partners. As Dad and Partner Pay has not been in operation prior to 2013, it will not be considered in this review except to the extent that it interacts with Parental Leave Pay.

The Australian Government is committed to supporting mothers, whether they are in a paid job or at home. The Baby Bonus and Family Tax Benefit are still available for eligible families who are not eligible for Parental Leave Pay.

Objectives of the scheme

The objectives of the Paid Parental Leave scheme and Parental Leave Pay 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
- 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
- promote equality between men and women and balance between work and family life.

Who is eligible for Paid Parental Leave?

To be eligible for Paid Parental Leave a parent must:

- be the primary carer of a newborn or recently adopted child
- meet the residency requirements from the time they become the child's primary carer to the end of their Paid Parental Leave period
- meet the Paid Parental Leave work test, i.e.
 - have worked for at least 10 of the 13 months prior to the birth or adoption of the child
 - have worked for at least 330 hours in that 10 month period (just over one day a week), with no more than an eight week gap between two consecutive working days
- have an individual adjusted taxable income of \$150,000 or less in the previous financial year
- be on leave or not working from the time they become their child's primary carer until the end of their Paid Parental Leave period.

Many women, particularly those who are self-employed and those who work in part-time, casual, seasonal or contract work, now have access to paid parental leave entitlements for the first time.

What is the Paid Parental Leave scheme based on?

The Paid Parental Leave scheme closely follows the scheme recommended in the Productivity Commission's 2009 Inquiry Report *Paid Parental Leave: Support for Parents with Newborn Children*.

The Productivity Commission inquiry involved an extensive public consultation process to inform the design of the proposed scheme. The Productivity Commission held two rounds of public hearings across Australia, took part in several community consultations convened by other organisations, and received over 400 written submissions.

The Productivity Commission anticipated the Paid Parental Leave scheme would:

- Increase the average length of leave taken by employed women after childbirth by around 10 weeks. Coupled with other leave arrangements, this is expected to allow most infants to be exclusively cared for by a parent for the first six months of life.
- Encourage increased workforce participation by women prior to having children and between pregnancies. The average Australian woman's lifetime period of employment may be extended by between two to six months.
- Change community attitudes by sending a strong signal that having a child and taking leave around the time of birth or adoption is part of the normal course of work and family life.

What does the scheme cost?

In 2011-12, the gross cost of the Paid Parental Leave scheme was \$1.4 billion. When the offsets from tax, Family Tax Benefit and Baby Bonus are taken into account, the net cost is around \$270 million.

Who has claimed the payment?

On 31 December 2012, 255,269 parents had claimed Parental Leave Pay since the start of the scheme.

In the 2011-12 financial year, just under half (44 per cent) of all new mothers in Australia received Parental Leave Pay.

At 31 December 2012, the majority (77 per cent) of recipients were receiving the payment through their employer.

Of the 255,269 parents who had claimed the payment at 31 December 2012:

- almost all recipients (99 per cent) took the full 18 weeks of payment
- around half of recipients (52 per cent) started their Parental Leave Pay within the first two weeks following the birth of their child
- 382 recipients received Parental Leave Pay as a 'secondary claimant', usually because the mother transferred her unused Parental Leave Pay to her partner
- the median age of recipients was 32 years
- the median income of recipients was \$45,000 per annum.

How have employers been involved in the Paid Parental Leave scheme?

There are 43,716 employers registered to provide Parental Leave Pay to their employees nationally.

Of the registered employers at 31 December 2012:

- 34,858 have provided or are providing Parental Leave Pay to their employees
- 50 per cent have fewer than 20 employees and 50 per cent have 20 or more employees
- 86 per cent have opted to provide Parental Leave Pay only to those employees they are required to pay, and 14 per cent have opted to also provide the payment to non-mandatory employees.

Keeping in Touch provisions

Under the Paid Parental Leave 'Keeping in Touch' provisions, the primary carer receiving Parental Leave Pay can maintain contact with their workplace without losing their entitlement to the payment. This means payment recipients can participate in paid work activities at their workplace for up to 10 days between the birth or adoption of their child and the end of their Parental Leave Pay period, to help facilitate their return to work. Self-employed recipients may oversee their business and perform the occasional administrative task.

Dad and Partner Pay

The Australian Government expanded Paid Parental Leave scheme with two weeks Dad and Partner Pay on 1 January 2013. It provides eligible fathers or partners (including adopting parents and same-sex partners) with two weeks payment at the rate of the national minimum wage.