



A PARENTAL LEAVE PROPOSAL FOR AUSTRALIA

A taxpayer-funded parental leave scheme of 18 weeks at the adult minimum wage (\$544 per week) would benefit around 140,000 mothers and their newborn children each year and yield community-wide gains in the long term, according to a draft report released by the Productivity Commission today. The scheme also provides for two weeks paid leave to over 225,000 eligible fathers.

Speaking on the release of the draft report — *Paid Parental Leave* — Commissioner Robert Fitzgerald said ‘Our proposal is designed to deliver three main goals: better child and maternal welfare; greater workforce participation by women; and improved work-family balance and gender equity. The proposed measures give immediate support to parents of newborn children in the paid workforce, but ultimately benefit all Australians’.

Commissioner Angela MacRae said ‘We want to enable mothers to stay at home for at least the first six months of their baby’s life, since this is the most critical time for the nurturing of a newborn child. Given that parents usually are able to take off some months on their own account, 18 weeks additional paid leave will allow six months at home for almost all parents – particularly low-wage mothers.’

Mothers who are not eligible for paid parental leave, would receive a new maternity allowance (which will replace the baby bonus) and other social security benefits.

The Commission’s proposed scheme is designed to integrate with existing workplace practices. Thus, it requires genuine attachment to work as an eligibility requirement and a capped superannuation contribution from employers for most employees. Typically, initial payment of the leave benefit would be by the employer, with early reimbursement by government. Importantly, the scheme covers full time, part time and casual employees, as well as the self-employed and contractors.

The Commission’s proposed scheme will cost the government budget around an additional \$450 million annually — after offsets from taxing the benefits and reduced social transfers, including removing eligibility for the baby bonus for those who take paid parental leave. Business will put in a net \$74 million a year through superannuation contributions, whilst benefiting from greater retention rates of women employees.

The Commission is now seeking responses to its draft findings, including through public hearings before submitting its final report to the Australian Government in late February 2009.

[SEE OVER FOR KEY POINTS]

Background: Ralph Lattimore, Asst Commissioner 0408 972 507 or John Williams 02 6240 3215

Interviews and other information: Clair Angel, Media & Publications 02 6240 3239 / 0417 665 443

Media copies of this report are available from Clair Angel on (02) 6240 3239.

Other requests for copies of this report should be directed to Christine Underwood on 02 6240 3262.

The report can also be accessed via the Internet at <http://www.pc.gov.au/> following release.



PAID PARENTAL LEAVE: SUPPORT FOR PARENTS WITH NEWBORN CHILDREN

- The Commission proposes the introduction of a taxpayer-funded paid parental leave scheme that would:
 - provide paid postnatal leave for a total of 18 weeks that can be shared by eligible parents, with an additional two weeks of paternity leave reserved for the father (or same sex partner)
 - provide the adult minimum wage (currently \$543.78) for each week of leave for most eligible employees, with benefits subject to normal taxation.
- All employees with a reasonable degree of attachment to the labour force would be eligible, including the self-employed, contractors and casual employees.
- A broad range of family types would be eligible, including conventional couples, lone parents, adoptive parents and same sex couples, so long as they meet the employment test.
 - Those families not eligible for paid parental leave would be entitled to a maternity allowance (the equivalent of the baby bonus) and other social transfer entitlements.
- Businesses would also participate in the scheme by acting as ‘paymasters’ for the government-funded scheme, and by providing capped superannuation contributions for employees for the period of leave taken, but only for those employees who are eligible for such benefits before taking leave and who are entitled to unpaid leave.
- Typically, a family where the mother takes at least 18 weeks leave and the partner two weeks paternity leave would receive a gross benefit of \$11 854. For a family where the mother was not eligible, but the partner took two weeks of paternity leave, the gross benefit would be around \$6800.
- Such a scheme would have several advantages. It would:
 - generate child and maternal health and welfare benefits by increasing the time parents take away from work. The Commission estimates that the average leave absence will increase by up to nine weeks, which will allow the vast majority of children to be exclusively cared for by their parents for at least the first six months after birth
 - stimulate lifetime employment rates of women — potentially contributing around six months of net additional employment per woman
 - increase retention rates for business, with reduced costs for training and recruitment
 - promote some important, publicly supported social goals, and in particular, the normalcy of combining a caring role for children and working.
- The Commission estimates that its proposal will cost around \$530 million annually in net terms (of which taxpayers would contribute around \$450 million and business \$75 million)
 - These costings take account of significant offsets from reduced social welfare payments (including removal of the baby bonus for employed parents using the scheme) and the tax revenue from paid leave. The costs would be much higher without these offsets.

[END]

Paid Parental Leave Fact sheets

Draft report

29th September 2008

Where we are now

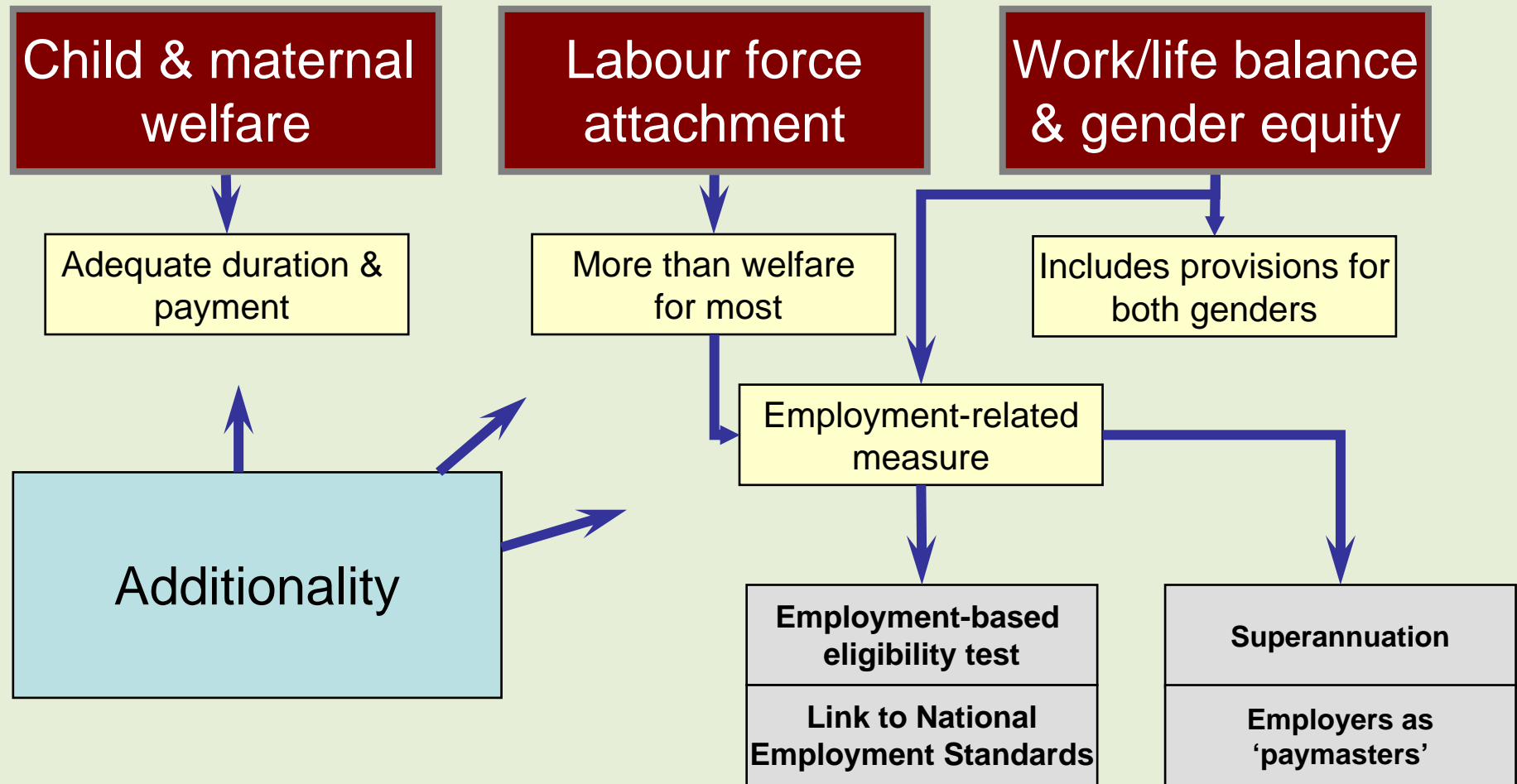
- Around 285 000 babies born in 2007
 - 175 000 to women in paid work prior to birth
- Using adjusted ABS figures, 53 per cent of female employees and 50 percent of male employees have access to employer-provided paid parental leave

	<i>Mothers returning to paid work after childbirth</i>		
	3 months	6 months	12 months
All mothers	11%	20%	41%
Mothers employed prior to birth	15%	29%	58%

Objectives

- Child and maternal health and wellbeing
 - *the importance of a 6 to 9 months timeframe*
- Labour market attachment
 - *Lifetime perspective*
- Work/life balance and gender equity
 - *The 'sort of society we would like to live in'*

Design features follow from objectives



Key features of the Commission scheme

Duration

18 weeks of paid *parental* leave. This must be commenced *after* any period of other continuous leave available at the birth of the child and *before* 6 months after birth. Leave would only be payable if leave were taken. An additional 2 weeks would be available as *paternity* leave, and would be reserved for the father (or other eligible partner) on a 'use it or lose it' basis.

How much?

The adult minimum wage (currently \$543.78) for each week of leave, generally paid regardless of pre-birth incomes, and subject to taxation

- special arrangements for those on lower statutory minimum wages (for example, juniors)
- no access to family tax benefit B while on the scheme or to the new maternity allowance (the old baby bonus)

For a subset of eligible employees, employer superannuation contributions while on leave, but benefits would only apply to the actual salary of the employee or the adult minimum wage, whichever is lower. Contribution rates limited to the statutory 9 per cent rate.

Who pays?

Cash payments for paid parental and paternity leave would be fully taxpayer-financed, but with changes to the baby bonus and family tax benefit B

Employers to fund capped superannuation entitlements to long-term employees (12 months) eligible for these before the statutory paid parental leave period

An employer would initially pay their employees' statutory parental leave entitlements, but only (a) for those employees entitled to unpaid parental leave under the National Employment Standards and (b) where there is an efficient and timely way for government to fully reimburse that employer, preferably through a credit to 'pay as you go' withholding payments to the ATO for those employers making at least monthly payments.

- All other employees would be paid directly by the Australian Government.

Eligibility and requirements for use

Parental leave would be available only for a parent who is a primary carer

Average of at least ten hours a week of work (with one or more employers) with continuous employment for the 12 months prior to the date of expected birth

The scheme would cover all employees who met the employment test above, including the self-employed (including contractors) and casual workers

To get superannuation entitlements, employees must also be eligible for unpaid parental leave under the National Employment Standards *and* be entitled to these benefits before taking paid parental leave

Eligible mothers can transfer paid parental leave rights to fathers and other eligible partners, if they also meet the required employment tests above. Such partners can access paid parental leave if the mother is not eligible, but only in special circumstances (eg. death of the mother)

'Paternity' leave would be available to eligible fathers, or, in same sex couples, to the other eligible partner, even if the mother was not eligible for statutory paid parental leave

No concurrent use of statutory *parental* leave by both parents, but paternity leave could overlap with a mother's parental leave

Adoptive parents can get access to leave for children of any age

Provision for primary carer to adjust leave to 'keep in touch' with the business

Parents giving birth to twins or more would get one leave entitlement, but receive the new maternity allowance for the additional children

Complementary policies

More support for breastfeeding and possible strengthening of policies that develop the parenting skills of those with newborn children

Regulatory and information measures to assist business cope with disruption burdens

Non-eligible parents?

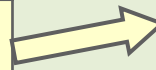
Families not eligible for paid parental leave would be entitled to the equivalent of the baby bonus (\$5000) through a new maternity allowance and to other financial support through the social transfer system

From the employee perspective

Are you pregnant?	✓
Have you worked for the last 12 months?	✓
For an average of 10 hours a week?	✓

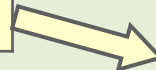


With multiple employers? ✓



\$543.78 for 18 weeks

With one employer? ✓



\$543.78 for 18 weeks
plus super
plus job return guarantee

From the employer perspective

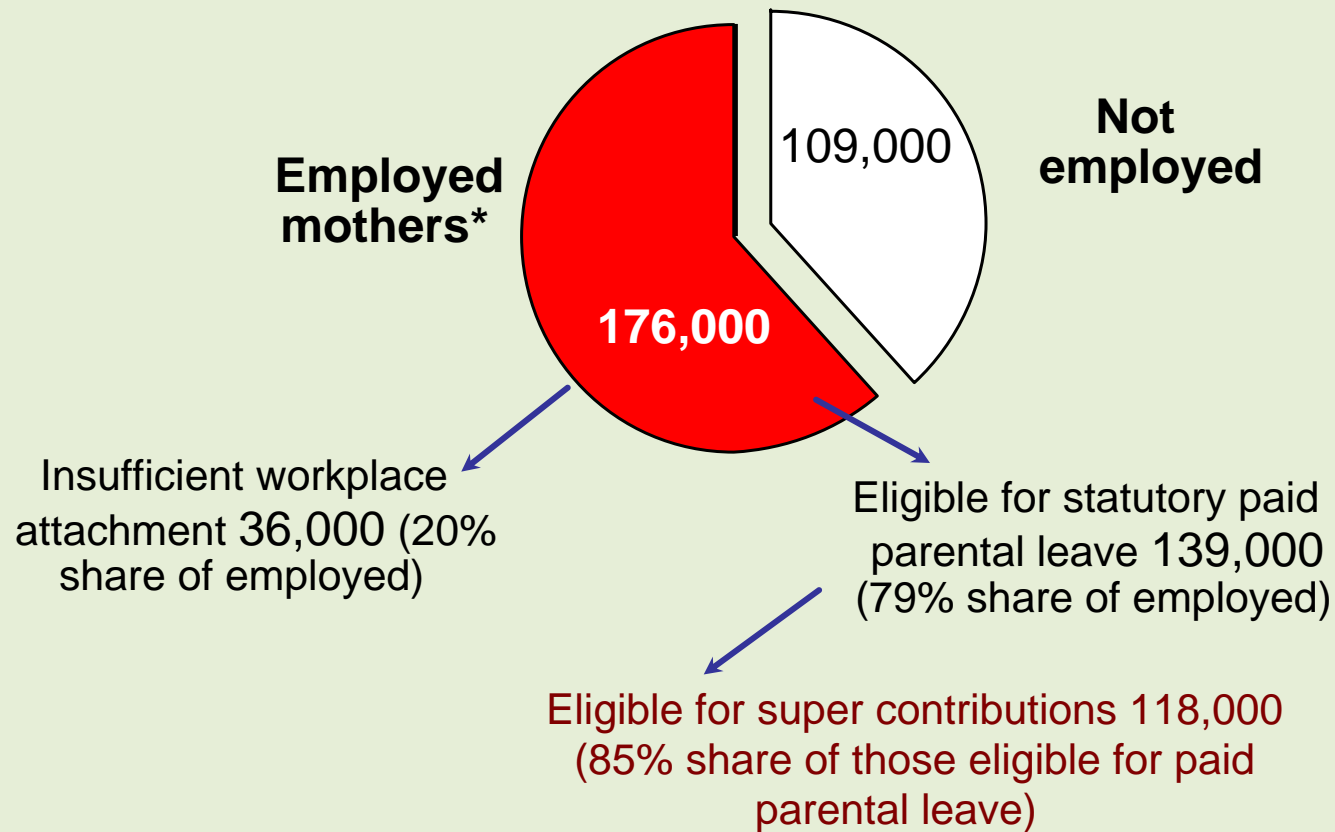
Have you got a pregnant employee?	✓
Has she worked for <u>you</u> for the last 12 months?	✓
For an average of 10 hours a week?	✓



- Pay super for 18 weeks
- Act as paymaster for government
- Job return guarantee

Eligibility

Mothers of newborn children



* Includes self-employed & contractors

Some examples

1. Laura is a mother working in a part-time job earning \$400 a week. She is entitled to, and takes, 18 weeks of paid parental leave at \$543.78 per week (about \$9788 in total). She also receives about \$648 in employer contributions to her superannuation fund over that period. Her total package of benefits is around \$10 436 in gross terms for the 18 weeks of leave.
 - *By taking leave, Laura forgoes the new maternity allowance, loses some family tax benefits and pays some tax. After all of these offsets, she receives \$3037 more than she would have received without the scheme being in place.*
2. Six months before she has her first baby, Roberta chooses to leave her \$40 000 a year job. Her lack of tenure in employment means that she is not eligible for statutory paid parental leave. However, at the birth of the child, Roberta gets the maternity allowance of \$5000, and \$654 of family tax benefits, giving her an overall package of \$5654 for the 18 weeks after the birth of her child. The paid parental scheme makes no change to the benefits she receives. This is the same for a mother who has never been in the paid workforce.
3. Where a father is eligible for paternity leave and takes the full two weeks of leave available, the family would receive \$1088 (gross) from the government. The maximum employer contribution would be \$98 if the father qualified for super. The father may pay additional tax and the family may lose some family tax benefits, with the amounts depending on his income.

How much per family?

Maximum payments^a

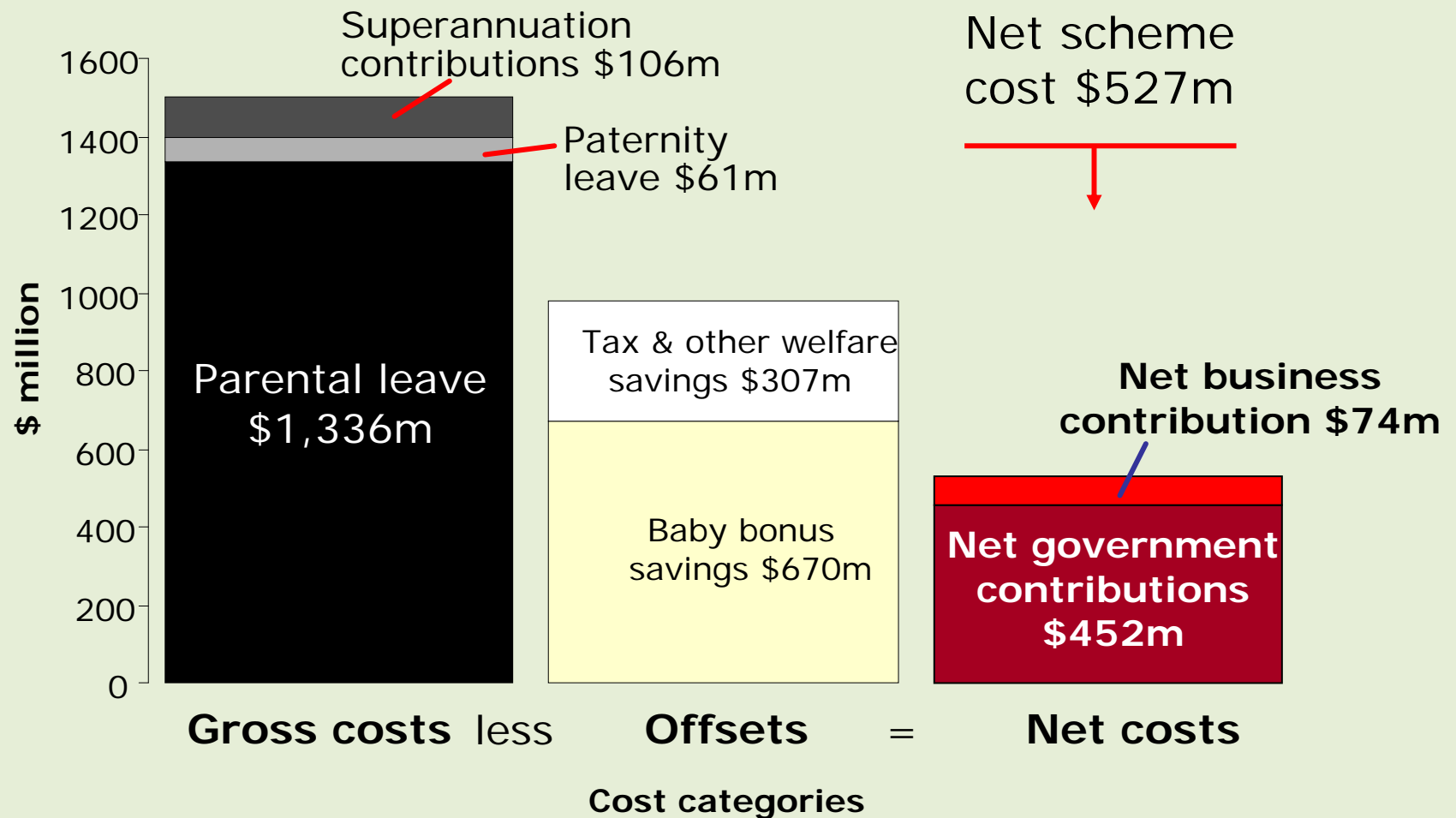
	Paid parental leave	Paid paternity leave	Total
	\$	\$	\$
Government contribution	9 788	1 088	10 876
Employer contribution	881	98	979
Total	10 669	1 185	11 854

^a Benefits are all in gross terms (ignoring tax effects and offsets against social transfers) and are for a parental leave period of 18 weeks and paternity leave of 2 weeks

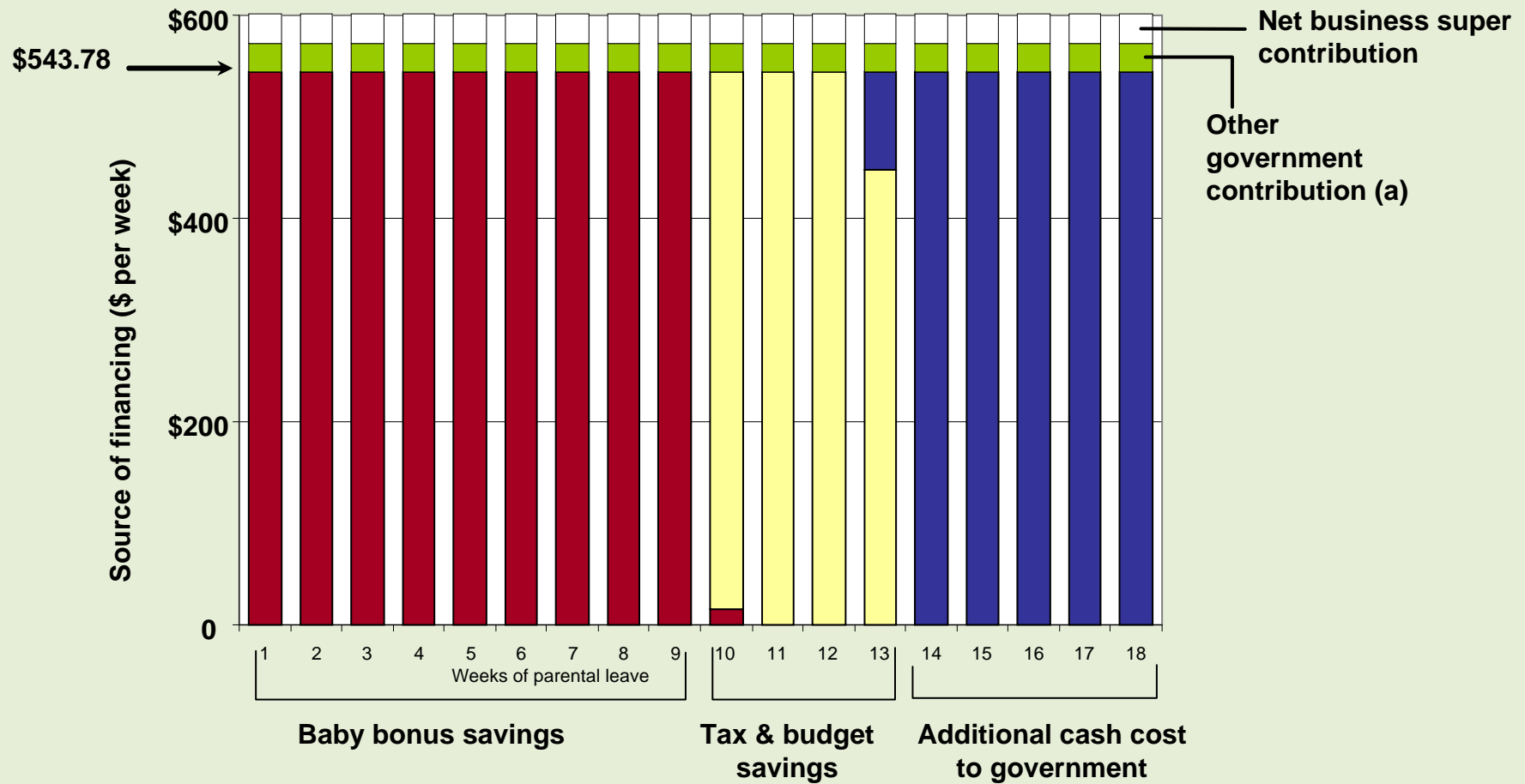
Business impacts

- Super contributions
 - *capped & at 9%*
 - *additional eligibility tests*
 - *Maximum cost 3% of annual salary*
- Many small employers would face no costs in a given year
 - *Only face costs when person on leave*
 - *Average 1.1% of employees would be on maternity leave per year for businesses employing less than 20 people*
- Paymaster function for some employers
- Costs for business of overall obligations lowered by using
 - *quick reimbursement (maybe PAYG withholding)*
 - *existing administrative arrangements*
 - *better leave notices*
- They will get retention benefits

How much will it cost each year?



Funding by weeks



(a) Includes the net funding of paternity leave and tax deductions for employers' superannuation contributions

This is a draft report, so we will be seeking feedback

- Mid October: *Background appendices on web*
- Mid October: *Informal consultations with participants*
- 10 November: *Hearings commence*
- 14 November: *Closing date for submissions*
- End February: *Final report to government*