

Inquiry into the provisions of the Paid Parental Leave Amendment (Improvements for Families and Gender Equality) Bill 2022

Submission from the
Australian Institute of Family Studies

Authorised by
Hon Dr Sharman Stone
20 January 2023

Introduction

The Australian Institute of Family Studies (AIFS) is a Melbourne-based Australian Government statutory agency. It was established in 1980 under the Family Law Act 1975. AIFS' mission is to conduct high-quality, impartial research into the wellbeing of Australian families, to inform government policy and promote evidence-based practice in the family services sector. AIFS includes the Australian Gambling Research Centre.

AIFS has a long history in undertaking research on the leave-taking and employment of new parents,¹ reporting on parental employment trends,² and has ongoing involvement in the International Network on Leave Policies and Research.³ We recognise the importance of a paid parental leave scheme that provides families with options for taking time out of employment to nurture infants and young children, while maintaining a longer-term connection to employment.

Background

The Australian Government's Paid Parental Leave (PPL) scheme was introduced in 2011, providing up to 18 weeks of pay at the rate of the national minimum wage to eligible working parents, usually the mother. In 2013, Dad and Partner Pay (DAPP) was introduced, providing two weeks at the same rate for the father or the partner of the PPL recipient. PPL recipients can take PPL while also receiving leave entitlements (including paid leave) from their employer. DAPP can only be taken while on unpaid leave.

From July 2020, families have the option of taking the first 12 weeks of PPL in a continuous block then using the final six weeks as Flexible Paid Parental Leave, including using it to return to work part-time by using the leave on a part-time basis, or sharing the leave with someone else.

AIFS notes that the PPL Amendments are intended to build on the current scheme, to allow PPL to be more accessible, more flexible and more gender neutral. Our comments on the Amendments are provided against those headings below. We also note that legislation will be introduced to allow the further planned changes to PPL to be introduced. We do note, however, that there are no changes related to the value of the payment and superannuation – further comments are provided on this below.

¹ For example, [Timing of mothers' return to work after childbearing | Australian Institute of Family Studies \(aifs.gov.au\)](https://aifs.gov.au/families/parental-leave/timing-of-mothers-return-to-work-after-childbearing),

² For example, [Families Then and Now: how income and employment changed for Australian households between 1980 and 2019 | Australian Institute of Family Studies \(aifs.gov.au\)](https://aifs.gov.au/families/parental-leave/families-then-and-now-how-income-and-employment-changed-for-australian-households-between-1980-and-2019), [Fathers and work: A statistical overview | Australian Institute of Family Studies \(aifs.gov.au\)](https://aifs.gov.au/families/parental-leave/fathers-and-work-a-statistical-overview).

³ See Whitehouse, G., Baird, M. and Baxter, J.A. (2022) 'Australia country note', in Koslowski, A., Blum, S., Dobrotić, I., Kaufman, G. and Moss, P. (eds.) *International Review of Leave Policies and Research 2022*. Available at: <https://www.leavenetwork.org/annual-review-reports/>

Accessibility

Ensuring that all parents have access to paid parental leave is important, to provide parents with options at the birth or adoption of a child. While many parents have access to paid parental leave through their employment, those in more precarious jobs or in self-employment are likely to be without this support and may be faced with returning to work earlier than preferred or becoming disconnected from the labour market.

Some Australian parents can access employer-funded parental leave schemes to supplement the provisions available under the Paid Parental Leave Act 2010. However, uneven access to leave provisions across industry and sector has been widely noted, contributing to inequalities in leave access for parents employed in different parts of the labour market. For example, the Workplace Gender Equality Agency (which collects data annually from private sector companies with 100 employees or more to capture the various gender equality strategies they have implemented) reported that while 87% of organisations in the “education and training” and “electricity, gas and waste services” industries offered some form of paid “primary carers leave” during the 2021-22 reporting period, only 35% of organisations in “administrative and support services”, and 26% in “public administration and safety” offered such provisions (Workplace Gender Equality Agency, 2022, p. 45).

With the Parental Leave Pay remuneration rate set at the national minimum wage, the disparity in take up of PPL is likely to remain, potentially compounding existing inequalities between “parental leave-rich” and “parental leave-poor” households (McKay, Mathieu & Doucet, 2016). Understanding PPL take up, also taking account of access to (or use of) employer-funded leave, is important to determine whether further changes to the PPL scheme should be considered, particularly in the context of an increase in casual and precarious employment in the Australian labour market (for example, the rise of “gig” and “platform” work) (Whitehouse & Brady, 2019). This is discussed further below in a section on disparity.

Changes to be introduced to expand eligibility for fathers or partners, as well as the introduction of the family income test, are positive steps to improve accessibility for some parents who may currently be missing out. In particular, it is important that the Amendments address the current barrier to fathers or partners being able to access PPL/DAPP that exists given access is now dependent on the mothers’ personal income. Exploring how the change to the income test, to a family income test impacts the use of PPL by higher income mothers with access to employer-funded parental leave will be of interest.

Flexibility

Many parents seek flexibility in their work arrangements to better manage their work and care responsibilities, and for fathers, using flexible work arrangements is the most common kind of work adaption they will make to help manage child care needs (Baxter, 2019). Flexibility in leave-taking is also important in facilitating greater career stability for parents. The Amendments to incorporate greater flexibility of PPL are consistent with parents’ use of flexible work arrangements and may be especially useful in encouraging fathers’ take up of some of the PPL.

Being able to take PPL in blocks as little as one day at a time is likely to help mothers better manage their return and ongoing connection to work. Having this arrangement also available to fathers in the early weeks or months may support fathers' sharing of parenting and establishing early bonding with newborns and may assist mothers' return to work. This flexibility may also be useful for fathers in casual or precarious employment who would not usually have access to such arrangements without the PPL.

Gender neutrality

There are strong gendered norms in Australia with regard to which parent takes time out of employment to care for children. Men's employment trajectories tend to be unchanged by the arrival of a new child while a women's career is often significantly disrupted, through time taken out of employment and a preference for part-time work or more flexibility when returning to work (Baxter, 2019). These arrangements have been referred to by scholars as the "modified breadwinner" model in the Australian context (Baxter, 2019; Pocock, 2005). The gender pay gap is tied to these disruptions and changes, with an almost zero gender pay gap before parenthood (Bahar, Bradshaw, Deutscher & Montaigne, 2022). These impacts on work and pay affect women's career progression, lifetime income and superannuation balances at retirement (Austen & Mavisakalyan, 2018).

The benefits of a more gender-neutral approach to parental leave, as provided in the Amendments, include signalling that parental leave (and hence parenting) can be shared. However, it is likely that gendered dynamics of leave-taking will persist if a portion of the leave is not explicitly badged as being for fathers and being non-transferable to the other parent. Indeed, empirical research shows that the provision of leave for fathers does not necessarily translate into the take up of this leave and that fathers feel more entitled to take leave that is exclusively reserved for them (Brandth & Kvande, 2019; Stevens, 2022).

While having a "use it or lose it" portion of the leave provides an incentive for fathers to take this two weeks' leave, public communications about these Amendments and how parents can make use of this portion of leave will need to be prioritised, to accentuate the benefits to families (and fathers themselves), of fathers taking up this leave. There are numerous benefits to paternal leave-taking that can be highlighted, including opportunities for infant bonding and building connection with newborns for fathers (Brady et al., 2017; Stevens, 2022), improved child wellbeing, and enhanced career opportunities and advancement for mothers (Martin et al., 2014).

To this end, designing a scheme that encourages the take up of leave by fathers is important. The improvements to the flexibility of the PPL scheme should be helpful in encouraging fathers' take up. Although the take up by fathers is likely to be constrained by the value being set at minimum wage, it may nevertheless lead fathers to seek different opportunities to share the parenting of a newborn (such as taking one day a week over a fixed term, rather than taking a whole block), potentially negotiating with their employer to top up the PPL to their usual wage, or taking PPL concurrently with employer-funded leave.

Adequacy

The Amendments do not increase the total leave duration for two parent families. While the Amendments increase the duration of leave available from 18 weeks to 20 weeks, the two additional weeks comprise the absorption of DAPP into PPL, and these two additional weeks are reserved on a “use it or lose it” basis for each claimant.

This extension to 20 weeks does, however, mean an extension of PPL for single parents, who will be able to claim the additional two weeks for themselves.

This length of leave remains low compared to many other parental leave schemes internationally (Koslowski et al., 2022). We note however that further amendments to PPL will see incremental increases in the length of PPL, up to 26 weeks in 2026.

Undertaking research to investigate what parents do at the end of PPL would shed important light on the adequacy of the length of leave. Some key questions might include: do parents remain out of employment on unpaid leave for a time, or do they return to employment as soon as the PPL ceases? Is a return to employment at the conclusion of PPL consistent with parents’ preferences?

The financial value of PPL is not altered by these Amendments, with PPL remaining set at the rate of the national minimum wage. While employers may top up PPL (and DAPP) to align new parents’ income during PPL to that of their usual pay, this is not a requirement. As noted above, understanding the take up of PPL is important, to determine whether some parents without access to (sufficient) paid leave arrangements are not taking PPL because of the low value.

Superannuation

For women in particular, taking time out of employment to care for children can have significant negative impacts on superannuation balances. On average, women’s superannuation balances are lower than men’s at retirement, putting women at heightened risk of poverty in old age. A recent Australian study drawing on HILDA data illustrated that for the study period (2001-2015) in couple households (where participants had a partner in each year of the study period and were under the age of 65), women’s median share of retirement savings wealth was 33% (Austen & Mavisakalyan, 2018, p. 513). While this gap narrowed for women who were more highly qualified than their male partners, these gendered disparities in superannuation wealth persisted, pointing to the impact of parenthood on retirement savings (Austen & Mavisakalyan, 2018).

The government does not make superannuation contributions for those accessing its PPL. While the period of PPL may be short relative to a woman’s lifetime in employment, the lack of superannuation coverage in the current scheme contributes to the retirement income gender gap. Some new parents will continue to have superannuation contributions in this time through workplace policies, but this is not universal.

In line with other Australian researchers and experts in this field (e.g., Baird et al., 2021), we suggest it is important that this continued lack of superannuation payments in the Amendments to the PPL scheme be addressed.

Disparities in financial support for new parents

In the weeks and months following a birth, employed parents will have different levels of financial support available to them, depending on whether or not they have access to paid parental leave through their employment, and on their eligibility for PPL. That is, some families will have the bare minimum of support by way of up to 20 weeks at minimum wage, while others may be supported at their usual pay for many months, in addition to the support provided by PPL (Baird & O'Brien, 2015). We note also that other income tested government allowances and payments may contribute to family incomes at this time.

The key issue for consideration about the adequacy of PPL is to what extent it being set at minimum wage is providing sufficient support to those families who do not have access to support from their employer. An alternative approach to the PPL scheme would be to raise this amount for those on lower incomes, and those without employer-funded paid leave, potentially limiting the amount (or limiting access) for those on higher incomes and with employer-funded leave.

Understanding the various components of family income during the early months and years of new parenthood, would help with identification of those families likely to experience difficulty managing the extra costs of raising children, including the costs of a parent taking time out of employment to care for them. Understanding the role of PPL would be an important part of this, particularly for those families that do not have access to paid parental leave.

Further analysis and evaluation

Research on the use and impacts of the current Paid Parental Leave policy in Australia is limited and is a clear evidence gap that should be addressed. AIFS has initiated a project to analyse administrative data on PPL and DAPP to provide insights into the use of the current policy, and how access and use varies across different demographic groups. We intend to commence this research with the support of the Department of Social Services in early 2023. The administrative data will be an important source of information for the evaluation of changes to the policy, and we welcome the opportunity to discuss whether our planned research activities could be extended to answer other questions of policy interest.

Further mixed methods research on the use and uptake of the PPL more broadly and for key groups (such as fathers, lower income families, and others) will be crucial in understanding the extent to which the Amendments to the scheme are meeting key objectives, including those of accessibility, flexibility and gender neutrality. AIFS is well placed to progress work in this rapidly evolving field given its expertise and established program of research on leave-taking, parental employment and work-family policies. Our evaluation of other work-family policies demonstrates our capacity in this area; a key

example being the recent AIFS Evaluation of the Australian government's Child Care Package.⁴

Summary

Overall, AIFS supports the Amendments to Paid Parental Leave, and in particular considers that the greater flexibility offered to parents with these Amendments is likely to be of value to both mothers and fathers. There will be ongoing questions about the take up of PPL by parents, how it is shared and how its use varies by socioeconomic status, that will be important to monitor and report on in further research. PPL is a critically important policy for new parents and is one of a range of policies that matter to parents which allow them to better manage their work and family commitments (Baxter & Renda, 2015). The other area of concern to support these Amendments is child care, where access to affordable, high quality and flexible child care remains a policy priority.

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⁴ See Bray, J. R., Baxter, J., Hand, K., Gray, M., Carroll, M., Webster, R., Phillips, B., Budinski, M., Warren, D., Katz, I., Jones, A. (2021). Child Care Package Evaluation: Final Report. (Research Report). Melbourne: Australian Institute of Family Studies. Retrieved from [Child Care Package Evaluation: Final report \(aifs.gov.au\)](https://aifs.gov.au/research/child-care-package-evaluation-final-report).

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