



Policy costing

Extend paid parental leave to six months and include superannuation	
Party:	Australian Greens
Summary of proposal: This proposal would modify the current paid parental leave scheme as follows. <ul style="list-style-type: none">• Increase the paid parental leave entitlement for the nominated primary carer to 26 weeks, paid at the carer's replacement wage. The annual replacement wage would be capped at \$100,000 in the first year of the proposal and indexed by the consumer price index annually.• Allow two weeks of the primary carer's entitlement to be accessed by their partner at the partner's replacement wage. The primary carer's entitlement would be correspondingly reduced to 24 weeks.• Where the primary carer is the non-birth parent, they would receive their actual wage unless it is higher than both the birth parent's wage and the national minimum wage, in which case they would receive the higher of the birth parent's wage or the national minimum wage.• Include superannuation contributions on all Commonwealth Government paid parental leave payments at the superannuation guarantee rate.• Allow Commonwealth, state and territory public sector employees to choose to take either their negotiated workplace parental leave entitlement or the proposed paid parental leave scheme (but not both).• Administer the payments through the Department of Human Services, rather than through the employers of the recipients. The proposal would have effect from 1 July 2020.	

Costing overview

This proposal would be expected to decrease the fiscal balance by \$6,511 million and the underlying cash balance by \$6,541 million over the 2019-20 Budget forward estimates period. The fiscal balance impact largely reflects an increase in administered expenses of \$9,151 million, partially offset by an increase in revenue of \$2,640 million over this period.

The underlying cash balance differs from the fiscal balance because of a timing difference between when a proportion of the low income superannuation tax offset and family tax benefit payments are accrued (within one financial year) and when they are paid (in the next financial year).

The proposal would be expected to have an impact which extends beyond the 2019-20 Budget forward estimates period. Detailed financial implications for the proposal over the period to 2029-30 are included in [Attachment A](#).

The financial implications of this proposal are highly sensitive to projections of wages growth and changes in the indexation parameters and demographic factors.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-	-1,697	-2,317	-2,507	-6,511
Underlying cash balance	-	-1,727	-2,317	-2,507	-6,541

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

- Indicates nil.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

- All private sector recipients eligible for the proposed scheme would be paid the full amount, regardless of any employer-provided entitlements.
- Commonwealth, state and territory public sector employees would choose the higher of the proposed paid parental leave scheme or negotiated workplace parental leave entitlement.

Methodology

Administered expenses were estimated using a microsimulation model of Australia's personal income tax and transfer payment systems. Simulations were calculated to determine entitlements under both the current policy and the proposal. The difference in entitlements between the current policy and the proposed policy represents the cost of the proposal.

The revenue implications were estimated based on the difference in projected taxable incomes and superannuation contributions of paid parental leave recipients under both the current and proposed policy scenarios. Personal income was indexed in line with the growth of average weekly earnings.

This costing takes the timing of administered payments and tax collections into account in estimating the financial implications of the proposal on the budget balances.

Departmental expenses were estimated based on information provided by the Department of Human Services on the costs of administering a replacement wage paid parental leave scheme and the costs of including superannuation payments under the scheme.

Administered expenses have been rounded to the nearest \$10 million. Departmental expenses have been rounded to the nearest \$1 million.

Data sources

The Department of Social Services provided 2016-17 administrative unit record data on paid parental leave recipients.

The Department of Social Services provided expenditure and population forecasts for paid parental leave recipients as at the 2019 Pre-election Economic and Fiscal Outlook.

The Department of Human Services provided departmental unit costs as at the 2019-20 Budget.

The Department of Finance provided indexation parameters as at the 2019 Pre-election Economic and Fiscal Outlook.

Attachment A – Extend paid parental leave to six months and include superannuation – financial implications

Table A1: Extend paid parental leave to six months and include superannuation – Fiscal balance (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Revenue													
Total – revenue	-	660	990	980	1,030	1,060	1,120	1,170	1,230	1,290	1,340	2,640	10,880
Expenses													
<i>Administered</i>	-	-2,350	-3,300	-3,480	-3,680	-3,900	-4,140	-4,360	-4,590	-4,840	-5,030	-9,130	-39,680
<i>Departmental</i>	-	-7	-7	-7	-8	-8	-9	-9	-10	-10	-11	-21	-84
Total – expenses	-	-2,357	-3,307	-3,487	-3,688	-3,908	-4,149	-4,369	-4,600	-4,850	-5,041	-9,151	-39,764
Total	-	-1,697	-2,317	-2,507	-2,658	-2,848	-3,029	-3,199	-3,370	-3,560	-3,701	-6,511	-28,884

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

(b) Figures may not sum to totals due to rounding.

- Indicates nil.

Table A2: Extend paid parental leave to six months and include superannuation – Underlying cash balance (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Receipts													
Total – receipts	-	660	990	980	1,030	1,060	1,120	1,170	1,230	1,290	1,340	2,640	10,880
Payments													
<i>Administered</i>	-	-2,380	-3,300	-3,480	-3,680	-3,910	-4,140	-4,370	-4,590	-4,840	-5,030	-9,160	-39,710
<i>Departmental</i>	-	-7	-7	-7	-8	-8	-9	-9	-10	-10	-11	-21	-84
Total – payments	-	-2,387	-3,307	-3,487	-3,688	-3,918	-4,149	-4,379	-4,600	-4,850	-5,041	-9,181	-39,794
Total	-	-1,727	-2,317	-2,507	-2,658	-2,858	-3,029	-3,209	-3,370	-3,560	-3,701	-6,541	-28,914

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

- Indicates nil.