



# The Coalition's Policy for Paid Parental Leave

August 2013

## Key Points

The Coalition will deliver a genuine paid parental leave scheme to give mothers six months leave based on their actual wage.

We will help families get ahead and give women a more realistic choice if they want to combine work with family and continue their career.

The period following the birth of a child is one of the hardest financially for parents. With the majority of mothers now in paid employment immediately prior to giving birth, many families cannot easily forgo a second income, even temporarily, without putting the financial security of their family at risk.

Under the Coalition's scheme, mothers will be provided with 26 weeks of paid parental leave, at their actual wage or the national minimum wage (whichever is greater),<sup>1</sup> plus superannuation. In contrast, Labor's parental leave scheme is paid at the minimum wage for 18 weeks.

Of the 34 countries in the Organisation for Economic Co-operation and Development (OECD), 33 offer paid parental leave schemes. **Of these 33 countries, Australia is one of only two that fails to pay leave based on a replacement wage.** By offering only minimum wage, Australia is left economically behind its major OECD competitors. Due to this, we risk the productivity gains that come from greater participation by women in the paid workforce. There's no doubt, a ready way to increase Australia's productivity is to increase the participation (part-time and full-time) of women in the paid workforce which is why paid parental leave is an economic driver and should be a workforce entitlement, not a welfare payment.

According to Australian Bureau of Statistics data, around 80 per cent of Australian women earn a salary of less than \$62,400; and the average salary for women who work full-time is around \$65,000.

This means that women who earn the average full-time salary for women will be more than **\$21,000** better off under the Coalition's scheme because they will receive their actual wage over 26 weeks (around \$32,500) instead of the minimum wage for 18 weeks (around \$11,200).

Because the Coalition's scheme includes superannuation, a woman earning the average full-time female salary of \$65,000 who has a child at 26 years of age and another at 29 years of age will be around **\$50,000** better off in retirement than she would have been under Labor's scheme, which does not include superannuation.

The Coalition's paid parental leave scheme will commence from 1 July 2015.

<sup>1</sup> Payment amounts are capped at the \$150,000 salary level.



## Introduction

The Coalition understands the importance of ensuring that women, particularly those with children, are able to participate as fully as they choose in the workforce.

This is why the Coalition will introduce a paid parental leave scheme that will help women take enough time out of the workforce to establish a family, while reducing the financial pressure that goes with having children.

The Coalition's paid parental leave scheme recognises that a family's financial responsibilities don't decrease – indeed, they increase – when a new child is born. There is no maternity leave from mortgage payments, power and fuel bills or grocery expenses.

The Coalition's paid parental leave scheme will allow women to have children at the time they prefer, rather than being forced to put it off for financial reasons.

The Coalition's paid parental leave scheme will enhance child and maternal wellbeing by providing financial support to mothers while they are outside the paid workforce recovering from childbirth, breastfeeding and bonding with their newborns.

At 26 weeks, the Coalition's paid parental leave scheme is consistent with recommendations from the Australian National Health and Medical Research Council (NHMRC) and the World Health Organisation (WHO) that the minimum period of exclusive care and breastfeeding for optimal maternal and infant health outcomes is six months.<sup>2</sup>

As the Productivity Commission notes, the health gains from paid parental leave do not only benefit families. Society at large will benefit from lower long-term health costs and the likely long-run productivity benefits.<sup>3</sup>

The Coalition's paid parental leave scheme will be good for the economy at large because it will keep productive and potentially productive people more engaged in the workforce.

According to Australian Bureau of Statistics (ABS) data, around 80 per cent of Australian women earn a salary of less than \$62,400; and the average salary for women who work full-time is around \$65,000.

<sup>2</sup> Australian National Health and Medical Research Council, "Dietary Guidelines for Children and Adolescents in Australia," June 2008. Available: [http://www.nhmrc.gov.au/files\\_nhmrc/file/publications/synopses/foodinfa.pdf](http://www.nhmrc.gov.au/files_nhmrc/file/publications/synopses/foodinfa.pdf) ; and World Health Organisation, Fifty-Fifth World Health Assembly, Infant and young child nutrition, 16 April 2002, Report by the Secretariat, p. 5. Available: [http://apps.who.int/gb/archive/pdf\\_files/WHA55/ea5515.pdf](http://apps.who.int/gb/archive/pdf_files/WHA55/ea5515.pdf)

<sup>3</sup> Productivity Commission, Inquiry, 'Overview,' p. xviii.



This means women who earn the average full-time salary for women will be more than \$21,000 better off under the Coalition's scheme because they will receive their actual wage over 26 weeks (around \$32,500) instead of the minimum wage for 18 weeks (around \$11,200). See Appendix 1 for more examples.

By paying mothers in the paid workforce their actual wage or the national minimum wage (whichever is greater)<sup>4</sup> the Coalition's scheme will bring Australia into line with paid parental leave practices the world over, particularly those of other OECD countries.

Based on an OECD report that outlined the paid parental leave policies of OECD and other countries, Australia is one of only two countries with a paid parental leave scheme that doesn't base its payments on the mother's actual wage (see Appendix 2).<sup>5</sup> The United States is the only OECD member country with no national paid parental leave scheme (although the state of California does have a scheme).

Importantly, the Coalition also acknowledges the disparity between the average retirement incomes of men and women. That's why only the Coalition's scheme includes superannuation – unlike Labor's scheme which does not.

## The Plan

### 1. Provide Mothers with 26 Weeks Paid Parental Leave at their Actual Wage

Mothers will be provided with 26 weeks paid parental leave, at their actual wage or the national minimum wage (whichever is greater),<sup>6</sup> plus superannuation.

### 2. Include Superannuation Contributions at the Mandatory Rate

The Coalition believes that superannuation contributions must be paid while women are receiving paid parental leave so that women are not further disadvantaged when it comes to their retirement savings.

That's why our scheme includes superannuation contributions at the compulsory superannuation rate, unlike Labor's scheme which doesn't include superannuation.

<sup>4</sup> Payment amounts are capped at the \$150,000 salary level.

<sup>5</sup> OECD Family Database, report July 2012, accessed at: [http://www.oecd.org/els/familiesandchildren/PF2.1\\_Parental\\_leave\\_systems%20-%20updated%20%2018\\_July\\_2012.pdf](http://www.oecd.org/els/familiesandchildren/PF2.1_Parental_leave_systems%20-%20updated%20%2018_July_2012.pdf) on 16/4/2013

<sup>6</sup> Payment amounts are capped at the \$150,000 salary level.



### Example – Helping Women’s Retirement Incomes

Jessica is 26 years old and earns the average full-time female salary of \$65,000 when she has her first baby. Under the Coalition’s paid parental leave policy she is able to stay at home to look after and bond with her baby. After some time she returns to work and has her second baby at 29 years of age, by which time her salary has risen to \$71,000.

Under the Coalition’s scheme Jessica would receive super payments for the six months she is on paid parental leave with her first child, and for the six months she is on paid parental leave with her second. The superannuation contributions made while Jessica is on maternity leave mean that she would have approximately **\$50,000** more in superannuation when she retires than under Labor’s paid parental leave scheme. This differential would be much larger again if Jessica has a third or a fourth child.

The size of this difference reflects the power of compounding. It shows how important it is for women’s retirement incomes not to have extended periods early in their working lives when they do not receive super. Under Labor’s inadequate paid parental leave scheme this is exactly the dilemma women who want to have a family face.

### 3. Allow Two out of the 26 Weeks to be Dedicated Paternity Leave

Under the Coalition’s scheme, fathers will be eligible for two out of the 26 weeks for dedicated paternity leave at their actual wage or the national minimum wage (whichever is greater),<sup>7</sup> plus superannuation.

The leave can be taken concurrently or separately to the mother’s leave, but we expect that in many cases it will be taken in the first fortnight after birth so that fathers can help mothers when they first come home with their new baby.

The Coalition’s scheme will allow the father to be nominated as the primary carer because this flexibility is important for modern families.

However, if a father is nominated as the primary carer rather than the mother, he will be able to access paid parental leave with payments to reflect the lower of his actual wage or the mother’s actual wage, or national minimum wage (whichever is greater).<sup>8</sup>

The reason why the Coalition’s paid parental leave scheme is pegged to the mother’s wage is to ensure there is not a perverse incentive to send a mother back to work early in order to access higher payments based on the father’s wage, recognising that male average weekly earnings are higher at present than female earnings.

<sup>7</sup> Up to a maximum of \$5,770.

<sup>8</sup> Payment amounts are capped at the \$150,000 salary level.



A primary objective of the Coalition's scheme is to support women to have the best chance to breastfeed and bond with their infant for the six-month period recommended by international and Australian health experts, while maintaining a connection to the workplace.

#### **4. Use the Same Work Test as the Government's Scheme**

Carers will not have to be working full-time to access the Coalition's paid parental leave scheme because it would use the same 'work-test' as Labor's scheme. Full-time, part-time, casual, seasonal, contract and self-employed workers could be eligible for the scheme, such as a woman running her small business or in a farming partnership. To meet the work test, a person must have:

- Worked for at least 10 of the 13 months prior to the birth or adoption of their child; and
- 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.

#### **5. Be Paid and Administered Through the Family Assistance Office**

Under the Coalition's scheme, employees will be paid directly by the Commonwealth Government, not via their employer.

The Coalition's paid parental leave scheme will be paid and administered through the Family Assistance Office so there will be no additional paperwork for employers or cashflow problems for small business.

In contrast, Labor's paid parental leave scheme imposes an unnecessary administrative burden on employers, particularly small businesses. Under Labor's scheme, with few exceptions, employers are required to act as paymasters after receiving an employee's entitlement from Centrelink. The system is unnecessarily complicated and forces small businesses to bear the costs of restructuring their payroll and accounting systems.

#### **6. Be Funded by a Levy on Large Companies**

The net cost of the Coalition's paid parental leave scheme will be funded by a 1.5 per cent levy on companies with taxable incomes in excess of \$5 million (the levy will apply only to taxable income in excess of \$5 million). Latest available data from the Australian



Taxation Office suggest that out of a total of more than 750,000 companies, only around 3,000 large companies will be liable to pay the levy.

The Coalition's paid parental leave scheme will not be paid for by small business, but they will be a key beneficiary of this policy, as will their employees. The Coalition's paid parental leave scheme will reduce the difficulty small businesses face in attracting and retaining female staff who may soon wish to start a family or have another child. Some larger companies already offer replacement wage paid parental leave making it hard for small business to compete. The Coalition's paid parental leave scheme will provide a level playing field for small business at no cost to them.

The Coalition will also provide a modest company tax cut from 1 July 2015. For large companies this will offset the cost of the paid parental leave levy, while for smaller and medium-sized companies this will be a further boost to their competitiveness, helping them to expand and create jobs.

## The Choice

Australians have a choice between a Coalition government which will provide genuine paid parental leave to support new parents or a Labor Government which has introduced a sub-standard scheme. Labor has introduced what purports to be a national paid parental leave scheme, but is in fact just a rebadged Baby Bonus.

Under the Coalition's paid parental leave scheme more women will be eligible, payments will be paid over a longer period of time and the overwhelming majority of women will receive a higher payment because it is based on what they actually earn, and not a one-size-fits-all minimum wage model.

Labor says that the Coalition's scheme is too generous. We say that anything less than an actual wage payment would mean that we, as a nation, don't take supporting women and their families seriously.

**It is noteworthy that women aged 18 to 49 years who earn more than \$100,000 represent only 1.7 per cent of all people with taxable incomes according to the most recently available ATO data.**

Under the Coalition's scheme, all women who meet the work test will be financially better off because they will be entitled to the national minimum wage or their actual wage (whichever is greater) for 26 weeks,<sup>9</sup> not the 18 weeks offered by Labor.

<sup>9</sup> Payment amounts are capped at the \$150,000 salary level.

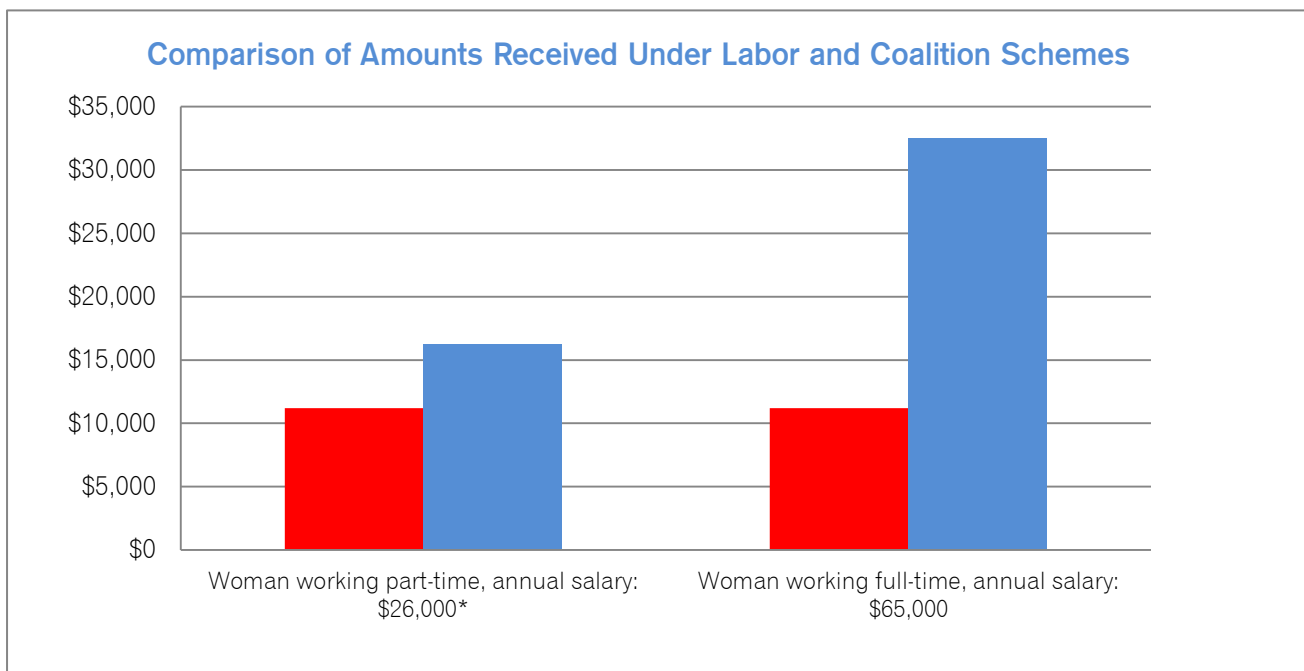


Around 26 per cent of previously employed Australian women return to work within six months of giving birth, often against their own preference. Those women who return to work early are disproportionately employed in low-paying casual positions and often feel they cannot afford a six month absence from the workforce.<sup>10</sup>

Labor's paid parental leave scheme is supposed to target these women but fails. Neither the level of financial support nor the duration of Labor's scheme is sufficient to encourage many of these women to take more leave than they do already, to assist in the early months of their child's life.

At 18 weeks, Labor's scheme does not support women to breastfeed and bond with their child for the recommended minimum period of six months.<sup>11</sup> With a gross value of around \$11,200, which is taxable income, Labor's scheme provides only a marginal after-tax net benefit to many recipients when compared with the former Baby Bonus and other family benefits.

The minimum wage payment of Labor's scheme is unlikely to lead to a change in leave-taking behaviour amongst the group of working women who currently feel they cannot afford to stay at home for six months, nor does it represent a significant incentive for women to reconnect with the workforce, in due course, between children.<sup>12</sup>



\* Under the Coalition, paid parental leave is paid at the National Minimum Wage for 26 weeks (\$16,200), rather than 18 weeks under Labor.

<sup>10</sup> Productivity Commission, *Final Inquiry Report: Paid Parental Leave: Support for Parents with Newborn Children*, 'Parental Leave in Australia Today,' (Melbourne: Commonwealth of Australia, 28 February 2009), p. 3.19.

<sup>11</sup> Australian National Health and Medical Research Council, "Dietary Guidelines for Children and Adolescents in Australia," June 2008 (cited on p.2 of this document).

<sup>12</sup> Australian Institute of Family Studies, Sub. 138, Submission by the AIFS to the Productivity Commission Inquiry into Paid Maternity, Paternity and Parental Leave, 2 June 2008, pp. 6-7.





Labor's scheme also further entrenches the disparity in average retirement incomes between men and women by failing to include superannuation. By paying superannuation as part of paid parental leave, the Coalition's scheme will improve the retirement savings of most women having families by many tens of thousands of dollars.

Labor has also imposed new and unnecessary administrative demands on employers, forcing them to act as paymasters for its paid parental leave scheme and bear the cost and inconvenience of restructuring their payroll and accounting systems.

## Cost

The Coalition's paid parental leave scheme will commence from 1 July 2015.

The net additional cost is \$6.1 billion over the forward estimates period (after allowing for savings from discontinuing Labor's inadequate paid parental leave scheme).

This cost will be fully met by associated reductions in other outlays, and increases in receipts, resulting from the Coalition's scheme paying mothers at their actual wage rather than at the minimum wage (and for 26 weeks rather than 18); together with revenue from the Coalition's Paid Parental Leave levy on large companies.

The Coalition's Paid Parental Leave scheme has been fully costed by the Parliamentary Budget Office.



## Comparison by Elements of the Two Paid Parental Leave Schemes

	Coalition	Labor
Length of payment	26 weeks	18 weeks
Amount of payment	Your current wage or the national minimum wage (whichever is greater) <sup>13</sup>	National minimum wage only
Minimum support provided	Minimum wage for 26 weeks	Minimum wage for 18 weeks
Will I get superannuation with my paid parental leave?	Yes. The Coalition believes that superannuation payments must be paid while on Paid Parental Leave so that women are not further disadvantaged when it comes to their retirement savings.	No. Labor's scheme does not pay superannuation.
Who is eligible?	Full-time, part-time, casual, seasonal, contract and self-employed workers can be eligible for the scheme. To meet the work test, a person must have: worked for at least 10 of the 13 months prior to the birth or adoption of their child; and 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.	Full-time, part-time, casual, seasonal, contract and self-employed workers can be eligible for the scheme. To meet the work test, a person must have: worked for at least 10 of the 13 months prior to the birth or adoption of their child; and 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.
What about paternity leave?	The Coalition's scheme will pay up to two weeks of leave (out of the 26 weeks) at the father's actual wage, or the minimum wage, whichever is greater. <sup>14</sup> This leave can be taken concurrently or separately to the mother's leave.	Since January 2013, Labor's scheme has offered two weeks of paternity leave paid at only the minimum wage.
Exceptions	If a woman's salary is \$150,000 per annum or more, she will receive paid parental leave, but it will be capped at the \$150,000 salary level.	If a woman's salary is over \$150,000 she is not eligible for any paid parental leave.

<sup>13</sup> Payment amounts are capped at the \$150,000 salary level.

<sup>14</sup> Up to a maximum of \$5,770.



## Appendix 1: How Individual Women will be Better Off Under the Coalition's Scheme

Priya works full-time as a property manager, earning \$66,000 per annum plus super. Under Labor's scheme, Priya would receive the minimum wage (\$622 per week) for 18 weeks for a total payment of around \$11,200 with no super. Under the Coalition's scheme she would receive her actual wage (\$1,270 per week) for 26 weeks for a total payment of \$33,000 plus super.

**Amount better off: around \$21,800 plus super**

Belinda works part-time as a delivery driver, earning \$20,000 per annum plus super. Under Labor's scheme, Belinda would receive the minimum wage for 18 weeks for a total payment of around \$11,200 with no super. Under the Coalition's scheme Belinda would also receive the national minimum wage because it is higher than her actual wage but for 26 weeks instead of 18 weeks, so she would receive around \$16,200 plus super.

**Amount better off: around \$5,000 plus super**

Janet works full-time as a structural engineer earning \$85,000 per annum plus super. Under Labor's scheme, Janet would receive the minimum wage (\$622 per week) for 18 weeks for a total payment of around \$11,200 with no super. Under the Coalition's scheme she would receive her actual wage (\$1,640 per week) for 26 weeks for a total payment of \$42,500 plus super.

**Amount better off: around \$31,300 plus super**

Fatima works full-time as a property management office administrator, earning \$45,000 per annum plus super. Under Labor's scheme, Fatima would receive the minimum wage (\$622 per week) for 18 weeks for a total payment of around \$11,200 with no super. Under the Coalition's scheme she would receive her actual wage (\$870 per week) for 26 weeks for a total payment of around \$22,500 plus super.

**Amount better off: around \$11,300 plus super**

Diana works full-time as a receptionist earning the minimum wage of around \$32,400 per annum plus super. Under Labor's scheme, Jasmine would continue to receive the minimum wage (\$622 per week) for 18 weeks for a total payment of around \$11,200 with no super. Under the Coalition's scheme she would also receive the national minimum wage but for 26 weeks instead of 18 weeks so she would receive a total payment of around \$16,200 plus super.

**Amount better off: around \$5,000 plus super**

Mia works part-time as a finance manager earning \$40,000 per annum plus super. Under Labor's scheme, Mia would receive the minimum wage (\$622 per week) for 18 weeks for a total payment of around \$11,200 with no super. Under the Coalition's scheme she would receive her actual wage (\$770 per week) for 26 weeks, meaning she would receive \$20,000 plus super.

**Amount better off: around \$8,800 plus super**

Sally works part-time as a registered nurse earning \$55,000 per annum plus super. Under Labor's scheme, Chloe would receive the minimum wage (\$622 per week) for 18 weeks for a total payment of around \$11,200 with no super. Under the Coalition's scheme she would receive her actual wage (\$1,060 per week) for 26 weeks, meaning she will receive around \$27,500 plus super.

**Amount better off: around \$16,300 plus super**



## Appendix 2: OECD Country Employment-Protected Maternity Leave Arrangements (as at July 2012)<sup>15</sup>

Country	Entitlement (time)	Entitlement (rate of payment)
Australia	18 weeks	Flat rate: Minimum wage.
Austria	16 weeks	Based on salary: 100% of average income (taken from an average of the recipient's income over the last three months they were employed) with no ceiling.
Belgium	15 weeks	Based on salary: 30 days at 82% of recipient's wage, the remainder at 75% of their wage with a ceiling.
Canada	15 to 18 weeks (varies across provinces)	Based on salary: 55% of average insured earnings with a maximum of CAN\$485 per week.
Chile <sup>16</sup>	18 weeks	Based on salary: 100%.
Czech Republic	28 weeks	Based on salary: 69% (up to CZK31,837 per month).
Denmark	18 weeks	Based on salary: 100% up to DKK788 per working day before taxes or DKK3,940 weekly.
Estonia	23 weeks	Based on salary: 100%.
Finland	105 working days (around 17.5 weeks)	Based on salary: 90% during the first 56 days up to a ceiling of EUR53,072, with a lower percentage for higher earnings; 70% after that period, up to EUR34,495, with a lower percentage for higher earnings; minimum of EUR574 per month.
France	Child 1 and 2: 16 weeks; 3rd: 26 weeks	Based on salary: 100% up to a maximum (EUR3,031 a month).
Germany	14 weeks	Based on salary: 100% with no ceiling.
Greece	17 weeks	Based on salary: 100%.
Hungary	24 weeks	Flat rate: Lump sum of 225% of the minimum old-age pension.
Iceland	13 weeks	Based on salary: 80% of earnings if earnings lower than ISK200,000 per month; 75 % for earnings over ISK200,000 up to a ceiling of ISK300,000 per month.
Ireland	42 weeks	Based on salary: 70% with minimum and maximum of EUR262 per week.

<sup>15</sup> OECD Family Database, report July 2012, accessed at: [http://www.oecd.org/els/familiesandchildren/PF2.1\\_Parental\\_leave\\_systems%20-%20updated%202018\\_July\\_2012.pdf](http://www.oecd.org/els/familiesandchildren/PF2.1_Parental_leave_systems%20-%20updated%202018_July_2012.pdf) on 16/4/2013

<sup>16</sup> Supplementary information to OECD table: World Bank, Women, Business and the Law data, accessed at <http://wbl.worldbank.org/Data/ExploreEconomies/Chile/2011?topic=getting-a-job> on 29/7/13



Country	Entitlement (time)	Entitlement (rate of payment)
Israel <sup>17</sup>	14 weeks	Based on salary: 100% up to a ceiling.
Italy	20 weeks	Based on salary: 80%.
Japan	14 weeks	Based on salary: 60%.
Korea	15 weeks	Based on salary: 100% for the first 60 days with a max of WON 1,350,000 for the last 30 days.
Luxembourg	16 weeks	Based on salary: 100% (with minimum and maximum payments at EUR9,007.43 per month).
Mexico	18 weeks	Based on salary: 100%.
Netherlands	16 weeks	Based on salary: 100% up to maximum of daily (EUR 193).
New Zealand	14 weeks	Based on salary: 100% up to a ceiling of NZ458.82.
Norway	9 weeks	Based on salary: 100% of earnings but varies if period of leave taken is more than 48 weeks for a (i.e. for a year pay is 80% of earnings up to maximum NOK437,286).
Poland	24 weeks	Based on salary: 100% (no ceiling).
Portugal	75 days	Based on salary: 80-100% with a minimum.
Slovak Republic	34 weeks	Based on salary: 55% of net wage up to a maximum (350 SKK per day, 7,500 SKK /month).
Slovenia	15 weeks	Based on salary: 100% of average earnings from the previous 12 months. Minimum payment at 55% of the minimum wage. Women not insured at the time of leave but who have been insured for at least 12 months in the last three years before leave receive 55 to 105% of the minimum wage.
Spain	16 weeks	Based on salary: 100% up to a ceiling of EUR3,230 per month.
Sweden	50 days	Based on salary: 80% up to a ceiling of EUR43,070 (and minimum of EUR19 per day).
Switzerland	14 weeks	Based on salary: 80% up to a maximum of SFR196 per day.
Turkey	12 weeks	Based on salary: 66%.
UK	52 weeks	Based on salary: First six weeks: 90%, then final 20 weeks: GBP135.45 per week or 90% of average weekly earnings if lower.

<sup>17</sup> Supplementary information to OECD table: World Bank, Women, Business and the Law data, accessed at <http://wbl.worldbank.org/Data/ExploreEconomies/israel/2011#getting-a-job> on 29/7/13



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