

Reflections on Australia's first paid parental leave scheme: achievements, limits and future prospects

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Outline of presentation

1. Brief background: the policy framework in context
 - Long policy vacuum around paid leave
 - Prevalence of employer paid schemes, unevenly distributed across the labour market
 - Paid Parental Leave (PPL) scheme, commencing January 2011, providing 18 weeks' pay at the national minimum wage
2. Assessment of the PPL scheme in relation to its main objectives, i.e. to enhance:
 - Mothers' labour force participation
 - Maternal and child health
 - Gender equity
3. Recent policy developments and future prospects
 - Liberal/National Coalition policy taken to 2013 election – a proposal involving a significant extension of paid leave entitlements
 - Subsequent abandonment of this proposal; legislative amendments designed to remove 'double dipping' under current scheme in progress
 - Where to next?

1. Brief background – the policy framework in context

- Welfare state characteristics ('wage earner's welfare state' history, liberal/residual regime type, strong male breadwinner norms)
 - All played a part in delaying the introduction of a paid leave scheme, and all shaped the scheme that was finally adopted
 - 12 months (unpaid) parental leave entitlement established via the wage setting system (from 'maternity' in 1979, to 'parental' in 1991, then subsequent extensions in coverage and duration)
 - Entitlement to payment – 'Parental Leave Pay' under the 2011 PPL scheme separate from leave entitlement, with the level of payment (national minimum wage) and targeting (limited to those earning under AU\$150,000 per annum) consistent with a means tested welfare system
 - An entitlement primarily for mothers (who may opt to direct the payment to the partner or another carer), albeit retaining the label 'parental' leave; ('Dad and Partner Pay' for 2 weeks at the national minimum wage added on two years later), with a parallel 'Baby Bonus' scheme for mothers not in paid work (recently wound up – primarily for cost reasons)
- PPL introduced alongside existing employer provisions
 - Uneven access: most comprehensive provisions in government employment, and some large private sector organisations, but absence of entitlements for many private sector employees
 - Where available, payment typically at full replacement wage, varied duration (commonly 6, 8 or 12 weeks)
 - PPL duration (18 weeks) designed to complement employer paid schemes, delivering approximately six months leave in total for those with access to employer schemes as well

Background, contd...

Overview of employer provisions*

- A little under half of employed mothers (samples of those meeting the work test for access to PPL if it had been in place) reported access to employer paid parental leave in 2010 and 2012.
- Of surveyed employers in 2012 (441 employers who provided PPL payments to at least one employee in July/Aug that year):
 - 28% had a paid maternity leave scheme
 - 87% of public sector employers; average leave duration for permanent employees - 13 weeks
 - 54% large private employers [200+ employees]; average leave duration for permanent employees - 11 weeks
 - 22% medium private sector employers [20-199 employees]; average leave duration for permanent employees - 11 weeks
 - 7% small private sector employers [<20 employees] (numbers too small to estimate average duration)
 - 22% had a paid paternity leave scheme, 17% a 'primary carer' provision
- Employers predominantly maintaining their schemes alongside the PPL scheme provisions

* Figures on employer provisions are drawn from surveys conducted as part of the evaluation of the PPL scheme and published in the Phase 3 report:

Martin, B. et al. (2015) Paid Parental Leave Evaluation: Phase 3 Report. Department of Social Services, Canberra. Available at: <https://www.dss.gov.au/our-responsibilities/families-and-children/programmes-services/paid-parental-leave-scheme/paid-parental-leave-evaluation-phase-3-report>

2. Assessment of the PPL scheme in relation to its main objectives*

Mothers' labour force participation

- 'Survivor' analyses comparing pre- and post-PPL mothers (in surveys conducted in 2010 and 2012):
 - a larger proportion of post-PPL mothers were expected *not* to return to work by 18 weeks after the birth of their child – 85% compared with 78% of pre-PPL mothers.
 - the same proportion of both samples were expected *not* to return to work by 26 weeks – 64%.
 - a smaller proportion of post-PPL mothers were expected *not* to return to work by 52 weeks – 27% compared with 31% of pre-PPL mothers.
- Differences between pre- and post-PPL behaviour were particularly marked among low-income mothers and those in casual employment (in contrast, behaviour changed little for high income mothers, for whom the PPL payments comprised a relatively small proportion of their usual income, and who were more likely to have access to employer-paid leave).

* Figures on this slide are drawn from the final (Phase 4) report of the evaluation of the PPL scheme and are based on matched analytic samples. See:

Martin, B. et al. (2015) PPL Evaluation: Phase 4 Report. Department of Social Services, Canberra. Available at: <https://www.dss.gov.au/our-responsibilities/families-and-children/programmes-services/paid-parental-leave-scheme/paid-parental-leave-evaluation-phase-4-report>

Mothers' labour force participation, contd*

- In addition, the proportion of mothers returning to the same job as before the birth of their child was higher among post-PPL than pre-PPL groups (77% compared with 73% respectively in matched analytical samples).
 - Again the contrast varied among sub-groups, e.g. among mothers without a tertiary qualification, the pre- and post-PPL proportions returning to the same job were 69% and 77% respectively. In contrast, the proportion of tertiary educated mothers who went back to the same job was 77% for both pre and post-PPL groups.
 - The Phase 4 report suggested this difference could be because mothers without tertiary education were less likely than those with tertiary qualifications to have had access to employer paid parental leave before PPL was introduced, and so may have been more likely to respond to the incentives of PPL.

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Martin, B. et al. (2015) PPL Evaluation: Phase 4 Report. Department of Social Services, Canberra. Available at: <https://www.dss.gov.au/our-responsibilities/families-and-children/programmes-services/paid-parental-leave-scheme/paid-parental-leave-evaluation-phase-4-report>

2. Assessment of the PPL scheme in relation to main objectives, contd*

- Maternal and child health and wellbeing
 - The evaluation identified small (but statistically significant) improvements in a measure of physical health in post-PPL, compared with pre-PPL, mothers and babies (interviews suggested that this was most likely due to delays in placing the child in formal childcare with its associated risks of contracting infectious diseases)
 - The evaluation also identified small (but statistically significant) improvements in a measure of mental health in post-PPL, compared with pre-PPL, mothers (possibly due to reduction of stress in the context of a predictable income in the period following the birth)
- Gender equality
 - No change was observed in the household division of labour, or in mothers' treatment at work while pregnant, when comparing the experiences of pre- and post-PPL mothers.
 - Dad and Partner Pay did appear to increase slightly the amount of leave fathers took, and to increase slightly their contribution to household work and activities with the baby in the first two months after the birth.

* Findings on this slide are drawn from the final (Phase 4) report of the evaluation of the PPL scheme and are based on matched analytic samples. See:

Martin, B. et al. (2015) PPL Evaluation: Phase 4 Report. Department of Social Services, Canberra. Available at: <https://www.dss.gov.au/our-responsibilities/families-and-children/programmes-services/paid-parental-leave-scheme/paid-parental-leave-evaluation-phase-4-report>

3. Recent policy developments and future prospects

- Liberal/National Party (LNP) policy taken to the 2013 federal election:
 - Leader of the Opposition at the time initiated a more generous policy to take to the electorate: it extended the leave period from 18 to 26 weeks and offered payment at replacement wage (with a cap at \$75,000 for the 26 weeks), and included superannuation payments
- Developments since the LNP won government in 2013:
 - Support within the Liberal and National parties for the scheme was uneven, many opposed or not strongly in favour
 - The overriding discourse was one of 'budget pressure'; in this context, an early step was to reduce the scheme's cap to \$50,000
 - In late 2014 the government announced it would drop the proposed new scheme

3. Recent policy developments and future prospects, contd

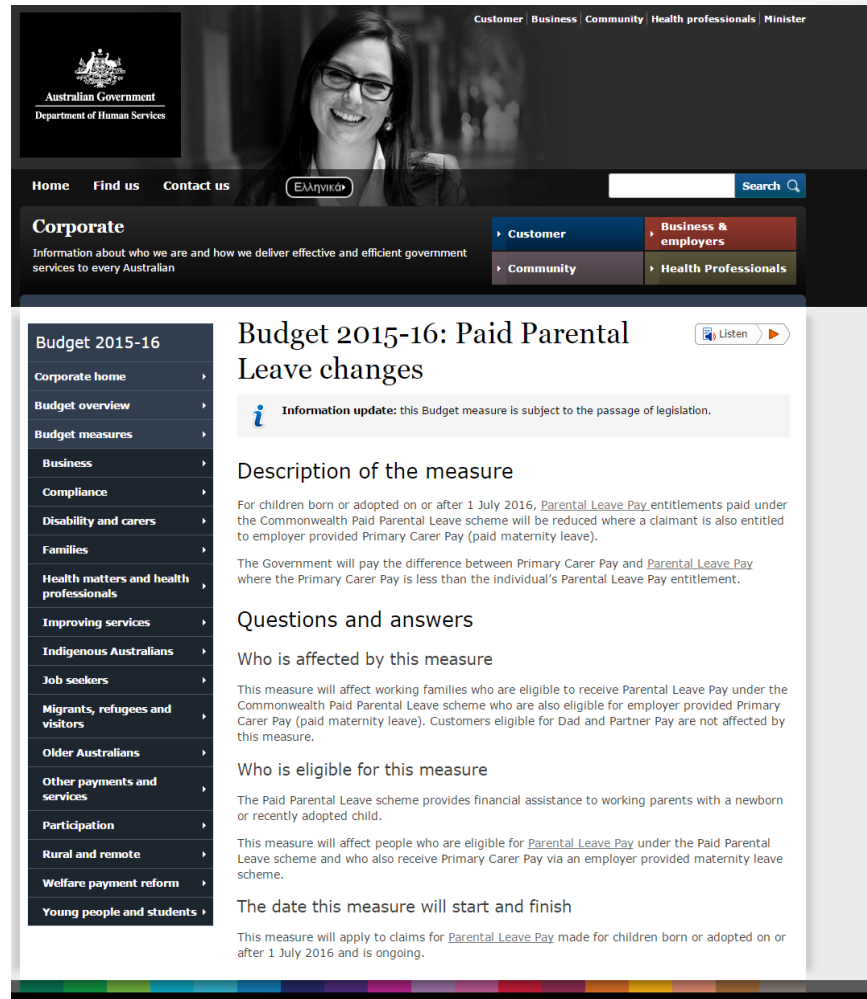
Further developments

- A few days prior to the May 2015 budget, it was announced that the current PPL scheme would be amended to preclude what the government termed 'double dipping'.
 - This involved limiting eligibility for the full PPL entitlement to parents who do not receive payment under a scheme funded by their employer. Those receiving payment from their employer equal to or more than the maximum PPL entitlement will no longer receive any PPL payments, while those receiving a lesser amount from their employer will be entitled to a reduced amount from the PPL scheme, such that the total amount received does not exceed the maximum PPL amount.
 - Amendments to the *Paid Parental Leave Act* – the *Fairer Paid Parental Leave Bill* in progress to give effect to this change.

Estimates of the impact of this measure (as cited in the press*)

- 20% of new mothers (around 34,000 per year) will lose access to PPL entirely; while 27% (around 45,000 per year) will lose access to a portion of the PPL entitlement (due to their employer provisions); and around 50% (approximately 90,000 per year) will not be affected
- Estimated median income of those who will lose access: \$70,000 pa
- Government's estimated cost savings: \$1 billion

*For example: <http://www.smh.com.au/business/federal-budget/federal-budget-2015-paid-parental-leave-cuts-face-senate-battle-20150511-ggz0jm.htm>



The screenshot shows the Australian Government Department of Human Services website. The header includes the Australian Government logo and navigation links for Customer, Business, Community, Health professionals, and Minister. The main content area is titled 'Budget 2015-16: Paid Parental Leave changes' and includes an 'Information update' section stating that the measure is subject to the passage of legislation. The page also features sections for 'Description of the measure', 'Questions and answers', 'Who is affected by this measure', 'Who is eligible for this measure', and 'The date this measure will start and finish'.

Budget 2015-16

- Corporate home
- Budget overview
- Budget measures
- Business
- Compliance
- Disability and carers
- Families
- Health matters and health professionals
- Improving services
- Indigenous Australians
- Job seekers
- Migrants, refugees and visitors
- Older Australians
- Other payments and services
- Participation
- Rural and remote
- Welfare payment reform
- Young people and students

Budget 2015-16: Paid Parental Leave changes

Information update: this Budget measure is subject to the passage of legislation.

Description of the measure

For children born or adopted on or after 1 July 2016, [Parental Leave Pay](#) entitlements paid under the Commonwealth Paid Parental Leave scheme will be reduced where a claimant is also entitled to employer provided Primary Carer Pay (paid maternity leave).

The Government will pay the difference between Primary Carer Pay and [Parental Leave Pay](#) where the Primary Carer Pay is less than the individual's Parental Leave Pay entitlement.

Questions and answers

Who is affected by this measure

This measure will affect working families who are eligible to receive Parental Leave Pay under the Commonwealth Paid Parental Leave scheme who are also eligible for employer provided Primary Carer Pay (paid maternity leave). Customers eligible for Dad and Partner Pay are not affected by this measure.

Who is eligible for this measure

The Paid Parental Leave scheme provides financial assistance to working parents with a newborn or recently adopted child.

This measure will affect people who are eligible for [Parental Leave Pay](#) under the Paid Parental Leave scheme and who also receive Primary Carer Pay via an employer provided maternity leave scheme.

The date this measure will start and finish

This measure will apply to claims for [Parental Leave Pay](#) made for children born or adopted on or after 1 July 2016 and is ongoing.

<http://www.humanservices.gov.au/corporate/publications-and-resources/budget/1516/asures/families/002146>

Where to next?

- *Fairer Parental Leave Bill 2015*
 - Introduced to federal parliament in June 2015
 - Currently before Senate Community Affairs Legislation Committee
 - Dependent on votes of unaligned Senators for passage through the upper house
 - If passed will apply from July 2016
- Ongoing issue of complementarity with employer-funded schemes: will a more generous government-funded scheme, should it be raised in the future, inevitably mean the erosion of employer-funded schemes?