



ANALYSIS OF THE IMPACT OF THE GOVERNMENT'S MYEFO CUTS TO PAID PARENTAL LEAVE

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October 2016

Commissioned by:

FAIR

AGENDA

Executive Summary

The current paid parental leave (PPL) scheme commenced operation in January 2011, after the Productivity Commission recommended a system that combined government and employer leave. In making their recommendations, the Productivity Commission highlighted the importance of new parents attaining 26 weeks or more post-natal paid leave - a period considered important for health and welfare reasons for both a baby and new mother.

The current PPL system provides 18 weeks government pay at the minimum wage, to be used in combination with any leave in employment agreements or policies. It was specifically designed to enable more women to reach 26 weeks or more of paid parental leave by adding their employer paid leave on top of the 18 weeks of government provided pay.

Under the proposed cuts to this system announced in October 2016, a new parent's access to government provided PPL support would be cut where the new parent has also secured any employer provided leave, thus reducing the overall period of paid time at home that parents can access.

Approximately 160,000 familiesⁱ accessed PPL in 2015, and approximately 50 per cent of women receive some employer PPL. As 99% of those who currently access paid parental leave are women, we can then expect approximately 79,000 women would be adversely affected by this proposed cut.ⁱⁱ

Further, the analysis of impacts on different workers outlined below shows that, among others, we can expect that nurses, teachers, ambulance service workers and retail workers will be hit hard by the proposed changes. Under the government's proposed cuts, the families modelled in the below scenarios would be left with just 7 – 13 weeks of living costs covered by the Government system. That's less than half of the 26 weeks experts recommend. The financial loss suffered by these families would range from \$4,032 to \$10,752.

Given this modelling and based on what we know about how women in Australia use paid parental leave, we expect the changes will:

- prevent more women from spending critical time at home with their newborn baby;
- lead to financial duress;
- reduce the number of women able to afford to stay at home for 26 weeks and thus adversely impact on the health and welfare outcomes of new babies and mothers; and
- increase demand for childcare for the very young, in a system that is already struggling to keep up with demand.

As a result of the cuts to their income which will occur if these changes to the Paid Parental Leave system are introduced, we can also anticipate negative flow on impacts for new families and the communities in which they live.

About Paid Parental Leave

Paid parental leave (PPL) is an employee benefit available in most countries.ⁱⁱⁱ PPL is usually a government provision which aims to give people the option of having children while also working. It is based on the principle that the government has a responsibility to ensure all people have the right to seek employment on an equal basis with others. In Australia 99% of those who access the Government's Paid Parental Leave scheme are women. Therefore, any cuts to paid parental leave can be expected to disproportionately affect women and will have financial and workforce participation implications. Cuts to PPL mean reduced family income, potentially forcing mothers to return to work earlier and to spend less time at home with their newborn baby.

In international studies, paid parental leave has been shown to have several positive social and economic outcomes.^{iv} It:

- relieves some of the time and income pressure placed on women and families when they welcome a new child;
- makes it possible for an average family to maintain employment continuity while providing quality care for a new infant;
- enhances child and maternal health and development;
- improves women's workforce participation and economic growth;
- increases gender equity through improving work/family balance.

Paid Parental Leave in Australia

Following an extensive debate, a comprehensive review of the available research and after widespread consultation, in 2009 the Productivity Commission^v recommended a paid parental leave scheme for Australia which provided government parental leave pay and recommended it be combined with employer paid parental leave where provided. The Paid Parental Leave Act was subsequently introduced by the Labor Government in 2010 and government payments commenced in January 2011.

A rigorous review^{vi} of Australia's current PPL model has shown it:

- Significantly slowed the rate at which mothers return to work, up to about 6 months following a birth;
- Provided both income security and the opportunity to spend time at home with their new babies. This was shown to be especially important for low income mothers;
- Produced small improvements in mothers' physical and mental health, extended breastfeeding duration, and led to slight improvements in babies' health;
- As a result of allowing more mothers to delay their return to work; delayed infants' entry into formal childcare and thus also delayed their exposure to potential infection;
- Improved mothers' perceptions of their career prospects;
- Reduced the proportion of mothers who felt rushed and pressed for time due to additional time and income security provided by PPL.

PPL also has the potential to enable mothers to remain part of the workforce after having children. Recent research has emphasised the importance of more women entering Australia's workforce in order to improve our GDP.^{vii} Taking parental leave allows for continuity of participating in the workforce and allows women to sustain their relationship with their employer, increasing their chances of return to work.

Importance of 26 weeks + paid parental leave

In making the recommendations that led to the current PPL model, the Productivity Commission highlighted the importance of new parents attaining 26 weeks or more post-natal paid leave.

Being able to spend this time at home to care for a new baby is important for health and welfare reasons of the primary carer and newborn. It is also important in supporting new mothers to breastfeed and bond with their infant. The Australian National Health and Medical Research Council^{viii} recommends that infants be exclusively breastfed to around 6 months of age. Breastfeeding has positive effects on the nutritional, physical and psychological well-being of the infant. The World Health Organisation recommends 26 weeks of exclusive breastfeeding.^{ix} The NHMRC also warns parents that sub-optimal infant feeding is responsible for 45% of neonatal infectious deaths, 30% of diarrhoeal deaths and 18% of acute respiratory deaths in children under five years.

The current model provides 18 weeks government pay at the national minimum wage (currently) \$657 per week.^x The Australian paid parental leave model was specifically designed to enable women to reach 26 weeks or more of paid parental leave by adding their employer paid leave to the 18 weeks of government pay.

Proposed Cuts to the PPL model

Under the proposed changes put to parliament last week, the cuts would start from January 1 2017, affecting women who are currently expecting a baby. The bill makes essentially the same cuts as those announced unexpectedly and without consultation last December, in the Mid-year Economic and Financial Outlook (MYEFO). For eligible workers whose the number of weeks of PPL entitlements paid under the Commonwealth Paid Parental Leave model will be cut where a parent also receives employer provided paid leave. The number of weeks of any paid leave provided by the employer will be deducted from the Government's 18 weeks.

Under the government's proposed changes to the PPL model, the eligibility rule for a break in work will also be changed - from 8 to 12 weeks, allowing some women who are currently ineligible for paid parental leave because they have breaks in work longer than 8 weeks, to access the government parental leave pay, for example jockeys and some casual school teachers. It is possible that some workers, such as casual academics, will still be ineligible because the break between semesters over the summer is longer than 12 weeks.

The Impact of the New Proposed Change

As approximately 160,000 families^{xi} accessed PPL last year, and approximately 50 per cent of women receive some employer PPL, and 99% of those who access paid parental leave are women, we can estimate that up to 79,000 new mothers will be adversely affected by the proposed cut.^{xii}

The amount taken away from these families will depend on how many weeks of paid parental leave they have from their employer, in either their award, enterprise agreement or company policy. Women who are paid lower wages and who have some weeks of employer provided paid parental leave negotiated into their employment contracts will be, in relative terms, hit hardest by these cuts.

The analysis of impacts on different workers below shows that, among others, we can expect that nurses, teachers, patient transport officers and retail workers will be hit hard by the proposed changes – and that, if implemented, the proposed cuts will reduce the amount of time that new parents working in these roles can afford to spend at home caring for their new baby. Primary carers in these roles would all be left well short of the leave payments reasonably expected to support them to stay home with a new baby for the minimum 26 weeks recommended by experts (see explanation above), with their access to income reduced to the equivalent of just 7 – 13 weeks of living expenses for families in their situation.

Given our modelling and based on what we know about how women in Australia use parental leave, we expect the changes will:

- prevent more women from spending critical time at home with their new baby;
- lead to financial duress in the households affected;
- reduce the number of women able to afford to stay at home for 26 weeks and thus adversely impact on the health and welfare outcomes of new babies and mothers; and
- increase demand for childcare for the very young, in a system that is already struggling to keep up with demand.

Access to good paid parental leave is not only critical for ensuring the next generation has a bright future; but also for tackling financial inequality faced by women. Right now 99% of those accessing paid parental leave are women, and given economic disparities in women and men's working lives often start at motherhood, we can expect these cuts will disproportionately hit women.

It's critical to remember that the current paid parental leave scheme was introduced as a stepping stone to be built upon, to allow more parents to be able to afford to spend the recommended 26 weeks at home caring for their new baby. This proposed cut drags us in exactly the wrong direction and can be expected to have negative impacts on our country, community, and new mums and dads.

Scenario 1: Retail Worker in Tasmania

The first Scenario models the expected impact of the government's proposed changes on the situation of a retail worker. She works as a cashier for Woolworths and is expecting her first child. She earns about \$19 per hour and is entitled to up to 6 weeks of employer PCP, this would provide her and her newborn about \$4,330. Under the present PPL scheme, the government's additional pay for 18 weeks of \$12,096 would help this mother with her living costs. The total pay she would currently receive from her employer and the Government is \$6,426. Assuming she lives in Tasmania this is equal to about 17 weeks of living costs.

With the proposed cuts to the government contribution, the number of weeks this new mum receives parental leave pay from her employer and the Government will be capped at 18 weeks of income. As her employer provides 6 weeks PPL, she would have her support from the government cut to 12 weeks (paid at the minimum wage). That is, she would receive \$8,064 instead of \$12,096, representing a loss of **\$4,032** in income during the early months with her baby.

According to Australian Bureau of Statistics data^{xiii} the average household living expenses (plus child costs) in Tasmania are \$956, which means that under the new model, this mother would have only enough income to cover **13 weeks** of the family's living expenses. That amounts to a cut of government support equivalent to **4 weeks**.

Mother works at Woolworths in Tasmania. The baby is her first child.		Full-time
Average hourly pay rate ^{xiv}		\$18.99
Worked hours/week		38
Average weekly earnings		\$721.62
Average weekly expenditures for a single parent household in Tasmania ^{xv}		\$812.11
Average weekly cost of child 0-4 yo ^{xvi}		\$144
Total average weekly costs (weekly expenditures plus child costs)		\$956.11
Employer PPL weeks ^{xvii}		6
Employer PPL total value		\$4,329.72
Current PPL model		
Government weekly Parental Leave Pay rate (at the minimum wage, for up to 18 weeks) ^{xviii}		\$672
Government PPL weeks		18
Government PPL total value		\$12,096
Total current PPL (Government pay topped up by Employer)		\$16,426
Weeks of average living costs covered under the existing model		17
Proposed PPL model		
Government PPL in weeks (18 minus weeks of employer provided PPL)		12
Government PPL total value (weekly rate at minimum wage)		\$8,064
Total new PPL (Government pay & Employer pay)		\$12,394
Weeks of living expenses covered under the new cut model		13
Weeks of PPL income lost under proposed new model		6
Financial loss for the new parent		\$4,032
Weeks of average living costs lost as result of government's PPL cuts		4

Scenario 2: Part-time teacher in South Australia

The second Scenario models the impact of the government's changes on a part-time teacher who works 3 days a week. She earns about \$40 per hour and is entitled to up to 16 weeks of employer PCP. Under the proposed cut model she would only be allowed to receive two weeks parental leave pay from the government rather than the current 18 weeks.

Her employer PPL provides her and her family with the equivalent of 16 weeks pay - or \$15,360. Under the present PPL model this is supplemented by the 18 weeks minimum wage provided by the Government (\$12,096). The total income this new mum would currently receive over the duration of her parental leave period is \$27,458. Assuming she lives with her partner and newborn baby in South Australia, this would cover a total of 16 weeks of their living costs.

With the proposed cuts to the government contribution, and given the mother's pay levels, she would have her access to government support cut to just \$1,344. The total support she would receive to cover costs while she cares for her new baby would be \$16,704 for the critical first months with her baby.

According to Australian Bureau of Statistics data^{ix} the average household living expenses (plus child costs) in South Australia are \$1,705, which means that under the new model, this family would have only enough parental leave income to cover **10 weeks** of family living expenses^{xx}. That leaves this new family 16 weeks of income short of the 26 weeks experts recommend they spend at home with a newborn for health and welfare outcomes.

Teacher mum who works part-time (3 days a week) in South Australia.	Part-time
Average hourly pay rate	\$40
Worked hours/week	24
Average weekly earnings	\$960
Average weekly expenditures for a couple with children in South Australia	\$1,561
Average weekly cost of child 0-4 yo	\$144
Total average weekly costs (weekly expenditures plus child costs)	\$1,705
Employer PPL weeks ^{xxi}	16
Employer PPL total value	\$15,360
Current PPL model	
Government weekly Parental Leave Pay rate (at the minimum wage, for up to 18 weeks)	\$672
Government PPL weeks	18
Government PPL total value	\$12,096
Total current PPL (Government pay topped up by Employer)	\$27,456
Weeks of average living costs covered under the existing model	16
Proposed PPL model	
Government PPL in weeks (18 minus weeks of employer provided PPL)	2
Government PPL total value (weekly rate at minimum wage)	\$1,344
Total new PPL(Government pay & Employer pay)	\$16,704
Weeks of living expenses covered under the new cut model	10
Weeks of PPL income lost under proposed new model	16
Financial loss for the new parent	\$10,752
Weeks of average living costs lost as result of government's PPL cuts	6

Scenario 3 Patient Transport Officer in Queensland

The third Scenario models the impact of the government's proposed changes on a mother working full-time as a patient transport officer in Queensland. She lives with her partner, their 5 year old daughter and their newborn baby. This mother earns \$24 per hour and is entitled to up to 14 weeks of employer PPL, which amounts to \$12,768. Under the present PPL scheme, their income is supplemented by an additional 18 weeks of pay at the national minimum wage, which is \$12,096, from the Government scheme.

With the proposed cuts to government contribution, there would be a cap on the amount of time this new family received parental leave income at 18 weeks. Given the mother has 14 weeks of leave negotiated into her employment contract, she would have her government support cut down from 18 to 4 weeks, and would have access to just \$15,456 of income during the critical first months with her baby.

According to Australian Bureau of Statistics data average living expenses^{xxii} (plus child costs) in Queensland, for this type of household are \$1,860, which means that under the new model, this mother would have only enough income to cover **8 weeks** of family living expenses^{xxiii}, leaving this new family 18 weeks of income short of the 26 weeks experts recommend they spend at home with a newborn for health and welfare outcomes.

Mother working full-time as a patient transport office in Queensland	Full-Time
Average hourly pay rate	\$24
Worked hours/week	38
Average weekly earnings	\$912
Average weekly expenditures for a couple with children household in Queensland	\$1,716
Average weekly cost of child 0-4 yo	\$144
Total average weekly costs (weekly expenditures plus child costs)	\$1,860
Employer PPL weeks ^{xxiv}	14
Employer PPL total value	\$12,768
Current PPL model	
Government weekly Parental Leave Pay rate (at the minimum wage, for up to 18 weeks)	\$672
Government PPL weeks	18
Government PPL total value	\$12,096
Total current PPL (Government pay topped up by Employer)	\$24,864
Weeks of average living costs covered under the existing model	13
Proposed PPL model	
Government PPL in weeks (18 minus weeks of employer provided PPL)	4
Government PPL total value (weekly rate at minimum wage)	\$2,688
Total new PPL(Government pay & Employer pay)	\$15,456
Weeks of living expenses covered under the new cut model	8
Weeks of PPL income lost under proposed new model	14
Financial loss for the new parent	\$9,408
Weeks of average living costs lost as result of government's PPL cuts	5

Scenario 4 Part-time Nurse in Victoria

The fourth Scenario models the impact of the government's proposed cuts on a mother who works part-time (3 eight-hour shifts a week) as a nurse. She lives with her partner and their newborn in Victoria. For her job, this mother earns about \$30 per hour and she is entitled to up to 10 weeks of employer PLP. This amounts to \$7,200. Under the present PPL model, the government also provides 18 weeks pay at the national minimum wage, equal to \$12,096. Therefore the total support she would currently receive from her employer and the Government is \$19,296 - equivalent to about 11 weeks of their living costs.

With the proposed cuts to government contribution, there would be a cap on the amount of time this new family received parental leave income at 18 weeks. Given the mother's employment agreement provides 10 weeks of leave, she would have her government leave cut to 8 weeks, and the amount of income support she would have access to during the critical first months with her baby would be reduced to \$12,576.

According to Australian Bureau of Statistics data average living expenses^{xxv} in Victoria for this type of household (plus child costs) are \$1,770, which means that under the new model, this mother would have only enough income to cover **7 weeks** of family living expenses^{xxvi}. That leaves this new family 19 weeks of costs short of the 26 weeks experts recommend they spend at home with a newborn for health and welfare outcomes.

Mother works part-time (3 shifts a week) as a nurse in Victoria	Part-time
Average hourly pay rate	\$30
Worked hours/week	24
Average weekly earnings	\$720
Average weekly expenditures for a couple with children household in Victoria	\$1,626
Average weekly cost of child 0-4 yo	\$144
Total average weekly costs (weekly expenditures plus child costs)	\$1,770
Employer PPL weeks ^{xxvii}	10
Employer PPL total value	\$7,200
Current PPL model	
Government weekly Parental Leave Pay rate (at the minimum wage, for up to 18 weeks)	\$672
Government PPL weeks	18
Government PPL total value	\$12,096
Total current PPL (Government pay topped up by Employer)	\$19,296
Weeks of average living costs covered under the existing model	11
Proposed PPL model	
Government PPL in weeks (18 minus weeks of employer provided PPL)	8
Government PPL total value (weekly rate at minimum wage)	\$5,376
Total new PPL (Government pay & Employer pay)	\$12,576
Weeks of living expenses covered under the new cut model	7
Weeks of PPL income lost under proposed new model	10
Financial loss for the new parent	\$6,720
Weeks of average living costs lost as result of government's PPL cuts	4

Conclusion

The Federal Government's proposed changes will result in fewer weeks of paid parental leave for women who receive some PPL from their employer. The more weeks of paid parental leave a new mother receives from their employer, the less they will receive from the government.

The outcome is regressive and the analysis shows it will have a negative impact on lower paid women. Women who are in regular, but relatively low paid jobs or part-time work with modest benefits from employers will lose government financial support, and therefore their ability to afford to spend time with their newborns in these critical first months will be compromised.

These scenarios show that the loss to women in these critical jobs ranges from 6 weeks to 16 weeks of parental leave income and amounts to a range of **\$4,032** and **\$10,752**. This represents a significant loss of resources to the primary carer and their family during this key time when they will already be financially under-pressure.

A reduction in available paid parental leave can be expected to increase the costs and time pressures on women, and this in turn may be expected to force more women to return to work earlier than desired and to seek childcare for their babies in a system that is already failing to meet demand amongst infants.

As a result of the cuts to their income which will occur if these changes to the Paid Parental Leave model are introduced, we can also anticipate negative flow on impacts for new families and the communities in which they live.

Appendix

Methodology

Scenarios are based on a series of estimates derived from official statistics^{xxviii}:

- Average weekly earnings - calculated as the average hourly pay rate for each type of occupation multiplied by the number of hours worked;
- Average weekly expenditures – estimates for each Australian state are provided by the Australian Bureau of Statistics, calculated for different household types depending on the family / household composition; These estimates include goods and services average weekly expenditures;
- Total average weekly costs - calculated as the total average weekly expenditures plus average weekly cost of child 0-4 year old;
- Government PPL total values – calculated as the Government weekly Parental Leave Pay multiplied by the Government PPL weeks;
- Employer PPL value – calculated as the Employer PPL weeks multiplied by the average weekly earnings for each occupation;
- Total current PPL (Government pay plus Employer) – calculated as the Government PPL total value plus the Employer PPL total value;
- New PPL Model - Government PPL in weeks calculated as 18 minus weeks of employer provided PPL);
- Government PPL total value (weekly rate at minimum wage) – calculated as number of Government PPL weeks under new model multiplied by \$657;
- Total new PPL(Government pay & Employer) - calculated as the Government PPL total value (weekly rate at minimum wage) plus the Employer PPL total value;
- Weeks of income lost under proposed new model – represents the difference between the number of weeks provided under current model minus number of weeks provided under new model;
- Financial loss for the new parent – calculated as weeks of income lost under proposed new model multiplied by Government weekly Parental Leave Pay rate (at the minimum wage, for up to 18 weeks);
- Weeks of average living costs lost as result of government's PPL cuts – calculated as the financial loss for the new parent divided by the average weekly expenditures (plus child costs) for each case.
- Note that the estimates do not include changes to superannuation or Family Tax Benefits.

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- ⁱ DSS Annual Report 2014-2015, p.69
- ⁱⁱ A similar estimate was reported by Stephanie Anderson, 'Paid parental leave: Government to change proposed offerings, Social Services Minister confirms' Updated Wed 16 Dec 2015, 11:19am, ABC News
- ⁱⁱⁱ International Labor Organization. (2014). *Maternity and Paternity at Work: Law and Practice Across the World*
- ^{iv} Lanfranconi, L. M., & Valarino, I. (2014). Gender equality and parental leave policies in Switzerland: A discursive and feminist perspective. *Critical Social Policy*, 34(4), p. 551. doi:10.1177/0261018314536132
- Rønsen, M., & Kitterød, R. H. (2015). Gender-equalizing family policies and mothers' entry into paid work: recent evidence from Norway. *Feminist Economics*, 10(1):59-89. p. 59
- ^v Productivity Commission (2009) 'Paid Parental Leave: Support for parents with newborn children', Australian Government, <http://www.pc.gov.au/inquiries/completed/parental-support/report/parental-support.pdf>
- ^{vi} Martin B. *et al* 2014 'PPL Final Report', ISSR, Department of Social Services
- ^{vii} Daley J 2012 '
- ^{viii} National Health and Medical Research Council (2012) Infant Feeding Guidelines. Canberra: National Health and Medical Research Council.
- ^{ix} WHO (2013) 'Postnatal care of the mother and newborn' p.3
http://apps.who.int/iris/bitstream/10665/97603/1/9789241506649_eng.pdf
- ^x <http://www.humanservices.gov.au/customer/services/centrelink/parental-leave-pay>
- ^{xi} DSS Annual Report 2014-2015, p.69
- ^{xii} A similar estimate was reported by Stephanie Anderson, 'Paid parental leave: Government to change proposed offerings, Social Services Minister confirms' Updated Wed 16 Dec 2015, 11:19am, ABC News
- ^{xiii} ABS Average weekly expenditures - source: ABS, Household Expenditure Survey, Australia, 2009-2010 (65300D0001 Database available at <http://www.abs.gov.au/>)
- ^{xiv} Australian Government Fair Work OMBUDSMAN (<http://www.fairwork.gov.au/>)
- ^{xv} ABS Average weekly expenditures - source: ABS, Household Expenditure Survey, Australia, 2009-2010 (65300D0001 Database available at <http://www.abs.gov.au/>). Estimated weekly costs only refer to total goods and services expenditure. The estimates do not include superannuation and life insurance, mortgage repayments - principal (selected dwelling), income tax. Please refer to ABS database for a detailed list of expenditures included.
- ^{xvi} AMP.NATSEM, University of Canberra - Income and Wealth Report Cost of Kids - The cost of raising children in Australia, 2013
- ^{xvii} Woolworths Agreement
- ^{xviii} <http://www.humanservices.gov.au/customer/services/centrelink/parental-leave-pay>
- ^{xix} ABS Average weekly expenditures - source: ABS, Household Expenditure Survey, Australia, 2009-2010 (65300D0001 Database available at <http://www.abs.gov.au/>)
- ^{xx} ABS Average weekly expenditures - source: ABS, Household Expenditure Survey, Australia, 2009-2010 (65300D0001 Database available at <http://www.abs.gov.au/>)
- ^{xxi} Teachers award
- ^{xxii} ABS Average weekly expenditures - source: ABS, Household Expenditure Survey, Australia, 2009-2010 (65300D0001 Database available at <http://www.abs.gov.au/>)
- ^{xxiii} ABS Average weekly expenditures - source: ABS, Household Expenditure Survey, Australia, 2009-2010 (65300D0001 Database available at <http://www.abs.gov.au/>)
- ^{xxiv} Ambulance Service Employees' Award - State 2012
- ^{xxv} ABS Average weekly expenditures - source: ABS, Household Expenditure Survey, Australia, 2009-2010 (65300D0001 Database available at <http://www.abs.gov.au/>)
- ^{xxvi} ABS Average weekly expenditures - source: ABS, Household Expenditure Survey, Australia, 2009-2010 (65300D0001 Database available at <http://www.abs.gov.au/>)
- ^{xxvii} Nurses Award
- ^{xxviii} Available on the Australian Bureau of Statistics and the Australian Government Fair Work OMBUDSMAN websites. All sources noted in endnotes.