

**Submission to the Senate Community Affairs
Legislation Committee**

on the

**Paid Parental Leave Amendment (More Support
for Working Families) Bill 2023**

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December 2023

About the Centre for Future Work

The Centre for Future Work is a research institute located at the Australia Institute (Australia's leading progressive think tank). We conduct and publish research into a range of labour market, employment, and related issues. We are independent and non-partisan. This submission draws primarily on our past research on employment and working arrangements. All research published by the Centre for Future Work can be found on our website at <http://www.futurework.org.au/>.

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The Australia Institute established the Nordic Policy Centre to explore the policy lessons that Australia can learn from the Nordic nations. Through research, stakeholder engagement, policy development, events, and public education, the Centre hopes to widen the Australian policy debate to include Nordic solutions to the big economic, social and environmental questions facing Australia. Publications by the Nordic Policy Centre can be found on our website at <https://www.nordicpolicycentre.org.au/>.

This submission

We thank the Senate Community Affairs Legislation Committee for their invitation to make this submission on the *Paid Parental Leave Amendment (More Support for Working Families) Bill 2023*. We are happy to provide further details and evidence if the Committee would find that useful.

Introduction

We welcome the proposed direction of change with amendments to the Paid Parental Leave scheme that extend the scheme by increasing the maximum parental leave pay entitlement to 26 weeks. We support the expansion of the scheme through increasing the reserved period to four weeks and the number of days that can be taken concurrently by multiple claimants to four weeks.

We believe these are important changes that should improve women's economic security and gender equality, including through increasing parents' sharing of care responsibilities.

However, we also believe the proposed reforms are inadequate and are being implemented too slowly. It is widely recognised that Australia needs to adopt a best practice paid parental leave scheme to achieve the government's goals for women's economic equality.

We make a number of recommendations in this submission. Our recommendations accord with Recommendation 2.7 of the government's Women's Economic Equality Taskforce, in recommending action to:

(e)xtend the Paid Parental Leave (PPL) scheme by phasing the entitlement up to 52 weeks and boosting the quantum of payments to reach a replacement wage and ensure the scheme incentivises men's use of PPL.¹

We recommend that:

- **parental leave pay be paid at the replacement wage level or the average wage, whichever is the lesser amount;**
- **superannuation be paid on parental leave pay at the superannuation guarantee rate;**
- **the PPL scheme be extended to 26 weeks from 1 July 2024;**
- **the PPL scheme be extended through phasing in an entitlement of 52 weeks;**
- **the 'use it or lose it' PPL component be extended through phasing in a provision of eight weeks.**

In the remainder of this submission we outline in brief our arguments in support of these recommendations.

¹ Department of Prime Minister and Cabinet 2023, A 10-year-plan to unleash the full capacity and contribution of women to the Australian economy 2023 – 2033, Women's Economic Equality Taskforce, p. 25. <https://www.pmc.gov.au/resources/10-year-plan>

PPL Payment level

We recommend: Parental leave pay be paid at the replacement wage level or the average wage, whichever is the lesser.

If parental leave payment remains at a low pay rate it will continue to contribute to women's economic disadvantage relative to men, fuelling the gender pay gap and lifetime income and wealth gaps. Increasing the rate of parental leave would mean a less severe loss of income for women who are overwhelmingly the parents who take parental leave.

Paid parental leave is currently paid at a rate equal to the national minimum wage. With men being the higher-earning parent in most female-male couple families, there is little incentive for men to take paid parental leave, as this is likely to entail a greater loss of household income than if the lower-paid female partner takes leave. Increasing the rate of parental leave pay will reduce the current disincentive for men to take parental leave.

An increase in the rate of paid parental leave should bring it up to the full replacement wage level or to the average wage, whichever is the lesser. Where PPL recipients' wages are above the level of the average wage, employers should be encouraged to provide top-up wages to replacement level.

Our recommendation accords with Recommendation 2.7 of the government's Women's Economic Equality Taskforce calling for government action... 'boosting the quantum of payments to reach a replacement wage'.

Superannuation

We recommend: Superannuation be paid on parental leave pay at the superannuation guarantee rate.

We note that in previously considering this matter the Committee gave some weight to advice from the Department of Social Services that superannuation gains for women through PPL "would have a small impact on closing the retirement income gap at most earning percentiles" with the median female earner receiving "an additional 0.17 per cent in annual retirement income."² We believe any additional retirement income women can receive through remedying loss of superannuation is a benefit worth pursuing. Retirement income losses due to time out of work to provide unpaid care over the span of a woman's working life can accumulate through multiple small losses of superannuation. Individual

² Senate Committee on Community Affairs Legislation for the PPL Amendment (Improvements for Families and Gender Equality) Bill 2022, Final Report February 2023, pp. 20-21.

periods without superannuation may each have little impact on retirement incomes but collectively can amount to significant losses over a woman's working life. In addition, there may be other things that would be more beneficial to women in regard to addressing superannuation balances, as argued in the findings of the Retirement income Review³, but this is not a rationale for not addressing this inequity.

Further, we do not believe there are good grounds for considering the possibility for employer-paid superannuation on employer-paid parental leave as a factor in the consideration of this matter. We note that the available data most often relied on to estimate the extent of employer-funded paid parental leave is from the Workplace Gender Equality Agency (WGEA) dataset of organisations with 100 or more employees. These data show for 2022-2023 that 63% of employers (with 100 or more employees) provide some paid parental leave, an increase of 1% from 2021-2022. Smaller organisations can be assumed to be much less likely to provide paid parental leave given that, even among large employers, almost one in five (18%) gave "insufficient resources/expertise" as the reason they did not offer employer-funded paid parental leave. Notably, in 2022-2023, the most common reason employers did not offer paid parental leave was because the 'Government scheme is sufficient' with this reason given by almost half of all employers (45%).⁴

Duration of PPL

We recommend: The PPL scheme be extended to 26 weeks from 1 July 2024;

We recommend: The PPL scheme be extended through phasing in an entitlement of 52 weeks.

The Senate Committee on Work and Care Final report in March 2023 included consideration of international best practice in regard to duration of PPL. On the basis of the evidence, the Committee recommended the government "fund and implement a pathway to reach international best practice of 52 weeks of paid parental leave."⁵ Subsequently the Women's Economic Equality Taskforce has recommended phasing in an entitlement of up to 52 weeks.

We note the Committee's consideration that it is difficult to make international comparisons for Australia's PPL arrangements given the 'hybrid' nature of the scheme which is unlike the

³ Cited in the Senate Committee on Community Affairs Legislation for the PPL Amendment Bill, Final Report February 2023, p 20.

⁴ Workplace Gender Equality Agency 2023, Gender Equality Scorecard, p. 68.
<https://www.wgea.gov.au/publications/australias-gender-equality-scorecard>

⁵ Select Committee on Work and Care, Final report, March 2023, Recommendation 16.

contributory schemes in many OECD countries.⁶ However, we believe the relevance of the international comparison is in findings that 52 weeks is best practice in relation to the duration of paid leave necessary to support parents taking time out of the paid workforce to care for a new baby. That Australia's scheme is a hybrid system does not change this.

Shared parenting

We recommend: The 'use it or lose it' PPL component be extended through phasing in a provision of eight weeks.

We agree with the Committee's recognition that "promoting the sharing of childcare responsibilities is one of the biggest levers governments can pull to improve women's economic security, gender equality and other social and economic outcomes for Australian families."⁷

Recent policy changes have removed the distinction between primary and secondary claimants by amalgamating the former two-week Dad and Partner Pay with the total current 20 weeks of PPL. While we welcome the retention of a dedicated portion of 'use it or lose it' provision for each parent that is designed to increase men's use of PPL, evidence indicates a dedicated period of two weeks at the minimum wage does not provide an effective incentive for shared parenting as shown by the minimal take-up of paid parental leave by men to date (1,020 men accessed government-funded PPL up to 18 weeks in two weeks in 2022-23).⁸ A longer 'use it lose it' period at replacement wage rates is necessary for men to take more parental leave. Two weeks is insufficient to fully entrench a norm of fathers taking paid parental leave. More can, and should, be done in this area.

Parental leave experts have argued that the Australian government should consider introducing a of at least eight weeks, "in order to shift behaviour".⁹ In Nordic countries the proportion of men taking statutory parental leave in Nordic countries is much higher than in Australia, indicating that longer 'use it or lost it' components and higher wage replacement levels work to encourage uptake. Figures released for 2022 show that in Sweden, 46% of men take this leave, in Iceland, 45% of men do so, in Norway 43% do so, in Denmark 44.94%

⁶ Senate Committee on Community Affairs Legislation for the PPL Amendment Bill, Final Report, February 2023, pp 31-32.

⁷ Senate Committee on Community Affairs Legislation for the PPL Amendment Bill, Final Report February 2023, p 31.

⁸ Mary Ward, 2023, 'Fatherhood is changing. But will men let that affect their work?' *Sydney Morning Herald*, November 26, citing Department of Social Services data <https://www.smh.com.au/national/fatherhood-is-changing-but-will-men-let-that-affect-their-work-20231122-p5elya.html>.

⁹ Marian Baird, Myra Hamilton and Andrea Constantin (2021), 'Gender Equality and Paid Parental Leave in Australia: A Decade of Giant Leaps or Baby Steps?' *Journal of Industrial Relations*, Vol. 63 No. 4, p. 563.

do so, and in Finland 30.89% of men do so.¹⁰ Nordic examples of PPL arrangements show longer periods of time reserved for fathers/co-parents and higher wage replacement levels, and longer sharable periods.¹¹

Some examples of Nordic country PPL arrangements include:

Norway's parental benefit period is 49 weeks, of which 15 weeks is reserved for each parent, and is paid at 100% wage replacement, or 59 weeks, of which 19 weeks are reserved for each parent and is paid at 80% coverage.¹²

Iceland has 12 months of parental leave, of which 26 weeks is reserved for mothers and 20 weeks is reserved for fathers, with 6 weeks sharable between them.¹³ The wage replacement level is 80% of average total wages or salary with an income ceiling of ISK 600,000.¹⁴ Iceland academics note the increased the proportion of fathers and mothers who equally share the care of their children when those children are three years old – a figure that doubled from less than 40% to close to 80% for babies born in 2014.¹⁵ This shows how effective increased paternity leave provisions are in changing parenting patterns, well beyond the period of paid leave itself.

Sweden has 480 days (or 16 months) to be shared equally (240 days each) as well as a three-months reserved for both parents.¹⁶ Of the 480 days, 390 are paid based on previous income and 90 days are paid on a flat rate. "Both parents can take up to 30 days of paid leave at the same time, until the child reaches one year of age."¹⁷

The Senate Community Affairs Legislation Committee has noted "differences in funding and structure" (such as contributory factors) of international PPL examples, making it difficult to

¹⁰ OECD (2022) PF2.2 Use of childbirth-related leave benefits, *OECD.Stat*, <https://www.oecd.org/els/family/database.htm>.

¹¹ Andrew Scott, Matt Grudnoff and James Fleming (2021) 'Boosting workforce participation and wages', Chapter 6 in Andrew Scott and Rod Campbell (eds) *The Nordic Edge: Policy possibilities for Australia?* The Australia Institute, pp 124-146. <https://australiainstitute.org.au/post/the-nordic-edge-policy-possibilities-for-australia/>.

¹² European Commission (n.d.) *Norway – Benefits for pregnancy birth and adoption*, <https://ec.europa.eu/social/main.jsp?catId=1123&langId=en&intPagId=4704>.

¹³ OECD (2022) *Parental Leave systems*, <https://www.oecd.org/social/family/database.htm>.

¹⁴ Digital Iceland (n.d.) *Parental Leave*, <https://island.is/en/parental-leave/>.

¹⁵ Caroline De La Porte, Guðný Björk Eydal, Paul 't Hart, Jaakko Kauko, Daniel Nohrstedt and Bent Sofus Tranøy (eds) (2022) *Successful Public Policy in the Nordic Countries: Cases, Lessons, Challenges*, Oxford University Press, Oxford, p 374.

¹⁶ <https://www.norden.org/en/info-norden/parental-benefit-sweden>.

¹⁷ Duvander and Löfgren (2021) 'Sweden country note', in Koslowski et al (eds) *International Review of Leave Policies and Research 2021*. Available at: http://www.leavenetwork.org/lp_and_r_reports/.

easily compare these with Australia's PPL system.¹⁸ However, in March 2023, the Select Committee on Work and Care Final Report noted that the international PPL examples showed "considerable benefits of reform ... [such that] more men are taking up more leave and unpaid caring responsibilities in the home, and babies benefit from more time with parents in the early stages of their development."¹⁹ "The Swedish and Icelandic experiences, in particular, prove that parents will divide work and care much more equally in the longer term if there are more adequate requirements for fathers to take parental leave, at sufficient payment levels"²⁰, in the crucial first year and more of a child's life. As such, the Nordic examples cited above still provide useful examples of what the Australia PPL scheme could achieve with better provisions for shared parenting.

¹⁸ Senate Community Affairs Legislation Committee, Paid Parental Leave Amendment (Improvements for Families and Gender Equality) Bill 2022, February 2023, p 32.

¹⁹ Select Committee on Work and Care (2023) Final report, March 2023, p 143.

²⁰ Scott, Grudnoff and Fleming (2021) 'Boosting workforce participation and wages'. p 131.