

THE COALITION'S **DIRECT ACTION PLAN ON**

PAID PARENTAL LEAVE



MARCH 2010

PAID PARENTAL LEAVE: A NEW APPROACH

OUTLINE

The Coalition recognises that the family is the most important foundation of our society. Helping families, particularly parents with newborn children, is not only right, but a matter of national importance. We can't have a strong future without strong families.

As part of our commitment to supporting families, the Coalition will introduce a Paid Parental Leave scheme in our first term of Government, as part of our broader package of support for Australian families.

What it will deliver

The Coalition's Paid Parental Leave scheme will:

- provide primary carers (in the vast majority of families, mothers) with 26 weeks paid parental leave, at full replacement pay (up to a maximum salary of \$150,000 per annum) or the Federal Minimum Wage, whichever is greater;
- be available to all employees including contractors and the self-employed; and
- include superannuation contributions at the mandatory rate of nine per cent.

Eligibility

Carers will not have to be working full-time to access the Coalition's Paid Parental Leave scheme because it uses the same 'work-test' as Labor's proposal which requires:

- an average of at least one conventional day of paid work a week; and
- a 'continuous qualifying period' which amounts to at least 10 months of the 13 months in paid work prior to the expected date of birth.

This means that mothers do not have to be working full-time to access the Coalition's Paid Parental Leave scheme. Part-time and casual workers will also be eligible as long as they meet the 'work-test'.

Importantly, a carer who earns less than the Federal Minimum Wage (probably through working part-time) will have their Paid Parental Leave payment lifted to the minimum wage – currently \$543.78 per week – so that they would receive \$14,138 (gross) in support.

Funding

The Coalition's scheme will be funded with a levy of up to 1.7 per cent on companies' taxable income in excess of \$5 million. This levy will affect a tiny fraction of Australian companies: only about 3,200 companies out of more than 750,000, or less than one per cent.

The Coalition would prefer to fund our Paid Parental Leave scheme from a Budget surplus, but this is not possible due to the large debt and deficits run up by the Rudd Labor Government. Labor's debt and deficits mean that funding the Coalition's Paid Parental Leave scheme through a levy on a small number of larger companies is the only way for Australia to achieve a decent Paid Parental Leave scheme in the near future.

The priority of the next Coalition Government is to repay Labor's debt. After that we will set about reducing taxes more generally, making it possible that the increased burden on larger businesses would only be temporary.

Small Business

Small business will not pay the levy, and they will not administer it.

But employees of small business will benefit.

Unlike Labor's scheme which places an administrative burden on small business, the Coalition's scheme will be administered by the government.

Having children is as much a part of life as occasionally falling sick, taking holidays and retiring. Yet paid parental leave has not become part of the standard set of entitlements Australians can expect from their employer. Australian workplaces have changed, and they need to better reflect the modern role of women and the reality of many families.

Paid Parental Leave, therefore, ought to be part and parcel of any decent system of employment entitlements, such as sick pay, holiday pay and retirement benefits.

Labor's Scheme

The Coalition's Paid Parental Leave scheme is more beneficial to families than the Labor's token paid parental leave scheme, which provides the minimum wage for 18 weeks with no superannuation contributions. Because it is more generous, the Coalition's scheme will give families more opportunity to make their own choices about their family composition as it provides real wage replacement over 26 weeks, providing greater financial help to everyday Australian families juggling the costs of newborn children.

Participation in the Coalition's Paid Parental Leave scheme is optional, and the Baby Bonus will still be available if families choose not to join the scheme. In addition, fathers will be able to use two weeks of the 26 weeks of Paid Parental Leave that will be available, either simultaneously with the mother's leave or separately. Feedback from stakeholders will be sought during consultation on whether this two week period should be increased within the overall six month period. It is important to note that Labor's proposal offers no paternity leave option.

Part of our broader support for families

Most important of all, the Coalition's Paid Parental Leave policy is part of our broader package of support for Australian families.

The Coalition has a proud record of supporting mothers who work inside the home and those who work outside it.

Between now and the election the Coalition will be making further announcements on policies to help Australian families.

COMPARE THE PAID PARENTAL LEAVE SCHEMES

	Labor	Coalition
Option	Scheme is opt-in subject to eligibility (default is Baby Bonus)	Scheme is opt-in subject to eligibility (default is Baby Bonus)
Time	18 weeks	26 weeks
Rate	Minimum wage (\$543.78 per week)	Replacement wage or Federal minimum wage (whichever is greater) to a cap.
Minimum Payment	\$9,788 (gross) for 18 weeks	\$14,138 (gross) for 26 weeks
Cap	No Paid Parental Leave is payable if the mother's annual salary exceeds \$150,000.	Replacement wage will only be paid up to an annual salary of \$150,000. A carer earning over this amount will be limited to the cap.
Superannuation	None	Full (9%)
Eligibility	Full time, part time and casual workers who work at least one day a week, for at least 10 months of the 13 months prior to the expected date of the birth or adoption.	Full time, part time and casual workers who work at least one day a week, for at least 10 months of the 13 months prior to the expected date of the birth or adoption.
Paternity leave	No	Yes (up to 2 weeks of the 26 weeks) subject to the same overall salary cap.
Funding	The entire scheme is funded by the taxpayer from consolidated revenue.	The net cost of the scheme is funded by a levy on companies based on taxable income above \$5 million.
How is Scheme Administered?	The employer is responsible for the administration of Paid Parental Leave payments with some exceptions.	The Federal Government, through Family Assistance Offices, will be responsible for the administration of Paid Parental Leave payments.
Cost per year	\$260m	\$2,700m

Authorised by Brian Loughnane for the Liberal Party of Australia, Cnr Blackall and Macquarie Sts, BARTON ACT 2600.