



Overview of the Paid Parental Leave scheme

Legislation to enable the Paid Parental Leave scheme commenced with first claims from 1 October 2010, and first payments from 1 January 2011.

The Paid Parental Leave scheme consists of two payments:

- Parental Leave Pay, which provides up to 18 weeks' pay at the rate of the national minimum wage to eligible primary carers (usually birth mothers).
- Dad and Partner Pay, which provides up to two weeks' pay at the rate of the national minimum wage to eligible dads or partners caring for a child born or adopted from 1 January 2013.

This factsheet focuses on the key features of Parental Leave Pay and on the design of the scheme.

Objectives of Parental Leave Pay

The objectives of the Paid Parental Leave scheme are to:

- a) signal that taking time out of the paid workforce to care for a child is part of the usual course of life and work for both parents
- b) promote equality between men and women and balance between work and family life.

The objective of Parental Leave Pay is to provide financial support to primary carers (mainly birth mothers) of newborn and newly adopted children, in order to:

- a) allow those carers to take time off work to care for the child after the child's birth or adoption
- b) enhance the health and development of birth mothers and children
- c) encourage women to continue to participate in the workforce.

Key Features of Parental Leave Pay

The Paid Parental Leave scheme is funded by the Australian Government and provides up to 18 weeks of Parental Leave Pay at the rate of the national minimum wage (currently \$606.50 per week before tax) to eligible primary carers of newborn and recently adopted children.

The birth mother of a newborn child or the initial primary carer of an adopted child must generally lodge a claim for Parental Leave Pay. If eligible, they can receive Parental Leave Pay themselves or they may, if they wish to return to work before the end of their Paid Parental Leave period, transfer some or all of the Parental Leave Pay to their partner, if the partner is eligible and claims the unused Parental Leave Pay.

Parental Leave Pay does not provide an entitlement to leave, but complements parents' entitlements to leave, such as the minimum standard entitlement to unpaid parental leave under the National Employment Standards (NES) in the *Fair Work Act 2009*, or more generous employer-provided entitlements. Information about entitlements under the NES can be found on the Fair Work Ombudsman website at www.fairwork.gov.au



Parental Leave Pay can be received before, after, or at the same time as employer-provided paid leave such as annual or long service leave, or employer-provided paid or unpaid parental or maternity leave.

Parents can nominate when they wish to receive their Parental Leave Pay, however it must be taken in one continuous 18 week period. Parental Leave Pay can start from the child's date of birth or placement for adoption, or a later date. To receive the full 18 weeks pay, the Paid Parental Leave period must finish before the child's first birthday, or before the first anniversary of placement in care.

Parents can lodge a claim for Parental Leave Pay up to three months prior to the expected date of the birth or adoption. Eligibility for Parental Leave Pay is assessed by Centrelink.

Parental Leave Pay and Baby Bonus cannot both be paid for the same child. A family who is eligible for both payments can decide which payment is the best financial decision for them.

Eligibility for Parental Leave Pay

To be eligible for Parental Leave Pay a parent must:

- be the primary carer of a newborn or recently adopted child (a child's primary carer is the person who is most meeting the child's physical needs)
- be living in Australia and meet the residence requirements
- meet the Paid Parental Leave work test for Parental Leave Pay:
 - have worked for at least 10 of the 13 months prior to the birth or adoption of the child
 - have worked for at least 330 hours in that 10 month period (just over one day a week)
 - have had no more than an eight week gap between two consecutive working days
- have an individual adjusted taxable income of \$150,000 or less in the financial year prior to the date of birth or adoption, or the date of claim, whichever is earlier
- be on leave or not working from the time they become their child's primary carer until the end of their Paid Parental Leave period.

Who provides Parental Leave Pay?

Government-funded Parental Leave Pay is provided by employers to their eligible employees who meet all of the following:

- have a newborn or recently adopted child
- have worked in the business for at least 12 months prior to the expected date of birth or adoption - consistent with the eligibility requirements for unpaid parental leave under the NES in the *Fair Work Act 2009*
- will be an employee of the business for their Paid Parental Leave period
- are an Australian based employee
- are expected to receive at least 8 weeks of Parental Leave Pay.

Employers can also opt to provide Parental Leave Pay to employees they are not required to pay, with the agreement of the employee. Payments are made to employees in accordance with their usual pay cycle.

Eligible parents who do not receive Parental Leave Pay from their employer, or who do not have an employer (eg. a short-term employee or self-employed worker) will receive their payments from Centrelink.

Who designed the Paid Parental Leave scheme?

The Australian Government's Paid Parental Leave scheme is closely based on that proposed by the Productivity Commission in its 2009 Inquiry Report *Paid Parental Leave: Support for Parents with Newborn Children*. The report included 15 recommendations for the design and implementation of a national paid parental leave scheme. A copy of the report, including the recommendations, can be found on the Productivity Commission website at www.pc.gov.au.

The Government made two key changes to the scheme proposed by the Productivity Commission:

- The Government deferred the introduction of the two-week paternity leave component to reduce the cost of the scheme. Dad and Partner Pay was subsequently introduced on 1 January 2013.
- To maintain fairness in the overall support provided to families, the Government introduced an income test. Mothers and other primary carers must have an individual adjusted taxable income of \$150,000 or less in the previous financial year.

The Productivity Commission concluded that a paid parental leave scheme, such as the one it recommended, would have a number of positive benefits, including:

- increasing the average length of leave taken by employed women after childbirth by around 10 weeks. Coupled with other leave arrangements, this was estimated to allow most infants to be exclusively cared for by a parent for the first six months of life, to improve child development outcomes, to enhance support for breastfeeding and to provide a reasonable period of leave for maternal recovery from childbirth
- encouraging increased workforce participation for women prior to having children and between pregnancies. The Productivity Commission estimated the average Australian woman's lifetime period of employment may be extended by between two to six months
- changing community attitudes by sending a strong signal that having a child and taking leave around the time of birth or adoption is part of the normal course of work and family life.

Additional Information

The Paid Parental Leave scheme is governed by the *Paid Parental Leave Act 2010*. Additional matters are provided for under the *Paid Parental Leave Rules 2010*. Legislation is available on the Comlaw website at www.comlaw.gov.au

The *Paid Parental Leave Policy Guide* on the FaHCSIA website provides information on the interpretation and application of the Act and Rules.