

Community Affairs Legislation Committee  
Senate Standing Committees on Community Affairs  
Australian Parliament  
PO Box 6100  
Parliament House  
Canberra ACT 2600

27 February 2023

Dear Community Affairs Legislation Committee,

Thank you for the opportunity to provide evidence to the Senate Committee Hearings for the *Paid Parental Leave Amendment (Improvements for Families and Gender Equality) Bill 2022*, held on 20 February 2023.

If it aids the Committee, here I am pleased to offer additional material written post-hearing in response to the Committee's questions and issues raised during the hearing. I have also included my prepared opening statement.

As per my initial submission, I present this material in my independent capacity as an academic economist, specialising in gender equality.

Should it be of assistance, I am happy for this material to be provided to the any other relevant parties who are involved with the design of the policy's expansion, including the Women's Economic Equality Taskforce.

Taking steps to formulate a Paid Parental Leave policy for Australia that is globally best practice and fulfils the collective aspirations of our country is, of course, a complex process requiring more detailed analysis, thorough examination of the research and evidence, and further consultations within the community. I would be pleased to continue to offer my assistance throughout any of these future processes.

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## Senate Committee Hearing on Paid Parental Leave Amendment (Improvements for Families and Gender Equality) Bill 2022

### Dr Leonora Risse – Prepared opening statement

Thank you to the Committee Chair and Members for the opportunity to contribute to today's hearing. My name is Dr Leonora Risse and I acknowledge I'm joining you from the lands of the Yugambeh people on Bungalung Country.

I am here in my professional and independent capacity as an academic economist and researcher, and much of my work focuses on gender equality issues.

My overarching comment is that it is very promising that the government is striving to improve the country's paid parental leave policy.

A key concern that the proposed policy design assigns such a high a fraction of the overall number of weeks of leave in an unallocated way. That is, very little is reserved for either parent (or claimant) on a use-it-or-lose-it basis.

The reason for this concern is that this is about the design on a *publicly-provided* paid parental leave system. It's not a corporate policy. It's about identifying and incentivising what design elements would be in the *national interest*.

We must remain mindful of the historical origins and purpose of a *publicly-provided* paid parental leave policy: (1) to legally protect mothers' (or birth-givers') right to return to a job, without demotion or penalty, (2) to compensate for the forgone labour market income they give up and (3) to support recovery from childbirth, breastfeeding, and child development as a health need and investment.

Additionally, recent research also identifies the critical importance of fathers' involvement in these early stages of caregiving, as to avoid widening gender gaps in workforce outcomes.

The high premium places on flexibility in this proposed model – with only 2 weeks reserved for each parent and largely leaving it up to families to figure out arrangement works for them – ends up weakening the policy's capacity to achieve the purposes of a publicly-provided scheme, and runs the risk of not bringing about any change in behaviour when it comes to gender equality.

As an alternative approach, specifying a substantial period of leave for the birth mother or birth giver (that is, beyond just 2 weeks) would be a clear statement that the government acknowledges of the importance of maternal recovery.

Specifying a substantial period of care for fathers or partners (that is, beyond just 2 weeks) would legitimise and endorse men's role in caregiving. This is essential if our country wants to see any progress on gender equality – I can't emphasise enough how important this is for shifting default expectations and breaking down societal norms that currently marginalise men from the realm of caregiving.

Specifying these allocations for each parent also ensures that we're steering taxpayers' money towards outcomes that are our collective national interest.

I also flag to the Committee the staggered approach of adding 2-week periods of leave over time could be destabilising and comes with some risks, as opposed to increasing the total to 26 weeks in a single move.

I also recommend that provisions for an independent ongoing evaluation and review of the policy should be included as part of the Bill.

I recognise that this policy's goals are being navigated under the constraints of a structural budget deficit. To that, I would say that the longer that we stall the implementation and cost imposition of expanding this

policy, the longer that we stall reaping the economic and social benefits of this investment and making meaningful progress on gender equality.

Thank you and happy to address any questions.

## **Expanded answers in response to Committee questions during the Hearing**

The Committee members asked about the economic benefits of the proposed expansion to PPL; the recommended length of leave and level of payment for PPL; what would best practice policy look like for Australia; and who should pay for such a scheme. Please find my expanded answers below if this is of assistance to the Committee.

### **What are the economic benefits of extending Paid Parental Leave?**

The Committee asked about the economic benefits of proposed increase of PPL to 26 weeks. In addition to the answer I provided during the hearing, I would refer the Committee to the series of independent evaluations which analysed the impact of the introduction of publicly-provided PPL in Australia from 2011. This work was commissioned by the Department of Social Services, and was led by the Institute for Social Science Research at the University of Queensland with team of academics across five Australian research institutions.<sup>1</sup> I would also refer the Committee to the associated research papers such as the work of Broadway, MacVicar, Kalb and Martin (2020) and Kalb (2017).<sup>2</sup> These analytical reports illustrate the importance of making provisions for independent analytical evaluations of future changes to the scheme, so that evidence on the benefits of the policy can be clearly identified, quantified and assessed against its intended goals.

The benefits of Paid Parental Leave for government and wider society can be mapped out as follows:

1) PPL enables mothers (or birth givers) time to recover from childbirth, spend time to bond with their newborn after childbirth, and reap the health benefits of breastfeeding, alleviated from financial pressure of immediately returning to work out of financial necessity.

- This delivers health benefits for mothers (or birth givers) and children. This also delivers on the principle of equity in recognising the income and employment gains that are forgone by mothers (or birth givers) in their biological role of giving birth.
- These benefits were substantiated in the research evaluations by Broadway et al. (2020): Mothers in the Australian workforce who would have returned to work in 1 to 3 months after childbirth in the absence of PPL were observed to return in 4 to 6 months once PPL was available to them. This points to the health and maternal recovery benefits that would be increased further if the policy's duration was increased.

2) PPL enables mothers to sustain attachment to the workforce and return to the workforce after childbirth, without demotion or other repercussion.

- This delivers benefits to the economy by way of making fuller and more effective use of people's skills and capabilities (and reaping a fuller return on public investment in human capital in the education and training system), supporting labour supply (particularly beneficial for sectors that are reliant on female-concentrated sectors and growing in size, such as the care and community services workforce). Economic benefits also come in the form of reaping the productive, innovative and performance benefits that greater gender balance and diversity in the workforce brings.

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<sup>1</sup> Link to evaluations: <https://www.dss.gov.au/our-responsibilities/families-and-children/programmes-services/paid-parental-leave-scheme/paid-parental-leave-evaluation>

<sup>2</sup> Broadway, B., Kalb, G., McVicar, D., and Martin, B. (2020) The Impact of Paid Parental Leave on Labor Supply and Employment Outcomes in Australia. *Feminist Economics*. <https://doi.org/10.1080/13545701.2020.1718175>

- These benefits are also substantiated by Broadway et al. (2020): Mothers with access to PPL were more likely to return to work than mothers without access to PPL. Of the mothers who returned to work by the time their child turned one year old, PPL has a significant positive impact on job continuity i.e. it increased the likelihood that a woman returned to her same job at her same employer. This impact is strongest for lower-income and lower-educated women (women without a tertiary qualification), and women who did not have access to any employer-funded leave.

3) Use-it-or-lose-it allocations of PPL for fathers and partners enables the father or partner to spend time with their newborn child, which delivers benefits through greater family stability, contributing to breaking down gender norms that marginalise men from care, and bolstering mothers' attachment to the workforce.

- Men's higher participation in parental leave delivers economic benefits via increasing women's full-time labour force participation rates (international evidence cited in my initial submission).
- Men's usage of PPL can deliver potential benefits in terms of reducing gender segregation across the workforce in the future and supporting better mental health outcomes for men (international evidence cited in my initial submission).

**On duration and use-it-or-lose-it allocations:**

- The allocations of leave between parents (i.e. the amount of leave that is in "use-it-or-lose-it" form) is a critical factor when deciding on the length of leave and the level of payment. All three dimensions must be considered in conjunction.
- Longer durations of leave (e.g. up to 52 weeks) is not necessarily beneficial for gender equality if it leads to proportionally more women spending a longer duration of time out of the workforce. Extensive periods of parental leave have been linked to negative repercussions for women's future wages and workforce advancement.<sup>3</sup> Therefore any proposals to extend the duration of leave must also involve mechanisms for fathers/partners to take more time on leave, so that extensions do not inadvertently widen gender gaps in workforce outcomes. (Promisingly, however, the research (cited in the footnote) also points towards proactive interventions that can be implemented to mitigate against these negative repercussions for parents who take long periods of leave, which is important for supporting parents who do opt for extended periods and is especially pertinent to single mothers.)
- On deciding on the optimal duration to support women's employment, Kalb (2017) sums up the factors for consideration:
  - *"Too much or too little leave can both negatively affect women's labour market outcomes. "Too much", and women stay out of the labour market longer making a return more difficult (or less "profitable"). "Too little", and women are more likely to drop out of the labour force because the end of paid leave does not coincide with the time that women are ready to return to work." (Kalb 2017, p. 96)*
  - Australia's publicly-provided PPL scheme is clearly currently falling on the side of "too little". But this research points towards the need to consider the risks involved with lengthier

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<sup>3</sup> Informative evaluations of the measured impact of Paid Parental Leave, including the impact on women's employment, are provided in: Baker, D. (2011) 'Maternity leave and reduced future earning capacity,' *Family Matters*, No. 89, Australian Institute of Family Studies, Canberra; Hideg, I., Krstic, A., Trau, R.N.C., and Zarina, T. (2018) 'The unintended consequences of maternity leaves: How agency interventions mitigate the negative effects of longer legislated maternity leaves', *Journal of Applied Psychology*, 103(10):1155-1164; Kunze, A. (2022) *Parental leave and maternal labor supply*. IZA World of Labor: 279 doi: 10.15185/izawol.279.v2; Olivetti, C. and Petrongolo, B. (2017) 'The Economic Consequences of Family Policies: Lessons from a Century of Legislation in High-Income Countries', *Journal of Economic Perspectives*, 31(1): 205–230; Baird, M. Hamilton, M. Constantin, A., (2021) 'Gender equality and paid parental leave in Australia: A decade of giant leaps or baby steps?' *Journal of Industrial Relations* 63(4): 546-567.

durations, and the need for mechanisms to achieve fathers' shared involvement and sustain mothers' ongoing labour force attachment during leave.

- On the use-it-or-lose-it allocations, the 2-week reserved periods for each parent/claimant proposed are, in my view, insufficient to achieve the gender equality objectives of this legislation that would be in the national interest (that is, to explicitly support maternal recovery and child development, and explicitly endorse men as carers). It is a concern that the proposed Bill allocates a relatively high fraction in unspecified flexible form: 16 weeks of the total 20 weeks is to be decided on by the couple, meaning that only one-fifth of the total leave amount is in the form of a purpose-specific allocations. A shortcoming of this proposed design is that it anchors the default for recipients to expect a high degree of unstructured flexibility. Moving straight to a 26-week provision, and simultaneously specifying a sizeable portion of use-it-or-lose-it for each parent (claimant) beyond the current 2 weeks, would have the effect of normalising leave-taking among both parents.
- My recommendation is that Australia should be accelerating this expansion to 26 weeks in one move, rather than adopting an incremental approach.
  - This is in alignment with the World Health Organisation (WHO) recommendation for 26 weeks of exclusive breastfeeding.
  - Economic costs are not just about the final outcome: they are also about weighing up the costs and benefits of the transitional process to reach the final outcome. Increasing to 26 weeks in one move approach would bypass the costs and complexities of attempting to configure the most appropriate design of leave under the constraint of only 20 weeks, and the complexities of mapping out a roadmap at 2-week incremental increases over time. It would also avert the administrative, informational, practical and legislative burdens involved with making ongoing changes to the policy, and the distortionary effects a staggered approach could unintentionally have on decision-making regarding childbirth and on employers in relation to planning their own policy provisions.
  - Moving to a longer duration of leave (i.e. to 26 weeks) also provides greater scope to expand the use-it-or-lose it components. A one-third/one-third/one-third distribution is generally observed among the most progressive gender equality countries internationally at present (for example, Iceland provides 13 weeks for the mother/birth giver; 13 weeks for the father/partner; and 13 weeks unallocated). This provides a credible guide to aim for Australia to move towards, relative to its existing arrangement of only 2 weeks of allocated entitlements. I also flag that some countries which previously expanded to a relatively high amount of unallocated leave have since shifted back towards a stronger priority on the use-it-or-lose components (e.g. Denmark has recently made such changes under the new EU Directive).
- If further consideration is given to extending beyond 26 weeks in total, there is strong case for this to be in the form of extending the allocated use-it-or-lose-it components for each parent/claimant, rather than the unallocated flexible component.
- When deciding on the mix between use-it-or-lose it allocation and shareable flexible weeks of leave, there is a need to consider the safety of women in design of this scheme and minimising the risk that this design elements could activate or increase risk factors in relation to intimate partner, family and domestic violence. Pregnancy has been identified as a heightened risk factor in the incidence of

violence and abuse against women, and decisions about how much leave each partner should take can take place in the context of violent, abusive or coercively controlled relationships.<sup>4</sup>

- I am unable to provide research evidence in relation to this point (to my knowledge, there is not much research to draw upon), which is why I did not bring this up in my initial submission. However, on hearing the evidence also shared by other witnesses and the questions raised by the Committee in relation to concerns for women's safety and the need to establish protective measures where it would not be safe or responsible for parental leave to be granted to certain claimants, I would like to raise the point that women's safety considerations is also a concern in relation to proposals for flexible and shared periods of leave.
- Specifying periods of unallocated leave, and leaving it open to couples to negotiate among themselves, creates a forum where imbalances in power and decision-making authority within the household can determine the outcome. Differences in preferences, and imbalances in decision-making authority, between partners during this vulnerable period of pregnancy can lead to added strain, risks and inequities.
- These risks are further heightened by the idea of offering 'bonus weeks' of leave if partners share their care evenly between themselves. A birth mother whose partner does not want to take an equal amount of leave will end up missing out on these bonus weeks of leave for herself, and through no fault of her own, compared to a birth mother whose partner is more cooperative and wants to take additional leave. The offer of bonus leave could hypothetically even lead to resentment and retaliation by a partner if they feel pressured by the other partner to take more leave than they would prefer.
- This 'bonus leave' approach, and indeed offering any amount of 'shareable' leave more generally, assumes co-operative and harmonious decision-making within couples. But creating a situation where partners need to negotiate between themselves could, in some cases, exacerbate intra-couple strain. The 'bonus leave' approach potentially has the effect of creating inequities in entitlements between different women, because a woman's entitlement to leave will depend on their partners' decisions (and can apply in reverse to men too). More research is required in this area, but these concerns mean that proposals for more open and flexible arrangements, and especially the idea for bonus weeks for even sharing of care, should be approached with an awareness of these potential risks.

#### **On payment level:**

- On the question of what level of payment would be appropriate, it is reasonable to assume that the current minimum wage equivalent is insufficient to incentivise more fathers (or the higher income-earner of a household) to make full use of the duration of leave on offer to them. There is also an economic logic that, as an employment entitlement, parents should be paid at a compensatory rate that is proportional to their forgone earnings. However, there are also logical justification to using the minimum wage rate as a flat-rate payment (even if only for a part of the payment). When considering the proposal that a publicly-provided scheme should be paid at replacement rate instead of minimum wage equivalent, the limitations of a replacement rate approach need to also be recognised. These are discussed here:
  - The UN ILO Maternity Recommendation (R191) provides some guidance in its recommendation that the compensatory payment for paid parental leave should not be less than two-thirds of a woman's previous earnings. Australia's national minimum wage full-time

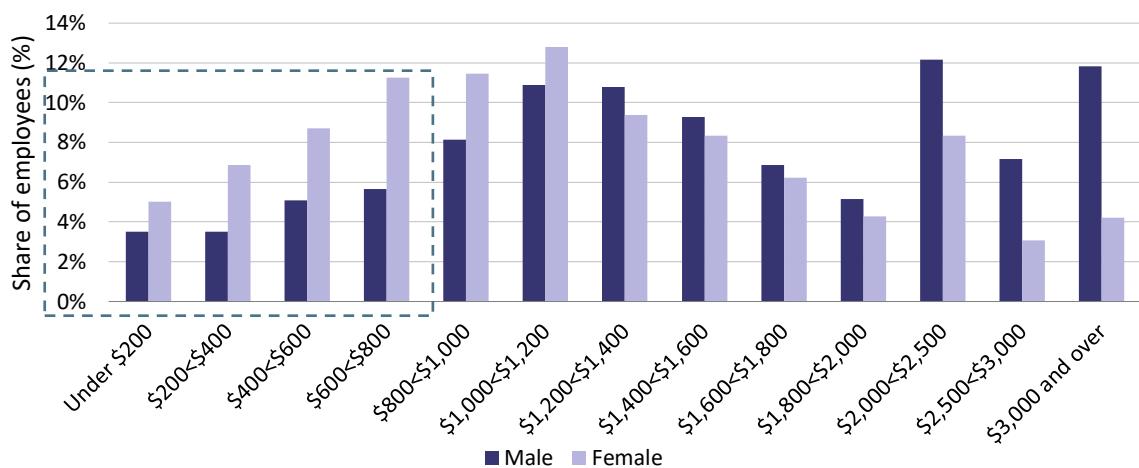
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<sup>4</sup> Campo, M. (2015) Domestic and family violence in pregnancy and early parenthood, Australian Institute of Family Studies. <https://aifs.gov.au/resources/policy-and-practice-papers/domestic-and-family-violence-pregnancy-and-early-parenthood>

payment (approximately \$812 per week as of July 2022)<sup>5</sup> is approximately equivalent to two-thirds of the median employee earnings of all workers (including part-time workers) (\$1250 at August 2022). If we just use the median earnings of women, the minimum wage payment equates to around 74 per cent of women's median employee earnings (including part-time workers) (\$1094 at August 2022).<sup>6</sup> While these calculations are based on the median, they indicate that currently this recommendation is already being achieved for around three-quarters of women. (This is also a reflection of women's lower wages and high rates of part-time employment).

- Proponents of a “replacement earnings” approach need to be mindful that paying parent/claimants on a replacement basis would mean that some part-time working women be entitled to *less* payment than they currently would be entitled to under a minimum wage scheme, given that the existing parental leave payment is calculated as a *full-time-equivalent* minimum wage payment.
  - Using data from the ABS Employee Earnings and Hours, it is estimated that around 32 per cent of working women have a weekly earnings (for their main job) that falls below the full-time minimum wage rate payment of \$812 (Tables 1 and 2). This reflects the high prevalence of part-time employment in the female workforce in Australia (around 46 per cent). Around 18 per cent of working men earn less than this full-time minimum wage equivalent, which is roughly equivalent to the rate of part-time employment in the male workforce.

Table 1: Employee weekly earnings distribution, by gender (August 2022)

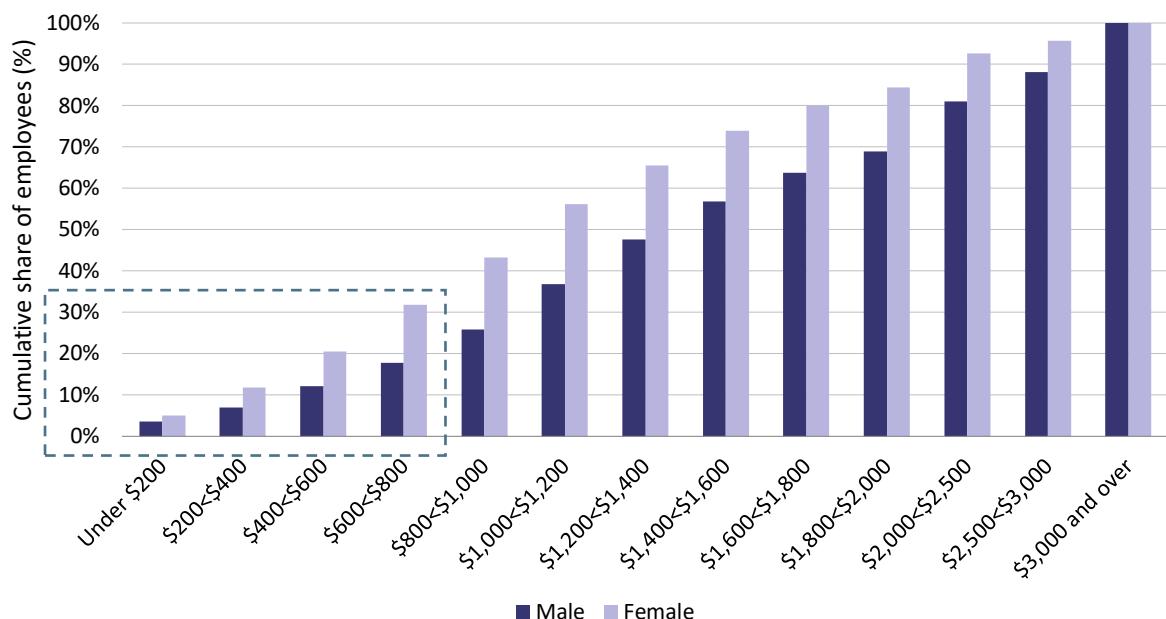


Source: ABS Employee Earnings and Hours, August 2022. Dotted box indicates the share of employees who weekly earnings falls below \$812 full-time minimum wage equivalent payment.

<sup>5</sup> As per the Fair Work Commission, as of 1 July 2022 the National Minimum Wage is \$21.38 per hour or \$812.60 per week <https://www.fairwork.gov.au/pay-and-wages/minimum-wages#national>. Services Australia website currently states: ‘Parental Leave Pay is currently \$812.45 per week <https://www.servicesaustralia.gov.au/how-much-parental-leave-pay-you-can-get?context=22191>

<sup>6</sup> ABS *Employee Earnings*. <https://www.abs.gov.au/statistics/labour/earnings-and-working-conditions/employee-earnings/aug-2022>

Table 2: Employee weekly earnings cumulative distribution, by gender (August 2022)



Source: ABS Employee Earnings and Hours, August 2022. Dotted box indicates the share of employees who weekly earnings falls below \$812 full-time minimum wage equivalent payment.

- Proponents for a replacement earnings approach should also be mindful that a payment scheme that is paid on a replacement earnings basis, or is at least commensurate to forgone earnings, would also mean paying men, on average, more than women while they are on paid parental leave, due to men's high average hourly wage rate and higher rates of full-time employment.<sup>7</sup> It also means paying parents on the basis of wage rates that are not actually determined by the government, but are the result of an employer-employee arrangements. As a publicly-provided scheme, the Australian Government needs to consider whether they believe this is an appropriate approach for the use of taxpayer-funded money.
- To ensure that no potential parents are worse off under any new configurations of the payment scheme if a replacement rate approach is adopted, I would recommend that a minimum wage full-time equivalent payment is retained as a baseline payment. Instead of obligating government to pay at replacement costs, I would suggest firstly investigating the feasibility of mechanisms to explicitly incentivise and reward employer-funded contributions to top up the payment at wage-replacement or commensurate rates, and to add superannuation payment. Many progressive companies of course already do this, and switching to a replacement-rate approach for a publicly-provided component of the policy would mean directing public money to an activity that is being done by some companies already (which would be critiques as an inefficiency in public policy). It might also actually blunt the incentive for some employers to offer employer-funded PPL of their own accord. This policy design therefore needs to be about balancing the dual goals of supporting companies that are currently unable or unwilling to do offer PPL, without diminishing the positive investments of the companies that already do.
  - A possible approach could be through tax design: e.g. offering tax concessions for companies that provide topped-up replacement leave payments; or impose of a corporate levy which is waived or reduced for employers that provide top ups; or a pooled funds model where all employers contribute through compulsory payroll contributions (such as the Quebec model).

<sup>7</sup> The average number of hours worked per employed worker is 37.2 hours per week for men, compared to 29.8 hours for women. ABS *Labour Force, Australia, Detailed*

There is the potential for these incentive mechanisms to be based on more than just the availability of these supplementary provisions by employers, but also on the take-up rates of eligible employees too: this would service as a way of aligning objectives across government and employers. These incentive structures can be appropriately scaled according to employer size in recognition of the different constraints on small businesses (e.g. more generous concessions for smaller sized companies), and could even be expanded to other forms of care-related leave.

- The Australian Government already provides some level of incentivisation through the WGEA Employer of Choice accreditation scheme, but there is scope for government to incentivise and complement employer-funded schemes further. Where there is an important society-wide role for government is to invest in public campaigns to normalise leave-taking among men and potentially to support smaller-sized companies in the provision of PPL, given that the logistics of providing leave can often be problematic (for example, to consider making government funding available for small firms to hire replacement workers while parents are on leave and to support investment in keeping-in-touch programs). Innovative options such as these should be explored and widely consulted on by the Committee and/or the Women's Economic Equality Taskforce, whether within this Bill or in future developments as the policy expands over time.

### **Who pays?**

- On the question of who pays, there is a strong rationale for government-funded scheme, at least as a baseline foundation, in recognition of the society-wide benefits (positive externalities) associated with the policy and the existence of market failures (that is, the fact that the private sector cannot be relied on to deliver an equitable and efficient scheme for all employees). A well-designed scheme will deliver economic returns for society, via boosting labour force participation rates, making more efficient use of workers' skills and human capital, supporting women's financial self-sufficiency, and supporting fertility rates, maternal recovery and child development. The benefits contribute to long-term economic benefits that will feed back into tax revenue as well as alleviate pressure on fiscal spending in the longer-term (for example, by reducing women's likelihood of dependence on the age pension in retirement; and investing in child health through supporting breastfeeding which alleviates burdens on the health system later in the child's life).
- There is a case for government to provide a baseline payment, and then the build incentive structures and reward for employers to operationalise top-ups payments and other expansions. In effect, this is still a public investment on the part of government, as it can take the form of tax concession/subsidies rather than direct payments.
- As noted by Kalb (2017), most PPL schemes internationally are financed (wholly or partly) through social security systems or social insurance premiums paid for through employer and/or employees, rather than being wholly funded by the government directly from the general tax revenue base.<sup>8</sup> Baird Hamilton and Constantine (2021) observe that Australia's current paid parental leave schemes has developed into mixed model of funding sources: "Australia has a hybrid system of a National Employment Standards, a government-funded scheme, plus employer-provided paid parental leave achieved either through bargaining or company policy" (Baird et al. 2021, p. 551).
  - This therefore lends itself to considering how the policy can leverage and further encourage the willingness of employees (not all, but many) to contribute to financing parental leave provisions, rather than shifting the funding burden too heavily towards public finances. While

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<sup>8</sup> Kalb, G. (2017) 'Paid Parental Leave and Female Labour Supply: A Review', *Economic Record*, 94: 304: 80-100.

the provision of PPL will generate fiscal payoffs, this cost burden is a critical factor given the structural budget deficit that the Federal Government is facing.

- Sound public policymaking is about the efficient and responsible allocation of public funds to activities that are in the collective interest: allocating public funding to any activity that is already being provided by the private sector would constitute an economic inefficiency.
- As an example of a systematic employer/employee contribution funding model, the Quebec Paid Parental Leave model is designed as an insurance policy (called the Quebec Parental Insurance Plan (QPIP)). Employers and employees make contributions in the form of premiums. Because it is a compulsory policy, these contributions could be considered akin to a purpose-defined levy.
  - It is possible that the automatic contribution design element of this QPIP scheme incentivises employees to make full use of the benefits, and incentivises employers to support their employees to do so, because they are motivated to get a return on their upfront contribution. It is also possible that the purpose-specific nature of the premiums make the intended use of these contributions salient to employees and employers, compared to if the program is simply funded from a broader tax base.
  - A feature of the QPIP<sup>9</sup> is that the model offers two “choices” of insurance plans to employees: a Basic Plan and a Special Plan, which vary slightly in premiums and benefits. This “choice” configuration could be considered a behavioural design element that fulfills employees’ desire to have some sort of flexibility and control over their arrangements. The presentation of these two choices could have the effect of normalising the expectation that employees will invest in one of these two options. These design property are elements for the Committee (and researchers) to investigate further.
- When looking globally at best practice models, the Nordic countries are generous in leave provisions but also rely on social insurance systems of funding. These countries also have a higher tax-to-GDP ratios that supports public investment in human capital more broadly (such as strong investment in childcare). This “collective investment” mindset is a dimension of change that the Australian Government needs to nurture throughout society when planning to expand PPL.

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<sup>9</sup> For more information about the QPIP model: <https://www.rgap.gouv.qc.ca/en/home>; <https://www.revenuquebec.ca/en/businesses/source-deductions-and-employer-contributions/calculating-source-deductions-and-employer-contributions/quebec-parental-insurance-plan-qpip-premiums/#:~:text=Both%20employers%20and%20employees%20must,paternity%2C%20adoption%20or%20parental%20leave>.

Proposed model: Combining these factors, a potential 26-week policy mixed-model could be configured as follows:

#### **Model #1 (6/6/14 allocation)**

26 weeks of PPL comprised of:

- 6 weeks of non-transferable leave allocated to the birth mother / birth giver, paid at equivalent minimum wage rate, funded by government through general tax revenue.
- 6 weeks of non-transferable leave allocated to the father / non-birth partner, paid at equivalent minimum wage rate, funded by government through general tax revenue.
- 14 weeks of unallocated leave for either parent to take, paid at equivalent minimum wage rate, funded by government through general tax revenue.
- This allocation would constitute no reduction from current entitlements (i.e. up to 18 weeks can be taken by mothers and 2 weeks can be taken by fathers/partners), and would accord with UN ILO conventions and recommendations on duration. (Despite Australia not being a signatory to this convention, these international standards exist.)

#### **Model #2 (8/8/10 allocation)**

26 weeks of PPL comprised of:

- 8 weeks of non-transferable leave allocated to the birth mother / birth giver, paid at equivalent minimum wage rate, funded by government through general tax revenue.
- 8 weeks of non-transferable leave allocated to the father / non-birth partner, paid at equivalent minimum wage rate, funded by government through general tax revenue.
- 10 weeks of unallocated leave for either parent to take, paid at equivalent minimum wage rate, funded by government through general tax revenue.
- This distribution would constitute no reduction from current entitlements (up to 18 weeks can be taken by mothers and 2 weeks can be taken by fathers/partners). Relative to Model #1, it prioritises the capacity for PPL to dismantle restrictive gender norms and mitigates against the risks associated with higher levels of unallocated leave periods.

For both models, **provide tax-based incentives** for employers that:

- provide top-up payments above the minimum wage payment to a level that is proportional to or replacement to workers' usual earnings
- provide superannuation payments on leave payments
- prove that take-up rates among eligible workers have reached a certain threshold.

Tax-based incentives are scaled to employer size and the extent of top-ups provided.

For the provision of leave entitlements expansions beyond 26 weeks:

- Options for an employer and/or employee social insurance contribution funding system should be considered. This could be expanded to support other forms of care-related leave too.
- This presents an opportunity to expand the use-it-or-lose-it number of weeks further, rather than expanding the flexible component.

The various factors that a potential model needs to consider are illustrated in the example proposal below (please see next page):

Figure 1: Potential policy design

