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# Fact sheet: some implications for employers

*This fact sheet summarises some key elements of the Commission's draft report proposals that are relevant to employers.*

Broadly, the Commission's draft report includes the following proposals:

- Government-funded paid parental leave would be payable to employees who have been continuously employed (whether with one or more employers) for an average of ten hours or more per week over the 12 months prior to the expected date of birth of the child.
  - It would be available to all who meet this employment test, including full-time, part-time and casual employees, the self-employed and contractors.
- The entitlement would be 18 weeks of paid parental leave plus two weeks of paid paternity leave (all payable at the level of the minimum wage of \$544 per week) and:
  - would be *in addition* to an employee's other leave entitlements (such as employer-provided paid parental leave and recreation leave)
  - must be taken as part of a continuous period of leave from the birth of a child
  - could be extended by taking any other forms of paid or unpaid leave (taken in any order), and
  - must be commenced within six months of the birth of the child.

## **Expected overall impacts on employers**

The Commission's draft proposal would impose some obligations on employers:

- in most cases, it would require them to pay their employees' entitlements under the paid parental leave scheme, subject to quick reimbursement by the Government (see below)
- it also would oblige employers to fund superannuation contributions for some employees (see below).

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However, the draft scheme has been designed so that:

- compliance and cash flow costs would be minimised by using existing administrative systems, quick reimbursement (see below) and extended leave notice arrangements
- eligibility requirements are linked to those applying under the National Employment Standards for unpaid parental leave
- **when employers *do not* have an employee taking paid parental leave under this scheme, they would face no financial costs and no administration or compliance costs whatsoever.**

For businesses that employ less than 20 people, the chance of an employee taking paid parental leave in any give year is less than 1.1 per cent (but will be higher or lower for individual employers in particular years). Nevertheless, a significant number of small businesses would not face any costs from the proposed scheme in any given year.

### **Employers would act as ‘paymasters’ for Government**

An employer would initially pay the adult minimum wage to an eligible employee on behalf of the Government, *but only*:

- where the employee was eligible for unpaid parental leave under the National Employment Standards, which currently requires 12 months’ continuous prior service *with the one employer*
- have worked an average of ten hours per week or more for that employer over the 12 months, and
- where a workable method for speedy reimbursement of the employer is feasible (the proposed reimbursement mechanism is a credit to ‘pay as you go’ withholding payments to the Australian Taxation Office for those employers making at least monthly payments).

The Commission proposes that, in all other cases, the Government would pay eligible parents directly.

The Commission has estimated that the cash flow consequences on firms acting as paymasters for government would be no more than \$5 a week for each employee on paid parental leave.

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## Employers would fund some superannuation contributions

Employers would pay a superannuation contribution, *but only* to those employees who:

- were eligible for unpaid parental leave under the National Employment Standards, which requires 12 months' continuous prior service *with the one employer*
- have worked an average of ten hours per week or more for that employer over the 12 months, and
- were already entitled to employer superannuation contributions before taking paid parental leave.

Consistent with the cap imposed on the Government-funded cash component, the costs to employers of super contributions would also be capped. Contributions would be:

- payable on the employee's actual salary or the adult minimum wage, whichever is the *lower*
- paid only at the statutory 9 per cent rate.

The maximum gross superannuation payment by an employer to an employee on paid parental leave would be \$881 (that is, \$544 per week x 18 weeks x 9 per cent) — or less than 3 per cent of the annual salary that would have been paid to the employee before taking leave.

- The cost will often be less than this, and it is tax deductible.

## Overall financial costs to employers

Businesses, including government employers, would meet around 7 per cent of the total gross cost of the proposed scheme, whilst taxpayers would pay 93 per cent.

- Other possible models of paid parental leave examined by the Commission would involve a larger impact on employers, and higher costs.

Employers already face disruption costs when employees take (paid or unpaid) leave. While the proposed scheme should lead to employees taking longer periods of leave, it should not increase those burdens. The draft proposal to require an employee on parental leave to provide six weeks notice if they intend to change their period of leave should benefit employers.

- Against these costs, employers should also benefit from greater employee retention rates, thereby reducing recruitment and training costs.

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By limiting the costs imposed on employers, the scheme should avoid further discrimination against female workers.

### **The Commission seeks feedback on its report**

The Commission is seeking feedback on all aspects of its proposals and more specifically comments on:

- an effective arrangement to deal with the definition of the self-employed/contractors and that would ensure appropriate compliance
- the practicality and merit of allowing paid parental leave to be taken part-time
- whether the scheme could provide fathers with more equal access to paid parental leave, without risks of unintended consequences
- the likely disruption burdens for employers associated with employees taking longer periods of leave
- whether other leave entitlements, such as sick, recreation and long service leave, should accrue during the period of paid parental leave, having regard to its costs and appropriateness
- the costs involved in mandating the provision of (capped) employer superannuation contributions while an employee is on paid parental leave.