

MAY 2014

EMPLOYMENT UPDATE

PAID PARENTAL LEAVE

GOVERNMENT CONFIRMS COMMITMENT TO PPL CHANGES FROM 1 JULY 2015

BY BRET FELTHAM AND DONNA TREMBATH

On 13 May 2014 the Federal Government confirmed its election promise made in May 2013 to introduce a new paid parental leave (PPL) scheme from 1 July 2015.

However, the much publicised income threshold for maximum payments will be capped at \$100,000 per annum rather than \$150,000 as originally proposed.

BACKGROUND

Government-funded PPL became available under the former Federal Labor Government from 1 January 2011. The government-funded scheme provides eligible working parents with up to 18 weeks of PPL at the minimum weekly wage. The scheme was expanded from 1 January 2013 to provide eligible working dads or partners with up to two weeks of PPL at the minimum weekly wage.

The "Coalition's Policy to Improve the Fair Work Laws", released in May 2013, proposed to establish a new scheme giving mothers 26 weeks PPL at full replacement wage or the national minimum wage (whichever is greater) up to a maximum of \$75,000, plus superannuation contributions. Under this scheme, PPL will be paid directly to parents by the government.

Although the government has yet to introduce legislation to implement the proposed new scheme, it has additionally introduced the Paid Parental Leave Amendment Bill 2014 (Cth). This bill would amend the Paid Parental Leave Act 2010 (Cth) to remove the requirement for employers to provide government-funded PPL payments directly to employees, unless both the employer and employee agree for the employer to make the payments.

BUDGET OUTLOOK

The Treasurer's budget speech on 13 May 2014 included a statement that "Our Paid Parental Leave Scheme will help keep mothers engaged with the workforce", indicating that the scheme is principally aimed at supporting women.

The budget papers state:

"From 1 July 2015 the Government will introduce a genuine Paid Parental Leave scheme with an income cap of \$100,000 per annum, which will include superannuation. "

If the new laws follow the Paid Parental Leave Act 2010 (Cth), they will apply to not only mothers but to the "primary carer of a child" being that person who meets the child's physical needs more than anyone else during the PPL period. However, the full details of the laws, and whether they will be passed, or whether any changes may occur during their passage through parliament, remains to be seen.

HOW TO PREPARE

Many Australian employers are required to provide PPL under an enterprise agreement, or have discretionary PPL policies that supplement government-funded PPL. Whether there will be any capacity under the new laws for employees to "double dip" is still unclear, but it seems likely that the new laws will address this issue.

Employers with PPL policies can prepare for the possible new PPL scheme from 1 July 2015 by:

- Ensuring that they reserve the right to vary, withdraw or replace their PPL policies;
- Updating PPL policies with information about the transition to any new PPL laws and limiting payments under current policies to children born or adopted before 1 July 2015 to limit or remove providing employees with any unintended, "double dipping" opportunity.

MORE INFORMATION

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