

PAID PARENTAL LEAVE SCHEME: AN OVERVIEW



The long awaited Paid Parental Leave Act 2010 has now commenced operation in Australia. - This overview has been prepared by Indigo Field Not-For-Profit Sector Industrial Relations, providers of specialist HR and IR services to ALIA and our members.

In a bid to increase the workforce participation of parents, particularly mothers, the Australian government has introduced the widely anticipated Paid Parental Leave (PPL) Scheme, to commence operation on the 1st July 2011. Employers can, however, choose to implement the scheme from the 1st January 2011. This precedent scheme exists to provide financial support to parents who have been working and choose to have time off from work to spend time with newborn babies or newly adopted children.

How the scheme works

The scheme will be funded by the Australian government. Funding given to employers will allow them to provide 18 weeks of paid parental leave for mothers and adoptive parents who have been working and have a baby or adopt a child on or after 1st January 2011. Mothers and adoptive parents will need to meet a PPL work test, income test and residency requirements. The work test means that even parents who have only worked minimal hours will still be eligible for the payment.

The easing of the work test was in response to the fact that before the scheme's inception, it was recognized that access to employer-funded paid parental leave was highly uneven, with financial support generally not having been available to part-time, casual and seasonal employees, contractors or the self-employed. The payment will initially be received by the mother or adoptive child's primary carer but can be transferred to the other parent if they are eligible.

Eligible employees will receive the PPL in conjunction with employer provided paid and unpaid parental leave. This means that any entitlements an employee would have received before the scheme's implementation will continue to operate for the life of the industrial instrument (ie an Enterprise or Collective Agreement) governing such entitlements. The PPL can be received before, during or after employer provided leave but must be received in a continuous 18 week block within 12 months of the birth or adoption of the child, but not before. The PPL pay rate will be in accordance with the National Minimum Wage which is currently \$569.90 per week before tax.

PPL does not give eligible employees actual leave entitlements (these are provided for under the NES) but rather provides payment during such periods. It will still be the responsibility of the employee to take the appropriate steps in arranging for the taking of leave with their employer. Employees will need to carefully consider whether they receive employer-provided paid parental leave and PPL simultaneously or consecutively, as some arrangements will inevitably attract higher tax liabilities.

Employer obligations

Once the scheme is fully implemented, employers will provide Parental Leave pay to their long term employees (employees who have worked for the employer for 12 months or more before the arrival of the child). Employer obligations will be phased in over six months, however employers will have the option to pay the entitlement from the date of commencement (1st January 2010). This will allow employers to ease in the new arrangement during a six month transition period. If an employer chooses to utilize the transition period, employees of that employer will receive Parental Leave pay directly from the Family Assistance Office during this period. Employers will generally be required to provide Parental Leave pay to their long-term employees who have a child born or adopted on or after 1 July 2011. The Family Assistance Office will send a notice to an employer and the relevant employee if the employer is required to pay the employee Parental Leave pay. In other cases, the Family Assistance Office will make the payment direct to the parent.

The employer will be required to pay the employee in the usual way, withholding PAYG and providing pay slips. The Australian government will provide the employer with all Paid Parental Leave funding. Indigo Field will provide ALIA members with more detail and links to documentation for employers closer to the implementation date.

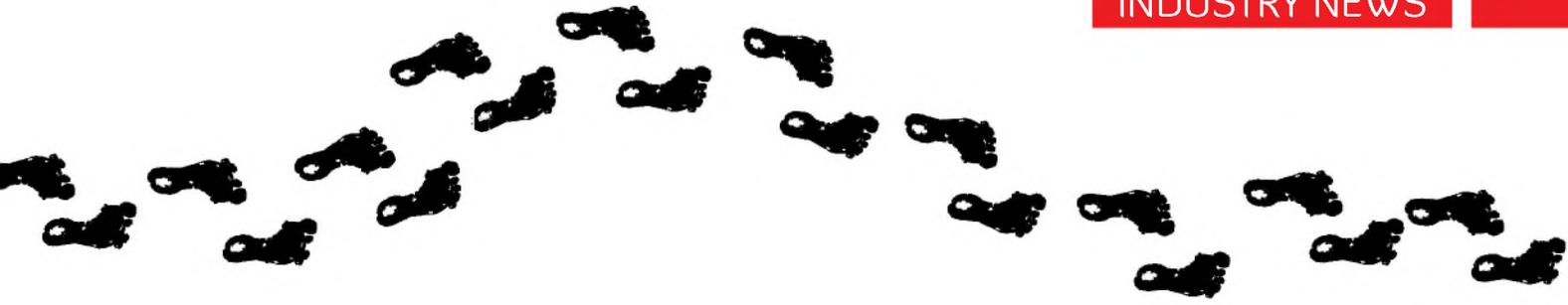
Work arrangements

While receiving Paid Parental Leave a parent will not be able to work but may choose to keep in contact with the workplace. If a person returns to work before they have received all of their 18 weeks of Paid Parental Leave, the person's partner may be able to receive the unused amount of Paid Parental Leave. If the partner is ineligible to receive the payment, Paid Parental Leave will stop when the person receiving the payment returns to work.

Baby Bonus and Family Tax Benefit

In some instances it will be more beneficial for parents to receive the existing Baby Bonus lump sum and the Family Tax Benefit instead of the PPL payment. If parents are not eligible or choose not to receive Paid Parental Leave, they may be able to receive the Baby Bonus and Family Tax Benefit under the usual rules.

It is important for families to plan their parental leave entitlements carefully so as to maximize the benefits of this landmark scheme. Carefully planning the taking of leave and when payments are received will allow families to better manage the financial strain of having a baby



or adopting a child. Families should also weigh up their options and make informed decisions on whether to receive PPL or the Baby Bonus and Family Tax Benefit.

What now?

Indigo Field strongly recommend that employers develop a Policy and/or guidelines around the taking of paid and unpaid Parental Leave and that employees ensure they are familiar with such policies. For example the Policy could cover:

1. When do employees need to advise the employer of their intent to take parental leave?
2. What documentation do employees need to fill out and do they need a doctors confirmation of their expected due date?
3. Do employees need to provide a medical certificate if they want to work up to within 6 weeks of their expected due date?
4. Are employees entitled to any employer paid parental leave?
5. If so, how will this work in with the government PPL ie will it be taken before, after or as a top-up amount to the government PPL?
6. How do employees go about applying for their additional 12 months unpaid parental leave after their first 12 months has expired?
7. Under what circumstances will this additional 12 months leave be approved or denied?
8. Can employees come back to the same job they had when they left to take Parental Leave?
9. Can employees come back to work part-time following parental leave? And if so, in the same role they held before they took Parental Leave?
10. How soon can employees take parental leave again if they are expecting another child?

Some of these issues are governed by the National Employment Standards (NES). Just email us at info@indigofield.com.au with NES in the subject box and we'll send you a complimentary copy of the NES for your info. Others issues pertaining to PPL are at the employer's discretion and can be negotiated between employers and their employees.

ALIA employee members can obtain assistance to determine eligibility status by contacting Indigo Field, and employer members can take up a special offer of assistance to develop a PPL policy that complies with the provisions of the Fair Work Act 2009, National Employment Standards and the applicable Modern Awards. Just email your request to info@indigofield.com.au with 'ALIA Special Offer' in the subject box.

ALIA members can contact Indigo Field for further information on our National toll free number 1300 153 154 or visit our website at www.indigofield.com.au/nfp for a complete list of our services and to send an on-line enquiry.

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