



Paid Parental Leave	
Party:	Australian Greens
<p>Summary of proposal:</p> <p>The proposal would introduce a “use it or lose it” parental leave scheme which would:</p> <ul style="list-style-type: none">• increase the maximum Parental Leave Pay (PLP) entitlement to 26 weeks to be divided between parent 1 and parent 2 as follows.<ul style="list-style-type: none">– 6 weeks for parent 1– 6 weeks for parent 2– 14 weeks to whichever combination of parents determined by the family• increase the PLP entitlement for singles to 26 weeks• be paid at the leave taking parent’s wage. The leave wage would be capped at \$100,000 in the first year of the proposal and indexed by the consumer price index annually. <p>Superannuation contributions would be included on PLP payments.</p> <p>The proposal would have effect from 1 July 2023.</p>	

Costing overview

This proposal would be expected to decrease the fiscal and underlying cash balances by around \$6,430 million over the 2022-23 Budget forward estimates period. This represents an increase in administered and departmental costs, partially offset by an increase in taxes.

The proposal would have an impact beyond the 2022-23 Budget forward estimates period. A breakdown of the financial implications (including separate PDI tables) over the period to 2032-33 is provided at Attachment A.

The financial implications of this proposal are highly uncertain. In particular, the estimated financial impacts are highly sensitive to the assumed take-up rate of the proposal and the number of weeks of PLP claimed by parent 1 and parent 2.

The projections of wages growth, indexation parameters and demographic factors are also areas of uncertainty.

Table 1: Financial implications (\$m)^{(a)(b)}

	2022-23	2023-24	2024-25	2025-26	Total to 2025-26
Fiscal balance	-	-1,726.9	-2,316.7	-2,386.9	-6,430.5
Underlying cash balance	-	-1,726.9	-2,316.7	-2,386.9	-6,430.5

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) PDI impacts are not included in the totals.

- Indicates nil.

Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal.

- Recipients would claim 75% of their leave within the one financial year, with the remaining amount being claimed in the next financial year. This reflects the additional flexibility allowed under the *Paid Parental Leave Amendment (Flexibility Measures) Act 2020*.
- There would be no increase in the take-up of paid parental leave as a result of the addition of superannuation entitlements.
- The rate of payment of superannuation would be equal to the superannuation guarantee rate.
- The distribution of the number of weeks claimed by PLP recipients compared to the maximum entitlement would be broadly similar under the proposal to that observed under current policy settings.

Methodology

Administered expenses for this component were estimated using a microsimulation model of Australia's personal income tax and transfer payment systems as at 2022 Pre-Election Fiscal Outlook (PEFO).

Simulations were calculated to determine entitlements under both the current policy and the proposal. The difference in entitlements between the current policy and the proposed policy represents the cost of the proposal.

The revenue implications were estimated based on the difference in projected taxable incomes and superannuation contributions of paid parental leave recipients under both the current and proposed policy scenarios. Personal income was indexed in line with the growth of average weekly earnings.

This costing takes the timing of administered payments and tax collections into account in estimating the financial implications of the proposal on the budget balances.

Departmental expenses were estimated based on information provided by Services Australia and similar proposals.

Financial implications were rounded consistent with the PBO's rounding rules as outlined on the PBO Costings and budget information webpage.¹

¹ https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Costings_and_budget_information

Data sources

The Department of Social Services provided 2019-20 administrative unit record data on paid parental leave recipients.

The Department of Social Services provided expenditure and population forecasts for paid parental leave recipients as at the 2022 PEFO.

Services Australia provided departmental unit costs as at the 2022 PEFO.

The Department of Finance provided indexation parameters as at the 2022 PEFO.

Attachment A – Paid Parental Leave – financial implications

Table A1: Paid Parental Leave – Fiscal and underlying cash balances (\$m)^(a)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Revenue													
<i>Revenue</i>	-	570.0	830.0	870.0	910.0	950.0	1,000.0	1,050.0	1,100.0	1,170.0	1,240.0	2,270.0	9,690.0
Total – revenue	-	570.0	830.0	870.0	910.0	950.0	1,000.0	1,050.0	1,100.0	1,170.0	1,240.0	2,270.0	9,690.0
Expenses													
<i>Administered expenses</i>	-	-2,290.0	-3,140.0	-3,250.0	-3,400.0	-3,560.0	-3,730.0	-3,920.0	-4,110.0	-4,350.0	-4,620.0	-8,680.0	-36,370.0
<i>Departmental expenses</i>	-	-6.9	-6.7	-6.9	-7.3	-7.6	-8.0	-8.4	-8.8	-9.3	-9.9	-20.5	-79.8
Total – expenses	-	-2,296.9	-3,146.7	-3,256.9	-3,407.3	-3,567.6	-3,738.0	-3,928.4	-4,118.8	-4,359.3	-4,629.9	-8,700.5	-36,449.8
Total (excluding PDI)	-	-1,726.9	-2,316.7	-2,386.9	-2,497.3	-2,617.6	-2,738.0	-2,878.4	-3,018.8	-3,189.3	-3,389.9	-6,430.5	-26,759.8

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

- Indicates nil.

Table A2: Paid Parental Leave – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Fiscal balance	-	-20.0	-66.0	-121.0	-181.0	-252.0	-333.0	-426.0	-533.0	-655.0	-795.0	-207.0	-3,382.0
Underlying cash balance	-	-17.0	-60.0	-114.0	-174.0	-243.0	-323.0	-415.0	-520.0	-640.0	-778.0	-191.0	-3,284.0

(a) As this table is presented as a memorandum item, these figures are not reflected in the totals in the table above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary².

(b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

- Indicates nil.