

# Senate Standing Committees on Community Affairs Legislation Committee

Public Hearing – 20 February 2023

ANSWER TO QUESTION ON NOTICE

Department of Social Services

**Topic:** Inquiry into the Paid Parental Leave Amendment (Improvements for Families and Gender Equality) Bill 2022 - Public Hearing - 20 February 2023

**Question reference number:** IQ23-000010

**Question asked by:** Larissa Waters

**Type of Question:** Spoken. **Hansard Page/s:** 28

**Date set by the Committee for the return of answer:** 21 February 2023

## **Question:**

Senator Waters: Just coming back to super which the Chair asked you about, did you cost how much it would be to the budget if super was to be paid on PPL?

Jo Evans: Not in the context of this piece of legislation Senator. In the course of our work over years it may have been undertaken previously, but not in the context of this piece of legislation.

Senator Waters: Did you refer to any of that previous work when you were undertaking the work on this legislation in relation to the cost of super?

Jo Evans: I would have to take that on notice.

## **Answer:**

The cost of applying superannuation to Paid Parental Leave was not considered in the drafting of this legislation.

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Department of Social Services

**Topic:** Inquiry into the Paid Parental Leave Amendment (Improvements for Families and Gender Equality) Bill 2022 - Public Hearing - 20 February 2023

**Question reference number:** IQ23-000011

**Question asked by:** Larissa Waters

**Type of Question:** Spoken. **Hansard Page/s:** 28

**Date set by the Committee for the return of answer:** 21 February 2023

### Question:

Senator Waters: Okay, thank you. I didn't quite catch what you said before. I've jotted down '0.7 percent'. Was that a reference to the amount of super that a worker ends up with at the end of their work life, and it's only a 0.7% difference if super was paid on PPL versus if it was not? Is that what that figure was?

Jo Evans: Yes. So that's what the Mike Callaghan retirement income review finding was – that, because of interactions with the age pension, it doesn't have a significant shift in terms of influencing retirement incomes of women.

Senator Waters: That's news to me; that's contrary to what I thought was the case. Would you mind taking on notice to interrogate that a little and just check on the influence of compound interest there? I really was operating under the assumption that the retirement income gap of roughly 50 per cent, whereby women retire with roughly half the super of men, was in quite a large part influenced by the care breaks, and I had assumed that super on PPL would have formed quite a proportion of that. Thanks for just taking that on notice to either set me straight or give me some interesting reading.

Jo Evans: Sure. I am happy to.

### Answer:

The Final Report of the Retirement Income Review can be accessed at the following link: <http://treasury.gov.au/sites/default/files/2021-02/p2020-100554-udcomplete-report.pdf>.

It found that paying superannuation on government Paid Parental Leave would have a small impact on closing the retirement income gap at most earning percentiles (page 43).

It found that if superannuation was paid on Paid Parental Leave Parental Leave Pay, the median female earner would receive an additional 0.17 per cent in annual retirement income. For middle-income earners in particular, the Age Pension assets test reduces the small gains in annual superannuation income (page 270).

Analysis is also available by the Grattan Institute on the gap in retirement incomes between men and women, at <http://insidestory.org.au/minding-the-wrong-gap/>. This found that “A high-earning woman who took two stints of leave in her early 30s would get an extra \$356 a year in retirement, whereas a low-earning woman (in the bottom fifth of all earners) would get only an extra \$164 a year, and an average-earning woman just \$73 a year”.

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## ANSWER TO QUESTION ON NOTICE

Department of Social Services

**Topic:** Inquiry into the Paid Parental Leave Amendment (Improvements for Families and Gender Equality) Bill 2022 - Public Hearing - 20 February 2023

**Question reference number:** IQ23-000013

**Question asked by:** Larissa Waters

**Type of Question:** Spoken. **Hansard Page/s:** 29

**Date set by the Committee for the return of answer:** 21 February 2023

### Question:

Senator Waters: I have a specific scenario. You did mention the work test already. I have been contacted by pregnant parents who are currently undertaking, one person in particular, postgraduate uni under the governments RTP scholarship. She said that the work test means that she is not eligible for PPL, presumably that is because she doesn't meet the 10 out of 13 months of working, because she is doing study. Can you let me know if that is correct, and how can that be fixed? Is there any work being done to fix that? My understanding is that those scholarships are below the minimum wage, so not being able to access PPL while you're already subsisting on a below-the-minimum-wage scholarship is really not a great financial situation for anyone to be in, let alone someone who's about to have a baby.

Jo Evans: Senator, that is correct. The PPL scheme does require the connection to work, and that doesn't include connection to study under the current legislation.

Senator Waters: Was there any consideration done if someone is doing a scholarship, they're otherwise a worker but they have gone back to do further study which would assist them to either go back to the same work and seek promotion or just generally add to their skills, was there any consideration given to changing that as a policy position?

Jo Evans: I'd have to take on notice what the exact parameters of what we've undertaken.

### Answer:

The current work test rules are maintained under the Paid Parental Leave Amendment (Improvements for Families and Gender Equality) Bill 2022. The PPL work test arrangements support the intent of the scheme to provide financial support to working parents who have demonstrated an attachment to the workforce.

While the definition of qualifying work under the work test is relatively broad, it does not include study. However, should a student receiving a scholarship undertake paid work in addition to their studies, including paid work at their university, this would count towards the work test.