



**MEDIA RELEASE**

19 August 2010

Our Ref: GOV103

**RECEIPT OF REQUEST FOR COSTING OF  
ELECTION COMMITMENT**

The Department of Finance and Deregulation has been asked by the Prime Minister to cost the following election commitment under the *Charter of Budget Honesty Act 1998*:

**Paid Paternity Leave.**

The costing will be completed in accordance with the *Charter of Budget Honesty: Costing Election Commitments* guidelines issued on 11 June 2010. The guidelines are available at [www.electioncostings.gov.au](http://www.electioncostings.gov.au).

The guidelines provided that in certain circumstances a costing may not be completed. As the request was received on 19 August 2010 the department may be unable to complete the costing prior to polling day.

The costing request is attached to this media release. A further media release will be issued prior to polling day advising on whether the costing has been completed.

A handwritten signature in black ink, appearing to read 'David Tune'.

David Tune  
Secretary  
Department of Finance and Deregulation

Contact: Clive Hawkins  
Telephone: 02 6215 3929

<b>Name of policy:</b>	<b>Paid Paternity leave</b>
Person requesting costing (Prime Minister/Leader of the Opposition):	Prime Minister
Date of public release of policy:	19 August 2010
Date of request to cost the policy:	19 August 2010
Summary of policy (please attach copies of relevant policy documents):	<p>The policy provides two weeks of dedicated supporting paternity leave pay at the national minimum wage to eligible parents as part of the new Paid Parental Leave scheme.</p> <p>The leave can only be taken by a partner of the birth mother/adoptive parent, who is sharing the primary care of the child. The leave cannot be taken at the same time as other paid leave.</p> <p>The father (partner) needs to have worked around one day a week (330 hours) in at least 10 of the 13 months prior to the birth or the adoption, and earned \$150,000 or less in the financial year prior to the birth.</p>
Intention of policy:	To facilitate parental leave by partners.
<b>Description of policy</b> <b>What are the key assumptions that have been made in the policy including:</b>	
Please note that where the request to cost a proposal differs from the announced policy, the costing will be on the basis of information provided in the costing request.	
Is the policy part of a package? <ul style="list-style-type: none"> <li>If yes, list and outline components and interactions with proposed or existing policies.</li> </ul>	No
Where relevant, is funding for the policy to be demand driven or a capped amount?	Demand driven
Will third parties, for instance the States/Territories, have a role in funding or delivering the policy? <ul style="list-style-type: none"> <li>If yes, is the Australian Government contribution capped, with additional costs to be met by third parties, or is another funding formula envisaged?</li> </ul>	Details will be as per the Paid Parental Leave scheme already in place from 1 January 2011.
Are there associated savings, offsets or expenses? <ul style="list-style-type: none"> <li>If yes, please provide details.</li> </ul>	No

**Description of policy (continued)****What are the key assumptions that have been made in the policy including:**

<p>Does the policy relate to a previous budget measure?</p> <ul style="list-style-type: none"><li>• If yes, which measure?</li></ul>	Paid Parental Leave
<p>If the proposal would change an existing measure, are savings expected from the departmental costs of implementing the program. Will funding/cost require indexation?</p> <ul style="list-style-type: none"><li>• If yes, list factors used.</li></ul>	NA
<p>What are the estimated costs each year? Are these provided on a cash or fiscal basis?</p>	<p>This policy reduces the underlying cash balance by:</p> <ul style="list-style-type: none"><li>• 2010-11: \$0.1 million</li><li>• 2011-12: \$1.3 million</li><li>• 2012-13: \$68.8 million</li><li>• 2013-14: \$76.5 million.</li></ul>
<p>What assumptions have been made in deriving the expected financial impact in the party costing (please provide information on the data sources used to develop the policy)?</p>	<p>The projected number of births, families and eligible birth mothers/adoptive parents was taken from the PPL/Baby Bonus estimates factored into the 2010-11 Budget.</p> <p>It is assumed that 80 per cent of partners would be eligible, and the take-up rate for eligible parents is assumed to be 33 per cent based on information in a Productivity Commission report.</p> <p>The average level of payment is 1.515 weeks (again based on the information in the Productivity Commission report) at the minimum wage.</p> <p>As this payment will increase families' income, there will be a corresponding decrease in FTB A Payments. Taxation impacts are estimated based on the projected customer numbers and the assumption that all people taking leave would previously have taken leave without pay.</p>
<p>Has the policy been costed by a third party?</p> <ul style="list-style-type: none"><li>• If yes, can you provide a copy of this costing and its assumptions?</li></ul>	No

<b>Description of policy (continued)</b>	
<b>What are the key assumptions that have been made in the policy including:</b>	
<p>What is the expected community impact of the policy?</p> <ul style="list-style-type: none"> <li>• How many people will be affected by the policy?</li> <li>• What is the likely take up?</li> <li>• What is the basis for these impact assessments/assumptions?</li> </ul>	<p>This will support the taking of paternity leave.</p>
<p><b>NOTE:</b> it will be up to the professional judgment of the relevant Secretary as to whether these assumptions are adopted in a Treasury or Finance costing of the policy.</p>	
<b>Administration of policy</b>	
<p>How will the policy be administered: who will administer the policy (for example, Australian Government Agency, States, non-government agency)?</p>	<p>These payments will be made in the same manner as the PPL Scheme.</p>
<p>Should Departmental expenses associated with this policy be included in this costing?</p> <ul style="list-style-type: none"> <li>• If no, will the Department be expected to absorb expenses associated with this policy?</li> <li>• If yes, please specify the key assumptions, including whether Departmental costs are expected with respect to program management (by policy agencies) and additional transactions/processing (by service delivery agencies).</li> </ul>	<p>Yes.</p> <p>There will be departmental costs to the FaHCSIA, DHS and DEEWR portfolios in order to process the increased amount of claims.</p> <p>The flow on costs for DEEWR and DHS has been estimated using the same cost per person as with the original PPL costings.</p>
<p>Intended date of implementation.</p>	<p>1 July 2012</p>
<p>Intended duration of policy.</p>	<p>Ongoing</p>
<p>Are there transitional arrangements associated with policy implementation?</p>	<p>Yes. Delivery through employers is subject to transitional arrangements consistent with delivery of PPL.</p>
<p>List major data sources utilised to develop policy (for example, ABS cat. no. 3201.0).</p>	<p>Productivity Commission Report: <i>Paid Parental Leave: Support for Parents with Newborn Children.</i></p>
<p>Are there any other assumptions that need to be considered?</p>	<p>No</p>