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Employers – prepare for July deadline for paid parental leave

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What is it about?

This scheme, which the Federal Government made available from 1 January 2011, offers eligible working parents paid parental leave for up to 18 weeks at the minimum weekly wage of $570.

By early May 2011, nearly 50,000 women had already applied for this benefit, including nearly 16,000 women in NSW, around 12,000 in Victoria and 10,000 in Queensland.

What does it mean for employers?

The Government will fully administer eligible payments until 30 June 2011, but passes this responsibility to employers from 1 July 2011. So although the payment is funded by the Government, employers will be responsible for processing the payments for up to 18 weeks' pay at the national minimum wage (currently at $570 per week) to eligible employees who have a child, or adopt a child, from 1 July 2011. This will include providing pay slips in accordance with each business's usual pay cycle.

Employers may choose to pay the employees if they have worked for the business for less than 12 months, or are accessing less than eight weeks of parental leave pay. In those cases where the employer decides not to pay the employee, the Government will assume administration responsibilities.

How should employers prepare?

We strongly recommend that businesses should get their payroll systems organised before an employee decides to take parental leave.

Although most employers are aware of the paid parental leave scheme, they don't all realise that they play a key role in this government-funded scheme. It is wise to ensure that payroll systems are up-to-date, and that payroll officers are fully aware of the new obligation to transfer payments to those on leave.

Be proactive, rather than being caught out by a letter from the Government advising that an employee has applied for the scheme and not being prepared.

How does the scheme operate?

Under the program, employees have to make the initial request for the benefit to the Family Assistance Office (FAO). The FAO then assesses whether the employee has:

- worked 10 of the past 13 months at the company
- worked at least 330 hours in that period
- not taken more than an eight-week break from work in that timeframe.

In addition, there is an income test (employees earning more than $150,000 the last financial year are excluded) and a residency test.

Once the employee has met all the eligibility criteria for the benefit, the FAO contacts the employer to inform them that the employee has applied, met the criteria and identified the business as the employer. The business is now obligated to administer the payment and has 14 days to respond. The employer can request a review.

It is expected that most employers will agree with the application.

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What happens next?

Once the employer accepts the application, it needs to provide the FAO with its bank and pay cycle details. The FAO then makes the payment to the employer, which in turn passes it onto the employee.

While the employer is not required to pay the benefit if it has not received the money from the FAO for some reason, the employer must notify the FAO of any changes in its payments; such as changing the pay cycle to weekly instead of fortnightly. The employer must also provide the employee with a pay cheque.

Contact us

For further clarification on the above or for information on how we can help you, please contact us:

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