

The Senate

Education and Employment
References Committee

Potential impacts of the Commonwealth
Paid Parental Leave Scheme on small
businesses and their employees

August 2023

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Contents

Members	v
List of recommendations	ix
Chapter 1 – Introduction.....	1
Referral of the inquiry	1
Conduct of the inquiry	1
Acknowledgements	2
Structure of the report and references.....	2
Definition of small business	2
.....	2
Commonwealth PPL scheme.....	3
Design and establishment of the Commonwealth PPL scheme	3
Objectives of the Commonwealth PPL scheme	4
Components of the Commonwealth PPL scheme.....	4
Recent changes to the Commonwealth PPL scheme	5
Interaction between the Commonwealth PPL scheme and other leave entitlements	6
Administration of the Commonwealth PPL scheme	8
Mandatory employer role	8
Opt-in employer role.....	9
Process for employers	10
Support for employers	11
Chapter 2 – Experiences and impacts of the Commonwealth Paid Parental Leave Scheme	13
Overview	13
Support for the Commonwealth PPL scheme and its impact on women's workforce participation	13
Maintaining workplace connections	15
The contribution of employer-administered PPL payments to maintaining workplace connections	15
The administrative burden of the Commonwealth PPL scheme for small business employers	19
Employer experiences of administering PPL payments	22

Challenges transacting with Services Australia.....	25
The merits and costs of an opt-in or opt-out model.....	27
Better support for small businesses.....	31
Committee view	32
Dissenting Report from Government Senators and Greens Senators.....	37
Appendix 1—Submissions and Additional Information.....	53
Appendix 2—Public Hearing and Witnesses.....	55

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List of recommendations

Recommendation 1

- 2.99 The committee recommends that the Paid Parental Leave Act 2010 be amended to require the Secretary, as defined by the Act, to pay Parental Leave Pay instalments directly to employees of small businesses (defined as businesses employing fewer than 20 employees) except in cases where a small business opts to pay Parental Leave Pay instalments directly to an employee.

Recommendation 2

- 2.103 The committee recommends that the Australian Government identify and fund improvements to the design and delivery of supports available to small businesses to help them meet their obligations under Commonwealth taxation and employment law.
- 2.104 The committee recommends that the design and delivery of advice for small business should aim to minimise the administrative burden on small businesses by recognising and responding to the particular challenges they face, including time and capacity constraints.

Recommendation 3

- 2.110 The committee recommends that the Australian Government task the Productivity Commission with conducting an inquiry into the impact of the Commonwealth Paid Parental Leave scheme on Australian businesses, including a particular focus on small business. The review should include—but not be limited to—an examination of the productivity gains or losses associated with businesses' administration of payments under the Commonwealth Paid Parental Leave scheme.
- 2.111 In the event that the Australian Government does not, within three months of this report, direct the Productivity Commission to undertake the above inquiry, the committee recommends that the Productivity Commission self-initiate research into the same topic.

Chapter 1

Introduction

Referral of the inquiry

1.1 On 30 March 2023, the Senate referred the following matter to the Education and Employment References Committee (committee) for inquiry and report by 31 August 2023:

The potential impacts of the Commonwealth Paid Parental Leave (PPL) scheme on small businesses and their employees, both before and after legislative changes come into effect from 1 July 2023, with particular reference to:

- (a) the experiences of small businesses in administering the Parental Leave Payment (PLP) on behalf of the Commonwealth, including an assessment of any administrative impacts, cost impacts and any challenges transacting with Services Australia;
- (b) the experiences of employees accessing the scheme and receiving the payment through their employer or through Services Australia;
- (c) the relative contribution of current arrangements in preserving the relationship between small business employers and employees while an employee is on parental leave;
- (d) current Commonwealth PPL arrangements acting as an incentive or disincentive to employment and boosting female workforce participation in small businesses;
- (e) the merits and costs of an opt-in or opt-out model for small businesses to administer the Commonwealth PLP, or other arrangements that would help to alleviate any administrative or financial burdens;
- (f) the process by which the Department of Social Services and Services Australia could best engage with small businesses and their employees in the design and implementation of any future changes to PPL policy; and
- (g) any other related matter.

Conduct of the inquiry

1.2 The committee advertised the inquiry on its website, issued a media statement, and invited submissions from a range of relevant stakeholders, including government agencies, industry and employer associations, research and advocacy groups, academics, and unions by 19 May 2023.

1.3 The committee received 17 submissions, which are listed at Appendix 1.

1.4 The committee held one public hearing in Canberra on 14 August 2023. A list of the witnesses who appeared at this hearing is provided at Appendix 2.

- 1.5 Links to public submissions, Hansard transcripts of evidence and other information published by the committee for this inquiry are available on the committee's [website](#).

Acknowledgements

- 1.6 The committee thanks those organisations and individuals who contributed to this inquiry by providing submissions and giving evidence at public hearings.

Structure of the report and references

- 1.7 The report comprises two chapters, including this introductory chapter which provides background about the Commonwealth PPL scheme (including the changes that came into effect on 1 July 2023) and its administration.
- 1.8 Chapter 2 explores participant views on the experiences and impacts of the Commonwealth PPL scheme.
- 1.9 References in this report to the Committee Hansard for the public hearing are to the proof transcript. Page numbers may vary between proof and official transcripts.

Definition of small business

- 1.10 The committee recognises that there is no single definition of a small business in Australia. For example, the Australian Bureau of Statistics defines a small business as one with between five and 20 employees,¹ the *Fair Work Act 2009* defines a small business employer as one that has fewer than 15 employees,² while the Australian Taxation Office defines a small business entity as an individual, partnership, company or trust that is carrying on a business and has an aggregated turnover of less than \$10 million.³

¹ Australian Bureau of Statistics, *Australian Industry*, <https://www.abs.gov.au/statistics/industry/industry-overview/australian-industry/latest-release> (accessed 25 July 2023).

² *Fair Work Act 2009*, s. 23.

³ Australian Taxation Office, *Small business entities*, www.ato.gov.au/Individuals/Tax-return/2022/In-detail/Publications/Deductions-for-prepaid-expenses-2022/?page=6 (accessed 24 July 2023). Aggregated turnover is the annual turnover of an individual business plus the annual turnover of any connected or affiliated businesses.

Commonwealth PPL scheme

Design and establishment of the Commonwealth PPL scheme

- 1.11 The Commonwealth PPL scheme was established on 1 January 2011,⁴ with its operation and eligibility requirements set out in the *Paid Parental Leave Act 2010* (the Act).⁵ It applies to all employers, regardless of size, and is available to eligible full-time, part-time, casual, seasonal, contract and self-employed workers.⁶
- 1.12 According to the Department of Social Services, the Department of Employment and Workplace Relations, and Services Australia (departments), the design of the PPL scheme was based largely on the model put forward by the Productivity Commission in its 2009 report, *Paid Parental Leave: Support for Parents with Newborn Children*.⁷ A key deviation from the model proposed by the Productivity Commission was the inclusion of an income test, which targeted the payment to individuals below a certain income threshold.⁸
- 1.13 In its report, the Productivity Commission highlighted the importance of employer involvement in PPL schemes and noted the use of employer roles in comparable international arrangements. Further, the Productivity Commission found that the employer role should involve 'not only top-ups but also scheme administration'.⁹
- 1.14 According to the Productivity Commission's report, this arrangement would mimic existing arrangements within employment contracts thereby helping

⁴ Australian Government Department of Social Services (DSS), *Families and Children*, <https://www.dss.gov.au/our-responsibilities/families-and-children/programmes-services/paid-parental-leave-scheme#:~:text=Australia's%20first%20national%20Paid%20Parental,newborn%20or%20recently%20adopted%20child> (accessed 19 July 2023).

⁵ DSS, *Paid Parental Leave scheme review: Discussion paper*, www.dss.gov.au/sites/default/files/files/our-responsibility/families-and-children/PPL/Paid%20Parental%20Leave%20review%20Discussion%20Paper.PDF (accessed 19 July 2023).

⁶ Services Australia, *Myths about the Paid Parental Leave scheme for employers*, www.servicesaustralia.gov.au/myths-about-paid-parental-leave-scheme-for-employers?context=23121 (accessed 24 July 2023).

⁷ DSS, the Department of Employment and Workplace Relations (DEWR), and Services Australia, *Submission 1*, [p. 3]. See also, Productivity Commission, *Paid Parental Leave: Support for Parents with Newborn Children*, Report no. 47, February 2009, pp. xv and xvi. The Productivity Commission had been asked to 'consider the design and impacts of a paid maternity, paternity and parental leave scheme in Australia' against a backdrop of slowing rates of private paid parental leave provision, increased rates of women's workforce participation, and evolving community norms around the working and caring roles of women and men.

⁸ DSS, *Regulation Impact Statement – Boosting Parental Leave to Enhance Economic Security, Support and Flexibility for Australia's Families*, 2015 (updated 2022), p. 4.

⁹ DSS, DEWR and Services Australia, *Submission 1*, [p. 4].

both employers and employees to view parental leave as a standard employment arrangement. This, in turn, would help to promote employment continuity and workplace retention and would also signal that taking a reasonable period of leave to look after children is a normal part of working life.¹⁰

Objectives of the Commonwealth PPL scheme

1.15 Broadly, the objectives of the Commonwealth PPL scheme are to:

- signal that taking time out of the paid workforce to care for a child is part of the usual course of life and work for both parents; and
- promote equality between men and women and balance between work and family life.¹¹

1.16 The PPL scheme is also designed to help employers:

- retain skilled staff by encouraging employees to maintain a connection with their workplace;
- improve family friendly workplace conditions without employers needing to fund paid parental leave themselves; and
- in the longer term, by increasing parents' workforce participation.¹²

Components of the Commonwealth PPL scheme

1.17 Until recently, the PPL scheme comprised two components—Parental Leave Pay (PLP) and Dad and Partner Pay (DaPP).¹³

1.18 PLP provides eligible primary carers with payment for up to 18 weeks at a rate based on the national minimum wage. The 18 weeks are comprised of a 12-week PPL period, which must be taken as a single block within 12 months of the birth or adoption, plus six weeks of flexible PPL, which can be taken in blocks or one day at a time within two years of the birth or adoption.¹⁴

1.19 The objectives of PLP are to provide financial support for primary carers (mainly birth mothers) in order to:

- allow primary carers to take time off work in the two years following a child's birth or adoption;
- enhance the health and development of birth mothers and children;

¹⁰ DSS, DEWR and Services Australia, *Submission 1*, [pp. 4–5].

¹¹ DSS, *Paid Parental Leave Guide*, <https://guides.dss.gov.au/paid-parental-leave-guide/1/2/1> (accessed 19 July 2023).

¹² Services Australia, *Paid Parental Leave Scheme Employer Toolkit*, p. 6.

¹³ DSS, DEWR and Services Australia, *Submission 1*, [p. 3].

¹⁴ DSS, DEWR and Services Australia, *Submission 1*, [p. 3]. See also, Services Australia, *Flexible Paid Parental Leave days*, www.servicesaustralia.gov.au/flexible-paid-parental-leave-days-for-parental-leave-pay-for-child-born-or-adopted-before-1-july?context=64475 (accessed 20 July 2023).

- encourage women to continue to participate in the workforce;
 - promote equality between men and women, and the balance between work and family life; and
 - provide primary carers with greater flexibility to balance work and family life.¹⁵
- 1.20 DaPP provides eligible fathers or partners with payment for up to two weeks at a rate based on the national minimum wage. DaPP must be taken as a single two-week block.¹⁶ The objectives of DaPP are to provide financial support to fathers and partners in order to:
- increase the time fathers and partners take off work around the time of birth or adoption;
 - create further opportunities for fathers and partners to bond with their child; and
 - allow fathers and partners to take on a greater share of caring responsibilities and to support mothers and partners from the time of birth or adoption.¹⁷
- 1.21 Both the PLP and DaPP are subject to an income test and are not available to claimants with an annual adjusted taxable income greater than \$168 865.¹⁸

Recent changes to the Commonwealth PPL scheme

1.22 While there have been various amendments to the Commonwealth PPL scheme since 2011,¹⁹ the most recent—contained in the *Paid Parental Leave Amendment (Improvements for Families and Gender Equality) Act 2023*—amended the Act to implement measures proposed in the current Government's October 2022 Budget and previous Government's March 2022 Budget.²⁰

¹⁵ DSS, *Paid Parental Leave Guide*, <https://guides.dss.gov.au/paid-parental-leave-guide/1/2/1> (accessed 19 July 2023).

¹⁶ DSS, DEWR and Services Australia, *Submission 1*, [p. 3].

¹⁷ DSS, *Paid Parental Leave Guide*, <https://guides.dss.gov.au/paid-parental-leave-guide/1/2/1> (accessed 19 July 2023).

¹⁸ Don Arthur, *Paid Parental Leave Amendment (Improvements for Families and Gender Equality) Bill 2022*, *Bills Digest No. 55*, 2022–23, Parliamentary Library, Canberra, 2023, pp. 5 and 6 and Services Australia, *Meeting the income test*, www.servicesaustralia.gov.au/meeting-income-test-for-parental-leave-pay-for-child-born-or-adopted-before-1-july-2023?context=64475 (accessed 20 July 2023). The income test of \$168 865 is for the 2022–23 financial year.

¹⁹ Australian Government Federal Register of Legislation, *Paid Parental Leave Act 2010*, www.legislation.gov.au/Series/C2010A00104/Amendments (accessed 19 July 2023).

²⁰ Don Arthur, *Paid Parental Leave Amendment (Improvements for Families and Gender Equality) Bill 2022*, *Bills Digest No. 55*, 2022–23, Parliamentary Library, Canberra, 2023, p. 6. The changes proposed in the March 2022 Budget were combining the 18-week Parental Leave Payment (PLP) and two-week Dad and Partner Pay (DaPP) to create a single 20-week payment, allowing claimants to take the payment flexibly within two years of the birth or adoption, and introducing a \$350 000

1.23 These changes affect employees whose children were born or adopted on or after 1 July 2023 and include:

- a new 20-week PLP entitlement (which replaces the 18 weeks of PLP and two weeks of DaPP), with two weeks of PLP reserved for each parent;
- flexible access to the entire 20-week PLP entitlement until the child's second birthday (rather than the current six weeks of flexible PPL);
- gender-neutral claiming, which allows either parent to claim PLP first (currently, the birth parent must claim first);
- allowing concurrent use of PLP by parents (for a period of up to ten days);
- expanding PLP access to all parents who meet the income and residency requirements (even if the birth parent does not); and
- introducing a family income test of \$350 000 (in addition to the existing individual income test).²¹

1.24 Employees with children born before 1 July 2023 are assessed under the previous rules, which means they are able to access 18 weeks of PLP and up to two weeks of DaPP.²²

Interaction between the Commonwealth PPL scheme and other leave entitlements

1.25 Under the National Employment Standards (NES) in the *Fair Work Act 2009* (Fair Work Act), eligible national system employees are entitled to 12 months unpaid parental leave, as well as the right to request up to 12 months of additional unpaid leave.²³ Unpaid leave can be taken either as one unbroken period, flexibly, or a combination of both.²⁴

family income limit alongside the individual income test. The changes proposed in the October 2022 Budget were reserving two weeks of the PLP on a 'use it or lose it' basis for each claimant (with single parents able to access the full 20 weeks), removing the 'primary', 'secondary', and 'tertiary' claimant categories as well as the requirement for the primary claimant to be the birth parent, and expanding eligibility to allow an eligible father or partner to receive PLP regardless of whether the birth parent meets income or residency requirements. The October 2022 Budget also included a proposal to gradually increase the number of funded PLP weeks to 26 weeks by 2026. This measure has not been legislated.

²¹ DSS, DEWR and Services Australia, *Submission 1*, [p. 3].

²² Services Australia, *Changes if you get family payments*, www.servicesaustralia.gov.au/changes-if-you-get-family-payments?context=64479#pplchanges (accessed 19 July 2023). Access to these payments is dependent on meeting the eligibility requirements.

²³ Fair Work Ombudsman, *Paid parental leave*, www.fairwork.gov.au/leave/maternity-and-parental-leave (accessed 21 July 2023).

²⁴ Fair Work Ombudsman, *Taking parental leave*, www.fairwork.gov.au/leave/maternity-and-parental-leave/taking-parental-leave#continuous-parental-leave (accessed 21 July 2023). Up to 100 days of the 12-month unpaid leave entitlement can be taken flexibly. Flexible leave can be taken as a single continuous period of one day or longer, or separate periods each comprising one day or longer.

- 1.26 The Fair Work Act also includes a 'return to work guarantee' and allows employees to work up to 10 'keeping in touch days' during their unbroken period of unpaid leave. Keeping in touch days are designed to help parents stay connected to their employment and facilitate their return to work.²⁵
- 1.27 In addition to unpaid parental leave, employers can provide paid parental leave for employees, with the specific rules, amount of leave, and pay entitlements set out in relevant employment agreements, contracts or policies.²⁶
- 1.28 The Commonwealth PPL scheme does not confer an additional leave entitlement and does not affect employees' existing leave entitlements. Rather, it complements employee entitlements to both unpaid parental leave and employer-funded paid parental leave.²⁷
- 1.29 Accordingly, PLP can be received before, after, or at the same time as employer provided paid or unpaid leave²⁸—an arrangement which gives parents the flexibility to use PLP in the way that best suits them.²⁹ Typically, employees choose to access PLP while on unpaid parental leave.³⁰
- 1.30 In addition, employers can 'top up' the PLP so that the payment matches an employee's regular wage. According to the departments, this feature can help to attract and retain staff—particularly where an employer cannot afford to offer paid parental leave on its own. All employers are encouraged to make supplementary top up payments, where possible.³¹

²⁵ DSS, DEWR and Services Australia, *Submission 1*, [pp. 8 and 9]. The return to work guarantee entitles an employee to return to their pre-parental leave position following a period of unpaid leave. If that position no longer exists, the employee is entitled to return to an available position for which they are qualified and suited that is nearest in status and pay to their previous position. See also, Australian Council of Trade Unions (ACTU), *Submission 11*, p. 2.

²⁶ Fair Work Ombudsman, *Paid parental leave*, www.fairwork.gov.au/leave/maternity-and-parental-leave/paid-parental-leave (accessed 21 July 2023).

²⁷ DSS, *Paid Parental Leave Guide*, <https://guides.dss.gov.au/paid-parental-leave-guide/1/2> (accessed 21 July 2023) and DSS, DEWR and Services Australia, *Submission 1*, [p. 8]. Employees need to request time off work from their employer in order to take a day of PLP. In addition, PLP does not result in the accrual of any additional leave entitlements.

²⁸ Services Australia, *Who can get it*, www.servicesaustralia.gov.au/who-can-get-parental-leave-pay-for-child-born-or-adopted-before-1-july-2023?context=64475#a1 (accessed 20 July 2023) and DSS, *Paid Parental Leave Guide*, <https://guides.dss.gov.au/paid-parental-leave-guide/1/2> (accessed 21 July 2023). DaPP, which is available to employees with children born or adopted prior to 1 July 2023, can be received at the same time as unpaid leave only.

²⁹ DSS, DEWR and Services Australia, *Submission 1*, [p. 8].

³⁰ DSS, DEWR and Services Australia, *Submission 1*, [p. 8].

³¹ DSS, DEWR and Services Australia, *Submission 1*, [pp. 7 and 8].

Administration of the Commonwealth PPL scheme

- 1.31 The Commonwealth PPL scheme is managed by Services Australia, with PLP funded by the Australian Government.³² In most cases, employees receive PLP directly from their employer via their normal pay cycle, using funds provided by Services Australia.³³
- 1.32 According to the departments, prior to the COVID-19 pandemic:
- approximately 70 per cent of PLP recipients received PLP through their employer;
 - approximately 40 per cent of employers who paid PLP were small businesses (less than 20 employees); and
 - small businesses accounted for around 15 per cent of all employees who received PLP through their employer.³⁴
- 1.33 In 2022–23, 70 per cent of employees received PPL payments via their employer,³⁵ while around \$160 million was spent on PLP for small businesses employees, covering approximately 30 000 recipients.³⁶
- 1.34 Currently, employers have both a mandatory role and an opt-in role in relation to the Commonwealth PPL scheme. The recent changes to the Commonwealth PPL scheme did not change the employer role.³⁷

Mandatory employer role

- 1.35 The Act requires employers to provide PLP to their employees when the following criteria are met:
- the employee lives in Australia;
 - the employee has worked for the employer for at least 12 months before the expected birth or adoption date;

³² Services Australia, *Myths about the Paid Parental Leave scheme for employers*, www.servicesaustralia.gov.au/myths-about-paid-parental-leave-scheme-for-employers?context=23121 (accessed 24 July 2023).

³³ Services Australia, *Myths about the Paid Parental Leave scheme for employers*, www.servicesaustralia.gov.au/myths-about-paid-parental-leave-scheme-for-employers?context=23121 (accessed 24 July 2023).

³⁴ DSS, DEWR and Services Australia, *Submission 1*, [p. 9]. The departments reported a decline in both the overall number and percentage of employees receiving PLP via their employer during the pandemic (down from approximately 70 per cent to around 65 per cent). This was thought to reflect the impact of the pandemic on the labour market.

³⁵ Ms Leigh Allison, National Manager, Families and Child Care, Services Australia, *Proof Committee Hansard*, 14 August 2023, p. 47.

³⁶ Ms Agnieszka Nelson, Branch Manager, Families and Payment Support, DSS, *Proof Committee Hansard*, 14 August 2023, p. 50.

³⁷ DSS, DEWR and Services Australia, *Submission 1*, [p. 4].

- the employee is expected to remain employed during the period they will receive PLP;
- the employee will not receive any PLP days prior to the period they will receive PLP from their employer; and
- the employee will receive at least 40 continuous days (that are weekdays) from their employer.³⁸

1.36 Where an employee meets the above criteria and opts to take their PLP in multiple blocks, their employer is only required to deliver the first block of payments. Any subsequent PLP blocks will be paid directly by Services Australia.³⁹

1.37 Where an employee does not meet the above criteria, employers are not required to provide PLP. Instead, the payment is provided to eligible claimants directly by Services Australia.⁴⁰ For example, Services Australia will pay eligible employees directly where they take a block of PLP that is shorter than 40 continuous weekdays, or where an employee elects to receive PLP for weekends as well as weekdays.⁴¹ Services Australia may also pay employees directly where the block of PLP is in the past.⁴²

1.38 However, an employer can still choose to provide PLP to an employee who is eligible but does not meet the criteria (see opt-in employer role, below).⁴³

Opt-in employer role

1.39 Where there is agreement between an employer and employee to do so, an employer can opt-in to provide PLP to an eligible employee who does not meet the criteria set out in the preceding section (a 'non-mandatory employee').⁴⁴ According to the departments, approximately 38 per cent of employers who provided PLP to their employees in 2021–22 opted in to do so.⁴⁵

³⁸ DSS, DEWR and Services Australia, *Submission 1*, [p. 5].

³⁹ Services Australia, *Your role in the scheme*, www.servicesaustralia.gov.au/employers-role-paid-parental-leave-scheme?context=23121 (accessed 25 July 2023). Employers are also exempt from providing PLP to eligible employees who receive an income support payment from Services Australia.

⁴⁰ DSS, DEWR and Services Australia, *Submission 1*, [p. 5].

⁴¹ Services Australia, *Paid Parental Leave Scheme Employer Toolkit*, p. 9.

⁴² Services Australia, *Your role in the scheme*, www.servicesaustralia.gov.au/employers-role-paid-parental-leave-scheme?context=23121 (accessed 25 July 2023).

⁴³ DSS, DEWR and Services Australia, *Submission 1*, [p. 5].

⁴⁴ Services Australia, *Paid Parental Leave Scheme Employer Toolkit*, p. 9.

⁴⁵ DSS, DEWR and Services Australia, *Submission 1*, [pp. 5 and 6].

- 1.40 An employer can opt-in to providing PLP for an individual employee, a specified class of employees, or all their employees. An employer can choose to change their opt in status at any time.⁴⁶

Process for employers

- 1.41 While employers can be required to make PLP payments, they are not involved in either the claim process or determining the eligibility of their employees. This process is managed by Services Australia, with employees responsible for lodging PLP claims.⁴⁷
- 1.42 If Services Australia determines an employee is eligible for employer-paid PLP, the employer is advised of this via a written Employer Determination notice. The employer then has 14 days to either accept the decision or seek a review of the determination.⁴⁸
- 1.43 To make PLP payments, employers need to undertake a one-time registration process with Services Australia. This involves registration of their business in Provider Digital Access (PRODA), followed by registration for the Services Australia Business Hub, which allows them to link their organisation to PPL services. Once registered, employers can receive PPL payment advices directly through the Business Hub. These advices are available in a range of formats and can integrate automatically with an employer's payroll software. Through Business Hub, employers can also accept Employer Determinations, seek reviews, update their information and view payment advices.⁴⁹
- 1.44 Employers do not need to provide an employee with a PLP payment until they have received funds from Services Australia (transferred to an employer's nominated account on either on a fortnightly or six-weekly basis). PLP funds do not need to be separately identified in financial statements and PLP is not subject to payroll tax, does not increase workers' compensation premiums, and does not attract a superannuation guarantee liability.⁵⁰
- 1.45 A detailed list of employer obligations related to PLP payments—following a Services Australia determination that PLP should be paid to an employee—is provided at Figure 1.1.

⁴⁶ DSS, DEWR and Services Australia, *Submission 1*, [p. 6].

⁴⁷ DSS, DEWR and Services Australia, *Submission 1*, [p. 6] and Services Australia, *Paid Parental Leave Scheme Employer Toolkit*, p. 12.

⁴⁸ DSS, DEWR and Services Australia, *Submission 1*, [p. 6].

⁴⁹ DSS, DEWR and Services Australia, *Submission 1*, [pp. 6 and 7]. Provider Digital Access (PRODA) is Services Australia's secure authentication system that allows self-service access to the agency's third-party services, including the Services Australia Business Hub.

⁵⁰ DSS, DEWR and Services Australia, *Submission 1*, [p. 6] and Services Australia, *Paid Parental Leave Scheme Employer Toolkit*, p. 17.

Figure 1.1 Employer obligations where Services Australia determines that PLP must be paid to an employee

You need to...	You don't need to...
<ul style="list-style-type: none"> • Accept our decision or seek a review within 14 days. • Give us your bank account and pay cycle details so we can give you the funds. • Provide Parental Leave Pay to your employee for between 8 and 20 weeks as per their usual pay cycle. • Withhold tax from Parental Leave Pay. • Give your employee records of payment (for example, pay slips and payment summaries). • Keep records of funds you've got from us and paid your employee. • Let us know if your employee works on a day they got, or intended to get Parental Leave Pay. • Let us know if your bank account or your employee's pay cycle details change before your employee has gotten all of their Parental Leave Pay. • Let us know if you get an incorrect payment or you're unable to provide Parental Leave Pay. • Return any unpaid funds to us. • Let us know if you're ceasing to trade, selling your business, transferring ownership or merging with another business. • If their child's birth or adoption is before 1 July 2023 let us know if your employee returns to work. You should do this if they return to work before the end of their Paid Parental Leave period or connected Flexible Paid Parental Leave days. • Let us know if your employee is no longer your employee. If their child's birth or adoption is before 1 July 2023, you should do this before the end of their Paid Parental Leave period or connected Flexible Paid Parental Leave days. If their child's birth or adoption is from 1 July 2023, you should do this before the end of their block of payment. 	<ul style="list-style-type: none"> • Work out if your employee is eligible. • Provide Parental Leave Pay to independent contractors or someone who stops being your employee. • Provide Parental Leave Pay to short term employees or those getting less than 8 weeks pay. • Provide Parental Leave Pay to your employee before you have gotten the funds from us. • Make additional superannuation contributions. • Pay additional workers' compensation premium liabilities. • Pay additional payroll tax. • Accrue additional leave for employees. • Create a new bank account. • Provide regular reports to us. • Separately identify Parental Leave Pay in your annual financial statements.

Source: Services Australia, Paid Parental Leave Scheme Employer Toolkit, www.servicesaustralia.gov.au/sites/default/files/2023-06/fpr081-2305en.pdf (accessed 25 July 2023), p. 7.

Support for employers

- 1.46 Services Australia is responsible for providing employers with information about the Commonwealth PPL scheme, the role of employers within the scheme, and the process for registration.⁵¹
- 1.47 This information is provided via the Services Australia website, the Paid Parental Leave Scheme Employer Toolkit, user guides for both PRODA and the Business Hub, as well as a dedicated phone service for employers who need help understanding their obligations or assistance with registering for paid parental leave services in the Business Hub. This includes an option for free interpreters and a free translation service. A dedicated phone service is also available for employers who need help registering for PRODA.⁵²

⁵¹ DSS, DEWR and Services Australia, *Submission 1*, [p. 7].

⁵² DSS, DEWR and Services Australia, *Submission 1*, [pp. 6 and 7] and Services Australia, *Paid Parental Leave Scheme Employer Toolkit*, pp. 7 and 25.

1.48 Education, assistance and advice for employers in relation to their obligations under the *Fair Work Act 2009* is provided by the Fair Work Ombudsman.⁵³ This includes the Small Business Showcase, the Small Business Helpline, the Pay and Conditions Tool, and the Employer Advisory Service for small businesses (those with fewer than 15 employees).⁵⁴

⁵³ Fair Work Ombudsman, *Our role and purpose*, www.fairwork.gov.au/about-us/our-role-and-purpose (accessed 19 August 2023).

⁵⁴ DEWR, *Employer Advisory Service*, www.dewr.gov.au/employer-advisory-service (accessed 19 August 2023).

Chapter 2

Experiences and impacts of the Commonwealth Paid Parental Leave Scheme

Overview

- 2.1 The committee heard overwhelming support for the Commonwealth Paid Parental Leave (PPL) scheme, as well as general acknowledgement of the role that PPL has played in maintaining and increasing women's workforce participation, including in small business settings.
- 2.2 However, there were mixed views about the role small business employers should play in administering Parental Leave Pay (PLP) payments. This appeared to reflect:
- conflicting opinions about the role that employer-administered payments play in maintaining workplace connections during periods of parental leave; and
 - differing views about the extent and fairness of the administrative burden on small business of making PPL payments.
- 2.3 The remainder of this chapter explores these issues in greater detail. However, it should be noted that the inquiry did not attract any submissions from employees who have received PPL payments. Therefore, apart from references made to parents' views by other inquiry participants, the report does not directly address employee perspectives on the operation of the Commonwealth PPL scheme.

Support for the Commonwealth PPL scheme and its impact on women's workforce participation

- 2.4 Multiple participants, including the Tasmanian Government, Capital Chemist, the Council of Small Business Organisations Australia (COSBOA), and the Australian Chamber of Commerce and Industry (ACCI), expressed support for the Commonwealth PPL scheme.¹ For example, Mr Scott Harris of the Pharmacy Guild of Australia (Pharmacy Guild) stated that 'we like the scheme. From the

¹ Tasmanian Government, *Submission 9*, [p. 2]; Mr Tim Keeffe, Systems Manager, Capital Chemist Pty Ltd (Capital Chemist), *Proof Committee Hansard*, 14 August 2023, p. 9; Mr Matthew Addison, Chair, Council of Small Business Organisations Australia (COSBOA), *Proof Committee Hansard*, 14 August 2023, p. 43; Ms Jessica Tinsley, Director, Workplace Relations and General Counsel, Australian Chamber of Commerce and Industry (ACCI), *Proof Committee Hansard*, 14 August 2023, p. 43. See also, Ms Kate Freeman, Chief Executive Officer (CEO), The Healthy Eating Clinic, *Proof Committee Hansard*, 14 August 2023, p. 10 Motor Trades Association of Australia (MTAA), *Submission 4*, p. 3.

guild's point of view the scheme is very beneficial'.² Mr Kent Johns of the National Electrical and Communications Association (NECA) went further and described the broad support for the PPL policy across its member organisations:

I think the policy itself is an excellent policy. It's a policy that our members fully support. It retains our workers and our apprentices, and it promotes the industry well.³

2.5 Participants also highlighted the role that the Commonwealth PPL scheme has played in increasing women's workforce participation. For example, Impact Economics and Policy (Impact Economics) pointed to the results of its research which 'highlighted the pivotal role ... paid parental leave has played in increasing labour force participation of women with children aged 0–4', with the Commonwealth PPL scheme estimated to have increased the number of women in the workforce by 74 500 in 2021–22.⁴

2.6 The importance of PPL to women's participation in small business settings was also acknowledged. Dr Angela Jackson of Impact Economics described the difference the Commonwealth PPL scheme had made to the retention of women in small business employment:

Before the scheme was introduced, only 10 per cent of women in small business had access to paid leave. After, it's become universal for women who have employment in small business. We can see amongst those women an increase in retention of around six per cent.⁵

2.7 In addition to emphasising the 'strong correlation' between PPL and workforce retention, COSBOA also described PLP as 'pivotal' to increasing women's participation in 'micro markets and small businesses as entrepreneurs, owners and employees'.⁶

2.8 To this end, COSBOA recommended additional investment in the Commonwealth PPL scheme to 'encourage female entrepreneurship and enhance women's ability to establish and/or seek employment within the small business space'.⁷

² Mr Scott Harris, Director, Workplace Relations and Business, Pharmacy Guild of Australia (Pharmacy Guild), *Proof Committee Hansard*, 14 August 2023, p. 10.

³ Mr Kent Johns, Head of Government Relations and Policy, National Electrical and Communications Association (NECA), *Proof Committee Hansard*, 14 August 2023, p. 40.

⁴ Impact Economics and Policy (Impact Economics), *Submission 10*, [p. 1]. See also, The Parenthood, *Submission 12*, p. 3; Global Institute for Women's Leadership, Australian National University, *Submission 3*, [p. 3]; Chief Executive Women (CEW), *Submission 16*, pp. 1–2.

⁵ Dr Angela Jackson, Lead Economist, Impact Economics, *Proof Committee Hansard*, 14 August 2023, p. 2.

⁶ COSBOA, *Submission 5*, pp. 5 and 6.

⁷ COSBOA, *Submission 5*, p. 6.

2.9 However, Mr Daniel Hodges from the Motor Trades Association of Australia (MTAA) gave evidence that the employer role in administering the Commonwealth PPL payments was contrary to the aims of the program:

... rather than acting as an incentive to boost female workforce participation, the requirement to act as administrative intermediary can be a significant disincentive for smaller businesses.⁸

Maintaining workplace connections

2.10 The link between ongoing workplace connection and parents' workforce participation was noted by participants. For example, Chief Executive Women (CEW) pointed to a 'wealth of research' showing the importance of ongoing workplace connections to the 'long-term economic security and workforce participation of new parents, in particular women'.⁹

2.11 A similar point was made by Impact Economics, which pointed to research showing that PPL policies that maintain the employer-employee connection result in women being more likely to return to work after having children.¹⁰

2.12 However, there were conflicting views on whether employer-administered PPL payments were a significant factor in maintaining these connections.

The contribution of employer-administered PPL payments to maintaining workplace connections

2.13 A number of participants, including The Parenthood and the Australian Council of Trade Unions (ACTU), noted that employer-administrated payments were a deliberate design feature of the Commonwealth PPL scheme, aimed at maintaining an ongoing connection between employers and employees during periods of parental leave.¹¹

2.14 For some participants, this design feature was critical to maintaining workplace connections. For instance, CEW argued that 'employer administration of the Government PPL scheme is critical to ensure parents continued connection to their employer and the workforce'.¹² The CEW also cited a study from Southern California, which found that the timing of an employee's return to work was 'significantly impacted' by access to employer administered parental leave and

⁸ Mr Daniel Hodges, Executive Manager, Workplace Relations, MTAA, *Proof Committee Hansard*, 14 August 2023, p. 23.

⁹ CEW, *Submission 16*, [p. 1].

¹⁰ Impact Economics, *Submission 10*, [p. 1].

¹¹ The Parenthood, *Submission 12*, p. 3; Ms Sascha Peldova-McClelland, Senior Legal and Industrial Officer, Australian Council of Trade Unions (ACTU), *Proof Committee Hansard*, 14 August 2023, p. 29.

¹² CEW, *Submission 16*, [p. 2].

that 'employers play a pivotal role in supporting a feeling of job security and economic empowerment during and after maternity leave'.¹³

- 2.15 At the individual level, Ms Jessica Rudd, Chief Executive Officer of The Parenthood, described the importance of employer-administered PPL for new parents:

... you go from being an employed person with a lanyard and a routine to suddenly having this experience at home, usually as a mum, on the front line, of caring for this small person ...

It's important not to minimise the impact of this experience ... Continued connection to the employer through employer administered PPL means you feel like you're still there at work, and you have that constant link, an umbilical link, between you and your employer.¹⁴

- 2.16 According to the Department of Social Services, the Department of Employment and Workplace Relations, and Services Australia (departments), the effectiveness of the scheme's design appeared to be supported by the 2010–2014 evaluation, which found that PPL encouraged women to return to the same employer:

This suggests a strengthened link with the employer while on leave and that PPL increased mothers' attachment to their jobs because the paid leave was provided to them through their employers.¹⁵

- 2.17 Further, the ACTU contended that without the ongoing connection provided by remaining on the payroll, it is more likely that employers could forget about employees on leave or might not comply with their obligations towards those employees:

This makes it more likely that an employer may not consult them about any changes to their role, and may take steps to permanently replace them, abolish their role, or otherwise make changes that will adversely impact that employee. This is even more likely to be the case in small businesses which may not have dedicated human resources staff or experience.¹⁶

- 2.18 However, claims about the importance of employer payments in maintaining this connection were disputed by a range of employers, who argued that administering PPL payments did not help them in this regard.

- 2.19 For example, the MTAA stated that 81.1 per cent of respondents to its member survey felt that delivering Commonwealth PLP via employers did not play an

¹³ CEW, *Submission 16*, [p. 3].

¹⁴ Ms Jessica Rudd, CEO, The Parenthood, *Proof Committee Hansard*, 14 August 2023, pp. 1–2.

¹⁵ DSS, DEWR and Services Australia, *Submission 1*, [p. 9]. An evaluation of the PPL scheme was undertaken for DSS by the Institute for Social Science Research, University of Queensland. The evaluation was undertaken between 2010–2014.

¹⁶ ACTU, *Submission 11*, pp. 5–6.

important role in maintaining strong employer-employee relationships.¹⁷ Likewise, the results of an ACCI member survey found that 86.67 per cent of small businesses that had paid PLP did not feel delivery of the payment was important to maintaining a strong relationship with their employees while they were on parental leave.¹⁸

2.20 In addition, Mr Tim Keeffe of Capital Chemist pointed out that an employee's right to return to their position was not affected by whether or not their employer was making PPL payments:

... they have that right to return to their position ... Whether or not the employer is administering the payment or it's coming from Services Australia or they're taking unpaid parental leave, they still have that continuation of employment when they're ready to return to work.¹⁹

2.21 Mr Keeffe also stressed that good relationships were 'maintained by good people not necessarily a payment that's provided by whoever's administering their payroll':

... that comes down to our managers and business owners maintaining that contact and being good bosses, before the fact of—a payroll payment doesn't really change it.²⁰

2.22 A similar view was put forward by Mrs Emmalene Mahar of the Australian Hairdressing Council, who emphasised her belief that 'it's best practice to have a much deeper connection with your employees than just simply administering the payment'.²¹ Likewise, Ms Reika Roberts of the Aesthetic Beauty Industry Council spoke of it being 'a sad day' if making a PPL payment was the only connection an employer had with their employee while they were on leave:

From our perspective in the beauty industry, I don't feel that having employers pay the PPL would benefit the communication and the strengthening of ties between the two parties. I think it's a lot deeper than that and there's a lot more to it than that.²²

2.23 The multidimensional nature of employer-employee relationships was also described by Ms Kate Freeman of The Healthy Eating Clinic:

I think that women engaging with their employer and the workforce is multifaceted. It has so many factors at play. I think it is quite an

¹⁷ Motor Trades Association of Australia (MTAA), *Submission 4*, p. 5.

¹⁸ ACCI, *Submission 7*, p. 3.

¹⁹ Mr Tim Keeffe, Systems Manager, Capital Chemist, *Proof Committee Hansard*, 14 August 2023, p. 10.

²⁰ Mr Tim Keeffe, Systems Manager, Capital Chemist, *Proof Committee Hansard*, 14 August 2023, p. 12.

²¹ Mrs Emmalene Mahar, Association Member, Australian Hairdressing Council, *Proof Committee Hansard*, 14 August 2023, p. 18.

²² Ms Reika Roberts, Chair, Aesthetic Beauty Industry Council, *Proof Committee Hansard*, 14 August 2023, p. 17.

oversimplification for PPL to come from your employer rather than the government. ... We have a number of policies around staff taking extended leave that keeps them still in the loop and connected with the business as a whole. That's completely distinct from that payment coming from me, so I don't agree that that keeps women linked.²³

- 2.24 Mr Matthew Addison of COSBOA concurred and pointed out that 'the connection factor breaks anyway if it is just based on a payment going through' given that paid parental leave is 'only a portion of the leave that a parent or parents may take'.²⁴
- 2.25 To this end, Mr Scott Harris of the Pharmacy Guild also highlighted the role of the keeping in touch days play in helping to maintain connections between employers and employee on parental leave.²⁵
- 2.26 Further, some participants noted that, rather than enhancing employer-employee connections, employer-administrated payments can have the opposite effect. For instance, the ACCI observed that the employer role 'risked imposing negative impacts on their relationships with their employees on leave',²⁶ while the MTAA suggested that the employer role could 'fracture' the relationship due to the tendency for employees to blame employers when things go wrong.²⁷ Mr Keeffe concurred and explained that:
- In an instance where things can go not quite to plan ... it can increase frustration and angst between the employer and employee, as [the employer] will centre the burden of their frustrations when it's more of an administrative process from Services Australia that's caused that issue.²⁸
- 2.27 Mrs Mahar agreed, saying that 'issues and delays with Commonwealth or myGov administering the payment can cause frustrations for the employee, which they may show towards the employer'.²⁹
- 2.28 ACCI shared responses from its members regarding the impact of small businesses' role in administering the payments on employer-employee relations, including:

²³ Ms Kate Freeman, CEO, The Healthy Eating Clinic, *Proof Committee Hansard*, 14 August 2023, p. 13.

²⁴ Mr Matthew Addison, Chair, COSBOA, *Proof Committee Hansard*, 14 August 2023, p. 43.

²⁵ Mr Scott Harris, Director, Workplace Relations and Business, Pharmacy Guild, *Proof Committee Hansard*, 14 August 2023, p. 10.

²⁶ ACCI, *Submission 7*, p. 4.

²⁷ MTAA, *Submission 4*, pp. 5 and 6. There were 246 respondents to its member survey.

²⁸ Mr Tim Keeffe, Systems Manager, Capital Chemist, *Proof Committee Hansard*, 14 August 2023, p. 12.

²⁹ Mrs Emmalene Mahar, Association Member, Australian Hairdressing Council, *Proof Committee Hansard*, 14 August 2023, p. 18.

"If anything, it can cause tension with employees chasing us for money. It's much better to have us removed from the payments completely to remove any chance of misunderstanding."

"Staff get very frustrated at the delay/timing of receiving the payment and they blame the business even though we haven't received the funds from the government."

"It does force you to contact them to work out the complex system of payments, approvals, forms etc. But this isn't a valuable conversation for the business to have with the individual. Rather this is confusing and often frustrating for the individual who doesn't need this added administrative problem when already facing challenges of a newborn child."

"If there is already a strong relationship between employee and employer, paying their parental leave will not make this any stronger, it would more than likely cause the employer frustration at having to administer a government initiative."³⁰

The administrative burden of the Commonwealth PPL scheme for small business employers

- 2.29 The committee heard competing views about the extent and fairness of the administrative burden on small business of making PPL payments.
- 2.30 For example, the United Workers' Union expressed the view that employers 'ought to have a role in the system for the benefits they receive'.³¹ A similar view was put forward by the ACTU, which stated that the benefits for employers—such as an ongoing connection with employees on parental leave—'outweighs any burden that may be associated with the administering of PPL payments by employers'.³²
- 2.31 Further, The Parenthood cited research from San Francisco, which found that 'the impact of implementing paid parental leave was similar across smaller and larger businesses; smaller employers did not report greater challenges nor more negative impacts than larger counterparts'. It also noted research showing that 'parental leave take-up is not associated with any measurable effects on firm output, labour costs, profitability, or survival'.³³
- 2.32 However, it was not clear that this research is comparable to the Australian context. According to the research cited, San Francisco's Paid Parental Leave Ordinance 'is not financed by payroll taxes but instead is an unfunded mandate,

³⁰ ACCI, *Submission 7*, p. 4.

³¹ United Workers' Union, *Submission 17*, [p. 2].

³² ACTU, *Submission 11*, p. 11.

³³ The Parenthood, *Submission 12*, p. 3. See also, Global Institute for Women's Leadership, Australian National University, *Submission 3*, [p. 2].

with each employer required to self-finance the supplemental compensation for their own leave-taking employees'.³⁴

- 2.33 As such, the San Francisco scheme is a completely different scheme from the one examined in this inquiry—namely, the administration by employers of a government-funded payment. It is unsurprising, then, that the San Francisco research found that 'smaller employers did not report greater challenges nor more negative impacts than larger counterparts', as they were not receiving and passing on a government payment and were not required to deal with any government agency in making the payments. Further, this policy operates only at the level of San Francisco County and provides for only six weeks of leave, whereas Australia's policy is nationwide and provides for twenty weeks of leave.
- 2.34 In relation to the Australian PPL scheme, Mr Matt Flavel, Deputy Secretary with the Department of Social Services (DSS) pointed out that a 'carve out' already existed for situations where employers might face 'a higher-than-average burden'.³⁵
- 2.35 In addition, the departments stated that 'neither the Department of Social Services, nor Services Australia, have received significant feedback surrounding the employer role under the current scheme'.³⁶
- 2.36 This appeared to be reflected in the 2010–2014 evaluation of the Commonwealth PPL scheme which found, based on survey data from public sector employers and private sector organisations including small businesses (2–19 employees), medium-sized businesses (20–199 employees) and large businesses (200+ employees), that:
- 75 per cent of employers agreed or strongly agreed it was easy to register for the PPL scheme;
 - 81 per cent agreed or strongly agreed that organising payments was easy;
 - 81 per cent agreed or strongly agreed with the statement that the PPL scheme has been easy to implement in their organisation.³⁷

³⁴ Julia Goodman Goodman, Holly Esler and William H. Dow, 'Employer-Reported Access to Paid Parental Leave: A study of San Francisco's Paid Parental Leave Ordinance', *SSM – Population Health*, vol. 11, August 2020, p. 7, <https://doi.org/10.1016/j.ssmph.2020.100627>.

³⁵ Mr Matt Flavel, Deputy Secretary, Social Security, DSS, *Proof Committee Hansard*, 14 August 2023, pp. 48 and 49. Situations where there might be a higher-than-average burden include where an employee has been with an employer for under 12 months, or where an employee is seeking to take parental leave in anything other than a block of 40 days (i.e. where an employee takes flexible parental leave).

³⁶ DSS, DEWR and Services Australia, *Submission 1*, [p. 9].

³⁷ DSS, DEWR and Services Australia, *Submission 1*, [p. 10].

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- 2.37 The evaluation also found that the 'costs to employers of implementing PPL have generally been very minimal, both in terms of time and money'. However, the evaluation did find that 'some employers reported experiencing some difficulties in implementing and administering the scheme'.³⁸
- 2.38 Indeed, according to the 2010–2014 evaluation, small businesses (private sector employers with 2–19 employees) reported that administering PPL payments to at least one employee required 15.1 staff hours on average, with a median time of 5 hours. Doing so resulted in an average dollar cost of \$1930 with a median cost of \$300.³⁹
- 2.39 One small private sector employer stated that 'It was just a real headache to set up. I feel that it was actually a really negative thing for both our business and on the life of that young girl that took advantage of it'.⁴⁰
- 2.40 Another private sector employer indicated the uniqueness of a small business' experience with the scheme compared to larger businesses:
- It's putting this burden on a business. Now, you know, a big business, they just have to set up a system, I suppose, and it's all automatically done by pressing a button. But you know, we're a small business, so there's learning about it, which we all have to do anyway, but it would have been so much easier if they had just said, look, this is like a social security payment that we're paying to the recipient.⁴¹
- 2.41 However, evidence provided to the committee also highlighted the age of the PPL evaluation—which was conducted between 2010 and 2014—and the lack of current data and research relating to the impact of PPL administration on small businesses, current levels of discrimination against parents in the workplace, as well as the role of employer-administered PPL payments in maintaining

³⁸ DSS, DEWR and Services Australia, *Submission 1*, Attachment B (Paid Parental Leave Evaluation Phase 3 Report), p. 7.

³⁹ DSS, DEWR and Services Australia, *Submission 1*, Attachment B (Paid Parental Leave Evaluation Phase 3 Report), p. 40.

⁴⁰ DSS, DEWR and Services Australia, *Submission 1*, Attachment B (Paid Parental Leave Evaluation Phase 3 Report), p. 44.

⁴¹ DSS, DEWR and Services Australia, *Submission 1*, Attachment B (Paid Parental Leave Evaluation Phase 3 Report), p. 44.

workplace connections.⁴² The evidence also suggested limitations on DSS' ability to disaggregate its PPL-related administrative data by business size.⁴³

- 2.42 To this end, the departments noted the Australian Government's commitment to an evaluation of the recent changes to the PPL scheme, which will 'provide an opportunity to further examine the impacts of the employer role on businesses and their employees'.⁴⁴ However, Mr Flavel told the committee that while 'a good evaluation would obviously look at impacts on those who use it' it would not be 'exclusively about the impact on business or employers'.⁴⁵

Employer experiences of administering PPL payments

- 2.43 While many business and industry participants were supportive of the Commonwealth PPL scheme,⁴⁶ the majority also raised concerns about the administrative burden on small businesses.⁴⁷ For example, Ms Irma Beganovic of NECA contended that small businesses faced challenges that medium and large businesses did not:

... small business owners do not have dedicated human resources or finance staff. This places the onus on these small business owners, who, in addition to often having to work in the business, also have to work on the business after hours.⁴⁸

- 2.44 Likewise, the Australian Small Business and Family Enterprise Ombudsman (ASBFEO) agreed and argued that the cost of administering the PPL scheme was

⁴² See, for example, Mr Daniel Hodges, Executive Manager, *Proof Committee Hansard*, 14 August 2023, pp. 23, 24 and 25; Ms Jessica Tinsley, Director, Workplace Relations and General Counsel, ACCI, *Proof Committee Hansard*, 14 August 2023, p. 42; Mr Kent Johns, Head of Government Relations and Policy, NECA, *Proof Committee Hansard*, 14 August 2023, p. 43; Ms Sasha Peldova-McClelland, Senior Legal and Industrial Officer, ACTU, *Proof Committee Hansard*, 14 August 2023, p. 29; Mr Matthew Addison, Chair, COSBOA, *Proof Committee Hansard*, 14 August 2023, p. 37; Mr Tony Piazza, General Manager, Families, Indigenous and Tailored Programs, Services Australia, *Proof Committee Hansard*, 14 August 2023, pp. 45 and 51; Mr Matt Flavel, Deputy Secretary, Social Security, DSS, *Proof Committee Hansard*, 14 August 2023, pp. 47 and 49.

⁴³ Ms Agnieszka Nelson, Branch Manager, Families and Payment Support, DSS, *Proof Committee Hansard*, 14 August 2023, p. 48.

⁴⁴ DSS, DEWR and Services Australia, *Submission 1*, [p. 10].

⁴⁵ Mr Matt Flavel, Deputy Secretary, Social Security, DSS, *Proof Committee Hansard*, 14 August 2023, p. 47.

⁴⁶ MTAA, *Submission 4*, p. 3; Australian Retailers Association (ARA), *Submission 6*, p. 2. See also, COSBOA, *Submission 5*, p. 2.

⁴⁷ See, for example, Capital Chemist, *Submission 2*, p. 1; MTAA, *Submission 4*, p. 3; NECA, *Submission 13*, [p. 1]; ARA, *Submission 6*, p. 1; Australian Small Business and Family Enterprise Ombudsman (ASBFEO), *Submission 14*, p. 2.

⁴⁸ Mrs Irma Beganovic, Director of Government Relations and Regulatory Affairs, NECA, *Proof Committee Hansard*, 14 August 2023, p. 36.

'magnified' for small businesses 'as they do not have the existing organisational capability or internal expertise to implement complex processes'.⁴⁹ The Australian Retailers Association (ARA) agreed and indicated that this lack of capacity leaves small businesses particularly exposed to administrative burdens associated with payroll and compliance with leave entitlements.⁵⁰

2.45 While supportive of retaining employer-paid PPL, Dr Jackson estimated that employers 'might lose four to six hours ... with that administrative cost of signing up to Centrelink'.⁵¹

2.46 According to Mr Addison, meeting this administrative burden comes at the expense of either a small business employer's personal life or their business' productivity:

Small-business owners are doing their administration after hours. ... All these extra hours, this compliance burden that you allude to—where do those five hours come from? It comes from the weekend. It comes from the evening. It hurts their personal lives, or, if they're trying to do it during their work day, it means there is a loss of productivity.⁵²

2.47 The extent of the administrative burden on small business was captured by at least two participants via surveys of their member organisations. For example, a survey of ACCI members found that 90.7 per cent of small businesses who administered PPL payments reported an increased administrative burden and an increase to their payroll processing time.⁵³ Similarly, a survey of MTAA members found that of those respondents who had passed on the PPL payment to employees:

- 90.8 per cent said it added to payroll processing time;
- 91.8 per cent said it had increased the administrative burden on the business; and
- 32.1 per cent said it created cashflow problems.⁵⁴

2.48 This was reflected in evidence from Ms Freeman, who observed that making PPL payments for one employee 'quadrupled' her payroll processing time each

⁴⁹ ASBFEO, *Submission 14*, p. 2.

⁵⁰ ARA, *Submission 6*, p. 1.

⁵¹ Dr Angela Jackson, Lead Economist, Impact Economics, *Proof Committee Hansard*, 14 August 2023, p. 2.

⁵² Mr Matthew Addison, Chair, COSBOA, *Proof Committee Hansard*, 14 August 2023, p. 39.

⁵³ ACCI, *Submission 7*, p. 3. There were 331 responses to ACCI's survey, including 242 from small businesses.

⁵⁴ MTAA, *Submission 4*, p. 4. The MTAA reported there were 246 respondents to its survey, with 41.1 per cent of those having had staff receive Parental Leave Pay. Of those, 58.3 per cent had passed on the payment to staff, while 42.7 per cent had staff receiving the payment from Services Australia.

fortnight.⁵⁵ Ms Freeman also spoke of added difficulties caused by the differences in timing between her payroll cycle and when payments are made by Services Australia:

The payment cycles didn't match my fortnightly payment cycles. By the time they actually did pay me the money, it was late. There was a lot of calculating to ensure that my employee was paid correctly. They pay on this weird daily rate, but then their cut-offs don't align with my pay cut-offs. So it's a superfiddly process for something that could be simpler.⁵⁶

2.49 Mr Keefe stated that—even for businesses such as Capital Chemist which has four dedicated payroll staff and significant experience administering PPL payments—the additional workload amounted to just under two hours per employee. According to Mr Keefe, this resulted in 'nearly one full-time-equivalent week administering the Paid Parental Leave scheme to our employees, with no remuneration or fee for service from the government'.⁵⁷

2.50 For Mrs Mahar, some of the additional work arose simply from having three parties involved in PPL payroll transactions, any of whom could cause delays to the process:

I do work with a payroll team now thankfully. But that still involves quite a lot of input from me, and, when it comes to a paid parental leave payment, it would involve me personally making contact with Services Australia and then probably needing to make contact with the employee, give them an update and potentially get them to contact Services Australia as well.⁵⁸

2.51 Asked about the consequences of the administrative burden of making PPL payments, Mrs Mahar stated that 'you just have to deal with it and find the time in your week, probably at the expense of something else'. Ms Roberts interjected 'mental health', to which Mrs Mahar responded 'spending time with my children'.⁵⁹

2.52 Mrs Mahar added 'it's also quite a stressful thing to make sure that you know that you actually have done it correctly and that you can put your hand on your heart and say "I know that I've done this correctly"'.⁶⁰

⁵⁵ Ms Kate Freeman, CEO, The Healthy Eating Clinic, *Proof Committee Hansard*, 14 August 2023, p. 10.

⁵⁶ Ms Kate Freeman, CEO, The Healthy Eating Clinic, *Proof Committee Hansard*, 14 August 2023, p. 10.

⁵⁷ Mr Tim Keefe, Systems Manager, Capital Chemist, *Proof Committee Hansard*, 14 August 2023, p. 9.

⁵⁸ Mrs Emmalene Mahar, Association Member, Australian Hairdressing Council, *Proof Committee Hansard*, 14 August 2023, p. 18.

⁵⁹ Mrs Emmalene Mahar, Association Member, Australian Hairdressing Council, *Proof Committee Hansard*, 14 August 2023, p. 21 and Mrs Reika Roberts Chair, Aesthetic Beauty Industry Council, *Proof Committee Hansard*, 14 August 2023, p. 21.

⁶⁰ Mrs Emmalene Mahar, Association Member, Australian Hairdressing Council, *Proof Committee Hansard*, 14 August 2023, p. 21.

Challenges transacting with Services Australia

2.53 The committee heard that difficulties and delays experienced while navigating the online PPL process with Services Australia represented a significant part of the administrative burden on small businesses. For example, according to Capital Chemist and the MTAA, the administrative burden on small businesses arose from:

- the time required to log onto the Business Hub, download documentation separately for each business/employee, verify that funds have been received from Services Australia, then manually process the pay run;⁶¹
- the time required to arrange payroll staff access to businesses in Provider Digital Access (PRODA) and to resolve issues with Services Australia;⁶² and
- the time required to access and assess the necessary information, provide required direction to payroll staff, make any necessary changes to payroll software (including through obtaining professional assistance), and then conduct a reconciliation exercise at the end of the process.⁶³

2.54 Ms Roberts told the committee of the difficulties one of her members had experienced, in particular the long wait times when seeking assistance by phone:

She spent hours on the phone. Sometimes when someone goes on maternity leave you're looking at six to nine months out, and not all business owners can remember their passwords or have password accounts that have everything. One member spent a lot of time on the phone with Centrelink, being locked out of the portal and having to jump through hoops to get set up again with new passwords. She said it takes hours.⁶⁴

2.55 Figures provided by Mr Tony Piazza, General Manager, Services Australia, indicated that in 2022–23 it had taken, on average, around 30 minutes for a business to receive assistance with PPL payments via the Services Australia employer support line. This involved an average wait time of just under 12 minutes and an average call handling time of just over 18 minutes. However, Mr Piazza also stated that the percentage of calls answered within 15 minutes was only 68.7 per cent, with approximately one fifth of calls (4 890) being abandoned.⁶⁵

2.56 Difficulties interacting with PRODA appeared to be a recurring theme in evidence provided to the committee. For example, Ms Freeman described the

⁶¹ Capital Chemist, *Submission 2*, p. 1.

⁶² Capital Chemist, *Submission 2*, p. 1.

⁶³ MTAA, *Submission 4*, p. 5.

⁶⁴ Ms Reika Roberts, Chair, Aesthetic Beauty Industry Council, *Proof Committee Hansard*, 14 August 2023, p. 20.

⁶⁵ Mr Tony Piazza, General Manager, Families, Indigenous and Tailored Programs, Services Australia, *Proof Committee Hansard*, 14 August 2023, p. 45.

PRODA portal as 'painful',⁶⁶ while Ms Roberts observed that it was 'quite complicated to navigate'.⁶⁷

- 2.57 Mr Keeffe also highlighted the 'significant complexity surrounding PRODA and the Business Hub and accessing business administration services through that portal'. Mr Keeffe also noted that changes to employers' business structures could exacerbate these challenges. To this end, he described how it had recently taken an employer 'four hours, in conjunction with increasingly senior Services Australian staff, to accurately identify the business and the owners within the PPL system to enable one payment to commence'.⁶⁸
- 2.58 As well as difficulties with PRODA, the MTAA referred to anecdotal reports of 'underpayments, overpayments, delays, record keeping and payroll issues' as well as difficulties for smaller businesses whose payroll systems do not easily allow payments to be made to employees without automatic accrual of paid leave entitlements.⁶⁹ The MTAA, Pharmacy Guild and COSBOA also referred to the 2010–2014 evaluation of the Commonwealth PPL scheme which found that employees were more likely to receive incorrect payments when those payments were made by an employer (as opposed to Services Australia).⁷⁰
- 2.59 As an example, Mr Daniel Hodges of the MTAA conveyed the experience of an employer who was 'directed by Services Australia to recover an overpayment of approximately \$5000 from a by-then former employee'.⁷¹ This followed a change in the employee's circumstances, which led to PPL payments being made by both the employer and Services Australia for approximately six weeks. While the employee had notified Services Australia of the change, neither the employee nor Services Australia had alerted the employer:

As neither the employee, nor Services Australia, notified the employer of this change, the employer continued to automatically make payment through their payroll system ... The employee was asked to rectify the overpayment ... and subsequently resigned without doing so. The response from Services Australia was to advise the small business employer to commence its own debt recovery action.⁷²

⁶⁶ Ms Kate Freeman, CEO, The Healthy Eating Clinic, *Proof Committee Hansard*, 14 August 2023, p. 10.

⁶⁷ Ms Reika Roberts, Chair, Aesthetic Beauty Industry Council, *Proof Committee Hansard*, 14 August 2023, p. 16.

⁶⁸ Mr Tim Keeffe, Systems Manager, Capital Chemist, *Proof Committee Hansard*, 14 August 2023, p. 9.

⁶⁹ MTAA, *Submission 4*, pp. 4 and 5.

⁷⁰ Mr Daniel Hodges, Executive Manager, *Proof Committee Hansard*, 14 August 2023, p. 24; Pharmacy Guild, *Submission 8*, [p. 3]; COSBOA, *Submission 5*, p. 4.

⁷¹ Mr Daniel Hodges, Executive Manager, *Proof Committee Hansard*, 14 August 2023, p. 23.

⁷² MTAA, *Submission 4*, p. 5.

The merits and costs of an opt-in or opt-out model

2.60 The committee heard mixed views about introducing an opt-in or opt-out model for small business employers, with some participants arguing strongly against such a move. For example, Impact Economics cautioned that:

Any move to exempt small businesses from the current arrangements would weaken the relationship between employers and workers on leave, and undermine the success of paid maternity leave in lifting female participation.⁷³

2.61 Similarly, the ACTU contended that an opt in/out model would 'likely sever the important ongoing employment connection', which the experience of its affiliates suggested was 'key to maintaining the employment relationship'.⁷⁴

2.62 Further, participants such as Ms Pauline Vamos of CEW suggested that an opt-in/out model would transfer the entire administrative burden onto parents, which could 'lead to a reduced uptake of PPL and impact the ability of small businesses to attract and retain female employees who really value this benefit'.⁷⁵

2.63 Ms Rudd echoed the need for continued workplace connections and reflected that 'the last thing that we want to do' is require new parents to go 'back to Centrelink for yet another thing when, ultimately, being able to go to the employer makes it so much easier for them'.⁷⁶

2.64 A similar view was expressed by Ms Sasha Peldova-McClelland of the ACTU, who told the committee that it was harder for workers to access support from Services Australia than from their employer:

It is a lot more difficult to contact Services Australia to rectify any issues, and it takes a lot more time and navigation of a complex system than simply being able to raise it with their employer—someone they know. If there were to be an opt-in or opt-out model, this would place further demands on Services Australia, which would be to the detriment of workers accessing parental leave.⁷⁷

2.65 However, in response, Mr Addison argued that the burden on parents will remain the same, regardless of who makes the payment:

⁷³ Impact Economics, *Submission 10*, [p. 1].

⁷⁴ ACTU, *Submission 11*, p. 6. See also, Ms Sascha Peldova-McClelland, Senior Legal and Industrial Officer, ACTU, *Proof Committee Hansard*, 14 August 2023, p. 28.

⁷⁵ Ms Pauline Vamos, Board Member and Chair, Policy and Engagement Committee, CEW, *Proof Committee Hansard*, 14 August 2023, p. 3.

⁷⁶ Ms Jessica Rudd, CEO, The Parenthood, *Proof Committee Hansard*, 14 August 2023, p. 5.

⁷⁷ Ms Sascha Peldova-McClelland, Senior Legal and Industrial Officer, ACTU, *Proof Committee Hansard*, 14 August 2023, p. 29.

There seems to be a concept that it can all be administered by the employer. That's just not the way the system is set up or works. The employee must have an account with Services Australia. They must register the pending birth with Services Australia. So that burden already exists on the individuals, and swapping to Services Australia making the payments will not actually increase the burden on the individuals that is already there.⁷⁸

- 2.66 This point was reiterated by the MTAA, which referred to a 2021 report by the Grattan Institute which found that the involvement of employers added unnecessary complexity to the PPL scheme and that 'as applicants must still apply through Centrelink, the benefits involving the employer in a paymaster role appear minimal, and the drawback for employers and applicants are significant'.⁷⁹
- 2.67 Indeed, Ms Leigh Allison from Services Australia gave evidence that there are no additional processes an employee has to go through when applying to receive the Commonwealth PPL payments if they receive them via their employer rather than directly from Services Australia.⁸⁰ Asked if, when receiving payments directly from Services Australia, there are any additional steps the employee needs to take following the set-up process, Ms Allison said there were not.⁸¹
- 2.68 Evidence from employers and industry suggested high levels of support for an opt-in or opt-out model for small businesses. For example, through a feedback process undertaken for this inquiry, NECA found that its members would prefer Services Australia to pay PPL directly to staff members.⁸² This position was supported by the results of an MTAA member survey, which found that 96.1 per cent of respondents would prefer Services Australia to pay PLP directly to employees.⁸³
- 2.69 Likewise, responses to ACCI's member survey showed that 'small businesses overwhelming[ly] believe that paid parental leave should be administered by Services Australia', with this view more prevalent among small businesses that have made PLP payments previously (97.33 per cent versus 88.02 per cent).

⁷⁸ Mr Matthew Addison, Chair, COSBOA, *Proof Committee Hansard*, 14 August 2023, p. 37.

⁷⁹ MTAA answers to questions on notice, 14 August 2023 (received 21 August 2023).

⁸⁰ Ms Leigh Allison, National Manager, Families and Child Care, Services Australia, *Proof Committee Hansard*, 14 August 2023, p. 50.

⁸¹ Ms Leigh Allison, National Manager, Families and Child Care, Services Australia, *Proof Committee Hansard*, 14 August 2023, p. 48.

⁸² NECA, Submission 13, [p. 1].

⁸³ MTAA, *Submission 4*, p. 4.

In addition, 73 per cent of small business survey respondents expressed a preference for an opt-in, rather than opt-out, model.⁸⁴

- 2.70 The opt-in model received further support from the ARA,⁸⁵ Capital Chemist⁸⁶ and the Pharmacy Guild, which argued for small businesses to be given the opportunity to opt-in to a 'government-funded PLP scheme, where Services Australia provides the base payment', (and employers are able to supplement the payment if desired). According to the Pharmacy Guild, administration of the PLP by Services Australia would improve the accuracy of payments by removing inadvertent errors caused by the administrative or financial burden on small businesses.⁸⁷
- 2.71 NECA also supported an opt-in/out model, stating that small businesses 'do not have the resources nor experience' to administer PLP payments. NECA argued that an opt-in/out arrangement would 'allow small business to spend more time on growing their business, while it makes no difference to the employee whatsoever'.⁸⁸
- 2.72 Further, Mr Hodges noted that an opt-in model would reflect a 'tiered approach to regulation' for small business, which was an approach supported by research and one that recognised the 'significantly greater impost on smaller sized businesses in trying to deal with regulation'.⁸⁹ The ASBFEO made a similar point and submitted that obligations that were 'streamlined and adequately accommodate[d] the unique characteristics of small and family businesses' were the 'key to ameliorating a disproportionate burden on the sector'.⁹⁰
- 2.73 To this end, the ASBFEO advocated for an opt-in model for small businesses (defined as businesses with fewer than 20 employees), which would reduce the regulatory burden on small business while still allowing businesses to administer PLP payments, if desired.⁹¹

⁸⁴ ACCI, *Submission 7*, pp. 3 and 5.

⁸⁵ Mr Jason Robertson, Director, Policy, Sustainability and Impact, ARA, *Proof Committee Hansard*, 14 August 2023, p. 22.

⁸⁶ Mr Tim Keefe, Systems Manager, Capital Chemist, *Proof Committee Hansard*, 14 August 2023, p. 14.

⁸⁷ Pharmacy Guild, *Submission 8*, [p. 3].

⁸⁸ NECA, *Submission 13*, [p. 2].

⁸⁹ Mr Daniel Hodges, Executive Manager, *Proof Committee Hansard*, 14 August 2023, p. 26.

⁹⁰ ASBFEO, *Submission 14*, p. 1.

⁹¹ ASBFEO, *Submission 14*, p. 2.

- 2.74 Indeed, Ms Roberts and Mrs Mahar felt that being able to opt in or out was 'a perfect solution'⁹² that 'really strike[s] the right balance'.⁹³ For example, Mrs Mahar stated she would 'happily get involved if there was a need or circumstances required it' but believed that most people she worked with would opt to have PLP paid directly by Services Australia so they 'have that autonomy and they know exactly where it's at, and, like I say, it's just two people in the communication process rather than three'.⁹⁴
- 2.75 Similarly, Ms Freeman stated that while she would '100 per cent' help an employee who was struggling with accessing the PPL scheme, she would welcome an option that helped to 'remove the burden from businesses of my size' as administering PPL payments is currently 'just one more thing that we have to do that takes us away from generating revenue for our businesses'.⁹⁵
- 2.76 Ms Roberts agreed and argued that in light of reports that 20 per cent of small business owners are suffering from mental health issues, 'anything we can do to decrease the administrative burden would be very helpful'.⁹⁶
- 2.77 Ms Freeman also reflected that an opt-in system would prevent employers being forced to make PPL payments, even in cases where employees would prefer to receive the payment directly from Services Australia:
- ... when we did it with my first employee we looked at it together. ... There was the option that it could be paid straight to her or to me, and we both looked at each other and thought, 'That's silly that you would be the middleman. Why don't we just get it coming straight to me?' and we opted for that. It was then that I received the letter saying that I had to do it and I didn't really have a choice.⁹⁷
- 2.78 This aligned with evidence from Mr Kent Johns of NECA, who stressed that an opt-in model would afford small businesses the opportunity to determine 'what is best for them and their employees, who they know intimately'.⁹⁸

⁹² Ms Reika Roberts, Chair, Aesthetic Beauty Industry Council, *Proof Committee Hansard*, 14 August 2023, p. 18.

⁹³ Mrs Emmalene Mahar, Association Member, Australian Hairdressing Council, *Proof Committee Hansard*, 14 August 2023, p. 18.

⁹⁴ Mrs Emmalene Mahar, Association Member, Australian Hairdressing Council, *Proof Committee Hansard*, 14 August 2023, p. 18.

⁹⁵ Ms Kate Freeman, CEO, The Healthy Eating Clinic, *Proof Committee Hansard*, 14 August 2023, p. 14.

⁹⁶ Ms Reika Roberts, Chair, Aesthetic Beauty Industry Council, *Proof Committee Hansard*, 14 August 2023, p. 16.

⁹⁷ Ms Kate Freeman, CEO, The Healthy Eating Clinic, *Proof Committee Hansard*, 14 August 2023, p. 13.

⁹⁸ Mr Kent Johns, Head of Government Relations and Policy, NECA, *Proof Committee Hansard*, 14 August 2023, p. 43.

Better support for small businesses

2.79 While there were diverging views on the introduction of an opt-in/out model for small business, multiple participants suggested that small businesses should be better supported to fulfil their PPL obligations.

2.80 For example, rather than changing who administers PLP payments, both the ACTU and CEW proposed that greater assistance be provided for small businesses to help them perform this function.⁹⁹ Nevertheless, Ms Peldova-McClelland argued that any burden related to PPL 'should be tackled in a way that doesn't jeopardise that ongoing employment connection and relationship'.¹⁰⁰

2.81 Likewise, Ms Rudd indicated that The Parenthood would 'support a system that gives small businesses support as they adjust to administering PPL,' including adequately resourcing Services Australia and providing training to small businesses.¹⁰¹ However, Ms Rudd also contended that it would be better to 'go back to the drawing room' to have a look at how to better support business with all the tasks they struggle with—rather than removing one single aspect of the administrative burden.¹⁰²

2.82 For Mr Jason Robertson of the ARA, the need for support remained, regardless of the path selected:

... it's critical that small businesses receive adequate support to help them understand and navigate these changes. In particular we need to balance the reasonable expectation of employees against the needs of employers, who require adequate notice to support their workforce planning needs. We need clear, plain English guidance that's easy to implement, particularly for small businesses.¹⁰³

2.83 To this end, Mr Robertson described some of the existing online resources as 'good' but also called for the development of sector-specific guidance that could be delivered through a variety of mediums.¹⁰⁴

2.84 Similarly, Mrs Mahar suggested involving small business in the development of more user-friendly resources, as 'currently it is very confusing and the government language used is not something many business owners would be

⁹⁹ ACTU, *Submission 11*, p. 9; CEW, *Submission 16*, [p. 4].

¹⁰⁰ Ms Sasha Peldova-McClelland, Senior Legal and Industrial Officer, ACTU, *Proof Committee Hansard*, 14 August 2023, p. 30.

¹⁰¹ Ms Jessica Rudd, CEO, The Parenthood, *Proof Committee Hansard*, 14 August 2023, pp. 5 and 7.

¹⁰² Ms Jessica Rudd, CEO, The Parenthood, *Proof Committee Hansard*, 14 August 2023, p. 7.

¹⁰³ Mr Jason Robertson, Director, Policy, Sustainability and Impact, ARA, *Proof Committee Hansard*, 14 August 2023, p. 22.

¹⁰⁴ Mr Jason Robertson, Director, Policy, Sustainability and Impact, ARA, *Proof Committee Hansard*, 14 August 2023, p. 27.

able to decipher'.¹⁰⁵ Mrs Mahar also suggested maximum wait times for Services Australia phone assistance, or the introduction of a booking system to allow small businesses to schedule calls with Services Australia.¹⁰⁶

- 2.85 Further, COSBOA recommended continued engagement by government with small business representative bodies and associations. COSBOA also encouraged 'adoption of well-researched, best practice policies that adequately address the needs of small business' through engagement with industry associations and peak bodies, consultation via industrial relations and PPL roundtables, as well as 'research into the efficacy and impacts of PPL policy'.¹⁰⁷

Committee view

- 2.86 The committee would like to thank the organisations and individuals who participated in this inquiry—either by providing written submissions, appearing at the committee's public hearing, or both.
- 2.87 In particular, the committee would like to extend its thanks to the small business owners who made time to appear at the committee's public hearing and provide their insights into the administration of the Commonwealth Paid Parental Leave (PPL) scheme and its impact on small business. The committee values their contributions greatly—it recognises that most small business operators are time poor and any time away from working in, or on, their businesses can impact revenue and productivity.
- 2.88 At the outset, the committee would like to recognise the overwhelming support expressed for the Commonwealth PPL scheme. Almost all participants acknowledged the importance of the scheme and the role it has played in maintaining and increasing women's workforce participation, including in small business settings.
- 2.89 However, while there was consensus about the importance of the Commonwealth PPL scheme, views about its administration were divided. While some participants argued for a continuation of current arrangements, employers and industry associations advocated for small businesses to be exempted from, or at least be given a choice about, administering PPL payments.
- 2.90 Central to the arguments in support of current arrangements was the link between ongoing workplace connections and parents' workforce participation. The committee heard that requiring employers to administer Commonwealth PPL payments was expected to make it more likely that an employee will return to work following a period of parental leave. Proponents for the current

¹⁰⁵ Mrs Emmalene Mahar, answers to questions on notice, 14 August 2023 (received 20 August 2023).

¹⁰⁶ Mrs Emmalene Mahar, answers to questions on notice, 14 August 2023 (received 20 August 2023).

¹⁰⁷ COSBOA, *Submission 5*, p. 6.

arrangements raised concerns that removing the requirement for small business employers to make PPL payment to their employees would sever this connection.

- 2.91 Based on evidence provide to the committee, it is clear that PPL is important to maintaining workplace connections by providing financial support to employees during periods of parental leave. This can be particularly important where an employer is unable to fund paid parental leave themselves.
- 2.92 However, in the committee's view, there is far less evidence about whether those connections are dependent on who makes the PPL payment—particularly in a small business environment. Indeed, the committee heard repeatedly from business owners that connection during periods of parental leave comes down to direct communication with an employee—not a name on a payslip. Some participants also pointed to the role of keeping in touch days in helping employees to remain connected to their job.
- 2.93 On balance, therefore, the committee is not convinced that having employers make PPL payments (as opposed to Services Australia) is critical to maintaining workplace connections for small businesses.
- 2.94 There were also differing views toward the administrative burden arising from administration of PPL payments. While some participants argued that the benefits of the scheme outweighed the burden of its administration, employers and industry bodies pointed to the particular challenges faced by small businesses—most of whom do not have dedicated human resources or payroll teams. At least one small business owner spoke of her payroll time 'quadrupling' as a result of having to make the payment to one employee. This included time dealing with complications caused by the disconnect between Services Australia's payment cycle and her business' payment cycle.
- 2.95 Indeed, the committee heard that that difficulties and delays interacting with Services Australia accounted for a significant part of the burden on small businesses. This included the perceived complexity of interacting with the Business Hub and Provider Digital Access (PRODA), as well as potentially long wait times when seeking assistance by phone. In addition, the committee heard reports of issues with underpayments, overpayments and delays in receiving funds from Services Australia.
- 2.96 As a result, the committee heard significant support from employers and industry for an opt-in PPL administration model for small businesses. Under this model, Services Australia would be responsible for making PPL payments to all small business employees, unless an employer specifically opted-in to administer the payments themselves.
- 2.97 While some participants raised concerns that an opt-in model for small business will simply transfer the administrative burden to parents, the committee understands that parents already need to engage with Services Australia to

receive PPL payments. In this sense, the committee is of the view that moving to an opt-in model for small businesses would not change the existing onus on parents but would help to alleviate the burden on small business. In addition, the committee heard that the current arrangements are preventing some parents from receiving payment directly from Services Australia, even where this is their preferred option.

- 2.98 Accordingly, the committee believes small businesses should be given a choice about administering PPL payments and recommends that the *Paid Parental Leave Act 2010* be amended to give effect to an opt-in arrangement for small business.

Recommendation 1

- 2.99 The committee recommends that the *Paid Parental Leave Act 2010* be amended to require the Secretary, as defined by the Act, to pay Parental Leave Pay instalments directly to employees of small businesses (defined as businesses employing fewer than 20 employees) except in cases where a small business opts to pay Parental Leave Pay instalments directly to an employee.**

2.100 During the inquiry, the committee heard the view that businesses required additional support to comply with their PPL obligations. Suggestions for improved support included sector specific guidance, website information developed in consultation with small business to make it more user friendly, and a booking system to allow small businesses to schedule phone calls with Services Australia staff.

2.101 However, a number of participants also highlighted the broader administrative burden on small businesses arising from efforts to ensure compliance with taxation law, as well as employer obligations under the *Fair Work Act 2009*. The committee notes that small businesses who need assistance in meeting their obligations may need to approach multiple agencies, including Services Australia, the Fair Work Ombudsman, and the Australian Taxation Office.

2.102 Given the complex operating environment for small businesses, as well as their lack of in-house capacity and expertise in relation to taxation and employment law, the committee believes there is a need for the Australian Government to improve the supports available for small businesses. In addition, to ensure the support provided is fit for purpose, its design and development should be undertaken in consultation with the small business sector.

Recommendation 2

- 2.103 The committee recommends that the Australian Government identify and fund improvements to the design and delivery of supports available to small businesses to help them meet their obligations under Commonwealth taxation and employment law.**

- 2.104 The committee recommends that the design and delivery of advice for small business should aim to minimise the administrative burden on small businesses by recognising and responding to the particular challenges they face, including time and capacity constraints.**
- 2.105 During the inquiry, the committee was frustrated by the lack of contemporary research into the operation and impacts of the Commonwealth PPL scheme on both employers and employees. Many inquiry participants relied on findings from the 2010–2014 evaluation of the Commonwealth PPL scheme, while others undertook very useful—but necessarily limited—member surveys to inform their evidence to the committee.
- 2.106 In addition, the committee's questioning was further hampered by the apparent limitations of Commonwealth PPL datasets, with the Department of Social Services responding on a number of occasions that it did not have data specific to small businesses.
- 2.107 While the committee welcomes the forthcoming evaluation of recent changes to the Commonwealth PPL scheme, it also notes that the evaluation remit will be much broader than the scheme's impact on small business.
- 2.108 Further, the committee notes that it has now been over 20 years since the release of the Productivity Commission's 2009 report, *Paid Parental Leave: Support for Parents with Newborn Children*—which underpinned the design of the Commonwealth PPL scheme. Since then, the committee understands that the Productivity Commission has not been asked to review the impact or effectiveness of the employer role that it recommended.
- 2.109 In order to ensure that current and future PPL policies are based on the best available evidence, the committee recommends that the Productivity Commission now be directed to undertake this important work.

Recommendation 3

- 2.110 The committee recommends that the Australian Government task the Productivity Commission with conducting an inquiry into the impact of the Commonwealth Paid Parental Leave scheme on Australian businesses, including a particular focus on small business. The review should include—but not be limited to—an examination of the productivity gains or losses associated with businesses' administration of payments under the Commonwealth Paid Parental Leave scheme.**
- 2.111 In the event that the Australian Government does not, within three months of this report, direct the Productivity Commission to undertake the above inquiry, the committee recommends that the Productivity Commission self-initiate research into the same topic.**

Senator Matt O'Sullivan
Chair
Liberal Senator for Western Australia

Dissenting Report from Government Senators and Greens Senators

Introduction

- 1.1 Retaining the integrity of the Commonwealth Paid Parental Leave (PPL) Scheme is critical to the Australian Government's (Government's) complementary aims of supporting new parents, advancing gender equality and driving business productivity and economic gains.
- 1.2 In the testimony provided to the committee, it was broadly accepted that the Government's PPL scheme delivers significant benefits to working parents, particularly women, and to employers through increased staff attraction, retention and workforce participation.
- 1.3 The impetus behind the establishment of this inquiry were claims by a small number of employer representative groups that the employer role in processing PPL payments creates an undue administrative burden.
- 1.4 It is worth noting at the outset that these claims have already been tested and disproven by the Paid Parental Leave Scheme evaluation, conducted for the Department of Social Services by the Institute for Social Science Research at the University of Queensland between 2010 and 2014, as will be detailed later in this report.
- 1.5 It is telling that these findings, the only independent and academically rigorous analysis of the core claim underpinning this inquiry, were noted and dismissed within the confines of one sentence in the committee's report.
- 1.6 Turning to the claims made in this inquiry, as the committee's report acknowledges:
 - there was no consensus on the extent and fairness of the alleged administrative burden; and
 - views differed on the potential impacts, particularly for women, of reducing the employer role. In fact, while witnesses representing the interests of workers, women and parents expressed serious concern about the consequences of reducing the employer role, many employer groups represented were largely dismissive of these concerns.
- 1.7 As the committee's report also notes, it does not 'directly address employee perspectives'. The value of a report which acknowledges it ignores the views and lived experiences of those most impacted by the changes it proposes, is highly questionable.

- 1.8 Given the clear deficiencies in the conduct of this inquiry, it would be irresponsible for Government and Greens Senators to accept the recommendation to dismantle a carefully designed feature of PPL. Evidence from a range of witnesses highlighted the importance of the employer role, reinforcing findings from the Productivity Commission's (PC's) 2009 report on the ideal model for a parental leave scheme.
- 1.9 Government and Greens Senators share the view held by the PC, women's advocates, parents' advocates, economists and trade unions, that reducing the employer role would significantly undermine the structure of the PPL scheme and its key gender equality objectives. Namely, to:
- ... signal that taking time out of the paid workforce to care for a child is a part of the usual course of life and work for both parents; ... promote equality between men and women and balance between work and family life; ... encourage women to continue to participate in the workforce; ... complement and supplement existing entitlements to paid or unpaid leave.¹
- 1.10 The committee heard evidence about the appropriateness of the employer role given PPL is designed as a workplace entitlement, not a welfare payment.
- 1.11 The committee also heard evidence about the importance of the employer role as a feature of Australia's hybrid parental leave system, where the Government provides a minimum entitlement intended to complement employer-provided leave.
- 1.12 Additionally, the committee heard overwhelming support for the Government-funded scheme and there was consensus about its role in increasing women's workforce participation, including in small businesses.
- 1.13 Government and Greens Senators therefore share the view that requiring employers to administer the payment—a feature carefully designed to promote gender equality—is a reasonable contribution from employers, who benefit from the Government funding PPL for their employees.

Treating PPL as a workplace entitlement is important for gender equality

- 1.14 Over the past decade, both Labor and Coalition governments have delivered a scheme underpinned by the principle that PPL is a workplace entitlement intended to support and improve women's workforce participation.
- 1.15 The employer role has been in place since the scheme commenced in 2011, and recent and proposed enhancements to the scheme do not change or increase the employer role.

¹ *Paid Parental Leave Act 2010*, ss. 3A(2).

1.16 The design of the scheme, including the employer role, drew on a comprehensive inquiry report by the PC.

1.17 The PC closely considered the employer role and concluded employers should make payments directly to employees because:

The more that parental leave arrangements mimic those that exist as part of routine employment contracts, the more they will be seen by employers and employees as standard employment arrangements, with the dual effect of:

- promoting employment continuity and workplace retention ... and reducing training costs for employers
- signalling that a genuine capacity to take a reasonable period of leave from employment to look after children is just a normal part of working life.²

1.18 The committee heard from family, gender, economic and union stakeholders whose evidence reinforced this position. Witnesses outlined how the employer role helps normalise parental leave as a workforce entitlement, which in turn helps create more gender equitable workplaces.

1.19 The Parenthood, a family advocacy organisation, representing over 80 000 parents and carers across Australia, summed up this view in their submission:

Ensuring that PPL policy is ambitious and deliberate in normalising both the sharing of care between men and women, and the continued connection between parents and employers after having children is fundamental [to gender equality].³

1.20 Supporting gender equality and helping parents balance caring responsibilities has significant benefits to the economy and to individual businesses. However, Government alone can't address gender gaps in the workforce. Employers also have a role to play in supporting these objectives.

Reducing the employer role risks undermining progress over the past twelve years

1.21 Government and Greens Senators are gravely concerned that reducing the employer role would undermine years of progress to recognise the value of parental leave as a lever to advance gender equality and an attraction and retention tool.

1.22 For example, on the retention benefits of administering PPL, Mr Kent Johns, Head of Government Relations and Policy at the National Electrical

² Productivity Commission, *Paid Parental Leave: Support for Parents with Newborn Children*, February 2009, p. xxxiii.

³ The Parenthood, *Submission 12*, pp. 4–5.

Communications Association (NECA), said 'our members will do it for retention'.⁴

1.23 Data collected by the Workplace Gender Equality Agency shows the proportion of businesses providing their own paid parental leave has increased over the last decade. In 2021–22, 62 per cent of reporting employers offered employer-funded paid parental leave, up from 48 per cent in 2013–14.⁵

1.24 This positive trend demonstrates employers increasingly see themselves as having a role alongside the Government in providing paid parental leave.

1.25 The Committee heard evidence from the Department of Social Services about how the Government scheme is intended to complement and supplement employer-provided entitlements. Mr Matt Flavel, Deputy Secretary of the Department of Social Services, told the committee:

There can be two types of hybrid arrangements. The employer provides their own paid parental leave and then the government scheme supports that or, alternatively, it may be that the employer doesn't have any separate paid parental leave but seeks to top up the government payment – in other words, to have a replacement wage for that employee during a period of 18 weeks.⁶

1.26 The committee heard from several employer groups, including the Australian Chamber of Commerce and Industry (ACCI) and the Australian Hairdressing Council, about how some of their members 'top up' their employees' PPL.⁷

1.27 The committee heard concern from the Australian Council of Trade Unions (ACTU) that removing the employer role for small business risks reducing the likelihood that employers provide 'top ups':

An additional intention of the scheme is that it acts as a minimum entitlement. Employer administered payments have the potential to encourage employers to top up those payments with top-up pay. So any change that might reduce the occasion that employers administer those

⁴ Mr Kent Johns, Head of Government Relations and Policy, National Electrical Communications Association (NECA), *Proof Committee Hansard*, 14 August 2023, p. 39.

⁵ Workplace Gender Equality Agency, *Submission 2*, Senate Standing Committee on Community Affairs inquiry on the Paid Parental Leave Amendment (Improvements for Families and Gender Equality) Bill 2022, p. 2.

⁶ Mr Matt Flavel, Deputy Secretary, Social Security, Department of Social Services (DSS), *Proof Committee Hansard*, 14 August 2023, p. 50.

⁷ Mr Jack Morrish, Senior Policy Adviser, Workplace Relations, Australian Chamber of Commerce and Industry (ACCI), *Proof Committee Hansard*, 14 August 2023, p. 39 and Mrs Emmalene Mahar, Association Member, Australian Hairdressing Council, *Proof Committee Hansard*, 14 August 2023, p. 18.

payments would hamper the ability of employers to do those additional things and provide those incentives.⁸

1.28 Government and Greens Senators are concerned that removing the mandatory employer role for small businesses risks undermining years of progress by signalling it is solely the Government's responsibility to provide paid parental leave.

1.29 Ms Sasha Peldova-McClelland from the ACTU told the Committee:

... if there were any change to this system, this would have several serious negative consequences ... That would shift parental leave away from being an industrial entitlement and towards being a welfare entitlement, and in doing so, undermine the legal framework of the National Employment Standards and the original intention of the scheme as recommended by the Productivity Commission.⁹

1.30 In addition, the committee heard evidence from unions about how the employer's role in administering PPL complements the broader parental leave legislative framework, which provides return to work rights. For example, employers have obligations to provide unpaid parental leave, keeping-in-touch days and a return-to-work guarantee.¹⁰

1.31 It is clear the employer's role in PPL and the broader legislative framework work together to help maintain the employment relationship. Government and Greens Senators are concerned that reducing the employer role in PPL may also weaken an employer's sense of responsibility to provide other important entitlements to employees with caring responsibilities. This concern was expressed by the United Workers Union who said:

It is unfortunately the case that discrimination towards parents returning from work still exists at high rates and thus no action should be taken that could further increase the likelihood of this occurring.¹¹

1.32 Furthermore, Government and Greens Senators are concerned that moves to exempt large cohort of employers from administering the scheme may be the thin end of the wedge in completely removing the employer role. Government and Greens Senators note that Recommendation 3 in the committee's report indicates an appetite from other parties to re-examine and erode the fundamental responsibilities employers have in delivering workplace entitlements.

⁸ Ms Sascha Peldova-McClelland, Senior Legal and Industrial Officer, Australian Council of Trade Unions (ACTU), *Proof Committee Hansard*, 14 August 2023, p. 29.

⁹ Ms Sascha Peldova-McClelland, Senior Legal and Industrial Officer, ACTU, *Proof Committee Hansard*, 14 August 2023, p. 28.

¹⁰ United Workers Union (UWU), *Submission 17*, p. 2 and ACTU, *Submission 11*, pp. 6 and 12.

¹¹ UWU, *Submission 17*, p. 2.

Administering the payment is a reasonable contribution from employers who significantly benefit from the Government's provision of PPL

1.33 As outlined in the committee report, there was widespread recognition of the benefits of PPL for employees and employers.

1.34 Dr Angela Jackson, Lead Economist at Impact Economics and Policy, spoke about the significant workforce participation gains resulting from the introduction of Government PPL in Australia:

The reason for that lift was the very careful design of that policy, that created, as Jessica alluded to, the link between employer and employee ... in the history of public policy in this country, this is one of the most successful in terms of lifting participation. It is a key driver of economic growth, and to undermine it would really hamper small business.¹²

1.35 Dr Jackson also referenced research showing that for women employed in small businesses, the introduction of the Government scheme increased retention by about six per cent.¹³

1.36 From the evidence presented to the committee, it is clear small businesses significantly benefit from the Government's provision of PPL to their employees.

1.37 The Government's investment is significant. The Department of Social Services estimated that in 2022–23, the Government spent around \$460 million to provide Parental Leave Pay to employees in small businesses.¹⁴

1.38 The introduction of PPL was an acknowledgement by Government that working families should have access to a minimum standard of paid parental leave. The committee heard evidence about how prior to the introduction of the Government scheme, small businesses were less likely to offer parental leave entitlements. Dr Jackson said:

It was really disadvantaging small businesses in terms of that retention, compared to big businesses that could see the benefit and could cover the cost. So in many ways this Paid Parental Leave scheme has put small business on that level playing field with big business, in terms of being able to retain those staff and services.¹⁵

¹² Dr Angela Jackson, Lead Economist, Impact Economics and Policy *Proof Committee Hansard*, 14 August 2023, p. 2.

¹³ Dr Angela Jackson, Lead Economist, Impact Economics and Policy *Proof Committee Hansard*, 14 August 2023, p. 2.

¹⁴ Ms Agnieszka Nelson, Branch Manager, Families and Payment Support, DSS, *Proof Committee Hansard*, 14 August 2023, p. 50. The Proof Committee Hansard incorrectly refers to this figure as \$160 million. The correct figure of \$460 million will be reflected in the Official Committee Hansard.

¹⁵ Dr Angela Jackson, Lead Economist, Impact Economics and Policy *Proof Committee Hansard*, 14 August 2023, p. 3.

- 1.39 It remains the case that without the Government-funded scheme, many employees of small business would be left with no paid parental leave entitlement, and that many small businesses would be left with a competitive disadvantage when competing with larger employers to attract and retain employees.
- 1.40 The Government-funded scheme, which provides a payment of up to \$17 655 to workers in small businesses, helps alleviate recruitment and retention challenges for small business whose workers may otherwise miss out on any PPL.
- 1.41 The inquiry heard evidence from parent advocacy organisation, the Parenthood, that PPL as currently structured helps maintain the connection between a new parent and their employer:

What we know is that, when parents—and in my role I represent around 80 000 parents—feel like they are continuing to connect with their employer then they know that they have a place to go back to in the workforce, and this makes a huge difference when PPL is delivered by the employer because what happens is they then receive it from their employer and they feel that continued connection. It is about binding a person to their employer in a way that reassures them going forward.¹⁶

- 1.42 This was echoed by Dr Jackson, who said:

Having this ongoing payment strengthens those bonds, and we can see it increases the chances of women both returning to work and also, importantly, returning to the same employer. That was the other interesting thing we've seen from other ABS data—a 13 per cent increase. Of those who return to work, women are more likely to now return to the same employer, so there's a clear behavioural impact here that we do want to maintain that does benefit the business that processes this payment.¹⁷

There was a lack of consensus on the existence of a problem for small businesses

- 1.43 Government and Greens Senators acknowledge the testimony of business lobby groups as outlined in the committee's report. Government and Greens Senators also acknowledge evidence from the PC inquiry. In recommending that employers should make payments directly to employees, the PC considered the expected impact on small businesses. The PC estimated that:

...the average small business with less than 20 staff would have a 4 per cent chance of having one or more employee pregnancies in a given year. As a

¹⁶ Ms Jessica Rudd, Chief Executive Officer, The Parenthood, *Proof Committee Hansard*, 14 August 2023, p. 6.

¹⁷ Dr Angela Jackson, Lead Economist, Impact Economics and Policy *Proof Committee Hansard*, 14 August 2023, p. 5.

result, many small business would not have face increases in compliance or financial costs for the majority of the time.¹⁸

1.44 Following the introduction of PPL, the Department of Social Services commissioned the Institute for Social Science Research at the University of Queensland to conduct an evaluation (PPL Evaluation) of the impact of the scheme, and the extent to which the scheme is likely to achieve its longer-term objectives. The PPL Evaluation was conducted over a four-year period and is the most detailed review of PPL to-date.¹⁹

1.45 The PPL Evaluation made the following findings:

- Most employers have not found it necessary to make any changes to their policies and practices in response to the introduction of PPL.²⁰
- Employers generally experienced few difficulties in registering for PPL and providing PLP [Parental Leave Payments] to their employees, and they have become more likely to say the process is easy.²¹
- The costs to employers of implementing PPL were generally very minimal, both in terms of time and money.²²
- Similar to registering, the majority of employers found it easy to organise PLP. More than four-fifths of organisations (81 per cent) agreed or strongly agreed with the statement 'it was easy to organise payments for the PPL scheme'. There was no significant differences across organisational size or sector.²³
- Most employers felt there were minimal costs involved in implementing the scheme. Just over one fourth (26 per cent) of employers stated additional costs were involved in implementing PPL. There were no significant differences across organisational size or sector.²⁴
- There has been a significant decrease in the perceived costs involved in implementing PPL in terms of staff hours between 2011 and 2012 ...

¹⁸ Productivity Commission, *Paid Parental Leave: Support for Parents with Newborn Children*, February 2009, p. xxxv.

¹⁹ DSS, *Paid Parental Leave evaluation*, www.dss.gov.au/our-responsibilities/families-and-children/programmes-services/paid-parental-leave-scheme/paid-parental-leave-evaluation (accessed 30 August 2023).

²⁰ DSS, Department of Employment and Workplace Relations (DEWR) and Services Australia, *Submission 1*, Attachment B (Paid Parental Leave Evaluation Phase 3 Report), p. 3.

²¹ DSS, DEWR and Services Australia, *Submission 1*, Attachment B (Paid Parental Leave Evaluation Phase 3 Report), p. 3.

²² DSS, DEWR and Services Australia, *Submission 1*, Attachment B (Paid Parental Leave Evaluation Phase 3 Report), p. 4.

²³ DSS, DEWR and Services Australia, *Submission 1*, Attachment B (Paid Parental Leave Evaluation Phase 3 Report), p. 35.

²⁴ DSS, DEWR and Services Australia, *Submission 1*, Attachment B (Paid Parental Leave Evaluation Phase 3 Report), p. 38.

employers were twice as likely to report no staff hours needed to implement PPL in 2012.²⁵

- Employers in 2012 were more likely to agree that organisation payments for PPL had been easy ... This change in attitude is further confirmed by the significant increase in employers likely to disagree that payments had been time consuming.²⁶

1.46 The overwhelming feedback from the PPL Evaluation was that employers reported administering PPL payments was easy and required minimal time and money, that this rang true regardless of business size or sector, and that employers in 2012 were already reporting it far easier than in 2011, is further supported by the qualitative evidence the PPL Evaluation collated from small business employers, including:

I suppose the cost would be the initial setup of getting everything in, and once that's done – look maybe that was an hour, an hour and a half, that's it. But when you do wages and you're doing a group of wages, one other person is nothing. [... small private sector employer, construction].²⁷

So both the admin of it – everything seemed pretty straight forward. There were a couple of glitches early on just in terms of knowing at what point to get in and physically take the linking of their application in the company – but once you knew what you were doing, it's actually really straight forward. [... small private sector employer, character suits and sports mascots].²⁸

Well the scheme itself was implemented very well. Bearing in mind that we are only small so it's quite easy to deal with somebody one-to-one. ... [... small private sector employer, accounting].²⁹

1.47 Indeed, the PPL Evaluation itself summarised the qualitative evidence it received by saying 'the qualitative data confirm that overall, employers did not experience significant difficulties in implementing PPL'.³⁰

1.48 The PPL Evaluation was criticised by some employer representatives and Opposition Senators for being a number of years old. However, other employers

²⁵ DSS, DEWR and Services Australia, *Submission 1*, Attachment B (Paid Parental Leave Evaluation Phase 3 Report), p. 42.

²⁶ DSS, DEWR and Services Australia, *Submission 1*, Attachment B (Paid Parental Leave Evaluation Phase 3 Report), p. 38.

²⁷ DSS, DEWR and Services Australia, *Submission 1*, Attachment B (Paid Parental Leave Evaluation Phase 3 Report), p. 41.

²⁸ DSS, DEWR and Services Australia, *Submission 1*, Attachment B (Paid Parental Leave Evaluation Phase 3 Report), pp. 43–44.

²⁹ DSS, DEWR and Services Australia, *Submission 1*, Attachment B (Paid Parental Leave Evaluation Phase 3 Report), p. 44.

³⁰ DSS, DEWR and Services Australia, *Submission 1*, Attachment B (Paid Parental Leave Evaluation Phase 3 Report), p. 43.

acknowledged that in fact, advances in technology, policy and payroll processes have made the PPL system even easier to navigate than when 81 per cent of employers said that it was easy in 2012. Mr Matthew Addison, Chair of the Council of Small Business Organisations Australia (COSBOA) said:

There's technology. We have website interaction and we have the possibility of doing it digitally. No longer is it queues outside Services Australia or Centrelink offices to do any interaction with government support systems; you can do a lot of that online.³¹ ...

...

Our digitisation journey over the 10 years is improving that.³²

1.49 This view was shared by Mr Johns of NECA, who said '10 years ago, it was a lot more complicated than it is today, and that's due to digitisation'.³³

1.50 This view was also shared by Ms Pauline Vamos, Chair of Chief Executive Women Chair, who said:

With single touch payroll and many of the other changes that have been done to the payment system, it's not as manual as it was before. With some of the HR systems around now—particularly Xero, MYOB and Flare HR—there are much greater efficiencies in making any payments. I really think PPL can be included in those gains and efficiencies that we've had over the last few years. Whilst some small businesses still do it all manually, more and more do not. You've got to be online to deal with Centrelink, and you've got to be online to deal with the tax office.³⁴

1.51 Noting that some employers acknowledged technological advances have made the system even more simple now than it was when 81 per cent of employees said it was easy in 2012, some employers went a step further and acknowledged there is hardly any real administrative burden at all.

1.52 Mr Johns gave evidence on the absence of administrative burden, stating:

...the additional workload is a perception, not a reality, and I agree with you that while impacts on small businesses are not substantial, it is the perception of having that additional bureaucratic burden.³⁵

³¹ Mr Matthew Addison, Chair, Council of Small Business Organisations Australia (COSBOA), *Proof Committee Hansard*, 14 August 2023, p. 37.

³² Mr Matthew Addison, Chair, COSBOA, *Proof Committee Hansard*, 14 August 2023, p. 40.

³³ Mr Kent Johns, Head of Government Relations and Policy, NECA, *Proof Committee Hansard*, 14 August 2023, p. 40.

³⁴ Ms Pauline Vamos, Board Member and Chair, Policy and Engagement Committee, Chief Executive Women, *Proof Committee Hansard*, 14 August 2023, p. 4.

³⁵ Mr Kent Johns, Head of Government Relations and Policy, NECA, *Proof Committee Hansard*, 14 August 2023, p. 40.

- 1.53 While Mr Addison also acknowledged that small businesses only interact with the scheme on a very infrequent basis:

Small businesses touch this once in a blue moon. ... Small business owners will only touch it when their few employees need this support.³⁶

- 1.54 Other employers acknowledged that any administrative burden associated with administering PPL payments is not a priority issue for them. Mrs Emmalene Mahar from the Australian Hairdressing Council said:

I would say that the number one challenge is finding and retaining team members, particularly in a service profession. The next one, I would say, would be administrative and making sure that you are always on top of new and relevant legislation and changes that may impact your team and your business. One that's become far more prevalent in the last couple of years is cash flow, but I would say that at the top of the list would be attracting and retaining team members.³⁷

- 1.55 The fact that this is not a priority was also stated by Ms Reika Roberts from the Aesthetic Beauty Industry Council, who said:

In our industry, if you ask any clinic owner their No. 1 issue is people for the same reason: skills shortage; people often exiting the industry to find more stable administrative jobs during COVID; high employment of millennials and Gen Z having different ethics and business contribution ideas; and, overall, the cost of doing business.³⁸

- 1.56 The thorough, independent and credible nature of the PPL Evaluation conducted by the Institute for Social Science Research at the University of Queensland can be starkly contrasted with some of the survey data presented to the committee by employer lobby groups.

- 1.57 For instance, NECA's submission called for an opt-in or opt-out model for small businesses based on survey feedback from its members.³⁹ However, the sample survey responses attached to NECA's submission comprised five responses, all of which included the admission that the employer respondent had never actually administered a PPL payment.⁴⁰

³⁶ Mr Matthew Addison, Chair, COSBOA, *Proof Committee Hansard*, 14 August 2023, p. 37.

³⁷ Mrs Emmalene Mahar, Association Member, Australian Hairdressing Council, *Proof Committee Hansard*, 14 August 2023, p. 19.

³⁸ Ms Reika Roberts, Chair, Aesthetic Beauty Industry Council, *Proof Committee Hansard*, 14 August 2023, p. 20.

³⁹ NECA, *Submission 13*, [p. 2].

⁴⁰ NECA, *Submission 13*, [pp. 3–7].

- 1.58 In another example, the ACCI, which described itself at the hearing as representing 'more small businesses than any other employer organisation',⁴¹ also submitted that small employers should be exempted by default from administering paid parental leave payments, on the basis of survey data. However, the survey data in its submission reveals that it received responses from just 43 small businesses who had ever administered a PPL payment.⁴²
- 1.59 When the self-described biggest representative of small business in Australia can only muster 43 responses from small businesses who had administered a PPL payment, it raises significant questions as to whether this is a real priority for ACCI members, and certainly raises substantial questions as to whether this is sufficient to justify ACCI's demand for major legislative changes to PPL.

Government is committed to improving administrative processes for businesses using Government online services

- 1.60 Government and Greens Senators acknowledge there is room for a productive and outcomes-focused discussion about ways that engaging with Services Australia can be made more simple and efficient for employers.
- 1.61 Through funding received in the 2023–24 Budget, Services Australia is currently undertaking a 12-month discovery and design project, focusing on third party online channels including Provider Digital Access (PRODA). The project will undertake analysis of known pain points of users of PRODA and develop a strategy to improve the user experience, including individual registration, organisation registration and ongoing management and authentication.

There are significant risks associated with legislative change

- 1.62 While the inquiry heard extensively from business groups, many of which as detailed above had mixed views about the existence and extent of any administrative burden associated with PPL payments, the inquiry did not hear from a single employee recipient of PPL payments.
- 1.63 However, the groups representing women, parents and workers who appeared in this inquiry had very clear opinions on the risks of excluding small businesses from administering payments. Mrs Rudd, who represents 80 000 parents and carers at The Parenthood, said:

Continued connection to the employer through employer administered PPL means you feel like you're still there at work, and you have that constant link, an umbilical link, between you and your employer. It also eases the burden of access to entitlement at a time when the mental load is huge. You're trying to, at that point, book all the vaccine and immunisation

⁴¹ Ms Jessica Tinsley, Director, Workplace Relations and General Counsel, ACCI, *Proof Committee Hansard*, 14 August 2023, p. 35.

⁴² ACCI, *Submission 7*, p. 6.

appointments, the health appointments, for your little child, and you're trying to make sure your own physiotherapy needs are met as you recover from the birth of your child. You're trying to get birth certificates and add to the Medicare card. The very last thing you need to do as a parent is to have to suddenly try and apply for paid parental leave which was designed as an entitlement from work and not as a form of welfare.⁴³

- 1.64 Ms Vamos, who at Chief Executive Women has over 1100 members and oversees 1.3 million employees, added:

We are concerned that, if there is an opt-in or opt-out model, it would push the entirety of the administrative burden on new parents, which could lead to a reduced uptake of PPL and impact the ability of small businesses to attract and retain female employees who really value this benefit.⁴⁴

- 1.65 Ms Peldova-McClelland, who as a representative from the ACTU spoke for the peak employee representative body in Australia, concurred with the concerns of The Parenthood and Chief Executive Women, saying:

The ACTU and its affiliates are concerned that if there were any change to this system, this would have several serious negative consequences. First, it would sever the important ongoing employment connection through the taking away of that mechanism by which the relationship is maintained ...

Second, the severing of that ongoing connection would have real impacts on the employment relationship.

...

Third, an opt-in or opt-out model for small business could introduce unnecessary complexity to the administration of PPL

...

Any change to how PPL payments are made will disproportionately impact women given they bear the burden of caring responsibilities. Given the very high prevalence of discrimination, any change that may make it more likely for that discrimination to occur should be avoided.⁴⁵

- 1.66 In response to a question on notice, the inquiry heard evidence from the Department of Social Services about some potential risks with legislative change to exempt small businesses from administering PPL:

Removing the requirement for employers to maintain a connection with their employees through delivering Paid Parental Leave has the potential to undermine the payment as a work-related entitlement. This feature of connection and retention was key to the Productivity Commission's recommendations for designing the Scheme at the outset. A legislative

⁴³ Ms Jessica Rudd, Chief Executive Officer, The Parenthood, *Proof Committee Hansard*, 14 August 2023, p. 2.

⁴⁴ Ms Pauline Vamos, Board Member and Chair, Policy and Engagement Committee, Chief Executive Women, *Proof Committee Hansard*, 14 August 2023, p. 3.

⁴⁵ Ms Sascha Peldova-McClelland, Senior Legal and Industrial Officer, ACTU, *Proof Committee Hansard*, 14 August 2023, pp. 28–29.

change could have negative consequences for workforce retention rates and broader workforce participation objectives, particularly for women.

There would also be costs to the Budget for any changes to the administration of the Paid Parental Leave scheme, including for Services Australia.

As the size of a business can change over time, a legislative definition could also increase complexity, and cause businesses to be eligible for different arrangements based on fluctuations in the number of employees over time.⁴⁶

Conclusion

- 1.67 It is the view of Government and Greens Senators that the committee's report is a disappointing outcome in light of the gender equality gains made over the last decade, which risk being undermined by reducing the role of employers in PPL.
- 1.68 It is extraordinary that the committee is recommending changes to the PPL scheme in direct contradiction to the evidence provided by every single advocate of women's interests, parents' interests and workers' interests that provided evidence to the inquiry.
- 1.69 The evidence relied on by the committee to justify these changes to the PPL scheme comprises survey data self-supplied by employer representative groups, in which a majority of respondents had never themselves administered a PPL payment. The methodology of many of these surveys remains unclear.
- 1.70 The so-called data in these surveys is directly contradicted by the only academic, independent and credible review of employer perceptions of administering the scheme, conducted by the Institute for Social Science Research at the University of Queensland (the PPL Evaluation), which found the vast majority (81 per cent) of employers including small businesses find administering PPL payments 'easy'.
- 1.71 Even some of the employer groups lobbying for change at this inquiry acknowledged administering PPL payments is not a priority issue for them, and that technological improvements have made the system even easier since the Evaluation was conducted in 2012.
- 1.72 Government and Greens Senators hold the strong view that evidence presented to the committee does not justify a change to the carefully designed employer role that has been an important feature of the scheme since its inception. Undermining the principle of PPL as workplace entitlement risks undermining the PPL Scheme's impact.
- 1.73 Many arguments provided through this inquiry that businesses should be able to sever ties with working parents while they are on leave, have had very limited

⁴⁶ DSS, answer to written question on notice, 21 August 2023 (received 25 August 2023).

regard for how it may hurt workforce participation and retention, particularly for working women.

- 1.74 Given this evidence, coupled with evidence on how rarely small businesses are impacted in terms of number of times they have to administer the PPL Scheme relative to their workforce numbers, Government and Greens Senators maintain that the current legislative exemptions present in the PPL Scheme provide sufficient consideration of administrative burden.
- 1.75 The risks of legislating additional exemptions will be felt by both employees and employers and far outweighs any potential benefits. The negative impacts on employees would be primarily felt by women, for whom this PPL Scheme was purposefully designed to advance equality in the workplace.

Senator Tony Sheldon
Deputy Chair
Labor Senator for New South Wales

Senator Fatima Payman
Labor Senator for Western Australia

Senator Larissa Waters
Greens Senator for Queensland

Senator Barbara Pocock
Greens Senator for South Australia

Appendix 1

Submissions and Additional Information

- 1 Department of Social Services, Department of Employment and Workplace Relations and Services Australia
- 2 Capital Chemist
- 3 Global Institute for Women's Leadership
- 4 Motor Trades Association of Australia
- 5 Council of Small Business Organisations Australia
- 6 Australian Retailers Association
- 7 Australian Chamber of Commerce and Industry
- 8 The Pharmacy Guild of Australia
- 9 Tasmanian Government
- 10 Impact Economics and Policy
- 11 Australian Council of Trade Unions
- 12 The Parenthood
- 13 National Electrical and Communications Association
- 14 Australian Small Business and Family Enterprise Ombudsman
- 15 Forrest Hotel and Apartments
- 16 Chief Executive Women
- 17 United Workers Union

Answer to Question on Notice

- 1 Answers to questions taken on notice at a public hearing in Canberra on 14 August 2023 by the Australian Council of Trade Unions, received 21 August 2023
- 2 Answer to a question taken on notice at a public hearing in Canberra on 14 August 2023 by Mrs Emmalene Mahar, Australian Hairdressing Council, received 20 August 2023
- 3 Answers to questions taken on notice at a public hearing in Canberra on 14 August 2023 by the Motor Trades Association of Australia, received 21 August 2023
- 4 Answer to a question taken on notice at a public hearing in Canberra on 14 August 2023 by the Department of Social Services, received 25 August 2023
- 5 Department of Social Services, answer to a written question on notice asked by Senator Sheldon on 21 August 2023, received 25 August 2023
- 6 Motor Trades Association of Australia, answers to written questions on notice asked by Senator Sheldon on 21 August 2023, received 25 August 2023
- 7 Pharmacy Guild of Australia, answers to written questions on notice asked by Senator Sheldon on 21 August 2023, received 25 August 2023

Tabled Documents

- 1 Opening statement of Ms Jessica Tinsley representing the Australian Chamber of Commerce and Industry tabled at a public hearing in Canberra on 14 August 2023
- 2 Opening statement of Ms Pauline Vamos representing Chief Executive Women tabled at a public hearing in Canberra on 14 August 2023
- 3 Opening statement of Mr Matthew Addison representing the Council of Small Business Organisations Australia tabled at a public hearing in Canberra on 14 August 2023
- 4 Opening statement of Mr Daniel Hodges representing the Motor Trades Association of Australia tabled at a public hearing in Canberra on 14 August 2023
- 5 Opening statement of Mrs Irma Beganovic representing the National Electrical and Communications Association tabled at a public hearing in Canberra on 14 August 2023
- 6 Opening statement of Mr Tim Keeffe representing Capital Chemist Pty Limited tabled at a public hearing in Canberra on 14 August 2023
- 7 Opening statement of Mrs Emmalene Mahar representing the Australian Hairdressing Council tabled at a public hearing in Canberra on 14 August 2023.

Appendix 2

Public Hearing and Witnesses

Monday, 14 August 2023

Committee Room 2S3

Parliament House

Canberra

Chief Executive Women

- Ms Pauline Vamos, Board Member and Chair, Policy and Engagement Committee
- Ms Melanie Fernandez, General Manager - Policy, Advocacy and Communications

The Parenthood

- Ms Jessica Rudd, Chief Executive Officer

Impact Economics and Policy

- Dr Angela Jackson, Lead Economist

Capital Chemist Pty Limited

- Mr Tim Keeffe, Systems Manager

The Healthy Eating Clinic

- Ms Kate Freeman, Chief Executive Officer

Pharmacy Guild of Australia

- Mr Scott Harris, Director, Workplace Relations and Business
- Mrs Michelle Panne, Project Officer

Australian Hairdressing Council

- Mrs Emmalene Mahar, Member

Aesthetic Beauty Industry Council

- Ms Reika Roberts, Council Member, Chair, Director

Australian Retailers Association

- Mr Jason Robertson, Director - Policy, Sustainability and Impact

Motor Trades Association of Australia

- Mr Daniel Hodges, Executive Manager, Workplace Relations

Australian Council of Trade Unions

- Ms Sascha Peldova-McClelland, Senior Legal and Industrial Officer

Australian Chamber of Commerce and Industry

- Ms Jess Tinsley, Director, Workplace Relations and General Counsel
- Mr Jack Morrish, Senior Policy Adviser, Workplace Relations

National Electrical and Communications Association

- Mr Kent Johns, Head of Government Relations and Policy
- Ms Irma Beganovic, Director, Government Relations and Regulatory Affairs

Council of Small Business Organisations Australia

- Mr Matthew Addison, Chair

Department of Social Services

- Mr Matt Flavel, Deputy Secretary, Social Security
- Mr Ben Peoples, Branch Manager, Participation and Supplementary Payments
- Ms Agnieszka Nelson, Branch Manager, Families and Payment Support

Department of Employment and Workplace Relations

- Ms Tara Williams, Assistant Secretary, Safety Net

Services Australia

- Mr Tony Piazza, General Manager, Families, Indigenous and Tailored-Programs
- Ms Leigh Allison, National Manager, Families and Child Care