

ACCI Submission

Paid Parental Leave Amendment
(More Support for Working Families)
Bill 2023



Working for business. Working for Australia.

Telephone 02 6270 8000 | Email info@acci.com.au | Website www.acci.com.au

Media Enquiries

Telephone 02 6270 8020 | Email media@acci.com.au

Canberra Office

Commerce House
Level 3, 24 Brisbane Avenue
Barton ACT 2600
Kingston ACT 2604

Melbourne Office

Level 3, 150 Collins Street
Melbourne VIC 3000

Perth Office

Bishops See
Level 5, 235 St Georges Terrace
Perth WA 6000

ABN 85 008 391 795

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Introduction

- 1.1. ACCI welcomes the referral by the Senate of this inquiry to the Community Affairs Legislation Committee (Committee). We welcome the opportunity to provide a written submission.
- 1.2. ACCI wholeheartedly supports measures which increase women's workforce participation.
- 1.3. Boosting the participation of women throughout the economy is vital to the continued growth and health of our nation's economy.
- 1.4. When more women are empowered to be able to return to the workforce, all businesses benefit.
- 1.5. Recent economic challenges, such as labour and skills shortages, have reinforced the importance of better promoting such labour force participation.
- 1.6. With such a tight labour market prevailing in the current economic conditions, Australian businesses and communities cannot afford to have more employees leave the workforce.
- 1.7. Businesses are already struggling to find the staff they need. This Bill will serve to decrease some of those pressures on businesses by boosting workforce participation.
- 1.8. Under this legislation businesses are set to benefit by ensuring that fewer productive employees end up leaving workplaces permanently and more women remain in the labour market.
- 1.9. ACCI therefore supports this legislation.
- 1.10. This inquiry, however, represents another opportunity for ACCI to raise its concerns about the manner in which the Paid Parental Leave (PPL) Scheme is currently administered.
- 1.11. This is an issue that has been brought to the attention of Government on many occasions – administering the PPL Scheme on behalf of Services Australia imposes a significant administrative burden on small businesses.
- 1.12. ACCI has made submissions to that effect, including to the Senate Education and Employment References Committee's recent Inquiry into the Potential impacts of the Commonwealth Paid Parental Leave Scheme on small businesses and their employees.
- 1.13. The imposition on employers of the responsibility to provide government-funded paid parental leave is significant. In particular, the additional administrative burden and payroll processing time has an undesirable impact on small businesses with minimal countervailing benefits.
- 1.14. ACCI submits that for employees in small businesses, the government-funded paid parental leave should be provided directly by Services Australia. In addition, small businesses should be given the option of 'opting-in' to administer the parental leave payments.
- 1.15. Although this Bill rightly increases the ability of parents to access paid leave under the PPL Scheme, in so doing it will also serve to increase the administrative burden of small businesses in complying with the additional and extended period for which they will be required to act as a financial intermediary between employees and Services Australia.
- 1.16. The Bill should hence be amended to alleviate the abovementioned compliance burden of small businesses whilst enabling the vital workforce participation boost this Bill will deliver.

Practical Implications

- 2.1. Currently, parents have access to 20 weeks of paid parental leave.
- 2.2. The Bill extends the Paid Parental Leave Scheme by increasing the maximum parental leave pay entitlement to 26 weeks from 1 July 2026.
- 2.3. The Bill will achieve this by increasing the amount parents can access by two weeks each year from 1 July 2024.
- 2.4. This increases the number of days available from 100 days currently to 130 days by 1 July 2026.
- 2.5. On 1 July 2026, the 26 weeks of leave will be able to be shared by both parents.
- 2.6. Furthermore, the Bill increases the number of weeks reserved for each parent to 4 weeks.
- 2.7. From 1 July 2025 eligible claimants will be able to take up 4 weeks of parental leave pay concurrently for the same child.
- 2.8. The financial impact of these measures from 2022-23 to 2026-27 is \$1.2 billion.

Impact on Small Business

- 3.1. ACCI refers to the Senate Education and Employment References Committee's recent report on the Potential impacts of the Commonwealth Paid Parental Leave Scheme on small businesses and their employees. The first (and primary) recommendation of that Report was as follows:

“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.”
- 3.2. As noted in its recent submission to that Inquiry, ACCI argues that the administrative burden imposed on small businesses through administering the PPL Scheme on behalf of Services Australia is significant.
- 3.3. By imposing an obligation on small businesses to act as a financial intermediary between Services Australia and an employee, small businesses are forced to wade through lengthy payroll and administrative processes to ensure the employee receives the Commonwealth funds.
- 3.4. Such double-handling of funding creates completely unnecessary additional work for small businesses. There is no logical basis for processing a payment twice – first to the business and then to the employee.
- 3.5. When issues arise, it is then up to a time-poor small business owner to navigate Services Australia's bureaucracy in order to resolve an issue which in reality is a matter between the Commonwealth and the employee.
- 3.6. Small business owners, already burdened by the additional administration of the scheme itself, in such situations may be required to spend lengthy periods of time on the phone trying to resolve an issue with Services Australia.
- 3.7. In its submission, ACCI referred to its survey on paid parental leave distributed to its members. Responses to the survey were received by 331 employers, of which 242 were small businesses employing fewer than 20 employees.
- 3.8. Over 88 per cent of small business survey respondents indicated that they believe Services Australia should administer the PPL Scheme rather than small businesses. This is more so the case for small businesses that have previously administered the payments, with over 97 per cent indicated that if given the choice they would prefer that Services Australia directly administer the payments. This proportion was higher than the overall preferences of businesses of all sizes where 94.85 per cent gave the same response, possibly reflecting the acute impact of administering the payment small businesses face.
- 3.9. If given the choice between a model that allows small businesses to 'opt-in' or 'opt-out' of administering paid parental leave payments, 73.14 per cent of small businesses believe that an 'opt-in' model should be implemented. This belief is slightly more prevalent among small businesses who had previously administered the payments at 73.33 per cent of respondents, compared to just over 69 per cent from businesses of all sizes.

- 3.10. Many small businesses explained that administering the leave payments also provided no benefit to their relationship with their employees because doing so does not actually involve or require proper communication.
- 3.11. There is no link between the administration of this scheme on behalf of Services Australia and relationship retention. In fact, to the contrary it can often cause inefficiencies, create tension with staff and significantly increase the administrative burden of time-poor small business owners. Some noteworthy responses were as follows:

“The payment is a Commonwealth one, not a business one. Maintaining a relationship with the employee would be done with direct speaking contact checking to see how they are going, not just a payment to their account that delivers no direct physical or communication contact.”

“Paying an employee is an administrative function. Strong relationships are created and maintained through personal contact.”

“We get the funds from the government and pass them on. There is no communication between employer and employee regarding this. The only communication occurs when there is a delay in receiving government funds to our company, which in turn delays our first payment to our employee.”

- 3.12. Employers operating small businesses stated that they already have strong relationships with their employees, making this purported basis for the administration of the scheme by employers unjustified, with responses such as the following:

“As a small business we have forged strong relationships with all staff, and they understand the implications of parental leave on the business without the added stress of additional payroll administration during the leave.”

“I can maintain a close relationship with my staff on Parental Leave by personally contacting them and keeping in touch without the added burden of administrative processes.”

“Small businesses usually have a strong relationship with their employees anyway, as they need to work closely as a small team.”

- 3.13. That the current arrangements put additional and unnecessary burden on small businesses. If small businesses are required to continue to act as the financial intermediary between Services Australia and their employee then this Bill is likely to have a major compliance impact on those employers.
- 3.14. When responding to our survey, several employers operating small businesses noted that administering the leave payments actually risked imposing negative impacts on their relationships with their employees on leave, with responses such as the following:

“It can have a negative impact if employees don’t understand when their payments are starting and stopping and how much to expect. They think we are responsible for the scheme. It would be much better left to Services Australia.”

- 3.15. Although this Bill rightly increases the ability of parents to access paid leave under the PPL Scheme, in so doing it will further increase the administrative burden of small businesses in complying with the new arrangements.

- 3.16. Small businesses are currently experiencing significant imposts as to how they do business, including through rising costs, increasing complexity in their industrial relations framework, and worker shortages. Any assistance that can be provided to assist in alleviating these pressures would be welcomed.
- 3.17. It is ACCI's firm position that the recommendation by the Senate Education and Employment References Committee as set out above be implemented as quickly as possible.
- 3.18. To reduce the administrative burden on small businesses, ACCI submits that the Committee consider recommending that the Bill be amended so that government-funded paid parental leave be provided directly by Services Australia, with an option for small businesses to 'opt-in' to administering the payments.

ACCI Position

- 4.1. ACCI supports the Bill.
- 4.2. However, the Bill should be amended by the Parliament 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 as recommended by the Senate Education and Employment References Committee Report into the Potential impacts of the Commonwealth Paid Parental Leave Scheme on small businesses and their employees.

About ACCI

The Australian Chamber of Commerce and Industry represents hundreds of thousands of businesses in every state and territory and across all industries. Ranging from small and medium enterprises to the largest companies, our network employs millions of people.

ACCI strives to make Australia the best place in the world to do business – so that Australians have the jobs, living standards and opportunities to which they aspire.

We seek to create an environment in which businesspeople, employees and independent contractors can achieve their potential as part of a dynamic private sector. We encourage entrepreneurship and innovation to achieve prosperity, economic growth, and jobs.

We focus on issues that impact on business, including economics, trade, workplace relations, work health and safety, and employment, education, and training.

We advocate for Australian business in public debate and to policy decision-makers, including ministers, shadow ministers, other members of parliament, ministerial policy advisors, public servants, regulators and other national agencies. We represent Australian business in international forums.

We represent the broad interests of the private sector rather than individual clients or a narrow sectional interest.

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