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19 May 2023

Submission to the inquiry into the potential impacts of Paid Parental Leave on small business

We welcome the opportunity to contribute to the inquiry into the potential impacts of paid parental leave on small businesses.

About us

Chaired and founded by the Hon. Julia Gillard AC, the Global Institute for Women's Leadership (GIWL) brings together rigorous research, practice, and advocacy to better understand and address the causes of workplace gender inequality and women's underrepresentation in leadership positions across sectors and countries. Initially established at King's College London in 2018, GIWL at the Australian National University (ANU) was established in 2020 with a focus on the Asia-Pacific region. We undertake a range of activities designed to strengthen:

- Research - drawing together existing findings and undertaking new studies
- Practice - using research to deliver evidence-based policy, practice and training.
- Advocacy and engagement - bringing together experts and stakeholders from across the world

GIWL ANU aims to make a connection between the current activity in the diversity and inclusion world, and what research evidence shows to be truly effective. We seek to bridge the gap between those who generate evidence, and those who wish to use it. We also seek to shine light on and amplify existing effective practices and solutions being applied in different countries across the globe. The goal is to break down silos between sectors, nations, and approaches and create a community of people focused on advancing workplace gender equality.

Summary and recommendations

Paid parental leave plays a critical role in fostering a fair and inclusive society.

Our submission expresses support for expanded PPL in Australia and highlights that many of the concerns about the impact of expanded PPL on employers are not supported by evidence. Our submission seeks to apply lessons learned from gender equality research to an Australian small business context, and to emphasise the importance of paid parental leave for Australian families.

Our submission addresses the following terms of reference:

- the experiences of employees accessing the scheme and receiving the payment through their employer or through Services Australia;



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- current Commonwealth PPL arrangements acting as an incentive or disincentive to employment and boosting women's workforce participation in small businesses;

More specifically, our submission considers how paid parental leave is best practice for supporting gender equality and the removal of relevant workplace barriers, particularly for working primary caregivers (most of whom are women).

By offering financial support during the crucial early stages of parenting, paid parental leave enables parents to take time off work to bond with their children. Paid parental leave has been shown to have numerous positive outcomes for gender equality and women's workforce participation. Moreover, there are limited negative effects on businesses, which are more likely to attract high-performing employees and retain women as employees.

We are happy to provide further information about our submission and our research if required.

Limited negative effects on employers

Research confirms that parental leave take-up is not associated with any measurable effects on firm output, labour costs, profitability, or survival.

A study examining the effect of introducing paid parental leave in San Francisco found that the impact of implementing paid parental leave was relatively similar across smaller and larger businesses. Importantly, smaller and lower-wage employers did not report greater challenges nor more negative impacts than their larger and higher-wage counterparts (Goodman et al., 2020).

Small businesses, like larger enterprises, adapt and compensate for the temporary absence of an employee. To compensate for the employee on leave, other employees are likely to see an increase in their working hours, earnings, and likelihood of being employed (Brenøe et al 2020). This suggests that the work environment remains stable and that the burden on co-workers is manageable due to effective compensatory measures, such as hiring temporary workers, redistributing work, and increasing work hours.

Indeed, a study that investigated the attitudes of small employer firms (10-99 employees) which provided paid family leave during the COVID-19 pandemic found that support for paid parental leave programs was greater among small firms that already had employees using paid parental leave schemes (Bartel et al 2021). This suggests that the "experience with PFL [paid family leave] led to employers becoming more supportive" (Bartel et al 2021).

There is a growing evidence base that the provision of paid parental leave leads to positive outcomes for businesses (Baird et al 2006). These benefits include an increase



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in women's workforce participation and improved financial performance for businesses (Baird et al 2006).

Recruiting high-performing employees

Paid parental leave policies, particularly those that are of significant length and flexibility, help businesses recruit and retain skilled staff.

Research, including a 2016 Deloitte survey, has demonstrated that paid parental leave schemes help employers recruit employees, including high performers. A significant 77% of employees surveyed indicated that whether a firm offered paid leave, and its duration, played a role in their decision-making process.

These policies help attract top talent, increase employee loyalty and retention, and foster a supportive and inclusive work environment. By recognising the value of paid parental leave, small businesses can position themselves as desirable employers and create an environment where employees can thrive, personally and professionally.

Workforce participation of women and primary caregivers

Women's participation in paid work has increased considerably over the past 50 years: women now make up almost half the paid workforce in Australia (ABS 2021). Coinciding with this increase in women's employment rate has been the introduction of family-friendly work policies, such as greater access to paid parental leave and more flexible working arrangements.

Paid parental leave encourages the primary caregiver - who is most often a woman - to stay connected to the workforce. Research confirms that the provision of paid parental leave is associated with an increase in return-to-work rates of women after having a child (Baird et al 2006).

Internationally, countries with periods of paid parental leave longer than Australia's also have higher workforce participation rates amongst women (European Parliament 2022; OECD 2022).

We support paid parental leave, particularly in an Australian small business context, and we strongly believe that paid parental leave is best practice in gender equality in both public and private sectors. Small businesses that implement paid parental leave contribute to the challenging of traditional gender roles and the fostering of a more inclusive and diverse workforce.



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