



Senate Education and Employment Committee

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Dear Committee

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

The Parenthood welcomes the opportunity to contribute to the Senate Education and Employment Committee Inquiry into the potential impacts of the Commonwealth Paid Parental Leave Scheme on small business and their employees. The Parenthood is an advocacy organisation that represents more than 80,000 parents, carers and supporters nationally. Our mission is to make Australia the best place in the world to be a parent because when parents are supported, children can thrive.

A functional, sustainable intersection between paid work and care is fundamental to the wellbeing of parents, children, communities and national prosperity¹. In addition to being an important health and social policy, paid parental leave is a critical economic and employment entitlement that normalises and enables a continued connection to the paid workforce for parents after having children. It is particularly consequential for women.

The introduction of the Commonwealth PPL scheme in 2009 was significant and “contributed to a normative climate in which paid parental leave was valued and supported by government, and set the foundation for greater government involvement in supporting women and men to take paid leave in the early period of their child’s life”². However, in Australia, having a baby still impacts the working patterns of men and women in markedly different ways³. After having a baby a woman’s workforce participation and income drops substantially for a decade⁴, while for men the hours of work remain similar and income increases. Australia’s female workforce participation rate is comparatively lower than other

¹ Equity Economics, Making Australia The Best Place In The World to Be a Parent, 2021

² Baird, Hamilton and Constantin, University of Sydney (2020) Gender equality and paid parental leave in Australia: A decade of giant leaps or baby steps?

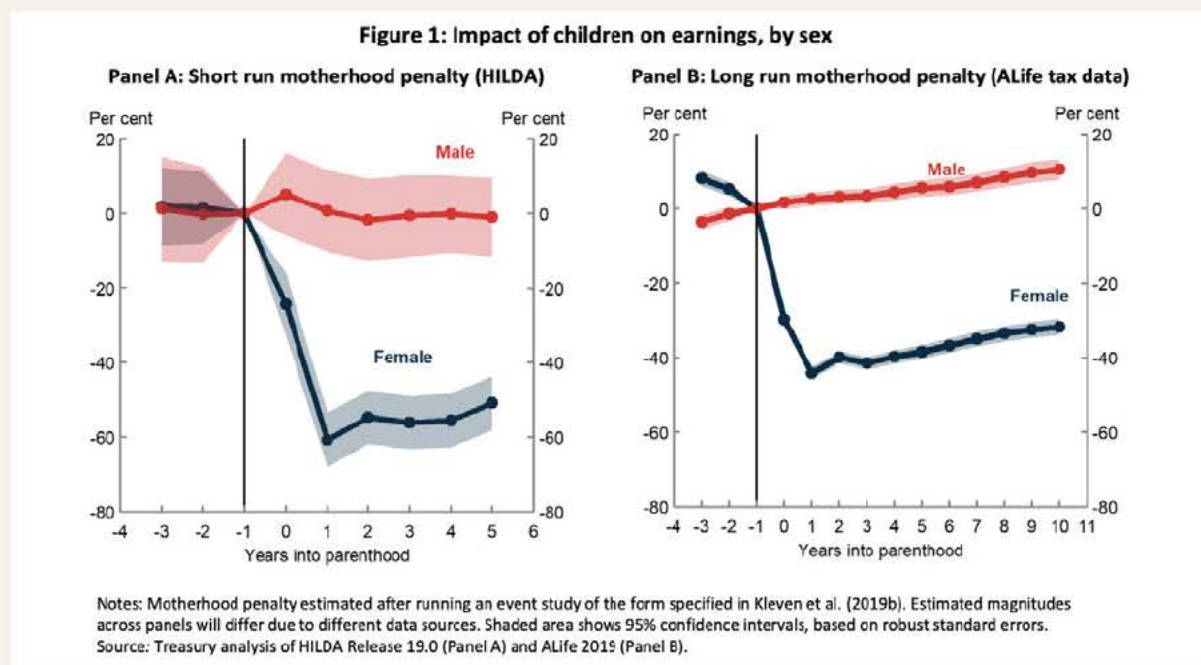
³ Equity Economics (2021), Back of the Pack - How Australia’s Parenting Policies are Failing Women and Our Economy, December 2021

⁴ <https://treasury.gov.au/sites/default/files/2022-11/p2022-325290-children.pdf>

OECD countries⁵ and is peculiar given the country has been a world leader in female educational attainment for decades⁶.

The Motherhood Penalty

Source: Treasury October 2022



Globally, the evidence is clear that countries that offer longer paid parental leave have higher workforce participation rates amongst women⁷. (European Parliament 2022; OECD 2022). Paid parental leave policy *can* promote gender equality in workforce participation when it is designed intentionally to promote shared care between mums and dads. It can also, however, be gender-equality impeding when the policy entrenches the norm of women as primary caregivers⁸. Globally the evidence is compelling that men are more likely to participate in PPL when it is paid at a reasonably high replacement wage rate⁹ (Haas and Rostgaard, 2011). Australia's scheme is paid at the minimum wage which is roughly 40% of average full-time male earnings.

World-leading paid parental leave schemes intentionally support both parents, where there are two parents, to participate in caregiving in the early years more equitably. This is in recognition of the evidence that when mums and dads "share the care" in the early years, they are both more likely to maintain a more consistent attachment to paid employment

⁵ OECD Family Database - OECD LMF 1.2

⁶ World Economic Forum, Global Gender Gap Index

⁷ "Labour force participation rate." OECD, 2022, <https://data.oecd.org/emp/labour-forceparticipation-rate.htm> "Maternity and paternity leave in the EU." European Parliamentary Research Service, 2022, [https://www.europarl.europa.eu/RegData/etudes/AT AG/2022/698892/EPRS_AT A\(2022\)_698892_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/AT AG/2022/698892/EPRS_AT A(2022)_698892_EN.pdf).

⁸ Deloitte (2022), Breaking the Norm - Unlocking Australia's Economic Potential

⁹ Haas L and Rostgaard T (2011) Fathers' rights to paid parental leave in the Nordic countries: Consequences for the gendered division of leave. Community, Work & Family 14(2): 177–195.

after having children. The evidence is also clear that children, men and women benefit when dads are supported to engage in caregiving in the early years.

How more dads in Australia can be encouraged and supported to take extended paid parental leave is critical to achieving gender equity and is under active consideration by the Women's Economic Equality Taskforce. The 2022 amendments to the Paid Parental Leave Act specifically identifies the normalisation of both men and women taking leave to foster equitable caring patterns as an object of the act. However, while women comprise at least 88% of recipients of 'primary' paid parental leave in Australia, it is clear that changes to the Commonwealth PPL settings will disproportionately impact women.

In March this year Impact Economics published research that demonstrates the profound impact the introduction of Commonwealth-funded paid parental leave has had on the labour force participation of women with children aged 0-4. It increased the number of women in employment by 74,500 women in 2021-22, adding \$8.5 billion to GDP.

Australia's statutory paid parental leave scheme was conceived as a workplace entitlement and was designed deliberately to maintain a relationship between employers and employees on parental leave. Maintaining a connection between a parent and their employer after having a baby is at the heart of the PPL scheme. This has had the intended impact of significantly improving retention and lifting female participation. This feature makes PPL fundamentally different to other government payments that can be characterised as welfare.

Any attempt to separate or weaken the relationship between an employer and a parent, for example by exempting small businesses from the current arrangements, will undermine the success of PPL in lifting female participation. The benefits to employers offering paid parental leave are well-documented and research confirms parental leave take-up is not associated with any measurable effects on firm output, labour costs, profitability, or survival. Research from San Francisco published in 2020 indicates 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 counterparts¹⁰.

More generally, discrimination against parents in the workplace who seek to combine their caring responsibilities with paid work remains prolific¹¹. It indicates that workplaces in Australia are not universally accommodating of caring responsibilities and impacts women disproportionately due to the increased share of caring responsibilities they undertake.

¹⁰ Goodman, Julia et al. "Employer-Reported Access to Paid Parental Leave: A study of San Francisco's Paid Parental Leave Ordinance." *SSM - Population Health*, vol. 11, 2020, doi:10.1016/j.ssmph.2020.100627.

¹¹ Equity Economics, *Making Australia The Best Place In The World To Be a Parent*, 2021

In its 2022 report, *Children and the gender earnings gap*, Treasury noted that neither men or women were “satisfied with their balance between family and work following parenthood, in ways suggesting gains from a more equal allocation of responsibilities.”

That analysis identified that rectifying Australia’s “motherhood penalty”, in which women’s earnings halve after having a baby and don’t recover for at least a decade, has “important implications for both gender equality and aggregate productivity”. It went on:

“Barriers to this likely exist within social norms, and workplace norms and policies, as well as government policy settings. Tackling these barriers will nonetheless be a necessary precursor to further gains in female labour force participation, the allocation of talent across paid and unpaid work, and improved diversity in the workplace.”

The context in which Australian families and workplaces operate reflects prevailing social norms which are influenced and entrenched by policy settings. Paid Parental Leave, along with access to affordable quality early childhood education and care, is one of the most significant Commonwealth policy levers that has the capacity to meaningfully reduce “the motherhood penalty” and promote a more equitable allocation of responsibilities at home and at work. The impact of the Commonwealth PPL settings on families and workplaces cannot be understated.

In analysis undertaken by the University of Sydney in 2020 about the introduction of the Paid Parental Leave Act in 2010 the authors concluded that while it “was a ‘giant leap’ forward in Australia’s policy framework at the time, changes in the government scheme and outcomes in workplace agreements and company policies over the last decade have taken just ‘baby steps’ to improving gender equality in the provision of paid parental leave.” The authors argue there is “much that could be done in the policy arena, in workplace bargaining and in company policy arrangements that could improve the position for working parents and gender equality overall.”¹²

Australia lags the developed world in the provision of best-practice evidence-based policies that support parents to combine their caring responsibilities with their participation in paid work. This is reflected in the reduced workforce participation of women and stark gap in earnings and hours worked between men and women after having a child. This gap will only ever change through the deliberate pursuit of evidence-based policies and practices to provide parents with the necessary support to share the care and combine their family responsibility with paid work. Governments and employers have a role to play in this regard.

The Commonwealth government has stated its ambition to become a world leader in gender equality, which the commitment to improve paid parental leave and work towards universal

¹² University of Sydney (2020) Gender equality and paid parental leave in Australia: A decade of giant leaps or baby steps?

access to early childhood education and care demonstrates. 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.

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