

Senate Education and Employment References Committee

Public Hearing – 14 August 2023

ANSWER TO QUESTION ON NOTICE

Department of Social Services

Topic: Inquiry into the potential impacts of the Commonwealth Paid Parental Leave Scheme on small businesses and their employees

Question reference number: IQ23-000069

Question asked by: Tony Sheldon

Type of Question: Written. **Hansard Page:** N/A

Date set by the Committee for the return of answer: 25 August 2023

Question:

Can the Department articulate the potential impacts of any legislative changes to the administration of Paid Parental Leave, both in terms of potential costs to the taxpayer, and in terms of potentially diminishing the benefits to employees and employers alike?

Answer:

The design of the Paid Parental Leave scheme is based on the recommendations of the Productivity Commission in its 2009 report titled *‘Paid Parental Leave: Support for Parents with Newborn Children’*. In its report, the Commission considered a range of funding and delivery models, and recommended that the scheme be taxpayer-funded and be delivered by employers. The report noted that this feature is important to signal the payment as a normal work-related entitlement, encourage greater employee loyalty, and improve workforce and workplace entitlement.

This arrangement makes Paid Parental Leave fundamentally different to other government payments that can be characterised as social security or welfare. 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 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.