

Evidence regarding the employer role in administering payments

There is a strong consensus on the importance of the employer role in administering payments. It was a key part of the original design of the PPL scheme by the Productivity Commission, which found that the employer role was used in a number of comparable overseas schemes and that it was necessary to link paid parental leave to work and strengthen the link between employer and employee. It found this would increase retention rates for businesses and lead to higher lifetime employment by women. The intention of the design was to signal that PPL should be perceived as a normal feature of employment arrangements rather than as welfare, and the more PPL mimicked routine employment contracts, the more they will be seen by employees and employers as standard employment arrangements and therefore stimulate changes of attitude towards parents in the paid workforce.

The PPL evaluation, conducted between 2010 and 2014, demonstrated that PPL encouraged women to return to the same job with the same employer, reducing the potential loss of human capital. As noted in the Department's submission, 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.

Research from Impact Economics and Policy found that:

- the 2011 Paid Maternity leave reforms delivered 74,245 additional women with children aged under 5 in employment \$8.5 billion added to GDP in 2021-22.
- Paid parental leave increases participation largely because it maintains a woman's relationship with her employer and attachment to the labour market.
- The design of the Australian scheme encouraged women to stay engaged in work in order to qualify for the payment.
- women working in small businesses experienced the biggest gains in terms of access to paid parental leave and improved retention after taking maternity leave.

Academics giving evidence to Senate Inquiries on various Bills¹ in 2016 argued that the employer role in administering payments created a stronger link between employer and employee, by creating a two-way commitment – for the employee to return to work, and for the employer to facilitate the transition back to work. They argued that removing the employer role would weaken the relationship between the employer and the employee, and the results of the evaluation suggested that employees with those stronger links created through PPL payments were more likely to have returned to work after one year than mothers without access to PPL (and who therefore had weaker links with their employers). They also raised concerns that if payments were made by the government, it would resemble a welfare payment rather than a work entitlement, meaning women would be less likely to return to work at the end of their leave.

The Women's Economic Equality Taskforce also addressed this issue in its letter to Minister Gallagher on 9 June 2023. That letter said: “there are significant benefits and opportunities for employers in administering PPL payments, especially for employers who do not provide any employer funded parental leave – such as the ability to maintain contact and connection with employees on parental leave. This connection is of significant benefit to both parties and is consistent with the legislative framework which emphasises the maintenance of the employment relationship.”

¹ See [Report of the Senate Community Affairs Legislation Committee on the Social Services Legislation Amendment \(Omnibus Savings and Child Care Reform\) Bill 2017](#), 21 March 2017; and [Report of the Senate Community Affairs Legislation Committee on the Fairer Paid Parental Leave Bill 2016](#), 15 February 2017.