



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

Education and Employment References Committee

**ACCI Submission**

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## Introduction

1. ACCI welcomes the referral by the Senate of this inquiry to the Education and Employment References Committee (**Committee**). We welcome the opportunity to provide a written submission.
2. Since its introduction, ACCI has remained concerned about the imposition on employers of the responsibility to provide government-funded paid parental leave. In particular, the additional administrative burden and payroll processing time has an undesirable impact on small businesses with minimal countervailing benefits.
3. 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.
4. These positions are supported by the survey data recently collected by ACCI. This submission will outline the findings of that data and how it relates to the administration of the paid parental leave scheme.

## Key findings

5. ACCI distributed its survey on paid parental leave throughout its network. Responses were received from a total of 331 employers, of which 242 were small businesses (employing fewer than 20 employees). These employers produce a diverse range of goods and services, including:
  - a. the automotive industry (including retailers, wholesalers, sales, machinery servicing, and repairs);
  - b. the cabinet making, joinery and furniture industry; and
  - c. the live performance industry (including performing arts, theatre, and live production).
6. The survey asked the following questions:
  - (1) “Which sector do you operate in?”
  - (2) “How many staff do you employ (FTE)?”;
  - (3) “Have you ever paid parental leave to any of your staff?”;
  - (4) “If yes, did you pass on the Commonwealth Parental Leave Payment or did your staff receive it directly from Services Australia?”;
  - (5) “If you passed on the Commonwealth payment, did it add to your payroll processing time?”;
  - (6) “If you passed on the Commonwealth payment, did it increase the administrative burden on your business?”;
  - (7) “If you passed on the Commonwealth payment, did it cause any cashflow problems?”;
  - (8) “If you had a choice, would you prefer to pass on the Commonwealth Parental Leave Payment or have Services Australia pay it directly to your staff member?”;
  - (9) “Have you ever voluntarily “topped up” a staff member’s parental leave payment?”;
  - (10) “Do you feel that delivering Commonwealth parental leave payments through your payroll plays an important role in maintaining a strong relationship between yourself and your employees while they on parental leave? If not, why not?”;
  - (11) “Do you think small businesses should be required to administer Commonwealth Parental Leave Payments?”; and
  - (12) “Are you in favour of an opt-in model or an opt-out model for employers to administer Commonwealth Parental Leave Payments?”.
7. The key takeaways from the results are outlined in the table on page six. The statistics relating specifically to small businesses are coloured in grey. However, the results from businesses with more than 20 employees are also included for comparative purposes. The data collected is also able to be provided to the Committee in raw form if it so desires.

8. ACCI wishes to draw the Committee's attention to several particular matters.
9. First, it is evident from the survey that small businesses overwhelmingly believe that paid parental leave should be administered by Services Australia rather than small businesses (88.02 per cent). Small businesses that have previously administered the payments were nearly unanimous in their view that if given a choice, they would prefer the payments to be administered directly by Services Australia rather than by the employer (97.33 per cent). This proportion was higher than the overall preferences of businesses of all sizes that have paid parental leave (94.85 per cent), perhaps indicating the acute impact on small businesses.
10. Second, if given the choice between a model that allows small businesses to 'opt-in' or 'opt-out' of administering the payments, an overwhelming majority of small businesses believe that an 'opt-in' model should be implemented (73.14 per cent). This belief is held marginally more strongly among small businesses who have previously administered the payments (73.33 per cent). It is also held more strongly than among businesses of all sizes (69.49 per cent), including those who have previously administered the payments (67.65 per cent).
11. Third, the foregoing results are unsurprising when considering the recounted impacts of administering the payments. Small businesses who administer the payments nearly unanimously reported an increased administrative burden (90.70 per cent) and an increase to their payroll processing time (90.70 per cent).
12. Fourth, a purported justification for the administration of paid parental leave by employers — the maintenance of strong relationships with employees on leave — is not considered defensible by employers. The vast majority of small businesses that have paid parental leave do not feel that delivering Commonwealth parental leave payments through their payroll plays an important role in maintaining a strong relationship between them and their employees while they on parental leave (86.67 per cent).
13. Many employers operating small businesses explained that administering the leave payments provided no benefit to their relationships with their employees because doing so does not actually involve or require proper communication. 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."

"Absolutely not! The money goes directly from payroll to an account. The process is 100 per cent devoid of any contact. Maintaining personal relationships would have to do with the desire to do so on a personal level."

"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."

"It is very much just an administrative function for the payroll officer, you are not actually keeping in touch with the employee other than an emailed payslip."

“Delivering Parental Leave Payments is an additional administration task only - relationships with staff are already established and managed separate to this. Claiming it as a role in maintaining relationships is a joke.”

“Payslips are not communication - we have other team communication methods for engagement.”

“Just processing the pay isn’t what maintains the relationship.”

14. In addition, several employers operating small businesses reported 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.”

“If anything, it can cause tension with employees chasing us for money. It’s much better to have us removed from the payments completely to remove any chance of misunderstanding.”

“Staff get very frustrated at the delay/timing of receiving the payment and they blame the business even though we haven’t received the funds from the government.”

“It does force you to contact them to work out the complex system of payments, approvals, forms etc. But this isn’t a valuable conversation for the business to have with the individual. Rather this is confusing and often frustrating for the individual who doesn’t need this added administrative problem when already facing challenges of a newborn child.”

“If there is already a strong relationship between employee and employer, paying their parental leave will not make this any stronger, it would more than likely cause the employer frustration at having to administer a government initiative.”

“Actually, it became a source of annoyance as the employee was contacting me so regularly wanting to know when the next payment was. The initial payment timing also didn’t make any sense, so it was left to me to spend several hours trying to troubleshoot.”

15. Employers operating small businesses also 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.”

“My staff understand that the parental leave payment is a government provided subsidy and they don’t need the illusion that it is coming from their employer.”

“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.”

“Our report with our staff is strong and as long as they have regular payments they are NOT concerned from where it comes from and if it means making it easier for the business they would themselves prefer NOT to be a burden on their employer who is flexible at the best of time and would NOT want that relationship to be jeopardized.”

16. Other small businesses also provided broader comments about the administration of the paid parental leave scheme, such as the following:

“I believe if the government have offered this incentive they should be responsible for all administration relating to the payment, rather than pushing this responsibility onto small business.”



"I don't see what difference it makes to the employee where it comes from. It's a payment that is from the Commonwealth so let them sort it out with the employee. In my opinion it's not something an employee should be forced to deal with."

"In our opinion, if it's a Commonwealth scheme, it should be delivered by the Commonwealth and employees are already accepting and understanding of that. It will cause more cost and frustration for a small business to administer if it is left with us. We already do a lot for the Commonwealth in other ways. We cannot see how the Commonwealth passing the administration on to a small business would really build stronger relationships with our employees."

"I don't feel that the payments need to be seen to be coming from the employer. Staff are aware that the payments are supplied by the Commonwealth, and I feel that adding the step of having the payments sent to the business and subsequently passed onto the staff member is unnecessary."

17. These findings warrant a change of approach. To reduce the administrative burden on small businesses, ACCI submits that the Committee consider recommending that government-funded paid parental leave should be provided directly by Services Australia, with an option for small businesses to 'opt-in' to administering the payments.



## Survey results

Index	Question	Indicator	Total	%
A	3	Respondents that had paid parental leave to their staff	136	41.09
B	3	Small businesses that had paid parental leave to their staff	75	30.99
C	4	Respondents that had paid parental leave to their staff and passed on the Commonwealth Parental Leave Payment	96	70.59
D	4	Respondents that had paid parental leave to their staff and had their staff receive it directly from Services Australia	40	29.41
E	4	Small businesses that had paid parental leave to their staff and passed on the Commonwealth Parental Leave Payment	43	57.33
F	4	Small businesses that had paid parental leave to their staff and had their staff receive it directly from Services Australia	32	42.67
G	5	Respondents that passed on the Commonwealth Parental Leave Payment and it added to their payroll processing time	87	90.63
H	5	Small businesses that passed on the Commonwealth Parental Leave Payment and it added to their payroll processing time	39	90.70
I	6	Respondents that passed on the Commonwealth Parental Leave Payment and it increased the administrative burden on their business	85	88.54
J	6	Small businesses that passed on the Commonwealth Parental Leave Payment and it increased the administrative burden on their business	39	90.70
K	7	Respondents that passed on the Commonwealth Parental Leave Payment and it caused cashflow problems	23	23.96
L	7	Small businesses that passed on the Commonwealth Parental Leave Payment and it caused cashflow problems	17	39.53
M	8	Respondents that would prefer Services Australia to pay parental leave directly to their staff, rather than have to pass on the Commonwealth Parental Leave Payment	299	90.33
N	8	Small businesses that would prefer Services Australia to pay parental leave directly to their staff, rather than have to pass on the Commonwealth Parental Leave Payment	219	90.50
O	8	Respondents, who have previously paid parental leave, that would prefer Services Australia to pay parental leave directly to their staff, rather than have to pass on the Commonwealth Parental Leave Payment	129	94.85
P	8	Small businesses, who have previously paid parental leave, that would prefer Services Australia to pay parental leave directly to their staff, rather than have to pass on the Commonwealth Parental Leave Payment	73	97.33

Q	9	Respondents that have paid parental leave and “topped up” a staff member’s parental leave payment	21	15.44
R	9	Small businesses that have paid parental leave and “topped up” a staff member’s parental leave payment	13	17.33
S	10	Respondents that have paid parental leave and <u>do not</u> feel that delivering Commonwealth parental leave payments through their payroll plays an important role in maintaining a strong relationship between them and their employees while they on parental leave	114	83.82
T	10	Small businesses that have paid parental leave and <u>do not</u> feel that delivering Commonwealth parental leave payments through their payroll plays an important role in maintaining a strong relationship between them and their employees while they on parental leave	65	86.67
U	11	Respondents that do not believe small businesses should be required to administer Commonwealth Parental Leave Payments	313	94.56
V	11	Small businesses that do not believe small businesses should be required to administer Commonwealth Parental Leave Payments	213	88.02
W	11	Respondents that have paid parental leave and do not believe small businesses should be required to administer Commonwealth Parental Leave Payments	127	93.38
X	11	Small businesses that have paid parental leave and do not believe small businesses should be required to administer Commonwealth Parental Leave Payments	63	84.00
Y	12	Respondents that are in favour of an opt-in model for employers to administer Commonwealth Parental Leave Payments	230	69.49
Z	12	Small businesses that are in favour of an opt-in model for employers to administer Commonwealth Parental Leave Payments	177	73.14
ZA	12	Respondents that have paid parental leave and are in favour of an opt-in model for employers to administer Commonwealth Parental Leave Payments	92	67.65
ZB	12	Small businesses that have paid parental leave and are in favour of an opt-in model for employers to administer Commonwealth Parental Leave Payments	55	73.33

**Note 1:** the relevant questions from which the data was obtained in each row can be identified by cross-referencing the numbers in the second column with the questions listed in paragraph X above.

**Note 2:** the percentages in the fourth column are calculated based on a conversion of the quanta in the third column to a percentage of the total respondents that satisfy the conditions outlined at the beginning of each sentence in the second column. For example, the percentage in the fourth column of row ‘T’ is calculating by converting the quantum in the third column (65) to a percentage of the total respondents that are both: (a) small businesses; and (b) have paid parental leave to their staff. As another example, the percentage in the fourth column of row ‘H’ is calculating by converting the quantum in the third column (39) to a percentage of the total respondents that are both: (a) small businesses; and (b) have passed on the Commonwealth Parental Leave Payment to their staff.



## About ACCI

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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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