



Australian Government



Australian
**Small Business and
Family Enterprise**
Ombudsman

5 June 2023

Senator Matt O'Sullivan

Chair

Senate Standing Committee on Education and Employment

PO Box 6100, Parliament House

Canberra ACT 2600

via email: eec.sen@aph.gov.au

Dear Senator O'Sullivan,

Allowing small businesses to 'opt-in' to administering the paid parental leave scheme will reduce the burden on the sector

We welcome the opportunity to comment on the potential effects of the Australian Government's paid parental leave scheme on small and family businesses and their employees. We strongly support the government's efforts to encourage greater labour force participation and reduce the number of employees exiting the labour market, and acknowledge recent reforms in the *Paid Parental Leave Amendment (Improvements for Families and Gender equality) Act 2023*.

Ensuring that, where appropriate, obligations under the scheme are streamlined and adequately accommodate the unique characteristics of small and family businesses is key to ameliorating a disproportionate burden on the sector.

The *Paid Parental Leave Act 2010* currently requires employers or the secretary of the department to make parental leave payments to eligible persons. Employers have several additional obligations for administering payments for each eligible person under the Paid Parental Leave Rules 2021. For example, in addition to their usual record-keeping requirements, employers that have employees receiving the Australian Government-funded parental leave pay must keep the following records:

- the amount of parental leave pay funding received by the employer for each employee and the period it covers
- the date each payment of parental leave pay was made to the employee
- the period each payment covers
- the gross amount of the payment
- the net amount paid and the amount of income tax withheld (including other payments, if any were made)
- a statement identifying the payment as parental leave pay under the Australian Government parental leave pay scheme and
- the amount of any deductions made from each payment.

These records must be kept for seven years. Employees who receive parental leave pay must be provided a pay slip for each payment, specifying that the payments are parental leave pay under the scheme. Further, these records must be readily accessible by a person exercising powers



Australian Government



Australian
Small Business and
Family Enterprise
Ombudsman

under Part 4-2 of the Act (namely the secretary of the responsible department) and the employer must provide the person receiving the parental leave pay prescribed information under Part 4, section 32 of the rules.

For many small and family businesses, the costs associated with administering the scheme are magnified as they do not have the existing organisational capability or internal expertise to implement complex processes. Allowing small businesses to 'opt-in' to administering the scheme or have Services Australia administer the payment directly to the employee will reduce the disproportionate regulatory burden on the sector, while allowing businesses to administer the scheme if they prefer.

We suggest the committee consider the merits of amending the Act in this light and define a threshold limit for eligible small businesses. The definition of an eligible small business must adequately reflect its administrative capability. As such, the committee may wish to consider the practicality of the small business definition applied by both the single-interest stream of the multi-employer bargaining provisions in the *Secure Jobs, Better Pay Act 2022*, and the Australian Bureau of Statistics of a business with fewer than 20 employees.

If you would like to discuss this matter further, please contact Mr Lachlan Bayliss on
or at

Yours sincerely

The Hon Bruce Billson

Australian Small Business and Family Enterprise Ombudsman