



Chief Executive Women Submission: Senate inquiry into the potential impacts of Paid Parental Leave on small business

Chief Executive Women (CEW) welcomes the opportunity to make a submission to the Senate Inquiry into the impact of the Paid Parental Leave amendment on small business. We welcome the Government's commitment to investing in care infrastructure to support a thriving economy, families and unlock women's economic empowerment and workforce participation. Accessible, adequate paid parental leave is essential to enable women's workforce participation and benefits businesses, women, families and the economy.

Unlocking women's workforce participation

Australia has one of the [most well-educated female workforces](#) in the world, yet is ranked 38th for [women's economic participation and opportunity](#). As a nation Australia is squandering our investment in human capital – highly educated, skilled women.

The [National Skills Commission](#) estimates the need for 1.2 million additional workers across the economy by 2026. 87% of projected jobs growth will be in female dominated industries, including health and [early childhood](#). CEW and Impact Economics and Policy research [Addressing Australia's Critical Skill Shortages: Unlocking Women's Economic Participation](#), demonstrates that women are an untapped workforce who can play a critical role in meeting these labour shortages.

- Engaging women in paid work at the same rate as men could unlock an additional [one million](#) full-time skilled workers in Australia.

In order to harness this economic resource, workplaces and government must work collaboratively to facilitate the best possible outcome for both businesses and gender equality.

Paid parental leave supports women's economic participation.

Paid Parental Leave (PPL) is not a form of welfare. It is a critical level to enable women's workforce participation, attachment to employment and to allow businesses to retain and attract exceptional talent. There is a wealth of research demonstrating that a continuous relationship with the workplace while on parental leave is necessary for the long-term economic security and workforce participation of new parents, in particular women, benefiting the economy.

Research from [Impact Economics and Policy](#) found that:

- Paid parental leave has been found to increase participation largely because it maintains a woman's relationship with her employer and attachment to the labour market
- The design of the Australian scheme also encouraged women to stay engaged in work in order to qualify for the payment
- The 2011 Paid Maternity leave reforms delivered:



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- An additional 74,245 women with children aged under 5 in employment
- Added \$8.5 billion to GDP in 2021-22.

Maintaining employer administration of the Government PPL scheme is critical to ensure parents continued connection to their employer and the workforce.

Role of small Business

The effective participation of small business, and the structures in place to support small businesses, are important to a successful PPL scheme. Offering PPL provides small businesses with a [competitive advantage](#) in an increasingly challenging economic environment.

CEW is concerned that an opt-in or opt-out model would push the entirety of the administrative burden onto new parents and could lead to reduced uptake of PPL and impact the ability of small businesses to attract and retain female employees who value this benefit.

The Business Case for Paid Parental Leave

Employers' active engagement in the PPL scheme ensures the best outcomes for all parties. It helps employers to retain their skilled staff by enabling women to remain connected to work and their careers when they take time out of the workforce to have a baby or adopt a child. Removing this relationship can have significant implications for women's economic participation and re-entry to the workforce.

Offering PPL and maintaining a positive relationship with the employee during this time can have a positive impact on the business. It can increase employee retention rates, reduces absenteeism, and improves morale and [productivity](#). This can also help to reduce costs associated with hiring and training new employees. Furthermore, offering support for parental leave can help businesses attract and retain top talent, including women who may be more likely to value such benefits.

Paid parental leave greatly increases the likelihood of the parent returning to work. Case studies from [General Motors and Westpac](#) saw strong financial benefit and increased staff retention through their paid parental leave schemes. Employee's and candidates cite work-life balance and supportive family policies as key to their career decisions.

Small and medium sized businesses who take advantage of PPL have reported broader benefits, including lower staff turnover, increased productivity and higher levels of business performance, most notable in sales and profitability, particularly when compared with businesses who did not offer these [provisions](#). Having flexible, tailored parental leave arrangements allow employees to feel supported and comfortable in their decision to take leave. Maintaining this relationship between employees and employers allows for confidence in re-entry to the workplace, improving retention and economic security for employees on parental leave. Current arrangements, such as flexible working arrangements and communication protocols, can foster an open and supportive environment for employees on parental leave, improving morale and job satisfaction.



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Care is central to the economy

A thriving and supported social infrastructure is vital for the success of Australia as a whole, highlighted during the recent Covid-19 pandemic and economic challenges. The impact of Covid-19 was disproportionately shouldered by women. Now is the time to put in place the foundational elements for sustainable change that will close the gender equality gap and generate benefits for the economy at large. Intentional steps now and over coming years will build towards a gender equal Australia in 2030. The return on investment in women and social infrastructure will be significant. CEW has long advocated for a package of reforms, of which PPL is a critical lever, in unlocking women's workforce participation and boosting the economy. The increase to 26 weeks paid parental leave, designed with maximum flexibility for families, will encourage more equitable care-giving by both parents.

Currently, [88% of parental](#) leave is taken by women. PPL is an essential tool to unlock women's economic participation.

- The [Grattan Institute](#) found that more flexible PPL arrangements would lead to an increase in GDP of \$900 million a year, because more women would be freed up to engage in paid work.

PPL enables women's economic participation

A strong and accessible PPL scheme benefits businesses, women, families and the economy.

International best practice highlights the importance of maintaining employer relationships as part of parental leave. A study conducted in [Southern California](#) found that access to employer administrated parental leave significantly impacted the timing of return to work following childbirth. The study found that employers play a pivotal role in supporting a feeling of job security and economic empowerment during and after maternity leave. Employers providing flexible working terms, further parental leave and general communication can assist in easing the transition back into work.

PPL improves workplace gender equality, supporting women to remain attached to the workforce while their children are young, and can mitigate any impacts on women's earnings and retirement savings. This is particularly important for women who may be more likely to face discrimination or difficulty re-entering the workforce after taking extended time off. [Organisations that provide](#) strong parental leave schemes are more likely to obtain better recruitment and retention, demonstrating a support for gender equity, and family care. Furthermore [WGEA found](#) that when fathers/partners undertake PPL, organisations improve performance and productivity outputs through better talent retention processes, whilst also delivering economic benefits for enhanced women's workforce participation.

Motherhood Penalty

Motherhood can severely impact [women's financial security](#). Australian women with one child earn 5% less pay than those with no child. For those who have two or more children, the



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wage penalty rises to 9%. This financial impact ripples to retirement. Women approaching retirement have [23.1% less superannuation](#) than men of the same age.

PPL is crucial to women's economic security across their life course. Women's financial security across their life course is significantly impacted by the time they take out of paid work to care for others. KPMG's report [She's Price\(d\)less](#) found that one third of the gender pay gap can be attributed to the time women spend outside of the work force undertaking unpaid care.

Women and Small Business

In 2017-18, there were [765,387](#) small businesses in New South Wales, which accounted for more than 95% of businesses in the State, and adding \$418 billion to GDP. In Australia, female employment levels are at an all-time high, particularly within small businesses. Women account for around one-third of [Australia's small business owners](#), and that number is growing. The number of female small business owners increased by 24% between 2006 and 2021, more than three times the growth of their male counterparts.

International research indicates that small businesses see positive effects on recruitment, retention, productivity, and profitability when compared to their counterparts who do not have PPL polices. The proposed program, administered by Service Australia, levels the playing field for smaller companies who may otherwise be unable to offer the same benefits and therefore, may be at a disadvantage of attracting the same talent as their larger counterparts. Research from [California, New Jersey and Rhode Island](#), who have systems similar to Australia found that small businesses, those with 100 employees or less had overwhelmingly positive experiences. 91% said the introduction of PPL had a "positive effect" or "no noticeable effect" on profitability and performance.

Supporting Services Australia to support women and small businesses

CEW is concerned that an opt-in or opt-out model would push the entirety of the administrative burden onto new parents. It could also lead to reduced uptake of the PPL and impact the ability of small businesses to attract and retain female employees who value this benefit.

CEW recommends the Department of Social Services (DSS) be adequately resourced and structured to support small businesses and parents to access parental payments. There are several changes that could facilitate this:

- Engaging with small businesses and their employees through targeted outreach campaigns, such as workshops and webinars, to educate them about any changes to PPL policy and how it may impact them
- creating a dedicated helpline or online portal for small businesses and their employees to access information and support related to PPL



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Ensuring that DSS is adequately resourced to provide support to businesses and the community and training is provided to staff.



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About CEW

Women leaders empowering women

Chief Executive Women's (CEW) shared purpose is 'women leaders empowering all women'. CEW's over 1100 members represents Australia's most senior and distinguished women leaders across business, academia, government, the arts, and not-for-profit sectors. CEW's members have leading roles within Australia's largest private and public organisations. They oversee more than 1.3 million employees and \$749 billion in revenue. Member's organisations have a combined market capitalisation greater than \$1.144 trillion and contribute in excess of \$249 billion to Australia's GDP.

Since 1985 CEW has influenced and engaged all levels of Australian business and government to achieve gender balance. Through advocacy, research, targeted programs and scholarships, CEW helps to remove the barriers to women's progression and ensure equal opportunity for prosperity. CEW's members work actively to realise our vision of a community where women and men have equal economic and social choices and responsibilities.

Acknowledgement

We acknowledge the Traditional Custodians of Country throughout Australia and pay our respect to their Elders past and present. CEW celebrates the diversity of First Nations people and their continuing connection to land, water and community, and acknowledges the strength of First Nations women leading their communities. We extend that respect to Aboriginal and Torres Strait Islander people who are part of the CEW community.