



Australian Government

Australian Government response to the
Senate Education and Employment References Committee report:

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

March 2026

The Australian Government welcomes the Education and Employment References Committee's (the Committee) report to the inquiry into the potential impacts of the Commonwealth Paid Parental Leave (PPL) scheme on small businesses and their employees (the Inquiry).

The government thanks the Chair, Deputy Chair, Members, Substitute Members, and Participating Members for conducting the Inquiry. These thanks are also extended to the Secretariat of the Committee. The government also thanks those individuals and organisations that contributed their views to the Committee by attending its public hearings or making the 17 submissions it received.

On 30 March 2023, the Senate referred an inquiry into the potential impacts of the Commonwealth PPL scheme on small businesses and their employees to the Committee for inquiry and report.

The Committee made three recommendations in its report. The government does not support one recommendation and notes two recommendations.

Recommendation 1

The Committee recommends that the *Paid Parental Leave Act 2010* be amended to require the Secretary, as defined by the Act, to pay Parental Leave Pay instalments directly to employees of small businesses (defined as businesses employing fewer than 20 employees) except in cases where a small business opts to pay Parental Leave Pay instalments directly to an employee.

Not supported

Recommendation 2

The Committee recommends that the government identify and fund improvements to the design and delivery of supports available to small businesses to help them meet their obligations under Commonwealth taxation and employment law.

The Committee recommends that the design and delivery of advice for small business should aim to minimise the administrative burden on small businesses by recognising and responding to the particular challenges they face, including time and capacity constraints.

Noted

Recommendation 3

The Committee recommends that the government task the Productivity Commission with conducting an inquiry into the impact of the Commonwealth PPL scheme on Australian businesses, including a particular focus on small business. The review should include—but not be limited to—an examination of the productivity gains or losses associated with businesses' administration of payments under the Commonwealth PPL scheme.

In the event that the government does not, within three months of this report, direct the Productivity Commission to undertake the above inquiry, the Committee recommends that the Productivity Commission self-initiate research into the same topic.

Noted

Dissenting Report from Government Senators and Greens Senators

Noted

The government is committed to retaining the integrity of the PPL scheme to ensure it provides support for new parents and families, advances gender equality, and drives business productivity and economic gains.

The PPL scheme was introduced on 1 January 2011 and is closely based on the scheme proposed in the 2009 Productivity Commission inquiry report, *Paid Parental Leave: Support for Parents with Newborn Children*.

Under the PPL scheme, eligible working parents can get taxpayer-funded pay when they take time off work to care for a newborn or recently adopted child. PPL is an important mechanism for encouraging women's continued participation in the paid workforce and improving women's economic outcomes.

PPL signals that taking time off work to care for a child is part of the usual course of life for both parents and promotes equality between men and women and balance between work and family life.

The PPL scheme is intended to complement and supplement employer-provided leave entitlements in connection with the birth or adoption of a child. Parents may access employer-provided paid and unpaid leave in addition to the payments provided under the government-funded PPL scheme.

The government is currently implementing the largest expansion of the PPL scheme since it was introduced. From 1 July 2025, the PPL scheme expanded to 24 weeks, and two more weeks of payment will be added so the overall length of the scheme reaches 26 weeks from 1 July 2026.

As part of the expansion of the PPL scheme, the government has made PPL more accessible, flexible, and gender neutral.

The government has made it easier for parents to share care by creating a single payment that both parents can access and removing the notion of 'primary' and 'secondary' carers, expanded access to more families by introducing a family income limit (currently \$373,094) and made it easier for parents to transition back to work by allowing parents to take PPL in blocks as small as a day at a time, with periods of work in-between.

The government is also providing greater support to Australian families by paying superannuation on government-funded PPL. Eligible parents of children born or adopted from 1 July 2025 will receive an additional payment, based on the superannuation guarantee (12%), as a contribution to their nominated superannuation fund.

The addition of a superannuation contribution with PPL is another important step towards gender equality, as the majority of PPL recipients are women, who are more likely to have lower superannuation balances. This will help to reduce the gendered gaps present in superannuation balances at the time of retirement, signal that caring for children is valued, and help to normalise parental leave as a workplace entitlement, like annual and sick leave.

The government's total investment in PPL will be around \$4.7 billion in 2026-27, following the implementation of these reforms.

Under the PPL scheme, employers are required to deliver PPL on behalf of the government to their eligible long-term employees when the employees are expected to receive payment for at least eight weeks in a continuous block of weekdays from the beginning of their entitlement. The payments are made in accordance with the employees' usual pay cycles. The employer role has not been amended under the government's expansion of the scheme.

The design of the employer role was based on the 2009 Productivity Commission inquiry report, *Paid Parental Leave: Support for Parents with Newborn Children*.

The report concluded that the more parental leave arrangements mimic those existing as part of routine employment contracts, the more they will be seen by employers and employees as standard employment arrangements, with the dual effect of:

- promoting employment continuity and workplace retention (thus helping to preserve job and employer-specific skills that would be reduced if parents were to resign or move to another employer) and reducing training costs for employers; and
- signalling that a genuine capacity to take a reasonable period of leave from employment to look after children is just a normal part of working life.¹

A range of support is available through Services Australia to assist employers administer payments under the PPL scheme. Services Australia ensures up to date information is available, including on its website, on what employers need to know about the PPL scheme and about how to register and manage their role. Services Australia also provides a dedicated phone service for employers who require assistance in registering their business online or help understanding their obligations. Other resources available include the PPL Employer Toolkit, a handbook maintained by Services Australia since the scheme's introduction.

In the 2024-25 Budget, the government committed \$10 million to Services Australia to improve the experience of employers, particularly small business employers, when administering PPL.

Services Australia is implementing a package of communication, process, and system enhancements throughout the 2024-25 and 2025-26 financial years to improve the experience of employers administering PPL.

The government is committed to working with businesses and other stakeholders to ensure the PPL scheme delivers on its objectives and supports the ongoing connection between employers and their employees, including during periods of parental leave.

¹ Productivity Commission 2009, *Paid Parental Leave: Support for Parents with Newborn Children*, Report no. 47, Canberra, p. xxxiii.