

09 December 2013

Committee Secretary
Senate Standing Committees on Community Affairs
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Committee Secretary

Business SA is pleased to have the opportunity to make submissions to the Senate Community Affairs Legislation Committee on the *Social Services and Other Legislation Amendment Bill 2013* and in particular Schedule 7 of the Bill.

As South Australia's peak Chamber of Commerce and Industry, Business SA is South Australia's leading business membership organisation. We represent thousands of businesses through direct membership and affiliated industry associations. These businesses come from all industry sectors, ranging in size from micro-business to multi-national companies. Business SA advocates on behalf of business to propose legislative, regulatory and policy reforms and programs for sustainable economic growth in South Australia.

At the time of the introduction of the *Paid Parental Leave Act 2010*, Business SA raised concerns that the paymaster function, should not be passed from the Federal Government to business as it would simply result in cost-shifting and no tangible benefits either to the employee or the employer. We therefore were pleased with the policy announcement by the Federal Coalition during the 2013 Federal election campaign that it would legislate for the scheme to be fully administered by the Family Assistance Office.

To educate our members on their obligations under the *Paid Parental Leave Act 2010*, Business SA in 2010-2011 ran a number of seminars on the paid parental leave scheme. Educating close to 700 hundred businesses, one of the main concerns raised by our members related to the paymaster function and the administrative burden and cost impost this represented.

We also regularly receive feedback from our members through our Membership Advisory Service which provides information and advice to our members via telephone across a variety of workplace issues, including paid parental leave. Members who for the first time have received a claim for paid parental leave commonly express their disbelief and frustration when realising that they are required to manage the paymaster function.

Earlier in 2013 Business SA undertook a survey of our members with regards to their experience with the paid parental leave scheme. Of the businesses surveyed:

- 86% had administered payments to their employee on behalf of the Federal Government during the time their employee was on parental leave; and
- 73% of businesses indicated that this administration of the payments, such as payroll and general administration had resulted in additional costs to their businesses.

This is an unfortunate, however, not unexpected outcome of the Federal Government compelling business to administer a Federal Government program.

A number of respondents elected to comment specifically on their experience with being the paymaster, demonstrating a great deal of frustration and concern with the administration costs that have been imposed on business. Such comments included the following:

"It should be completely managed through Centrelink. To suggest that employers run the scheme is unreasonable and time consuming and just another non-core business activity being forced upon business."

"As a small business owner it is very frustrating that we need to administer this program. It would be much easier if the Government paid direct to the employee instead of getting us involved. We have far too many things to do, including covering the person on parental leave, to worry about this."

"I cannot see any reason why the government shouldn't just pay the employee directly. Sure they can check that they worked for the employer and entitled to the PPL, but it's ridiculous that employers should have to administer it, deduct PAYG tax, set up systems so that sick leave & annual leave do not accrue, make sure superannuation is not paid on the PPL etc. And the PPL dept says it's so that the employee keeps in touch with the employer to assist that relationship. But employees are paid by internet banking so there is still no need for them to come and see the employer. I think it just causes more stress for all concerned."

"The business should not have to administer this scheme; this places the business under undue pressure for payroll and administration staff. The scheme, offered by the Government, Centrelink, should be administered by the Government, Centrelink."

"This scheme should be administered by Centrelink and not paid through the employer. Of the 10 or employees that have used this scheme, only one has used "keep in touch" days and the time required to administer the scheme at our end becomes quite onerous."

“This is just more unpaid work we do for the government. Another drain on small business, they couldn’t afford to pay all businesses for the work we do.”

“Would much rather that PPL was administered entirely by the government in all circumstances rather than lumbering the business with this additional responsibility. It is just getting private enterprise to do Centrelink’s work for them.”

It has been claimed by proponents of the employer paymaster function that it assists employees on unpaid parental leave keeping in touch with their employer. However, Business SA submit that there is no evidence that an employer forwarding government payments into an employee’s bank account has any positive effect on the employment relationship.

While employers and their employees on unpaid parental leave keep in touch this is unrelated to the provision of any parental leave pay. Employers commonly provide an opportunity for any employee on unpaid parental leave to remain in contact with their workplace and their co-workers by inviting them to staff meetings, social events, conferences, planning days or similar events. Employees commonly keep in touch with their employer via email or by visiting the workplace to meet up with their employer and co-workers. These positive human resource practices were in place well before the provision of parental leave pay and will continue to remain in place after passing the *Social Services and Other Legislation Amendment Bill 2013*.

In relation to the specific provisions of the Bill, we support the new position under amended section 101(1)(b) that an employer determination cannot be made unless the employer has opted in to by the paymaster under section 109. This means that the default position will be that payments are made directly by the Department of Human Services to the employee in accordance with section 84.

While it is unclear whether employers would voluntarily take on the paymaster function under section 109 and having to absorb the associated administrative costs, we do not oppose the right for employer opting in if it suits their business, administrative and human resources practices.

The response by our members demonstrates that there are direct costs to business associated with administering the paymaster function. The amendments in Schedule 7 of the Bill will remove these unnecessary costs on business.

The Bill is a positive first step in reducing the administrative burden on business, particularly small business and Business SA commend the Minister for introducing the legislation. We strongly encourage the Senate to pass this important Bill.

Yours sincerely

Rick Cairney

Director of Policy