

Regulatory Impact Statement

Modernising Parental Leave

Agency Disclosure Statement

- 1 This Regulatory Impact Statement (RIS) has been prepared by the Ministry of Business, Innovation and Employment.
- 2 This RIS provides an analysis of proposals aimed at including more diverse work and family arrangements within the parental leave scheme and increasing its flexibility to better enable working parents to stay connected to the workforce.
- 3 The proposals presented in this RIS are constrained by decisions that have already been made by Ministers. In determining the preferred options, Ministers have taken into account the government's broad fiscal constraints, and the need for the legislation to be updated to respond to current work and family arrangements. The RIS accompanying these decisions can be found at <http://www.treasury.govt.nz/publications/informationreleases/ris/pdfs/ris-mbie-fnppl-may14.pdf>.
- 4 The analysis of these extensions to the eligibility for paid leave and related unpaid job-protected leave involves assumptions about:
 - The number of employed parents or other primary carers who would become newly eligible for parental leave entitlements
 - Take-up rates for newly eligible parents or other primary carers.
- 5 This RIS assumes that most parents or primary carers who would become newly eligible for the paid leave under the proposals to extend eligibility for paid leave entitlements would take the paid leave for the full payment period, and most likely would take leave on a similar basis to parents who are currently eligible for parental leave entitlements.
- 6 This RIS also assumes that there will be relatively low take-up of more flexible approaches to how parental leave can be taken.

Gerard Clark
Manager, Employment Standards Policy
Ministry of Business, Innovation and Employment

Executive Summary

- 7 There is evidence that parental leave has economic and social benefits, including a positive impact on child cognitive development, child health, economic growth and labour force participation, and reducing child poverty.¹ Paid leave and job security promotes economic growth as it reduces the time mothers remain outside the labour market, and helps improve women's attachment to the labour market over time. It supports newborn development by allowing for full-time personal care, which is particularly important in the first six months.
- 8 It is also argued that the long-term supply side effects of higher participation by women would also be expected to increase Gross Domestic Product (GDP) and generate additional tax revenue to a value higher than the annual costs of the scheme.²
- 9 New Zealand's parental leave legislation is not working as effectively as it could – current restrictions prevent some working parents from being eligible for the provisions and the lack of flexibility can make it difficult for some parents to stay connected to the workforce.
- 10 As part of Budget 2014, the Parental Leave and Employment Protection Amendment Bill (No 2) was passed on 16 May 2014, extending the duration of paid parental leave from the current 14 weeks to 18 weeks by 1 April 2016.
- 11 Cabinet also agreed in principle to a range of measures to modernise and improve the parental leave legislation [CAB Min (14) 13/12 refers]. These measures included broadening the eligibility to better reflect current work and family arrangements, and providing more flexibility to increase choice and support labour market attachment. These changes have been designed to reach a broad range of families and working arrangements in New Zealand and improve outcomes for children, while being fiscally responsible and recognising current economic conditions.
- 12 Cabinet agreed to consult on the detailed design of these proposals with employers and employees and other stakeholders. The Ministry of Business, Innovation and Employment (MBIE) recently completed this consultation on the proposed changes and received almost 900 submissions in response. Overall, submitters (employers and employees alike) were positive about the proposals to modernise parental leave provisions.
- 13 Therefore, the proposed changes to the scheme are broadly consistent with those in the discussion document, with more detail around workability added in some places. The table below sets out each of the proposals and its specific objective:

<i>What is changing?</i>	<i>What is the change trying to achieve?</i>
Extending parental leave payments to non-standard workers (such as casual, seasonal, and employees with more than one employer) and those who have recently changed jobs	Aims to recognise the diversity in modern working arrangements. In providing support for parents in such working arrangements, it will improve both attachment to work and the family outcome sought by the PPL scheme for those families.

¹ The Treasury (2003) Work and Family Balance: An Economic View; OECD (2007) Babies and Bosses – Reconciling Work and Family Life: A Synthesis of Findings for OECD Countries.

² Richardson, D., & Fletcher, T. (2009) Long Overdue – the macroeconomic benefits of paid parental leave. Policy Brief No.1. The Australia Institute, Manuka, ACT.

<p>Extending parental leave entitlements to 'primary carers' other than biological or formal adoptive parents</p>	<p>Aims to recognise the need for non-biological carers to have time with their children to improve bonding and promote health outcomes for children. In providing support for such families, this will also improve attachment to the workforce for such parents.</p>
<p>Extending unpaid leave to workers who have been with their employer for more than six months (but less than 12) as a standard six month leave period (inclusive of the 18 weeks' paid leave)</p>	<p>Aims to improve family outcomes and attachment to work objectives for those workers that may have recently changed jobs by providing them with job protection while on parental leave.</p>
<p>Enabling Keeping in Touch hours so employees can work limited hours during their paid leave period if they and their employer agree (without losing entitlement)</p>	<p>Aims to provide employees with more flexibility to allow them to keep in touch with work to maintain key skills and networks. This will enable such workers to better balance their connection to the workforce and spending time with their child.</p>
<p>Enabling employees to take the unpaid parental leave part-time and flexibly, by mutual agreement with the employer</p>	<p>Aims to provide employees with more flexibility about how they take their unpaid leave. As above, this will allow employees to better balance their connection to the workforce and spending time with their child.</p>
<p>Enabling employee to resign and still receive the parental leave entitlements.</p>	<p>Aims to address current practice of employees intending to resign before returning, but waiting until s/he has received all relevant benefits before doing so. Enabling employees to resign without losing their entitlements aims to allow employers to plan for replacement labour more effectively with limited (if any) additional cost.</p>

A. Status Quo and Problem Definition

Overview

- 14 The *Parental Leave and Employment Protection Act 1987* (the Act) has provided employment protected leave on the birth/adoption of a child to eligible parents for 27 years, and paid parental leave since 2002.
- 15 At the heart of parental leave policy is the intention to share the costs of paid and unpaid parental leave fairly across society between government, employers and families. Parental leave payments under the Act are funded by government. Specifically, the legislation aims to strike a balance between improving outcomes for parents and children by taking time away from work, while encouraging employees to retain an attachment to work (including by encouraging employers to create an environment that facilitates such attachment).

Legislation

- 16 **Entitlements:** The legislation provides for two main types of entitlement:
- paid leave – currently 14 weeks, moving to 16 weeks as of 1 April 2015 and 18 weeks as of 1 April 2016
 - unpaid job-protected leave – up to 52 weeks (includes the paid leave period).
- 17 **Eligibility:** The entitlements are subject to the following eligibility requirements:
- 14 weeks of paid leave to employees with at least six months' continuous service with the same employer
 - 14 weeks of paid leave to the self-employed
 - 52 weeks of unpaid job-protected leave to employees with at least 12 months' continuous service with the same employer (less any paid leave taken).³
- 18 **Transferring leave to spouse/partner:** The legislation allows paid leave and unpaid job-protected leave to be transferred to an eligible spouse/partner.⁴
- 19 **Partner/paternal leave:** Up to two weeks of unpaid partner's/paternity leave is also available (one week for a minimum of six months' continuous service and two weeks for a minimum of 12 months' continuous service).

Current use of parental leave entitlements

- 20 The number of live births registered in New Zealand in the year ended March 2012 was 60,860. Administrative data shows that the proportion of PPL recipients as a percentage of births is around 42%. It should be noted that approximately 25% of parents receive the parental tax credit (PTC).⁵

³ The hours criterion for 'continuous service' for PPL and the extended unpaid leave is for an average of at least 10 hours a week (including at least one hour in every week or 40 hours in every month).

⁴ Transfers of PPL to a partner/spouse occur in less than 1% of cases, and uptake of the unpaid partner/paternity leave is very low (4%).

⁵ The PTC was introduced in 1999 to provide additional financial support to working families for the period following the birth of a child. The PTC is targeted primarily at those working families who are not eligible for PPL. It is not linked to employment in the same way as PPL, and so it does not offer job protection.

- 21 It should be noted that while approximately 30% of parents of live births do not receive either PPL or the PTC, we expect that the majority of parents would remain eligible for one of the two entitlements. Following the inclusion of self-employed in the scheme in 2006, the group of employed women eligible for paid parental leave is estimated to be around 90%.
- 22 Data shows that one third (33%) of PPL recipients are working five months after starting parental leave.
- 23 We estimate that the proposal is likely to extend eligibility to approximately 1400 additional families. These proposals will benefit approximately 5% of working mothers with newborn children who are not currently eligible.

Decisions already taken

- 24 In Budget 2014, the Act was amended to extend the 14 weeks of paid leave to 16 weeks from 1 April 2015, and to 18 weeks from 1 April 2016. Cabinet also agreed in principle to a range of proposals to improve the parental leave legislation and agreed to consult on the design of these proposals with employers and employees and other stakeholders [CAB Min (14) 13/12 refers].

Problem definition

- 25 Currently some families experience poor outcomes due to financial pressure on working mothers to return to the workforce earlier than is desirable for social and health reasons. This can lead to sub-optimal bonding between parents and their children, leading to poorer outcomes for children, and therefore society. Secure attachment is an important predictor of resilience in later life and a large body of evidence suggest that many adolescent difficulties including crime, substance abuse, and mental health have their antecedents in early childhood.⁶
- 26 Reduced time for mother to bond with children is also reported to have reduced health and development benefits, and does not achieve the World Health Organisation's recommendation of exclusive breastfeeding for the first six months (eg improved health outcomes to mothers, and specific benefits to babies such as improved cognitive development and visual acuity, reduced risk of types 1 and 2 diabetes, reduced childhood obesity and coeliac disease, reduced mortality during the first year of life and long-term benefits for cardiovascular health).⁷

Attachment to the workforce

- 27 As it stands, the parental leave evaluation⁸ found that the majority of employed women who did not meet the criteria for parental leave entitlements resigned from their jobs, thereby losing their attachment to the labour market. This is in a context where employment is recognised as the best and most sustainable route to address poverty and increase family income. The positive impacts of employment on a range of social, educational and health outcomes for both parents and children have been increasingly researched and recognised.⁹
- 28 Of those ineligible mothers who did return, a third (33%) did so within a month of having the child. This compares with just 1% of eligible mothers returning in the same period. Hence, in order for these mothers to maintain their connection to work, they compromise the health and welfare benefits of a longer leave for both themselves and their child.

⁶ Sir Peter Gluckman (May 2011) 'Improving the Transition: Reducing Social and Psychological Morbidity During Adolescence'.

⁷ American Academy of Pediatrics (2005) 'Breastfeeding and the use of Human Milk'.

⁸ Department of Labour (2007) 'Parental Leave in New Zealand, 2005/2006 Evaluation'.

⁹ White Paper for Vulnerable Children, 2012.

- 29 There are numerous problems with the now 27 year old Act. It is not only failing to adequately reflect current work trends, meaning that many workers continue to miss out, but also failing to recognise New Zealand's increasingly diverse family structures and parenting arrangements. A range of labour market research also shows that Maori and Pacific mothers are over-represented in the types of jobs and employment arrangements that tend to exclude mothers from being eligible for parental leave.¹⁰
- 30 As a consequence of these limitations, the scheme does not adequately meet its objective of promoting attachment to work. The attachment to work impacts can have adverse economic impacts. Encouraging on-going attachment to the labour market has broad economic, productivity, and social benefits. Attachment to work, specifically can
- enhance the diversity in the workforce
 - reduce long term fiscal costs (for example, costs that may arise from poorer health and social outcomes)
 - enhance retention of skills and institutional knowledge
 - reduce recruitment and training costs, and
 - improve innovation by enhancing diversity and encouraging employee engagement.

Failure to adequately reflect current work trends – non-standard and less regular workers missing out

- 31 The Act's lack of flexibility and strict eligibility criteria (relating to continuous employment with one employer prior to the baby's due date) not only discourages labour mobility but frequently causes employees to miss out on the necessary support payments and job protection. For example, non-standard workers (such as casual, seasonal, temporary and fixed term workers), or other workers with more than one employer, are ineligible for paid leave despite often having a long work history. Employees who have a change of employer in the six month timeframe are not eligible for paid leave or unpaid job-protected leave (including, for example, those who change jobs between franchises).

Failure to recognise diverse parenting arrangements – primary carers missing out

- 32 Family structures and parenting arrangements have become significantly more diverse since the Act was enacted, and the current eligibility criteria for parental leave entitlements do not recognise different family arrangements. Some examples of the arrangements that are excluded include guardianship and whāngai arrangements, biological fathers, grandparents, and other carers who work but take time off work to care for young children.

Failure to promote attachment to work and enable flexibility

- 33 All forms of parental leave available to employees (both paid leave and unpaid job-protected leave) must be taken full-time and in one continuous block. On returning to work, an employee forfeits any remaining parental leave entitlement. There is no ability within the legislation to take the unpaid job-protected leave part-time or flexibly. This diminishes the employee's ability to balance their attachment to work and their desire to spend time with their child.

¹⁰ Department of Labour (2007) 'Parental Leave in New Zealand 2005/2006 Evaluation'.

Allowing employees to resign and still receive payments

- 34 Currently, an employee can only receive paid leave if they tell their employer they intend to return after the leave and provide a return date, as part of the notification advising their employer of their intention to take parental leave. There are situations where the employee may be intending to resign but does not inform the employer because they will forfeit their eligibility for payments. Where the employer needs replacement cover, they are obliged to recruit a temporary replacement when they could have saved costs and recruited a permanent replacement from the outset.

B. Regulatory Impact Analysis

Objectives and criteria

- 35 The options should broadly promote better child and family health and wellbeing outcomes for families with newborn children, and improved workplace productivity, including better attachment to work, whilst managing government fiscal and overall employer costs. The scheme's design can create a trade-off between workplace attachment and family and bonding outcomes (for example, by promoting bonding by staying away from work). However, a well-designed scheme should improve both the overriding objectives of improved family outcomes sought and attachment to work, relative to the status quo.
- 36 The options will be assessed against the following criteria:
- a) improved attachment to work
 - b) improved health and bonding outcomes for both mother and child with a mother being able to recover from childbirth, bond with a new baby and return to work without negative consequences to her health or that of her child
 - c) avoiding unnecessary compliance costs to business – managing employer costs (administrative, compliance and direct costs)
 - d) fiscal costs – fits within government's broad constraints and is cost effective
- 37 The eligibility criteria for parental leave entitlements are set under the Act, and the choice in how it can be taken are prescribed by the Act. Therefore, non-regulatory options have not been considered, as they would not be able to broaden the criteria or achieve improvements to flexibility and attachment to work during parental leave.
- 38 Note the appendix sets out some of the detailed assumptions that underpin the costings used in the analysis below.

Analysis of options against criteria

- 39 The table also assesses the net impact, based on the combined assessment of each option against the criteria.
- 40 The following scale has been used in assessing the criteria:
- xx Significant deterioration from the status quo
 - x Deterioration from the status quo
 - No change from status quo
 - ✓ Improvement from status quo
 - ✓✓ Significant improvement from status quo

41 The proposals fall into the following categories:

- Extending paid leave (but not unpaid job-protected leave) entitlement to those who have recently changed jobs and to non-standard workers
- Extending parental leave entitlements to 'primary carers'
- Providing unpaid job-protected leave to workers who have been with their employer for more than six months, but less than 12 months
- Keeping in Touch hours
- Enabling employees to take the unpaid parental leave part-time and flexibly
- Allowing employees to resign if they wish and still receive payment

Modernising Parental Leave – analysis of proposals

Proposal	Criteria for assessment of proposals				Impact
	Attachment to work outcomes	Improved health and bonding outcomes for both mother and child	Avoiding unnecessary compliance costs for business	Fiscal costs	
Extending paid leave (but not unpaid job-protected leave) entitlement to those who have recently changed jobs and to non-standard workers					
<p>Status Quo</p> <ul style="list-style-type: none"> Employee needs to have worked an average of at least 10 hours a week in the six or 12 months immediately prior to the birth/adoption for the same employer. Must also include at least one hour in every week or 40 hours in every month Six months' continuous employment with the same employer entitles employee to paid leave only 12 months' continuous employment with the same employer entitles employee to paid leave and 52 weeks unpaid job-protected leave (includes paid leave period). 	<p>Good attachment to work outcomes for those currently eligible but still a group of the workforce missing out, with increased likelihood of these workers leaving labour market altogether.</p>	<p>Health and bonding outcomes are being achieved for those currently eligible but not for group currently ineligible.</p>	<p>Some compliance cost.</p>	<p>No additional cost to scheme.</p> <p>Those who do not have access to the scheme may increase fiscal cost in other places (for example, increased demand for other services).</p>	<p>Net impact</p> <p>Benefits only accrue to current pool of eligible recipients. Employees in working arrangements that are currently excluded continue to miss out on entitlements and the associated benefits, such as health and welfare outcomes and attachment that flow from these. Those missing out create fiscal costs elsewhere, such as higher uptake of the Parental Tax Credit, without a work attachment outcome, or other benefits.</p>
<p>Option 1a – preferred option</p> <p>Extending parental leave payments to non-standard employees (such as casual, seasonal, and employees with more than one employer) and those who have recently changed jobs or experienced gaps in employment. Specifically:</p> <ul style="list-style-type: none"> To access paid leave only, employees would need to have worked an average of at least 10 hours per week over any 26 out of the 52 weeks immediately preceding the expected date of delivery/assumption of care for any employer. Does not have to include at least one hour in every week or 40 hours in every month. 	<p>✓✓</p> <p>Promotes attachment to work, and particularly for more vulnerable workers.</p>	<p>✓✓</p> <p>Extending access to employees not currently eligible will better support the family outcomes sought by the scheme by providing a period of income stability for families with mothers who may be currently ineligible for any financial support so that these workers can also have time to recover/bond with a new baby. It is expected that the proposal will result in approximately 700-800 workers becoming eligible.</p>	<p>✗</p> <p>No additional direct cost to employers, apart from potentially higher numbers of the workforce taking paid leave and negotiating job-protection. Given the small additional numbers involved, this impact is considered to be insignificant.</p>	<p>✗</p> <p>Primary cost is the increased cost of providing payment.</p> <ul style="list-style-type: none"> 2014/15: \$0m 2015/16: \$5.7m 2016/17: \$6.4m 2017/18: \$6.6m <p>However, there should be some reduction in demand for other government provided benefits, which may mitigate some of the increase in costs.</p>	<p>Impacts on workers</p> <p>Enables more workers to be eligible for payments, with corresponding positive benefits for the families of those workers (including greater financial stability, better health outcomes for parents and children and improved bonding). It is estimated that approximately 700-800 additional workers will be eligible for PPL as a consequence of the change to the work eligibility requirements.</p> <p>Given the demographics of the groups of workers currently missing out on parental leave entitlements, it is anticipated that the largest impact of the changes to broaden eligibility will be on lower income workers; those in temporary and less regular and reliable work; those in rural areas, those with more children to support; and Māori and Pacific women..</p> <p>Impacts on businesses</p> <p>Limited impact on businesses as it does not require employers to hold jobs open if workers have only a short tenure in the workplace. There will be marginally increased compliance costs given that more workers will have their jobs protected during the paid parental leave period (18 weeks from April 2016).</p> <p>Increased access to the PPL scheme would also improve attachment to the workforce. This would lead to longer term benefits from increased employee loyalty to the firm and a higher retention rate.</p> <p>Impacts on government</p> <p>Increased fiscal cost of providing the scheme. However some of this increase can be mitigated by the reduction in demand for other government services (such as the parental tax credit). There will also be a longer term positive impact on the fiscal costs as a result of improved health and family outcomes. Specifically, this should see a reduction in the longer term expenditure on health, crime and other social services.</p> <p>Net impact</p> <p>Strikes an appropriate balance between providing support for parents to bond with their newborn children and encouraging attachment to the labour market, while minimising the costs on government and employers. Also minimises practices that may be disruptive to business development.</p>

<p>Option 1b</p> <p>Extending parental leave payments to non-standard employees (such as casual, seasonal, and employees with more than one employer) and those who have recently changed jobs or experienced gaps in employment by removing any minimum work requirements.</p>	<p>-</p> <p>Will have a mixed impact on attachment to work. As anyone will become eligible for PPL payments, there will be no incentive to remain in the workforce. However, a greater number of workers will be eligible for the entitlements than under the status quo or option 1a.</p>	<p>✓</p> <p>Extending access to employees not currently eligible will better encourage families to have time to recover/bond with a new baby, and benefit from the associated improved health and welfare outcomes.</p>	<p>✗</p> <p>No additional direct cost to employers, apart from potentially higher numbers of the workforce taking paid leave and negotiating job-protection. In comparison to Option 1a, the costs are likely to be higher for employers as a result of the higher likely uptake.</p>	<p>✗✗</p> <p>Primary cost is the increased cost of providing payment. The fiscal costs of providing paid leave under this option will be higher than under option 1a.</p>	<p>Net impact</p> <p>While this option will considerably broaden access to the scheme and is likely to improve the family outcomes sought by the scheme, it is not clear that this option will have a positive impact on objectives aimed at improving attachment to work. Given this and the higher costs of this option, this option will have a lower net benefit when compared to the preferred option.</p>
<p>Option 1c</p> <p>Extending parental leave payments to non-standard employees (such as casual, seasonal, and employees with more than one employer) and those who have recently changed jobs or experienced gaps in employment. Specifically:</p> <ul style="list-style-type: none"> To access paid leave only, employees would need to have worked an average of at least 10 hours per week over any 26 out of the 52 weeks immediately preceding the expected date of delivery/assumption of care for any employer. Must include at least one hour in every week or 40 hours in every month. 	<p>✓</p> <p>Will have a net positive impact on attachment to work. Less likely to impact on vulnerable workers.</p>	<p>✓</p> <p>Extending access to employees not currently eligible will better support the family outcomes sought by the scheme by providing a period of income stability for families with mothers who may be currently ineligible for any financial support so that these workers can also have time to recover/bond with a new baby. However, given the smaller group of people who are eligible, will have less of an impact on the family outcomes when compared to option 1a, particularly for those who are on the most precarious hours of work, and as such are most likely to be vulnerable to financial instability.</p>	<p>✗</p> <p>No additional direct cost to employers, apart from potentially higher numbers of the workforce taking paid leave and negotiating job-protection. In comparison to option 1a, the cost is likely to be smaller, given the more restrictive eligibility criteria.</p>	<p>✗</p> <p>Primary cost is the increased cost of providing payment. The fiscal cost of providing paid leave under this option is likely to be marginally lower than option 1a.</p>	<p>Net impact</p> <p>This option will see fewer people have access to the scheme in comparison to the preferred option, but more than the status quo. This option would also result in lower fiscal costs than option 1a. However, this option is unlikely to improve family outcomes for the most vulnerable workers (who have less certainty about their employment). As such, the net benefit of this option is lower than the preferred option.</p>

Extending parental leave entitlements to 'primary carers'

<p>Status Quo</p> <p>Eligibility primarily determined only through the birth mother, or the adoptive caregiver under the Adoption Act 1955.</p>	<p>✗</p> <p>Fails to promote attachment to work for other primary carers, and can cause them to leave their employment altogether (for example grandparents caring for grandchildren).</p>	<p>✗</p> <p>Poorly aligned for primary carers other than birth mothers and formal adoptive parents.</p>	<p>No additional costs.</p>	<p>No additional costs.</p>	<p>Net impact</p> <p>While the fiscal costs are managed, the status quo does not recognise the range of caring arrangements that exist in modern society. In turn this limits the impacts the scheme has on the family outcomes sought from the scheme. It also undermines broader productivity objectives, by failing to promote attachment to work for certain types of families.</p>
<p>Option 2a – preferred option</p> <p>Extending parental leave entitlements to include all 'primary carers', rather than solely biological or formal adoptive parents.</p>	<p>✓✓</p> <p>Will better encourage attachment to work by providing better financial support for a range of families to return to work.</p>	<p>✓✓</p> <p>Will promote good family outcomes by recognising that there are a range of informal care arrangements where carers will need some time initially to bond. It is estimated that approximately 500-600 additional workers will be eligible for PPL as a consequence of the change to the family eligibility requirements.</p>	<p>✗</p> <p>No additional direct cost to employers, apart from potentially higher numbers of the workforce taking paid leave and negotiating job-protection. Given the small additional numbers involved, this impact is considered to be insignificant.</p>	<p>✗</p> <p>Will increase fiscal cost by expanding the group of people who are eligible.</p> <ul style="list-style-type: none"> 2014/15: \$0m 2015/16: \$3.7m 2016/17: \$4.1m 2017/18: \$4.3m 	<p>Impacts on workers</p> <p>Enables workers with more diverse families to be eligible for payments, with corresponding positive benefits of broadening eligibility (outline under option 1a above). It is estimated that approximately 500-600 additional workers will be eligible for PPL as a consequence of the change to the family eligibility requirements.</p> <p>Impacts on businesses</p> <p>The impacts on businesses of broadening eligibility on the basis of family arrangements are likely to be consistent with the impacts of broadening eligibility as outlined under option 1b above.</p> <p>Impacts on government</p> <p>The impacts on government of broadening eligibility on the basis of family arrangements are likely to be consistent with the impacts of broadening eligibility as outlined under option 1b above.</p> <p>Net impact</p> <p>Strikes an appropriate balance between providing support for parents of newborns and encouraging attachment to the labour market, while minimising the costs on government and employers. Also minimises practices that may be disruptive to business development.</p> <p>The increased fiscal cost is outweighed by the benefits of improved family outcomes and attachment to work.</p>
<p>Option 2b</p> <p>Extending parental leave entitlements only to those 'primary carers' that can provide documentary evidence of such care (for example through formal guardianship or home for life arrangements)</p>	<p>✓</p> <p>Will better encourage improved productivity outcomes in comparison to the status quo. However, by not recognising the more informal arrangements, this option will be less effective at facilitating attachment to work outcomes for certain workers.</p>	<p>✓</p> <p>Will have some positive impact on the family outcomes sought by the scheme, but not families where the care arrangements may be entered into more informally (such as where whāngai arrangements are entered into).</p>	<p>✗</p> <p>No additional direct cost to employers, apart from potentially higher numbers of the workforce taking paid leave and negotiating job-protection. Given the small additional numbers involved, this impact is considered to be insignificant.</p>	<p>✗</p> <p>Will increase fiscal cost by expanding the group of people who are eligible. The fiscal cost of this option is likely to be higher than option 2a.</p>	<p>Net impact</p> <p>While the fiscal costs are managed with this option, this does not adequately recognise the range of caring arrangements that exist in modern society (in comparison to the preferred option). In turn this limits the positive impacts the scheme has on family and broader attachment to work objectives.</p>

Providing unpaid job-protected leave to workers who have been with their employer for more than six months, but less than 12 months

<p>Status quo Women who have been with their employer for at least six months (but less than 12 months) may access only 14 weeks' paid leave, but not any unpaid job-protected leave.</p>	<p>Higher likelihood of women leaving their employment altogether if leave period is short.</p>	<p>Current paid period is not sufficiently long enough to achieve recovery, and health and wellbeing objectives for both mother and child.</p>	<p>No additional compliance costs.</p>	<p>No fiscal costs.</p>	<p>Net impact</p> <p>There is a net negative impact. While there is no change to the costs of the scheme, many women either leave the workforce or compromise on time spent with their child if they have recently moved jobs. This detriment outweighs the cost savings.</p>
<p>Option 3a – preferred option Extending unpaid leave to workers who have been with their employer for more than six months (but less than 12) as a standard six month leave period (inclusive of the 18 weeks' paid leave).</p>	<p>✓ More likely that employee will return to work if longer job-protected leave is available. Therefore promotes greater attachment to work and to the employer.</p>	<p>✓✓ Achieves the six-month milestone, considered to be the minimum optimum period for full time personal care of children.</p>	<p>* Employer costs in providing additional (unpaid) leave.</p>	<p>- No fiscal costs.</p>	<p>Employees who have been with the firm for more than 6 months but up to 12 would have their jobs protected for 26 weeks. Employees who have been with the firm for more than a year would have jobs protected for 12 months.</p> <p><i>Impacts on employees</i></p> <p>This is likely to promote attachment to work for those people who have recently changed jobs. This will lead to the individual benefits that attachment to work promotes (such as improved financial stability, better retention of skills and better family outcomes).</p> <p><i>Impacts on businesses</i></p> <p>There will be a slight increase in complexity of the scheme (as a consequence of moving from two to three different thresholds). This will have a marginal impact on the compliance costs for businesses. Employers will also have increased replacement costs as more employees may be off work longer. However, it will also encourage improved retention of workers.</p> <p><i>Impacts on government</i></p> <p>This proposal improves NZ's compliance with the World Health Organisation's recommendation of exclusive breastfeeding for six months, without unduly increasing compliance costs for employers.</p> <p>Net impact</p> <p>On balance, the benefits of increased attachment to work (with its corresponding impacts on workers and firms) and the improved compliance with the WHO guidelines offset the marginal increase in costs for employers.</p>
<p>Option 3b Extending unpaid leave to workers who have been with their employer for more than 6 months as a pro rata amount of unpaid leave according to length of service.</p>	<p>✓ More likely that employee will return to work if longer job-protected leave is available. Therefore, greater attachment to work and to the employer.</p>	<p>✓✓ Achieves the six-month milestone, considered to be the minimum optimum period for full time personal care of children.</p>	<p>** Higher employer costs in running a pro-rated system according to tenure (including having systems that track entitlements against length of service).</p>	<p>- No fiscal costs.</p>	<p>Net impact</p> <p>While this option will yield some greater productivity benefits (as a consequence of increased retention and attachment to work), those benefits will be offset by the costs arising from the added complexity of the pro-rata system.</p>

Keeping in Touch hours

<p>Status quo Any work undertaken, regardless of how little, is deemed a return to work under the Act, and hence any remaining paid or unpaid leave entitlements are removed.</p>	<p>Serves to discourage attachment to work, and hinders potential development and upskilling for the employee, whilst not enabling the employee to undertake such things as handovers or training if the employer and employee wish it.</p>	<p>Minimal impact on family outcomes sought. Although this would only affect a minority, where workers, however, make a decision to work (for example, to attend training with their employer), they would compromise the time needed for recovery and bonding with the child.</p>	<p>No additional compliance costs.</p>	<p>No fiscal costs.</p>	<p>Net impact</p> <p>Negative impact, given that it enables no flexibility for the employer or the employee to engage in any work-related activity in the paid or unpaid period of leave.</p>
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<p>Option 4a – preferred option Enabling a maximum of 40 Keeping in Touch hours so employees can work limited hours during their paid leave period if they choose.</p>	<p>✓✓ Encourages attachment to work Benefits employers who may need some form of business continuity, or a handover; and employees if they want to keep in touch with the workplace.</p>	<p>✓ Allows employees and employers to maintain contact during leave-taking, without compromising the family outcomes. Will particularly benefit those employees who may have had to do some work during the parental leave periods (and who under the status quo would lose the financial support to stay at home). KIT hours would need to be for 'keeping in touch', not seen as part-time work, in order not to hinder health and wellbeing, and bonding objectives.</p>	<p>- By mutual agreement. Costs for employers would only be in relation to compensation for hours worked, but provision of KIT hours is voluntary.</p>	<p>- No fiscal costs.</p>	<p><i>Impacts on employees</i> Keeping in Touch days will allow employees and employers to maintain contact during leave taking, enabling the employee to remain up-to-date with their workplace, and strengthen their connection to the labour market. The option will have limited impact on the time available for parents to bond with children. <i>Impacts on businesses</i> Benefits employers wanting to provide for some business continuity Allowing greater flexibility to enable employees to maintain a level of contact with their workplace may also support the transition between parental leave and a return to work and enable employers to maintain contact with their employees during this time. As this could only be implemented through agreement between employers and employees, compliance costs for employers would be minimal as the option would be voluntary and therefore employers would be able to manage any associated costs. <i>Impacts on government</i> No material impact on Government. Net impact Benefits both employers and employees by supporting the transition between parental leave and a return to work. As the proposal is predicated on mutual agreement, any impacts arising from its implementation (either on employer costs or employees returning to work) will be manageable.</p>
<p>Option 4b Enabling unlimited Keeping in Touch hours so employees can work any hours during their paid leave period if they choose, without losing their entitlements.</p>	<p>✓✓ Encourages attachment to work Benefits employers who may need some form of business continuity, or a handover; and employees if they want to keep in touch with the workplace.</p>	<p>xx Being able to work without limitation during the initial paid period, however, would significantly undermine the objectives of the scheme as they relate to improving family outcomes.</p>	<p>- By mutual agreement. Costs for employers would only be in relation to compensation for hours worked, but provision of KIT hours is voluntary.</p>	<p>- No fiscal costs.</p>	<p>Net impact In comparison to the status quo, this option undermines some of the family outcomes, by encouraging employees to return to work earlier.</p>
<p>Enabling employees to take the unpaid parental leave part-time and flexibly</p>					
<p>Status Quo All forms of parental leave available to employees (both paid leave and unpaid job-protected leave) must be taken full-time and in one continuous block. On returning to work, an employee forfeits any remaining parental leave entitlement.</p>	<p>Does not promote attachment to work.</p>	<p>Parents who may feel that they need a financial injection from undertaking some work would then be compelled to return on an ongoing basis. This compromises the time that would otherwise be available for the parent and child to bond.</p>	<p>No compliance costs.</p>	<p>No fiscal costs.</p>	<p>Net impact Potential negative impact for both employers and employees if a temporary return to work within the unpaid leave period would be beneficial for both parties.</p>

<p>Option 5a – preferred option Enabling employees to take the unpaid parental leave part-time and flexibly, by mutual agreement with their employer.</p>	<p>✓✓ Promotes attachment to work.</p>	<p>✓✓ This would encourage parents to work flexibly during the extended leave period as needed and better enable parents to find time to bond with their child. However, being able to return to work without restriction may encourage some parents who would more likely have stayed at home with their children to return to work, which could potentially undermine the family outcomes sought by the scheme.</p>	<p>✓✓ Any additional costs would be insignificant as it would be arranged by mutual agreement and therefore be of benefit to both parties.</p>	<p>- No fiscal costs.</p>	<p><i>Impacts on employees</i> This flexibility will allow employees to return to work earlier (for example to participate in key projects) and then continue with their unpaid parental leave. This will both improve the attachment to work outcomes for the employee (such as improved connection to the labour market and retention of skills and knowledge) and the family outcomes sought by the scheme. <i>Impacts on businesses</i> There is likely to be significant flexibility benefits for businesses. Firms will be able to access employees more readily. As the proposal is predicated on mutual agreement, any costs arising from its implementation will be manageable. <i>Impacts on government</i> No material impact on Government. Net impact Benefits both employers and employees by supporting the transition between parental leave and a return to work Promotes attachment to work and improved family outcomes by providing greater choice and flexibility to balance work and family needs. It does so without imposing additional compliance costs on employers, which would be the case if the option was a 'right' to flexible leave.</p>
<p>Option 5b Enabling employees to take the unpaid parental leave part-time and flexibly as a matter of right.</p>	<p>✓✓ Promotes attachment to work.</p>	<p>✓✓ This would encourage parents to work flexibly as needed and better enable parents to find time to bond with their child.</p>	<p>xx This option will have significant costs for employers. The costs will arise from the uncertainty about resourcing levels.</p>	<p>- No fiscal costs.</p>	<p>Net impact This option would increase flexibility for employees in returning to work. However, this would carry significant compliance costs for employers. Employers in many cases may have to pay for up to double the cost of replacement (ie the costs of the employee who has returned and the cost of the replacement cover). These costs would far outweigh the benefits of improved attachment achieved through better transitions back to work.</p>

Allowing employees to resign if they wish and still receive payment

<p>Status Quo Status quo – The employee will lose all entitlements if they resign from their job up-front.</p>	<p>Theoretical benefits of attachment to work. Creates an incentive for people to remain attached. However in practice, parents wishing to resign will do so after receiving entitlements. Therefore, limited benefits for attachment to work.</p>	<p>Little impact on scheme objectives. In practice most people will not resign until they have received payments. In some instances where people may have to resign, they would lose their entitlements and may incur some financial instability.</p>	<p>Significant compliance costs for businesses. While both parties may understand the employee intends to leave, they are compelled to have the job held open and hold off recruiting replacement staff.</p>	<p>Theoretically lower fiscal costs. However in practice, parents wishing to resign will do so after receiving entitlements. So unlikely to limit fiscal cost.</p>	<p>Net Impact Negative net impact. The most significant drawback of the status quo is that it prevents employers from planning for suitable cover, even where the employee is clearly not intending to return to work. There is limited impact of this design feature on the scheme objectives of attachment to work and providing sufficient time for parents to bond with newborn children.</p>
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<p>Option 7 – preferred option To allow employees to resign if they wish and still receive payments.</p>	<p>- Minimal impact on attachment to work and productivity.</p>	<p>- Limited impact on scheme objectives.</p>	<p>✓✓ Will significantly reduce unnecessary compliance costs. Will allow businesses to plan replacement cover more effectively.</p>	<p>- Unlikely to change the fiscal cost from status quo.</p>	<p><i>Impacts on employees</i> This will have limited impact on employees. May have marginal benefits on workplace engagement as it allows employees to communicate more honestly with employers.</p> <p><i>Impacts on businesses</i> There are likely to be some benefits for businesses. Firms will be able to hire replacement labour more easily as they will not be compelled to hold the job open for an employee who is not intending to return.</p> <p><i>Impacts on government</i> No material impact on government.</p> <p>Net impact The benefit of enabling employees to resign and still receive benefits will allow employers to plan for replacement labour more effectively with limited (if any) additional cost.</p>
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C. Implementation (and risks and mitigation) of preferred package

- 42 The proposals will be progressed, along with the package of proposals to strengthen the enforcement of employment standards work, in an omnibus Employment Standards Bill. In order to achieve the 1 April 2016 implementation date for the parental leave changes, as announced in Budget 2014, this Bill needs to be introduced by mid-2015.
- 43 These proposals are likely to result in significant changes to the Act and its associated regulations, subject to Cabinet decisions.
- 44 There is a risk that workers and employers may be confused about their rights and obligations following the changes. A public education campaign will be undertaken to help employers and workers understand the changes proposed. The effectiveness of the changes will be reduced if they are not communicated well.
- 45 The following sections set out some of the risks that may arise as a result of the implementation of the proposals.

Implementation and administrative issues for proposal to extend paid leave to non-standard workers

- 46 Given the proposed split into a paid leave only entitlement and a paid leave and job-protected leave entitlement, the application process would mirror this. Employees applying for payment only would apply directly to the Inland Revenue Department (IRD). Employees applying for payment and leave would follow the current process of providing written notice to the employer and applying to IRD for payments.
- 47 There is some risk associated with verification, which for some workers would require a statutory declaration of some kind, given the difficulties associated with verification from multiple employers. This could therefore increase the risk of fraudulent activity. However, imposing a high level of verification would preclude the groups of workers that the changes are targeting.
- 48 Officials are of the view that the risk of fraudulent activity or gaming is relatively low. For workers with a low level of attachment to the labour market and low earnings, other options available would provide higher payments, such as the Parental Tax Credit, or the Sole Parent Support, Jobseeker Support and Supported Living Payments.
- 49 Paid parental leave is a relatively low level of payment that is capped at the maximum rate¹¹ or set at an employee's pay rate, whichever is lower. For example, if an employee is working 10 hours a week on the minimum wage, they would only qualify for a weekly payment of \$142.50. Employees would also be required to cease working for the duration of the paid leave period, and would need to provide evidence to certify their work and/or primary carer status. Furthermore, there is a significant penalty for making a false declaration.

Implementation and administrative issues for proposal to extend parental leave entitlements to primary carers – verifying eligibility

- 50 As with the proposal to extend eligibility to non-standard workers, the extension of parental leave entitlements to primary carers necessitates a low level of verification if the intent is to address the current problems with the Act and recognise less formal care arrangements. A verification standard that is too high will run the risk of compromising the scheme's objectives, while a threshold that is too low will increase the risk of gaming and fraud.

¹¹ The maximum rate is currently \$504.10 per week (gross).

- 51 Thus to both manage the fiscal costs and give effect to the scheme's objectives, an appropriate verification threshold will need to be set. Without such a threshold, there is a risk that the benefits of the proposal may be undermined. The preferred option aims to mitigate this risk by building in a requirement that the caring arrangement be evidenced by a signed declaration of some kind (or formal certification through Child, Youth and Family where it exists) with a significant penalty system sitting behind it for any attempts to mislead IRD.

Enabling employees to work limited hours (Keeping in Touch Days) during the paid leave period

- 52 Monitoring the respective conditions and ensuring adherence to them would be costly and administratively difficult. However, current provisions allow self-employed parents to carry out work in the nature of oversight while receiving paid leave. Therefore, it is proposed that the KIT provisions would be implemented in a similar way to ensure the administration of the scheme is simple and cost-effective.
- 53 There is also some risk that employers implementing these changes may begin to place pressure on employees to work more hours than they would like. This may undermine the family outcomes sought by the scheme. However, clear provisions (ie stipulating the importance of both parties' agreement) and existing protections and the duty of good faith will mitigate this risk.

D. Consultation

- 54 As noted above, a discussion document, *Modernising Parental Leave*, was developed for public consultation on the proposals to allow more workers access to parental leave entitlements and to enable greater flexibility and connection to work.
- 55 The following government agencies were consulted on the discussion document *Modernising Parental Leave*: the Department of Prime Minister and Cabinet, the State Services Commission, the Inland Revenue Department, the Treasury, the Ministries of Social Development, Education, Women's Affairs, Pacific Island Affairs, Justice, and Te Puni Kōkiri.
- 56 The public consultation on the discussion document ran for six weeks, closing on 25 August 2014. The consultation sought feedback on the design of the proposals and received 894 submissions from a range of individuals and organisations representing both employees and employers.
- 57 The majority of submitters, including employers and employees, were positive about the proposals to modernise parental leave provisions and supportive of the changes.
- 58 Most submitters supported amendments to ensure that workers are not ineligible for payments based on their employment status (such as seasonal and casual workers); that hours' tests are reflective of the different working arrangements and circumstances of prospective parents; and that these provisions need to work within flexible modern working arrangements. Many employer comments included the need for the verification process and determination of eligibility to be the responsibility of a government agency rather than the employer.
- 59 Following the public consultation, a more detailed options analysis was undertaken in consultation with key stakeholders and relevant government agencies, resulting in this RIS.
- 60 The following agencies were consulted on the Cabinet paper *Modernising Parental Leave: Extending access and flexibility* and this RIS: the State Services Commission, Inland Revenue, the Treasury, the Ministries of Social Development, Justice, Health, Pacific Island Affairs, Ministry for Women, Te Puni Kōkiri, and the New Zealand Defence Force. The Department of Prime Minister and Cabinet has been informed about the Cabinet paper.
- 61 Business New Zealand and the New Zealand Council of Trade Unions (NZCTU), and their affiliated unions, were also consulted on the key proposals in the Cabinet paper. They were both broadly comfortable with the key proposals. NZCTU had some concerns with the design aspects of some of the proposals. Specifically, they were concerned that they could create incentives for employers to act outside the spirit of the legislation (for example, by pressuring employees to resign prior to taking leave). Our view is that such risks exist currently and are mitigated by existing protections.

E. Monitoring, Evaluation and Review

- 62 MBIE will utilise data from a number of sources to monitor the impacts of the changes.
- 63 Currently, IRD generates monthly reports providing data on:
- individual and total payments
 - number of applications processed, actual recipients and number declined
 - applicant type – how many applications are transferred to spouses
 - weekly income of recipients
 - industry statistics
 - ethnicity
 - number of adoption cases
- 64 MBIE will use this data to monitor any increases in uptake and how the changes are impacting on the overall data. Following implementation, IR will gather new information to reflect those employees who will be payment only recipients, and numbers of primary carers new to the scheme.
- 65 In particular, MBIE will closely monitor increased numbers of participants and income statistics, as a means of assessing any fraudulent activity that may arise as a result of the broadening of the eligibility criteria.
- 66 Labour Inspectorate and MBIE Service Centre activities will also be utilised to help monitor and evaluate the policy changes. The Service Centre will be closely involved with analysing and processing complex applications, particularly in the early period following implementation. They will therefore be able to provide data on specific issues that arise from the changes, as well as more general data derived from employer and employee queries and employee case management.
- 67 Statistics New Zealand's Integrated Data Infrastructure is a significant data set that links administrative and survey employer and employee data, and MBIE will assess whether this data can be used as an additional monitoring tool for the parental leave changes.
- 68 There has been one evaluation of the parental leave scheme and this was carried out in 2005/06. The current changes proposed are significant and MBIE would recommend another evaluation to update this one two years after the implementation of the changes. MBIE's ability to undertake a review at that time will depend on available resources and other competing priorities.
- 69 The need for a relevant up-to-date evaluation and current research was also raised by a small number of submitters in the consultation.

F. Appendix

Extending paid parental leave to non-standard workers

1 Information collected as part of the parental leave evaluation provides some information about the relative size of groups ineligible for parental leave and casual employees' work patterns that contribute to ineligibility. The Ministry's experience applying the current provisions is also a useful informant in understanding determinants of ineligibility.

Cost

2 The parental leave evaluation found that of the 20% of women in paid work who were ineligible for PPL, 14% were ineligible because they did not meet the tenure requirements under the Act.¹² Self-employed women accounted for just over a third of the group of working women who were ineligible. Following the inclusion of self-employed in the scheme in 2006, the group of women eligible for paid parental leave is estimated to be around 90%.

3 Assuming that 10% of women in paid work are currently ineligible for PPL, if one half of this 10% (i.e. 5%) became eligible under the policy change then the cost would increase by a factor of 5/90 or 5.6%.¹³

4 The additional costs associated with extending parental leave payments to this group are therefore estimated to be an additional \$4.7 million in 2014/15, and a total of \$19.7 million over four years, as set out in Table 2 below.

Table 1: Estimated cost of extending paid parental leave to non-standard workers (\$M)

	2014/15	2015/16	2016/17	2017/18	Total over 4 years
Costs of existing scheme (14 weeks)	\$168.81	\$174.21	\$179.43	\$184.82	\$707.3
Additional cost assuming eligibility increases from 90% to 95% (i.e. 50% of ineligible people become eligible) and half those people take up PPL ¹⁴	\$4.69	\$4.84	\$4.98	\$5.13	\$19.7

¹² This was either because they didn't meet the six months tenure requirement (7%); did not meet the 10 hours per week requirement (5%); or did not meet both criteria (2%).

¹³ It can be assumed that the costs are higher also, because these are modelled off the existing scheme costs (whereby 91% of current recipients receive the maximum rate of PPL). With lower income employees coming into the scheme, it would be reasonable to assume that the maximum rate would decrease.

¹⁴ According to the parental leave evaluation, approximately 10% of women in paid work are currently ineligible for PPL (following the inclusion of the self-employed in the scheme in 2006).

- 5 Numbers of additional people that would be covered by the scheme, on the basis of this estimate, would be approximately 700-800 people per year. It would be reasonable to assume that 50% of these people would otherwise have received PTC, thus approximately 350-400 people could shift from receipt of PTC to PPL.
- 6 Assumptions made in these calculations include:
 - a) A small group of employees would remain ineligible for the scheme. This is appropriate because, despite the new eligibility criteria being significantly broader and more flexible, there will still be workers with a very tenuous connection to the labour market who will not qualify, and for whom the PTC would be a better option in any case.
 - b) The parental leave evaluation found that take-up of PPL was around 80%. It is assumed that there would be a considerably lower take up with these groups of workers (i.e. 50%) because the evaluation showed that mothers ineligible for PPL were more likely to be sole parents, have lower qualifications, lower personal incomes, and have more children. They may therefore :
 - i. be less likely to access the provisions, particularly given that administratively it will be more difficult as an employee to verify hours and tenure with non-standard working arrangements and potentially more than one employer, and
 - ii. be better off receiving the PTC, particularly if the rate is increased, as PPL is paid at the employee's gross weekly pay rate or the maximum rate (currently \$504.10), whichever is lower. ie if an employee is working 10 hours a week on the minimum wage, they would only qualify for a weekly payment of \$142.50.

Extending paid parental leave to permanent carers

Cost

- 7 The Ministry of Social Development has estimated that about 182 'Home for Life' caregivers (from a total pool of 350) begin care of children under six years annually. About 30% of these (66) are known to be receiving a core benefit. They are therefore not in employment and would not be eligible for PPL.
- 8 The estimated cost to government of providing paid leave to around 100 eligible Home for Life caregivers is \$487,000 a year (based on the average payment of 91% of the maximum rate).¹⁵
- 9 The Ministry of Justice has advised that in 2012, 3,461 new Guardianship Orders, Parenting Orders or combined Guardianship and Parenting Orders were issued in respect of at least one child aged under six years. However, some 67% of Parenting or combined Guardianship and Parenting Orders are issued to either the mother, or the mother and father jointly. This reduces the number of people who would potentially gain eligibility for PPL to 1,213 each year.
- 10 This number would further reduce because the Ministry of Justice has advised that:
 - a) An unknown number of 'Home for Life' carers are appointed under a Parenting Order, and are therefore already costed separately

¹⁵ MSD's initial estimate was \$690,000 a year, which was based on the maximum rate of PPL.

- b) About 60% of people accessing the Family Courts for care of children are eligible for civil legal aid, which suggests that they are on low incomes. A number in this group are therefore unlikely to be in employment and not eligible for PPL
- c) A significant group of those in work who might be eligible would not wish to take PPL, given the comparatively low rate of payment and the requirement to be on leave.
- 11 As with non-standard workers, the evidence of lower incomes and difficulty in accessing the provisions would apply here.
- 12 Assuming a 30% uptake (364 people) from the pool of 1,213 who potentially gain eligibility for PPL through holding a guardianship and/or parenting order, the additional cost to government of providing PPL is estimated at \$1.7 million (based on the average PPL payment).
- 13 Due to a lack of data on mātua whāngai arrangements, it cannot be determined at this time how many additional people would become eligible for PPL. Earlier research by the former Department of Labour indicates that there are likely to be very few people in a whāngai relationship who meet the eligibility criteria for PPL. Likewise, there is a lack of data on numbers of grandparents caring for children who would also qualify for PPL, and numbers of fathers who would opt to take PPL in their own right. We do know that it is very rare for PPL to be transferred to a partner/spouse, and the parental leave evaluation found that most men would prefer to take parental leave consecutively with the mother.
- 14 Therefore, it is not expected that this would exceed a one-half percent increase (approximately 130 applications) in applications. Based on current expenditure a one-half percent increase in applications would increase the cost of the scheme by approximately \$840,000 a year.
- 15 **Table 2: Estimated costs of extending eligibility for paid leave to permanent carers (\$M)**

	2014/15	2015/16	2016/17	2017/18
Costs of extending eligibility to permanent carers				
Providing PPL to eligible Home for Life caregivers	\$0.0	\$0.6	\$0.7	\$0.7
Providing PPL to those holding a guardianship and/or parenting order	\$0.0	\$2.1	\$2.3	\$2.4
Providing PPL to those with mātua whāngai arrangements, grandparents raising grandchildren, and biological fathers	\$0.0	\$1.0	\$1.1	\$1.2
Total cost of extending eligibility to permanent carers	\$0.0	\$3.7	\$4.1	\$4.3
Total cost of extending entitlement and eligibility to non-standard workers and permanent carers	\$0.0	\$9.4	\$10.5	\$10.9

Notes:

Assumes entitlement of 16 weeks from 1 April 2015 and 18 weeks from 1 April 2016. Therefore 2015/16 estimate is 3/4 year at 16 weeks and 1/4 year at 18 weeks.

Figures are before tax and estimates are based on the 2011/12 financial year.

Increase in average ordinary time weekly earnings estimated based on Treasury Budget 2013 nominal wage growth forecasts.