

PAID PARENTAL LEAVE – ISSUES FOR TODAY’S ECONOMIC TIMES

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families commission
kōmihana ā **whānau**

> Giving New Zealand families a voice *Te reo o te whānau*

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1. INTRODUCTION

The Families Commission released a research report and recommendations for improving paid parental leave in 2007 (Families Commission, 2007). Events since that time – particularly the global economic crisis and consequent recession – may have created an environment in which the improvements we sought are less of a priority.

Evidence however, indicates that not only could increasing paid parental leave improve outcomes for children, but it may also make good economic sense for New Zealand as well as for individual families.

In this paper we look at how other countries have adjusted their paid parental leave provisions in the current economic climate. The latest analysis from Australia suggests that investment in paid parental leave makes sense during an economic downturn as an efficient means to stimulate local economies. Other writers also suggest that paid parental leave will pay for itself over the course of a woman's working life where increased workforce participation results. Improving the flexibility of provisions to enable those outside the current scheme to use them is also part of future-proofing the New Zealand labour market.

Evidence shows that families and whānau are most economically vulnerable when new children arrive. Financial pressure is frequently mentioned as a key reason for returning to work, in some cases, earlier than desired by some parents (Department of Labour, 2007). Recessionary pressures on family budgets may further increase the significance of financial factors in parents' decisions to return to work. Paid parental leave takes the financial pressure off at the most vulnerable time, which can prevent debt (which our evidence shows is most acute with families with dependent children).

Parents, and initially mothers, can be faced with balancing their attachment to their workplace with developing a secure attachment with their babies. Returning to work is important in ensuring families' economic wellbeing, but equally, time off work to allow bonding during the early months following the birth of a child has long-term benefits to children and society.

New Zealand is experiencing increasing diversity in its population, family arrangements and work arrangements. In this context, families themselves are best placed to make decisions about balancing workplace attachment and creating optimal attachment in their children. To make the best decisions for themselves and society requires families to have access to paid parental leave provisions that provide a real choice about who will be the main caregiver and when they return to work.

Helping parents to minimise or reduce any financial stress and smoothing the transition in and out of paid work around the birth or adoption of a child makes sense. Investing in parental leave supports parents in this time of transition and protects against longer-term costs arising from insecure parent-child attachments and poorer labour market and economic outcomes for mothers and their families.

2. BACKGROUND

2.1 New Zealand's paid parental leave provisions

New Zealand introduced paid parental leave in 2002 and progressively extended the scheme until July 2006. Extensions during this period primarily focused on extending the duration of leave and extending the eligibility criteria to enable more working mothers to access paid parental leave. (See Appendix 1 for a summary of current parental leave provisions.)

The Department of Labour's large-scale evaluation of parental leave found that New Zealand families, while indicating strong support for paid parental leave, also thought there was room for improvement in several areas of the scheme:

- > the length of paid parental leave
- > the rate of payment
- > leave entitlements for fathers and partners
- > the employment requirements affecting workers' access to parental leave
- > flexibility in the way that leave may be taken (Department of Labour, 2007).

Between 2002 and 2005, 40 percent of parental leave recipients (predominantly mothers) had returned to work within six months of taking leave and 76 percent had returned within 12 months (Crichton, 2008). Income pressure was found to be a significant feature in the decision to return to work for families in the Department of Labour's evaluation of paid parental leave (2007).

In 2007, the Families Commission produced a research report based on the Department of Labour evaluation (2007), an analysis of the more comprehensive and generous schemes available to families in other OECD countries, and other research. We concluded that major structural change to entitlements, eligibility and the flexibility of the scheme is desirable in the interests of families, children, workplaces and wider society. We recommended a substantial programme of change that would see an internationally competitive scheme fully implemented in New Zealand by 2015. (See Appendix 2 for the Commission's 2007 recommendations.)

Government spending on paid parental leave has risen. This is due to an increase in the number of people accessing the provision and higher maximum leave payments due to increases in average ordinary time weekly earnings.¹ There have, however, been no changes in parental leave policy since the Commission's report.

2.2 Changes to the policy context

Other policy changes have affected families with young children since 2007. For example:

- > The Employment Relations (Flexible Working Arrangements) Amendment Act 2007 has, since July 2008, provided employees with caring responsibilities (that meet an eligibility criteria) with a statutory right to request flexible working arrangements.
- > Changes to the Employment Relations Act 2000 that came into effect from April 2009 require that employers provide unpaid breaks and facilities for employees who wish to breastfeed infants or express milk during work hours, if reasonable and practicable.
- > 20 hours free early childhood education (ECE) was introduced for teacher-led early childhood education and some kōhanga reo in July 2007.² This complements the Childcare Subsidy (CCS) available through Work and Income.

2.3 New Zealand families and work – our findings

The Families Commission has completed a number of studies in recent years to understand how families are managing their paid work and family responsibilities. We have been concerned that long work hours and the work patterns of parents with dependent children were affecting family life, and wondered whether flexible work arrangements might be part of the solution for families (Families Commission, 2008, 2009a). In a further study we asked fathers about their use of parental leave (Families Commission, 2009c).

We found that few families engage in active decision-making about working long hours; rather, the hours seem to creep up over time. While we did not look specifically at this issue for new parents, many

1 As required under Section 71N Parental Leave and Employment Protection Act 1987. Since June 2007 the rate of payment has increased from \$391.28 per week to \$441.62 per week for employees (from 1 July 2010). The budget appropriation under Vote Revenue has risen from \$137m (2007/08) to \$150m (2009/10). During this period, there has also been a decline in the uptake of the Parental Tax Credit. The Parental Tax Credit provides up to \$150/week for eight weeks. Families who do not access paid parental leave are eligible for the tax credit on the basis of their level of earned income. Uptake of the Parental Tax Credit has dropped from \$22m to \$21m pa.

2 From 1 July 2010, all teacher-led ECE services, kōhanga reo and Playcentres were able to offer 20 hours ECE, and all three- to five-year-old children will be eligible to receive it.

families do have a parent working long hours, and the combination of long work hours and the birth of a child in the family may not be ideal.

Access to flexible work practices has various positive effects on families, although, unsurprisingly, there is no one-size-fits-all solution for all families as their needs change over time. Families did not often formally discuss flexible work arrangements, but usually discussed more general decisions about work patterns, especially when a first child was expected. Many parents were found also to choose occupations that would allow them to care for their families, although their perceptions of flexibility in particular occupations were not always borne out in reality.

When we surveyed fathers we found more than 40 percent said they did not have an opportunity to take parental leave. While many more fathers said they had access to some special leave around the birth of a child (84 percent), we do consider that fathers should reasonably expect to access parental leave at this important time. This is a particular concern since other research has indicated that bonding with babies at this early stage is associated with higher sensitivity to children's emotional needs (George, Cummings & Davies 2010) and engagement with children as they grow older. Work commitments in general were found to be a barrier to fathers spending more time with their children (Families Commission, 2009c).

3. ECONOMIC RATIONALE FOR BETTER PAID PARENTAL LEAVE

As most developed countries have well-established and accepted paid parental leave schemes, there is little new analysis of paid parental leave from an economic perspective. What does exist, however, points to the desirability of national paid parental leave schemes that provide more generous provisions than those found in New Zealand (see European Commission, 2009; OECD, 2007; Productivity Commission, 2009).

3.1 The returns on investment in paid parental leave

Evidence shows that paid parental leave helps improve women's attachment to the labour market over time.³ This is desirable for families and society because participation in paid work increases family economic wellbeing.

Women who have access to paid parental leave spend longer in the paid workforce than women who do not. Paid parental leave will pay for itself over the course of a woman's working life because the extra tax revenue associated with the higher workforce participation of these women is estimated to be significantly more than the cost of their parental leave payments (Richardson & Fletcher, 2009).

The long-term supply-side effects of higher participation by women would also be expected to increase GDP and generate additional tax revenue to a value significantly higher than the annual costs of the scheme. Modelling in Australia of a six-month period of paid parental leave at 39 percent higher than the minimum wage suggested outcomes would still be revenue-neutral (Richardson & Fletcher, 2009).

If a narrow labour market perspective is applied, the optimal period of parental leave seems to be around four to six months, as the use of longer leave periods by mothers can permanently damage their employment and earnings profile (OECD, 2007). This does, however, need to be balanced with other objectives, such as enabling parents to have longer periods away from paid work to create strong attachments with their children (p. 8). In practice, labour market objectives are given varying priority by different countries when balanced against other family, social and economic objectives.

Flexibility of paid parental leave provisions may also improve women's labour force attachment. In the light of trends towards more non-standard working arrangements, an ageing workforce and more diverse

family arrangements (including a growing number of single-parent households), flexibility in parental leave policies is needed to allow parents to make decisions that are appropriate to their diverse paid work and caring roles.

While recommending an alternative funding model for Australia's paid parental leave policy, Chapman, Higgins and Lin (2008) also argue the economic rationale for government intervention to reduce debt accumulation. This is because, they argue, the social benefits exceed the advantages accruing directly to families. In addition to the private benefits to families that paid parental leave provides, greater investment in paid parental leave also benefits business and the wider economy by enabling parents to effectively manage a period of leave around the birth of a child. Enabling families not to take on additional debt and maintain their labour market connection has both short- and longer-term benefits. This is consistent with our own research suggesting that debt heavily affects family wellbeing. Families with one or more members in employment have more options available to improve their situation (Families Commission, 2009b). Paid parental leave, given its employment connection, is one means of buffering the potential for debt amongst families.

Recent international expansion of paid parental leave provisions indicates that, despite the recession, the imperatives for a highly participative labour market remain to maintain international competitiveness and national economic and social wellbeing.

3.2 Recessional pressures

The global financial crisis and recession have significantly affected government spending around the world. It has also affected families, since short periods of paid leave and low rates of payment may create pressure for an early return to work.

New Zealand experienced rising unemployment, increased government expenditure on social security

³ A counter-view is provided by Callister and Galtry (2009), who argue that a labour market-based scheme is flawed in the current climate where women are strongly attached to the labour market anyway. This may only apply, however, to current recipients of the scheme, who demonstrate a higher rate of attachment than other mothers.

and lower government revenue and investment returns between December 2007 and December 2009.⁴ Around half of the projected net public debt growth is due to lower revenue and increased expenses associated with the recession. The remainder has been due to increased costs in existing programmes and changes to government policy during the previous three years (Whitehead, 2009).

During difficult economic conditions, social spending frequently comes under scrutiny and is reduced to address fiscal pressures. It is notable, however, that OECD countries have generally chosen to increase or maintain rather than reduce their paid parental leave provisions at this time.

3.3 Paid parental leave stimulates economic growth

There is some evidence to suggest that social security programmes can absorb economic shocks and have a stimulatory effect on the economy.

The International Social Security Association argues that “social security programmes play an important role in absorbing social and economic shocks by softening losses of income, reducing poverty and building up social cohesion through appropriate protection for the most vulnerable” (Flückiger, 2010 p. 3). It also argues that social spending is a “central element in public policies, as it offers proactive support for economic recovery and employment” p. 3.

Research by the Australia Institute in 2009 to model the macroeconomic benefits of paid parental leave found that spending money on paid parental leave is a highly efficient way to stimulate the economy and is more efficient than cash bonuses, infrastructure spending and tax cuts in the context of the economic crisis (Chapman et al, 2008). This is due to the higher-than-average propensity of young families to spend any money they receive and spend it locally, and the flow-on effect of paid leave on women’s participation in the labour market.

The Institute argued that the introduction of a taxpayer-funded 20-week paid parental leave scheme in Australia at the rate of the adult minimum wage would generate additional GDP (through increased labour market participation by mothers), create

8,900 new jobs (as increased numbers of mothers take leave) and thus reduce the net costs of the scheme to around half of the estimated cost of \$450 million per annum.

3.4 Keeping pace with Australia

Industrialised countries are increasingly paying attention to whether their parental leave provisions are commensurate with those of key trading partners as the global competition for labour and skills continues and as populations age. For New Zealand to remain competitive, it is important that our paid parental leave provisions stack up with our competitors.

Of most importance for New Zealand will be the introduction of 18 weeks paid leave in Australia for all employed mothers at a rate equivalent to the minimum wage from January 2011. This will put Australia’s provisions above those in New Zealand, both in terms of length of paid leave and the rate of payment. This will potentially provide a reason for New Zealand families to stay in Australia, rather than return home when they have their children.

In March 2009, the Australian Productivity Commission recommended the introduction of 18 weeks taxpayer-funded paid parental leave to be paid at the rate of the adult federal minimum wage in Australia. The Commission proposed the leave could be shared by eligible parents, with an additional two weeks of paid paternity leave reserved for the father (or same-sex partner) who shared in the daily care of the child (Productivity Commission, 2009).

Subsequently, in May 2009, the Australian Government announced the introduction of paid parental leave from 1 January 2011, closely based on the Productivity Commission’s proposals (Hon Julia Gillard MP, 10 & 12 May 2009). However, primary carers earning more than A\$150,000 per annum will not be eligible for the scheme and the additional two weeks of paternity leave payment will not be included.

As in New Zealand, eligible Australian parents will be able to access paid parental leave in conjunction with any employer-provided paid parental leave entitlements. Parents who are eligible for paid parental leave will be able to choose to receive the ‘Baby Bonus’ instead. The Productivity Commission estimated that around 14 percent of all eligible

⁴ In December 2007, the unemployment rate was stable at 3.4 percent and had been at a relatively stable level for some time. With the onset of the global financial crisis, unemployment rose to 4.7 percent in December 2008 and then 7.3 percent in December 2009, the highest rate in 10 years (Statistics New Zealand, 2008, 2009, 2010). This remains lower than the OECD average of 8.6 percent (Department of Labour, 2010). Meanwhile, the labour force participation rate has remained stable at 68.1 percent in the December 2009 quarter (Statistics New Zealand, 2010).

parents would opt for the Baby Bonus as the net benefit would be greater for them than the paid parental leave payments.

In March 2010, paid parental leave was also promoted by Australian Opposition Liberal Party leader Tony Abbott, who announced the party would pay new mothers their salaries up to A\$150,000 and charge a 1.7 percent levy on businesses earning more than A\$5 million a year to fund a six-month (26-week) paid parental leave scheme for all mothers in work (Tony Abbott MP, 2010). The rationale for this position is that loss of income is a key feature in couples deciding whether to have children, or have fewer children than they may like, and that having children is “as much a part of life as occasionally falling sick, taking holidays and eventually retiring”. Parental leave, he argued, “ought to be as much part and parcel of any decent system of employment entitlements as sick pay, holiday pay and retirement benefits, all of which are mandated by government”.

3.5 Other international comparisons

An international comparison of national parental leave schemes ranked New Zealand in the least generous (those with less than four months of earnings-related leave) of three possible categories (European Commission, 2009).⁵

Annual international reviews by the United Kingdom Department for Business Enterprise and Regulatory Reform undertaken between 2008 and 2010 show widespread movement towards more leave entitlements among the countries examined (Moss, 2009; Moss, 2010, personal communication; Moss & Korintus, 2008).

Many countries that have had parental leave schemes for some years are continuing to expand their schemes to adapt to ageing populations and modern family and work arrangements. Primary areas of development have been to extend and facilitate access to paid leave for fathers, to enhance the flexibility and choice available to families to manage their leave and greater coherence across the early childhood care arrangements available to families, in particular the provision of flexible work options.

International approaches continue to vary. Some countries focus on general scheme enhancements

such as extending maternity leave, while others are extending measures to meet more specific social changes, such as increased involvement of fathers in early care. Many of the European changes, particularly in enhancing fathers’ access to provisions, are attributable to the new EU directive (see below).

In 2009, when the effects of the financial crisis were most evident (Moss, 2009), enhancements in leave policies were made in 11 countries (eight of which included changes to increase financial benefits for parents). Changes included increased flexibility in leave-taking and facilitation of fathers’ use of provisions. In addition, adoptive parents, self-employed parents, those with multiple births and those previously excluded from entitlements receive better access to leave provisions. In 2009, the only cuts to paid parental leave as a result of the economic crisis were in Estonia (payments for paternity leave removed) and Iceland (income ceiling for earnings-related payments reduced).

In 2010, four of the 21 countries from which reports have been received to date are improving paid parental leave positions, although Iceland and Hungary are likely to have made reductions (Moss, 2010). In addition to Australia, Croatia is introducing a national scheme for the first time.

European Union countries are required to meet extended minimum parental leave requirements by November 2011 under a revision to the European Union Directive on Parental Leave.⁶ This includes extending the leave available from three to four months per parent. The extra month is non-transferable between parents, offering an incentive for fathers to take the leave, or lose it (European Union, 2009).

⁵ Other countries ranked in this category by the European Commission were the United Kingdom (1.5 months of earnings-related leave), Australia (which will move into the middle grouping of countries when it introduces its new parental leave scheme on 1 January 2011), Canada (Quebec now has responsibility for its own leave policy and is on a par with the top group of countries that offer earnings-related leave at two-thirds or more replacement rate of nine months or over), the United States and South Africa (European Commission, 2009).

⁶ To replace EU Directive 96/34/EC.

4. EARLY CHILDHOOD OUTCOMES

Children in their first year of life receive health benefits from parents being able to spend a sustained period of time at home. The evidence is also clear that, on average, children do better cognitively and have fewer behavioural problems if a parent can be at home at least part-time in their first year (OECD, 2007). This is seen to support parent-child attachment.⁷

Parents might utilise various care and education arrangements that result in positive outcomes for their infants during this time. The relative costs and benefits of support for parental and family care through paid parental leave relative to other forms of arrangements may not, however, always be clear.⁸

In a New Zealand context, Mitchell, Wylie and Carr (2008 p. 85), state:

The economics of paid parental leave versus infant early childhood education programmes are relevant to discussion of the economic impacts from parental workforce participation [on children]. High-quality early childhood education for babies is equally, or possibly more expensive than paid parental leave, as Cleveland and Krashinsky (1998) note, and vital bonding occurs between parents and children in the early months.

Even conservative estimates of the benefits of public spending on universal high-quality early childhood education for children aged two, three and four years have shown that benefits exceed costs.⁹ This is less clear-cut for younger children; several studies have emphasised the value for parents and children of alternative policies such as extensive paid parental leave (12 months or more) (Mitchell et al, 2008).

Unstable care (more than one carer), low-quality care and poor attachment at home are the main problems that affect security of attachment for infants, rather than non-parental care arrangements per se. The context of caring and parenting is all-important for children's cognitive development (Love et al, 2003). Paid parental leave can provide real choice for a parent to remain at home.

United Kingdom research has found that timing is an important factor in the relationship between parenting and children's development. A positive association was found at 12 months between mother-child interactions and child development. Engagement in outside activities tended to have later positive associations (Gutman & Feinstein, 2010). Less well

understood are the important and differential contributions to child attachment by fathers. Paternal responsiveness to children's emotional distress is, however, predictive of secure father-child attachments (George et al, 2010).

Available evidence from researchers in economics, sociology, demography, public policy, public health, nursing and psychology systematically points to accepted findings on the impact of care and parental employment in a child's early years on their development.

A child's developmental needs can be best met through various means, although their impact can differ depending on the age of the infant or young child. For example, for one- to two-year-olds there is no evidence that parental employment negatively affects cognitive development. Poor quality care and long hours of care can, however, put young children at risk of developing more behavioural problems (Waldfogel, 2007). These negative outcomes are tempered by subsequent high quality care arrangements and studies do not appear to report antisocial or worried behaviour effects over longer time periods, suggesting that the effects may not last (Mitchell et al, 2008).

Longer duration of early childhood care and education experience has been linked with cognitive gains for children from all socioeconomic backgrounds. High quality early childhood education with long duration has the strongest effects. An early starting age, before age three, is most associated with gains, but the evidence is mixed about whether starting before age two is more advantageous than starting between ages two and three (Mitchell et al, 2008). Smoothing the transitions from parental leave to early childhood education and care are features of modern economies worldwide.

Well designed paid parental leave provisions that are complementary to high-quality early childhood care and education are important in supporting positive outcomes for children related to early parent-child bonding, cognitive development and health and wellbeing.

⁷ The quality of the relationship between children and their parents is important to children's development, but past research on the link between attachment and development has been inconsistent. The results from a recent review of over 60 studies suggest that the effects of attachment are reliable and relatively persistent over time, showing that children with secure attachments have repeated experiences with caregivers who are responsive to their needs and thus expect their caregivers to be available and comforting when called upon. In contrast, children with insecure attachments have experiences in which requests are discouraged, rejected or responded to inconsistently, which is thought to make them vulnerable to developing behavioural problems (Fearon et al, 2010).

⁸ Note, for example, that the Commissioner for Children is currently inquiring into the quality of care for under-two-year-olds.

⁹ The government savings and benefits most commonly measured are increased maternal employment resulting in higher income tax payments, reduced welfare assistance, reduced costs for special education interventions and reduced burden in the criminal justice system.

5. CONCLUSION

Enhancements to paid parental leave represent ‘value for money’ from various perspectives, including improved labour market outcomes for mothers and their families, and the potential for returns on the investment in paid parental leave for society from secure parent-child attachments and less debt accumulation than might otherwise occur.

Modelling by The Australia Institute shows that paid parental leave policies may have a stimulatory effect on the economy (Richardson & Fletcher, 2009).

While we recognise that spending constraints are a feature of the current environment, there are strong arguments for improving paid parental leave.

The extent to which New Zealand continues to slip behind Australia and other countries in economic and social competitiveness also means paid parental leave policies must stay on the agenda.

The broader interface with other policies that support labour market outcomes, children’s health and wellbeing, early childhood educational outcomes and equity must be considered. Together, these policies can be seen as a continuum of interventions during the key stages of childhood development and the early stages of parenthood that support labour market attachment, outcomes for children (OECD, 2007) and parental ability to make the best decisions for their families.

There is growing consensus surrounding the key issues that paid parental leave schemes seek to address. These include:

Workforce attachment

- > Where parental leave is paid, mothers are more likely to take parental leave and they are more likely to return to their same job after parental leave (thus paying parental leave facilitates both leave-taking and returning to work).
- > Maternal employment outcomes are not negatively affected where leave is four to six months in duration.

Income security

- > Returning to the same job is important as it usually preserves pay and conditions at a time when mothers may otherwise move to a job with poorer pay and conditions in order to access flexibility.

Children’s and mothers’ health

- > Better health outcomes for mothers are identifiable where they are able to spend a sustained period of time at home during their child’s first year.
- > Health authorities recommend exclusive breastfeeding for the first six months.
- > A child’s cognitive and behavioural development is improved where a parent is able to be at home with them at least part-time in their first year, while good quality early childhood education and care after age two is linked with cognitive development gains.

Gender equity

- > Ensuring fathers have a real opportunity to take leave to care for their infants can enhance long-term father-child relationships and lengthen the time infants receive parental care.

We have concluded that the recommendations we made in our 2007 report remain valid, and we want to hear what others think. We encourage discussion among family advocates, communities, business and policymakers on how best to enhance paid parental leave to benefit New Zealand families and society.

Discussion questions

- > Do you agree that it is important to extend paid parental leave?
- > How does the value to society of paid parental leave compare with other alternatives?
- > What is the greatest priority for further investment in paid parental leave – longer coverage, higher payment rates?
- > Should paid parental leave be used to promote higher use of parental leave by fathers, and how?

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APPENDIX 1: CURRENT PARENTAL LEAVE PROVISIONS¹⁰

	Mother in employment meets the minimum hours test for the immediately preceding 12 months	Mother in employment meets the minimum hours test ⁽¹⁾ for the immediately preceding six months	Mother meets the self-employed minimum hours test for the immediately preceding six or 12 months	Mother has worked for less than six months or does not meet either the minimum hours test ⁽¹⁾ or the self-employed test ⁽²⁾ for the preceding six or 12 months
Spouse/partner in employment meets the minimum hours test ⁽²⁾ for the immediately preceding 12 months	<p>Mother entitled to:</p> <ul style="list-style-type: none"> > 10 days special leave and > 14 weeks paid parental leave and > 52 weeks unpaid extended leave (including the 14 weeks of paid parental leave). <p>Mother can transfer up to 14 weeks paid parental leave to spouse/partner.</p> <p>Spouse/partner entitled to share remaining unpaid leave up to a total of 52 weeks (including 14 weeks paid parental leave).</p> <p>Spouse/partner entitled to two weeks additional unpaid paternity leave.</p>	<p>Mother entitled to:</p> <ul style="list-style-type: none"> > 10 days special leave and > 14 weeks paid parental leave. <p>No entitlement to 52 weeks extended leave.</p> <p>Mother can transfer up to 14 weeks paid parental leave to spouse/partner.</p> <p>Spouse/partner has:</p> <ul style="list-style-type: none"> > an existing entitlement of up to 52 weeks unpaid leave (minus any maternity leave taken) and > two weeks unpaid paternity leave. 	<p>Mother entitled to 14 weeks paid parental leave.</p> <p>No entitlement to 52 weeks extended leave but can take as much time from self-employment as needed.</p> <p>Mother can transfer up to 14 weeks paid parental leave to spouse/partner.</p> <p>Spouse/partner has:</p> <ul style="list-style-type: none"> > an existing entitlement to take up to 52 weeks' extended leave (minus any maternity leave taken) and > two weeks unpaid paternity leave. 	<p>No leave available to mother.</p> <p>Spouse/partner has no entitlement to 14 weeks paid parental leave but has:</p> <ul style="list-style-type: none"> > an existing entitlement to 52 weeks unpaid leave and > two weeks unpaid paternity leave.
Spouse/partner in employment meets the minimum hours test ⁽²⁾ for the immediately preceding six months	<p>Mother entitled to:</p> <ul style="list-style-type: none"> > 10 days special leave and > 14 weeks paid parental leave and > 52 weeks unpaid extended leave (including 14 weeks paid parental leave). <p>Mother can transfer up to 14 weeks paid parental leave to spouse/partner. Partner's paternity leave may be extended to equal the period of paid leave transferred.</p>	<p>Mother entitled to:</p> <ul style="list-style-type: none"> > 10 days special leave and > 14 weeks paid parental leave. <p>No entitlement to 52 weeks extended leave.</p> <p>Mother can transfer up to 14 weeks paid parental leave to spouse/partner. Total of 14 weeks leave is available to both, including one week partner/paternity leave available to spouse/partner.</p>	<p>Mother entitled to 14 weeks paid parental leave.</p> <p>No entitlement to 52 weeks extended leave but can take as much time from self-employment as needed.</p> <p>Mother can transfer up to 14 weeks paid parental leave to spouse/partner. Partner/paternity leave may be extended to equal the period of paid leave transferred.</p>	<p>No leave available to mother.</p> <p>Spouse/partner entitled to one week unpaid paternity leave.</p>
Spouse/partner meets the self-employed minimum hours test ⁽²⁾ for the immediately preceding six or 12 months	<p>Mother entitled to:</p> <ul style="list-style-type: none"> > 10 days special leave and > 14 weeks paid parental leave and > 52 weeks unpaid extended leave (including 14 weeks paid parental leave). <p>Mother can transfer up to 14 weeks paid parental leave to spouse/partner.</p> <p>Mother can transfer up to 14 weeks paid parental leave to spouse/partner.</p>	<p>Mother entitled to:</p> <ul style="list-style-type: none"> > 10 days special leave and > 14 weeks paid parental leave. <p>No entitlement to 52 weeks extended leave.</p>	<p>Mother entitled to 14 weeks paid parental leave.</p> <p>No entitlement to 52 weeks extended leave, but can take as much time from self-employment as needed.</p> <p>Mother can transfer up to 14 weeks paid parental leave to spouse/partner.</p>	<p>No entitlements under the Act.</p>
Spouse/partner has worked for less than six months or does not meet either the minimum hours test ⁽¹⁾ or the self-employed test ⁽²⁾ for the immediately preceding six or 12 months	<p>Mother entitled to:</p> <ul style="list-style-type: none"> > 10 days special leave and > 14 weeks paid parental leave and > 52 weeks unpaid extended leave (including the 14 weeks of paid parental leave). <p>No leave available to spouse/partner.</p>	<p>Mother entitled to:</p> <ul style="list-style-type: none"> > 10 days special leave and > 14 weeks paid parental leave. <p>No entitlement to 52 weeks extended leave.</p> <p>No leave available to spouse/partner.</p>	<p>Mother entitled to 14 weeks paid parental leave.</p> <p>No entitlement to 52 weeks extended leave, but can take as much time from self-employment as needed.</p> <p>No leave available to spouse/partner.</p>	<p>No entitlements under the Act.</p>

NOTES

(1) The minimum hours test is that, for the applicable six- or 12-month period, an employee must establish that they have worked for the same employer for an average of 10 hours per week and no less than one hour in every week or 40 hours in every month.

(2) The minimum hours test is that, for the applicable six- or 12-month period, the person must have been self-employed for an average of 10 hours per week. Where the self-employed person is engaged in one or more types of work, concurrent work during the six- or 12-month period is treated as one period of self-employment and consecutive work during the six- or 12-month period is treated as one period of self-employment if the breaks between the types of work are no greater than 30 days.

APPENDIX 2: FAMILIES COMMISSION 2007 RECOMMENDATIONS FOR THE FUTURE OF NEW ZEALAND PARENTAL LEAVE POLICY

Funding model for parental leave

Parental leave payments should continue to be funded by government via general taxation and administered by the Inland Revenue Department (IRD).

Duration of paid and unpaid leave

The total duration of job-protected leave available to families should become 56 weeks (14 weeks maternity, four weeks paternity or partner, 38 weeks family leave). Any individual employee would access a maximum of 52 weeks job protection, except in exceptional circumstances.

We propose a progressive increase in the total proportion of this leave that is paid. This would mean moving from the status quo of 14 weeks of paid parental leave in three phases:

- > **Phase 1:** Six months paid parental leave (or seven months if paternity or partner leave is taken consecutively)
- > **Phase 2:** Nine months paid parental leave (or 10 months if paternity or partner leave is taken consecutively)
- > **Phase 3:** 12 months paid parental leave (or 13 months if paternity or partner leave is taken consecutively).

Structure of parental leave entitlements

The expansion of paid family leave should be complemented by the introduction of an individual entitlement to paid parental leave for both mothers and fathers or partners. This should include:

- > 14 weeks paid maternity leave intended for eligible mothers
- > four weeks paid paternity or partner leave for eligible fathers
- > progressive increases in the proportion of family leave that is paid from 12 weeks to 25 weeks to 38 weeks. (This is additional to the paid maternity and paternity leave above.)

Consideration should be given to allowing some or all of the family leave to be transferred to another eligible family member who is engaged in a parenting role.

Level of parental leave payments

Earnings replacement: Maternity, paternity or partner and paid family leave should be paid at 100 percent earnings replacement up to a maximum payment cap.

Income assessment: For those with a continuous work history of 26 weeks, income assessment should be based on average weekly earnings over those 26 weeks. For those with an irregular work history, which includes at least 26 weeks of paid work over the 52 weeks prior to the birth or adoption, income assessment should be based on average weekly earnings over a 26-week period.

Maximum payment cap: The payment cap should increase to:

- > 80 percent of average weekly full-time earnings for 14 weeks maternity and four weeks paternity or partner leave
- > 66 percent of average weekly full-time earnings for paid family leave (of 12, 25 or 38 weeks).

Employment requirements

Payment after employment or self-employment for six months in the last 12 months prior to birth or adoption (with no limit on the number of employers or number of positions).

Job protection after six months' continuous employment with the same employer.

Removal of the minimum hours test to broaden access for payment and job protection and ensure that eligibility is no longer affected by average weekly or monthly hours.

Flexibility

Family leave: Consideration given to allow family leave to be taken before the child is three years old, in designated blocks of time, or in combination with part-time paid work (to supplement the income of a parent who works part-time).

Maternity leave: To be a fixed entitlement available for the period immediately prior to and following birth.

Paternity or partner leave: To be used at the same time as maternity leave, consecutively after maternity leave is completed, in designated blocks of time; or part-time, in combination with part-time paid work at any time within the child's first year of life.

Families Commission
Public Trust Building
Level 6, 117-125 Lambton Quay
PO Box 2839
Wellington 6140

Telephone: 04 917 7040
Email: enquiries@nzfamilies.org.nz
www.nzfamilies.org.nz

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The Families Commission was established under the Families Commission Act 2003 and commenced operations on 1 July 2004. Under the Crown Entities Act 2004, the Commission is designated as an autonomous Crown entity.

Our main role is to act as an advocate for the interests of families generally (rather than individual families).

Issues papers are designed to promote public debate on emerging and current issues. Issues papers are the result of the Families Commission listening to families, whānau and organisations that work with families combined with the knowledge gathered from research and our own analysis.

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