

**Submission to: Government Administration Committee**

## **Parental Leave and Employment Protection (6 Months' Paid Leave)**

### **Introduction**

1. Thank you for the opportunity to provide this submission on the Parental Leave and Employment Protection (6 Months' Paid Leave) Amendment Bill (hereafter referred to as 'the Bill').
2. As the Children's Commissioner, I have the statutory responsibility to ensure that children's and young people's rights, interests and welfare are upheld. This includes advancing and monitoring the application of the UN Convention on the Rights of the Child (UNCROC) by departments of State and other Crown instruments<sup>1</sup>. The Children's Commissioner's Act 2003 outlines the independence of my role and the functions and responsibilities of the Commissioner. I make this submission with those responsibilities in mind.
3. This Bill, which had its first reading on 25 July 2012, presents an opportunity consider how we can make the best difference in the lives of babies in New Zealand.
4. The Bill is intended to extend Paid Parental Leave entitlement from 14 weeks to 26 weeks. These changes are proposed as a means of supporting extended breastfeeding, improving child well-being and creating employment.
5. Every baby deserves support for a good start in life. My interest is in seeing the Paid Parental Leave system operate in a way to best benefit the children, as part of our overall support for babies and their families. Currently, just over half of all babies born are in families entitled to Paid Parental Leave.

*Make things right, deal with the situation and make it fair*

<sup>2</sup>

6. I agree that extending the Paid Parental Leave to 26 weeks will enable those receiving the benefit to choose to care for their babies and most likely extend breastfeeding for this group. This is a very positive result for those babies.
7. I am concerned that the current Paid Parental Leave eligibility precludes many babies getting any benefit, and extending the entitlement will not change this.

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<sup>1</sup> Children's Commissioner Act 2003, section 12(1)(f)

<sup>2</sup> Quotes from children taken from the Children's Commissioner's consultation with children and young paper for the government Green Paper, 2012.

8. Further, I propose we take this opportunity to pause and consider the total support directed to families in the first year of a child's life, including Paid Parental Leave, and see how it could be allocated to better support all babies in the first year.
9. The following submission outlines my understanding of the current Paid Parental Leave system, including who is receiving benefits and who is missing out, and points to other considerations we should be mindful of.

## **Paid Parental Leave (PPL) in New Zealand<sup>3</sup>**

### ***Current rules and eligibility***

10. PPL is a government-funded entitlement paid to eligible working mothers and adoptive parents when they take parental leave from their job to care for their newborn or adopted child (under the age of six). These payments go towards the loss of income that working mothers and adoptive parents experience when they take parental leave from work to care for a new baby or adopted child.<sup>4</sup>
11. To be eligible for PPL a mother must have worked for the same employer for at least an average of 10 hours each week in the six months immediately preceding the birth. Self-employed mothers are also eligible, and there are some exceptions to the 'same employer' clause to accommodate substitute teachers and medical professionals.
12. PPL payments equal a mother's normal pay (before tax) if she is an employee, or average weekly earnings if she is self-employed, up to a current maximum of \$475.16 a week before tax. The rate is the same regardless of having a single baby or multiple births. The following table shows the current maximum and minimum rates, duration and total payment amounts, as well as the amounts resulting from the proposed amendment.

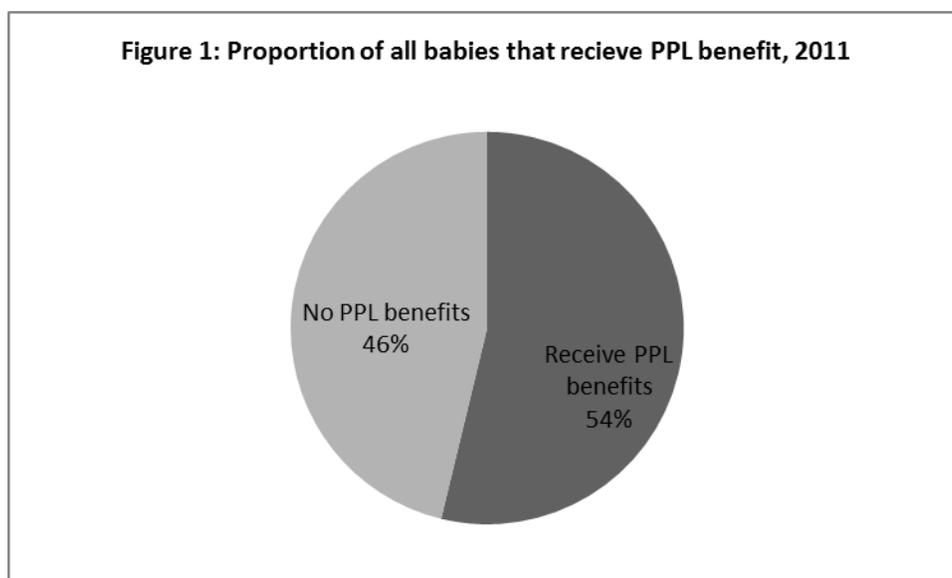
	<b>Minimum</b>	<b>Maximum</b>
<b>Rate</b>	\$135 per week <i>based on 10 hours per week at minimum wage, or self-employed with loss or earnings less than minimum wage</i>	100% salary up to \$475.16 per week
<b>Duration</b>	14 weeks	14 weeks
<b>Total benefit</b>	\$1,890	\$6,652.24
<b>Proposed amendment</b>	26 weeks	26 weeks
<b>Proposed total benefit</b>	\$3,510	\$12,354

<sup>3</sup> Data and information in this section from the IRD website and provided by IRD staff by email 26 September 2012.

<sup>4</sup> While it is understood this policy applies to either parent of an adopted child, for simplicity in the remainder of this paper, I will refer only to mothers and babies.

### **Who gets the PPL benefit?**

13. In 2011, the average PPL benefit paid was \$4,680, or about \$334 per week before taxes (PPL is treated as income and subject to tax and student loan deductions, but not earners' levy).
14. As shown in the following chart, just over half of all babies born in New Zealand in 2011 were in families receiving PPL benefits. This leaves some 30,000 babies without the PPL support.



15. I fully agree with improving the support to families so that they can provide the best care and environment for their babies. Extending the duration of the PPL benefit will benefit those babies already receiving PPL – about 34,000 babies in 2011.
16. However, it is important to improve well-being for all children. Many of the 30,000 babies born into families not receiving the PPL benefit are more likely to be more at risk of poor outcomes than those that receive PPL. This is because to be eligible for the PPL, the mother must have demonstrated sustained labour force attachment and earning in the six months preceding the baby's birth. Families with employment income are less likely to be at risk of poverty, which leads to a range of poor child outcomes.

*Enough money to pay the basics, food, power, house, warm clothes*

### **Who misses out?**

17. A baby should not miss out on support because their mother did not demonstrate adequate attachment to a single NZ employer in the 6 month period preceding their birth.
18. The babies that miss out on support include families where the test for labour force attachment is too narrow, such as where:
  - mother worked, but not for a single employer

- mother worked, but not in NZ
  - mother worked casual or varied hours (possibly due to the pregnancy, or nature of work -- casual or seasonal jobs, etc.)
  - mother had a strong history of attachment to the labour force, but not in the six months prior to having a baby (possibly due to the pregnancy, or nature of work -- casual or seasonal jobs, etc)
19. These babies may miss out on breast feeding and other nurturing because their mothers need to return to work very early, as they do not get any PPL. I believe the eligibility criteria for the mother's labour force attachment should be re-visited, so more babies with working mothers (such as the bullet list above) get some support..

*We need nurturing, affection - love and cuddles*

20. Other babies miss out on PPL benefits when their mother is not in the labour force because they are working in non-paid activities (including care of other children), are full-time students, are receiving accident compensation or receiving income support.
21. Finally, because the PPL is paid at the same rate whether there is one or multiple babies at birth, the second and subsequent of multiple birth babies miss out on any additional support from the PPL benefit.
22. As a second step, we would like to consider how these other babies that miss out could be better supported. This is discussed below.

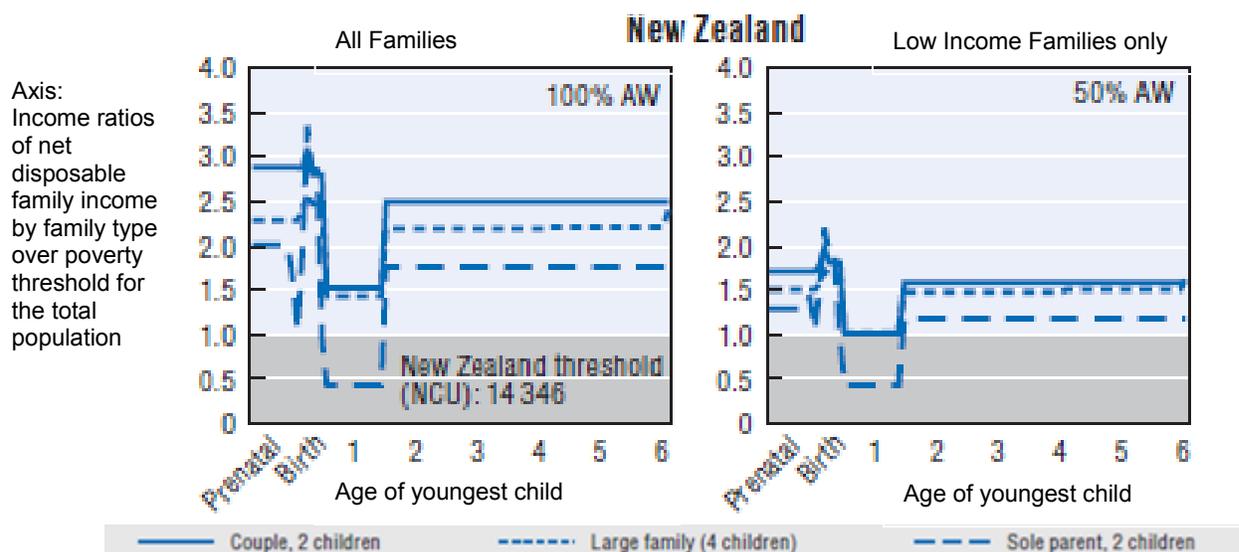
### **Supporting New Zealand babies in the first year of life**

23. The current PPL provides just over half our newborns with a benefit of about \$4,680 and extending the duration of benefit to 26 weeks will mean entitled babies get about \$4,000 more, for a total benefit of \$8,690. Those eligible for the maximum would now receive \$12,354.
24. This would be helpful for those that get the benefit. But we also need to pause and consider if this is the best way of achieving our overall objectives, and how we can also ensure those that are most vulnerable receive support.
25. Having a baby puts all families under relative financial stress, and for some it moves the family into poverty. International evidence confirms that “before the age of three, and more often immediately following birth, poverty risks for families with young children are at their highest”<sup>5</sup>.
26. The figure below provides two comparable graphs for New Zealand families immediately pre-birth and in the early years of that baby. The left-hand graph maps the income changes net of all taxes, benefits and transfers to families earning the national average wage as their youngest child goes through early childhood. The right-hand graph “re-runs” the analysis for families on half the national average wage. The shaded area at the bottom represents the poverty threshold for the total

<sup>5</sup> OECD, *Doing Better for Families*, 2011, p.55.

population set at 50 percent of the median equivalised household income in 2008. The lines on each graph represent the net incomes of dual-earner couples with two and four children and one-earner sole-parent families with two children as a ratio of the poverty threshold. The vertical axis on each Figure reflects this ratio value and the horizontal axis depicts the age of the last child born into the family.

**Figure 2: Working families' poverty by age of youngest child**



Source: OCED, *Doing Better for Families*, 2011, p.76

27. Extending the PPL will lengthen the small upward blip that occurs for some, but will do little to smooth the income loss for most families. It will further widen the gap between those babies entitled to benefits and those that do not receive support.
28. International literature shows there are a number of ways to address the needs of babies and their families. In *Doing Better for Families*, OECD research states that the best policies in this respect protect families from poverty in the child's first years. These policies ensure that child-related leave policies and associated child benefits provide adequate income support for different family types. From their analysis of policies across all OECD countries, they recommend cascading benefits and services. By this, they refer to beginning with universal benefit and moving to a targeted approach as the child gets older. This fits especially well in times of constraint on public budgets, where governments are looking for affordable options.

## Conclusion and recommendations

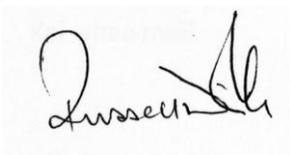
29. Every baby deserves support for a good start in life.
30. Extending the Paid Parental Leave would be helpful for those who benefit. It would boost the payments to those babies from an average of \$4,680 to an estimated \$8,690. Those eligible for the maximum would now receive \$12,354. I agree that extending the Paid Parental Leave to 26 weeks will enable those receiving the payment to choose to care for their babies and extend breastfeeding. This is a

positive result for those babies in this group.

31. But this may not be the best way of achieving our overall objectives to improve child well-being. We would be investing more in those children already receiving support, and less likely to be at risk of poverty. I believe we need to also consider how we can better support those babies not receiving Paid Parental Leave.
32. I recommend changing the eligibility criteria so that more babies with working mothers can receive benefit. This includes babies whose mother:
  - worked, but not for a single employer
  - worked, but not in NZ
  - worked casual or varied hours (possibly due to the pregnancy, or nature of work -- casual or seasonal jobs, etc.)
  - had a strong history of attachment to the labour force, but not in the six months prior to having a baby (possibly due to the pregnancy, or nature of work -- casual or seasonal jobs, etc)
33. Further, I recommend that we use this opportunity to consider the total support directed to families in the first year of a child's life, including Paid Parental Leave, and see how it could be allocated to better support all babies in the first year. Some suggestions on how to achieve this can be found in the initial report and detailed working papers produced by my Expert Advisory Group on Solutions to Child Poverty (see [www.occ.org.nz](http://www.occ.org.nz) for papers).

*It would be a good thing if the government was fair to ALL kids*

34. Thank you for your consideration of my submission. I would appreciate the opportunity to appear before the Select Committee. If you require further information, please contact my Principal Advisor, Donna Provoost, at 04 470 8713 or [d.provoost@occ.org.nz](mailto:d.provoost@occ.org.nz).



Dr Russell Wills  
Children's Commissioner

Date: 4 October 2012