Priority Improvements to Parental Leave
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Acknowledgement


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June 2008
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For more information about the employment of women, please visit http://www.nacew.govt.nz/
FOREWORD

Balancing work and caring responsibilities has been an area of ongoing concern for the National Advisory Council on the Employment of Women (NACEW). As women have become more integrated into the workforce, policies have needed to cater for these responsibilities to ensure women’s labour market attachment is strong.

The Council supports current government policies such as paid parental leave, Working for Families tax credits, the Choices for Living, Caring and Working action plan and other initiatives which help parents and families find satisfaction with their work-life balance. This also opens pathways towards more equal sharing of caring responsibilities by men and women.

The parental leave scheme is a key initiative for supporting women and their babies over a critical period of their life. It allows women the time they need to bond with their babies and gives them security in knowing they can return to work after a year’s leave.

In 2005/06, the government evaluated the parental leave scheme. Following this evaluation, the then Minister of Labour, Hon Ruth Dyson, asked the Council for its view on priorities for possible improvements to the parental leave scheme. The Council came up with four key criteria to improving the scheme and asked its stakeholders for feedback on its draft recommendations. The final recommendations highlight the need for a wider range of people to access the scheme, and are shown by level of priority.

Parental leave is fundamental to ensuring women’s involvement in the workforce continues to strengthen. We hope that these recommendations will become a reality in the future.

Pauline Winter
Chair of the National Advisory Council on the Employment of Women
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EXECUTIVE SUMMARY

The parental leave scheme’s objectives are to support:

- gender equity within the labour market;
- gender equity within families;
- improved health outcomes for both mother and child; and
- income stability for families.

The 2005/06 evaluation of the parental leave scheme by the Department of Labour found considerable support for paid parental leave (PPL) with: an 80% take-up rate by eligible mothers; most mothers returning to the same employer following parental leave; and employers often accommodating part-time and flexible work arrangements for mothers on their return to paid work. Parents, however, are not using the full entitlement of leave available and want to take leave for twice as long as they actually do; fathers are not using the unpaid partner/paternity leave; some workers are not eligible, especially seasonal and casual workers; and employers find it difficult to manage work flows whilst staff are on leave.

NACEW’s recommendations on priority improvements to parental leave will strengthen performance against the scheme’s objectives. The recommendations received almost universal support from the 16 individuals and groups who responded to a short consultation.

The recommendations are to:

- **Widen the eligibility criteria** to PPL by allowing workers to achieve the qualifying hours in any number of parallel or sequential jobs.
- **Lengthen the period of PPL to one year with an extension to six months as a top priority and then increase the level of payment.** This will enable more parents to make optimal choices for their children’s development. This is likely to increase the total leave taken by some parents, mothers in particular, but also supports the labour market attachment of parents in the longer-term.
- **Introduce a new PPL entitlement that is ring-fenced for fathers.** This would assist working fathers to take parental leave and support them to be more involved in the early care of their children.
- **Provide for both mother and fathers on PPL to work for a limited number of days.** Enabling parents to work for a limited number of days with their same employer whilst on PPL would make both the start of leave, and return to work, easier for both employers and employees to plan and manage.
- **Provide for flexible leave arrangements in line with decisions on the Employment Relations (Flexible Working Hours) Amendment Bill.** Flexible leave arrangements would meet parent’s expressed needs regarding the balance of work and care responsibilities and support retention of staff.
INTRODUCTION

This paper responds to the Minister of Labour’s request for NACEW’s views on priorities for possible improvements to the parental leave scheme, following the government’s evaluation of the scheme in 2005/06.

The evaluation highlighted a large degree of support for PPL from parents and employers. This support provides an opportunity for government to set out a bold future path for expanding parental leave that would see New Zealand as a world leader in supporting the work-life balance choices of new parents.

Maintaining women’s labour force participation is critical for the workforce of the future, and children benefit from spending time with their fathers. The recommendations will: lead to better family outcomes, support the health and well-being of mothers and children, encourage greater gender equity at work and within families, provide greater income stability for families, and are also likely to assist employers to manage workflow when parents are on leave.

The recommendations will also contribute to the Government priorities of:
- *Economic Transformation*, through ensuring that New Zealand employers can compete globally for prime-aged workers as the population ages;
- *Families Young and Old*, through enabling more families to benefit from the scheme and to make it easier for them to take time off work to care for infants, and more viable for fathers to share parenting and care work; and
- *National Identity*, through reinforcing New Zealand as a family-friendly country with a commitment to gender equity and child development.

The paper first considers the scheme’s objectives and the findings of the evaluation. It then discusses NACEW’s recommendations and how they will support the objectives of the scheme. Our final recommendations reflect both the feedback received and further deliberations on the draft recommendations.
OBJECTIVES

The Parental Leave and Employment Protection Act 1987 provides an entitlement for women and their spouse/partners to take leave from employment on the birth or adoption of a child. Its genesis was maternity leave legislation passed in the early 1980s, which was based on an anti-discrimination and job protection framework and was confined to the first year of a child's life. Paid parental leave was introduced in 2002 and, since then, the Act has been amended twice to extend the duration of PPL, broaden the eligibility criteria, and extend PPL to self-employed parents.

The key objectives of the parental leave scheme are:

- *Gender equity within the labour market* with increased female labour force retention and the opportunity to return to paid work without disadvantage to position or pay;
- *Gender equity within families* with fathers sharing leave and caring responsibilities;
- *Improved health 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 and that of her child; and
- *Income stability for families* to provide a period of financial security during the leave period.
2005/2006 PARENTAL LEAVE EVALUATION

The evaluation explored the experiences of mothers, fathers, employers, and those ineligible for parental leave. It found that the scheme is working well, particularly in the following areas:

- 80% of eligible mothers take up PPL.
- The scheme supports the health and well-being of mothers and their babies on the birth of a child.
- It provides some financial assistance during a significant period of transition for families, and parents use PPL in conjunction with other leave, such as annual leave, to extend the overall length of time they spend on leave.
- A majority of mothers return to work after a period of leave, and the majority of those mothers return to the same employer.
- Employers accommodate changes in mother’s work arrangements after they return to work, particularly part-time and flexible work arrangements.

The evaluation also found some areas for improvement:

- Parents would like to take more leave. On average, mothers return to work when their baby is six months old but would like to return when their baby is 12 months old, and fathers take two weeks leave but would like to take four weeks leave at the same time the mother is on leave.
- Parents return to work earlier than they would like due mainly to financial constraints and pressures.
- Fathers are not using the unpaid partners/paternity leave and are instead using annual leave at the time of the birth/adoption of their child.
- The eligibility criteria mean some working parents are not covered by the scheme including casual and seasonal workers and multiple job holders.
- Employers find it difficult to manage work flows when a parent is on leave, especially SMEs who tend to reallocate work amongst existing staff rather than hire temporary staff.
RECOMMENDATIONS

NACEW endorses parental leave as a key mechanism to support the work and care choices of families, and to protect the health and well-being of mothers and babies. Parental leave is an important component of a modern society and economy.

Parental leave and PPL recognise the reality that most parents of young children – 75% of women and 88% of men aged between 20-44 - are in the labour force (Census 2006). It supports them to make their best choices around balancing paid work and care responsibilities. NACEW also considers that parental leave should support labour market participation in quality work, rather than participation per se.

Apart from Australia, which provides no statutory PPL at the federal level, most countries New Zealand compares itself with, and many of those with which we compete for skilled labour, provide between 14 and 20 weeks of paid leave at higher rates than that paid in New Zealand. Norway, Sweden, Denmark and Finland offer paid maternity leave for 30 to 64 weeks, as well as paid paternity leave.

A number of countries are strengthening statutory leave policies. The overall direction of change is towards increasing the flexibility of leave entitlements that support family transitions and extending and supporting fathers’ access to parental leave. As an example, the United Kingdom (UK) expanded the period of maternity pay from six to nine months in April 2007, providing a new right of up to 26 weeks of additional paternity leave, which can be paid should the mother return to work, and extended the right to request flexible work.

The draft recommendations received almost universal endorsement from the 16 groups and individuals that responded to our consultation process. The draft recommendations, and process followed, are documented in the Appendix. The recommendations are discussed in detail below in order of priority.

Recommendation One: Widen the Eligibility Criteria

As a top priority, NACEW recommends that the eligibility criteria for PPL be widened to ensure coverage includes casual and seasonal workers and people with more than one job, as this group of workers falls within the population group the scheme is aiming to assist.

Widening the eligibility criteria would allow these workers, who have demonstrated workforce attachment, to access PPL. This is likely to be particularly beneficial to low income workers as the evaluation identified that low income workers were over-represented amongst those mothers who were in work but did not qualify for paid leave. It would also enable the scheme to provide PPL to those mothers who work in casual and temporary jobs between bearing their first and subsequent child(ren). This, in turn, may help employers fill parental leave vacancies on a temporary basis.
This recommendation is widely supported by the groups and individuals who responded to our consultation. Rural Women New Zealand, in particular, drew attention to the low proportion of women in agriculture, horticulture and forestry currently eligible for PPL. However, Business New Zealand argued that if women with lesser labour force attachment became eligible for PPL then it may be preferable to decouple the payment from labour force participation and make the payment more like a benefit.

NACEW considers it important to include workforce attachment as a key eligibility criterion for PPL so that the scheme continues to support gender equity in the labour market. NACEW therefore supports the maintenance of the minimum labour force attachment requirement of an average of 10 hours work a week, but without the requirement for these hours to be linked to a single employer. NACEW also recommends allowing the hours worked to be averaged over a longer period to take account of transition times between jobs. The assessment for eligibility and payment level could therefore draw on any number of parallel or sequential jobs. Similar provisions already exist to enable junior doctors on rotation across several District Health Boards and teachers employed by multiple Boards of Trustees to add together their jobs to assess whether they meet the (six or 12 month) criteria for leave and payments.

NACEW does not, however, envisage obligations on the part of particular employers to keep a position open being expanded from the current criteria. This would mean that, in future, some PPL would be accessed by individuals who do not have a job being held for them. The UK has a similar payment, the Maternity Allowance, which is paid to women not qualifying for Statutory Maternity Pay, but who have been employed or self-employed for at least 26 of the 66 weeks before the expected birth date and have earned a specified minimum average weekly income. In New Zealand’s case, NACEW sees it as preferable to widen the eligibility criteria for PPL, rather than setting up a separate system. It may, however, be more practical to capture eligibility through a minimum earnings specification rather than a minimum number of hours worked.

**Recommendation Two: Longer Paid Parental Leave**

NACEW recommends the length of PPL is increased to one year, with the PPL being increased to six months as an urgent priority, and then to increase the level of payment over time. This would: support child development; meet parents stated preferences to be able to take longer periods of leave than they can currently afford; support the labour market participation and care choices of parents; and provide a greater degree of income support for families during a period of significant transition. Increasing the level of payment would also encourage fathers to take more leave and better enable mothers to maintain their labour market attachment, and in turn, this would contribute to pay and employment equity for women.

There is considerable support for a longer period of PPL. International evidence on nutrition supports the Ministry of Health recommendation that infants should be
breastfed exclusively up to six months of age. Continued breastfeeding is valuable as a complementary food source for up to two years or beyond. There is a growing body of evidence indicating that one to one parental care of babies pays dividends in terms of their physical, emotional and psychological development and that this may be the optimal care arrangement for most children and parents for the first year of the child’s life.

The parental leave evaluation found that, on average, mothers returned to work after six month’s leave but most wanted to return when their baby was 12 months old. The biggest barrier to taking a longer period of leave was financial. Mervyl McPherson’s recent qualitative research for the Families Commission1 similarly found from interviews with 40 mothers, that they generally believed that babies up to one year old are best cared for by their parents.

The vast majority of the groups and individuals who made submissions on our draft recommendations supported the extension of PPL to one year; the Women’s Health Action Trust and Parents Centres NZ Inc were strongly in support of at least one year’s paid leave to facilitate ideal breast-feeding arrangements, and another submission advocated extending leave to fit with the growing evidence on the developmental benefits.

Business New Zealand expressed concern over the impact of introducing longer leave at a period when skills are in short supply and on whether such extended leave would result in more mothers leaving the workforce, or extensive absences where parents had their children close together. For NACEW, these concerns highlight the importance of enabling fathers to share parental leave and therefore spread the leave taking across a wider range of workplaces and industries. This, in turn, will enable mothers and fathers to meet their aspirations for more shared parenting. Granting longer leave is likely to decrease the time some mothers spend in paid work (by making it viable for them to take longer leave) but increase the job retention of mothers who currently resign. We cannot tell what the net effect is likely to be from current data.

**Recommendation Three: Paid Parental Leave for Fathers**

NACEW recommends that there is a new PPL entitlement, separate to the entitlements for mothers (that can be shared), that is ring-fenced for fathers. This would support greater choice for parents and gender equity in the home. It would assist working fathers to take leave irrespective of whether the mother has an entitlement to PPL, and support fathers to be more involved in the early care of their children.

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There is a sizeable gap between the aspirations of parents that fathers spend more time caring for their children\(^2\), and the actual time fathers spend with their babies and children. The evaluation found fathers take an average of two weeks leave at the time of the birth of their child (typically annual leave) but would like to take four weeks leave instead. The evaluation also found that most mothers preferred to use the PPL themselves because it occurred during the first few months of a baby’s life when health and bonding are critical considerations, and that this preference was supported by fathers.

Workplaces are less open to fathers taking parental leave in comparison to mothers. The evaluation found that fathers experienced workplaces being supportive about changed work patterns around the time of the birth, but not necessarily for longer term changes.

A forthcoming literature review notes that parental leave provisions by men are highest in countries such as Sweden, Norway and Denmark which have higher levels of PPL and leave that is allocated to fathers only. The authors of the study say such leave “sends a signal that paternal leave-taking is valued and encouraged” and that, in Norway, fathers’ take-up of parental leave increased from 5% to 70% following implementation of the use-or-lose paternal leave policy.\(^3\) The survey of fathers undertaken within the parental leave evaluation indicated that, if there was PPL specifically for fathers, half would take this up\(^4\).

NACEW believes the time is right for action to enable men to more easily take PPL, and thereby progress the passage to greater gender equity at home and at work. Because of the reluctance of many employers to recognise fathers’ parental leave aspirations, and because in many families fathers taking paid or unpaid leave entails a greater financial sacrifice, NACEW considers this leave must be ring-fenced to be effective, and believe that the policy reasons for this are sufficiently robust to justify a specific, gendered provision.

Over time, the financial disincentive to men taking PPL will reduce with the narrowing of the gender pay gap, and the gap between the level of PPL and work income. Social and workplace barriers will reduce as men taking PPL becomes more common.

**Recommendation Four: “Keeping In Touch” Provisions**

NACEW recommends that mothers and fathers are permitted to work for a limited number of days for their same employer while they are on PPL without losing their payment. This would enable these workers to, for example, complete a handover or

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\(^2\) Ministry of Social Development (2006) *Work, Family and Parenting Study* found that 92% of parents in the survey agreed that a father should be as much involved in the case of his children as the mother


to undertake training. This would make both the start of leave, and return to work, easier for both employers and employees to manage.

The UK’s *Keeping in Touch* provisions, which enable parents on PPL to work up to 10 days whilst they are taking this leave, provide a useful model for developing such provisions in New Zealand. This number of days would provide enough time for parents to have an option to return to work for important training events, handovers, and planning sessions without being expected to do this for no pay, or forfeiting PPL. Employment for up to 10 days would be subject to a negotiated agreement between the employer and employee.

**Recommendation Five: Flexible Leave**

NACEW strongly supports more flexible options for taking parental leave and for enabling it to be taken on a part-time basis. The evaluation found that many mothers negotiated a return to work on a part-time or flexible basis with their employers. The extension of the period of PPL opens up the possibility of a phased return to full-time work, or the sharing of PPL between both parents; both of which could only occur if there are provisions for combining paid leave and paid work. In New Zealand, several surveys have identified that both mothers and fathers want more flexible work arrangements. Labour force participation is also likely to be higher with more flexibility in work arrangements.
OTHER ISSUES

Whāngai and Customary Adoptions

NACEW considered recommending that PPL was extended to cover workers adopting children through a whāngai or customary adoption. We note that when the Social Services Select Committee that considered the Parental Leave and Employment Protection (Paid Parental Leave) Amendment Bill 2002, it reported there was insufficient information available for decisions to be made about extending eligibility to PPL to include 'whangai' and other similar arrangements. At that time, it was envisaged that the information would be gathered and the issue would be re-considered during the one year review of the effects and implementation of PPL.

NACEW considers that the numeric significance of whāngai and customary adoptions, and the question of whether there is an appropriate contractual basis that can be developed to enable these adoptions of infants to qualify adopting parents for PPL and job retention on the same basis as statutory adoption, ought to be further investigated in order to ensure that the PPL provisions are inclusive.

Support for Employers

The evaluation found it is difficult for employers to manage work flows when a parent is on leave, especially SMEs who tend to reallocate work amongst existing staff rather than hire temporary staff.

NACEW considers its recommendations of establishing “Keeping in Touch” provisions and widening the eligibility criteria to cover workers on short term contracts, should make staffing issues easier for employers to manage. NACEW also recommends that discussions are held with the business community and its organisations such as the Chambers of Commerce, Business NZ and equity focussed groups such as the EEO Trust, to assess the best options to better support business.

A range of factors point to greater diversity and more flexibility being important characteristics of New Zealand’s future workforce and with parental leave, there is an opportunity to support successful approaches to managing diversity and flexibility with a policy setting that many employers can see as benefiting them through assisting the retention of their valued employees. Part of achieving effective support will involve change in attitudes. Research by the EEO Trust with employers has found that workplace culture has a strong impact on parents’ use of parental leave.

Issues beyond our brief

Some of the submissions we received raised other issues that we saw as tangential to the scope of NACEW’s consultation on how parental leave provisions could be improved to more effectively deliver on the government objectives for the programme. We have summarised these points in Appendix 2 for your information.
APPENDIX: DRAFT RECOMMENDATIONS AND SUBMISSIONS PROCESS

Following the release of the government’s parental leave evaluation in May 2007, NACEW agreed on five key recommendations for priority improvements to the scheme. NACEW sought agreement from the Minister for their recommendations to be circulated to partner and other key organisations for comment before being finalised. The objective of the consultation was to test the level of support for the recommendations and to report on this to the Minister in July.

1. Draft Recommendations

Given the findings of the evaluation and international evidence, NACEW proposes to recommend to the Minister of Labour that priority is given to improving the scheme in the following ways:

**Wider eligibility criteria**

Recommendation - Widen the eligibility criteria for paid parental leave to the following groups of workers:

- more casual and seasonal workers and people with more than one job
- whāngai and customary adoptions.

Objective - This would allow more workers who have demonstrated workforce attachment to access the parental leave scheme. The parental leave payment would be particularly beneficial to the low income workers in these groups. It would also provide for a greater diversity of family caring arrangements.

**Paid parental leave entitlement for fathers**

Recommendation - Ring fence some paid parental leave solely for use by fathers/partners. This would be in addition to entitlements for mothers which can be shared.

Objective - This would support greater choice for parents and gender equity in the home. It would assist working fathers to take leave irrespective of whether the mother has an entitlement to paid parental leave, and support fathers to be more involved in the early care of their children. Both mothers and fathers indicated they wanted this in the evaluation.

**Flexible leave**

Recommendation - More flexible options for taking parental leave, for example, parents can take leave together, or one after the other, or leave can be taken on a part-time basis up to a certain point in time such as when the child turns three years old. This could include allowing a parent to work for a limited number of days while they are on paid leave without losing their payment, for example, to complete a handover or to undertake training.
Priority Improvement to Parental Leave

**Objective** - This would support the labour market participation and care choices of parents, allow parents to spread their leave for longer until their child(ren) are able to access more affordable childcare, and make both the start and the return to work easier to manage for both employees and employers. It is also consistent with employer support for the provision of quality flexible work.

**Longer leave**

*Recommendation* - Increase the length of PPL to one year as a first step, and then increase the level of payment.

**Objective** - This would meet parents stated preferences to be able to take longer periods of leave than they can currently afford; support the labour market participation and care choices of parents; and provide a greater degree of income support for families during a period of significant transition. Increasing the level of payment would also encourage fathers to take more leave to share in their caring responsibilities, allowing mothers to maintain their labour market attachment should they choose to and in turn contribute to pay equity for women.

**Employers**

*Recommendation* - Find ways to support employers manage workflow when an employee is on parental leave. This may not require legislative change.

**Objective** - This would help employers to manage their obligations under the Act and support the parental leave scheme to operate flexibly for both employers and employees. This in turn would allow parents to return to work at a time that meets their needs without disadvantage to their position or pay.

**2. Consultation Process**

NACEW identified the following groups as likely to have a key interest in amendments to parental leave; Women’s Lawyers Associations, New Zealand Law Society’s Women’s Consultative Group, Women’s Health Action Trust, EEO Trust, HRINZ, NZCTU, Business New Zealand, and Business and Professional Women New Zealand. Following the release of the 2005/06 parental leave evaluation in May 2007, NACEW sent its members information for their wider networks and also contacted its partner organisations (Maori Women’s Welfare League, PACIFICA, Rural Women New Zealand, National Council of Women of New Zealand, and YWCA). Thirty-six organisations and individuals were contacted in total.

The timeframe for the process was constrained to two weeks due to the limited time between the public release of the parental leave evaluation and the deadline for reporting back to Cabinet. Given the timeframe, NACEW was pleased with the number and quality of the submissions it received.
3. **Who we are**

The National Advisory Council on the Employment of Women (NACEW) is an independent advisory body to the Minister of Labour on matters related to women and employment, and is charged with the following responsibilities:

- to advise the Minister of Labour on matters referred by him/her concerning the employment of women;
- to express views and make recommendations as appropriate to the Minister of Labour on matters relating to the employment of women;
- to make representations or submissions as appropriate to public bodies such as Commissions of Enquiry, subject to the approval of the Minister; and
- to promote the dissemination of information on the employment of women in New Zealand and overseas.