

Coversheet: Increasing Paid Parental Leave

Advising agencies	<i>MBIE</i>
Decision sought	<i>Increase to Paid Parental Leave</i>
Proposing Ministers	<i>Minister for Workplace Relations and Safety</i>

Summary: Problem and Proposed Approach

Problem Definition What problem or opportunity does this proposal seek to address? Why is Government intervention required?
<i>Summarise in one or two sentences</i>
This proposal implements the Government's manifesto commitment to increase entitlement to paid parental leave to 22 weeks from 1 July 2018 with a further increase to 26 weeks from 1 July 2020.

Section B: Summary Impacts: Benefits and costs

Who are the main expected beneficiaries and what is the nature of the expected benefit?
<i>Monetised and non-monetised benefits</i>
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 reduced 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. Without paid parental leave, many parents cannot afford to take as much time off work as is desirable for family and child wellbeing.

Where do the costs fall?
<i>Monetised and non-monetised costs; for example, to local government, to regulated parties</i>
The primary cost is the increased cost to government of providing payment for longer periods of time. However, there should be some reduction in demand for other government provided benefits, which may mitigate some of the increase in costs.

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.

What are the likely risks and unintended impacts, how significant are they and how will they be minimised or mitigated?
There are minimal risks associated with this proposal as the proposed changes are straightforward and implementation will be through existing systems.

Identify any significant incompatibility with the Government’s ‘Expectations for the design of regulatory systems’.
None

Section C: Evidence certainty and quality assurance

Agency rating of evidence certainty?
<i>How confident are you of the evidence base?</i>
There is strong international evidence about the benefits in newborn development from supporting full-time personal care for the first six months. The proposed changes to paid parental leave will support more New Zealand parents and caregivers to provide this full-time personal care for the full six months.

To be completed by quality assurers:

Quality Assurance Reviewing Agency:
The Treasury
Quality Assurance Assessment:
Not applicable for 100 Day Plan priorities
Reviewer Comments and Recommendations:
<p>Treasury comments are based on revised expectations for RIS covering 100 Day Plan priorities.</p> <p>Although monitoring arrangements are well covered the RIS contains only very minimal analysis of the likely impacts. Fiscal impacts are set out in the Cabinet paper and social impacts are touched on, but there is no assessment of broader impacts, for example on employers (particularly small or medium size enterprises), or on women’s employability. It would be important to evaluate the monitoring data to assess these and other impacts once the policy is implemented.</p>

Impact Statement: Increasing Paid Parental Leave

Section 1: General information

Purpose
<p>MBIE is/are solely responsible for the analysis and advice set out in this Regulatory Impact Statement, except as otherwise explicitly indicated. This analysis and advice has been produced for the purpose of informing:</p> <ul style="list-style-type: none">• key policy decisions to be taken by Cabinet.
Key Limitations or Constraints on Analysis
<p><i>Describe any limitations or constraints, for example:</i></p> <ul style="list-style-type: none">• <i>Scoping of the problem</i>• <i>Evidence of the problem</i>• <i>Range of options considered</i>• <i>Criteria used to assess options</i>• <i>Assumptions underpinning impact analysis</i>• <i>Quality of data used for impact analysis</i>• <i>Consultation and testing</i>
<ul style="list-style-type: none">• Compressed timeframes have limited our ability to consider a full range of options for different extensions of parental leave.• The phased nature of the extension means that there is less certainty for the costings for the 2nd phase of the extension because the uncertainty associated with any costings increases over time.
Responsible Manager (signature and date):
<p>Gerard Clark Employment Standards Labour and Immigration Policy MBIE</p>

Section 6: Implementation and operation

6.1 How will the new arrangements work in practice?

- *How could the preferred option be given effect? Eg,*
 - *legislative vehicle*
 - *communications*
 - *transitional arrangements.*
- *Once implemented, who will be responsible for ongoing operation and enforcement of the new arrangements? Will there be a role for local government?*
- *Have the responsible parties confirmed, or identified any concerns with, their ability to implement it in a manner consistent with the Government's 'Expectations for regulatory stewardship by government agencies'? See <http://www.treasury.govt.nz/regulation/expectations>*
- *When will the arrangements come into effect? Does this allow sufficient preparation time for regulated parties?*
- *How will other agencies with a substantive interest in the relevant regulatory system or stakeholders be involved in the implementation and/or operation?*

The proposed changes will be implemented via a Parental Leave and Employment Protection Amendment Bill. This Bill is expected to be introduced by 16 November 2017. The policy increases the duration of parental leave payments over three years, from the current 18 weeks to 26 weeks from 2020.

The proposed increase to paid parental leave to 22 weeks will take effect from 1 July 2018 and has received significant media coverage during the election campaign.

6.2 What are the implementation risks?

- *What issues concerning implementation have been raised through consultation and how will these be addressed?*
- *What are the underlying assumptions or uncertainties, for example about stakeholder motivations and capabilities?*
- *How will risks be mitigated?*

There are minimal risks associated with the proposal. The proposed changes are straightforward and implementation will be through existing systems.

There is a small risk that increasing the generosity of New Zealand's system of paid parental leave could make New Zealand a more attractive destination for potential migrants. However this risk is mitigated in a number of ways:

- even after the proposed changes NZ will still be relatively low in terms of the OECD average period of paid parental leave
- immigration settings already limit the number of low-skill migrants moving to New

Zealand. Conversely, if these changes make New Zealand a more attractive destination for high-skilled migrants then it is likely there would be an overall net benefit.

Section 7: Monitoring, evaluation and review

7.1 How will the impact of the new arrangements be monitored?

- *How will you know whether the impacts anticipated actually materialise?*
- *System-level monitoring and evaluation*
- *Are there already monitoring and evaluation provisions in place for the system as a whole (ie, the broader legislation within which this arrangement sits)? If so, what are they?*
- *Are data on system-level impacts already being collected?*
- *Are data on implementation and operational issues, including enforcement, already being collected?*
- *New data collection*
- *Will you need to collect extra data that is not already being collected? Please specify.*

Monitoring of the take-up of Paid Parental Leave is carried out by Inland Revenue who administer the payment. MBIE will utilise data from a number of sources to monitor the impacts of the changes. IRD generate 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

MBIE will use this data to monitor the uptake of paid parental leave following the changes. Labour Inspectorate and MBIE Service Centre activities will also be utilised to help monitor and evaluate the policy changes. The Service Centre is closely involved with analysing and processing complex applications. 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.

7.2 When and how will the new arrangements be reviewed?

- *How will the arrangements be reviewed? How often will this happen and by whom will it be done? If there are no plans for review, state so and explain why.*
- *What sort of results (that may become apparent from the monitoring or feedback) might*

prompt an earlier review of this legislation?

- *What opportunities will stakeholders have to raise concerns?*

The Act requires the maximum rate of PPL to be adjusted each year on 1 July, in line with the average ordinary time weekly earnings, as determined by the Quarterly Employment Survey. Takeup and costs associated with PPL for the previous year are considered as part of this annual adjustment.

MBIE will periodically assess the available data and evidence to identify any issues and assess labour market impacts.