

OFFICE OF THE MINISTER FOR WORKPLACE RELATIONS AND SAFETY

The Chair
Cabinet

Extending the duration of parental leave payments for parents of preterm babies

Proposal

- 1 This paper seeks Cabinet approval to extend the duration of parental leave payments for eligible persons with preterm babies.

Background

Modernising parental leave – previous policy decisions

- 2 In March 2015, Cabinet approved a package of policy measures designed to broaden eligibility for parental leave and payment entitlements to better reflect modern family and work arrangements, and provide more flexibility to increase choice and support labour market attachment (CAB Min (15) 6/4 refers). These changes are given effect to in the Employment Standards Legislation Bill (the Bill), which was introduced to Parliament on 13 August 2015.
- 3 The changes complement the Budget 2014 amendments to extend the period of paid parental leave from 14 weeks to 16 weeks from 1 April 2015, and to 18 weeks from 1 April 2016.

Additional policy decisions

- 4 Discussions have taken place between my office and the ACT party regarding the support available to a person who gives birth to two or more children; who gives birth to one or more surviving children before 37 weeks gestation, or who gives birth to a child whose impairment would entitle the person to a government-funded disability support service.
- 5 Assistance is already available to parents of multiple-birth children and to parents of children with disabilities. However, I consider there is merit in extending payments to families with premature babies.
- 6 With respect to parents of multiple birth children, the government currently provides payments for Home Help. The Working for Families tax credit also provides four types of payments for families with dependent children, and there is a range of extra financial support for families in special circumstances, such as help with accommodation, childcare, and other grants. Families also have the option to apply for the Parental Tax Credit, which provides for multiple payments in the case of multiple births, instead of paid parental leave.

- 7 For families with a new baby with a disability, there is a Child Disability Allowance to help parents meet the additional costs, and a range of initiatives from Disability Support Services that provide wraparound services for these families. Assessing eligibility for parental leave entitlements would be particularly difficult for this group, given that a significant number of babies would not present with an obvious impairment at birth, and impairment may not be diagnosed for several months or years after birth.
- 8 However, for parents of preterm babies, there is less additional assistance and the issues faced by these families align well with the objectives of the legislation. Extending the duration of payments for this group would recognise that parents of preterm babies need additional time for bonding with the baby, additional time away from their paid work, and therefore additional financial assistance. Providing this additional assistance would directly support the health and welfare outcomes of these newborn babies and their families.

Extending the duration of parental leave payments for parents of preterm babies

Issue

- 9 Preterm birth, also known as premature birth, is the birth of a baby at less than 37 weeks gestational age. Globally, prematurity is the leading cause of death in children under the age of five. Premature babies often have health problems and higher rates of disability, including learning disabilities and visual and hearing problems.¹ The shorter the gestation period is, the greater the risk of longer term health issues. Bonding time in neonatal care and maintaining the mother's milk supply is particularly important and beneficial to the health of a preterm baby.²

Proposed change

- 10 I propose to extend the duration of parental leave payments to eligible persons with preterm babies. Under this proposal, eligible employees and self-employed persons would be entitled to a greater number of weekly parental leave payments than the standard 18 weeks (as of 2016) if the baby is born prior to 37 weeks of gestation (which is considered full term). They would receive additional weekly payments for each week the baby was born prior to the 37 week gestation period.
- 11 For example, an eligible mother who gives birth at 34 weeks would receive three additional weekly payments (taking her to the 37 week period), and then the standard 18 weeks of payments. In total, she would receive 21 weeks of parental leave payments. In a situation where an eligible mother gave birth at 24 weeks of gestation, she would receive an additional 13 weeks of parental leave payments (taking her up to the 37 week period), and then the standard 18 weeks of payments would apply after that. In total, she would receive 31 weeks of parental leave payments.

¹ World Health Organisation, 2014

² National Health Service, United Kingdom

- 12 This proposal would provide greater assistance to the families of babies at greatest risk, and therefore directly target the additional payments to those most in need of assistance. Some preterm babies, particularly those born very early, need critical life support. They may be in neonatal intensive care units for a long period of time before they can go home with their families. This proposal reflects the extra and unexpected time the parent spends in the hospital with the baby and away from work, and the delay in establishing bonding and settling the baby into the home environment.

Additional fiscal cost to the government

- 13 The additional fiscal cost to the government for this proposal is estimated to be approximately \$3.4 million a year. This is based on the number of preterm babies in 2012,³ and assumptions made on the proportion of parents in this group that would be eligible for payments (in the absence of any available data linking mothers of preterm babies and parental leave eligibility). (See Appendix One for further information on the cost estimate.)

Additional administrative cost and complexity

- 14 Inland Revenue has undertaken a preliminary high-level estimate of the administrative cost of implementing this proposal by 1 April 2016. The one-off implementation cost for the 2015/16 financial year is estimated at approximately \$1 million. This one-off cost estimate reflects the high level of risk associated with implementing a significant change in a short period of time within legacy IT systems. The on-going additional administrative costs for 2016/17 and out years would be \$90,000 to process the additional applications and make the additional payment. A detailed costing would be required to finalise these indicative costs.

Risks

- 15 A concern for Inland Revenue with extending the eligibility for paid parental leave to another group at this later stage of the project is that it would put pressure on the ability to successfully deliver on the implementation of the original amendments to paid parental leave, due to 'go live' on 1 April 2016.

Alternative option

- 16 An alternative option would be to extend the duration of the parental leave payment to all eligible persons with premature babies to a standard 26 weeks. This would provide an additional eight weeks of paid leave to all mothers of a preterm baby, irrespective of whether their baby was born at 24 weeks or 36 weeks. This is a less effective and less targeted response to the problem. Situations would arise whereby a mother giving birth to a baby at 36 ½ weeks would receive eight more weeks of payments than a mother giving birth three days later at 37 weeks. Furthermore, a mother giving birth at 24 weeks would still just receive 26 weeks of payments in total, as opposed to 31 weeks of payments under the proposal.

³ The most recent figures available are from the Ministry of Health's 'Report on Maternity, 2012' - <http://www.health.govt.nz/publication/report-maternity-2012>

- 17 The preferred proposal provides for a longer period of payments for babies born earlier. These babies are at greater risk of having poor health outcomes and they are therefore in greater need of additional assistance.

Next steps

- 18 This change could be progressed by way of a Supplementary Order Paper on the Employment Standards Legislation Bill, which was introduced to Parliament on 13 August 2015. The Supplementary Order Paper would be referred to the Transport and Industrial Relations Committee for consideration along with the Bill.
- 19 The change could also be progressed through the recommendation of the Transport and Industrial Relations Select Committee.

Consultation

- 20 The following government agencies have been consulted on this paper and, as far as possible, the Cabinet paper reflects their comments: Inland Revenue, The Treasury, Ministry of Social Development, Ministry of Health, and the Ministry for Women. The Department of Prime Minister and Cabinet has been informed.

Financial implications

- 21 The additional fiscal cost to the government for this proposal is estimated to be approximately \$3.4 million a year. An additional one-off implementation cost for the 2015/16 financial year is estimated at approximately \$1 million and will be a charge against the between-Budget operating contingency. The on-going additional administrative costs for out years would be \$90,000.

Human rights

- 22 The proposals contained in this Cabinet paper appear to be consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993. A final view as to whether the proposals will be consistent with the Bill of Rights Act will be possible once the legislation has been drafted.

Legislative implications

- 23 I intend to progress this proposal by way of a Supplementary Order Paper on the Employment Standards Legislation Bill, s 9(2)(g)(i) of the Official Information Act 1982
The Supplementary Order Paper will be referred to the Transport and Industrial Relations Committee for consideration along with the Bill.

Regulatory impact analysis

- 24 The regulatory impact analysis (RIA) requirements apply to this paper but a RIS has not been provided due to urgency. On that basis, Cabinet's requirements and the quality assurance criteria for regulatory proposals have not been met. However, the proposed change will be tested and publicly consulted on in the Select Committee process.

Publicity

- 25 Media releases will be made at key points of the progression of the legislation.

Recommendations

26 The Minister for Workplace Relations and Safety recommends that the Committee:

- 1 **Note** that Cabinet has approved changes to the *Parental Leave and Employment Protection Act 1987* that broaden eligibility for parental leave and payment entitlements (CAB Min (15) 6/4 refers)
- 2 **Agree** to an additional amendment to the *Parental Leave and Employment Protection Act 1987* to extend the duration of parental leave payments for eligible persons with preterm babies by an additional week for each week of the baby's life between a 24 and 37 week gestation period

Financial implications

- 3 **Note** that the additional fiscal cost of this proposal is estimated to be approximately \$3.5 million a year (which includes the fiscal cost of \$3.4 million and the ongoing administrative cost of \$90,000), with an additional implementation cost of \$1 million for the 2015/16 financial year
- 4 **Note** the following changes to appropriations to give effect to the policy decision in recommendation 2 above, would have the corresponding impacts on the operating balance:

Vote Revenue	\$m increase/(decrease)				
	2015/16	2016/17	2017/18	2018/19	2019/20 & out years
Departmental Output Expense:					
Services to Process Obligations and Entitlements (funded by revenue Crown)	0.800	0.072	0.072	0.072	0.072
Services to Inform the Public About Entitlements and Meeting Obligations (funded by revenue Crown)	0.200	0.018	0.018	0.018	0.018
Benefits or Related Expenses:					
Paid Parental Leave Payment	0.875	3.400	3.400	3.400	3.400
Total Operating	1.875	3.490	3.490	3.490	3.490
Total Capital	-	-	-	-	-

- 5 **Note** that the expenses incurred under recommendation 3 above be charged against the between-Budget operating contingency, established as part of Budget 2015
- 6 **Note** that the financial recommendations in this paper represent indicative costs only
- 7 **Agree** to delegate authority to Joint Ministers to approve final costings once these are available

Legislation

- 8 **Note** that this change could be progressed by way of a Supplementary Order Paper on the Employment Standards Legislation Bill or through the recommendation of the Transport and Industrial Relations Select Committee
- 9 **Invite** the Minister for Workplace Relations and Safety to issue drafting instructions to the Parliamentary Counsel Office to give effect to these recommendations
- 10 **Authorise** the Minister for Workplace Relations and Safety to make decisions consistent with the overall policy decisions in this paper on any issues which arise during the drafting process.

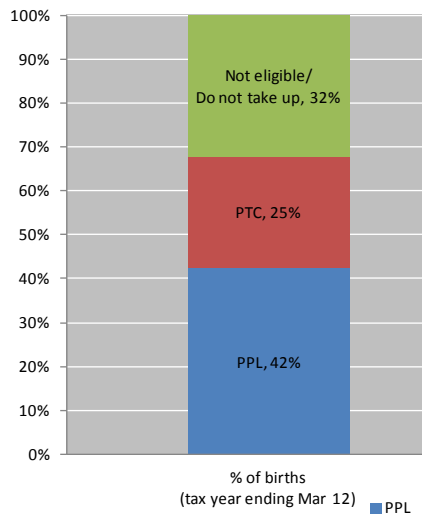
Hon Michael Woodhouse
Minister for Workplace Relations and Safety

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Appendix One

- 27 The additional fiscal cost to the government for this proposal is estimated to be approximately \$3.4 million a year. Additional weeks of parental leave payments are calculated for preterm babies born between 24 and 37 weeks. The additional 18 weeks of payments have not been included in the calculation as these are already accounted for in the current group of paid parental leave recipients.
- 28 In 2012, 62,571 women were recorded as giving birth. Of those babies with known gestation, 90.2% were born at term (37 – 41) completed weeks of gestation and 7.6% (4767) of babies were born preterm (ie under 37 completed weeks of gestation). Of these preterm babies, the majority (6.3% or 3945) were born at 32–36 weeks' gestation and 1.3% (822) were born at under 32 weeks' gestation.⁴
- 29 Figure 1 below shows that, of the total live births in 2012, approximately 42% received parental leave payments. Approximately 25% received the Parental Tax Credit (PTC), and the remaining 32% received neither.

Figure 1: Breakdown of PPL and PTC recipients, and 'other'



- 30 There is no data available that provides figures on the numbers of parental leave recipients who have preterm births. Hence, the estimate makes an assumption that 42% of eligible employees and self-employed giving birth to preterm babies would be eligible to receive parental leave payments, in line with overall trends of all employees and self-employed in receipt of paid parental leave. A further assumption is made to reflect the fact that the parental leave changes in the Employment Standards Legislation Bill that broaden eligibility will increase the proportion of parental leave recipients to 47%.

⁴ The Ministry of Health's 'Report on Maternity, 2012' - <http://www.health.govt.nz/publication/report-maternity-2012>