

Regulatory Impact Statement: Additional Financial Support for Families with a Newborn (extension of paid parental leave payment duration and eligibility for paid parental leave)

Agency Disclosure Statement

This Regulatory Impact Statement (RIS) has been prepared by the Ministry of Business, Innovation and Employment (MBIE).

This RIS provides an analysis of options to increase the level of support to families with newborns by:

- extending the duration of paid parental leave (PPL) payments to eligible parents
- options for extensions to the eligibility for PPL payments and related employment protection, including more flexible approaches to how parental leave can be taken.

This RIS should be read in conjunction with the separate RIS from Inland Revenue, which assesses options to increase the level of support to families with newborns by extending the Parental Tax Credit (PTC). These options represent a package of options that aim to provide further support to a range of families with newborns, who have different circumstances and may be eligible for some but not all of the proposed options.

The options presented in this RIS are constrained by decisions that have already been made by Ministers. In determining the preferred options, Ministers have taken into account the government's broad fiscal constraints and the need to prioritise budget allocations.

Extensions to the duration of PPL

The key assumptions involved in this analysis relate to the extent of behavioural change likely in response to an increased duration of PPL payments, as evaluation material shows that many mothers would like to spend longer with their babies, but are forced to return to work earlier due to financial pressure.

This RIS assumes that most parents who return shortly after the current PPL payment of 14 weeks ends and those parents who return to work after up to six months of parental leave, would extend their parental leave by the full amount of any extensions to PPL eg a parent currently taking five months of parental leave has been assumed to change their behaviour to now take six months of parental leave. The small number of parents who return to work before the current PPL payment of 14 weeks ends are assumed to be unlikely to change their behaviour patterns, as they are likely to either face more significant financial pressures or have other reasons for returning to work earlier, which would be unlikely to be affected by an increase in the PPL payment duration. Parents who return to work after more than six months of parental leave are assumed to also take some additional leave, but this has not been quantified.

Extensions to the eligibility for PPL payments and more flexible approaches to how parental leave can be taken

A range of additional options have been analysed, which involve extensions to the eligibility for PPL payments and related employment protection. While decisions are proposed for those options in this RIS, further detailed design work needs to be completed and consultation undertaken with businesses, unions and other stakeholders. The Minister of Labour will introduce a separate Bill to address final design decisions for these options later in 2014, and a revised RIS will be provided for those options at that time.

The analysis of these extensions to the eligibility for PPL payments and related employment protection involves assumptions about:

- the number of employed parents or other primary carers who would become newly eligible for PPL
- take-up rates for newly eligible parents or other primary carers.

This RIS assumes that most parents or primary carers who would become newly eligible for the PPL payment under the options for extensions to the eligibility for PPL payments would take parental leave for at least the full PPL payment period, and most likely would take leave on a similar basis to parents who are currently eligible for PPL payments.

This RIS also assumes that there will be relatively low take-up of more flexible approaches to how parental leave can be taken, however, these approaches will be beneficial for employers and employees as they will promote greater attachment to work and more flexible working practices.

Kirstie Hewlett, General Manager – Labour Environment



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Status quo and problem definition

Status quo

The *Parental Leave and Employment Protection Act 1987 (PLEPA)* provides:

- 14 weeks of employment protected maternity leave for employees with at least six months' continuous service with the same employer, and 14 weeks of maternity leave for parents who have been self-employed for at least six months. Employees and self-employed who meet the requirements for maternity leave are entitled to 14 weeks of PPL payments, the maximum current rate being \$488.17 per week before tax.
- Employees who have worked continuously with the same employer for the preceding 12 months are also entitled to up to 52 weeks of employment protected unpaid

parental leave, less any maternity leave taken.¹ This can be shared between eligible spouses/partners.

Many employees are ineligible for PPL, as they do not meet the eligibility criteria above. This can include non-standard workers with a long working history (eg seasonal or casual workers), workers with more than one employer, and care-givers who are not biological parents (as only the birth mother or adoptive parents can apply). Many of these employees who are ineligible are lower paid workers.²

Where an employee returns to work at any time during their parental leave, even for just one day, then this results in the employee forfeiting any remaining entitlement to parental leave and PPL payments.

Current fiscal costs of the PPL scheme

The estimated fiscal costs for the current PPL scheme are:

2014/15	2015/16	2016/17	2017/18
\$169m	\$174m	\$179m	\$185m

Approximately 26,000 parents currently receive PPL payments, out of approximately 60,000 births per annum (around 42% of births). Between 16,000 and 18,000 parents per annum receive the PTC (around 25% of births), either because they are currently ineligible for PPL payments or because they choose to receive the PTC instead. Around 32% of parents do not receive either PPL payments or the PTC.

Increases in the estimated fiscal costs for the current PPL scheme result from the annual indexing of the maximum parental leave payment by any percentage movement upwards in average ordinary time weekly wages, which is required under sections 71N and 71OA of the *PLEPA*.

Problem definition

Currently some families experience poor outcomes due to financial pressure on working mothers to return to the workforce earlier than is desirable for social and health reasons. These poor outcomes include the direct financial pressure of not receiving PPL payments, as well as the consequences of mothers returning to work before six months, for example:

- sub-optimal bonding between parents and their children, leading to poorer outcomes for children, and therefore society. Secure attachment is an important predictor of resilience in later life and a large body of evidence suggest that many adolescent difficulties including crime, substance abuse, and mental health have their antecedents in early childhood.³

¹ The hours criterion for 'continuous service' for PPL and the extended unpaid leave is for an average of at least 10 hours a week (including at least one hour in every week or 40 hours in every month).

² The former Department of Labour's evaluation of the parental leave scheme found that more disadvantaged mothers with lower household incomes are over represented amongst those missing out on eligibility for parental leave and its associated payment.

³ Sir Peter Gluckman (May 2011) 'Improving the Transition: Reducing Social and Psychological Morbidity During Adolescence'.

- reduced health and development benefits of not achieving the World Health Organisation's recommendation of exclusive breastfeeding for the first six months (eg improved health outcomes to mothers, and specific benefits to babies such as improved cognitive development and visual acuity, reduced risk of types 1 and 2 diabetes, reduced childhood obesity and coeliac disease, reduced mortality during the first year of life and long-term benefits for cardiovascular health).⁴
- not achieving child and maternal health and welfare benefits from the primary caregiver having a minimum of six months leave. The benefits include better health outcomes for mothers and infants and better developmental outcomes for children, including cognitive benefits and reduced rates of infant mortality.⁵ The Australian Productivity Commission reports there is compelling evidence of these benefits from a period of absence from work for the primary caregiver of around six months and a reasonable prospect that longer periods (nine to 12 months) are beneficial. Non-parental care in the first six to 12 months of a child's life can lead to behavioural problems and delayed cognitive development for some children.⁶

In addition, family structures and parenting arrangements have become significantly more diverse since the *PLEPA* was enacted in 1987. Grandparents, permanent guardians and Home for Life carers' (permanent foster parents) who work but take time off work to care for young children do not get the same support as parents who are eligible for PPL. This may discourage some people from entering into permanent care arrangements or may place additional financial pressure on these caregivers.

Parental leave must also be taken in one continuous period, which actively discourages interactions between employers and employees during the leave period as any work undertaken results in the employee forfeiting any remaining paid or unpaid leave.

Return to work often occurs before a baby is six months old for financial reasons

12.5% of PPL recipients are working four months after starting parental leave and 33% of PPL recipients are working five months after starting parental leave,⁷ making five months the time period when the largest number of PPL recipients return to work. In each month between six and 12 months after a parent starts parental leave, between 3 to 7 per cent more PPL recipients per month return to work in each month. 62.7% of PPL recipients have returned to work after 12 months.

Given that many PPL recipients commence parental leave prior to the birth of the baby, in many cases the baby will be younger than six months when the mother returns to work.

Most mothers would ideally like to take just over one year out of paid work to be with their babies, and the key factor for an early return to work are the financial constraints.⁸ An evaluation found that over half of the mothers who took PPL agreed that the ending of the payment had a significant impact on decisions of when to return to employment. Whilst

⁴ American Academy of Pediatrics (2005) "Breastfeeding and the use of Human Milk"

⁵ OECD (2007) 'Babies and Bosses: Reconciling Work and Family Life: A synthesis of findings for OECD countries'; Economic Journal, Tanaka, S (2005, vol 1 115) 'Parental leave and child health across OECD countries'.

⁶ Australian Productivity Commission (2009) *Paid Parental Leave: Support for Parents with Newborn Children*.

⁷ Department of Labour and Statistics New Zealand (2008) 'Work Patterns after Paid Parental Leave'.

⁸ *ibid*; Department of Labour (2007) 'Parental Leave in New Zealand 2005/2006 Evaluation'.

many PPL recipients are in higher income brackets, the majority (60%) earn \$50,000 or less. It is this group who have the least ability to take additional unpaid leave on top of their paid leave, and gain the benefits associated with longer leave.

MBIE considers that there are unlikely to be any changes in duration of parental leave taken without additional PPL payments being provided. The average duration of parental leave taken or PPL payments made do not appear to be changing over time, most likely due to financial pressure on mothers to return to the workforce at the time they currently do. The ability of families to balance those financial pressures by drawing upon savings and accessing other forms of paid leave (eg annual leave prior to commencing parental leave) are considered to be fully reflected in duration of leave currently taken.

Objectives

The options below have been assessed:

- for options relating to extending the duration of PPL payments and extending eligibility for PPL payments, against the option's ability to improve bonding between mothers / primary carers and their children, improve breastfeeding outcomes, and achieve the resulting health and welfare benefits
- for options relating to extending eligibility for PPL payments, against the likely costs and benefits for employers and employees
- for options related to providing greater flexibility in how parental leave can be taken, against whether the option promotes beneficial attachment to work during the period of parental leave, and against the likely costs and benefits for employers and employees
- for all options, against whether the option fits within the government's broad fiscal constraints and the need to prioritise budget allocations in selecting a preferred option (as noted above under the heading *Agency Disclosure Statement*, in determining the preferred options, judgments on this criteria have been made by Ministers).

Options and impact analysis

As discussed under the *Problem definition* above, there are a range of benefits (improved bonding between mothers / primary carers and their children, improved breast-feeding outcomes, and the resulting health and welfare benefits) associated with a period of absence from work for a mother or primary carer of around six months.

The period for which PPL is paid and the eligibility criteria for PPL payments are set under the *PLEPA*. The main reasons why not all mothers take six months of parental leave, which would result in the benefits identified above, have been identified as financial pressure due to PPL payments ceasing after 14 weeks or ineligibility for PPL payments.

The prescriptive nature of the *PLEPA* also means that flexibility in the taking of parental leave does not fit within the legislative scheme.

Therefore, non-regulatory options have not been considered, as they would not increase the legislatively-prescribed PPL payment period and would not enable most⁹ mothers / primary carers to take at least six months of parental leave. Neither would non-regulatory options achieve improvements in attachment to work during the period of parental leave.

The tables over-page set out the range of regulatory options considered, the estimated fiscal cost and an assessment of the extent to which the option would meet the desired objective of increasing the overall duration of leave taken.

Preferred options

The preferred options, balancing the objectives identified above, for:

- extending the duration of PPL payment and extending the eligibility for PPL are:
 - Option 2: Extension of PPL by 2 weeks from 1 April 2015 (from 14 weeks to 16 weeks), followed by a further 2 weeks from 1 April 2016 (from 16 weeks to 18 weeks)
 - Option 4: Extension of eligibility for PPL to non-standard workers with a long working history (eg seasonal or casual workers) and workers with more than one employer
 - Option 5: Extension of eligibility for PPL to permanent carers (including Home for Life carers, and other permanent care arrangements such as permanent guardianship, parenting orders, and grandparents)
- providing greater flexibility in how parental leave can be taken are:
 - Option 6: Allow keeping-in-touch days, which enable employees to work limited hours or days during their paid and unpaid leave period if they choose
 - Option 7: Allow the unpaid leave period to be taken flexibly
 - Option 8: Extend unpaid leave to workers who have been with their employer for more than six months (but less than 12) on a pro-rata basis of leave equal to tenure; or an entitlement to unpaid leave of up to 6 months, less PPL).¹⁰

The following options are not recommended:

- Option 1: Extension of PPL by 2 weeks from 1 April 2015 (from 14 weeks to 16 weeks)
- Option 3: Extension of PPL by 4 weeks from 1 April 2015 (from 14 weeks to 18 weeks).

Options for further extending PPL payments beyond 18 weeks were not considered

Other options of increasing the duration of PPL payments by a period of more than four weeks are also possible, for example, as proposed in the *Parental Leave and Employment*

⁹ 12.5% of mothers currently return to work within four months of commencing parental leave, most likely as they either face significant financial pressures or have other reasons for returning to work earlier. These parents behaviour is unlikely to be affected by an increase in the PPL duration.

¹⁰ For example, eight months job tenure would equate to 8 month's total leave including the paid and unpaid period combined (18 weeks paid from April 2016 and the remaining unpaid). A fixed period of six months entitlement to leave would equate to 18 weeks paid leave (from 2016) and an additional 8 weeks unpaid leave.

Protection (Six Months' Paid Leave) Amendment Bill currently before Parliament, which seeks to extend PPL from 14 weeks to 26 weeks in three stages. Options for an increase above a four week extension to the duration of PPL payments are not assessed in detail, as these options were not considered to take into account the government's broad fiscal constraints and the need to prioritise budget allocations.

Comment on timing trade-offs between options 2 and 3

Option 2 provides for some phasing in of increased entitlements, smoothing the increase in fiscal costs and therefore better meeting the government's broad fiscal constraints.

However, phasing in entitlements achieves the objective of improves bonding between parent / primary carers and children, improve breast-feeding outcomes, and achieve the resulting health and welfare benefits to a lesser extent than option 3 during the phasing in period.

In determining that option 2 is the preferred option, Ministers have made the judgment that phasing in of increased entitlements is appropriate to best fit within the government's broad fiscal constraints and the need to prioritise budget allocations in selecting a preferred option.

Comment on benefits and costs from extending PPL payments and extending PPL eligibility

Almost all of the fiscal costs for extending PPL payments and extending PPL eligibility are the increased PPL payments to eligible parents / primary carers who either:

- currently take more than 14 weeks parental leave, including unpaid leave
- return to work after their PPL payments end, who will now take more leave due to the payment
- are not currently eligible for PPL.

A minimal component of the increased fiscal costs will be the implementation and administration costs of increasing the duration of PPL payments, which are estimated at \$670,000 for IRD to implement the changes, with on-going administrative costs of \$60,000 per annum for IRD and \$200,000 per annum for MBIE.

There will also be some off-setting fiscal savings from additional parental leave being taken as a result of longer PPL payment periods, for example, due to lower early child-hood education subsidy payments being required or due to off-setting reductions in Working For Families tax credits. Based on qualitative assessments of the scale of these other benefits contained in advice prepared for the Government Administration Committee during its consideration of the *Parental Leave and Employment Protection (Six Months' Paid Leave) Amendment Bill*, MBIE considers that these off-setting fiscal savings are limited and has, therefore, not quantified these benefits.

Table 1: Options and impact analysis for extensions in PPL payment duration

Option description	Option 1: Extension of PPL by 2 weeks from 1 April 2015 (from 14 weeks to 16 weeks)	Option 2: Extension of PPL by 2 weeks from 1 April 2015 (from 14 weeks to 16 weeks), followed by a further 2 weeks from 1 April 2016 (from 16 weeks to 18 weeks)	Option 3: Extension of PPL by 4 weeks from 1 April 2015 (from 14 weeks to 18 weeks)
Improves bonding between mothers and their children, improves breast-feeding outcomes, and achieves the resulting health and welfare benefits	√ Partially meets objective, as would ease the financial pressure which leads to mothers returning to work prior to their child being at least six months old, leading to two more weeks leave being taken by most mothers, meaning some more mothers (approximately 10% of PPL recipients or 2,600 mothers) would reach the six month timeframe from 2015. In turn this would lead to the improved outcomes related to bonding, breast-feeding outcomes, and health and welfare benefits for those mothers and their children.	√√ Greater contribution to meeting objective, as would further ease the financial pressure which leads to mothers returning to work prior to their child being at least six months old, leading to two and then four more weeks leave being taken by most mothers, meaning initially some more mothers (approximately 10% of PPL recipients or 2,600 mothers) would reach the six month timeframe from 2015, followed by even more mothers meeting this timeframe from 2016 (approximately 20% of PPL recipients or 5,200 mothers).	√√√ Highest contribution to meeting objective, as would further ease the financial pressure which leads to mothers returning to work prior to their child being at least six months old, leading to four more weeks leave being taken by most mothers, meaning some more mothers (approximately 20% of PPL recipients or 5,200 mothers) would reach the six month timeframe from 2015.
Fits within the government's broad fiscal constraints	√√√ Fiscal costs ¹ 2014/15: \$6m ² Fiscal costs 2015/16: \$25m Fiscal costs 2016/17: \$26m Fiscal costs 2017/18: \$26m	√√ Fiscal costs 2014/15: \$6m ² Fiscal costs 2015/16: \$31m ³ Fiscal costs 2016/17: \$51m Fiscal costs 2017/18: \$53m	√ Fiscal costs 2014/15: \$12m ² Fiscal costs 2015/16: \$50m Fiscal costs 2016/17: \$51m Fiscal costs 2017/18: \$53m

Notes: 1 – fiscal costs are based on an extrapolation of the fiscal and administrative costs of existing PPL entitlements, based on existing take-up rates. These extrapolations draw upon administrative data from IRD as the agency responsible for PPL payments, and modelling undertaken by IRD, MBIE and the Treasury.

2 – fiscal costs are for quarter year from 1 April to 30 June 2015.

3 – fiscal costs include increase from 16 weeks to 18 weeks for quarter year from 1 April to 30 June 2016.

Table 2: Options and impact analysis for extensions in PPL eligibility

Option description	Option 4: Extension of eligibility for PPL to non-standard workers	Option 5: Extension of eligibility for PPL to permanent carers
Improves bonding between mothers / primary carers and their children, improves breast-feeding outcomes, and achieves the resulting health and welfare benefits	<p>√√√</p> <p>Highest contribution to meeting objective, as would ease the financial pressure which leads to mothers who would be newly eligible returning to work prior to their child being at least six months old. This would benefit approximately 800 mothers who would become newly eligible for 16 and then 18 weeks of parental leave, with the majority of these mothers being expected to reach the six month timeframe from 2015. In turn this would lead to the improved outcomes related to bonding, breast-feeding outcomes, and health and welfare benefits for those mothers and their children.</p>	<p>√√√</p> <p>Highest contribution to meeting objective, as would ease the financial pressure which leads to primary carers who would be newly eligible returning to work prior to their child being at least six months old. This would benefit approximately 600 primary carers who would become newly eligible for 16 and then 18 weeks of parental leave, with the majority of these mothers being expected to reach the six month timeframe from 2015. In turn this would lead to the improved outcomes related to bonding, and health and welfare benefits for those primary carers and their children.</p>
Likely costs and benefits to employers and employees	<p>√</p> <p>Significant benefits to mothers who would be newly eligible for leave. However, their employers would now need to provide parental leave including employment protection, and would need to consider covering these mothers during the parental leave period, which could involve temporary rather than permanent replacement costs.</p>	<p>√</p> <p>Significant benefits to primary carers who would be newly eligible for leave. However, their employers would now need to provide parental leave including employment protection, and would need to consider covering these primary carers during the parental leave period, which could involve temporary rather than permanent replacement costs.</p>
Fits within the government's broad fiscal constraints	<p>√√√</p> <p>Fiscal costs 2014/15: \$0m¹ Fiscal costs 2015/16: \$5.7m Fiscal costs 2016/17: \$6.4m Fiscal costs 2017/18: \$6.6m</p>	<p>√√√</p> <p>Fiscal costs 2014/15: \$0m¹ Fiscal costs 2015/16: \$3.7m Fiscal costs 2016/17: \$4.1m Fiscal costs 2017/18: \$4.3m</p>

Notes: 1 – fiscal costs are for quarter year from 1 April to 30 June 2015.

Table 3: Options and impact analysis for greater flexibility in how parental leave can be taken

Option description	Option 6: Allow keeping-in touch days, which enable employees to work limited hours or days during their paid and unpaid leave period if they choose.	Option 7: Allow the unpaid leave period to be taken flexibly	Option 8: Extend unpaid leave to workers who have been with their employer for more than six months (but less than 12) on a pro-rata basis of leave equal to tenure; or an entitlement to unpaid leave of up to 6 months, less PPL)
Promotion of beneficial attachment to work	√√√ Significant contribution to meeting objective, as would allow for the employee to make visits to work to encourage attachment or keep up skills development	√√ Whilst provision already exists to request flexible working arrangements, a right to a period of leave to be taken flexibly may promote greater attachment to work for some parents and incentivise attachment to work for those who might otherwise consider resigning	√√ By providing a longer period of paid employment protected leave, there may be an increased number of women who opt to return to work, rather than resigning because of insufficient time to be with their infant.
Likely costs and benefits to employers and employees	√√√ Limited costs and potentially significant benefits to both parties as allows for the employee to make visits to work to encourage attachment or keep up skills development	√√ Benefits to employees by increasing their choices and flexibility to suit work and family arrangements. Some compliance costs for employers but work arrangements would be agreed by mutual consent of both employers and employees	√√ Significant benefits to employees wanting leave beyond the paid period. Potential cost to employers to hold job open longer; potential benefit if it increases likelihood of employee returning as a result of longer leave
Fits within the government's broad fiscal constraints	√√√ Nil or minimal fiscal costs	√√√ Nil fiscal costs	√√√ Nil fiscal costs

There will also be additional labour market benefits from mothers / primary carers taking longer periods of parental leave, such as:

- increased labour market attachment for mothers / primary carers, with a lower proportion quitting their jobs during parental leave or instead of taking parental leave, and a higher proportion returning to work at the end of their parental leave
- in its submission on the *Parental Leave and Employment Protection (Six Months' Paid Leave) Amendment Bill*, EMA Northern stated that employees and their children are more likely to be settled, leading to a better return to work, if at least six months parental leave is taken
- reduced training and recruitment costs for employers (from more employees returning to work), and an increase in the ease of replacing an employee who takes parental leave for the longer period – the evaluation of parental leave found that 71% of employers agreed that PPL helped them to better retain experienced staff¹¹
- longer term improvements in lifetime workforce participation rates by women.

These benefits will be shared between mothers / primary carers and their employers.

These benefits have not been quantified and are unlikely to differentiate between the options assessed in table 1 above. However, each of these benefits has been recognised internationally, for example by the Australian Productivity Commission and the OECD.

Consultation

The proposals assessed in this RIS have not been specifically consulted on, due to their Budget Secret nature. However, there has been recent consultation on increasing PPL payment periods through the Government Administration Committee consideration of the *Parental Leave and Employment Protection (Six Months' Paid Leave) Amendment Bill* currently before Parliament.

While submissions on that Bill supported a longer extension than the proposals assessed in this RIS, the government does not consider that the Bill adequately took into account the government's broad fiscal constraints and the need to prioritise budget allocations. Neither would that Bill have achieved the package of preferred options to provide improved support to a range of families with newborns, who have different circumstances and may be eligible for some but not all of the proposed options.

Decisions are proposed for options which involve extensions to the eligibility for PPL payments and related employment protection, with further detailed design work to be completed and consultation undertaken with businesses, unions and other stakeholders. The Minister of Labour will introduce a separate Bill to address these options later in 2014, and a revised *Regulatory Impact Statement* will be provided for those options at that time. This consultation will also consider whether the criteria for entitlements to parental leave and PPL can be set under regulations, to enable more flexibility and responsiveness to changing work patterns in the future.

¹¹ Department of Labour (2007) 'Parental Leave in New Zealand 2005/2006 Evaluation'.

Conclusions and recommendations

Options 1 to 3 above for extensions in PPL payment duration present different trade-offs between the extent to which the objective of increasing the overall duration of parental leave taken by all mothers / primary carers to six months is likely to be achieved, with the fiscal costs and opportunity to provide a balanced package of preferred options to provide improved support to a range of families with newborns, who have different circumstances and may be eligible for some but not all of the proposed options.

In relation to extensions to the duration of PPL payments, Ministers have taken into account the government's broad fiscal constraints and the need to prioritise budget allocations in selecting the preferred Option 2.

Options 4 and 5 for extensions in PPL eligibility to non-standard workers and permanent carers are both recommended, as these options would meet the objective of increasing the overall duration of parental leave taken by mothers / primary carers, while fitting within the government's broad fiscal constraints.

Options 6 to 9 to allow greater flexibility in how parental leave can be taken are all recommended, as these options would promote beneficial attachment to work by mothers / primary carers, while having minimal costs for employers and employees and nil or minimal fiscal costs.

Implementation plan

The increase in PPL payment duration will be introduced in two stages, with:

- an additional two weeks PPL payment from 1 April 2015 (increasing the PPL payment from 14 weeks to 16 weeks)
- a further increase of two weeks PPL payment from 1 April 2016 (increasing the PPL payment from 16 weeks to 18 weeks).

This timing will allow sufficient lead-time for IRD to implement the changes to the PPL payment duration in its processing systems.

There are not expected to be any material compliance costs from the extension to the PPL payment duration. PPL recipients must already apply for PPL payments and their employers must provide information to support an application, as well as considering if they replace a PPL recipient. Any behavioural changes that impact on compliance costs will be in the margin, and may actually involve compliance cost reductions for employers where they find it easier to replace a PPL recipient for a slightly longer period of time (for example six months instead of five months).

The increase in PPL payment duration amends existing statutory entitlements. There is no potential to reduce or remove existing regulations in implementing this change. The existing enforcement approaches will continue to apply.

The extension in eligibility for parental leave and PPL payments to non-standard workers and permanent carers, and the introduction of greater flexibility in how parental leave can be taken, is intended to be introduced through a separate *Employment Standards Bill* later in 2014. These changes are intended to come into effect from 1 April 2016.

Monitoring, evaluation and review

IRD and MBIE will administratively monitor the impacts of the increase in PPL payment duration, to understand how up-take of parental leave is affected. As the agency with policy responsibility for the parental leave scheme generally, MBIE will monitor and evaluate the impacts of the increase in PPL payment duration in the broader context of whether the scheme's objectives as a whole are being achieved, whether the objective of increasing the overall duration of parental leave taken by all mothers / primary carers to six months is being achieved and whether the broader social, health and welfare benefits that flow from that objective are being delivered.