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To: Government Administration Committee
Parliament Buildings
Wellington

c/o Committee Secretariat: select.committees@parliament.govt.nz

Submission: Parental Leave and Employment Protection (Six Months' Paid Leave and Work Contact Hours) Amendment Bill

Child Poverty Action Group (CPAG) thanks the Select Committee for the opportunity to submit on this Bill.

Child Poverty Action Group (CPAG) is an independent charity working to eliminate child poverty in New Zealand through research, education and advocacy. CPAG believes that New Zealand's high rate of child poverty is not the result of economic necessity, but is due to policy neglect and a flawed ideological emphasis on economic incentives. Through research, CPAG highlights the position of tens of thousands of New Zealand children, and promotes public policies that address the underlying causes of the poverty they live in.

Contact: Associate Professor Susan St John, CPAG Spokesperson at s.stjohn@auckland.ac.nz

We request the opportunity to present orally to the select committee.

CPAG General comments

While supportive of the idea that we need to support newborns and their parents, CPAG has concerns about the implications of this Bill. We urge Committee members to consider carefully the high cost of this proposed legislation, and to act in the best interests of the most vulnerable children in the community, the poorest families and their children, who are excluded from the significant financial benefits provided in this Bill.

The purpose of this Bill is stated as: to extend paid parental (PPL) leave to 26 weeks. This bill adds provisions around work contact hours, where working parents are entitled to the flexibility of returning to work for a certain amount of time during the parental leave period without losing their entitlement to PPL.

We note that PPL was extended from 14 to 16 weeks from 1 April 2015, and the extension is one of two steps to extend PPL to 18 weeks by 1 April 2016, and from 1 April 2015, the parental tax credit

(PTC) was increased from \$150 a week to \$220 a week, and the payment period was extended from eight weeks to 10 weeks.¹

We accept the findings that show extended PPL, that is, financial support from the State for a longer duration, enabling more time together for mother and baby without the stress of financial concerns, means better health for the mother and child. This is good for babies, their families, their communities, and the nation. As proponents of this Bill have argued, it facilitates breastfeeding babies for the six months recommended by the World Health Organisation, and supports babies' attachment with their parents that is crucial for their brain development.²

PPL is funded by the taxpayer like Working for Families, but unlike that payment, it is not reduced for those with higher household income. Treasury describes its objective to recognise opportunity costs to working parents. It is however misleading to see it as a payment that assists with the more pressing issue of child poverty. Currently it is paid to under one half of all newborns. For some low income parents who do not qualify there is a small targeted payment of the PTC.

Both PPL and PTC have work-based eligibility requirements. If a family doesn't meet these narrow requirements, then there is no extra help.

Beneficiaries who are caring for newborns are specifically excluded from any additional assistance from either the PPL or the PTC.

Of 60,000 babies born a year around 15,000 of the poorest ones miss out on any extra financial assistance. To summarise

- Their parents don't get Paid Parental Leave (PPL) (net \$7,401, or \$8,329 in 2016)
- They don't get In Work Tax Credit (\$3120 or \$3770 in 2016)
- They don't even get the PTC (\$2,200) meant for those who don't get PPL.

The argument that babies deserve extra financial support to enable bonding and breastfeeding for 6 months should include ALL babies, especially the poorest.

Extending PPL would be costly. The Treasury estimated in 2013 that it would cost more than \$100 million a year to fund the proposed increase from 18 weeks.³ This cost is significant, especially when the poorest families and especially the poorest children, are excluded from any gains from that extra spending. As Treasury noted (2013, p. 2):

if support for vulnerable families and children in poverty are key considerations, paid parental leave will unlikely be the most effective lever.

The overall per annum cost of PPL at 26 weeks was projected to be \$347 million.³ Currently only \$15 million is spent on the PTC and it is only for some of those who do not get PPL.

The current requirements for families to receive the PTC are listed on the IRD website: "You can't get a PTC if your family income for the full 8 or 10 weeks includes:

- paid parental leave
- an income-tested benefit, even if it is suspended
- NZ Super
- a Veteran's Pension
- a student allowance, or
- accident compensation from ACC, unless you get this for less than three months."

¹ See *New Zealand at Work*:

http://employment.govt.nz/er/holidaysandleave/parentalleave/?utm_source=newzealandnow.govt.nz.

² See *Exclusive breastfeeding*, World Health Organisation, 2015, at http://www.who.int/nutrition/topics/exclusive_breastfeeding/en/.

³ See *Treasury Report: Paid Parental Leave: A Policy Perspective*, 2013, at <http://www.treasury.govt.nz/publications/informationreleases/paidparentalleave>.

Removing the implied discrimination against beneficiaries and students would be a first step in improving an unfair and illogical system.

Extending the duration of PPL will have no impact on child poverty, which is the most critical issue at this time, and a stated priority of the Government.⁴ In fact, spending more on PPL may preclude other more vital spending for the 250,000 children in New Zealand enduring significant poverty, such as extending the full Working for Families package to all the low income children as CPAG has recommended.⁵

CPAG submits

1. That the extension of PPL to 26 weeks be delayed until such time as there is adequate recognition of the needs of all newborns.
2. That the extra \$70 per week for PTC, and time extension of the payment from 8 weeks to 10 weeks, started 1 April 2015, be provided to all babies born to parents in receipt of a welfare benefit. This would remove the current discrimination against these children, so all children born in this country would begin their lives with extra state assistance.
3. That the Bill's provisions around work contact hours, where working parents are entitled to the flexibility of returning to work for a certain amount of time during the parental leave period without losing their entitlement to PPL, be implemented.

⁴ See *Prime Minister's Statement to Parliament*, 10 February 2015, at <http://www.beehive.govt.nz/feature/prime-minister%E2%80%99s-statement-parliament-1>.

⁵ See *New Zealand must invest in all new-borns*, 2014, at <http://www.cpag.org.nz/assets/Backgrounders/140129%20PPL%20Backgrounder%200114%20SSJ.pdf>.