

The Treasury

Budget 2014 Information Release

Release Document

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Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

- [1] 6(a) - to prevent prejudice to the security or defence of New Zealand or the international relations of the government
- [2] 6(c) - to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
- [3] 9(2)(a) - to protect the privacy of natural persons, including deceased people
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- [5] 9(2)(ba)(i) - to prevent prejudice to the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied.
- [6] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [7] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [8] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [9] 9(2)(h) - to maintain legal professional privilege
- [10] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [11] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [12] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [13] Not in scope
- [14] 6(e)(iv) - to damage seriously the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the entering into of overseas trade agreements.

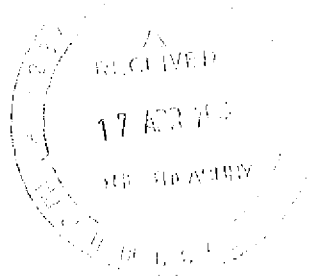
Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, a [3] appearing where information has been withheld in a release document refers to section 9(2)(a).

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.



Cabinet

Minute of Decision



CAB Min (14) 13/12

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Additional Financial Support for Families with a Newborn

Portfolio: Labour

On 14 April 2014, following reference from the Cabinet Social Policy Committee, Cabinet:

Background

- 1 **noted** that there is good evidence that the early years of life are critical for later outcomes, and that measures that support parents to provide full-time care for very young children, and alleviate financial stress can contribute to improving short and long-term child outcomes;

Changes to parental leave

- 2 **noted** that data shows that one third (33 per cent) of paid parental leave (PPL) recipients are working five months after starting parental leave, and 40 per cent are working six months after starting leave;
- 3 **noted** that extending PPL entitlements by four weeks is likely to provide many of the mothers currently only achieving around five months of leave the opportunity to more easily reach the six month milestone, when a large amount of the benefits of full time personal care of children are achieved;
- 4 **agreed in principle, subject to** Budget decisions, to introduce a Parental Leave and Employment Protection Amendment Bill on Budget night, which will extend the current PPL entitlement to 16 weeks as of 1 April 2015, and to 18 weeks as of 1 April 2016;
- 5 **noted** that non-standard workers, such as seasonal or casual workers, or other workers with more than one employer, who also tend to be low paid workers, are ineligible for PPL despite often having a long work history;
- 6 **agreed in principle, subject to** Budget decisions, to extend the paid (but not unpaid) parental leave entitlement to those who have recently changed jobs and to non-standard workers (i.e. casual, seasonal, and employees with more than one employer);
- 7 **noted** that family structures and parenting arrangements have become significantly more diverse since the Parental Leave and Employment Protection Act 1987 was enacted, and that grandparents, permanent guardians, and Home for Life carers who work but take time off work to care for young children do not get the same support, and that people may be discouraged from permanent care arrangements because of this:

- 8 **agreed in principle, subject to** Budget decisions, that the Parental Leave and Employment Protection 1987 Act be amended to incorporate the notion of a 'primary carer' as the Australian scheme does, so that Home for Life carers, and other permanent care arrangements (such as permanent guardianship, parenting orders, and grandparents) who work can receive entitlements under the Act;
- 9 **noted** that stakeholders (both employers and employees) are concerned that the Parental Leave and Employment Protection 1987 Act fails to promote attachment to work or encourage employees to maintain skills, as it 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;
- 10 **agreed in principle, subject to** Budget decisions, to the following amendments to the Parental Leave and Employment Protection Act 1987 to provide greater flexibility and connection to work:
- 10.1 Keeping in Touch Days, which enable employees to work limited hours or days during their paid and unpaid leave period if they choose;
- 10.2 enabling employees to take the unpaid parental leave part time and flexibly to allow the unpaid leave period to be undertaken over time to suit family needs, by mutual agreement with the employer and employee;
- 10.3 extending unpaid leave to workers who have been with their employer for more than six months (but less than 12), as a pro-rata amount of unpaid leave according to length (eg seven months' job tenure would equate to seven months' unpaid leave), subject to further testing with stakeholders;
- 11 **agreed in principle, subject to** Budget decisions, that the decision in paragraph 4 be implemented through a Budget night Bill under urgency, with a category one priority (to be passed or introduced as a matter of law in 2014) on the 2014 Legislation Programme, in order to ensure that legislation is passed by 1 November 2014;
- 12 **agreed in principle, subject to** Budget decisions, that the decisions in paragraphs 6, 8 and 10 be implemented through the Employment Standards Bill, which currently has a category five priority (to be referred to a Select Committee in 2014) on the 2014 Legislation Programme, enabling further consultation with stakeholders on the detailed design and with the legislation to come into effect by 1 April 2016;

Changes to the Parental Tax Credit

- 13 **agreed in principle, subject to** Budget decisions, to increase the weekly amount of the Parental Tax Credit (PTC) to \$220 per week and increase the eligibility and payment period to 10 weeks, for all children born on or after 1 April 2015;
- 14 **agreed in principle, subject to** Budget decisions, to amend the PTC abatement formula to include the full year's worth of family income in determining the amount by which the PTC is abated;
- 15 **agreed in principle, subject to** Budget decisions, that the decision in paragraphs 13 and 14 be included in the Budget taxation Bill that the Cabinet Business Committee has already agreed to introduce for other Budget changes [CBC Min (14) 1/2];

- 16 **invited** the Minister of Revenue to issue drafting instructions to Inland Revenue as necessary, to implement the agreed changes to the PTC;
- 17 **authorised** the Minister of Revenue to make such technical and minor policy decisions as are required to implement the agreed changes to the PTC;

Financial implications

Fiscal Costs

- 18 **noted** that the proposals in paragraphs 4, 6, 8 and 10 have a fiscal cost as follows:

\$ Million	2014/15	2015/16	2016/17	2017/18	Total over 4 years
Paragraph 4: Additional weeks of PPL (16 weeks from 1 April 2015, and 18 weeks from 1 April 2016)	6.00	31.00	51.00	53.00	141.00
Paragraphs 6, 8 and 10: Widening PPL eligibility to non-standard workers and primary carers	0.00	9.00	11.00	11.00	31.00
Paragraphs 13 and 14: Increase PTC to \$220 per week over 10 weeks, and change abatement thresholds	3.25	13.00	13.00	13.00	42.25
Total for newborn package	9.25	53.00	75.00	77.00	214.25

Implementation and administration costs

- 19 **noted** that the five year operating costs for Inland Revenue in implementing and administering the PPL changes in paragraphs 4, 6, 8, and 10 is \$0.813 million, and for the PTC changes outlined in paragraphs 13 and 14 it is \$5.3 million, from 2013/14 to 2017/18;
- 20 **noted** that the on-going annual operating cost of the PPL changes in paragraphs 4, 6, 8, and 10 is up to \$0.065 million for Inland Revenue and \$0.2 million for the Ministry of Business, Innovation and Employment, and for the PTC changes in paragraphs 13 and 14 is up to \$5.00 million for Inland Revenue, starting from 2018/19;

- 21 **noted** that Inland Revenue's operational and administrative costs referred to in paragraphs 19 and 20 include an appropriate level of contingency, as outlined in the following table:

\$ Million	2013/14	2014/15	2015/16	2016/17	2017/18	Total over 5 years	2018/19 and Outer years
Paid Parental Leave (paragraphs 4, 6, 8 and 10)							
Inland Revenue implementation/ admin	0.012	0.339	0.110	0.050	0.050	0.561	0.050
Inland Revenue contingency	0.006	0.168	0.053	0.013	0.013	0.253	0.013
MBIE administration costs for PPL	0.00	0.00	0.05	0.2	0.2	0.45	0.20
PPL totals	0.018	0.507	0.213	0.263	0.263	1.264	0.263
Parental Tax Credit (paragraphs 13 and 14)							
Inland Revenue implementation/admin	0.120	1.980	0.860	0.400	0.400	3.760	0.400
Inland Revenue contingency	0.060	0.950	0.338	0.100	0.100	1.548	0.100
PTC totals	0.180	2.930	1.198	0.500	0.500	5.308	0.500
Grand totals for PPL and PTC package	0.198	3.437	1.411	0.763	0.763	6.572	0.763

- 22 **noted** that funding for the fiscal and administrative costs summarised in paragraphs 18 and 21 has been sought through the Budget 2014 package.

Secretary of the Cabinet

Reference: CAB (14) 186