

High-Wire Act

Balancing Families and Jobs at Precarious Points

The Role of Work -Leave in New Zealand and the United States

Prepared by

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Kia ora
Jodie Levin-Epstein
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EXECUTIVE SUMMARY

High Wire Act: Balancing Families and Jobs at Precarious Points examines two work-leave policies: parental leave and sick days' leave. It considers the implications of these policies, both for families and for businesses, in New Zealand and the United States.

In New Zealand, national laws establish a minimum for Paid Parental Leave (around the birth or adoption of a child) and for paid sick leave (for those days when a worker or worker's family member is sick). The United States has no such federal laws. In the United States, the Family Medical Leave Act (FMLA) provides for 12 weeks of unpaid leave for some employees to take time at the birth or adoption of a child and to address their own or family members' serious health conditions. The FMLA addresses serious illness and it is not intended to be used for sick days now and then; this paper is particularly focused on New Zealand's paid-leave law that covers sick days.

Government policy can influence the relationship between families and employers and provide a net beneath the high wire on which some families and some businesses balance when employees take leave.

Work-leave can be precarious for both families and businesses. The time around the birth of a child and days of sickness is stressful for all working parents; however, if the time off from work is unpaid, the challenge of such moments is even greater for families with lower incomes. Time taken out of the workforce can sometimes trigger poverty and more generally will influence future earnings capacity. Businesses have an economic stake in the absences of workers. Companies must make adjustments to accommodate worker absences. This can be stressful for any company but, for some businesses, particularly those that are smaller, it may be more difficult than others.

High Wire Act identifies key research that addresses four fundamental questions:

- Why Does Work-Leave Matter?
- What Are the N.Z. and US Work-Leave Policies?
- Why Compare Work-Leave in New Zealand and the United States?
- Who Has Taken Up Work-Leave?

The four questions raise considerations with almost Talmudic depth. For example, while research demonstrates that parental leave can be valuable to the well-being of families, the business bottom line, and an ageing society's need for workers, it fails to inform us about the ideal length of parental leave when all of these elements are considered together. How long can a job stay protected without hurting business operations? How long can a parent be absent from the workforce without harming long-term earnings, and is shared caring between parents the best way to address earnings capacity? What length of leave is best for a child's development? How do different 'family friendly' policies impact on these three considerations? What is the right cost-benefit calculus for different kinds of businesses? How can businesses weigh immediate returns against those that are longer term?

While many questions remain unanswered or insufficiently nuanced, the data make clear that, without statutory policy, some workers would not receive adequate, or any, access to work-leave. This happens when the businesses that employ these workers do not voluntarily provide these benefits. The workers in these firms tend to be, but are not necessarily limited to, those who earn lower wages.

High-Wire Act follows the four questions with:

- What Stakeholders Say About Work-Leave; and
- Policy Considerations.

To gain a better understanding of how New Zealand's statutory parental and sick days' leave provisions are perceived and experienced at the ground level, interviews were conducted with New Zealand solo mothers, lower-wage workers, and employers with fewer than 50 employees. Virtually all of the interviewed businesses support government's role in establishing Paid Parental Leave and, most particularly, in funding it through general tax revenues. Both because the law is new and because parental leave is relatively infrequent, few of the interviewed businesses had yet implemented it; and some were misinformed about certain provisions. There is also worry about a pending government proposal to expand eligibility to more workers. Yet, while not without concern about how to manage a worker's absence, a number of the employers believed the paid leave would help retain workers. Solo mothers, many of whom planned to return to their employers, valued the parental leave income. Nevertheless, most found that the drop in income translated into housing dislocation. Information about the interaction of certain benefit programmes was not readily available; in contrast, the application process and payment procedures were fairly seamless for these mothers. The interviewed businesses also supported government's role in defining a minimum standard for sick days' leave. Interviewed employers and employees alike felt paid sick days were necessary to address the need for wages when someone is sick; they also felt that sometimes an employee or employees would abuse the sick days' leave. Interviewed employers are generally worried about new restrictions on their ability to require certification of sickness. The businesses which provide higher wages tend to provide more sick days' leave.

The stakeholder interviews, along with the research related to the four questions, suggest that New Zealand has established important work-leave schemes. The Government has made significant strides in its work-leave policy. The analysis and the interviews also indicate that New Zealand's policies, to be on the cutting edge, should be subject to on-going review.

Consideration should be given in New Zealand to policies in which the Government would:

Paid Parental Leave

- Establish "use or lose" paid-leave weeks for partners as a step towards a society in which caring and earning are equitably shared.
- Ensure Paid Parental Leave is integrated into the Working for Families Initiative so that low-wage workers can access appropriate benefits.

- Identify potential mechanisms to “top up” payments for low and moderate income families so that any loss of income while on parental leave is less severe.
- Continue building business community awareness of how PPL rules work since many smaller enterprises have few opportunities to implement PPL.
- Develop greater public and private capacity to link employers with short-term job seekers so that employee absence is less of a burden.
- Allow payments to parents who acknowledge no intention to return to jobs so that employers can hire replacement staff sooner.
- Develop a Paid Parental Leave research agenda to address the nuances of the current scheme and future options.
- Issue a report card on Paid Parental Leave so that the public and Government can readily appreciate such issues as the number of families that do and do not benefit from the scheme, the views of implementing business, and how New Zealand compares to other OECD nations.
- Ensure Work-Leave is on the agendas of appropriate government initiatives such as the Families Commission in order that work-life balance (including work-leave) does not get crowded out by other government policy and messages such as ‘make work pay’.
- Examine international experience with general revenue financing of PPL so that New Zealand’s use of taxpayer funds can be compared with the few countries which finance parental leave in the same way.

Sick Days’ Leave

- Ascertain whether medical certificates are achieving the expected check and balance regarding verification of absences.
- Assess if employer worries about documentation restrictions materialise into a real problem in which employees abuse the restriction.
- Consider a pro-rata approach to sick day’s leave which treats full-time and part-time workers differently.
- Collect best-practice approaches to sick leave so that employers can have valuable tips.

Consideration should be given in the United States to lessons from New Zealand’s experience, including:

Parental Leave

- A public-private partnership can enhance business engagement in policy debates around parental leave.
- General revenue financing of parental leave can eliminate a business objection and foster legislation.
- Parental leave is a relatively rare occurrence for most small firms and this could enhance acceptance of leave.
- Management of employee absence during parental leave, whether paid or unpaid, is rarely easy to manage, yet small firms have managed it.
- General revenue financing of parental leave could enhance the likelihood of a longer period of leave.

Sick Days' Leave

- A national US sick days' leave law should be established to provide a minimum standard that applies to all size enterprises.
- A national US sick days' leave law should provide for a meaningful illness verification process.
- A national US sick days' leave law should provide for an illness verification process that considers workers' ability to pay for verification.
- A national US sick days' leave law should provide for carry-over of unused days, up to a cap.

New Zealand and the United States are different in many respects but they share a fundamental economic truth: they both must operate in a manner in which every worker counts. Policies that enable working parents to work—and to parent—are a vital part of that framework.

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INTRODUCTION

Timing is everything. When I decided to learn about New Zealand's work-leave statutes, I was warned that I was too late. Paid Parental Leave and paid sick days' leave, the objects of my interest, had already been addressed and amended; other work-life balancing acts would be in the public policy ring. It turns out, however, that 2004 may prove to be a vintage year to have had a chance to investigate work-leave in New Zealand.

In New Zealand, work-leave is front-page news. The topic of sick days' leave has made headlines; the subject of parental leave is part of pending legislation. The purpose of **High-Wire Act: Balancing Families and Jobs** is to examine these two work-leave policies to understand how they might better operate in New Zealand, and to consider the implications of those findings for the United States. In the United States, for the first time ever, a national sick days' leave bill has been introduced in Congress; national and state legislative debates on parental leave are progressing.

What is Parental Leave?

Parental leave means different things in different countries. It generally means time off from paid work for either parent to care for a child, usually in the early period of a child's life. A job is typically protected. Sometimes parental leave includes a distinct time for maternity or paternity leave. It can be paid or it can be unpaid.

What is Paid Sick Days' Leave?

Sick days' leave typically relates to time off from work to address common ailments, rather than serious illnesses. Sometimes sick days' leave is restricted to a worker's own illness; a policy can also allow for the worker to care for a family member. While a policy could establish a right to some number of unpaid sick days, typically the objective is to ensure that workers do not lose wages.

High-Wire Act concentrates on New Zealand's experience. The reason is straightforward. New Zealand has national laws that provide for Paid Parental Leave and sick days' leave; the United States does not. Yet the United States should be particularly interested in lessons from New Zealand for a variety of reasons. Two reasons stand out. First, the nations have a shared work-leave history: until 2002, New Zealand and the United States, along with Australia, held the distinction of being the only nations within the Organisation for Economic Co-operation and Development (OECD) to fail to provide statutory Paid Parental Leave.¹ This should

¹ While New Zealand, unlike the United States, has established Paid Parental Leave, its scheme is less generous than in other OECD nations. Cross-national comparisons of 30 OECD countries suggest the duration of paid and unpaid leave appears to be greater in 16 nations. Leave payments are much higher (as a percent of wages) in at least 13 OECD nations, and at least somewhat higher in perhaps as many as 22 nations. OECD (2001), combined with the author's calculations of New Zealand's percentage of

help belie any misimpression Americans might hold of New Zealand as a Nordic-style social welfare state. Second, the countries have a different business demographic: New Zealand is a nation of small businesses. Yet, these small businesses are implementing both work-leave policies. In the United States, businesses with fewer than 50 employees are considered small and are treated differently. Small US businesses are exempt from providing *unpaid* parental leave; they are also likely to object to proposed statutes that would mandate paid sick days. Thus, New Zealand provides an opportunity for business-to-business information on how to view and manage work-leave.

What Are the National New Zealand and United States Statutes?

New Zealand parental leave:

- 1987: eligible employees provided with up to 12 months of unpaid job-protected leave, which couples can share, to care for a new-born or adopted child; includes maternity leave (statutorily provided to certain public sector employees, beginning in 1948, and subsequently expanded to include the private sector). A separate 2 weeks are available for paternity/partner's leave.
- 2002: eligible female employees provided with 12 weeks of Paid Parental Leave financed through general tax revenues; some or all of the Paid Parental Leave may be transferred to an eligible partner.
- 2004: legislation pending to extend Paid Parental Leave to 14 weeks and to liberalise eligibility criteria for employees.

New Zealand sick days' leave:

- 1991: eligible employees entitled to up to 5 days for a set of purposes including the individual's own sickness, the need to care for a family member who is sick, or bereavement.
- 2003: eligible employees entitled to up to 5 days exclusively for sick leave purposes; rules established related to verification of sickness; implementation as of April 1st, 2004.

United States parental leave and sick days' leave:

- 1993: qualified employees entitled to up to 12 weeks of *unpaid*, job-protected leave to care for a new-born or adopted child under the Family and Medical Leave Act; the FMLA can also be used for serious illness of an employee or family member, but cannot be used for sick days because of common ailments.
- 2004: Bills introduced to expand access and provide payments related to FMLA; Bill introduced for the first time ever to provide 7 days of sick leave to full-time employees and a pro-rata share of days to part-time workers.

A goal of **High-Wire Act** is to identify some future policy considerations for New Zealand. To gain a greater understanding of New Zealand's experience in

wages [maximum PPL payment of NZ\$335 divided by March 2004 female weekly manufacturing earnings of NZ\$643].

implementing its parental leave and sick days' leave laws, qualitative interviews were conducted with 17 New Zealand workers and 17 businesses as part of this project.² These interviews revealed an array of experiences with taking and providing leave under the parameters of New Zealand's laws. As described later, these interviews, along with conversations with other stakeholders, suggest New Zealand's laws deserve to be revisited over time.

Work-leave is an important piece of a broader debate around work-life balance. In New Zealand, a major Work-Life Balance Project has been instituted by the Government. Managed by the Department of Labour, the project produces research, guides, case studies and other resources for public use. The project recently undertook public consultation to identify the concerns and recommendations of individual citizens. It also published a review of the business case for work-life balance. In addition, the Equal Employment Opportunity Trust, which receives public funds as well as private support, annually awards those New Zealand workplaces which encourage work-life balance. The Government's leadership and partnerships indicate the priority placed on work-life balance.

The Prime Minister of New Zealand, Helen Clark, has emphasised the importance of work-life balance to the nation:

“The cutting edge policy now is the work-life balance area... It's about work-life balance in the workplace, which is an integral part of your life and how it interacts with the other parts of your life.”³

The Work-Life Balance Project has identified the benefits of work-life balance to business, including its influence on work-leave:

“Many companies that have introduced family-friendly or flexible working practices have seen benefits through reductions in absenteeism. Sickness rates may fall as pressures are managed better, while employees may have better methods of dealing with work-life conflicts than taking unplanned leave.

Workers (including their managers) who are healthy and not over-stressed may be more efficient”⁴

The project also notes that work-life strategies can improve the rate at which employees return after parental leave.

The New Zealand Government's greater engagement in work-life issues provides an opportunity for the United States to take advantage of lessons learned related to work-leave; it also suggests that, if New Zealand is to achieve cutting-edge policy, it will continuously need to revisit and refine its own policies and operations. **High-Wire Act** is designed to facilitate policy creation and revision in each country.

² Levin-Epstein (2004)

³ Australian Women's Weekly (2003)

⁴ Department of Labour (n.d.1)

1 WHY DOES WORK-LEAVE MATTER?

High-Wire Act examines two work-leave policies: parental leave and sick days' leave. It considers the implications of these policies, both for families and for businesses in New Zealand and the United States.

Parental leave policies allow for time-off from work around the time a child is born or adopted. The leave can be unpaid or paid over a period in which an employee's job is protected. Parental leave is a relatively rare event among workers. Leave for sick days, in contrast, could potentially apply to all workers. An 'everyday' illness is quite common among men and women, young and old, parenting and non-parenting. In part because of this 'universality' and its implications for the workplace, this paper focuses on sick days' leave rather than longer leave for more serious, but less common, illnesses.

In New Zealand, national laws establish a minimum for Paid Parental Leave and for paid sick days' leave. The United States has no such federal laws. Rather, *unpaid* leave may be used for parental leave or for serious illnesses for up to 12 weeks in accordance with the Family Medical Leave Act (FMLA). The FMLA allows time off for an eligible employee's serious illness or to care for a seriously-ill family member and it is not intended to be used for a sick day now and then.

The need for benefits and work rules that assure employees of some minimum balance between work and life is well established. The standard 5-day work week and 8-hour workday, while widely accepted today as the mark of full-time work, only came about as the result of significant struggles between labour and management in both nations. Underlying the struggle is the belief that in a capitalist society certain minimum benefits are needed to remain productive and healthy and to ensure fairness and equity. These benefits have evolved over time to suit changing circumstances. Parental leave and sick leave are of increasing importance today, in large part because of shifting demographics and labour dynamics. More women with young children are in the labour force and this impacts on both family life and the workplace.

The time around the birth of a child and days of sickness are stressful for all working parents; however, if the time off from work is unpaid or is not equal to earnings, the challenge of such moments is even greater for families with lower incomes. Indeed, for some families, the birth of a child can trigger poverty when job income is lost and not replaced. For all families, time out of the workforce can influence future earnings capacity.

Businesses too have an economic stake in the absences of workers. Companies must make adjustments to accommodate worker absences. These adjustments can range from new costs for temporary staff to new work burdens on existing staff. This can be stressful for any company, but for some businesses, particularly those that are smaller, it may be more difficult than others. Effective management of absences, however, can often save money. This happens because employee retention typically saves money compared to the costs of hiring and training new employees; the greater the investment in an employee, the greater the interest in retaining that employee's skills. Further, companies that operate in ageing societies face futures in which fewer labourers support more older citizens. These demographics can pose problems for

national budgets and overall productivity; in other words, they will influence the business climate. The relative shrinkage in the working-age population should therefore propel increased business interest and investment in worker well-being, including workers who are parents.⁵ The well-being of these workers will influence company productivity.

This section highlights key research findings. While not exhaustive, it provides some evidence of the advantages of work-leave policies; it also hints at a range of yet unanswered questions from the ideal length of leave to the ideal temporary hire cost/benefit ratio.

Some Implications of Work-Leave for Business and for Economies

New Zealand businesses have to compete internationally for skilled employees, so it is important that New Zealand employees' quality of life matches that of other developed countries.

—Prime Minister Helen Clark and Women's Affairs Minister Ruth Dyson, Announcement of Paid Parental Leave Expansion, 8 March 2004.

Adequate periods and levels of PPL [Paid Parental Leave] have been linked with increased labour-market attachment for mothers and with resulting income improvements over their lifetime. Wider economic gains to society also result where labour market productivity is maximised. Losing women's skills from the labour market or reducing the likelihood they are maximised comes at a cost to society.

—New Zealand Cabinet Policy Committee, October 2001⁶

Both sick leave and parental leave influence the quality of life; therefore, businesses that are interested in work-life balance need to include these types of leave on their agenda. Businesses should also be interested in these work-leaves because they can enhance a company's bottom-line. Indeed, some firms offer more of these benefits than is required of them in order to be competitive with other firms and to attract labour when markets are tight. Notably, providing parental leave appears to increase employee retention and this can save employers money. How much of a saving can be achieved depends on a range of variables including the skills of the worker and the current labour supply. In advanced economies which demand greater employee specialisation in order to enhance productivity, the retention of trained employees is vital.

Employee Retention and Performance

Employee retention can save employers money. When an employer is faced with an employee who is taking leave, the employer must weigh whether to invest in a

⁵ OECD (2001)

⁶ Cabinet Policy Committee (2001)

temporary replacement⁷, whether to redistribute the work among other employees, or whether to put the work on hold. While each approach carries different kinds of costs, retaining an employee can often save an employer money. This is because the business avoids the costs associated with hiring and training a permanent replacement. The costs of hiring and training a new employee can vary considerably depending on the nature of the position. Higher-skilled jobs are typically associated with higher replacement costs. One nationally recognised US business consultant notes that costs can range from a few thousand dollars for hourly employees to between US\$75,000 and \$100,000 for top executives. Estimates of turnover costs range from 25 percent to almost 200 percent of annual compensation.⁸

Job security tends to enhance labour-force participation. Parental leave mandates in nine European nations were found to lead more women to stay a part of the labour force. Specifically, a right to three months of leave led to a 34 percent increase in employee stays in the labour force.⁹ A more recent analysis of OECD nations finds that Paid Parental Leave leads to increases in female labour-force participation; however, beyond a certain length—estimated at the equivalent of twenty weeks at full pay—the effect of parental leave erodes.¹⁰

Job security tends to enhance employees' staying with current employers. A three-nation study found that maternity leave coverage has a very strong effect on returns among those in the firms which provide coverage. In the US and Britain, respectively, 64 percent and 60 percent of those with maternity coverage (including paid and unpaid coverage) returned to their employers within a year. Returns were about 20 percentage points lower—43 percent—in both countries for those employees without maternity coverage. In Japan, of those with coverage, 60 percent returned to their employer; of those without coverage only 5 percent did so.¹¹

For the United States, unpaid leave is associated with employees returning to their jobs. The “good news for employers” is that the FMLA, which provides up to 12 weeks of unpaid leave, is associated with employees returning to the same employer although, according to researchers Sandra Hofferth and Sally Curtin, “it is not as powerful a job retention policy as paid leave”.¹² In seeking to explain why the unpaid FMLA results in women staying with their jobs, the researchers argue that the law legitimised the right of employed women to leave their jobs temporarily. With that right established, women could focus on negotiating other aspects of their job such as flexible schedules and work hours. Such negotiations are most effective when a

⁷ On average it takes six weeks for a replacement staffer to achieve the productivity level of the absent employee. Holterman (1995), pp.102-112

⁸ Branham (n.d.)

⁹ The definition of employed includes those absent from work but on leave and the researcher notes this may account for as much as one-quarter to one-half of the total estimated employment effect. Ruhm (1998), pp. 285-317

¹⁰ Jaumotte (2003), p.25

¹¹ Abe and others (1998)

¹² The research examined FMLA in different states. It found that “returns to the same employer was only positive in states that had no family and medical leave statute on the books prior to 1993...The results suggest, first, that states with higher median incomes are both more likely to have high wages and to have passed a [medical leave statute]. Thus, when we controlled for median incomes the benefit of the FMLA declined.” Hofferth and Curtin (2003), p.20

worker has experience with a particular employer so the net effect is to encourage returning to the same employer.

Paid leave is also associated with higher rates of employees returning to jobs than unpaid leave. Ninety-four percent of workers with fully-paid leave under the FMLA returned to the same employer, while only 77 percent of those with unpaid leave did so.¹³

Employee performance may be enhanced by time off for paid sick leave. When employees come to work sick, their performance is often below par. This “presenteeism”, like absenteeism, carries costs to employers. One recent study concluded that workers who come to work sick cost their employers an average of US\$255 per employee because of reduced productivity (excluding the potential costs associated with co-workers who also get sick). The researchers suggest that the cost of presenteeism is greater than the cost of absenteeism.¹⁴ Other research indicated that presenteeism costs employers more than US\$180 billion annually but is less than the cost of absenteeism, which averages US\$645 per employee per year.¹⁵

Businesses may worry about the cost of making leave available to parents with a sick child, but there may be “hidden” costs to employers when employees come to work while a child is sick at home. A recent study found that parents highly stressed about after-school care arrangements miss five more days of work annually than parents with low stress.¹⁶ A similar methodology could be applied to calculate productivity loss when a parent appears at work but is distracted by a sick child’s being at home.

Ageing Society

It is common knowledge the New Zealand population is ageing...This will mean a smaller ratio of working age people to the number of people at retirement age over the next 30 to 40 years. What the Social Report makes clear is that outcomes for those currently young, who will be the workforce when the 'baby-boomers' retire, are not good. Youth suicide, youth unemployment, and children living in families with low -incomes do not bode well for the skills and resilience of New Zealand's future workforce. Counter-intuitively, one of the best ways to prepare for an ageing population may be to invest in the young.

—The Social Report 2003; indicators of social wellbeing in New Zealand¹⁷

One way to address an ageing society’s need for more employees is, counter-intuitively, to ensure working parents can take time off from work. Not only does this

¹³ The analysis considered both parental leave and leave for serious illness at firms covered and not covered under the FMLA. It should not be assumed that an analysis solely of Paid Parental Leave would have identical results. Commission on Family and Medical Leave (1996), p.114

¹⁴ Goetzel and others (2004)

¹⁵ Advance PCS (2002)

¹⁶ Barnett and Gareis (2004)

¹⁷ Ministry of Social Development (2003)

help today's working parents have the time to parent but it also recognises that their children—the workers of the future—would benefit from that investment as well.

The OECD is sounding the alarm about ageing societies and the implications for economies. By 2050, for OECD nations as a whole, the ratio of older citizens (65 and older) to working-age citizens (20–64) will more than double. A smaller labour supply has negative implications for living standards and public budgets. “In these circumstances, it is essential to have as many people working as possible—young people, women and especially older workers” asserts the OECD.¹⁸

Both New Zealand and the United States face this workforce dilemma. Both nations are below their replacement level of fertility—the birth-rate necessary¹⁹ to keep the current population size. This challenge is in the context of another shared workforce phenomenon: a relatively high total labour-force participation rate.²⁰ The United States and New Zealand rank 6th and 8th highest of 30 OECD countries with rates of 77 percent and 76 percent respectively.²¹ Furthermore, New Zealand and the United States both have workforces that work a lot of hours. The actual annual average hours of workers in New Zealand (1,816.3) and the United States (1,815) ranked 6th and 7th highest of the OECD countries.²² With so many people already in the labour force and those in the labour force working high levels of hours, it will be especially challenging to increase work effort.

Work-leave policies that make it easier for mothers to have babies and to be workers could enhance fertility rates. Research findings in the area, however, are contradictory; while a number of studies have shown a positive relationship, at least one review found that neither the leave duration nor the benefits could explain the variation in fertility rates among the studied countries. Thus, an OECD overview suggests the impact of family-friendly policies such as parental leave and childcare on fertility appears positive but weak.²³ But this weak correlation with fertility does not undermine the evidence that these leave policies can help increase the participation rate of current workers. This will be an increasingly important issue as ageing societies face a deepening labour shortage.

To increase work participation rates, the OECD suggests improving work incentives for older workers, youth, and women. While sustaining employment by older workers may make the biggest difference overall, providing incentives for women “may be politically easier to implement” according to the OECD. Analysis indicates reforms related to female workforce participation (such as public expenditures on childcare) have made the greatest contribution in four nations: New Zealand, the United States, Ireland, and Australia. For New Zealand and the United States, this good news about female work participation incentives is tempered by research that suggests such

¹⁸ OECD (n. d.)

¹⁹ The fertility rate is a key component in population size; migration can also influence the size of the workforce.

²⁰ The labour-force participation rate is the total labour force (those employed and those unemployed but attached to the labour market) divided by the working-age population. In both New Zealand and the US the working age population is 16 and all ages above. In contrast, most OECD countries use ages 15-64.

²¹ OECD (2002)

²² OECD (2003)

²³ Sleebos (2003), p.48

reforms may be ‘necessary but not sufficient’ in the long term. The OECD has concluded that, for a number of countries such as New Zealand, the United States, Sweden, Finland, and Canada, the mix of reforms may not of themselves be large enough to prevent a decline in labour participation in the light of anticipated demographic shifts.²⁴

New Zealand and the United States are different in many respects but they share a fundamental economic truth: they both must operate in a manner in which every worker counts. Policies that enable working parents to work—and to parent—are a vital part of that framework.

Some Implications of Work-Leave for Families

Work-leave can provide two types of security. First, it can provide job security by establishing that the time taken off for parental leave or for sick days will not result in job loss. Second, it can provide income security. Income security occurs only to the extent that the worker’s wages are fully or partially replaced for the time on leave. For low-income families, in particular, paid leave is critical because poor working families have less of an economic cushion to sustain them during unpaid leave.

Leaving work when a new baby arrives may have clear benefits but it also raises a host of questions: How affordable is the leave? Is there a point at which too much time off from work diminishes the future income of mothers? Or the future income of fathers who take sustained leave? Is too little time for parental leave a developmental risk for children? Is there a simple, optimum length of time for parental leave?²⁵

Taking time off from work to care for a sick child can create tension at work. But not taking time off to supervise a sick child can be at odds with child protection laws. In New Zealand, it is against the law to leave children under 14 years old alone without making reasonable provision that ensures they are safe. In the United States, there is no similar national law and only two states have ‘home alone’ laws.²⁶ However, this absence belies a widespread concern among parents and policy makers about absent parents, ‘latchkey’ children, and the social developmental costs this could cause.

Taking sick days’ leave also raises a set of family and work questions that should be explored. When parents take days off for sick children, does this also affect their employability? What is the effect on sick children if parents don’t take leave? How does it affect parents’ own work performance if they don’t take time to care for themselves?

These are among the questions that need to be addressed in any consideration of the implications for families of these two work-leave policies.

²⁴ Burniaux and others (2004), Item 5

²⁵ Callister and Galtry (2002)

²⁶ Illinois and Maryland laws address when a child is old enough to care for itself or others. Other states may have guidelines or recommendations.

Maternal Health and Employment

Increasingly, research on work-leave considers the ramifications for mothers' well-being; traditionally, the focus of research has been 'what is best for baby'. This section considers some of the newer research on maternal health outcomes, as well as findings related to economic well-being. To the degree that fathers take work-leave, similar questions need to be asked and answered about their health and economic well-being. In addition, more research is needed into how work-leave influences the relationship of couples who care for children.

Does the length of parental leave influence maternal well-being?

A recent US study found that weeks off work matter to new mothers' mental health. After reviewing a sample of women who returned to work within six months after the birth of their child, the researchers concluded that increasing leave from six or fewer weeks to eight or 12 weeks is associated with an appreciable decline in the symptoms of depression of approximately 11 percent and 15 percent, respectively.²⁷

Time off work can also facilitate breastfeeding. Among the likely maternal health benefits associated with breastfeeding are protective effects against ovarian cancer, osteoporosis, and breast cancer in pre-menopausal women. In addition, breastfeeding can enhance a mother's capacity to bond with her baby. While babies can get breast milk when their mothers are at the workplace, leave from work enhances the likelihood babies will get breast milk, particularly in the absence of workplace policies that provide for breastfeeding.²⁸

Does the length of parental leave influence employability and income?

Extended parental leave does not necessarily translate into lower employment rates and lower earnings for mothers. In the Nordic countries, which have long parental entitlements paid almost at a full rate, lengthy periods of leave "do not seem to have had a negative impact on women's labour market opportunities compared with other OECD countries, where leaves are shorter in duration and sometimes unpaid" according to the OECD.²⁹ An analysis of parental leave mandates in 16 European countries (over the period 1969 to 1988) concluded that the presence of the policy is associated with an increase in women's employment; however, where leave is for six months or longer, wage reductions are projected to range from 1.5 to three percent.³⁰

Job-protected parental leave is generally viewed as helping with gender equity since it ensures that women who take leave retain their jobs. At the same time, there is a concern that job protection may create disincentives for firms to hire female workers.³¹ More broadly, there is a fundamental problem if longer leave interrupts careers and thereby puts women at a disadvantage compared to men, few of whom currently take leave to care for children. Women often pay a "mommy tax" over time,

²⁷ Chatterji and Markowitz (2004)

²⁸ Callister and Galtry (2002)

²⁹ OECD (2001), p. 146

³⁰ Ruhm (1996)

³¹ Fursman and others (2003), p.16

because caring for children and other family members can reduce labour market participation or limit work hours. This can translate into reduced earnings capacity. Researchers have sought to quantify the “mommy tax.” Jane Waldfogel found that mothers earn 70 percent as much as men while young childless women earn 90 percent as much; Michelle Budwig and Paula England estimate that mothers pay a wage penalty of about five percent an hour per child. Mothers’ earning capacity will remain an issue until fathers share in caring responsibilities along with earning responsibilities.³²

Encouraging fathers to take parental leave is one step towards a dual earner/dual carer society that minimises the “mommy tax” as envisioned in Gornick’s and Meyers’ “Families that Work.” A few countries, concerned that fathers are not availing themselves of leave, have created “use or lose” leave that is set aside for fathers. For example, in Sweden, Norway, and Denmark, fathers can access weeks of leave that are set aside for them; if they do not, the family loses the weeks. This approach appears to improve the rate at which fathers take leave.³³ While a modest step, it is an important one to take. Otherwise, as Gornick and Meyers warn, women will continue to “incur penalties in wages and opportunities for advancement that last well beyond the early child-rearing years.”³⁴

How do children’s’ sick days affect parental employment?

Parents frequently miss work to care for a sick child and often worry that the time off will have negative implications for their employment. A US study found that half of working mothers and nearly one-third of working fathers reported missing work to care for a sick child. Employees worry that this missed work will result in negative job evaluations. In the United States, working mothers are concerned that their job evaluation will suffer if they take time to care for their children. Specifically, 30 percent of surveyed mothers overall, 38 percent of low-income mothers, and 40 percent of solo mothers worry about whether their care for children will influence their job evaluations.³⁵

In New Zealand, even though policy provides for five paid sick-leave days, some parents are off work and unpaid while caring for a sick child. A child-care and employment study found that a child’s ill health was the most common reason for making a change in a child’s care arrangement. Among the one-in-ten families who made a change in their child-care arrangement, 66 percent did so for this reason. For some of these families the result was unpaid time off from work.³⁶

When parents go to work and do not take care of sick children there can be costs. First, there may be family “costs”. In the U.K., parents identified “children not liking parents working at the weekend or when they are sick” as one of the negative day-to-

³² Gornick and Meyers (2003), p.47

³³ Fathers’ take-up of parental leave in Sweden is 70 percent while in Denmark it is 50 percent. Simulations suggest that mothers returned to work four weeks sooner when fathers were given 16 weeks of leave. Pylkkänen and Smith (2004), p.23

³⁴ Gornick and Meyers (2003), p.46

³⁵ Henry J. Kaiser Family Foundation (2003)

³⁶ Department of Labour (1999)

day effects from work.³⁷ Secondly, parents at work may perform poorly on the job; the work productivity costs associated with parents worried about a child they are unable to care for may not be readily apparent because the worker is at the job site and presumed to be productive. New research may suggest ways to quantify this “hidden” cost.³⁸

Child Health and Development

An underlying question about parental leave is whether and when returns to work influence the health and development of children. Typically research has focused on mothers’ work and mothers’ absence, likely reflecting the fact that so few fathers are primary caregivers of infants and toddlers. Thus, findings that suggest there are benefits when mothers stay at home might find similar results for fathers who take leave.

Research finds that more generous leave policies can have positive health consequences for children—in part due to the effects of breastfeeding. Traditionally, breastfeeding has not been a workplace activity, although some efforts are under way to expand workplace promotion of breastfeeding.³⁹ Using data from nine European countries over the 1969-1994 period, Ruhm assessed whether access to Paid Parental Leave improved child paediatric outcomes. More generous leave policies were associated with reduced deaths of infants and young children.⁴⁰

In the United States, work mandates established by the 1996 welfare programme (Temporary Assistance for Needy Families) have reduced rates of breastfeeding. One analysis projected that national breastfeeding rates six months after birth would have been 5.5 percent higher than they were in 2000 if the TANF work requirements had not gone into effect. The study also looked at breastfeeding rates of mothers enrolled in the Women, Infants and Children (WIC) nutrition programme, a national programme aimed at low-income women eligible for welfare. The researchers concluded that, among WIC mothers living in states with the most stringent welfare work requirements, breastfeeding rates six months after birth were 22 percent lower than those of WIC mothers in other states.⁴¹ Unrelated to the welfare programme and its work requirements, the US Government launched a media campaign in June 2004 that highlights the deleterious consequences of not breastfeeding. The goal of the campaign is to increase rates of exclusive breastfeeding for six months from 33 percent to 50 percent by 2010; it appears the campaign’s media messages, however, may be at odds with existing welfare policy that allows some mothers to be mandated to return to work before six months.

The possible benefits of longer parental leave on child development are also emerging. US studies are particularly focused on those households where the mother returns to work early and/or works long hours in the first year of the child’s life. An NICHD study found school readiness scores were lower among those pre-schoolers

³⁷ Dex (2003), p.14

³⁸ Barnett and Gareis (2004)

³⁹ Galtry (2000)

⁴⁰ Ruhm (1998)

⁴¹ Haider and others (2003)

whose mothers worked by month nine. The school readiness problem was greatest for those 36-month-old pre-schoolers whose mothers had worked 30 hours or more. The negative effects were larger for children whose mothers were assessed as insensitive to them when they were six months old. A larger effect was also found for boys and for children with married parents, in contrast to girls and children with solo mothers.⁴²

Another study found that, when mothers stayed at home for at least two or three years, children enjoyed cognitive gains. Employment during the first year was associated with a slightly lower verbal ability among children by the time they were three and four, and an even larger detrimental impact on reading and maths by ages five and six. The findings suggested that early work by mothers may be especially costly for children in traditional two-parent families.⁴³

A U.K. study, cited in an OECD review, found lower educational attainment among young adults whose mothers worked more extensively when they were pre-schoolers (age one and older), and a second longitudinal study found similar concerns for those whose mothers worked in the first year of life.⁴⁴

Does this child development research mean that mothers should not work, particularly in the first year of a child's life?

The findings suggest that policymakers' aim should be policies and programmes that enable work to be a choice and not a compulsion. The US researchers who undertook the NICHD study make clear that "it would be prudent for policy makers to go slow on measures that would require mothers to enter the labour force (full time) early in the first year of life and to consider measures (such as proposed FMLA extensions) that would allow more mothers to choose to delay their return to the labour force and/or to work part-time until later in the first year of life."⁴⁵ One of the researchers recommends that in the United States "extending the total duration of childbirth-related leave to 10 months (the OECD average) and providing universal and paid coverage (as other countries do), would be prudent next steps."⁴⁶

Does sick leave for parents help children?

Children who are sick recover better when their parents are able to be involved. The ability of parents to take time to be with such children has been shown to shorten recovery periods and diminish symptoms.⁴⁷

Families with Low Income

To some degree, parental leave and sick leave are most important for families with younger parents. As David Ellwood and Larry Aber, two noted researchers, have

⁴² Brooks-Gunn and others (2002)

⁴³ Ruhm (2002)

⁴⁴ Kamerman and others (2003)

⁴⁵ Brooks-Gunn and others (2002), p.1068

⁴⁶ Waldfogel (2001) p.110

⁴⁷ Heymann (2003)

stated: “Biology and economic structures conspire to lead to most children being born when parents’ wages are typically at their lowest.”⁴⁸

A New Zealand analysis of “precarious jobs” suggests that one of ten indicators of such jobs should be that the job has little or no access to ‘standard’ non-wage employment benefits such as sick leave, domestic leave or parental leave.⁴⁹

Low-income workers are often in low-wage contingent or part-time work. This increases the likelihood that such workers will be in jobs that do not provide parental leave or sick-leave benefits (see “Who Has Taken Up Work-Leave?”). At the same time, workers in jobs without paid leave and workplace flexibility are often those whose children are at greatest educational and developmental risk, at least in the United States.⁵⁰ Most low-income workers consider themselves as living from paycheck to paycheck. A US survey found that 87 percent of workers in the sample who had incomes below US\$30,000 perceived themselves as constrained this way. With little or no savings, any time away from work is economically stressful.⁵¹

In the United States, women who work part-time earn about 21 percent less per hour, on average, than full-time workers, even after controlling for human capital differences (such as educational attainment) between those who work full- and part-time.⁵² The lack of income often increases the need to be at work. Yet the costs of childcare can be high—making the costs of work at low wages very high. The current number of licensed infant slots can only meet 18 percent of the potential need⁵³ and infant care costs are particularly high.

In New Zealand, some mothers in lower-income families may have limited themselves to part-time work.⁵⁴ This is because a means-tested benefit programme, Family Support, provides lower-income parents with dependent children with some amount cash aid if the family’s income is below a set threshold. Thus, limiting the number of hours of work enables access to income support; it also enhances access to childcare subsidies. Limiting employment to part-time work, however, probably restricts the opportunity to progress into higher-paying jobs. A recent government initiative ‘Working for Families’ has a ‘make work pay’ agenda which raises the income threshold; this action should diminish the extent to which mothers might limit their work hours in order to access Family Support.

Low-income families are often in poorer health and, therefore, in greater need of sick leave. In New Zealand, qualitative interviews with solo mothers found:

“Many employed mothers talked about children’s minor sickness as a big problem for them. Because they have sole responsibility for their child, they can either force the child to pretend he is well and go to school, or take time off work to care for him or her at home...Some mothers report that they are queried by potential employers about care arrangements for their children. Their paid jobs come with little sick

⁴⁸ Aber and Ellwood (2001)

⁴⁹ Tucker (2002)

⁵⁰ Heymann (2003)

⁵¹ Met Life (2003)

⁵² Gornick and Meyers (2003), p.154

⁵³ The At-Home Infant Care Act of 2004 (H.R. 3595)

⁵⁴ Conversation with Laila Harré, 27 February 2004

leave and they just take unpaid leave when their children require longer care if they have no childcare assistance from family or friends. Few social services are available to assist them to combine paid work and childcare, especially for a child with health problems.”⁵⁵

In the United States, women below 200 percent of the poverty line report “fair” or “poor health” twice as often as higher-income women.⁵⁶ Low-income mothers with children in poor health often work but confront constraints to work. A Michigan study found that about half of the welfare recipients with ill or disabled children worked 20 or more hours per week compared to 61 percent of the mothers whose children did not have health problems. A study of families with chronically-ill children (typically asthma) found that, among the recently-employed parents, about two-thirds reported missing work due to a child’s chronic health problem.⁵⁷

US welfare policy permits states to mandate that mothers with infants go to work or enter a training programme. In nearly half the states⁵⁸ welfare mothers with children under six months of age may be required to work; in 12 of these states, work requirements can begin when the child turns three or four months old, or even younger.

A birth can trigger poverty. If a worker leaves the labour force and loses all or some wages while taking care of a new-born, this loss of income can trigger a poverty spell. Births are strongly associated with first poverty spells in the United States. A national analysis reviewed a variety of reasons for a first spell of household poverty, including births and reduced work; it did not parse how much of the reduced work was driven by births. The analysis found that births are associated with 30 percent of the household poverty spells that began in 1986–1991: 7.3 percent for first births to an unmarried, non-cohabiting mother; 2.3 percent for first births in other circumstances; and 17.9 percent second (or higher order) births.⁵⁹

The US Commission on Family and Medical Leave found that one in every five leave-takers with family income below US\$20,000 was forced to rely on public assistance for income support during an unpaid (or partially paid) leave. A total lack of earnings while on FMLA is clustered among the young and the poor—“close to half the youngest employees and those with annual family incomes of less than US\$20,000 received no pay” according to the Commission. The analysis included leave-takers who were off from work either because of a new-born or because of a serious illness.⁶⁰

⁵⁵ Poor health was found to prevent about one-third of the interviewed domestic purpose (cash assistance) beneficiaries from undertaking paid work. Baker (2002), p.13

⁵⁶ Henry J. Kaiser Family Foundation (2001)

⁵⁷ Levin-Epstein (2003)

⁵⁸ US Department of Health and Human Services (2003)

⁵⁹ These birth categories were part of a list of reasons for first poverty spells that was neither mutually exclusive nor exhaustive, and thereby totalled more than 100 percent. US Department of Health and Human Services (1998)

⁶⁰ Commission on Family and Medical Leave (1996), pp. 109, 111, 283 [Table 5.R]. The 2000 survey report, *A Workable Balance*, indicates about the same percentage of leave-takers received public assistance but it does not provide a distinct analysis for those with incomes below \$20,000.

In New Zealand, low family income coincided with, or preceded, the birth for as many as an estimated quarter of live births in 1991. While this analysis did not distinguish whether the birth itself triggered low family income, it recognises the integral role a birth can play.⁶¹ A different analysis in New Zealand looked at what triggers movement into child poverty for children with two parents, rather than at family poverty. While not a large contributor to child poverty overall, the birth of a child can increase the incidence of children in poverty even to a couple who had no prior child in poverty. While a new sibling only has a slight impact, a more significant influence on child poverty rates is when there is a loss of a worker in the child's household. The analysis did not separate out whether worker loss was due to parental leave.⁶²

⁶¹ Ball and Wilson (2002)

⁶² Ballantyne and others (2003), p.36, Table 8.6

2 WHAT ARE THE NEW ZEALAND AND UNITED STATES WORK-LEAVE POLICIES?

The Governments of New Zealand and the United States have both enacted work-leave laws. In designing sick day and parental-leave laws, policy makers face a set of choices ranging from who is eligible to how the leave is financed. This section begins with a review of these choices.

New Zealand provides for Paid Parental Leave and for paid sick days through two national statutes. In the United States, a single federal law provides for unpaid leave; the unpaid leave may be used for parental leave or to address a serious health condition—it does not cover leave for sick days.⁶³ State laws can expand on national law or establish provisions not addressed by national statutes.⁶⁴ This section describes the policies of each nation.

Sick days and parental leave are best viewed in the context of other leave. This is because employees can sometimes package different benefits to address the need for parental or sick days' leave; thus, this section concludes with descriptions of “related leave” that could be part of such a package. In both nations, businesses can provide employees with benefits not required by statute; these private sector policies are referenced in “Who Has Taken Up Work Leave?”

Choices in the Design of Parental Leave

Parental leave typically provides job protection for workers when they take time off from jobs to care for a child. For those who are not in jobs, some nations have established policies such as ‘child allowances’ or tax credits to provide income assistance for some period of time. Parental leave often augments or encompasses a maternity and paternity leave policy that is set aside for a mother and father close to the time of a birth or adoption.

The decision to establish parental leave is often driven by multiple goals that range from maternal well-being and child development to workforce attachment. The policy choices related to eligibility, the level of benefits, and the financing mechanism shape the extent to which a goal is met.

Among the key policy choices are:

Which parent? Unless the parental leave policy establishes that parents are able to take the leave simultaneously, then which parent gets to take leave at what point needs to be decided. The policy could spell this out, allowing one parent to determine when and how much of the leave can be taken by the other, or some other arrangement. The

⁶³ One hundred and thirty-nine countries provide paid leave for short or long-term illnesses. Heymann and others (2004)

⁶⁴ While all states provide sick days to their own public employees (and virtually all allow these days to be used for family members), states largely do not address the sick-day needs of private sector employees (a handful require employers to permit employees to use available paid sick leave to care for a family member). National Partnership for Women and Families (2004)

policy also needs to determine whether the leave can be transferable to a spouse or partner who does not individually meet the eligibility criteria.

Which workers? Workers can be employed, self-employed, or unemployed (and looking for work). The employed group is typically expected to be covered in some manner by a parental leave policy. This is because job protection is often a goal of the policy. However, while neither the self-employed nor the unemployed are in jobs that need to be protected, they may need time off from working (or looking for work) and need income while they are off.

What work effort? The policy establishes what level of work determines eligibility. How many hours, over what period of time, should a person have worked to be entitled to the leave? Is the measurement attached to a single employer or to the workforce generally? The threshold determines how many workers are excluded. The impact of the threshold is greater, the more the economy provides jobs that are designed to be only short-term and only part-time.

Which workplaces? It is possible to extend coverage to workers by the type of place at which they work. For example, policy could exempt small businesses. It could treat public employers distinctly from private employers.

What amount? If the parental leave includes a payment, these monies could substitute for some or all of the worker's wages. Payments can be structured in a number of ways. A percentage of earnings (up to 100%) or a flat dollar amount are two approaches. The percentage approach treats all eligible workers' wages similarly; the flat-amount approach provides lower-wage workers with more wage replacement.

What other income? In addition to wages, parental-leave policy needs to consider how health care, social security, other worker benefits, and taxes are applied to the leave and the leave payment.

How long is the leave? The length of paid leave may be different from the length of unpaid leave. In addition, the length of leave may be focused on the period of infancy or it could also consider the period of early childhood. A policy consideration is, not just how much total time is available, but whether that time must be taken continuously or may be taken in blocks over some period of time.

What job is protected? Policy can establish whether an employee who takes leave can expect to return to the same job, return to some job, or some combination. A policy could establish that, as a general rule, the same job is protected, but the policy could define when an employer may make an exception to the rule. To the extent job protection enhances the likelihood an employee returns, and thereby can save the employer the costs of finding a new employee, this feature is central to parental leave outcomes.

What is the financing mechanism? The funds for parental-leave payments could come from the employer, the employee, the Government, or some combination. While any or all could be tapped for parental leave, the decision on which to utilise will influence the debate around other key policy choices. For example, if the funding mechanism is general revenue, all parents—non-workers, the unemployed, the self-

employed—could argue that they are taxpayers and therefore should have access to the paid leave. Other arguments could be raised in rebuttal; the point is merely that each funding source generates a set of expectations and assumptions that need to be addressed.

What payment mechanism? The administrative ease of implementing paid parental leave payments could influence its long-term acceptance. A fundamental issue is the extent to which employers are required to engage in the actual payments to employees. To the extent that employers must establish new information systems and new payment distribution mechanisms, payments will be viewed as an added cost. This operational question deserves policy attention because it can determine take-up and political support.

Choices in the Design of Sick Days' Leave

Among the policy choices related to paid sick days' leave are:

What work effort? The amount of time working for an employer generally determines an employee's eligibility. The policy needs to set out those considerations and determine whether to provide mechanisms to meet the needs of those workers who do not meet that threshold (e.g. 'advances' on sick leave; other funding streams for assistance).

Who can be sick? While sick days may have been originally instituted to enable a worker time off on the days the worker was sick, increasingly policy provides workers time off to care for a sick family member.

How long is the leave? In addition to how many days are available under sick leave, policy needs to address whether days that are unused in one year can carry over into the next.

What documentation? A policy can be silent regarding whether an employer can demand documentation or medical certification regarding illness; alternatively, it could specify such matters as when documentation can be requested, who must provide the documentation, and who bears the cost of the documentation.

What is the financing mechanism? Because days of sick leave are generally limited in scope, employers are assumed to absorb this cost. If the cost were borne by another entity, the bureaucracy created to manage and monitor the process of reimbursement would likely outweigh the benefit to employers.

New Zealand Leave Policies

Parental Leave

In 2002, New Zealand implemented a Paid Parental Leave [PPL] scheme which provides up to 12 weeks of payments. Just two years later, the Government has

proposed to liberalise PPL's length and eligibility criteria. Financing is through general revenues; there is no contribution required of employers or employees.

Before New Zealand enacted Paid Parental Leave, it had established an unpaid leave policy that applied to both private and public sector employees. The Parental Leave and Employment Protection Act of 1987 provides job protection for up to 12 months of unpaid leave for eligible workers; the time may be shared by a couple in relation to a birth or an adoption.⁶⁵ Eligible workers are those who have been employed by the same employer for more than 12 months and worked for that employer an average of 10 hours per week, including at least one hour per week or 40 hours per month. The 12 months include time taken for maternity leave (which can typically begin six weeks in advance of the birth), but does not count partner's/paternity leave which allows up to two continuous weeks of unpaid leave.

Eligibility for Paid Parental Leave is currently tied to the eligibility rules for unpaid leave. Employees are expected to request parental leave by submitting a letter to the employer three months before the expected start date. Employers then respond and establish whether or not the employee meets the eligibility criteria for unpaid leave and job protection established by the 1987 law.

To get Paid Parental Leave payments, an application form needs to be filled in by employees and employers. Employees then submit the forms to the Inland Revenue Department (IRD). By completing this entire process the employee has established entitlement to 12 months of job protection and requested 12 weeks of payment.

The maximum payment is NZ\$334.75 per week before tax. Workers who earn up to the maximum payment will get 100 percent of their wages but, if they earn less than the maximum payment amount, they do not get the full NZ\$334.75; if they earn above that amount, then the payment is only a partial wage replacement. The full amount represents 53 percent of male and female average weekly earnings.

The Inland Revenue Department handles applications and payments. The bi-weekly payments are made by IRD automatically into employees' bank accounts. To help parents understand how much they can actually receive, the Employment Relations Service has a factsheet, a web-based electronic calculator, and a telephone hotline.

Parliament will soon consider a Bill that would expand PPL's coverage. Expected to take effect in December 2004, the measure extends eligibility to those who have been employed by the same employer for six months, rather than the current 12 months. Those who are eligible under this reduced tenure provision are entitled to leave only for the period of the payments, not for the full 12-month extended leave. The Bill also provides for up to a week of unpaid paternity leave (to parallel the two weeks of unpaid leave available when there is a year of tenure). Under the proposed expansion, benefits would lengthen to 13 weeks in 2005 and 14 weeks in 2006. Coverage for the self-employed may be raised in Parliament, although it is not expected that this group will become eligible this year.

⁶⁵ The 1987 Act built upon the Maternity Leave and Employment Protection Act of 1980, which had provided six months of maternity leave for eligible workers in the public and private sector. Certain public sector employees received maternity leave, as from 1948.

Sick Days' Leave

While paid sick leave has been mandated in New Zealand since 1991, the Holidays Act of 2003 expanded the days available. Previously, an employee was entitled to five days of leave for sickness or bereavement; as of April 2004, five days are exclusively available for sick leave, with separate provision for bereavement leave. For the first time, the statute provides that sick leave which is not used in one year may carry over into future years for up to 20 days of accumulated leave. Sick leave may be used for an employee's illness or when the employee needs to care for a spouse or dependant. To be eligible, an employee must have six months of continuous employment with the same employer; the same amount of sick leave is available to part-time employees. Those in casual or fixed-term jobs are also to receive sick leave although special tests apply. Employers may request proof of illness after three days of absence. The law is silent on the subject of who pays for the documentation. When employees pay for the medical certification, those with the very lowest incomes may be eligible for a subsidy through medical Community Services Cards.

Related Leave

New Employment Transition Grant: This grant may be used by a former benefit recipient who has a dependant child or children and needs to take unpaid leave during the first six months after the benefit has stopped—and eligibility for paid sick leave has not begun. It is available when the former recipient, recipient's partner, or child becomes sick, or because of a breakdown in childcare arrangements. Since it is a grant and not a loan the recipient does not need to pay for the benefit; it is non-taxable. This grant seeks to address one obstacle to work noted by Minister of Social Services and Employment Steve Maharey: "Lack of information about the support available to beneficiaries to move into jobs and uncertainty about the security of their new income is a major barrier to moving from welfare and into work"⁶⁶

Parental Tax Credit: A Parental Tax Credit was instituted during the period that Paid Parental Leave was being debated. The credit is means-tested and provides a maximum of NZ\$150 per week for eight weeks (a total of NZ\$1,200) upon the birth or adoption of a child. It is geared to single-earner, couple households. An analysis concluded that "the parental tax credit is not paid parental leave" and found that one-third of the families who received the credit did not appear to experience any loss of income on the birth or adoption of a child, because the mother was not receiving any income.⁶⁷ For most families, Paid Parental Leave provides more income than the tax credit; the law establishes that a family cannot receive both.

Paid Annual Leave: For nearly 30 years, New Zealand law has provided for a minimum entitlement of three weeks' employer-paid annual leave. Annual leave is available to employees after 12 months' continuous employment. For those employees who are expected to be employed for less than 12 months, or who are casual workers, pay in lieu of time-off for annual leave can be incorporated into the

⁶⁶ Maharey, Hon. Steve, "Making Work Pay", Budget (2001)

⁶⁷ Alliance New Zealand (n.d.)

pay cheque. Full-time and part-time employees, upon each yearly anniversary of employment, are entitled to their full period of leave. The time in which the leave is taken must be agreed to between the employer and the employee; however, an employee must be able to take two of the weeks continuously. Beginning in 2007, the minimum entitlement will be four weeks.

Sickness Benefit: This cash assistance programme is intended for those who temporarily cannot work because of sickness, injury, pregnancy, or disability. For those who are eligible due to pregnancy, the Sickness Benefit is available from the 27th week of pregnancy, or earlier if there are complications. Payments can continue for up to 13 weeks after the birth if the individual is caring for the child. Payments are means tested. The weekly, after-tax amounts for those without other income vary depending on size of family; a sole person under 20 without a child who is living at home could receive NZ\$110, while up to NZ\$290 would be available to a couple with two children.

Accident Compensation Corporate (ACC): This accident insurance scheme covers all citizens, residents and temporary visitors to New Zealand. In return, people do not have the right to sue for personal injury, other than for exemplary damages. The scheme provides cover for injuries, no matter who is at fault. ACC spends about NZ\$1.4 billion each year on rehabilitation, treatment and weekly compensation. To fund these services, premiums are collected and these funds are also invested to earn income. ACC could be used instead of sick days' leave only in those instances where a worker needed time off because of an accident.

Financing Parental and Sick Days' Leaves

The general tax revenues fund Paid Parental Leave and the scheme is budgeted at NZ\$51 million annually. If the current policy is extended to 14 weeks, the cost would rise to about NZ\$59 million; reducing the 12-month job tenure to six months as well would bring the total cost to NZ\$68 million.

In 2002, the Cabinet directed that an evaluation of PPL's first year of operation be undertaken; it also called for an assessment of different approaches to funding, since the legislative debate on this topic was contentious. While this investigation has not occurred, interest in the matter remains. Indeed, public submissions related to the 2004 expansion included comments on financing: half of these supported the current scheme, while the other half supported alternative approaches, including contribution by both employer and employee, employer funding of increased benefits, and a call for further discussion. Calls have also been made for a comprehensive cost-benefit analysis of various financing arrangements.⁶⁸

The costs for employees' sick leave are borne by an individual employer. This includes the costs for the mandated minimum as well as any additional days the employer allows.

⁶⁸ Callister and Galtry (1996)

United States Leave Policies

Parental Leave

In 1993, the US Congress passed the Family and Medical Leave Act (FMLA). The FMLA is a national entitlement to unpaid job protection under certain circumstances. The FMLA is available only to those workers who work in “covered establishments”. This is defined as a company of at least 50 employees within 75 miles of the worksite. To be eligible, an employee must have worked for a minimum of 12 months at the firm for at least 1,250 hours in the last year. Eligible employees are entitled to take up to 12 weeks of unpaid leave for a specified set of purposes: leave to care for a new-born, a newly-adopted child, or a newly-placed foster child; leave to care for a child, spouse, or parent who has a serious health condition; or leave for the employee’s own serious health condition, including maternity-related disability and prenatal care.

Sick Days’ Leave

The United States has no national law that provides for unpaid or paid leave for sick days that would allow employees to take time off when they or a family member gets sick.

Related Leave

No national legislation provides a general entitlement for leave that might be “packaged” for Paid Parental Leave or for paid sick days’ leave (e.g. there are no federal laws related to annual leave or a sickness benefit that could be used for these purposes). The Pregnancy Discrimination Act of 1979 does, however, require those firms that offer temporary disability insurance to include pregnancy as part of the policy.

State laws have been enacted in some states to address parental leave⁶⁹ and sick days’ leave⁷⁰

States and temporary disability insurance. Five states and Puerto Rico have laws related to Temporary Disability Insurance (TDI) that can be used as partial wage replacement for temporary disabilities, including pregnancy or childbirth. Some of the laws apply to state-administered TDI systems or require employers to offer TDI. Generally, the wage replacement can occur over a longer period than 12 weeks; however, jobs are not necessarily protected beyond what is required by the FMLA.

State paid family medical leave laws: In 2002, the state of California enacted a comprehensive paid family medical leave law; individuals will access it beginning from July 2004. Under this law, an employee can take up to six weeks of leave and receive payments of up to 55 percent of wages (a maximum of US\$728 per week).

⁶⁹ National Partnership for Women and Families (n.d.)

⁷⁰ National Partnership for Women and Families (2004)

Eligible employees are those who participate in the State Disability Insurance system, which also makes the payments. Programme costs are totally employee-funded. The leave is available for the care of a new child or to care for a seriously ill family member. Employers may require an employee to use two weeks of vacation time before accessing paid family leave; the law requires a one-week waiting period before an employee can apply. While businesses with fewer than 50 employees are not mandated by the FMLA to hold open a job, the California law mandates that all businesses, independent of size, participate in the six-week payment scheme.

State at-home infant care: The states of Minnesota and Missouri operate subsidy programmes to enable low-income working families to care for an infant at home. The architect of the original programme in Minnesota is a physician who focused on both bonding and child development needs, as well as on the high costs of infant care outside of the home. The physician also succeeded in reviving the programme after state fiscal constraints caused the state to temporarily cease operations. Montana passed a law following a pilot programme, but it is as yet unfunded. In 2004, a Bill was introduced in the New Mexico legislature to establish a similar subsidy programme.

State sick days' leave: For many employees, employer-provided sick days are restricted to days in which an employee is sick, and cannot be used to care for a family member. About 40 states now have laws or regulations for public employees that allow them to use sick leave for other family members who become sick; at least three states do this with respect to those employed by private employers.

Some National Leave Policy Developments

Paid Parental Leave and Unemployment Compensation: In 2000, the Department of Labor under the Clinton Administration proposed regulations to allow, but not require, states to pilot programmes for new parents which would have provided at least partial wage replacement during parental leave. The financing mechanism would have been the unemployment compensation programme; however, the proposed rules were repealed under the Bush Administration.

Family and Medical Leave Act: In the 108th Congress (2003–2004), a variety of measures have been introduced to test approaches to FMLA paid leave, and to expand access to the current FMLA. A paid-leave initiative, introduced in both the House and Senate, would provide demonstration funds for states to test strategies to achieve full or partial wage replacement. The measure's "findings" section notes that in over half of the OECD countries, the cash benefit provided while on the paid childbirth-related leave replaces between 70 and 100 percent of prior wages. Senator Joseph Lieberman (D-CT) proposed in 2003 that four weeks of FMLA be paid; financing of the scheme would be entirely by a new employee payroll deduction. A House Bill calls for federal employees who take FMLA parental leave to be paid for at least one-half of the time on leave. Other Bills seek to increase FMLA access. This includes efforts to expand the allowable reasons for leave, including for routine medical needs or children's school activities, and to expand who may be cared for under the leave, including in-laws, domestic partners, and grandparents.

At Home Infant Care: In the House, the At Home Infant Care Act of 2004 was introduced to provide funding to allow working parents to take time off from work to care for their infants themselves, without undermining family economic stability. In the Senate, the pending Bill about welfare includes an amendment filed by Senator Max Baucus (D-MT) to provide for AHIC funding; further action on the Bill and this amendment may or may not occur in 2004. Enabling working parents time to care for their infants was a theme struck by Senator John Kerry (D-MA) when he announced a proposal to support Infant Care At-Home Reimbursement Programs (I-CARE) early in his presidential campaign.

Paid Sick Leave: The Healthy Families Act, introduced on June 15th 2004, would statutorily mandate up to seven days of sick leave for full-time employees and a pro-rata equivalent for part-time employees. This is the first time a sick days' leave Bill has been introduced in Congress. In the Senate, the lead sponsor is Senator Ted Kennedy (D-MA); in the House it has been introduced by Representative Rosa DeLauro (D-CN). The sick leave would be available for an employee's own illness or that of a family member.

Financing Parental Leave and Sick Leave

Paid Parental Leave or paid family and medical leave could be financed in the United States through the Government, through employers, through employees, or through some combination. Some wage replacement scheme is needed. The US Commission on FMLA found that inadequate income was the major reason employees in FMLA-covered institutions did not take leave. In addition, those who did take unpaid leave often suffered financial hardship. At the same time, the Commission noted that employers—especially small employers—feared paid leave and the additional costs this could impose on their businesses.⁷¹

A variety of financing schemes are being tested and others proposed in a number of states. For example:

Temporary Disability Insurance: TDI, as noted above, provides partial wage replacement during disability or illnesses that are not related to the workplace. Five states (California, Hawaii, New Jersey, New York, Rhode Island) and Puerto Rico tap into TDI, not only for a worker's illness but also for 6-12 weeks of paid leave for new mothers.

In California, the TDI scheme has been expanded to provide for Paid Family Leave Insurance. Workers receive up to six weeks of payments that replace up to 55 percent of wages while the worker cares for a new-born, newly-adopted or foster child, or ill family member. The cost is 100 percent worker-paid, and the average is US\$27 per worker per year. For a minimum-wage worker, the average annual cost is US\$11.23. Employees at firms of fewer than 50 employees also receive the payments even though these firms are not subject to FMLA job protection.

⁷¹ Commission on Family and Medical Leave (1996)

A legislative proposal in Washington State also takes a payroll tax approach to family and medical leave. The Washington State Family Leave Insurance proposal would provide five weeks of job-protected partial wage replacement funded through a new payroll tax shared by employers and employees. It is estimated to cost a penny an hour or about US\$20 for each employee and employer per year. It would cover all employees who worked a minimum of 680 hours in the previous year for an employer subject to employment compensation. A dedicated account for the funds would be established and administered by the Department of Labor and Industries.

Unemployment Insurance (UI): UI is a national-state programme of partial wage replacement for workers who involuntarily lose their jobs. UI expansion to cover leave to care for a child and other family-caring needs has been proposed in a number of states. For Massachusetts, implementation was estimated to cost under US\$11.00 per employee and to total US\$32.7 million per year.⁷²

Employer Tax Credit: In Connecticut, a Bill was introduced in 2004 that would provide for paid leave through a tax credit to employers. Under the measure, FMLA-covered employers would be required to provide up to four weeks of paid family and medical leave for eligible employees, and up to 100 percent of these wages would be covered by lowered taxes upon the employer.

Child Allowance: Independent of parental employment and the need for wage replacement, some researchers have urged adopting a child allowance. The scheme calls for families with incomes under US\$60,000 to get a taxable allowance of US\$300 per month for a child under the age of one, and US\$200 for a child under the age of five. The researchers also urge extending unpaid leave under FMLA to six months following the birth of a child. The combination of the child allowance and extended unpaid leave would amount to a government-financed partially-paid leave.⁷³

Paid Time Off: Sick days' leave which are paid are typically assumed to be a cost to the employer. Part of the cost to employers in managing sick and other leave is the administrative cost associated with tracking time off for the different reasons an employee takes leave, such as sick leave, personal leave, and vacation. One approach to minimising this business cost is Paid Time Off. Under a Paid Time Off scheme, a total number of days is established for all allowable time off for the year; the employee can use this total time in any way desired.

Financing of sick days' leave in a market-based economy is assumed to be the responsibility of employers. US researchers⁷⁴ have urged comprehensive cost-benefit analysis of the Family Medical Leave Act and related state initiatives, just as New Zealand researchers have called for such analysis of parental leave. Part of any cost-benefit analysis could include whether there are greater benefits from particular mechanisms for collection and disbursement of any paid leave.

⁷² Albelda and Manuel (2000)

⁷³ Duncan and Magnuson (2002)

⁷⁴ Hofferth and Curtin (2003)

3 WHY COMPARE WORK-LEAVE IN NEW ZEALAND AND THE UNITED STATES?

If only size mattered, it would make no sense to contrast work-leave policies in New Zealand and the United States. In New Zealand, there are fewer than 2 million workers, while in the United States there are about 150 million. However, the United States and New Zealand face many of the same labour-force challenges, independent of scale. For example, they each confront significant increases in labour-force participation by mothers. However, until recently, New Zealand and the United States, along with Australia, were the only OECD nations without Paid Parental Leave. New Zealand implemented a statute in 2002 (Australia may soon enact a universal maternity payment for workers and non-workers).

In the United States, the statutory unpaid family leave policy does not apply to businesses which are small—that is, with fewer than 50 employees. In contrast, in New Zealand, the Paid Parental Leave and paid sick leave policies are implemented by all employers—regardless of size. In fact, the vast majority of employers in New Zealand are small under the US definition. Neither paid sick leave nor Paid Parental Leave, despite their challenges, appears to have had negative consequences; indeed, since enactment of Paid Parental Leave, small business has performed well in the marketplace. New Zealand businesses have accomplished a significantly more generous set of statutory leave policies despite the fact that the firms implementing the rules are primarily composed of companies that in the United States are typically viewed as too small to bear the challenge.

For both the New Zealand and US Governments, the central issue is how to achieve work-family balance policies that address the needs of families and the needs of businesses.

Labour Force: Both the United States and New Zealand increased mothers' participation

The sharp increase in the number of women and sole parents in the labor force in the final quarter of the 20th century set the stage for a national debate on how to balance the competing interests of work and family. A labor force comprising large numbers of family care givers inevitably demanded greater flexibility in balancing dual responsibilities.

—Foreword, *Balancing the Needs of Families and Employers: Family and Medical Leave Surveys*, US Department of Labour, 2001

Both New Zealand and the United States are part of the international trend towards increased labour-force participation by women. The two nations have similar female participation rates:⁷⁵ 60 percent of all women (those with and without dependent

⁷⁵ The definition of labour force is the same in both nations except that the United States counts unpaid family enterprise workers who work 15 hours a week, while New Zealand counts such workers after one hour.

children) are in the labour force and make up nearly half of it in both New Zealand and the United States.⁷⁶

For working women with dependent children (under age 18) the rates differ but the trends in both countries tell a similar story:

More mothers are working. In New Zealand in the decade between 1991 and 2001, the employment rate for mothers with dependent children grew by 29 percent, when it went up from 52 percent to 67 percent.⁷⁷ In the United States, the employment rate of mothers with dependent children grew from 47 percent in 1975 to 72 percent in 2002.⁷⁸

Mothers are working more. In New Zealand, about 33 percent of mothers with dependent children worked full-time in 2001 compared to about 28 percent a decade earlier.⁷⁹ In the United States, about 50 percent of mothers with dependent children worked full-time in 2003 compared to 47 percent in 1995.⁸⁰ The definitions of full-time differ: New Zealand utilises 30 hours while the United States uses 35 hours or more.

More mothers with younger children, including children under age one, are working. In New Zealand, the labour-force participation of mothers with children between ages one and three was 49 percent in 2001—more than four percentage points higher than in 1996, when it was nearly 45 percent.⁸¹ For mothers whose youngest child was less than a year old, the rate was 36.5 percent in 1996—a growth of nearly eight percentage points from the previous decade.⁸² In the United States, the labour-force participation of mothers with children under age three grew from about 34 percent to 61 percent between 1975 and 2000.⁸³ For mothers with a child under age one, labour-force participation grew steadily from 31 percent in 1976 to 59 percent in 1998. However, the rate has declined over the last five years, dropping five percentage points to 54 percent in 2003.⁸⁴

More solo mothers with younger children are working. In New Zealand, solo mothers of children aged two and younger increased their employment rate from about 11 percent to nearly 18 percent between 1992 and 2001. Over that time period, full-time employment of these mothers nearly doubled to 8 percent from just over 4 percent.⁸⁵ In the United States, solo mothers of children under the age of one increased their

⁷⁶ Statistics New Zealand (2001) and US Department of Labor (n.d.)

⁷⁷ Author's calculations using Statistics New Zealand SuperCROSS 36 B28, 2001 and 1991 Census of Population and Dwellings.

⁷⁸ Bureau of Labour Statistics (n.d.1)

⁷⁹ Author's calculations using Statistics New Zealand SuperCROSS 36 B28, 2001 and 1991 Census of Population and Dwellings.

⁸⁰ Author's calculations using Employment Characteristics of Families in 2003 and in 1995, Table 5. Bureau of Labor Statistics, US Department of Labor

⁸¹ Statistics New Zealand, unpublished census data, rates derived by Kay Goodger, Ministry of Social Development, June 2004.

⁸² Statistics New Zealand (1999b)

⁸³ Bureau of Labour Statistics (n.d.4)

⁸⁴ Downs (2003), Table 6.

⁸⁵ Goodger (2001)

employment rate from 39.5 percent in 1995 to 44.5 percent in 2003. Over that period, full time employment of these mothers grew from 26 percent to nearly 32 percent.⁸⁶

These changes in the workforce translate into dramatic changes at home. In the United States, all parents are working full or part-time in 70 percent of families; in 1960, 70 percent of all families had at least one parent at home full-time.⁸⁷ In New Zealand today, for about one in every five households, all the adults are in full-time work.⁸⁸ While the work rates of working mothers are different in New Zealand and the United States, their trends are in the same direction—upwards. This common trend suggests that both nations face increased tension around work and family balance.

Parental Leave: Both the United States and New Zealand Were International “Outliers” on Paid Parental Leave

“It is satisfying that in the area of paid parental leave, where New Zealand has lagged behind the rest of the world, we have not only made progress, but also that progress has been largely accepted by New Zealand employers and employees.”

—Prime Minister Helen Clark and Women’s Affairs Minister Ruth Dyson, ‘Government extends paid parental leave scheme, announcement’, 08 March 2004

“..the lack of paid leave continues to be a barrier to leave-taking...”

—US Department of Labor, Foreword, “Balancing the Needs of Families and Employers: Family and Medical Leave Surveys”, 2000

Until recently, New Zealand and the United States were, along with Australia, unique among developed nations in that they did not have national laws that provided for *paid* leave. One hundred and sixty-three nations provide paid leave to women after childbirth; forty-five countries guarantee either paid paternity leave or Paid Parental Leave.⁸⁹

Some lower-income nations have established paid leave. For example, Senegal provides 14 weeks of fully-paid maternity leave.⁹⁰

Not only were New Zealand and the United States “outliers” compared to other developed nations and within the OECD, they were out of “sync” with a variety of longstanding human rights conventions that call for paid leave. These conventions include the International Convention on Economic, Social, and Cultural Rights, and the Convention on the Elimination of Discrimination Against Women. Indeed, as

⁸⁶ Author’s calculations using Employment Characteristics of Families in 2003 and in 1995, Table 6. Bureau of Labor Statistics, US Department of Labor

⁸⁷ New America Foundation (2004)

⁸⁸ Department of Labour (n.d.2)

⁸⁹ Heymann and others (2004)

⁹⁰ Heymann (2003)

early as 1919, the International Labour Organization adopted a convention that called for twelve weeks of paid maternity leave.

Both nations have required employers to provide *unpaid* parental leave. In New Zealand, the 1987 Parental Leave and Employment Protection Act provided unpaid parental leave which could be shared by mothers and fathers up to a total of 52 weeks. In the United States, the 1993 Family Medical Leave Act includes unpaid, job-protected leave at the birth or adoption of a child for up to 12 weeks.

New Zealand enacted a paid parental-leave law which went into effect in July, 2002. The Government is currently considering expanded eligibility and longer benefit periods. In the United States, resistance to statutory Paid Parental Leave persists, yet some legislators and advocacy organisations are mobilising to push for state and federal paid leave (and to expand eligibility for unpaid leave).

New Zealand's Paid Parental Leave law was facilitated by serendipity. Parliament puts the Bills that the Government wants considered on its agenda. If an individual Member has a measure that is not on the agenda, such a Bill can come up for consideration if it is "drawn by ballot." This is a random selection process that picks one Member's Bill out from among others and places it on Parliament's agenda.

In 1998, Alliance Party MP Laila Harré's Paid Parental Leave Bill was drawn by ballot. There had been a decade of public discussion around Paid Parental Leave, including an active five-year campaign for a law change. Having a Bill actually on Parliament's agenda helped further galvanise the campaign and public engagement. In 1999, the Bill lost by only two votes when the Government was headed by the National Party. By the end of that same year, a new Government, the centre-left Labour-Alliance Coalition, came to power with a public commitment to introduce Paid Parental Leave.⁹¹

The central struggle in the New Zealand debate was how to finance parental-leave payments. At different points the debate centred on employer, government and shared financing.⁹² The law as enacted relies entirely on general revenues. Laila Harré's original proposal had promoted an employer contribution because parental leave, she notes, "is essentially a cost of employment." A centralised payroll levy in which all employers would share the cost of Paid Parental Leave was envisioned utilising the national accident insurance system (ACC). The ACC could readily process paid leave since it already manages the collection of one employer levy and disburses payments directly to beneficiaries. According to Harré, providing 80 percent of wages up to a cap (of NZ\$610 per week) through an employer levy would have cost just over a dollar a week per average-waged employee—the "equivalent to providing one more day's annual leave for everyone" she said. The employer levy did not prevail, in part because of employer opposition and because the movement itself was split. "If we had had a unified financing message," noted Harré, "we could have won it."⁹³

⁹¹ McDonald (2002)

⁹² As the debate unfolded in 2000, a national poll conducted by TVNZ found the public resoundingly supported PPL (by nearly 90 percent) but was evenly split on whether the Government or employers should pay for it. Laila Harré noted that this split "gave us a strong basis to promote a compromise of shared funding." (Personal communication, February 2004)

⁹³ Personal communication, February 2004

Successful passage of the measure rested in no small part on gaining the support of the business community. Outreach to business included straightforward information about how New Zealand's workforce had changed to include more dual-earner families and more mothers in the workforce. Some employers already provided Paid Parental Leave—but typically this was limited to those employees who worked for government or those who worked at the higher end of the labour market. Firms without Paid Parental Leave perceived that they were less competitive in getting skilled workers. Creating a “level playing field” became a theme in motivating business support, particularly among small firms and those with many female employees.⁹⁴

Taking the lead in communicating a business case was the EEO Trust. This not-for-profit organisation was established to enhance business success through valuing diversity. It does this through a partnership between the government, public, private and not-for-profit sectors. Its Board is a joint public/private partnership. Funding is received from government and from member organisations. Trudie McNaughton, Executive Director at the time of the PPL debate, worked with employees and business leaders to show the business benefits of Paid Parental Leave. McNaughton explains: “An increasing number of leading-edge organisations were paying parental leave and found that it enhanced staff retention, satisfaction, recruitment (through a reputation as an employer of choice) and productivity. With an increasing interest in sustainable development and triple bottom-line reporting, Paid Parental Leave offered a means of demonstrating commitment to people in a workplace.”⁹⁵ The EEO Trust used case studies, annual EEO Trust Work & Life Awards and a wealth of practical information to assist workplaces learn more about the benefits of best practice in this area.

Business support was bolstered and business opposition muted by the decision to place full financing of Paid Parental Leave with the Government. As Ruth Dyson, the Minister of Women's Affairs recently said: “The critical factor with the business community was the fact that they would not have to pay for it.”⁹⁶

While New Zealand and the United States have recently diverged on Paid Parental Leave, the reasons both nations lagged behind the rest of the world reflect such issues as political leadership, non-statutory access by some workers (i.e. those in the public sector and those with higher wages), and considerations regarding financing of the scheme. Whether the shared causes were these or others, the shared history represents an opportunity for the United States to learn from a developed nation that relatively recently moved forward to implement Paid Parental Leave.

Sick Leave: New Zealand Has a Statute; the United States Has None

New Zealand established a statutory provision for up to five days of paid sick leave (shared with bereavement) annually when its labour law was overhauled as part of the 1991 Employment Contracts Act. Thus, paid sick leave was a relatively small part of

⁹⁴ McDonald (2002)

⁹⁵ Personal communication, May 2004

⁹⁶ Personal communication, May 2004

a measure promoted by the National Government to fundamentally change employer and employee relations and remove nationally negotiated awards.

While the National Government originally did not include sick leave in the Bill, it added the measure before consideration reached the floor of the House. It is not clear to what extent the provision merely codified existing employment practice. Helen Clark, then a Member of Parliament in the opposition Labour Party, asserted that five days' leave "goes into all contracts as a minimum." In contrast, National MP Ian Revell noted that, of 900 awards reviewed in the development of the legislation, a "significant number" did not have any provision for sick leave although the largest number provided for five days of leave.⁹⁷ Workers without awards may not have had paid sick leave. The factual disagreement between the two parties over sick leave most likely reflected a political dance. The National Party decided to add in the sick-leave provision to its major labour law overhaul because, as one observer noted, "they were focused on removing nationally-negotiated awards and they realised workers would take to the streets if something as basic as sick leave was not protected in the law—but in practice, it was not a gain for most workers."⁹⁸

An expansion of the entitlement went into effect on April 1, 2004. Now, if the five days of annual leave are not used, they can be carried over into the next year until they total 20 days.

In the United States, no national statute requires an employer to pay for sick leave or protects workers from losing a job due to their own or a family member's illness. As a result, many workers, particularly low-wage workers without sick leave, are at risk of losing their jobs. In fact, in "The Widening Gap" Dr. Jody Heymann found that 34 percent of surveyed parents felt that caring for their sick children led to difficulties at work. Fully 12 percent of parents reported that they lost pay because of their caring responsibilities, and 13 percent reported a loss of promotions or jobs. Heymann notes that: "For most of the families, the repercussions were serious."⁹⁹

The fact that New Zealand has operated a statutory sick-leave law for over a decade indicates that it has sufficient history to identify possible implementation concerns. The recent decision to expand coverage indicates the prevailing view that it is important to sustain a national law, and that workers need more assistance in addressing every-day illness.

Business Sector: New Zealand Businesses Are Small; The United States Exempts Small Businesses

While each nation operates within its own unique cultural, economic, and political context, there are business-to-business themes that are universal. For example, smaller businesses face different economies of scale and, as a result, sometimes seek differential treatment from government policies.

⁹⁷ Parliamentary Debates (Hansard) House of Representatives (1991)

⁹⁸ Maxine Gay, Secretary, Clothing Laundry and Allied Workers' Union, personal communication, May 2004

⁹⁹ Heymann (2000), p.65

Before there was a parental leave law, New Zealand businesses worried about their ability to implement it. In 1979, when the National Party introduced the Maternity Leave and Employment Protection Bill, which provided unpaid leave for qualified female workers in the private and public sector, some employers raised concerns about it. The Employers' Federation, the N.Z. Insurance Industrial Union of Employers, and the N.Z. Retailers' Federation either cited problems for small businesses or explicitly called for an exemption.¹⁰⁰ The 1980 law mandated six months of unpaid maternity leave; since 1987 all businesses have been mandated to provide one year of unpaid parental leave to eligible workers.

New Zealand is a nation of businesses that would be considered small in the United States. Fully 97 percent of N.Z. businesses have fewer than 20 full-time employees, the nation's definition for small and medium enterprises (SME). These SMEs account for 42 percent of all employees.¹⁰¹ Within the United States, businesses of this size account for 62 percent of establishments and just fewer than 20 percent of paid employees.¹⁰²

In the United States, low-wage workers are concentrated in smaller companies. Specifically, a study of minimum-wage workers found that about 54 percent work in firms with less than 100 employees, while 46 percent work in firms with 100 or more employees. Male and older minimum-wage workers tend to concentrate in these smaller firms.¹⁰³

Concern about the unknown is human nature and businesses are not immune from the anxiety. For New Zealand businesses, work-leave is no longer an unknown. The experience in New Zealand could help reduce unnecessary anxiety among US businesses with fewer than 50 employees¹⁰⁴ as debates develop around expansion of the unpaid FMLA or other efforts related to paid leave in smaller enterprises.

¹⁰⁰ Callister and Galtry (1996)

¹⁰¹ International comparisons of SMES are difficult because of a range of definitional issues. For example, New Zealand determines the size of an employer based on the number of full-time employees while the United States does so based on the number of employees. Ministry of Economic Development (2003)

¹⁰² US data exclude the self-employed. US Census Bureau (2001)

¹⁰³ Berger and others (1999)

¹⁰⁴ The National Partnership for Women and Families conducted a mid-sized business study in 1997, entitled *Expanding the Family and Medical Leave Act to Cover Businesses with 25-49 Employees: The Impact in the US and in Each State*.

4 WHO HAS TAKEN UP WORK-LEAVE?

The Government's role with respect to sick days and parental leave is not only to establish a financing scheme, but also to set a policy "floor" that determines *who* is guaranteed *what* amount of *which* kinds of work-leave. Business can implement the government policy or it can build upon the floor set by government. In both New Zealand and the United States, some employers took action and provided more than the floor required by government. For example, in the United States, where no national law provides for any paid leave, working parents are accessing employer-provided paid leave; however, the wealthier the family, the greater the access to any paid leave. A recent analysis from the Urban Institute found that 84 percent of working parents had access to some type of paid leave when their family incomes were at least twice the US poverty level; in contrast, only 46 percent under the poverty level had access to any paid leave.¹⁰⁵

A government "floor" does not necessarily support everyone, however; the floor may exclude some workers because they do not meet the eligibility requirements set in the policy. For example, in New Zealand about 11 percent of workers are considered casual workers, according to a 1990s analysis,¹⁰⁶ and many have not been covered for sick leave or parental leave. Such workers typically are not employed with a single employer for long enough to be able to access leave. An estimated 70,000 workers cannot access leave because their status is "self-employed."¹⁰⁶ The issue for the self-employed is not about job protection, it is about the loss of income and productivity. In the United States, over half of private sector employees are not even entitled to *unpaid* FMLA job protection because they do not meet the eligibility threshold set by the government floor.¹⁰⁷

In order for eligible individuals to take-up a work-leave policy, they need to know about and understand it. While this knowledge is necessary, it may not be sufficient; aware individuals could, for example, realise that the policy is simply impracticable—not financially viable or, perhaps, not career enhancing. It is one thing to establish a work-leave policy, it is another for someone to actually take leave from a job.

This section considers worker awareness as well as available data on take-up in both New Zealand and the United States; it also addresses some implications for younger and low-wage workers.

New Zealand Parental Leave: Awareness and Take Up

Awareness

The Paid Parental Leave proposal was the subject of considerable media attention as it unfolded in New Zealand. Since its passage, however, government staff have expressed concern about low levels of awareness among the general population;

¹⁰⁵ Twice the poverty level equals US\$36,200 for a family of four in 2002; "paid leave" applies to time off such as vacation, illness, or personal days; self-employed and unpaid workers are excluded from the analysis. Phillips (2004)

¹⁰⁶ Spoonley and McLaren (2003)

¹⁰⁷ Waldfogel (1999), p.14

further, among mothers who received PPL, those with lower incomes had greater difficulty finding information about eligibility.¹⁰⁸

Implementation of the Paid Parental Leave scheme appears to have increased awareness of rights to unpaid parental leave—which provides for a twelve-month job guarantee. This has the potential to further change work-leave practices.¹⁰⁹

Take-up

Paid Parental Leave: In its first year, about 19,000 workers received PPL to take time to care for their babies;¹¹⁰ one percent¹¹¹ of mothers transferred some of the payments to a partner. Employed women account for 26,000 of the roughly 55,000 babies born annually in New Zealand.¹¹²

Not all workers are eligible for PPL: Workers who fail to meet the test of continuous employment with a single employer are not eligible, nor are self-employed and casual workers. The Government has proposed expanding eligibility to those with six months of continuous employment and this could add 3,400 more workers to PPL. There may be discussion of covering the self-employed and this could add 2,300 more workers to PPL.¹¹³

Employer Paid Parental Leave: An analysis of some collective agreements in New Zealand found that, prior to the establishment of PPL, 16 percent of these agreements provided for parental leave payments and covered 35 percent of the employees. Paid Parental Leave was most common in the education and health sectors.¹¹⁴

Unpaid Leave: No data on unpaid leave are routinely collected.

A government-funded survey¹¹⁵ on Paid Parental Leave assessed take-up of leave funded by PPL, funded by employers, and unpaid leave, and found:

- Mothers on Paid Parental Leave tend to take the full 12 weeks. Virtually all (98 percent) of the mothers in the survey of PPL recipients either took or planned to take 12 weeks;
- Return to the same employer is common. Of the 22 percent of surveyed mothers who had returned to work, virtually all (93 percent) returned to the same employer. Among those who went back to the same employer, 37 percent took off 12 weeks or less, while 55 percent took between 13–51 weeks, and 8 percent took 52 weeks. Of the mothers who had not yet returned, a majority (68 percent) reported they were either likely or very likely

¹⁰⁸ Gravitas Research and Strategy Limited (2003), p.15

¹⁰⁹ Gravitas Research and Strategy Limited (2003)

¹¹⁰ Dyson, Hon. Ruth “Government Extends Paid Parental Leave,” 8 March 2004

¹¹¹ Gravitas Research and Strategy Limited (2003)

¹¹² Ministry of Health (2003)

¹¹³ Dyson (2004)

¹¹⁴ The collective agreements that were analysed cover 15.3 percent of the total labour force.

Department of Labour (2002)

¹¹⁵ Gravitas Research and Strategy Limited (2003)

to return to the same employer; higher-wage earners were more inclined to return to the same employer than lower-wage earners;

- Income plays a role in the extent to which leave might last longer than 12 weeks. PPL guarantees 12 weeks of pay; employees' jobs are protected for 12 months. Of mothers who planned to return to, or had returned to, the same employer, nearly half (45 percent) expected to take off 52 weeks. However, of workers who earned \$400 or more a week, 46 percent expected to take a year; in contrast, only 30 percent of lower-wage workers planned to do so.
- Higher-income mothers were more likely to receive additional employer leave. About 20 percent of mothers who received PPL had, or expected to receive, support from their employers as well. Employer support was more likely among mothers earning above \$600 per week (25 percent) than those earning less (11 percent). Of those who received employer financial assistance, a bonus for returning to work was the most common form of aid (69 percent).
- Length of leave varies by ethnicity. New Zealand European women take, or plan to take, longer leave compared to other ethnic groups. The intention to use, or actual use of, 52 weeks was much greater among New Zealand European women (50 percent) compared to other ethnic groups (23 percent). In much the same vein, the intention to use, or actual use of, only 12 weeks' parental leave was least likely among New Zealand European women (9 percent) compared to Maori (23 percent) and Pacific Peoples (28 percent).
- Length of leave was longer because of PPL for one quarter of recipients. The evaluation found that, for two-thirds (67 percent) of recipient mothers, PPL did not change the amount of time they took, or planned to take, off work while paid and unpaid. Nearly 40 percent said they would have taken 52 weeks whether or not there had been Paid Parental Leave. At the same time, over a quarter (28 percent) indicated that PPL led them to take/plan to take more time. Of this group, 8 percent who would have taken only 12 weeks extended their leave plans—by anywhere between 13 and 51 weeks.

New Zealand Sick Leave: Awareness and Take-Up

Awareness

New Zealand research has found that awareness of wage and holiday provisions such as sick leave is lower among workers with informal or casual contracts.¹¹⁶

Take-Up

There is no centralised data source that provides information on the extent to which employees actually use available sick days' leave. However, an analysis of some collective agreements in 2002 indicates how many days are made available by employers. The average across all industries was eight days' paid leave, three more

¹¹⁶ Tucker (2002), p.6

than the national minimum.¹¹⁷ And, while carry-over of unused sick leave has not been government policy until this year, the collective agreements averaged up to 70 days. There is considerable variation regarding carry-over of sick leave by industry. Notably, even those industries which adhered to the statutory minimum of five annual sick days, provided for more carry-over of leave than mandated under the new Holidays Act. Specifically, through these collective agreements, the retail, agriculture, and wholesale industries provided 29, 33, and 44 days of carry-over sick leave, respectively.

Uncovered workers: As noted above, about 11 percent of the workforce were considered casual employees in the 1990s; this includes an estimated 70,000 workers who cannot access leave because their status is self-employed. For the self-employed the concern is loss of income and productivity while sick.

United States Parental Leave: Awareness and Take Up

Awareness

The Family Medical Leave Act of 1993 includes a provision that requires employers to help build employee awareness of the law. The FMLA is also interested in ensuring that businesses understand the provisions of the law.

By 2000, six-in-ten employees in businesses covered by the FMLA had heard of the law. Of establishments covered by the FMLA, 84 percent reported that the law applied to them.¹¹⁸

Whether some types of employee have greater awareness of the FMLA than others, has been investigated. The research found that salaried employees, union members, and those with higher educations were more likely to know about the FMLA than others. Employees from all demographic groups were most likely to hear about the FMLA through the media, but those in higher-paying jobs were comparatively more likely to learn about the Act from their employers.¹¹⁹

Take Up

FMLA and Parental Leave: Nearly 4 million women give birth in a single year in the United States. About 75 percent of all women worked for pay in the year prior to the birth of their first child, according to one analysis.¹²⁰ Not all of these workers would intend to return to work. Further, some would be ineligible for FMLA; less than half of private sector workers (46.9 percent) were eligible for leave of any type guaranteed under the FMLA.¹²¹

¹¹⁷ Department of Labour (2002)

¹¹⁸ Cantor and others (2000)

¹¹⁹ The data apply to employees in both covered and uncovered establishments. Commission on Family and Medical Leave (1996)

¹²⁰ Smith and others (2001)

¹²¹ Waldfogel (2001)

Of those workers who took leave under the FMLA, about 35 percent took it for maternity-disability or as parental leave. Of those workers (including those eligible for FMLA and those not covered by FMLA) who took leave for an FMLA reason, about 25 percent took it for maternity-disability or as parental leave.¹²²

Unpaid parental leave coverage has grown since the passage of the FMLA. The growth in parental leave coverage appears to be virtually all unpaid. By 1997 about 93 percent of full-time employees and 54 percent of part-time employees in medium and large establishments had maternity leave—but paid leave was reported by only two percent of them.¹²³ A Families and Work Institute survey found that most firms provide some parental leave, but higher-wage earners have greater access; for women 95 percent of high-wage earners compared to 88 percent of low-wage earners had access; for men, the rates were 82 percent compared to 75 percent.¹²⁴

Paid Parental Leave: The FMLA provides job protection for 12 weeks; it does not provide pay. However, some who take parental leave can get partial or full pay from employers who voluntarily provide it; some employers may be mandated by state law to make contributions.¹²⁵

Some firms may expect employees to tap into paid leave such as vacation days to compensate for lost wages during maternity leave. Yet many employees have no access to paid vacation leave or similar kinds of personal leave. No such leave is available to more than one-in-five employees. Nor is it available to one out of every four workers earning below \$15 dollars an hour on average, or one out of every four working at a firm with fewer than 100 employees.¹²⁶ According to the Global Working Families Project, nearly six out of ten workers with family incomes in the lowest quartile lack paid vacation leave.¹²⁷ For those who do receive paid vacation, in the first year the average is nearly 10 days, for full-time employees in medium and large private establishments.¹²⁸

Women in their 20s have the highest birth rates and account for one half of the roughly four million births in a year¹²⁹, yet younger working families have less vacation leave to use for parental leave. Less than 70 percent of those under 30 in a Families and Work study received any paid vacation days, while about 80 percent of older age-groups did. Workers under age 30 who were entitled to paid leave were entitled to less of it: less than 10 days compared to an average of nearly 13 days for those aged 30–39.¹³⁰

¹²² Cantor and others (2000)

¹²³ Waldfogel (1999)

¹²⁴ Low wage was defined as \$8.00 per hour in 1997; low family income was defined as below 200 percent of the federal poverty level; 2,877 workers were interviewed who worked any number of hours. Bond (2002), Table 2

¹²⁵ A federal overview of existing public and private surveys found that paid maternity leave is available for about half of the female workforce; it also found that most often the source of the payment is temporary disability coverage. US Office of Personnel Management (2001)

¹²⁶ Bureau of Labor Statistics (n.d.3), US Department of Labor, March.

¹²⁷ Heymann (2003)

¹²⁸ Bureau of Labor Statistics (1999)

¹²⁹ Martin and others (2003)

¹³⁰ Personal communication with Terry Bond, Families and Work Institute. Unpublished data from the 2002 National Study of the Changing Workforce.

The problem of getting paid while on parental leave may be worsening. In medium and large-size firms, paid sick leave, paid holidays and paid vacation have all dropped, according to the Employments Benefits Survey. Between 1988 and 1997, paid sick leave dropped from 69 percent to 56 percent; paid holidays dropped from 96 to 89 percent; and paid vacations dropped from 98 percent to 95 percent.¹³¹ If this trend continues, more workers will confront the tension between taking time off and losing income as they seek to balance the demands of work and family life.

US Sick Leave: Awareness and Take-Up

Awareness

According to the Urban Institute, which has undertaken a major analysis of paid leave, “most workers know their paid leave allotments”, such as those related to vacation or sick leave.¹³²

Take-Up

Paid Sick Days: Paid leave for sick days is not available to many workers. Nearly 60 million workers have no such leave; more workers—nearly 86 million—do not have the ability to take sick leave to care for their children.¹³³ Only half of full-time employees at firms with fewer than 100 employees have access to a paid sick day. Less than one-fifth of employees who are part-time are entitled to a paid sick day.¹³⁴ About four out of every 10 employees at medium and large establishments do not get a day of paid sick leave.¹³⁵ This situation is likely to worsen. In 1997 coverage dropped to about 57 percent of firms, from 70 percent of firms in 1986.¹³⁶ Among those who get paid sick leave, the average number of days in the first year of employment is over 11 for full-time employees in medium-to-large private establishments.¹³⁷ When sick leave is available to care for sick children, younger and older workers share that right in the same proportion.¹³⁸

Low-income family access to paid sick days’ leave is much more curtailed than for higher-income families, according to a number of analyses. The Families and Work Institute found in its sample that, among low-wage and low-income workers, only 55 percent had access to paid sick leave compared to 82 percent of high-wage and high-income workers; time to care for a sick child was available to only 26 percent of low-

¹³¹ Bureau of Labor Statistics (n.d.2)

¹³² Phillips (2004)

¹³³ Lovell (2004)

¹³⁴ Bureau of Labor Statistics (n.d.3)

¹³⁵ Bureau of Labor Statistics (1999)

¹³⁶ Lovell (2004)

¹³⁷ Bureau of Labor Statistics (1999)

¹³⁸ Equal proportions of employees (46 percent) of different ages are allowed to take a few days off to care for a sick child without losing pay or having to use vacation days. Personal communication with Terry Bond, Families and Work Institute. Unpublished data from the 2002 National Study of the Changing Workforce.

wage workers compared to 57 percent of high-wage workers.¹³⁹ An analysis reported by Working Global Families found that, over a period of time, two-thirds of low-income women (family incomes below 200 percent of the national poverty level) and 75 percent of very poor women (less than 100 percent of poverty) do not get paid when they miss work to care for a sick child.

Paid time off for sick leave dramatically increases take-up. Research has shown that parents who receive paid leave are more than five times as likely to be able to care for sick children, even after taking into account demographic differences.¹⁴⁰

¹³⁹ Bond (2002)

¹⁴⁰ Heymann (2003)

5 WHAT STAKEHOLDERS SAY ABOUT WORK-LEAVE

How do stakeholders—particularly employees and employers—view work-leave? The experience ‘on the ground’ may mirror the intentions of the policy and legislative framework; or, those goals may not have translated from theory to practice. There may be unanticipated benefits or unintended perverse effects of the leave provisions. New ideas for how to improve these provisions may emerge with experience in implementation. The voices of employees and employers should be key in any examination of work-leave policy.

New Zealand

This section provides some highlights from “34 Voices: New Zealand Business and Worker Interviews on Sick Leave and Parental Leave”, a summary of qualitative interviews regarding experiences with parental leave and sick leave.¹⁴¹ The interview sample is not representative and the sample is small; yet, the voices raise issues of importance that deserve to be more fully explored, both qualitatively and quantitatively.

Paid Parental Leave: Solo Mother Workers

Interviews on parental leave were conducted with nine solo mothers. Solo mothers face particular challenges in attempting to achieve work-life balance for themselves and with respect to the needs of their young children. One worker succinctly asserted: “It’s scary to try and think about how to get work-life balance as a solo mum.”

Increasingly, children in New Zealand are growing up in solo-parent households; the proportion of children in such households grew from about 16 to 24 percent in the decade between 1986 and 1996. “This trend has important implications for the welfare of children, given that solo parents tend to be disadvantaged in terms of employment, income, education and housing when compared with partnered parents”, according to Statistics New Zealand.¹⁴²

Of the solo mothers interviewed, seven had received PPL, one had applied and expected to begin receiving payments soon, and one had been advised she was ineligible and had not applied. Incomes ranged from a low of NZ\$9.50 an hour for a part-time worker to an annual salary of around \$40,000. All were, or were about to be, first-time mothers. While one worker was 19 years old, five solo mothers were in their mid-to-late 20s and three were in their 30s.

In order to be eligible for PPL, these solo mothers had to have been employed at least one year continuously with the same employer. This suggests some level of employment stability. At the same time, even the more established workers were a bit thrown off-balance because of an unanticipated pregnancy and birth or a partner

¹⁴¹ Levin-Epstein (2004)

¹⁴² Children are defined as those under 15. Statistics New Zealand (1999a), p.37

having left them. Living arrangements, goals, and future directions were often in flux, as many tried to live on less than they had earned as workers.

Circumstances around the pregnancy and birth varied, but many workers faced significant turmoil as they entered parenthood. For example, one worker had considered putting her child up for adoption—her partner, who subsequently left, had wanted her to abort; another worker was unaware that she was pregnant until the day she delivered; a third worker, accompanied to the pregnancy test by her partner of several years, found him gone two days later—she has not heard from him since.

The following provides some highlights from the interviews:

Paid Parental Leave is viewed positively by the interviewed solo mothers. A number of the solo mothers remarked that Paid Parental Leave is a benefit, because it provides both income and an opportunity to spend time with the child. One worker stated: “PPL is extremely important. Every little cent, every little dollar makes a big difference. I think it is a really positive thing for all parties...for people like me, for the child, for my employer. It’s long overdue.” Another stated: “PPL helped me to be more independent...PPL is good because the option not to go back to work right away is good.” Another mother who had a difficult pregnancy noted that the security of the income might have influenced delivery since “PPL was such a financial weight off my shoulder, [without it] I probably would have gone into labour early with her...if there were no Paid Parental Leave...I would not have been able to survive.”

Employers can help build awareness and PPL access. While a couple of the solo mothers urged efforts to build greater awareness of PPL, at least two workers learned about PPL from their employers, who also provided the application forms. Most reported significant co-operation and support from their employers.

PPL applications and procedures are straightforward. None of the workers reported any difficulties with the application process. One called IRD to sort out how best to treat an employer’s paid leave and another noted that it was difficult to report gross wages since some employees were more aware of their after-tax income. In terms of payments, one solo mother indicated she would have preferred to receive weekly payments, as this was her accustomed method and would have helped her with budgeting.

PPL payment amounts can be a hardship when lower than a worker’s income. The PPL payment is not a full wage replacement, nor is it based on a percentage of an employee’s wages; rather, it is a payment up to a flat amount. Thus, those earning at or below the flat amount effectively receive 100 percent wage replacement, those who earn higher amounts effectively receive less. Workers who earn above about NZ\$17,500 (53 percent of the average female and male wage) receive less from PPL than they receive from their employer. For those who experience a drop in income this can be difficult. For example, a solo mother whose annual salary had been NZ\$34,000 (after taxes) saw her income drop by NZ\$500 every two weeks. Another mother expected her income would halve.

A drop in income can translate into housing dislocation and temporary moves. Most of the interviewed solo mothers had moved in with their families in order to reduce

their rent burden. Among those who were ‘doubling up’ with family, the move was not seen as an ideal arrangement. Rather, the living arrangement was viewed as a vehicle for saving money for a period of time. Of the nine interviewees, five noted that they had moved back in with family in order to address budget concerns; a 6th solo mother was already living with her brother and mother.

Government agencies were typically helpful regarding their programmes and services; however, information about, and rules related to, programme interactions were sometimes problematic. While interaction with the Inland Revenue Department (IRD) was well regarded by the interviewed mothers, it appears that sometimes the IRD and the available PPL materials do not communicate information about other entitlements. For example, one PPL recipient explained that she had only recently been told about DPB benefits and that she planned to apply. Most of the solo mothers did not expect to begin, or had not begun, on the DPB until they had exhausted their PPL. The Sickness Benefit may be used for pregnancy and pregnancy-related illnesses. One solo mother who had pregnancy complications received PPL and not the Sickness Benefit. The effect of this was that this solo mother was left with one week of PPL after her child was born, and she then went on the DPB.

Child development and bonding were key reasons workers took leave and took it for longer than 12 weeks. As one solo mother noted: “The first two years of a child’s life are really important. I thought about going back to work full-time but you miss out on a lot, especially at this age. I want to spend time with him. He may be the only child I have.” While the interviewed mothers might have differed on which early years were most important, they shared a view that they wanted to be there for those critical times. Another said: “The first year is the most important. During the first year, that is when the baby will learn to walk. If you go to work you miss out on bonding, and you need to establish that. The fact that he recognises me as his mum is very important. I did not like the idea of putting him in day-care so that he would have to deal with more than one caregiver. That would be confusing for him.” A number of the interviewees mentioned the value of breastfeeding and one noted: “I am feeding [the baby] naturally and in my job I would not be able to do that.”

Paid Parental Leave enabled these workers to take 12 weeks off with some income; those who take Paid Parental Leave may access more job-protected time off from work. Five of the solo mothers took, or planned to take, 12 months off. Two mothers planned to take longer: a 35 year old solo mother, who was the highest earner, planned to take two years off; a worker whose contract provided for 18 months of job protection planned to take the full time allotted. The mother who only received the DPB and not PPL took four months; the teenage mother planned to take eight months.

Domestic Purposes Benefits (DPB) enabled solo mothers’ to extend their work-leave. All of the nine solo mothers had, or expected to receive, DPB benefits for differing lengths of time. The solo mother who had been advised that she was ineligible for PPL (she was told her due date preceded the start date of the PPL programme) tapped into the DPB for four months. Some solo mothers expected to use the DPB for less than a year; others anticipated a longer time-frame but were not certain. One solo mother noted that she had been receiving the DPB for a week and “I actually felt bad. I’m proud that I have been working for everything I got. It was hard to do.” At the same time she stated: “The fact that they were there is really good.” Another said:

“Being on the benefit was really hard. I felt useless.” One solo mother noted that she had just learned she could receive the DPB at the same time as PPL; the others indicated that they would get the DPB after PPL ended.

The DPB enabled solo mothers to receive additional income and benefits but virtually all planned to return to work within a year. For a number of the solo mothers, the DPB payments, along with related assistance (e.g. accommodation supplements), meant that their income was higher on the DPB than on PPL and/or their previous employment. Nevertheless, those in this situation typically spoke of an interest in getting back to work, even when staying at home generated more income. One such solo mother expected to be back at her job when her child turned one. Another solo mother who received more income while on assistance than she did while she was on PPL noted that: “Even if all the benefits were higher than my salary I would go back to work at a year.”

Of the solo mothers, four were taking, or planning to undertake, course work while receiving the DPB. The courses, generally less than a year in length, ranged from a home correspondence programme on interior decorating to programmes for business degrees and home childcare providers.

Returning to the same employer was the goal of most of the solo mothers interviewed. While two of the interviewees indicated that they would not be likely to return to the same employer, the other seven noted that they planned to do so. One of the two who did not plan to return to the same employer had originally intended to do so. She had worked out an arrangement with her supervisor to job-share with another employee; however, her supervisor had since left and the new supervisor was not enthusiastic about the job-share plan.

Part-time work was often viewed favourably, but for some it was not feasible. While most of the solo mothers were not back at work and could only describe their intentions, there was often a hope for part-time work. Of the nine solo mothers, three were either back at full-time work or expected to return to their full-time jobs; of the six who wanted to work part-time, about half expressed a concern that it might not be financially feasible. One solo mother who took leave for four months is back at work full-time; another expects to return to full-time work after 18 months’ leave. A solo mother who expected to go back to work full-time felt that part-time work would be ideal, but not financially feasible unless her partner decided to return as well. Another noted that she expected to be working full-time before her child turned two or two-and-a-half, because otherwise she “won’t be able to get ahead.” One solo mother, whose position is part-time and who had wanted full-time work before she became pregnant, said she was “content” with coming back to a part-time position “because it helps with balance.”

Childcare costs were of concern to some workers but none worried about finding childcare. A number of the solo mothers had been investigating childcare costs and others anticipated on relying on family members. “Child care is expensive” noted one solo mother, who also pointed out that costs can be greater if you work part-time because “Lots of child care providers require full-time payment even if you use them part-time.” This would make it harder for her to have a part-time job. If childcare were less expensive she might think about going back to work sooner than the two

years she planned to take off from work, although she was not absolutely certain of that. Another solo mother who had budgeted amounts for childcare, was focused on how to get hours of care that matched her hours at work; she wondered particularly about the extra fees for non-standard hours of care at the centre where she expected to place her child. Like many of the solo mothers with tight budgets and lots to juggle she simply asserted “I’ll just make it work”. A few of the solo mothers expected that family members would provide care, particularly if they were working part-time.

Paid Sick Leave: Low-Wage Worker Interviews

Interviews with eight low -wage workers were undertaken to gain an appreciation of whether they had been able to access sick leave—either the statutory minimum or higher amounts that were part of their employment agreement. Further, workers were invited to report both the benefits and the problems of their sick leave experiences with their employers and their fellow colleagues. With one exception, all of the interviewed workers had family incomes at or below NZ\$30,000; the exception was a worker with several pre-school children who earned NZ\$40,000 annually. Five of the workers had school-age children; the remaining three had children who were no longer dependants.

The following provides some highlights from the interviews:

More than five days of sick leave, the statutory minimum, are available to some lower-wage workers under workplace contracts. Of the eight workers interviewed, five had access to more than five days of sick leave annually; union contracts often provided for carryover of unused sick days. The remaining three workers were limited to five days (one was allowed to carry over unused sick leave from one year to the next).

Supervisor discretion in some organisations allowed some workers to access more paid sick days than established through policy. A number of the interviewed workers had supportive managers who advanced sick leave or allowed an employee to use time-in-lieu to count towards sick leave. One worker who had been employed for seven years with the same firm asserted that “my employer is to be complimented” for how flexible he had been in response to her recent illnesses. When she contracted pneumonia and suffered subsequent relapses, she was able to use her allotted 10 days, her annual leave, and an advance of 40 hours. She expected to be able to give back the advance days when she came into more annual leave over the next few months. Decisions reached through supervisory discretion can change, however, when supervisors change. One worker whose son had a skin condition that required grafts at the hospital had received extra days as paid sick day’s leave from a supervisor; however, when a new supervisor arrived, he refused to allow her an advance on her sick days. Another worker noted that, in an earlier position in her career, she was not allowed to use her holiday to cover for a sick day even though she had exhausted her sick days, so she had to take unpaid days. This happened when she worked in a rest home which was “very tough....I certainly don't want to work in a rest home anymore.”

Sickness is not uncommon among the interviewed workers. Everyday illnesses by workers and/or their dependent children were common among the interviewees. Some families had illnesses that exceeded the days negotiated under union agreements. One employee used up her 10 days of sick leave each year because of the times when her epilepsy made it impossible for her to function. Her manager's discretion provided her with 24 days leave in the previous year. Another worker was dealing with cancer treatments that had led her to use 10 days in the previous six months; she was allowed to tap into her days-in-lieu and annual leave. Others faced exhausting their sick days' leave due to the common illnesses their children experienced.

Some workers perceive their colleagues as abusing sick days' leave; others acknowledge "sickies" are taken but do not view this as a problem. One employee said that, if she had any unused sick days she would use them because "It is easy, people just say they're sick anyway and go to the doctor; honestly, employees go to the doctor even if they're feeling well, they just want a day off, yeah, so in order to get that day off, they are saying they're sick and they just go and see their doctors and say... got a headache, got a tummy bug, whatever, and so you just get the certificate..."

Another worker believed sick leave was abused by colleagues: "I mean you are getting people who are ringing up and saying they are sick and you know they are not sick and using the sick day thing which I think is wrong, especially in our work, where it is really hard. And you do get abuse of the system".

One worker quit his job because, at his previous job, two members of his team, who he believed were not sick, were off for months; when their work was reallocated he felt he was overloaded, and this ultimately drove him to get a new job. The job provided for unlimited sick leave which, he says, "is a good policy. When people abuse it, that is the problem." While the two staffers were gone for months, no temporary staff were hired to fill their positions because of budget problems in the agency. They have now hired a contractor but cannot hire on a full-time basis because the two are still on the staff. While they had received medical certification, the interviewee was not convinced that they were sick, even though he acknowledged that they had been hard workers.

The medical certificate process is viewed as easy by some and costly by some. One worker explained that getting the medical certificate could be expensive since "It costs something like 15 dollars, you know, to go in there and get a doctor's certificate or to get a check up. So I think it is expensive, and that's because you're on a low income, but if you're on a high income then you're looking at NZ\$30-40 for a consultation and then you're looking at your prescription as well. And it also depends how far away you live from the doctor's, so you have to find your travel there and home again as well." She had just found that she could ask the nurse to do the certification process and that it "actually costs you nothing", except for transportation. She also said the medical certificate could be faxed and sometimes the "doctor will take your word for it", so these things make the medical certification process reasonable in her view.

Parental Leave: Small Business Interviews

Interviews regarding parental leave were conducted with 17 businesses. Each of these businesses had fewer than 50 employees, many with fewer than 20 employees, as is typical in New Zealand. The firms ranged from clothing retailers, to restaurants, to a training organisation. Most were in the hospitality industry, with workers earning at the lower end of the wage scale. The purpose of the interviews was to gain an understanding of these employers' attitudes towards, and their management of, parental leave, including Paid Parental Leave. A number of the businesses had no experience, or very little experience, with PPL implementation. This is in part because PPL is relatively new, and also because PPL only affects employees as they become parents. Thus, some smaller firms may never have an employee who takes up PPL.

A Department of Labour Survey of Employers

A government-funded survey of employers of all sizes (and employees) was undertaken in the first year of PPL. It provides another important source of information on employer attitudes. Among the findings:

“No worries” is the view of most N.Z. businesses towards Paid Parental Leave. Over half of employers (54 percent) believe the Paid Parental Leave policy has had no real impact on their business. Another third (35 percent) indicate the policy had either a positive (27 percent) or very positive (8 percent) effect. Less than one-tenth (9 percent) viewed the overall impact as negative or very negative.

Staff satisfaction was the most frequently noted (29 percent) benefit and employee retention was also viewed as important (22 percent). A number of employers (29 percent) view PPL as having no benefits.

Source: Gravitas Research and Strategy Limited (2003)

At the time of the interviews, the Government announced plans to expand PPL to more workers by extending the allowable time-off from 12 weeks to 14 weeks. It also proposed reducing employee tenure requirements from 12 months to six months; for such employees, the jobs would be protected for the length of PPL, but not for the 12 months that were available to those with a year of tenure. The employers were invited to comment on these proposals.

The following provides some highlights of the interviews about PPL with small firms:

Virtually all of the firms thought that the New Zealand PPL scheme was a good idea. Employer support ranged from “extremely positive”, since it helped avoid premature return to work by employees, to “absolutely” beneficial, since it affirmed the organisation's own interest in promoting work-life balance. Several employers supported PPL because they believed it made a contribution to retaining employees; at the same time, a few employers noted that retention was not a big issue for them.

Only one employer suggested that PPL was a bad idea. This was because, to get PPL, employees needed to assert their intentions to return to the job—whether or not they actually planned to; the employer felt this created undue problems for employers. While PPL was otherwise widely supported, of the 17 firms, only one offered paid leave as company policy prior to the 2002 law change.

General revenue (consolidated fund) financing of PPL is viewed positively by businesses, some of which worry that the cost may be transferred to them at some point. As one employer noted, being able to utilise taxpayer funds was “quite good” since it was “not penalising the employer and is looking after the employee”. Another said: “I’m pleased the employer contribution [in the original Bill] did not fly...it is too interventionist to have an employer pool. Small business already has a huge amount of compliance costs.” These comments echoed the findings of the Labour Department survey. In the government survey, employers established that they would have viewed such costs as prohibitive (particularly for small businesses), and would have influenced their willingness to employ female staff in the future.¹⁴³

Several of the employers expressed anxiety that the costs of PPL payments might eventually be placed directly on employers. “PPL is good for employers because “at the moment ... [employers] are not paying”.

One manager suggested that Government should incentivise a company ‘top-up’ of payments through a programme of tax incentives or rebates. If Government instead mandated a ‘top-up’ she thought this would prove politically problematic. “Unfortunately,” she noted, “a mandated ‘top-up’ would be viewed as a negative thing because of the make-up and size of some businesses. If there were a cost added to parental leave, this might at some point contribute to a negative attitude towards hiring women.”

Employers who commented on the six-month tenure proposal were critical of it; some worried that it might create “adverse selection” problems and others might worry because of misinformation about the scheme. Nine of the 10 employers who discussed the proposed tenure reduction from 12 to six months of employment objected to it. Remarks included: “It’s a bit crazy” and “definitely bad.” Another explained that the drop in tenure “is too tough for a business since it takes 12 months or 18 months to get someone in a management position fully trained.” Three of the nine employers worried that businesses might be subject to adverse selection i.e. the policy might encourage pregnant women to seek employment in order to access paid leave. One of the three noted that a relative of hers had announced her intention to do just that. An employer who opposed the drop in tenure asserted that he “would hate to have people for six months and then out for a year...” The reference to a year indicates that, this employer at least erroneously believed that the proposal would extend 12 months of job protection even to those workers who had only been on the job for six months. The one employer who supported reduced tenure said that his support was contingent on the Government continuing to finance the payments.

Employers who commented on the extension of payments to 14 weeks either supported it or had no objections. Three of the nine employers who discussed the extension felt

¹⁴³ Gravitas Research and Strategy Limited (2003)

positively about the idea. The remaining six viewed the difference between 12 and 14 weeks of leave as not making much of a management difference. Comments included: “it is neither here nor there”, and “it’s academic”, and “it does not make a lot of difference.”

Smaller firms have fewer opportunities to interface with PPL. Of the 17 interviewed firms, about half (eight) had experience with PPL, because a staff person had taken leave or was about to. Experience with unpaid parental leave was also limited, even though unpaid leave has been available since 1987. One clothing retailer with six employees noted: “In all my 39 years in business there has never been a woman who has taken maternity leave...it just has not been something we’ve faced...and our employees are most often women.” The owner of a 10-year-old company noted that unpaid leave had presented no problems in the past because those who became pregnant “left and decided not to come back.” Of the firms that had not had experience with PPL, some were misinformed about its basic rules. For example, one owner was unaware it was financed through general revenues and instead believed that funding was through levies on employers.

Managing employee leave is never easy but is viewed as ‘doable’. A first choice for an employer confronting leave is whether the work of the employee is to be redistributed, assigned to temporary staff, or put on hold. The decision is often influenced by the role of the employee and the length of the leave. Some employers expressed concern that keeping certain jobs open for 12 months was too difficult. This suggests that at least some employers may be unaware that the rules allow some flexibility for key positions.

While keeping a job open for a year, particularly if a temporary hire proved to be better than the regular employee, troubled some employers, a number preferred a year’s leave to shorter leave. This was because finding temporary staff for 12 months, rather than a shorter period, was sometimes easier, depending on the nature of the position.

Managers often articulated that businesses should be able to handle the challenges of leave, independent of company size. Among the comments were: “If you value your employee, this small hiccup called PPL should not be a problem for businesses with under 50 employees”, and parental leave is manageable because “everything is manageable.” The absence of coverage for unpaid parental leave in US firms with fewer than 50 employees was “incredible” to one employer, and another noted that management was not the key issue for the United States but instead “a bigger question is what kind of society you want to have. If you want to have a humane society, [let a law] signal it.”

Managing Parental Leave: The Tale of Two McDonalds

Two McDonalds' franchisees, each with 35 employees, faced the same challenge—parental leave by managers—but took two different approaches to the re-distribution of their work. One distributed the work of the absent employee among existing staff while the other “transferred-in” a manager.

The redistribution approach to workload “put pressure on other managers.” The franchisee decided not to hire a temporary person because of perceived risks in giving operational responsibilities to someone not intimately familiar with them. The franchisee explained: “we had to muddle our way through our first PPL experience...now I have an understanding of what it means and what it is about. If I knew five or six months in advance, I would train someone internally to take over her position.” His manager took three months off, and is back at work, and “she is physically fine. I credit her health to the time off.” The manager who returned from parental leave is given time to express milk.

The “transfer-in” of a temporary staffer was, in contrast, a seamless way to cover the work of the manager on parental leave. This franchisee, through word of mouth in the McDonald's community, heard about another manager who was made redundant. He hired her temporarily to work the exact hours of the manager on leave. He urged others to give high priority to the transfer-in approach. The franchisee believed that PPL was a good thing for employees because “it guarantees that the mother, child, and family have no pressures to come to work early.” It is good for employers because “the more you look after your staff, the better the retention.” His management message to US small businesses regarding leave is: “If I was able to manage, they can manage...no problems at all.”

Sick Leave: Business Interviews

Sick leave was discussed with the same 17 businesses which had been interviewed regarding Paid Parental Leave. In contrast to the limited experience with PPL, each of these businesses had on-going experience with sick leave. New sick-leave policies that went into effect in April 2004 were discussed, although most of the interviews occurred prior to their implementation.

The interviewed firms believe that the presence of a statute on sick days' leave was beneficial. All of the companies (13) which discussed the role of a law were supportive of it. The reasons for support ranged from employee protection, to humaneness, to a level playing field for employers. A number emphasised that sick leave was a function of decency, stating “from a human perspective it is nice to know you won't be punished for being ill” and “at the end of the day the employee is a person. A person will get sick. A company, to survive, must recognise that reality.” Another employer stated: “I don't think all employers have their employees' best interest at heart. I have experienced enough inappropriate relationships to know that not all employees get a fair deal, and a base expectation is an appropriate government

role and employees and employers are allowed to build from there.” The value of a common set of rules was explicitly recognised by some employers who noted that the law helped “Because otherwise some other places could afford to make it a perk” and “everyone is on the same playing field.”

The businesses which provided higher wages tended to provide more sick days’ leave. Of the interviewed firms, 15 had policies which provided the statutory five days while two provide more. These two firms were distinguished by having amongst the highest-waged employees of the 17 companies. “We want to be a fair and reasonable employer” explained one, which provided 10 days’ leave. Of the 15 businesses which did not offer more days, some said they did not because “it should be sufficient”, or because of the additional cost beyond what they already absorbed for sick leave. Some firms which did not have policies that provided more paid sick day’s leave allowed managers to use their discretion to grant extra days to employees.

Abuse of sick leave was perceived to occur by most employers who also believed it was limited to a few employees. While a few of the employers had no worries about sick leave, and believed their employees only took leave appropriately, many perceived that a few employees took leave when they or a family member were not sick. “We know as we get closer to the end of the year, we know employees are going to use sick days”, explained one employer. Another said that, while “everyone gets sick, a portion of society will take advantage of anything.” The employers tried different approaches to communicating with their employees about abuse because, as one noted, “a lax policy on sickness runs right through the business.” The concern for business is “the chaos created with last-minute call-ins.” When a genuine illness sparked the chaos it was more reasonable than when someone was “swinging the lead” and pretending to be ill.

Medical certification restrictions and procedures were a concern to some employers. While few of the interviewed employers ever asked their employees for medical certification of illness for fewer than three days’ absence, the new law’s restriction on doing so was troubling to a number of them. These employers worried that the limitation on their ability to ask for documentation would increase the risk of employee abuse of sick leave. “Certain employees will abuse the fact and have two days off sick.” With respect to the medical certificate itself, “it’s a joke”, one employer explained, since “they are not hard to obtain; general practitioners need a better understanding of the implications of handing out medical certificates.” Another said doctors issued medical certificates “willy nilly. It is not too difficult to get a medical certificate...if you want time off work you go to the doctor.” When this employer told an employee to get a certificate, he paid for the medical visit, saying “that’s fair” when the employee expressed concern about the cost. While employers seemed familiar with the new rules, at least one was unaware that medical certification could be requested of an employee absent on a Friday and Monday because the intervening days were countable.

Carryover of unused sick leave was more often viewed as a good idea or neutral. Of the 10 employers who commented on the new carry-over provision, only one asserted an interest in the days being used up in each year. The others thought “it is a real insurance” or “it rewards those who face a misfortune”; at the same time, a number thought it had these advantages but also carried with it the potential “to use it as

holidays.” Some suggested that unused sick leave should be paid out as a bonus or in some way rewarded.

The absence of a statutory sick-leave law in the United States was viewed with incredulity by most New Zealand businesses. Of the 16 employers who commented on this matter, two viewed the US position as beneficial in that it was “fantastic for the employer” and “definitely an incentive to work.” The 14 remaining employers articulated views ranging from “I’m horrified”, to “that’s very archaic”, to “I think it is unproductive. To me it says that employers don’t see the value in allowing an employee some time off to get well.”

United States

The US Government has funded two reports based on surveys of employer and employee attitudes towards, and experience with, family and medical leave policies—*A Workable Balance: Report to Congress on Family and Medical Leave Policies* (1996), and *Balancing the Needs of Families and Employers: Family and Medical Leave Surveys* (2000). This section draws from the latter report (hereafter referred to as *Balancing the Needs*). In addition, the Families and Work Institute has surveyed both groups of stakeholders regarding work-life issues, including experiences related to leave. Also referenced in this section are a number of polls which provide some insights into public beliefs and attitudes toward work-leave.

Family and Medical Leave: Employers

The employer survey funded by the Federal Government was designed to represent the views of US private business establishments. Thus, the results in *Balancing the Needs* exclude federal, state, and local governmental entities, along with such organisations as schools. The Families and Work Institute survey includes only businesses with 100 or more employees; one-quarter of those surveyed had more than 1,000 employees.

Balancing the Needs reported that the vast majority of firms saw no notable effect on business due to FMLA compliance. Numerous companies in the United States were worried that the 1993 Family Medical Leave Act would have dire consequences for productivity since it required employers to allow unpaid leave of up to 12 weeks under certain circumstances. However, the 2000 survey found that this did not materialise for most firms. The vast majority of the companies (77 percent) viewed compliance as having no noticeable effect on productivity, and even more (88 percent) felt the same way about profitability and growth.¹⁴⁴

Investment by firms in *paid* leave was seen as paying off in the end, or as cost-neutral. The Families and Work Institute survey found that the vast majority of surveyed firms (84 percent) viewed the investment in paid leave for maternity, paternity and serious illness as providing either a positive return on the investment (42 percent) or as cost-neutral (42 percent).¹⁴⁵

¹⁴⁴ Cantor and others (2000)

¹⁴⁵ Galinsky and Bond (1999)

Family and Medical Leave: Employees and the Public

Public support for Paid Parental Leave to care for young babies was approved by both the majority of parents of young children and by adults generally, according to a Zero to Three survey. Of parents with children up to the age of six, 88 percent supported (65 percent strongly and 23 percent somewhat) Paid Parental Leave. Among most adults (80 percent) there was also support (56 percent strongly and 24 percent somewhat) for Paid Parental Leave. Support was strongest among mothers (rates were higher than for fathers of similarly-aged children), lower-income parents and future parents.

The majority of young parents believed the optimal length of Paid Parental Leave was six or more months. Among current parents of young children, 30 percent said a year or more; 24 percent about six months; and 41 percent said three months or less. The largest difference in opinion on this issue occurred along educational lines—parents with a college degree were more likely to say one year or more was ideal.¹⁴⁶

Financing family and medical leave through disability insurance was supported by the public: 82 percent of women and 75 percent of men supported disability insurance to provide partial wages when people needed to take time from work to care for a newborn or newly-adopted child or a seriously-ill parent or spouse, or to recover from their own serious illness.”¹⁴⁷

What is Known about Public Attitudes towards Sick Leave?

Most American workers believe that, if a worker is sick, it is illegal not to give paid time off. One survey of union and non-union workers found that sixty percent thought it was illegal for an employer to refuse to provide sick leave to employees, and ninety-five percent of workers thought such a refusal was "unacceptable."¹⁴⁸

A survey conducted for the National Partnership for Women and Families asked about the importance of time off for illness. While asked in the context of the Family Medical Leave Act (which is about serious illness and not sick days) the findings are suggestive. Specifically, 68 percent of those surveyed said it was extremely important for there to be time off from work for illness.¹⁴⁹

¹⁴⁶Zero to Three (2000)

¹⁴⁷National Partnership for Women and Families (1998)

¹⁴⁸Hart and Associates (2001)

¹⁴⁹National Partnership for Women and Families (1998)

6 POLICY CONSIDERATIONS

New Zealand has statutory paid sick days' leave and Paid Parental Leave. Both have been subject to recent changes. The sick days' leave law is over a decade old, but new changes were implemented in 2004; the Paid Parental Leave law went into effect in 2002, and proposed government amendments are pending to liberalise both the length and eligibility rules.

The implementation experience in New Zealand should prove instructive to the United States, which has neither national paid sick days' leave nor Paid Parental Leave. Since New Zealand is a nation of small businesses, implementation by these firms should be particularly useful in US discussions of the exemption of small businesses from either unpaid or paid-leave requirements.

This section provides a set of considerations for each country as these work-leave policies are revisited. These considerations reflect insights from the qualitative interviews, conversations with other stakeholders, and reviewed research.

New Zealand

Parental Leave. By enacting Paid Parental Leave in 2002, New Zealand took an important step that was in keeping with virtually all OECD nations' policies. At the same time, its PPL scheme is not as expansive as those of many other developed nations. For example, the average number of weeks' leave within the OECD is estimated at 26 with full pay.¹⁵⁰

The Cabinet signalled its interest in revisiting PPL by calling for an evaluation when the law was enacted, and through the recent introduction of amendments. This demonstrates policymakers' interest in learning what PPL is achieving and in identifying ways to improve the policy. There are additional steps that could be taken to further fulfil the goals and objectives established by the Cabinet for PPL in New Zealand.

Possible Objectives for Paid Parental Leave
Cabinet Policy Committee
2 October 2001

1. Income Support...ensuring sufficient income
2. Income Replacement...compensating for the loss of earned income
3. Encourage female workplace attachment
4. Promote the health and well-being of new mothers and their families
5. Promote gender equity and equity within families; and
6. Increase compliance with New Zealand's international obligations

Cabinet Policy Committee, Paid Parental Leave: Decisions on Broad Design of Statutory Scheme

¹⁵⁰ 26 weeks is an unweighted average. Jaumotte (2003), p.31

Future policy considerations related to the original 2001 objectives include:

1. Establish “use or lose” paid leave weeks for partners as a step towards a society in which caring and earning are equitably shared.

While current law allows PPL to be transferred to a partner, take-up is extremely rare. In fact, only one percent of surveyed leave-users transferred any of the available time to a partner.¹⁵¹ Yet, there is a potential long-term problem if partners do not take leave. The problem is that mothers’ long-term earnings may be diminished, unless a system of gender equity is achieved; this broader problem has been dubbed the “mummy tax.”

“Use or lose” paid leave of a week or two does not fix the earnings problem for mothers who temporarily drop out of the workforce for periods of time to care for children; rather, it is one step towards a ‘dual-earner and dual-carer’ society in which, over time, both parents are involved more equitably in employment and family. While “use or lose” has been implemented in nations with considerably longer leave (paid and unpaid) periods, it could have an impact on shared responsibilities that extends beyond the leave period. Indeed, gender equality has been cited as the impetus for a proposal to add “daddy leave” to the UK’s recently-established six-month statutory paid maternity leave.¹⁵²

The New Zealand Government’s proposal extends leave to 14 weeks. This is desirable and in keeping with ILO recommendations. Any “use or lose” proposal should be additive to the core time available so that mothers have an adequate period of time for recovery. The added weeks could ‘piggy back’ on the core time, or could be taken within a broader time period (e.g. within the first year). To encourage take-up of a ‘use or lose’ provision, the Government could undertake an educational effort that communicates the value of partner involvement at around the time of birth. As Minister of Women’s Affairs Ruth Dyson has said: “‘Use or lose’ is a good idea...we still have ‘fatherless children’ when it comes to the initial bonding period...I think the fathers would really thrive, it would help both parents.”¹⁵³

More broadly, the Government could leverage an education campaign around this modest “use or lose” policy for a more fundamental goal: developing a dual-earner and dual-carer society. New Zealand, as the first nation to allow women to vote and as one of the few nations to have a female head of government, enjoys a positive image related to gender equity; this position could erode, however, if other nations move ahead with genuine gender-sharing of employment and family care responsibilities.

¹⁵¹ Gravitas Research and Strategy Limited (2003), p.57

¹⁵² Smithers, Rebecca, *The Guardian*, 28 May 2004

¹⁵³ Personal communication, May 2004

2. Ensure Paid Parental Leave is integrated into the Working for Families Initiative.

Solo mothers who receive Paid Parental Leave are simultaneously eligible for Domestic Purposes Benefits while they are not working. If a solo mother's only income is PPL at NZ\$335 per week, she could receive the full NZ\$235 one-child benefit from the DPB.¹⁵⁴ A PPL recipient who received the DPB would increase her income by 70 percent over the 12 weeks. It appears, however, that the systems in place are not adequate to ensure that solo mothers in the workforce are aware of this. Indeed, surveyed PPL information officers felt that information about the interaction between PPL and other benefits was lacking.¹⁵⁵ Because PPL is considered income in determining DPB benefit amounts, a solo mother who receives the DPB may be better off, in some situations, to tap into the parental tax credit rather than PPL, depending on her decisions regarding full and part-time work and the timing of her return to work. Each of these interactions needs to be better understood.

The Accommodation Supplement is available to low-income families, whether or not they are beneficiaries. Interviewed solo mothers typically stated, however, that the receipt of the DPB triggered help with accommodation costs. These solo mothers and other low-income families could be helped when their incomes drop while they are on leave, if they were made more aware of their eligibility for the Accommodation Supplement.

The Sickness Benefit (SB) is available for those who are on low incomes and are temporarily unable to work, for a variety of reasons including pregnancy. It may be used for the last couple of months of pregnancy, or earlier if there are complications. In April 2004, roughly 1,550 women received the SB for pregnancy-related reasons. A worker who qualifies for both PPL and the SB should enter the SB system if she is ill, to ensure that she has PPL available after her illness has been resolved. Using up PPL may create pressure to return to work sooner than is desirable, particularly for a mother who has recently been ill. It is not evident how often PPL-eligible women who could use the SB are instead using up PPL, but this had occurred with one of nine interviewed PPL mothers.

A goal of the Government's new Working for Families initiative is to improve the take-up of appropriate programmes by working families. An overarching question is the extent to which PPL is integrated into this goal. The Government has, for example, determined that, while an individual receives PPL, the in-work benefit of up to NZ\$60 will also be available (this in-work benefit ends when PPL ends).¹⁵⁶

¹⁵⁴ DPB benefits are abated at different levels of income; the calculation considers income received over 52 weeks. If income over that period indicates too much in DPB was received, some or all of the benefit may need to be paid back.

¹⁵⁵ Neither the DPB nor the PPL data systems provide information on how many clients receive both. The PPL survey by Gravitas Research established that two percent of the sample received the DPB.

¹⁵⁶ As of April 2006, an in-work payment of up to NZ\$60 a week per family, with an extra \$15 a week per child for a fourth and subsequent child, will be available to families that meet certain work tests.

The Inland Revenue Department (IRD) operates PPL, and its staff are trained to help individuals determine whether it is in their best interest to pursue Paid Parental Leave or the Parental Tax Credit. However, the IRD may not have focused on other benefits appropriate to the needs of a PPL-eligible person. Helping an individual to navigate and weigh the options is not simple. A separate agency from the IRD, Work and Income, has developed a computer tool related to benefits programmes; this tool needs to be expanded to more adequately address the finer nuances of PPL and its interactions with other programmes and benefits. Co-ordination between agencies will be the key. The new initiative has the right goals; PPL's interactions with other low-income programmes provide a good test of the initiative's capacity to deliver on its intentions.

3. Identify potential mechanisms to “top up” payments for low and moderate-income families.

The PPL weekly payment of up to roughly NZ\$335 means that the lowest-wage workers effectively receive a full replacement of their wages. This is an important accomplishment. Those workers whose annual earnings are above NZ\$17,500, however, experience a loss of income while on leave. A “top-up” scheme directed at low and moderate-income families could help employees who experience a drop in income under PPL, and for whom that drop may translate into some hardship.

The Government could identify mechanisms to “top up” benefits for those whose incomes are higher than NZ\$17,500, but who are not so well off that they can readily afford leave. One way would be through employer incentives. The EEO Trust awards are an incentive that already exists. An award focused on “top up” for those in low and moderate-wage jobs could boost interest in such schemes. An information programme that stressed the benefits firms achieve by retaining employees who have received informal and formal on-the-job training, might boost voluntary top-up. Another mechanism could be a tax rebate or credit which could motivate some firms to voluntarily provide a “top up” and, again, the reward could emphasise the benefit to low and moderate-wage workers. Alternatively, the Government could propose a statutory scheme in which employers share the cost of “top-up.” Such a scheme could establish that workers on PPL would receive a percentage of earnings over the “core” amount, up to a capped level.

4. Continue building business-community awareness of how PPL rules work.

Given that many smaller firms have never implemented PPL, since the law is new and births are not an everyday event for them, many may remain unfamiliar with the policy details. Some employers may operate under misapprehensions that could cause unnecessary confusion around the policy. For example, some employers may erroneously believe the employer pays for the leave; others may not understand which circumstances allow them the flexibility to protect a job, but not the exact position of the staff member who is taking leave.

The Department of Labour could continue to reach out to businesses, particularly small and medium-sized businesses, to provide on-going information about PPL rules and practices. For example, a useful tool for businesses would be a brochure that provides concrete illustrations of positions which did not need to be held open. In this way, employers, and their employees would have a better appreciation of the job protection scheme.

5. Develop greater public and private capacity to link employers with short-term job seekers.

When staff take parental leave, some employers will need to temporarily fill their positions. Employers, both with and without human resource departments, face this staffing issue. Improved capacity to match temporary openings with skilled replacement staff could help all employers, but would particularly assist those smaller employers without human resources staff.

Both government and private-sector organisations are currently engaged in job matching. For example, Work and Income assists beneficiaries, as well as registered unemployed workers, through its Jobs Brokers; the Department of Labour provides job industry forecasts; the Department of Education operates an on-line job vacancies listing; and, some private organisations work with those who have been out of the labour force for lengthy periods of time. None of this work is, however, developed with a parental leave ‘lens.’

The Ministry of Social Development, in conjunction with the Department of Labour, could convene a public-private working group that puts a parental leave “lens” on temporary employment procedures. The parental-leave “lens” might identify strategies for assisting employers in finding a qualified temporary staff member. For example, since forms are filed with the IRD requesting PPL, a government agency has information about a staff member who plans to take leave. Some of these forms are filled out by the employer. They are typically submitted months in advance of the leave. It might be possible to add a question or two to the employer’s form asking if the employer wants help in locating a temporary hire. The help could be through government job matching, or through a government partnership with private-sector job placement organisations. The Working Group would be charged with identifying other systemic temporary-hire opportunities presented by parental leave that might be implemented by the government and/or the private sector.

6. Allow payments to parents who acknowledge no intention to return to jobs.

In order to be eligible for PPL, an employee must assert an intention to return to the job. This triggers job protection. However, when a job is held open for someone who has no intention of returning, this can handicap an employer who may otherwise make a permanent hire or undertake a reorganisation.

Access to payments should be extended to employees who know that they do not want their jobs to be protected. Current procedures establish that employees who do not return to their jobs need not repay PPL. The reason for

this, according to the Department of Labour website, is “because the entitlement is based on previous employment, and because you have already taken the leave.”¹⁵⁷ Providing PPL to parents who acknowledge no intention to return to jobs is merely a “front-end” extension of the same principle.

This change would assist employers in decisions related to work redistribution. However, it carries a risk. If an employer pressures an undecided employee to declare an intention not to return, the job protection would be lost. The policy change is directed at employees who are fully informed and fully intend not to return; thus, protections would need to be developed to reflect this objective. The value in achieving the objective is that it removes a potential “sore point” with employers who prefer a more honest relationship with their employees.

7. Develop a Paid Parental Leave research agenda.

A number of important issues need to be more fully addressed so that future discussions of PPL are informed. For example:

- do childcare costs or childcare availability influence the timing of a return to work, and/or influence whether the return is part time or full time?
- do government subsidies and other childcare expenditures for infant care provide financial reasons to avoid early return to work?
- do bonuses upon returning to, and staying in, a job for some period of time enhance job retention?
- do employees who qualify after six months of tenure (assuming the government proposal is enacted) return to jobs at the same rate as those with one year of tenure?
- do employers appear to discriminate in any way against female employees because the tenure qualification is reduced to six months (assuming the government proposal is enacted)?
- do employers (the self-employed) who are not covered under PPL typically take time off from work when they have a new child?
- do those who do not return to work and those who return to work full time want access to a part-time position and, if so, should this option be part of the job protection policy?
- do the number of weeks’ leave and the amount of payments seem appropriate in the light of OECD norms, and what is known about the ideal period of leave for the variety of objectives—from breastfeeding to employee retention?
- do the costs and benefits adequately consider the full array of both family and business interests?

8. Issue a report card on Paid Parental Leave.

A Report Card on Paid Parental Leave, issued periodically, could provide a useful educational opportunity regarding how PPL is working. The report card could address such issues as job retention, lengths of leave, and length of leave by salary, size, and top-ups of firms. It could also include anecdotes on

¹⁵⁷Department of Labour (n.d.3)

employer and employee experience, tips on how to facilitate implementation, and a quick comparison of New Zealand's PPL scheme to those of other nations.

9. Ensure Work-Leave is on the agendas of appropriate government initiatives.

Given the Government's emphasis on Work-Life Balance, it is reasonable to anticipate that a variety of initiatives, such as the Family Commission and the Agenda for Children, will incorporate this broad mission in some way. However, work-life balance often emphasises workplace flexibility to assist workers in maintaining and expanding their hours (e.g. telecommuting; changes in scheduled hours), and is less **invested** in work-leave.

It would be particularly appropriate for these new efforts to consider how the government's varied initiatives influence child and family well-being. For example, will the Working for Families' 'make work pay' message, and the economic demands for increased productivity, crowd out messages regarding the value of time off from work for parental leave. Clearly, there is no 'one-size-fits-all' best-case time for every family. However, if the Government believes that parental leave is important for work-life balance, it needs to be cognisant of the tension between this and the productivity message. Initiatives that are focused on children and the family are appropriate venues in which to air and address these potential cross-currents in policy.

10. Examine international experience with general-revenue financing of PPL in future assessments of funding mechanisms.

When the Paid Parental Leave scheme was originally enacted, the Cabinet expected that an analysis of alternative financing schemes would be undertaken as part of the evaluation of PPL. This analysis has not yet been done. Interviewed New Zealand employers expressed concerns that this analysis might lead to some or all PPL costs shifting to businesses.

New Zealand's decision to finance parental leave through taxpayer funds is rare, but not unique. Both Germany and Luxembourg pay the whole cost of their parental-leave schemes through their consolidated budget (general revenues). In contrast, the costs for their separate maternity and paternity leave are borne by employers, employees, and Government.¹⁵⁸ It would enhance any future debate regarding the role of government financing if New Zealand's approach could be compared to that of these nations. What has been the rationale in these nations for taxpayer financing of parental leave, but not of maternity/paternity leave? Have these nations faced pressures to provide payments to all families, regardless of workforce attachment?

Sick days' leave. New Zealand's new sick days' leave provisions provide a discrete five days for sickness; a carryover of up to 20 days; and they limit employers' requests for documentation of illness until an employee is absent for three days or

¹⁵⁸ Gornick and Meyers (2003), p.142

more. Recent developments, as well as qualitative interviews with employees and employers, suggest a number of issues deserve attention:

1. Ascertain whether or not medical certificates are achieving the expected check and balance.

The process of accessing and securing a medical certificate should be as little burdensome as possible, for both the employee and the medical system. At the same time, it is important that a medical certificate be perceived as genuinely establishing the need for the sick leave. Some interviewees reported that certificates could sometimes be secured without meaningful interaction with a medical provider. Some noted that “stress” could be used as a reason for a sick day, and that some workers might be in a stressful situation that made work impossible, while others might be under stress, yet still quite able to work.

To sustain the credibility of the medical certificate as a check and balance on sick days’ leave take up, the Government should convene discussions among medical groups and employers, as well as others, to ascertain if any procedural changes or tailored information programmes for general practitioners are merited.

2. Assess if employer worries about documentation restrictions materialise into a real problem.

Employers and employees reported that documentation of illness was typically requested after three days. However, employers are worried that the new law’s restriction to that timeframe limits their flexibility when an employee is suspected of taking a day of leave without its being related to illness. While the new law seeks to be sensitive to concerns about those who call in sick on both Friday and Monday (by counting all consecutive days as part of the three days), employers remain worried that the restriction signals to employees that a one-day “sickie” is safe. Recent media headlines suggested particular employer worries about “sickies” around holiday times.¹⁵⁹ Interviewed employees generally felt that current documentation procedures were not burdensome; a few, however, were concerned about costs.

The Government should provide a venue for workers, unions, and employers, to ascertain whether this worry materialises into a real problem after a period of implementation; if it has, the stakeholders could ‘brainstorm’ alternative solutions.

3. Consider pro-rata sick day’s leave.

The question of whether all employees should be entitled to the same number of sick days, independent of their status as full-time or part-time, has been raised. Some employers believe that employee resentment results if those who

¹⁵⁹ Venter, Nick, *Dominion Post*, 4 June 2004, and Watkins, Tracy, *Weekend Dominion Post*, 12-13 June 2004, p.1

work less get the same benefit as those who work more. Another issue is the greater potential cost to those employers who rely on part-time workers. At the same time, other interviewed employers valued the administrative simplicity of five days for all. They also noted that employees who got hourly wages only got paid for the hours they would have worked.

The Government should invite employer organisations and unions to consider if this issue merits further investigation.

4. Collect best-practice approaches to sick days' leave.

The New Zealand media recently headlined the sick days' leave policy. The focus was bonuses, including free trips, offered by a local health board to hospital employees who did not use up available sick leave.¹⁶⁰ The policy was designed to encourage staff to limit their sick leave; it was criticised as compromising health standards and rewarding workers who came in sick to the job. Whether or not the critics are right, the action by the health board and the media coverage signal that sick days' leave is a managerial agenda item of importance.

Managers need tools to communicate when it is, and is not, appropriate to take sick leave. The media attention suggests that there may be keen interest in practical approaches to sick leave take-up.

The Government, in collaboration with business groups and unions, could collect organisations' best-practice approaches, assess them, and make recommendations regarding alternatives.

United States

The qualitative interviews with New Zealand firms with fewer than 50 employees provide an opportunity to offer 'business-to-business' views on parental leave and sick days' leave. US firms of this size are exempt from providing *unpaid* parental leave through the FMLA; these firms are also generally likely to object to Congressional proposals for paid sick days' leave.

This section identifies key points for consideration related to business engagement in national and state parental leave and sick leave policies:

1. A public-private partnership can enhance business engagement in policy debates around parental leave.

In New Zealand, the EEO trust took a lead role in educating and engaging the business community about Paid Parental Leave. The EEO Trust's business members reached out to other businesses to make the business case. Because

¹⁶⁰ Radio New Zealand, "Sick Days-Cornell UNI Research," "Hospital Staff Scheme," and "Sick Leave Scheme" aired on 27 April, 18 May, and 19 May, 2004.

the EEO Trust is a partnership with Government it has the added advantage that is inherent in this type of collaboration.

In the United States, the Families and Work Institute has launched When Work Works, an effort similar to the EEO Trust's. At the moment, When Work Works is funded by private funds.¹⁶¹ Its mission is a nation-wide initiative that highlights the importance of "flexibility in the workplace as a strategy to enhance businesses' competitive advantage in the global economy." The Families and Work Institute works in collaboration with a range of organisations. A partnership with Government on a range of workplace flexibility issues, including Paid Parental Leave, could marshal greater attention to, and engagement in, the issue.

2. General revenue financing of parental leave can eliminate or limit a likely business objection and foster legislation.

In New Zealand, smaller businesses had expressed concerns that, if the cost of PPL was borne by employers, the policy would have been too expensive for them. The decision to fund PPL out of general revenues enabled the legislation to get enacted.

In the United States, California's new family and medical leave programme is financed through employee contributions. While this approach did not remove the cost concerns and objections of all employers, it enabled other employers to become advocates for the policy. Employee contribution is one potential model for national replication. Another could be the New Zealand general-revenue approach. Funding through the general revenue is not without risks. For example, it is unlikely to be an attractive legislative proposal when the budget is already squeezed. Similarly, even if it were to be enacted at some point, the funds for leave might be cut in future years when general revenues were tight or other priorities commanded general revenues. At the same time, a general-revenue scheme reflects the "social good" that parental leave affords. The years zero to three are critical to the development of children, our next generation. Further, not providing Paid Parental Leave may simply mean that some parents will be forced to seek other sources of assistance. Parents who go back to work because they cannot afford to stay at home may seek government subsidies to help pay for the high costs of infant care; other parents might enter the welfare programme because of the need for a bonding period with a young child. In both of these scenarios, there is a cost to Government.

3. Parental leave is a relatively rare occurrence for most small firms and this could enhance the acceptance of such leave.

In New Zealand, the relatively infrequent occurrence of birth and adoption was evident, in that few of the 17 interviewed firms had yet had occasion to implement the Paid Parental Leave provision since it went into effect two

¹⁶¹ *When Work Works*. Families and Work Institute. Retrieved April 2004 from <http://familiesandwork.org/3w/about/index.html>

years ago. In addition, few had experience with job protection related to unpaid parental leave.

In the United States, small firms are exempt from providing unpaid leave under the Family Medical Leave Act. It is not evident to what extent unpaid parental leave in such firms might be taken if it were available. It would be useful to ascertain the extent of the need for, and the likely take-up, of such leave, were it to be offered.

4. Management of employee absence during parental leave, whether paid or unpaid, is rarely easy to manage, yet small firms have managed it.

In New Zealand, the government-funded survey of employers (of all types) found that more than a third (35 percent) who had implemented PPL, felt that it had a positive or very positive impact on their firms¹⁶², and more than half (53%) felt there was no drawback. The costs of temporary staffing were the most frequently-cited drawback. The 17 interviewed firms with fewer than 50 employees, including those firms without experience, typically indicated that they would find a way to manage the absences. There were some who considered that, depending on the position, a year's leave could be better than shorter leave, since the longer timeframe might allow for a more satisfactory temporary hire.

For the United States, it would be useful to collect case studies of small firms which have voluntarily provided parental leave, either paid or unpaid. Ideally, the case studies would describe initiatives that provided leave to low-wage workers. Detailed case studies of such employers in New Zealand and elsewhere could also facilitate future national and state deliberations on paid and unpaid leave statutes for small enterprises.

5. General-revenue financing of parental leave could enhance the likelihood of a longer period of leave.

In New Zealand, the pending Paid Parental Leave legislation would extend the payment period from 12 to 14 weeks, in keeping with international standards. This extension would be paid for through the existing financing mechanism—general tax revenues. Virtually all of the 17 interviewed businesses believed the change to 14 weeks was “neither here nor there”, since the cost would continue to borne by the Government.

For the United States, the decision on the length of a paid leave proposal should not assume that businesses are most focused on the number of weeks of leave. Of greater concern may be the cost of payments to employees, and the costs and inconvenience related to a temporary hire.

¹⁶² Gravitas Research and Strategy Limited (2003), p.22

Sick Days' Leave

In New Zealand, virtually all of the 17 interviewed small businesses expressed surprise and concern that sick days' leave were not incorporated into law in the US. Among the comments were that the absence of a US law on sick days was "antiquated" and "barbaric."

1. A national US sick days' leave law should be established to provide a minimum standard that applies to all sizes of enterprise.

In New Zealand, all of the 17 interviewed small firms believed it was desirable to have a national law that set a standard for sick days' leave. Employers viewed this as ensuring that both employees and employers had a common understanding of what was expected in a base agreement. Employers with fewer than 20 employees felt this way as much as employers with fewer than 50 employees.

In the United States a sick days' leave statute should apply to firms of all sizes.

2. A national US sick days' leave law should provide for a meaningful illness-verification process.

In New Zealand, a number of the interviewed firms felt there was a need to improve the medical verification process. Some felt that this process had lost its credibility; this perspective was shared by some employees. One possible explanation for this problem may be a health-care system overload.

Providing employers with the authority to request medical certification ensures that they have a mechanism to verify that an absence was taken for the purposes intended by the leave. The medical certification process, to be sustained and credible, must recognise the capacity of the health system to provide such verification. Can the health system accommodate a verification process for illnesses that do not ordinarily necessitate a visit to the doctor? (e.g. flu, a periodic migraine headache, a back pain flare up) What standards of examination are to be met? Must there be an in-person visit? Can a pharmacist attest to an illness?

In the United States, a sick days' leave statute should provide for the development of medical certification standards that are designed in consultation with employers, employees and the health-care system.

3. A national US sick days' leave law should provide for an illness verification process that considers workers' ability to pay for verification.

In New Zealand the health-care system, while undergoing change, is more broadly accessible and affordable for individuals. Nevertheless, some employers noted a willingness to pay for certification if an employee faced

financial constraints; some interviewed employees mentioned cost as a concern.

Since the lack of health insurance is a major problem for millions of US workers, the costs of the verification process for the uninsured may need to be addressed in legislation. To the extent that employers are allowed to ask for verification at any time, rather than only after a certain number of days of sick leave, more employees may face this cost issue.

For the United States, a sick days' leave statute should consider how workers without health coverage might be helped to pay for the costs of medical verification; further, the statute should weigh this issue in the light of how short a sick leave can be taken before verification is required.

4. A national US sick days' leave law should provide for carry-over of unused days, up to a cap.

In New Zealand, virtually all of the 17 interviewed small businesses supported the carry-over of the annual five days of sick leave, which is capped at 20 days. It was the experience of some of these firms that few days would actually be carried over because most people needed to use their available days during the year. The ability to accumulate days by those who did not use them was seen as "insurance" or a "reward" for employees who worked with the company for a longer period.

For the United States, a new law should provide for carry-over into a second year. The take-up of carry-over sick leave should be analysed; if carry-over has benefits and is manageable by firms, future extensions should be considered.

7 CONCLUSION

Time is finite. No statute can change that fact. However, competition between families and work for time is increasing as the nature of work and who works are changing. Increasingly, the workforce includes mothers with very young children; increasingly, the ageing society creates pressure to find more workers. For a society to achieve healthy, sustainable growth, national policy needs to engage, and stay engaged, in this competition for limited time. National policy should promote both adequate time for workers to attend to their families and a labour economy with the participation of as broad a universe of workers as possible.

Work-leave is a critical element of work-life balance; at precarious times such as sick days and around the birth of a child, it is particularly important. New Zealand law addresses these two precarious points and provides a social safety net that gives income and job protection for eligible workers. It has accomplished this in a nation of small businesses, with no evidence of serious dislocations or excessive costs. The United States provides neither paid sick days nor Paid Parental Leave through national law. It provides only for unpaid parental leave, and this law exempts small businesses. As the United States considers national legislation, and as states develop laws, the experience of New Zealand and its businesses is instructive. As New Zealand seeks to grow its economy in a competitive world market, it needs to foster and refine its work-leave policies. In the face of labour-market realities and shifting demographics, New Zealand has the opportunity to continue to enhance its economic and social advantages by keeping work-leave on its political and policy agenda.

Work-leave belongs in the main ring of public policy; it is a high-wire act for both employers and workers, and keeping balance requires sustained policy attention.

Appendix A

Additional individuals who helped in the development of this report include:

| | |
|------------------|---|
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