

“BABY BONUS” OR PAID PARENTAL LEAVE -- WHICH ONE IS BETTER?

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Abstract

New Zealand's paid parental leave policy was introduced in 2001. Since then it has been altered a number of times, including an extension to its length and a loosening of eligibility criteria. Given that some parents continue to be ineligible for leave, there have been calls for further expansion of the eligibility criteria and an increase in the length of leave. Australia does not currently have a paid parental leave scheme. Instead it has a “baby bonus” as well as job protection legislation. Through this combination most core jobs are protected, and, with the exception of very-high-income families, there is a payment for all new parents. While this gives rise to some middle-class capture, the Australian policy provides support to parents who most need it, including those on the margins of the labour force. New Zealand's scheme also has an element of middle-class capture, but with those disqualified from receiving payments or receiving the lowest payments, being among those families most in need.

INTRODUCTION

The issue of paid parental leave is a topical policy concern in both Australia and New Zealand. In New Zealand the ongoing discussions focus on extending the current paid parental leave scheme in terms of both length and eligibility criteria.² In Australia the question is whether to introduce a federal paid parental leave scheme. Informing the New Zealand discussions, in 2007 two major reports on parental leave were published, one by the Department of Labour and the other by the New Zealand Families Commission.³ A further report by the National Advisory Council on the Employment of Women was published in June 2008 (NACEW, 2008). While all the reports have included concerns about child and maternal health, historically parental leave policy has not been explicitly recognised by the Ministry of Health as an important health issue for infants, mothers and, by extension, their families. Parental leave has been framed primarily as a labour market concern in many

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² This paper focuses on taxpayer-funded paid parental leave. In both New Zealand and Australia a small but significant number of employees, particularly in the public sector, are eligible for employer-funded parental leave schemes. While important, these are not considered in any detail in this paper.

³ Paul Callister was the author of the data analysis section of the Department of Labour's report. However, the surveys were developed by the Department of Labour and the actual research was carried out by Research New Zealand. Paul Callister also provided some minor input into the Families Commission report. Both these reports, as well as the NACEW report, raise important issues around the eligibility of men to receive parental leave, but this question is not addressed in this paper.

countries, and this is perhaps one reason why parental leave design does not appear to be high on the current priority list of New Zealand health policy makers. Yet by not having a strong input from the health sector, the design of parental leave policy may not be optimal.

Internationally, the issue of paid parental leave, and its design, was first considered over a century ago. For example, in 1877 Switzerland passed legislation that restricted women's paid work two weeks before and six weeks after the birth of a child. A number of European countries followed with similar policies. In 1919 the International Labour Organization (ILO) was formed, and the Maternity Protection Convention was among the policies developed during the first year of the ILO's existence. In New Zealand, debates about paid parental leave have also taken place over a long period of time (Callister and Galtry 2006). During this time there have been major changes in the operation of labour markets, family types, the roles of men and women in both paid and unpaid work, fertility, and thinking about the delivery of support to parents and children, with a greater focus on targeted rather than universal benefits (Pool et al. 2007). In addition, research has now provided a much better understanding of the potential health benefits associated with parental leave. Some of these changes challenge the original conceptualisation of paid parental leave schemes.

Drawing on the Department of Labour and Families Commission reports, as well as a number of other studies of parental leave, three models of financial support for new parents are considered here. One is the model operating in 2008 on the other side of the Tasman. This involves legislation for job protection as well as a separate universal "baby bonus". The second model involves linking paid parental leave primarily to eligibility for job protection, as in New Zealand. In effect, this is a targeted form of income support based on recent work history. A third option is a payment for time out of paid work, based on need. This paper considers which model is best for New Zealand parents and children.

NEW ZEALAND: WHAT IS THE AIM OF PARENTAL LEAVE?

The Department of Labour's evaluation of parental leave notes that the primary objectives of the Parental Leave and Employment Protection Act 1987 have evolved in response to changes in both families and paid work. The key objectives of the Act, and subsequent amendments set out in that report, are to assist the attainment of:

- gender equity within the labour market, with increased female labour-force retention and the opportunity to return to paid work without disadvantage to position or pay
- gender equity within families, with fathers sharing leave and caring responsibilities
- improved health outcomes for both mother and child, with the ability for mothers to recover from childbirth, bond with a new baby, and resume paid work without negative consequences to her own or her child's health
- income stability for families through the provision of financial security during the leave period (Department of Labour 2007:8).

Given the Department of Labour's primary focus on employment, it is not surprising that gender equity in the labour market is listed first. Although the Families Commission's report mirrors these four goals, it combines the two gender equity aims and, perhaps reflecting less of a labour market emphasis, places the goals in a different order (p. 7). First is *maternal and child health*, next is *income stability*, and last is *gender equity*. Determining which policy goal, or goals, is the most important clearly matters to the design of paid leave, especially because there can be some tensions between the various aims. In particular, the design of

parental leave can either create tension between supporting maternal and child health and gender equity, or help reduce this tension (Callister and Galtry 2006).

In New Zealand, as in many other countries, there are two components to paid parental leave. First there is job protection. This is the statutory right to return to the same job with the same terms and conditions after a period of leave. Second is payment for time out of the labour market. In the early days of parental leave in New Zealand it was only job protection that was available, but when a payment became available for the first time in 2002 the two components were linked. As of 2007, in order to be eligible for a payment a person had to be eligible for job protection. However, as an extra dimension to New Zealand's leave policy, the eligibility criterion for 14 weeks' paid leave is less stringent than the criterion entitling an individual to 52 weeks of job protection. To be eligible for paid parental leave (PPL), employees must have worked continuously with the same employer for an average of at least 10 hours a week (including at least one hour in every week or 40 hours in every month) in the six or 12 months immediately before the baby's expected due date or the date the employee has assumed the care of a child they intend to adopt. However, employees who have worked continuously with the same employer for 12 months or more are also entitled to up to 52 weeks of employment-protected unpaid parental leave, less any paid parental leave taken. As discussed, the eligibility criterion for the 14 weeks' paid leave period -- but not the 52 weeks of job protection -- has been based on a six-month reference period. After much lobbying by a range of groups, in 2006 the self-employed also became eligible for paid parental leave.⁴ Naturally the state cannot protect the jobs of the self-employed, so this represents some separation of payment from job protection. However, there is an assumption that these self-employed parents will remain attached to the labour market.

A fundamental question is whether paid leave should be a universal right for all parents, or targeted, as in New Zealand, on the basis of attachment to the labour market. This is a particularly important issue in countries that have relatively flexible labour markets. OECD surveys have shown that entitlement to both job protection and income support has often been conditional on previous work experience undertaken on a continuous and full-time basis, yet contingent and/or non-standard work is common in many countries.⁵

If income support is seen as societal recognition that parents lose income from paid work in order to care for children, then there is some reason to link payments to work history. This approach potentially recognises that the opportunity costs associated with "time out" of paid work vary. High-income parents who have invested heavily in their education and subsequent careers potentially lose more money than low-income parents when they take time out of paid work. They may therefore need to be compensated at a higher rate. However, there remains a question as to whether all paid work history -- and possibly even unpaid work -- should be considered. The history of parental leave policies in New Zealand shows a gradual extension of employment-based eligibility criteria. For example, in late 1979, when the National Party introduced the original Maternity Leave and Employment Protection Bill, the proposed legislation had very tight employment-based eligibility criteria. In the original draft, employees had to serve 24 months with an employer and work full-time (defined as 35 hours

⁴ The mother or primary caregiver (in the case of adoption) needs to fill in the application form. The completed form needs to be accompanied by either a statement and declaration by a chartered accountant, *or* a declaration witnessed by a justice of the peace or other person authorised to hear declarations under the Oaths and Declarations Act 1957 (see <http://www.ers.govt.nz/parentalleave/self-employed/how-to-apply.html>)

⁵ Non-standard work is generally seen as not being permanent or full-time. Included in non-standard work are self-employment, short-term contracts and casual workers, including seasonal workers.

per week).⁶ In late 1986 the Labour Government enacted the Parental Leave and Employment Protection Bill. The Bill was introduced with a reduction in the eligibility criteria to 12 months' service and, originally, 15 hours' minimum paid work per week. This was then reduced to 10 hours in the final legislation.

The arguments for basing payment on strict employment and time-period eligibility criteria are undermined when a significant number of potential new parents find themselves in contingent employment and are thus ineligible for paid parental leave or, equally, have been in paid work but are not employed in New Zealand during the eligibility period. Although not all those in contingent or non-standard work are unskilled low-paid workers, unless there is some alternative form of income support it is this group that will be most disadvantaged if they are ineligible for paid parental leave.

In the Department of Labour's 2007 evaluation of paid parental leave, a quarter of expectant mothers did no paid work during the required eligibility period for paid parental leave (six months).⁷ This does not mean they had no attachment to the labour market. With delayed childbearing the majority of mothers will have spent some time in paid work before having a child. In fact they may have had a long previous attachment and simply have been made redundant and unable to find a job in this period. Or, they may have been attached, but decided to stay at home with a first child and were thus heavily involved in unpaid work, including the health-promoting work of breastfeeding.⁸ But as Marilyn Waring (1988) has noted, the unpaid work of breastfeeding "counts for nothing".

In addition, New Zealand's very large diaspora of women in prime childbearing ages means that some of these women will have undertaken much of their paid work overseas but may not be eligible for paid parental leave when they return, or consider returning, to New Zealand.⁹ Finally, there may be mothers in couples who are not in paid work, but who experience pressure to return to work with young children if their partner is made redundant. When, as in the past, there were narrow eligibility criteria for job protection, the majority of new parents missed out. With more expansive eligibility criteria far fewer parents now miss out, but those that do are often among the most vulnerable groups in society. They will not only be ineligible for taxpayer-funded leave but, even if in employment before giving birth or adopting a child, are also highly unlikely to be eligible for employer-funded leave. In New Zealand the middle class, particularly those in government agencies, are the most likely to receive both public and private payments while on parental leave. The potential unfairness of a labour market-related system is reinforced the longer the period of paid parental leave.

As noted, one goal of parental leave is to support maternal and child health. But does New Zealand's parental leave policy do this? In terms of length of leave, the literature on pregnancy, childbirth and maternal recovery suggests that optimal leave duration will vary according to a wide range of factors, including the relative ease or difficulty of the individual's pregnancy and childbirth. However, there is some indication that the optimal

⁶ This did not reflect the then official New Zealand definition of part-time work, which was less than 20 hours per week, but was in line with official definitions of part-time work in countries such as the United States and Sweden.

⁷ This survey was carried out at a time of high employment. It is likely some responses would be different in the face of a weakening labour market, a real possibility in late 2008.

⁸ Smith and Ingram (2005) have endeavoured to "value" breastfeeding work as an indicator of its economic importance.

⁹ Gamlen (2007) argues that policy makers need to take greater account of New Zealand's very large diaspora when developing social and economic policy.

length of leave is likely to be in the order of months rather than weeks or days, particularly post-birth. Assessing the design of parental leave, including length of leave, in relation to child health is equally difficult, given all the influences on health outcomes. But breastfeeding has an impact on child health, and breastfeeding guidelines give some idea of the optimal length of leave (Galtry 1995 2003, Galtry and Callister 2005). International recommendations advise six months of exclusive breastfeeding (i.e., breast milk without any additional fluid or food), with continued breastfeeding up to two years of age and beyond (World Health Organization 2003).

Although not directly linked to parental leave, in 2007 the Government designated several priority areas for health improvement that have direct relevance to the issue of parental leave. These include improving child health and reducing inequalities. As part of this the Government has established 10 health target areas for 2007/08 to help measure progress towards achieving these priority areas (Ministry of Health 2007). One is “improving nutrition”, with an increase in breastfeeding rates seen as being an essential component of achieving this particular health target. There are concerns that in New Zealand only 12% of New Zealand infants are exclusively breastfeeding at six months, while 40% receive no breast milk whatsoever. Qualitative research, undertaken as part of an evaluation of parental leave policies in New Zealand, indicates that for most parents the focus for the first three months after birth (14 weeks of which can be supported through the current paid parental leave scheme) is the health of the baby, with many regarding breastfeeding as critical to this. Quantitative research from the same evaluation showed that 84% of new mothers rated establishing breastfeeding as important or very important in decisions regarding leave (84%) (Department of Labour 2007). However, when mothers who actually took PPL were asked about their attitudes towards parental leave, nearly a fifth thought that the paid leave period did not give them sufficient time to establish breastfeeding, while a third said it was an insufficient period for post-birth recovery (ibid). Similarly, almost 90% of new fathers saw parental leave as important for establishing breastfeeding, but that if leave periods are too short this creates potential tensions for gender equity. A similar proportion thought that for reasons of breastfeeding it was more important for mothers rather than fathers to take leave.

Taking these issues into account, the Families Commission recommended that eligibility for payment be relaxed to include those who have worked for any employer or have been employed for 26 out of 52 weeks prior to birth or adoption. It also recommended the removal of the minimum hours test.¹⁰ Having statutory protection for some jobs is clearly important. However, for a variety of reasons some jobs are not worth protecting and/or cannot be protected. There are also advantages to a nation from having a flexible labour market. Extending protection too far brings the risk of detrimental effects on the economy and employment. Perhaps in recognition of this, the Families Commission is not suggesting that the eligibility criteria for the 52-week job protection be extended; simply that the labour market eligibility criteria for the period of paid leave be extended.

The Families Commission has estimated that changes in eligibility would increase the proportion of *employed* women who qualify for paid parental leave from 75% to around 82%. But, as noted, not all mothers, including many who have had a significant labour market attachment, are employed in the eligibility period. When the Families Commission’s report was released the Government indicated support for expanding the eligibility criteria: “It’s a

¹⁰ The Families Commission also recommends that the length of paid leave be increased in three steps. Step one would provide six months’ paid leave, step two nine months and step three 12 months. In each of these periods the leave would be one month longer if paternity/partner leave is taken consequently.

priority for the Labour-led Government to ensure paid parental leave can be accessed by even more working parents -- no matter what their working arrangements” (Dyson 2007).

In the past there were good reasons for eligibility for paid parental leave to be linked to recent labour market attachment, but does this still make sense? One of the historical reasons for having labour market attachment criteria was to encourage women to maintain a long-term attachment to the labour market; that is, to return to paid work after a period of leave. But the 2006 Department of Labour’s evaluation of PPL showed that most mothers return to paid work regardless of their eligibility for leave. At the time of the survey 80% of mothers were eligible for PPL, about 80% took leave (about half of those who did not take leave resigned), and of those who took leave, 80% returned to work. However, about half of those who did not take PPL also returned to work within 18 months. Of the 20% of mothers who were ineligible, just under a third took some sort of other leave, but 97% returned to work. Of those who were ineligible and took no leave, just fewer than 60% returned to work within 18 months. It is not surprising that most mothers return to paid work regardless of whether they are eligible for leave. Some will be career oriented and return for this reason, but many will be in families that are reliant on their earnings. Historically, women worked until they had their first child, then they resigned. Now most women are engaged in paid work at various stages over their whole life cycle.

Another problem with having an employment-based eligibility criterion is simply the transaction costs for employers, employees and the Government in determining parental eligibility. The additional costs of moving from the 82% coverage suggested by the Families Commission to the 100% coverage of a universal scheme have to be weighed against the potential reduction in transaction and compliance costs. It would be useful if these costs could be estimated when considering parental leave options.

In contrast to a labour market approach, viewing parental leave from a health perspective encourages the disengagement of parental leave payment from an employment-based eligibility criterion. There may well be some health effects for fathers associated with having a period of leave, such as improved emotional wellbeing through being able to bond with their infant. However, the health literature, including that cited in the Families Commission’s report, generally focuses on the effects on women and children.

As discussed, having leave from paid work can have an impact on pregnancy, recovery from birth, the ability to isolate young infants from possible sources of infection by looking after them at home (a gender-neutral activity), and the ability of mothers to breastfeed their children. While the costs in terms of ill health can be high for individuals, these costs also have an impact on the wider society, either through private health insurance premiums or through taxes to support public health-care programmes. The health perspective suggests the need for universal extension of paid leave to all new parents. Specifically, the support of breastfeeding suggests providing income support for at least six months. If there is to be any targeting it would be based on income, and the aim would be to ensure parents -- primarily mothers -- could have a period detached from the labour market. Table 1 shows some of the differing goals of parental leave, and their policy implications.

Table 1 Diverse goals relating to the design of parental leave policy

Policy areas	Some of the issues to consider	Possible design of paid parental leave
Health	<ul style="list-style-type: none"> ▪ Mother's wellbeing in pregnancy ▪ Birth and recovery ▪ Breastfeeding ▪ Infant health problems related to group childcare 	<ul style="list-style-type: none"> ▪ Paid leave <i>not</i> linked to job protection but a universal payment ▪ Relatively long periods of leave ▪ No taxpayer support for out-of-home childcare in the first year of the child's life
Employment	<ul style="list-style-type: none"> ▪ Cost of time out of the workplace for parents ▪ Problems faced by employers with employees taking leave ▪ Increasing patterns of non-standard work affecting eligibility criteria 	<ul style="list-style-type: none"> ▪ Paid leave linked to job protection ▪ Relatively short leave periods
Gender equity	<ul style="list-style-type: none"> ▪ Inequality in the workplace ▪ Roles of mothers and fathers in the home ▪ Differing family types (same-sex couples, etc) 	<ul style="list-style-type: none"> ▪ Short gender-specific leave or longer gender-neutral leave ▪ Specific "daddy" leave ▪ Promote leave-taking by fathers
Supporting fertility	<ul style="list-style-type: none"> ▪ Higher opportunity costs associated with taking leave for well-educated women 	<ul style="list-style-type: none"> ▪ High level of leave payment ▪ Universal payment

In Europe there have been examples of "cash-for-care" programmes, where income support has not been related to an individual's previous employment history (Salmi and Lammi-Taskula 1999, Fagnani 1999). There are also some examples of paid parental leave being provided (at a lower rate) to parents who are not eligible for job protection (ibid). In addition, the OECD is currently investigating "conditional" parental leave payments.¹¹ Rather than being linked to eligibility criteria, such as employment history, these payments are conditional on parents meeting criteria such as taking children to health checks, completing immunisation programmes or, more contentiously, breastfeeding exclusively for six months. While "cash-for-care" schemes currently tend to be low-paid and relatively long, they could instead be designed to be well paid, to provide universal coverage for anyone having or adopting a child, but to be relatively short. Cash-for-care schemes have been discussed in New Zealand. For example, in the latter part of 1975, as part of the lead-up to the general election, the Government introduced a new concept, that of a child-minding allowance to be paid to mothers (Bassett 1976). This was part of a separate, but related, debate about paying a "mothers' wage" which was taking place at that time (Kedgley 1996). In more recent times the Domestic Purposes Benefit has, to some extent, been a form of "cash for care".

AUSTRALIA

As of late 2008 Australia does not have government-funded paid parental leave. However, Australia does have job protection legislation. To apply for a period of up to 52 weeks of

¹¹ Simon Chapple, personal communication, January 2008.

unpaid parental leave, an Australian employee is required to have completed at least 12 months of continuous service with their employer by the expected date of birth.¹² Unlike New Zealand, there are no required hours-of-work criteria. In Australia the entitlement to parental leave can be extended to eligible casual employees. An eligible casual employee is defined as a casual employee who has worked on a regular and systematic basis for at least 12 months (or a sequence of periods totalling at least 12 months) with the same employer and has a reasonable expectation of continuing employment with the employer (other than the period of parental leave).

Although Australia does not have a paid parental leave scheme, it does have a payment that could be considered to be a universal cash for care scheme or, for those taking unpaid parental leave, as income support for part of the leave period. This is the so-called “baby bonus”. If a person is eligible for job protection, then the baby bonus serves as a form of paid parental leave. Those ineligible for job protection also receive this payment. But given that the bonus is not linked to job protection eligibility, it does mean parents can take little or no leave from paid work and still obtain full payment. This means that parents are not compelled to take time out of paid work. Similarly, New Zealand parents, even if eligible for paid parental leave, do not need to take time out of work if they choose.

The baby bonus was not introduced as part of a parental leave package, but rather as an inducement to increase fertility rates. In tracing the introduction of the baby bonus, Jackson (2006) notes that the Maternity Payment (the baby bonus) was introduced in 2004 and replaced the First Child Tax Refund. It initially provided a A\$3,000 grant for each new child (irrespective of the parity of the child), rising to A\$4,000 in 2006/07 and \$A5,000 in 2008/09. This was part of a package that included an increase in all levels of the Family Tax Benefit (an intervention from 2000 associated with the introduction of the GST), bringing the base payment up to \$A1,695 per year inclusive of a new, immediate lump-sum payment of \$A600, as well as improvements to childcare provision. In its first budget the incoming Labour government confirmed that the baby bonus would rise to \$A5,000 at the start of 2009. However, from this date the bonus would be means tested, with the payment only going to parents with a combined income of less than \$A150,000. In addition, instead of a lump sum payment there would be 13 fortnightly payments of \$A385.¹³

Although having a generous amount of paid parental leave can be important for supporting child and maternal health, international data suggest that there is no simple relationship between paid parental leave (or the lack of it) and breastfeeding rates (Galtry 2003). In a period when there was only job protection available and no baby bonus, breastfeeding initiation rates were relatively high in Australia but, like New Zealand, duration rates were considered to be relatively low. According to the 2001 National Health Survey, at discharge from hospital 83% of infants were breastfeeding (Donath and Amir 2005). The same survey showed that 49% of infants were breastfed at 25 weeks after birth and 25% at one year. At 25 weeks only 18% of Australian infants were fully breastfed, but this was nearly double the New Zealand rate. Whether the baby bonus has had any influence on breastfeeding rates in Australia has yet to be determined. However, Australian research does indicate that maternal employment in the first six months of life contributes to premature cessation of breastfeeding,

¹² <http://www.workplace.gov.au/>

¹³ Discussions with the Australian Productivity Commission in May 2008 suggest that there was some concern about inappropriate expenditure of the lump sum payment, and that smaller regular payments are likely to help reduce this abuse.

even when controlling for known risk factors for breastfeeding cessation (Cooklin et al. 2008).

In its 2007 report, the New Zealand Families Commission did not consider the baby bonus to be paid parental leave. However, when its actual effect is considered, along with the job protection available across the Tasman, in early 2008 Australia appeared to have the best of both worlds. It had, like New Zealand, job protection for those jobs that are worth protecting, as well as a universal payment for all parents. Given that the payment is at a fixed level, those Australian parents who gain the most in a relative sense are either on the margins of the labour market, on low incomes, or not in paid work at all. In contrast, in New Zealand those who gain most absolutely are those in the middle-income brackets with comparatively strong labour market attachments, and those who gain the most relatively are those who are eligible for PPL but on low incomes. This is because in New Zealand payment is not only related to attachment to the labour market but also to income (with a cap). Therefore low-income earners have a higher proportion of their incomes replaced. From July 2007 the maximum payment in New Zealand has been \$NZ5,477.92 (or \$391.30 per week for 14 weeks), and it is estimated that over 90% of those who take PPL get this amount. This is similar to the payment that is proposed go to almost all parents in Australia from January 2009.

In parallel to the changes to the baby bonus, in 2008 the Australian Productivity Commission was asked to examine options for a paid parental leave scheme. This included considering the merits of the New Zealand scheme. In its September 2008 draft recommendations, the Commission recommended 18 weeks of paid parental leave, four weeks more than the period of leave in New Zealand. An additional two weeks would be available as paternity leave, and would be reserved for the father (or other eligible partner) on a 'use it or lose it' basis. Families not eligible for paid parental leave would be entitled to the equivalent of the baby bonus through a new maternity allowance and to other financial support through the social transfer system. This recommendation, if accepted, would mean that Australia would have a hybrid system with improvements on the New Zealand scheme combined with the backup of the baby bonus for non-eligible parents.

DISCUSSION

New Zealand and Australia have broadly similar job protection legislation in relation to parental leave but, as in 2008, quite different systems of income support for parents in the initial months of an infant's life. The New Zealand scheme, brought in by a centre-left government, is targeted, based on attachment to the labour market. The Australian baby bonus scheme, brought in by a centre-right government, has been universal. However, Australia's new centre-left government has introduced targeting based on family income in order to qualify for the baby bonus.

There are costs and benefits to all three approaches. Being universal, the current Australian scheme is potentially more expensive in terms of direct costs, hence the move to targeting. But a universal scheme is administratively simpler and therefore potentially less costly than the careful targeting of New Zealand's scheme. New Zealand's scheme has the potential advantage of theoretically encouraging the labour market attachment of parents, primarily women. But the data indicate that most New Zealand women are now strongly attached to the labour market when work patterns over their entire life cycle are considered. Career development for increasingly well-educated women at one extreme, and poverty alleviation at

the other extreme, are strong factors behind these attachments. In addition, other policies, such as the availability and cost of childcare, influence job attachment.

The Families Commission proposes further changes that will increase both the coverage and the length of paid parental leave. In doing so, the baby bonus was not considered as an option. However, this paper has raised the question of whether the basic design of paid parental leave is flawed and suggests that the proposed changes will not address these inherent weaknesses. As noted, Australia currently has a much simpler scheme. It involves job protection for those jobs worth protecting and, before 1 January 2009, a universal payment for all parents. Although this has resulted in some degree of middle-class capture, which the new Australian government is trying to address, the current policy provides real support to those parents who most need it. New Zealand's scheme also has some elements of middle-class capture, in that those disqualified from receiving payments, or receiving the lowest absolute payments, include those most in need. If Australia adopts the recommendations of the Productivity Commission on paid parental leave, it will have a scheme with some similarity to New Zealand's scheme. However, it would be more generous and it would have a backstop of the baby bonus for non-eligible parents. Thus it would continue to give support to those who are in need but who are not firmly, or recently, attached to the labour market.

CONCLUSION

New Zealand's paid parental leave policy was introduced as a compromise by a coalition government in 2001. Since it was introduced it has been altered a number of times, including extensions to both length and eligibility criteria. This has certainly helped broaden its coverage to include a greater number of families. The Families Commission as well as the National Advisory Council on the Employment of Women (NACEW) have suggested further extensions to the eligibility criteria. However, this incremental approach is problematic because it does not reflect the dramatic increase in women's employment that have taken place in recent decades, the changes in the labour market, or advances in our understanding of the health benefits of a period out of the labour market after the birth of a child. A more fundamental review of the design of New Zealand's parental leave policy is required. In particular, the costs and benefits of a universal payment to new parents -- ideally for at least six months to support breastfeeding -- needs to be investigated.

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