



Introducing a paid parental leave policy

Industry benchmarking and considerations for the NZ technology and fund sector

Introduction

- Given the wide-spread introduction of paid parental leave policies across large NZ employers, now is a logical time for growing NZ companies to also think about adopting a paid parental leave policy.
- A policy should be considered from the perspective of attracting and retaining talent, competitive positioning, supporting gender equity in the workplace, as well as the moral imperative.
- The aim of this deck is to lay out how the parental leave system currently works, how the wider industry is responding, and the key factors that companies should take into account for introducing a policy.

Agenda: Companies should consider a parental leave policy to attract and retain talent

Paid parental leave policy



Overview – How does paid parental leave work in NZ?



Market – What are NZ companies offering employees?



Opportunity – What type of policy could a company introduce to be best placed to attract and retain talent?

The NZ parental leave policy provides a 26 week IRD payment, which is worth less than minimum wage. Employers are able to top-up payments

Overview

Parental leave payment overview

What is the NZ government parental leave scheme?

- The parental leave payment is a weekly IRD payment for one continuous period of up to 26 weeks, provided to the primary caregiver. To be eligible for the full period, the employee must have been employed in NZ for 26 weeks of the prior 52 weeks.
- The payment is worth up to \$621 per week before tax to a total of \$16k for the 6-month period. This is equivalent to a \$32k per year salary. This pay is below that of a full-time minimum wage worker.
- An employee is entitled to 52 weeks of unpaid leave if they have been with an employer for more than 12 months. The employer must hold their position unless in a redundancy situation.

What are the benefits for secondary caregivers?

- Secondary caregivers are entitled to 2 weeks of additional unpaid leave.
- Several countries in the OECD have some form of paid secondary caregiver leave, with ten countries offering more than three months. This is considered a key initiative to encourage shared duties / care in the home, a key driver of gender equality.

What are the regulations regarding top-up?

- Government payments will continue as long as an employee works no more than 64 hours (8 days) during their 26 weeks of IRD paid parental leave.
- Employers can agree to top up the payments to the amount of an employee's full salary with no impact to the government payment, as long as they do not make the employee work for longer than 64 hours. This 'top-up' is now very common in NZ.

Annual leave pay on return to work is hugely impacted by parental leave.

An employee receives better annual leave pay if they take a new job

Overview

Annual leave and KiwiSaver implications

How is annual leave pay impacted?

- Employment NZ states that the pay for annual holidays is calculated at the rate of the employee's average weekly earnings over the last 12 months.
- On return from parental leave, annual leave pay is therefore not paid at the standard rate. For example, for the month immediately following 12 months of parental leave, a day of annual leave is worth only c.8% of an ordinary day's work. This doesn't reach 100% for 12 months.
- In this average weekly pay scenario, primary caregivers are somewhat incentivised to change jobs, as their annual leave is immediately recognised at ordinary weekly earnings (100% of an ordinary day's work) if they start at a new company.
- There is the option for an employer to choose to pay these annual holidays using the greater of ordinary weekly pay or average weekly earnings.

How is KiwiSaver impacted?

- By default, there are no employer Kiwisaver contributions during parental leave. This lack of contribution can put caregivers at a significant disadvantage in terms of Kiwisaver holdings on retirement due to compounding returns, versus those who do not take parental leave.
- There is the option for employees to continue this payment during parental leave.

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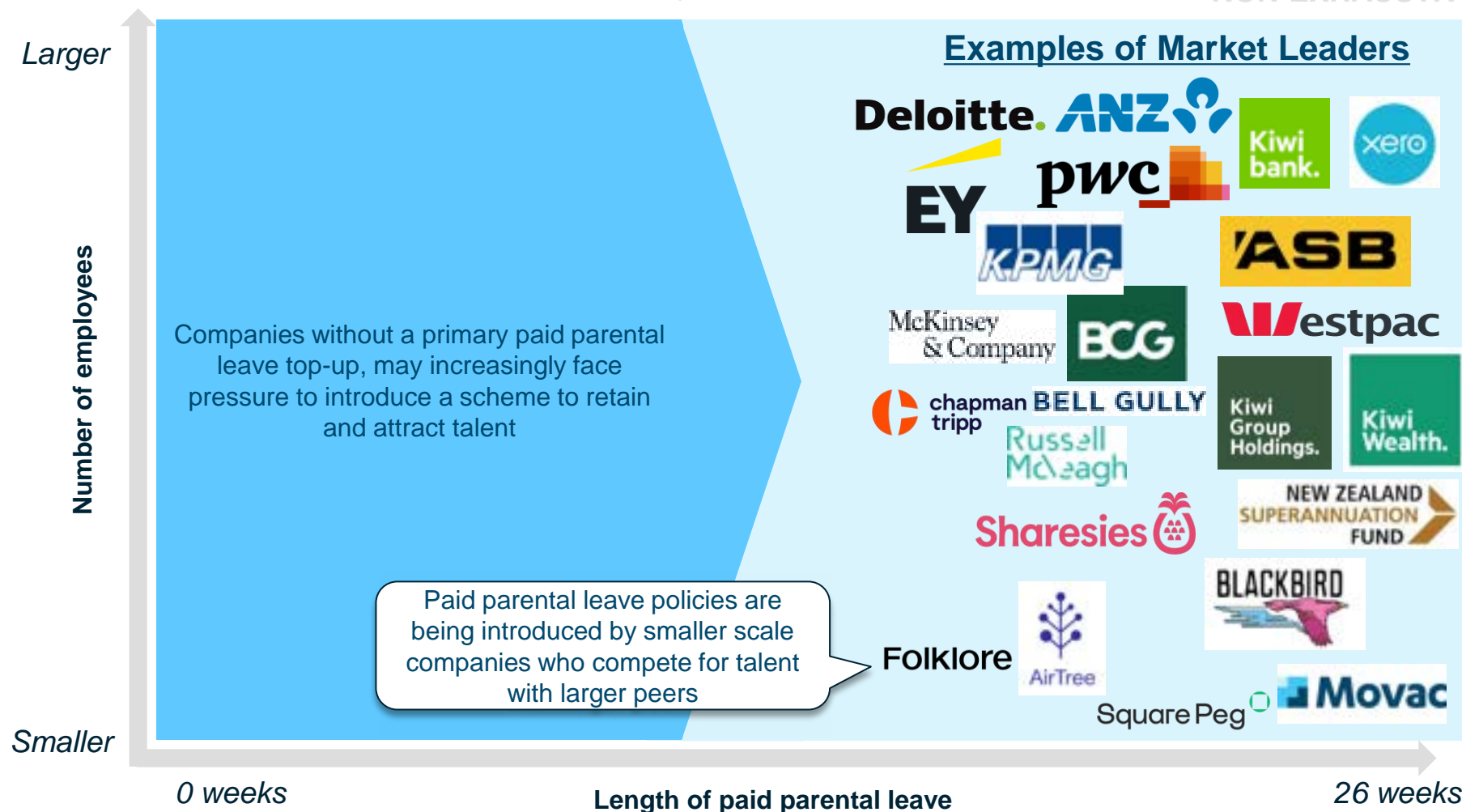
Opportunity – What type of policy could a company introduce to be best placed to attract and retain talent?

Generous paid primary parental leave policies have become common within large finance, law and technology companies in ANZ

Market

Paid parental leave policies NZ – Primary caregiver

NON-EXHAUSTIVE



Source: Based on company websites / articles / job advertisements / industry contacts at time of writing

These companies generally offer paid primary leave policies ranging from 14 - 26 weeks, with secondary policies ranging from 2 – 18 weeks

Market

	Overview	Primary (# weeks <u>full pay</u>)	Secondary (# weeks <u>full pay</u>)	Indicative # of NZ employees
Big 4	All of the Big 4 accounting firms have market leading offers for both primary and secondary caregivers, with some offering 18 weeks for both primary and secondary caregivers	14-18 weeks	8-18 weeks	1k - 1.6k
Large NZ banks	Large banks generally have generous policies for primary caregivers, with a few offering secondary caregiver top-ups	22 - 26 weeks	Up to 4 weeks	2k - 9k
Large NZ Tech companies	Later-stage NZ tech companies have introduced market-leading policies	18 - 26 weeks	2 - 6 weeks	150 - 1.8k
Large NZ Law firms	All major NZ law firms have strong primary policies, but remain conservative on secondary policies	15 - 18 weeks	2 weeks	200 - 400
Specialist global consulting firms	Consulting firms have excellent policies across both primary and secondary, largely driven by Australian head-offices	16 -18 weeks	8 -16 weeks	2 - 20

Source: Based on company websites / articles / job advertisements / industry contacts

Policy adoption within the NZ fund management sector is less mature, but increasingly companies are introducing policies

Market

	Overview	Primary (# weeks <u>full pay</u>)	Secondary (# weeks <u>full pay</u>)	Indicative # of employees
Mid-market Australian Private Equity	Australian PE firms generally sit within the range of 12-26 weeks for primary caregivers	Up to 26 weeks	Up to 4 weeks	10 - 50
NZ Private Equity & investment banks	Policies up to 12 weeks are being offered at some firms, but adoption is not widespread	Up to 12 weeks	Up to 2 weeks	30 - 400
Australian Venture Capital	Australian VC funds generally have excellent policies, with primary policies in the 12-18 weeks range and secondary within 14-18 week range	Up to 18 weeks	Up to 18 weeks	16 - 80
New Zealand Venture Capital	Policies up to 26 weeks are being offered at some firms, but adoption is not widespread	Up to 26 weeks	Up to 4 weeks	5 - 15
NZ Government funds	Government funds are at various stages of policy maturity, with some offering the government only scheme while other policies are market leading	Up to 26 weeks	Up to 2 weeks	20 - 3k

Source: Based on company websites / articles / job advertisements / industry contacts

Agenda:

Paid parental leave policy



Overview – How does paid parental leave work in NZ?



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Opportunity – What type of policy could a company create to be best placed to attract and retain talent?

There are clear benefits of introducing a paid parental leave policy, but there are also cost considerations

Opportunity

Benefits

- Attract outstanding talent verse competitors
- Retain talent via supportive HR policies
- Be viewed in the market as an attractive and progressive employer
- Ensure company is not left behind or out of step with the wider industry
- Strong proof point of diversity and inclusion for investors / customers / peers
- Reduce financial pressure for employees having kids
- Encourage equal sharing of duties / caring in the home through a paid secondary leave allocation

Cost considerations

- Parental leave will need to be factored into operating costs and employee growth
- More challenging to fund parental leave cover

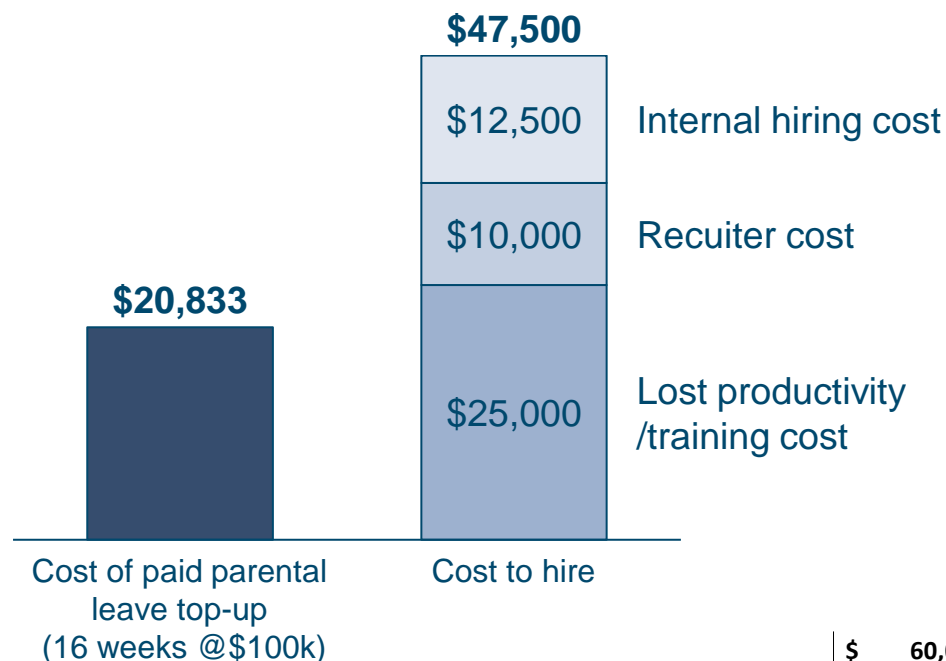
A high level estimate indicates that the cost of hiring talent exceeds the cost of a paid parental leave policy to retain existing talent

Opportunity

ILLUSTRATIVE

Illustrative cost comparison – paid parental leave vs. new hire

Based on an assumed hiring scenario



Underlying assumptions

High level calculation, based on one primary caregiver on a \$100k salary who is topped up to 16 weeks for one child

Management time: \$250 / hr; 25 hours of collective time per candidate (coffee meetings, introductory interviews, panel interviews x 2, background checks, contract preparation); 2 candidates assumed

Recruiter fees: 10% cut of an assumed average \$100k salary

Upskilling: Assumed 3 months of lost productivity due to training, verse retaining existing talent

Sensitivities – cost vs salary & length of top-up

		Primary				Secondary		
		# of weeks top up per child						
		8	12	16	24	2	4	8
Salary	\$ 60,000	4,263	6,394	8,526	12,788	2,308	4,615	9,231
	\$ 80,000	7,340	11,010	14,679	22,019	3,077	6,154	12,308
	\$ 100,000	10,417	15,625	20,833	31,250	3,846	7,692	15,385
	\$ 120,000	13,494	20,240	26,987	40,481	4,615	9,231	18,462
	\$ 140,000	16,570	24,856	33,141	49,711	5,385	10,769	21,538

Given wider market trends, now is a logical time for companies without paid parental leave policies to review their approach

Opportunity

Length of top-up	Should we provide paid parental leave and if so, how long for?
Market positioning	Should we match our peers or do more?
Primary vs secondary	What length of time should we offer primary caregivers verse secondary caregivers?
Annual leave	Should annual leave accrue during paid and unpaid periods of parental leave?
KiwiSaver	Should we continue KiwiSaver payments during parental leave?
ESOP / carry	Should ESOP or fund carry continue to vest during parental leave?
Eligibility	Should we be guided by Employment NZ Parental Leave Eligibility requirements in terms of surrogacy, adoption and fostering?
Tenure	Is a 12 month tenure required to be eligible or should it be by discretion before this point?
Return to work	Would we consider a return to work policy (e.g., full salary for 4 days p/w)?
Bonding period	Should we consider a bonding period to encourage the employee to return to work?
Staging	Should we consider offering some benefits only once the employee returns to work?
Timing	When should we implement a policy?
Communication	How do we best communicate our response and approach, both internally and externally?