Building the Future: Modernising Paid Parental Leave

Introduction

At the heart of National's plan to build the future are dedicated mums and dads, balancing long hours at work with the excitement and pressure that comes with raising young kids.

The arrival of a new baby is often one of the happiest times in a family's life, but it also comes with higher costs and tough choices. Many parents are forced to juggle the financial impact of taking time away from work alongside a real desire to spend more time at home with their babies.

Earlier this year, Christopher Luxon announced that a re-elected National Government will look to take some of that financial stress away by making unconditional KiwiSaver contributions for new mums and dads who choose to take paid parental leave: a Government contribution at the default rate, applied against their paid parental leave payments from 1 July 2027, even if the parent isn't contributing themselves.

Now, National is laying out a long-term vision to modernise Paid Parental Leave as a whole and provide new mums and dads with the financial flexibility they need to spend more time at home with their new baby. A re-elected National Government will:

- **Extend paid parental leave** – from 26 to 30 weeks in three stages over the next term, as the first step in National's longer-term vision to extend paid parental leave to 40 weeks.
- **Shared parental leave** – allowing parents the flexibility to take their paid parental leave entitlement at the same time, or in overlapping instalments.
- **Protect full holiday pay for new parents** – by passing and protecting new employment leave legislation that enhances rights to annual leave for working mums and dads.

Together, these three policies give families more time with their new baby and more choice about how they use it.

Extending Paid Parental Leave from 26 to 30 weeks

For working mums and dads, the first year of a child's life is one of the most important and special times of their lives. It is when attachment forms, when the foundations of language, health and emotional development are laid, and when mums recover from birth. It also supports mums through a postpartum period that is often physically and mentally demanding. Extra time to recover after having a baby will help mums return to work with more confidence.

A new baby is also an expensive time for many families, who juggle the costs that come with a newborn while their household income comes under strain from having one parent step away from work.

To address those pressures, National is laying out a long-term vision to extend paid parental leave from six months to nine months, with an initial increase of four weeks over the next term.

Paid parental leave entitlements will increase from 26 weeks to 30 weeks over three Budgets:

Budget	Effective from	PPL entitlement
Budget 2027	1 July 2027	27 weeks (+1 week)
Budget 2028	1 July 2028	28 weeks (+1 week)
Budget 2029	1 July 2029	30 weeks (+2 weeks)

The phased approach is deliberate. Announcing the full pathway up front gives families certainty to plan around and gives employers time to prepare. To achieve National's vision of extending paid parental leave to nine months (or 40 weeks), further increases are expected in subsequent budgets, subject to fiscal conditions.

Each increase applies to parents whose entitlement commences on or after the effective date. Policy on maximum weekly rates and eligibility settings will be unchanged.

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Fiscal impact

The costings below are based on the gross cost of paid parental leave forecast in BEFU 2026, net of the additional PAYE revenue the Crown collects from paid parental leave payments.

This policy has been designed to improve New Zealand's paid parental leave regime over time, with increases staged so they are affordable within tight operating allowances over multiple budgets.

The cost of each increase to paid parental leave entitlements will be met from the annual operating allowance in Budgets 2027, 2028, and 2029. The largest extension of paid parental leave, scheduled for 1 July 2029, is timed to coincide with the forecast return to surplus that financial year.

Fiscal Year	2027/28	2028/29	2029/30	2030/31	Total
Cost of extension ($m)	$27.0	$56.6	$119.0	$124.9	$327.4

Shared parental leave

Right now, mums and dads can split their 26 weeks of paid parental leave between each other, but the rules prevent parents taking their paid parental leave at the same time.

Under National's policy, parents would have the option to take all or some of their paid parental leave at the same time. So instead of one parent taking 30 weeks of paid leave, under this policy:

• both parents could take paid leave together for 15 weeks,

• both parents could take paid leave together for four weeks, one parent could then take paid leave for ten weeks, and then the other parent could take leave for twelve weeks.

In short, under this policy new parents could mix and match their combined right to 30 weeks of paid parental leave as they see fit, with flexibility to take leave together, then apart, then together again, in whatever order and combination works best for them.

That flexibility is important. For some parents, it's just the opportunity to spend time together with their new baby at home. For others, it will make a much bigger difference: families welcoming twins or bringing a premature baby home after weeks in neonatal care, or mums who need their partner at home after a difficult birth. Every family has different needs: this policy recognises that and gives mums and dads the chance to choose what will work best for their family.

In 2023, Nicola Willis introduced a members' bill which would have implemented these changes, but this legislation was voted down at First Reading by the Labour Party. Dana Kirkpatrick MP has sponsored the legislation as a Member's Bill in this term of Parliament.

This additional flexibility is not expected to generate any significant costs for the Crown, because by itself this policy does not increase paid parental leave entitlements for each child born. Inland Revenue will be expected to meet any administrative costs arising from this change within baselines.

A re-elected National Government will:

Amend the Parental Leave and Employment Protection Act 1987 to allow parents to divide their PPL entitlement between them as they see fit, as provided for in the Parental Leave and Employment Protection (Shared Leave) Amendment Bill.

Full Holiday Pay for Parents Returning to Work

Right now, working mums and dads who spend time away from work are forced to take a big financial hit when they later decide to take annual leave – for a holiday, or a week away with their young child to meet their grandparents.

That's because under current legislation, annual leave is currently paid based on a person's average weekly earnings over the previous 12 months. That means a parent who takes a holiday in the months after returning to work, including their first Christmas break with their new baby, could see their holiday pay reduced because they had spent time at home caring for their child. In practice, that penalty fell overwhelmingly on working mums.

The Government is fixing this. Under the new Employment Leave Act, which replaces the Holidays

Act, workers will continue to earn annual leave while on parental leave, and when they take annual leave after returning to work, they will be paid in full. These changes take effect from 1 July 2027, ahead of the wider reforms, so that parents see the benefit as soon as possible.

A re-elected National Government will protect that legislation and oppose any efforts to water down the rights of working mums and dads to take a holiday with their new child, without being financially punished.

A re-elected National Government will:

Protect full holiday pay for parents returning from parental leave, by the parental leave provisions of the Employment Leave Act and ensuring they take effect as legislated from 1 July 2027.

KwiSaver Paid Parental Leave Top-Up

Right now, the Government matches any KiwiSaver contributions made by someone on paid parental leave, as if they were receiving an employer contribution on their weekly parental leave payments.

In reality, this comes at a time of financial pressure for many families as they adjust to life on a single income and more expenses, so many parents choose not to contribute while on paid parental leave.

In the year to June 2025, when this policy took effect, only around 1 in 5 of those eligible continued to contribute to their KiwiSaver while on paid leave with their new baby, meaning 4 in 5 missed out on the matching contribution.

National believes strong families are the cornerstone of a more prosperous society, and that starts with supporting every family to save for their future and build their own financial security.

Under National's policy, from 1 July 2027, the Government will provide a KiwiSaver contribution to people on paid parental leave even if the person is not contributing themselves. This contribution will be made at the default rate applied against the amount of paid parental leave a person is receiving.

Fiscal impact

The cost of this policy is modelled as the cost of applying the full employer contribution on paid parental leave payments, less ESCT, and the cost of the current policy to match contributions ($3.8 million in 2024/25). This table has been updated since the KiwiSaver policy announcement to reflect staged extensions to paid parental leave.

Fiscal Year	2027/28	2028/29	2029/30	2030/31	Total
PPL KiwiSaver contribution ($m)	$20.9	$26.5	$34.1	$40.4	$121.9