FOCUSED POLICY ASSESSMENT PRESENTATION TO THE CITIZENS' ASSEMBLY

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Hi my name is Christopher Ryan and I'm an economist working in the Department of Public Expenditure and Reform

I know you are covering family friendly and caring supports as part of your meeting.

I'm going to speak to you about a new scheme that was introduced in this area providing for Paid Parent's Leave.

Specifically I am going to talk about a review myself and Frank Newman conducted on the effectiveness of the new scheme in meeting its objectives.

We hope this might be useful for you in thinking about recommendations in this area.

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During the course of this presentation I'm going to cover a bit of background on who we are and why we were looking at this.

I'll provide some information on the new scheme: its rationale and objectives.

I'll talk about how we examined the scheme

Some findings from the review

And what we were able to conclude

I'll finish by providing some thoughts on future policy development in this area.

Slide 3: So to kick off

I am part of the Irish Economic & Evaluation Service that was established in 2012 in response to the failings exposed by the Economic Crisis

Our primary objective to help achieve better policy outcomes through providing the evidence base to support decision making

One of the ways we do this is through the Spending Review process where we critically assess policies and expenditure programmes focussing on Value for Money for taxpayers

As part of that we looked at the new Scheme of Paid Parent's Leave to examine the effectiveness of the scheme in meeting its objectives.

A couple of disclaimers before I go on. This is not a full review of the scheme but it could act as an input to such a review. And most importantly this the views that I am presenting are not the official views of the Minister or the Department.

Slide 4: So the new Paid Parent's Leave scheme was introduced because we had to implement a new EU Work Life Directive into national law.

This Directive has the objective of

1. Better supporting a work-life balance for parents and carers;
2. Encouraging a more equal sharing of parental leave between men and women; and
3. Addressing women's underrepresentation in the labour market.

The EU Commission explained the rational for the Directive as follows:

- Fathers' involvement in childcare has considerable benefits for the child, fathers, mothers and employers.
- Uptake of paternity leave in EU is limited.
- Policy can support more equal sharing of care responsibilities through reserving leave for fathers and potentially increasing the financial incentive.

The requirement under the directive was that 2 out of 4 months of paid leave for parents are non-transferrable between parents and compensated at a level that is determined by the state.

We already met this requirement for individuals eligible for maternity leave but not those eligible for paternity leave. Where the entitlement is 26 weeks and 2 weeks respectively.

We have 3 year to comply with the Directive and in order to do so the then Government brought in the New Paid Parent's Leave Scheme in November 2019.

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This scheme provides working parents with an extra two weeks leave paid at the same rate as Maternity and Paternity Benefit, €245 a week.

There is a Government commitment to increase the leave to 9 weeks over time.

Budget 2021 extended the leave amount to 5 weeks, backdated for those born after Nov 2019.

Unlike maternity and paternity leave, no salary top ups are paid for the new scheme in the public service.

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So how did we examine the scheme?

We first looked at what other European countries were doing in this area.

We found that the Irish payment was relatively low

Other countries target a higher replacement income for example 2/3rds of salary.

Duration of paid non-transferrable maternity leave is high.

Duration of paid non-transferrable paternity leave is low.

Other EU countries have longer paid parental leave on family choice basis.

If you take the example of Austria

16 weeks maternity leave paid at 100% of average net income.

12 months parental leave paid at 80% of earnings (up to max. payment of €2,000/month). Bonus 2 months if both parents take leave.

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We then did some more technical analysis on the existing maternity and paternity schemes to understand how they were performing in order to assess the likely impact of the new scheme.

Detail on this can be found in the paper which you have been provided with but essentially we applied national fertility rates to demographic data we have collected on the 340,000 FTE public servants. This gave us an estimate of births in the public service and by subtracting from the Department of Social

Protection data on number of beneficiaries we were able to estimate uptake rates in the private sector.

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This approach gave us a number of interesting findings.

Estimated Private Sector uptake rates are high for Maternity leave at 92%

Estimated Private Sector uptake rates are low for Paternity leave at 51%

This suggests that the current structure of paternity leave is not delivering large scale uptake, and therefore does not encourage more equal sharing of parental leave between men and women.

Low uptake rate of paternity leave appears closely related to the number of organisations offering salary top ups, although available data does not exist to prove causality.

According to survey evidence from IBEC:

46% of companies provide salary top ups for paternity leave.

60% of companies provide salary top ups for maternity leave. Where uptake rates seem less dependent on salary top ups. Potentially this could be because in the absence of salary top ups families can take one hit to their income but not two.

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Salary top ups for maternity and paternity leave are paid in the public service.

In the private sector salary top ups more likely in: larger, foreign owned companies, with higher turnover, based in Dublin, operating in the ICT and financial services sectors.

Less likely in: small to medium sized, domestically owned companies, with lower turnover, based in the West / North-West, operating in manufacturing.

Crucially average weekly net earnings in the private sector are €642 (Q1 2020) or over 2.5 times the SIF payment.

This introduces a potential inequity where in the context of fixed costs (such as mortgages and childcare) and variations in family incomes (with one person potentially earning more than another) - the ability of both parents to take the leave could be dependent on the employer decision on salary top ups rather than the state's provision of SIF payments.

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We were also able to estimate the full exchequer cost of maternity and paternity at €647m comprising

SIF payments of €294m for the public and private sector.

Public service salary top ups of €158m

Public service replacement costs in Health and Education of €195m. This is the cost of replacing frontline staff on leave with agency cover or substitute teachers.

This revealed for the first time the total cost of maternity and paternity leave, including the relative cost of public service salary top ups available to a small proportion of workers.

This shows the fiscal consequences of decisions in this area.

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From this it was possible to conclude that the new scheme does not address the existing disparity in leave entitlements or the low uptake rate of paternity leave.

As such it is unlikely to support families in the more equal sharing of care responsibilities or address women's underrepresentation in the labour market

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We recommended that future policy development in this area should focus on uptake and equity (between genders and workers) and include all relevant costs

We also recommended that it be guided by 3 principles

1. **Simplify**

Integration of the 3 paid schemes (and potentially the unpaid scheme) could reduce bureaucracy and a clearer offering to citizens.

2. **Support All Parents to Take Leave**

Higher SIF payments could improve uptake rates and therefore equity between gender and workers.

3. **Incentivise Gender Sharing:**

Under the EU Directive 9 weeks paid leave has to be ring-fenced for each parent.

Beyond this 9 weeks for each parent it would be worth exploring the possibility of allowing leave to be shared (based on family choice).

So you could end up with 2 months for each parent and a further period of months that could be taken by either parent based on their own family choice.

In turn that opens the possibility of providing additional leave and or higher payments for families where gender sharing criteria are met, as currently happens in Austria and Portugal.

Such an approach stands a better chance of meeting the policy aim of

- more equal sharing of parental leave between men and women; and
- Addressing women's underrepresentation in the labour market.

Thank you for listening

Just to say if you have any questions we'd be happy to answer them through the Secretariat.