



An Roinn Caiteachais  
Phoiblí agus Athchóirithe  
Department of Public  
Expenditure and Reform

# Focused Policy Assessment: Paid Parent's Leave Scheme

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# BACKGROUND



- **Irish Government Economic & Evaluation Service**
  - › Established in 2012 in response to the Economic Crisis
  - › Better policy outcomes, better value for money for the public and help to drive reform
  
- **Spending Review**
  - › Critically assess policies and expenditure programmes
  - › Embed data and evidence in policy making
  
- **Focused Policy Assessment**
  - › Examine the effectiveness of the Paid Parent's Leave Scheme in meeting its objective
  - › These are Staff Papers and do not represent the official views of the Minister or Department

# EU WORK LIFE BALANCE DIRECTIVE



## Objectives

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

## Rationale

- 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.

## Requirements

- 2 out of 4 months leave for each parent must be non transferrable and compensated at a level determined by the state.

# PARENT'S LEAVE SCHEME



- Both parents entitled to 2 weeks leave paid from the Social Insurance Fund at €245 p/w.
- Government commitment to increase the leave to 9 weeks over time.
- Budget 2021 extended the leave amount to 5 weeks for all births post Nov 2019
- Employer decision whether to “top up” the payment to salary level.
- Unlike maternity and paternity leave, the public service is not providing salary top ups.
- According to the 2019 annual IBEC HR Survey, 18% of companies would provide top ups

# APPROACH



## Comparison with European Best Practice

- Social Insurance Fund payments at €245 per week 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.

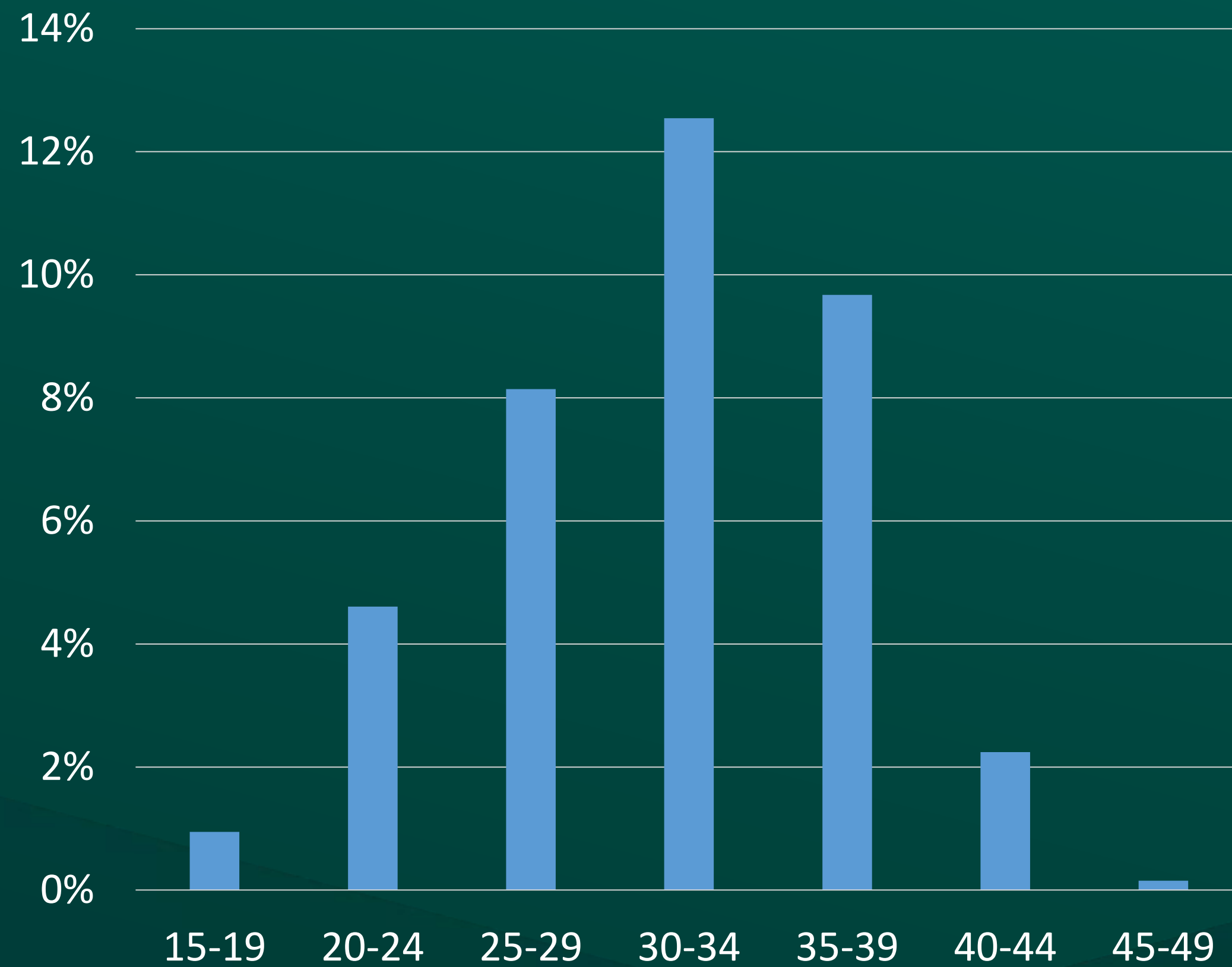
## Example – Austria

- 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.

# APPROACH

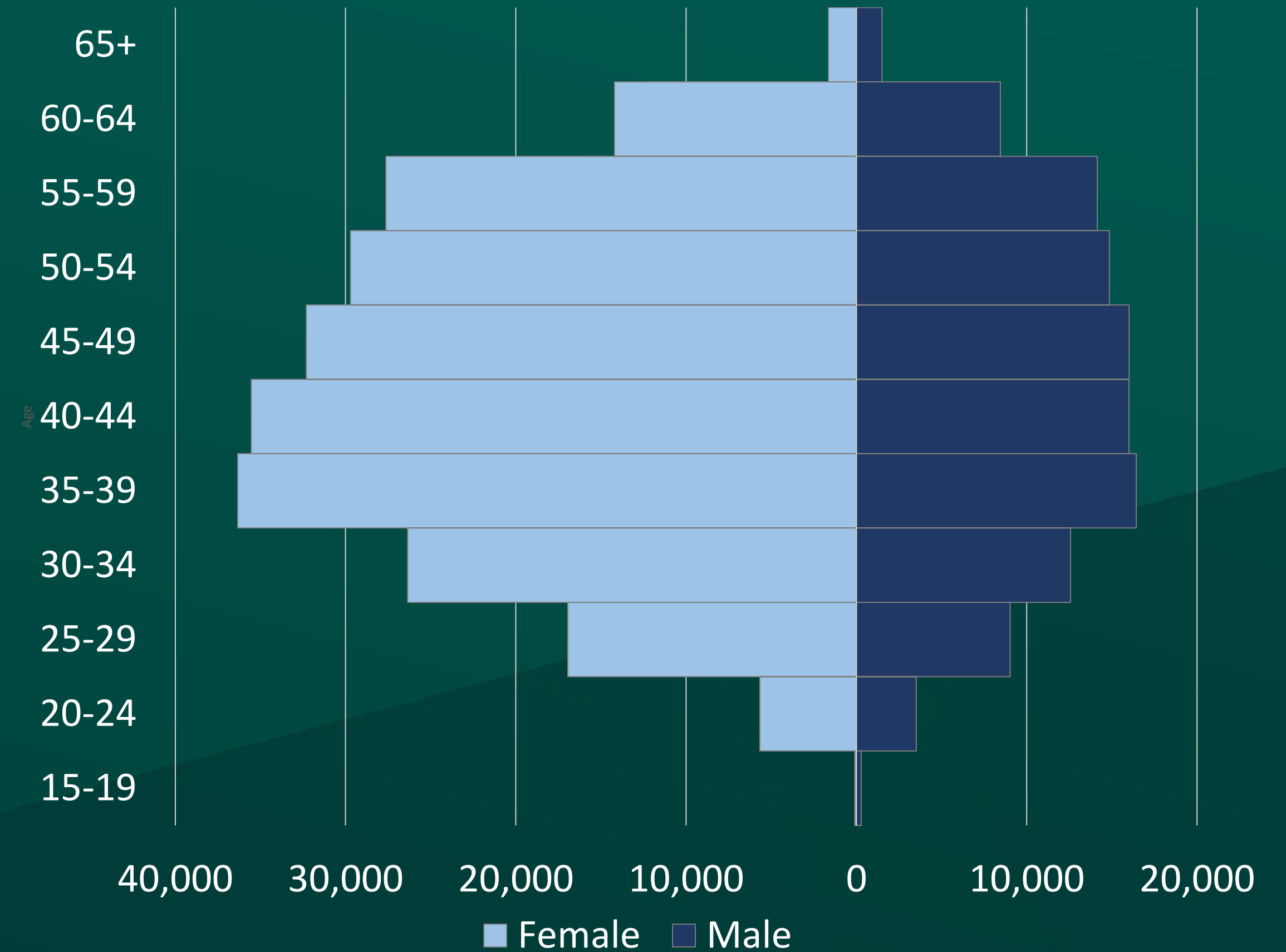


% of Births for Females at Specified Ages 5 Year Average



Source: Central Statistics Office

Breakdown of Public Service by Gender and Age



Source: Department of Public Expenditure & Reform Administrative Data

# 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.



# FINDINGS



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

# FINDINGS



- The full Exchequer cost of Maternity and Paternity leave is an estimated €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 (to cover those on leave with agency staff or substitute teachers).
  
- This reveals 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.
  
- Decisions in this area are important, involve considerable expenditure commitments and should be fully costed

# CONCLUSION



*The 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*

# FUTURE POLICY DEVELOPMENT



**Focus on uptake and equity (between genders and workers) and include all relevant costs**

## **Simplify**

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

## **Support All Parents to Take Leave**

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

## **Incentivise Gender Sharing:**

- Under the EU Directive 9 weeks paid leave has to be ring-fenced for each parent.
- Worth exploring the possibility of allowing leave above 9 weeks to be shared (based on family choice)
- Potentially with some additional increase in the duration of leave for those eligible for paternity leave.
- For example in Austria and Portugal families are rewarded with higher payments and/or extended leave durations if certain gender sharing criteria are met.
- Such an approach stands a better chance of meeting the aims of the Directive.



Thank You.