



Rialtas na hÉireann  
Government of Ireland

## Spending Review 2020

### Focused Policy Assessment: Paid Parent's Leave Scheme

FRANK NEWMAN & CHRISTOPHER RYAN

PAY POLICY UNIT

DEPARTMENT OF PUBLIC EXPENDITURE & REFORM

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The views presented in this paper do not represent the official views of the Department or Minister for Public Expenditure and Reform.

# IGEES

Irish Government Economic and Evaluation Service

## A note on terminology

The type of paid leave that parents can avail of is decided by their eligibility.

**Maternity Leave:** If you become pregnant while you are in employment, you have the right to take 26 weeks' maternity leave.

**Adoptive Leave:** A woman who is adopting a child or a man alone who is adopting a child is eligible for adoptive leave.

**Paternity Leave:** Relevant parents can take paternity leave. These are:

- The father of the child.
- The partner (spouse, civil-partner or cohabitant) of the mother of the child.
- The parent of a donor-conceived child.

For an adopted child, the relevant parent is:

- The nominated parent in the case of a married same-sex couple, or
- The partner of the adopting mother, or
- A man adopting alone.

Usually, fathers take paternity leave.

**Parent's Leave:** All parents are eligible for this leave.

## Executive Summary

In August 2019, the **EU Work-life balance Directive** came into force with the objectives of:

- 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**

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

*“decisions about childcare responsibilities are naturally taken by families themselves. Available evidence shows that fathers' involvement in childcare has considerable benefits for the child, fathers, mothers and employers. However, **data also show that uptake of paternity leave and fathers' parental leave is limited in the EU** due to various barriers. **By reserving a proportion of leave for fathers, governments can support families in the more equal sharing of care responsibilities.** In addition, **policies can lessen the financial disincentives** by reducing the opportunity cost to those parents who choose to take leave **if wage replacement is at a high level.**”*

The principal requirement under the Directive is that member states must ensure that two out of the four months of paid leave for parents are non-transferable between parents and compensated at a level that is determined by the State. **Ireland already met this requirement for individuals eligible for maternity leave but not for individuals eligible for paternity leave; with existing entitlements of 26 weeks and 2 weeks respectively.**

To implement the Directive, and a then Programme for Government commitment, a new scheme of paid leave for parents was introduced. This provides an additional **2 weeks of leave**, for both parents, paid at the **Social Insurance Fund (SIF) rate of €245 per week**. Within the Parent's Leave and Benefits Act 2019 there is **scope to extend this to 9 weeks** in fulfilment of the formal requirements of the Directive.

In contrast to Maternity and Paternity Leave, no salary top ups are paid for the new scheme in the public service. Survey evidence from IBEC also suggest that fewer companies will offer salary top ups in the private sector. Due to time constraints, **implementation proceeded without a full Ex Ante cost benefit or cost effective analysis as recommended by the Public Spending Code.**

This Focused Policy Assessment has been undertaken to examine the **effectiveness of the scheme in meeting its policy rational**. As such it is narrowly defined and **not a full policy review of the area, but could act as an input to such a review.**

As a first step, the paper examined European best practice which revealed that the duration of paid non transferrable maternity leave in Ireland is high while the duration of paid non transferrable paternity leave is average. **For both schemes the level of SIF payment is relatively low, with other countries targeting a higher replacement of income. Longer durations of paid parental leave, available to either parent on a family choice basis, are also a common feature.**

Newly collected Public Service HR data, combined with Department of Employment Affairs and Social Protection administrative data on the existing leave schemes, was then used to **estimate uptake rates and the full Exchequer costs of Maternity and Paternity Leave**. This is the first time that such information has been published and revealed four core findings:

1. Estimated **uptake rates are high for Maternity leave (92%) but low for Paternity leave**, with an estimated **1 in 2 eligible employees** in the private sector availing of the leave. 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.
2. 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. Survey evidence from IBEC suggest that **only 46% of companies are providing salary top ups for paternity leave**. Uptake of **maternity leave** appears less dependent on the provision of salary top ups (**where salary top ups are provided by 60% of companies**).
3. Salary top ups for maternity and paternity leave are paid in the public service. In the private sector they are more likely in larger, foreign owned companies, with higher turnover, based in Dublin, operating in the ICT and financial services sectors. They are 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. In the context of fixed costs (e.g. housing and childcare) and variations in household income, this introduces a **potential inequity in paternity and maternity leave, where 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**.
4. 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 €195mThis reveals the total cost of maternity and paternity leave, including the relative cost of the decision on public service salary top ups available to a small proportion of workers.

Using the framework above to assess the new Parent's leave scheme, it is possible to conclude that **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 should focus on the interrelated questions of **uptake and equity** (between genders and workers), include **all relevant costs**, and could be guided by 3 principles:

**Simplify:** Integration of the three paid schemes (and potentially the unpaid scheme) could provide administrative efficiencies and a clearer offering to citizens.

**Support All Parents to Take Leave:** Higher SIF payments rather than a reliance on salary top ups could improve uptake rates and therefore equity between gender and workers.

**Incentivise Gender Sharing:** Under the EU Directive the duration of non-transferrable leave for each parent has to be ring-fenced at 9 weeks. Beyond this it would be worth exploring the possibility of allowing leave to be shared (based on family choice) with potentially some additional increase in the duration of leave available for individuals currently 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.

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## 1. Introduction

The current system of paid maternity leave and paternity leave in Ireland has developed organically since 1952. Benefits and eligibility have been progressively extended and expanded over time. Statutory protection has also strengthened, providing a right both to take leave, and crucially return to work. However, overall entitlements remain uneven: between genders and across certain categories of workers within the labour market.

Currently all individuals eligible for maternity leave in employment can take 26 weeks paid leave while individuals eligible for paternity leave in employment are limited to 2. An individual's entitlement to a benefit payment depends on the number of social insurance (PRSI) contributions made. Whether the welfare payment is topped up to the salary level remains a choice for employers.

More recently, the persistent imbalance in child care duties has been identified as a barrier to higher female labour force participation and equality in gender pay. Simultaneously, research has continued to demonstrate the importance of both parents involvement in child development, particularly in the first two years of life<sup>1</sup>.

In response, a new EU Work-life Balance Directive entered into force in August 2019 with the stated aims of:

- 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.

One of the principal measures of this Directive is to ensure that two out of the existing four months of paid leave for parents become non-transferable between parents and will now be compensated at a level that is determined by the member state.

In Ireland, as paid maternity leave already spans 6 months, this required a 7 week increase in non-transferrable leave for individuals eligible for paternity leave to meet the requirements of the Directive.

The policy approach adopted to comply with the Directive was the introduction, under the Parent's Leave and Benefit Act 2019, of a new scheme of paid parent's leave, for both individuals eligible for maternity leave and individuals eligible for paternity leave. This provides working parents an extra 2 weeks leave, to be taken in the first year of the child's life, paid at the same rate as maternity and paternity benefit, currently €245 per week. The Act also allows for the Minister for Justice to increase the length of this leave to 9 weeks in line with the interpretation of the Directive.

Overall policy responsibility for the parental leave system is with the Department of Justice but the Department of Employment Affairs and Social Protection administer the social welfare

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<sup>1</sup> IHREC, ERSI, Caring and Unpaid Work in Ireland, 2019 (<https://www.ihrec.ie/documents/caring-and-unpaid-work-in-ireland/>)

payments and the Department of Public Expenditure and Reform is responsible for the decision on whether to top up public service salaries.

Given the complex policy environment, this paper takes the form of a cross cutting Focused Policy Assessment designed to review the approach to meeting the requirements and policy aims of the EU Directive. In so doing it will be necessary to examine: the current system of paid maternity and paternity leave; the aims of the EU Directive, the requirements of the EU Directive; the policy approach in Ireland for compliance with the Directive; and the cost of implementing the approach as it is extended to the full 9 weeks. This will be used to explore the allocative efficiency of the intervention, and alternative options for meeting the objectives of the Directive.

The rest of this paper is set out in sections as follows:

- Section 2 provides information on Focused Policy Assessments
- Section 3 explores the history of parental leave policy in Ireland.
- Section 4 describes existing entitlements to maternity, paternity and adoptive leave.
- Section 5 situates Irish parental leave policy in a European Context.
- Section 6 presents the model used to estimate uptake and costs.
- Section 7 examines the results of the model, focussing on the uptake and Exchequer cost of existing maternity and paternity leave.
- Section 8 details the objectives and requirements of the EU Work Life Balance Directive.
- Section 9 outlines implementation approach to the new EU Directive in Ireland.
- Section 10 assesses the implementation of the Directive against its stated aims.
- Section 11 suggests future areas for consideration for policy development in this area.

## 2. Focused Policy Assessments

The Public Spending Code provides a guide to evaluating, planning and managing current expenditure. It recommends that projects over €20m should be subjected to a Cost Benefit Analysis or Cost Effectiveness Analysis.

Ideally a comprehensive appraisal process would be undertaken before the introduction of the new scheme following the 7 steps below.

- i. Define the objective
- ii. Explore options taking account of constraints
- iii. Quantify the costs of viable options and specify sources of funding
- iv. Analyse the main options
- v. Identify the risks associated with each viable option
- vi. Decide on a preferred option
- vii. Make a recommendation to the Approving Authority

As the parent's leave scheme became operational on 1<sup>st</sup> November 2019, this is not possible.

The Code, however, also provides for periodic evaluations of programme expenditure, particularly where the scale of investment justifies an in depth evaluation and to assess efficiency/effectiveness.

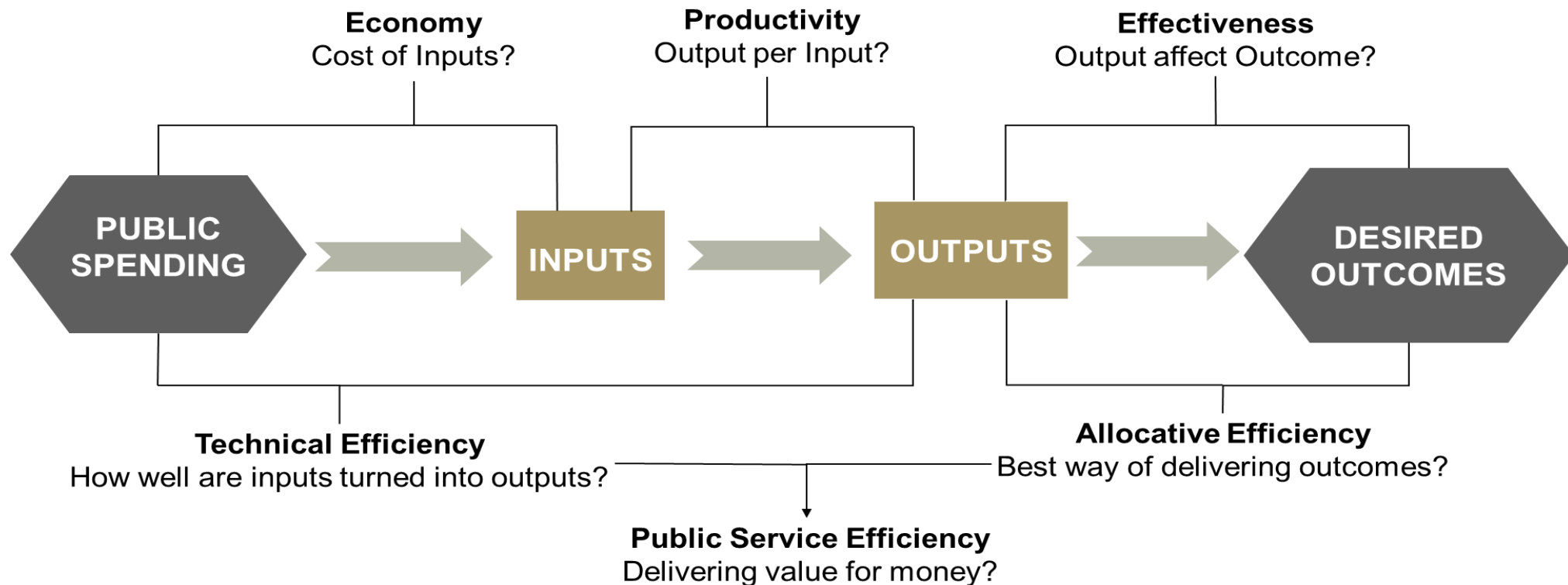
In general programme evaluation should consider 5 key questions:

- **Rationale** – What is the justification or rationale for the policies underpinning the programme? What is the underlying market failure justification for Government intervention?
- **Relevance** – What are the implications for the programme of changes in the wider socioeconomic environment and in the context of overall Government policy?
- **Effectiveness** – Is the programme meeting its financial and physical objectives?
- **Efficiency** – Could more be achieved for the resources invested?
- **Impact** – What socio-economic changes can be attributed to the programme? Most projects will be considered in the context of a sponsoring agency's business plan or a multi-annual investment programme. The Approving Authority should ensure that there is adequate consultation between sponsoring agencies, relevant Departments and public bodies having functional responsibilities in the sector or cross-sectoral responsibilities.

This can be visualised in the following schematic.



**Figure 1: Public Service Production Process**



Two common methodologies for evaluating these questions are the Value for Money Review (VFMR) and Focused Policy Assessment (FPA). The FPA is an evaluation methodology designed to answer specific issues related to policy configuration and/or delivery. A relatively new methodological approach, it is designed to complement the more established VFMRs but rather than focusing on the broad range of evaluation questions posed in VFMRs, FPAs cover one or two areas only. In the absence of an ex-ante evaluation of options, it is appropriate to assess the implementation of the Directive through a FPA covering the rationale of the policy, the effectiveness in meeting objectives, and the allocative efficiency of the scheme as currently designed.

### 3. History of Leave for Parents in Ireland

The history of paid leave for parents in Ireland stretches back to the middle of the last century and is marked by a gradual strengthening and broadening of entitlements. Two points are particularly revealing. Firstly, the legal right for mothers to return to work after childbirth was only introduced in 1981. Secondly, 2 weeks paid paternity leave only came into force in 2016.

#### Box 1: History of leave for parents in Ireland

1952 – Social Welfare Act allowed for a maternity allowance. This was payable for 12 weeks, beginning with the sixth week before the end of the expected week of childbirth.

1968 – Women who were compulsorily insured were entitled to maternity benefits. No corresponding right to maternity leave.

1969 – 12 weeks of paid, but not employment protected, maternity leave were introduced.

1981 – The Maternity Protection Act entitled expectant mothers to paid maternity leave and the right to return to work after their childbirth. The period of statutory maternity leave was 14 weeks, four of which had to be taken before the birth and four after. 4 additional weeks of unpaid maternity leave was also introduced. The Act applied to all women who worked eight hours or more per week with no service qualification.

1998 – 14 unpaid and job-protected weeks of parental leave per parent through the Parental Leave Act.

2001 – Maternity leave was extended to 18 paid weeks and 8 unpaid weeks.

2004 – Number of compulsory pre-birth weeks of maternity leave reduced from 4 to 2.

2006 – Maternity leave was extended to 22 paid weeks and 12 unpaid weeks.

2007 – Maternity leave extended to 42 weeks, of which 26 were paid at 70% of earnings with a ceiling.

2013 – Length of unpaid parental leave extended from 14 weeks to 18 weeks.

2014 – Replacement of the earnings-related maternity benefit (in 2013, eighty per cent of earnings, up to a ceiling of €262 per week), with a flat rate maternity benefit (in 2014, €230 per week).

2016 – Introduction of a new statutory two week paid paternity leave paid at the same rate as maternity leave.

2019 – Extension of unpaid parental leave from 18 weeks to 22 weeks and introduction of two weeks paid parent's leave for both individuals eligible for maternity leave and individuals eligible for paternity leave during the first year of a child's life.

## 4. Existing Entitlements to Maternity, Paternity and Adoptive Leave

Maternity and paternity leave are the two primary types of paid leave which Irish parents can avail of.

- All female employees, with sufficient PRSI contributions, are entitled to 26 weeks paid maternity leave together with 16 weeks' additional unpaid maternity leave, which begins immediately after the end of maternity leave.
- New parents (other than the mother of the child), with sufficient PRSI contributions, are entitled to two weeks' paid paternity leave from employment or self-employment following the birth or adoption of a child. This paid paternity leave was introduced in September 2016.

The weekly rate of payment for maternity and paternity benefit is €245. Whether individual employees receive their normal salary and superannuation contributions during maternity and paternity leave depends on the terms of the contract of employment. Employers are not obliged to pay employees who are on maternity leave or paternity leave.

In the Public Service, maternity and paternity leave is topped up to existing salary levels.

In the Private Sector not all employees receive top ups. As the average weekly net earnings for private sector employees (Q1 2020) is €642, nearly two and a half times the SIF payment amount, this could potentially reduce the ability of working parents to take their entitled leave.

In 2018, IBEC produced reports on paternity benefits and maternity benefits. These reports were based on an October 2018 survey on conditions of employment. A total of 414 companies responded to the survey. The total employed by these companies is 123,711 employees.

For maternity leave, 60% of those companies surveyed pay over and above social welfare benefit to employees on maternity leave, with 82% of these companies providing payment for the full 26 weeks leave.

For paternity leave, 46% pay over and above social welfare benefit, with 85% of these paying their full statutory leave of 2 weeks.

The IBEC survey highlights that whether or not a company pays additional benefit is often down to factors such as the company's size, industry, region, ownership and turnover levels.

### **Company Size**

74% of companies with over 500 employees offer additional maternity leave benefit, compared with only 45% of companies with less than 50 employees.

This trend continues in relation to paternity leave with 56% of companies offering additional benefits compared with only 33% of companies with less than 50 employees.

## Industry

The company's industry also plays a factor in whether or not they offer additional maternity or paternity leave benefits. Electronic services / telecoms (79% maternity, 71% paternity) and financial services (74% maternity, 70% paternity) companies are more likely to offer additional benefits compared to electronics manufacturing companies (30% maternity, 10% paternity).

## Region

There is also variance within the different regions. Dublin companies are most likely to offer additional benefits (72% maternity, 58% paternity), while those in the West / North – West are least likely (35% maternity, 33% paternity).

## Ownership

Foreign owned companies are more likely to offer additional benefits (70% maternity, 53% paternity), compared to Irish owned companies (50% maternity, 39% paternity).

## Turnover

Companies with a higher turnover are more likely to offer additional benefits. For instance, companies with turnovers exceeding €100m are more likely to offer additional benefits (78% maternity, 59% paternity), than companies with turnovers of less than €1 million (36% maternity, 14% paternity).

### Box 2: Best in Class Examples of Private Sector Companies Parental Leave Offering

High end private sector companies are now leading on parental leave policies as part of an overall package designed to recruit and retain staff.

#### Vodafone

From April 2020, Vodafone, who employ approx. 2,000 staff in Ireland will offer 16 weeks of fully paid parental leave within the first 18 months of a child's birth to any employee whose partner is having a baby, adopts a child or becomes a parent through surrogacy. As part of the policy, employees will also be able to phase their return from parental leave by working the equivalent of a four day week at full pay for a further six months.<sup>2</sup>

#### Diageo

From July 2019, Diageo, who employ approx. 1,100 staff in Ireland have offered 26 weeks of fully paid parental leave for individuals eligible for paternity leave.<sup>3</sup>

#### Hewlett Packard Enterprise

<sup>2</sup> <https://www.irishtimes.com/business/retail-and-services/vodafone-to-introduce-policy-offering-four-months-parental-leave-1.4075475>

<sup>3</sup> <https://www.irishtimes.com/business/work/diageo-to-offer-26-weeks-paid-leave-to-new-irish-fathers-1.3900561>

Hewlett Packard Enterprise, who employ approx. 700 staff in Ireland also offer 26 weeks of fully paid parental leave for individuals eligible for paternity leave.<sup>4</sup>

### Summary Position

Whether an employee avails of maternity or paternity leave is a personal choice. However if the SIF payment is not topped up to the existing salary level, the capacity of workers to take the leave will be lower, particularly in the context of fixed costs (for example mortgage and/or existing childcare costs). This is likely to be exacerbated if both partners are reliant on the leave paid at the SIF rate.

As such there is a potential equity issue – where the choice to take the leave (which is a goal of government policy) could be dependent on the employer decision on salary top ups. Workers from different regions, company size or sector (for example retail) are ultimately unable to avail of the leave. In turn this raises an effectiveness issue, where low uptake rates reduce the capacity of the leave to deliver the desired policy outcome.

Subsequent sections will explore these equity and uptake concerns in respect of the existing schemes and the new parent's leave. In advance, the paper will first establish the paid parental scheme landscape in Europe, and Ireland's place within it.

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<sup>4</sup> <https://www.independent.ie/irish-news/big-firms-offer-fathers-up-to-six-months-paid-paternity-leave-38672683.html>

## 5. European Context

In 2017, before the EU work-life balance directive came into force, the European Commission reviewed in detail the current provision of paternity and parental leave across member states.<sup>5</sup> The detail of the report's main findings are summarised below.

As of 2018, all EU Member States offered some form of paternity and/or parental leave following the birth of a child. However, there are large variations in terms of the leave length, compensation levels and whether leave is a family or individual right.

### *a) Paternity Leave:*

- The length and compensation of paternity leave is regulated at the national level, and varies considerably across Member States.
- Overall, 17 Member States already met the proposed minimum of 2 weeks' paternity leave at the time of the child's birth. Of these countries, 13 offer 2 weeks of well-paid<sup>6</sup> paternity leave.
- Individuals eligible for paternity leave commonly take a few days off immediately after their child is born (usually paternity leave) but they rarely extend this period into longer parental leave.<sup>7</sup>
- Subsequent parental leave can help to maintain a balance of parental care in the first few years of a child's life. However, 90% of fathers across the EU do not use parental leave entitlements.<sup>8</sup>

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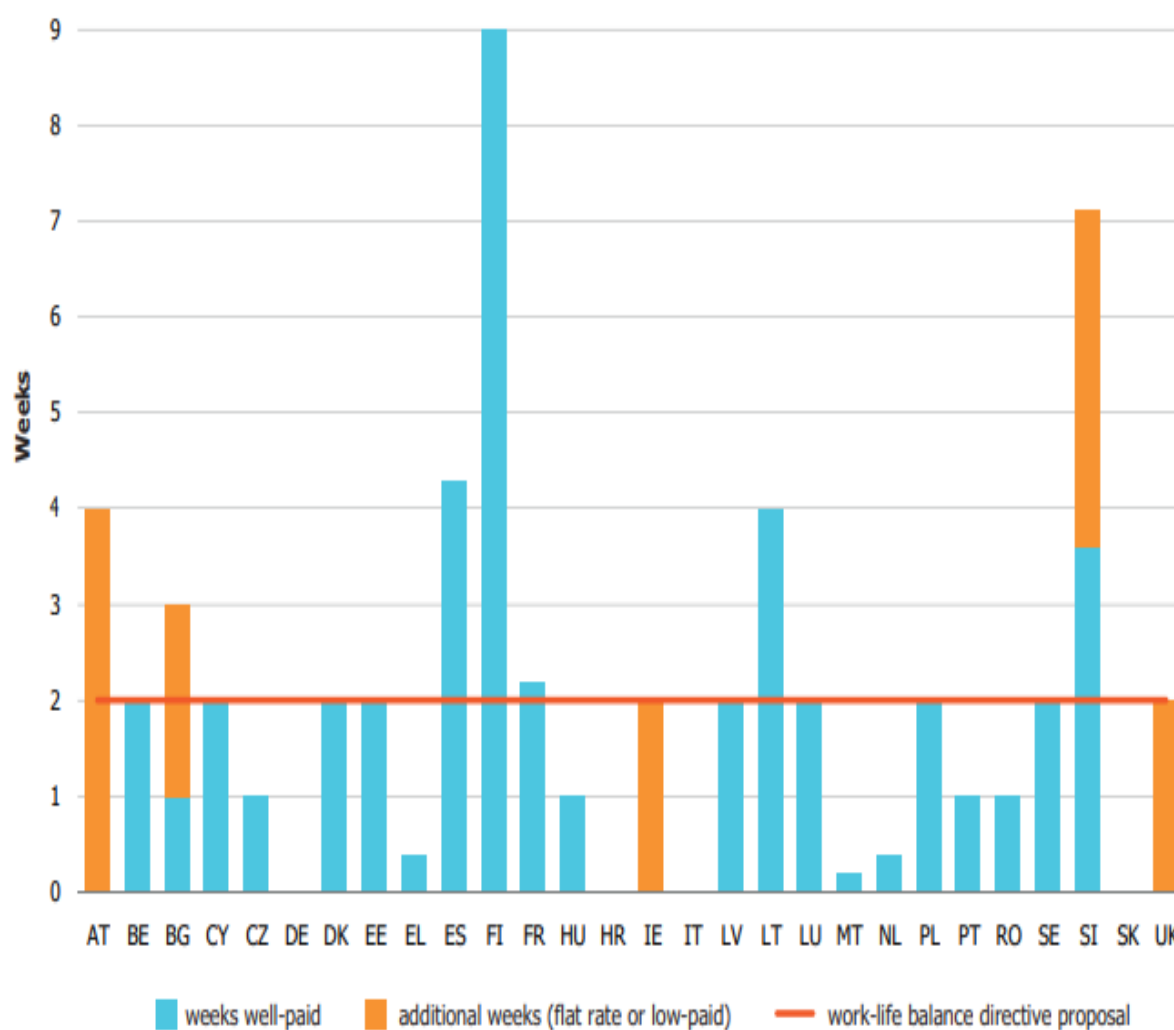
<sup>5</sup> [https://europa.eu/youreurope/business/human-resources/working-hours-holiday-leave/parental-leave/index\\_en.htm](https://europa.eu/youreurope/business/human-resources/working-hours-holiday-leave/parental-leave/index_en.htm)

<sup>6</sup> Well-paid is defined as at least 66% of previous earnings. This threshold is set by the European Commission and indicates that earnings below 66% create a risk of a low wage trap.

<sup>7</sup> Van Belle, J., Paternity and Parental Leave Policies across the European Union, RAND Corporation, Santa Monica and Cambridge, 2016.

<sup>8</sup> Borg, A., Work-life Balance: Public hearing: Work-life balance for parents and carers, presentation at the European Parliament, Brussels, 21 February 2018.

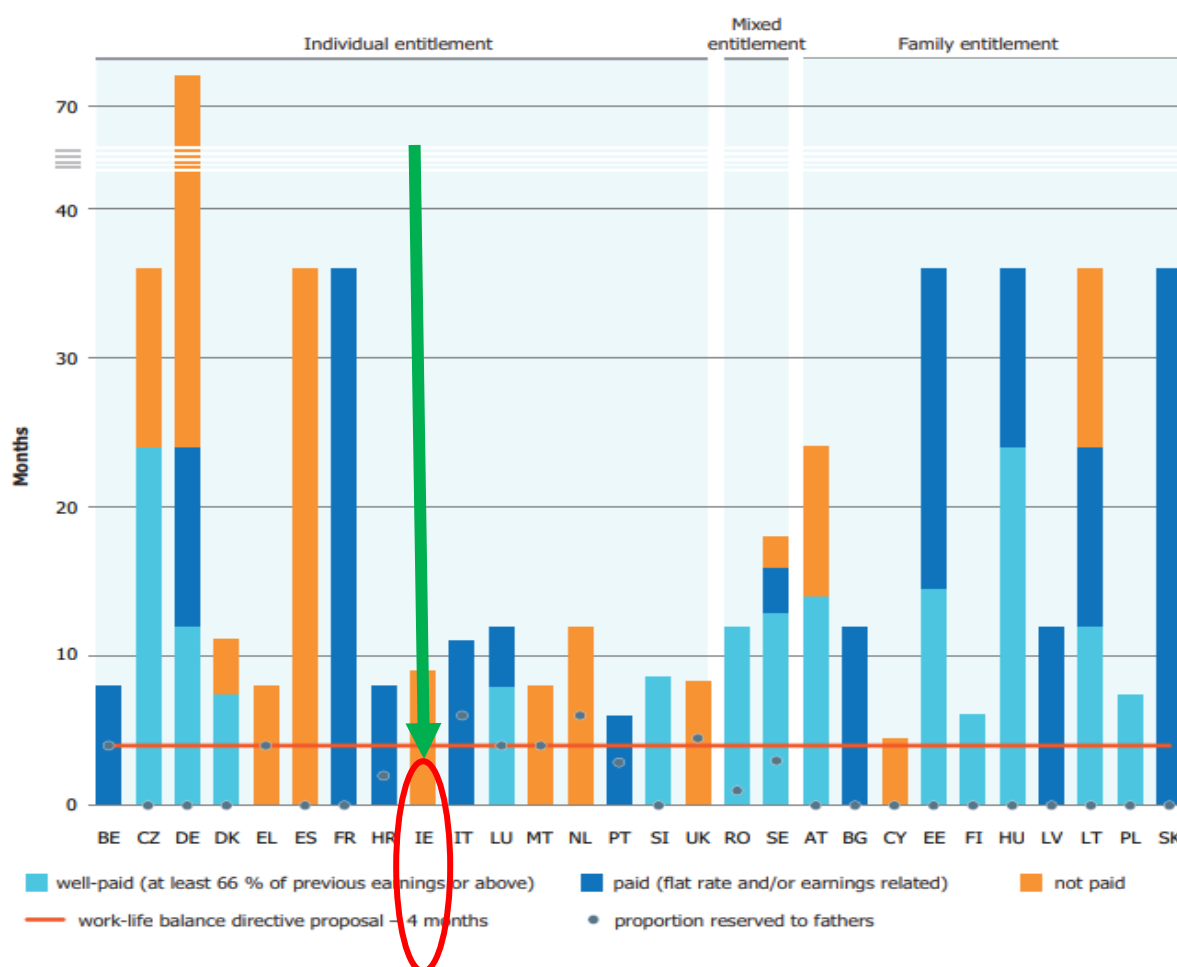
**Figure 2: Paternity Leave Entitlements EU 28**



*b) Parental Leave:*

- Across the EU, parental leave is an individual right in 16 Member States; it is a mix of an individual and family right in 2 Member States; and a family right in 10 Member States.
- Only 10 EU countries have a period of leave reserved for individuals eligible for paternity leave, but, even in these countries, this entitlement can often be transferred to individuals eligible for maternity leave.
- While 13 Member States offer a well-paid parental leave, only in 10 is this period of well-paid leave equal to or longer than 8 weeks.

**Figure 3: Parental Leave Entitlements EU 28**



**Source:** Based on Blum et al. (2017) and European Platform for Investing in Children (2018).

EU rules require minimum amounts of paid maternity, paternity and parental leave. However, there is no regulation in relation to the rate these leave entitlements must be paid at. For maternity leave, a minimum of 14 weeks maternity leave must be given, with 2 weeks of these mandatory. The EU Work Life Directive brought in a minimum of 2 weeks paternity leave and 2 months of non-transferable paid parental leave. Ireland's current entitlement of 26 weeks maternity leave significantly exceeds the EU requirements. In terms of paternity leave, Ireland meets the requirements. The outstanding requirement was for a policy intervention to meet the requirements for the non-transferrable paid parental leave.

However, while the duration of leave in Ireland either meets or exceeds requirements, the rate of payment of €245 a week compares unfavourably to other countries. As per the table below, most countries offer much higher rates of statutory payments, often up to 100% of earnings.

Other countries are also far more advanced in terms of the duration of paid parental leave available, with many states offering over 52 weeks paid parental leave to be shared amongst both parents.



**Table 1 Comparison of Paid Parental Leave in Selected European countries**

Country	Universal Payment or SIF	Maternity Leave (weeks)	Paternity Leave (weeks)	Parental Leave (weeks)	Level of Payments
<b>Ireland</b>	SIF	26	2	2	€245 p/w social protection payments, public servants pay topped up for all employees for maternity and paternity leave.
<b>Germany</b>	SIF	14	0	52	Maternity Leave: 100% of earnings with no ceiling on payments. Parental Leave: 67% of average monthly net adjusted income, at least €300 and not more than €1,800 per month
<b>Netherlands</b>	SIF	16	0.3	0	Maternity Leave: 100% of earnings up to maximum of €209.26 per day. Paternity Leave: 100% earnings with no maximum payment, paid by the employer. Parental Leave: Private sector, only 14% of bodies provide additional measures, 71% of Government sectors have taken additional measures to top up the parental leave regulation. The central Government provides an additional regulation of paid parental leave for 60% of gross salary for a period of 13 weeks.
<b>Sweden</b>	SIF	0	2	69	Maternity Leave: None, but they can use paid parental leave. Paternity Leave: 77.6% of earnings up to an earning ceiling of c. €32,000 a year. Parental Leave: First 390 days: 77.6% of earnings up to an earnings ceiling of c. €43,000 a year. Last 90 days: €17 a day
<b>Luxembourg</b>	SIF	20	2	26	Maternity Leave: 100% of earnings up to a maximum of €9,992.95 per month. Paternity Leave: First 2 days: 100% of earnings, paid by the employer. Remainder: 100% of earnings, up to five times the social minimum wage (€9,992.95 per month). Parental Leave: Two options:

					<p>1) 100% of earnings up to a maximum of €3,205.93 per month for four months.</p> <p>2) 100% of earnings up to a maximum of €1,922.96 per month for 6 months.</p>
<b>Austria</b>	SIF	16	0	61	<p>Maternity Leave: 100% of average net income for the last three months, no ceiling.</p> <p>Parental Leave: Paid through child-raising allowance.</p> <p>Two choices:</p> <p>1) Flat rate option: Between €14.53 and €33.88 per day, depending on the chosen duration of payments (between 365 and 851 days, extended by 25% if both parents take leave).</p> <p>2) Income-related option: 80% of earnings up to a maximum payment of €2,000 a month for 12 months (+ 2 months if both parents take leave).</p>
<b>Norway</b>	SIF	13	0	56	<p>Two Options:</p> <p>1) 100% of earnings up to a maximum of c. €9,000 a month for 46 weeks.</p> <p>2) 80% of earnings up to a maximum of c. €9,000 a month for 56 weeks</p>
<b>Denmark</b>	SIF	18	2	20	100% of earnings up to a maximum of c. €575 per week.
<b>France</b>	SIF	16	2	52	<p>Maternity and Paternity Leave: 100% of net earnings with a maximum daily benefit of €86.</p> <p>Parental Leave: €391 per month.</p>
<b>Portugal</b>	SIF	6	5	21	<p>Paternity Leave: 100% of earnings, no maximum payment.</p> <p>Parental Leave: If parents do not meet gender sharing criteria: 120 days at 100% of earnings or 150 days at 80% of earnings.</p> <p>Parental Leave: If parents do meet gender sharing criteria: 150 days at 100% of earnings or 180 days at 80% of earnings. Additional parental leave at 25% of earnings.</p>

## 6. A Model for Estimating Uptake & Exchequer Costs

In order to establish a full baseline of current uptake rates, and associated costs, of maternity and paternity leave, a model for estimating births in the public service was constructed. For the first time, this allowed for the estimation of uptake rates in the public service and a valuation of the true cost of public service salary top ups. Extrapolating from this, we were also able to estimate private sector uptake rates.

Essentially this model applies CSO population fertility rates to the demographic structure of the public service, revealed through a newly available administrative data set collected for the Accrued Liability Estimate of Public Service Pensions. This data set was collected in compliance with the new Data Sharing and Governance Act 2019, which enables Government organisations to share data in certain prescribed circumstances to improve public service efficiency with appropriate safeguards, accountability and transparency<sup>9</sup>.

The Accrued Liability Dataset contains information on approx. 310,000 employees in 198 public service organisations. It provides the most comprehensive position on the profile of public service employment currently available to the Department of Public Expenditure and Reform. As such in aggregate form it constitutes a rich, GDPR compliant, data set for examining certain public service pay policy issues.

Ultimately the three schemes have a volume and price component – consequently the model needed to be able to estimate births by gender and salary level in the public service.

Outlined below are the data, assumptions and methodology used to estimate the uptake, and associated costs.

### Data

- The model uses Data gathered from the accrued liability project in 2018, a sample with information of approx. 310,000 public servants.
- The profile of this sample is applied to Q4 2019 numbers, and from this the Income levels by Gender, Age and Sector is extrapolated to derive the costs on a gender specific basis.
- Fertility data is taken from the Census and the appropriate rate by pay band is applied to the age profile of the Public Service respectively.

### Assumptions

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<sup>9</sup> <https://www.gov.ie/en/press-release/59356e-ministers-donohoe-and-odonovan-welcome-the-enactment-of-the-data-sha/>

The main assumptions to consider behind the costings are:

- If salaries for PS employees are topped up, they are assumed to be fully “Topped Up” (net of DSP benefit)
- A 5 year average of national fertility data is applied to the total public service workforce.
- Males are assumed to have the same fertility rate as females.
- A replacement rate of 90% for staff in the education and health sector.
- It is assumed that all front line staff will be fully replaced and that the costs of full replacement carry a 20% premium<sup>10</sup>.
- No recruitment assumption is made within this calculations.
- 100% uptake for Maternity and Paternity in the Public Service is assumed due to the existence of full salary top ups. Departmental data was collected which allowed us to compare the model estimates with actual departmental outturns. While the numbers of teachers and employees in the HSE who availed of maternity and paternity leave exceeded the model estimate, the level of uptake in the civil service was below the model estimate. While the model deals with national fertility averages, some cohorts or professions may, by self-selection, have differing fertility rates.

**Table 2: Comparison of model estimates of public service births versus selective Departmental data on number of employees availing of maternity and paternity leave.**

% of staff availing of maternity and paternity leave	Model Estimates	Dept. Data
HSE	3.8%	4.9%
Education (primary / post primary)	5.9%	8.2%
Civil Service	3.2%	2.4%

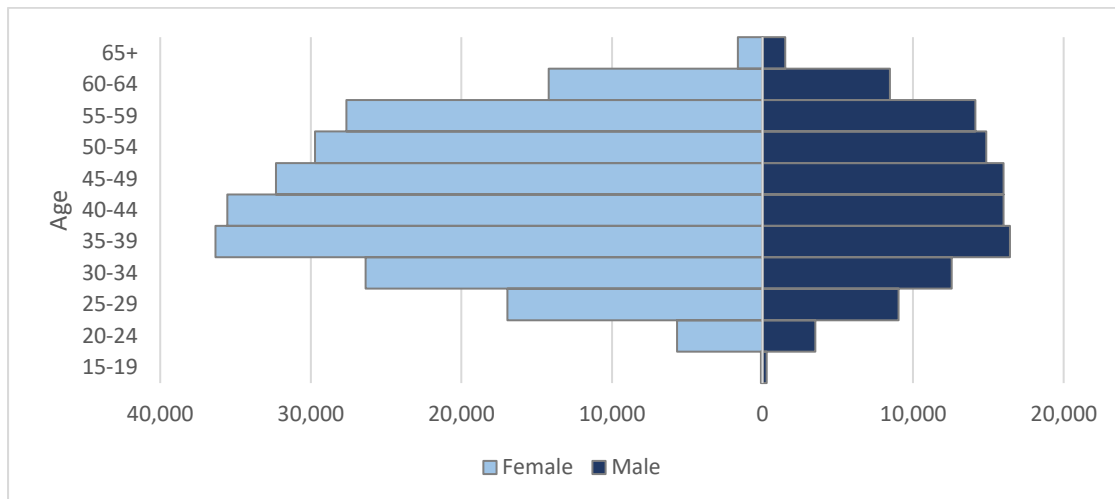
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<sup>10</sup> This is to account for agency, substitution and hiring costs in the education and health sectors.

## Calculation Steps:

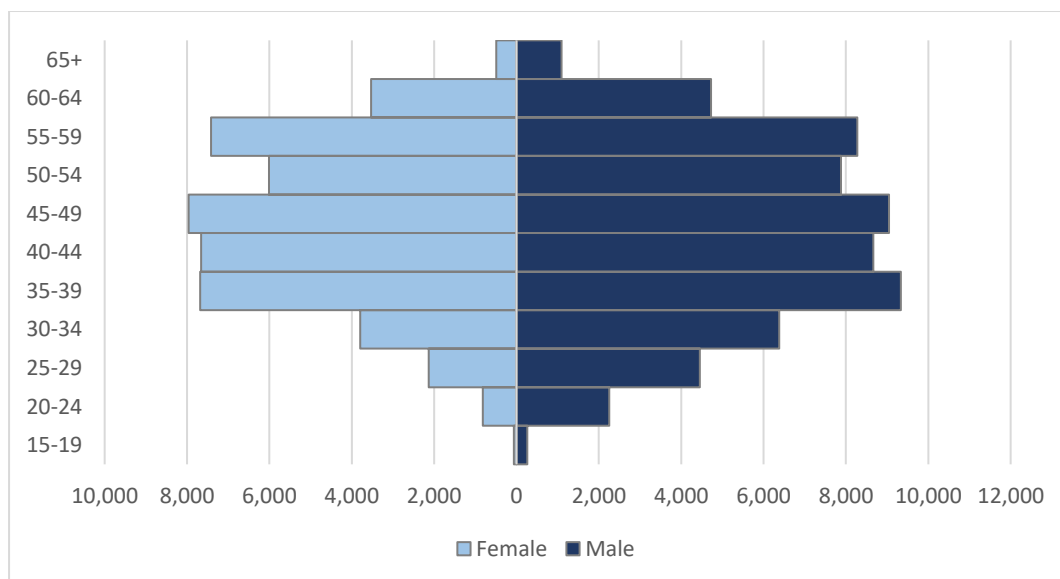
1. Using the accrued liability data, the number of males and females by age bracket across the public sector is derived.

**Figure 4: Comparison of males and females across the public service by age bracket**

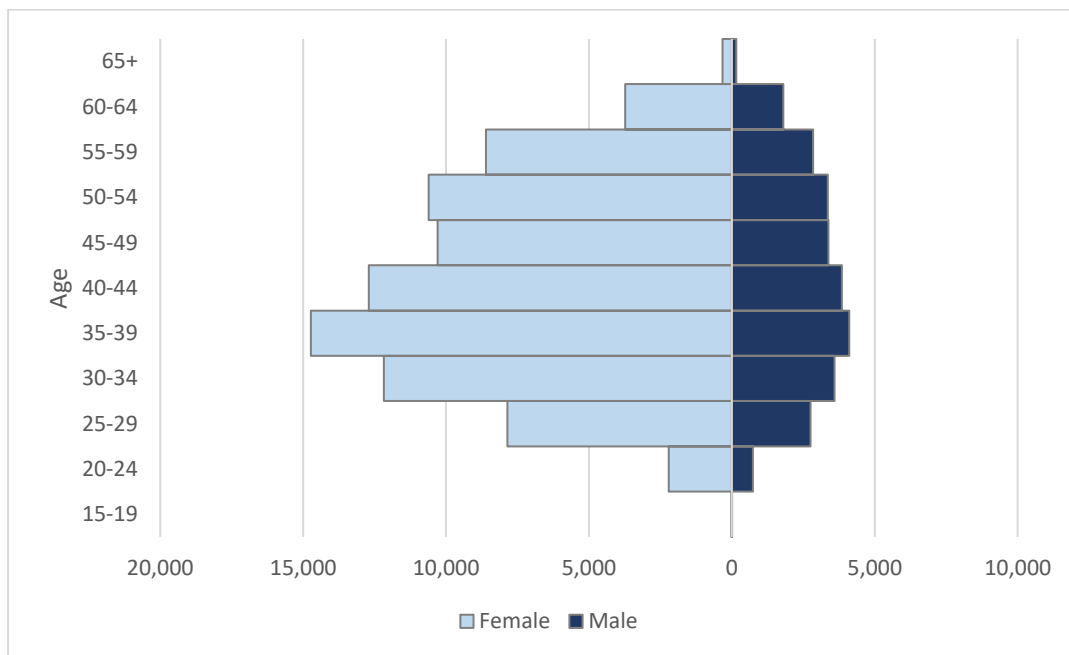


2. The number of males and females by age bracket is then disaggregated by Public Service, Health Service, and Education Sector.

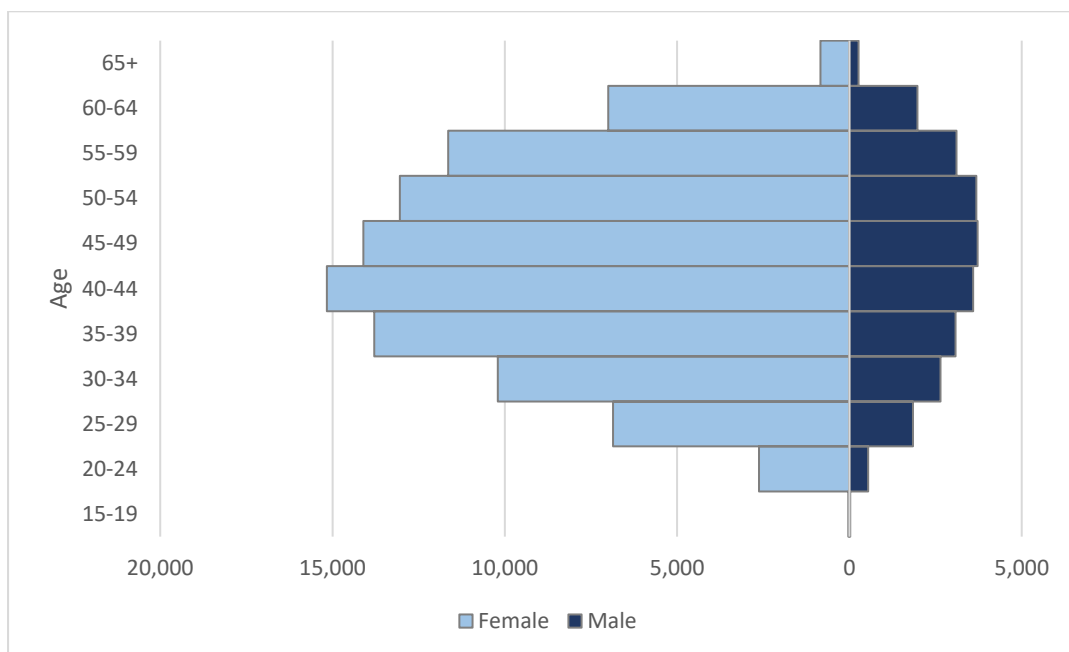
**Figure 5: Comparison of males and females in the public service (excl. health and education) by age bracket.**



**Figures 6: Comparison of males and females in the Education Sector by age bracket:**



**Figure 7: Comparison of males and females in the Health Sector by age bracket:**

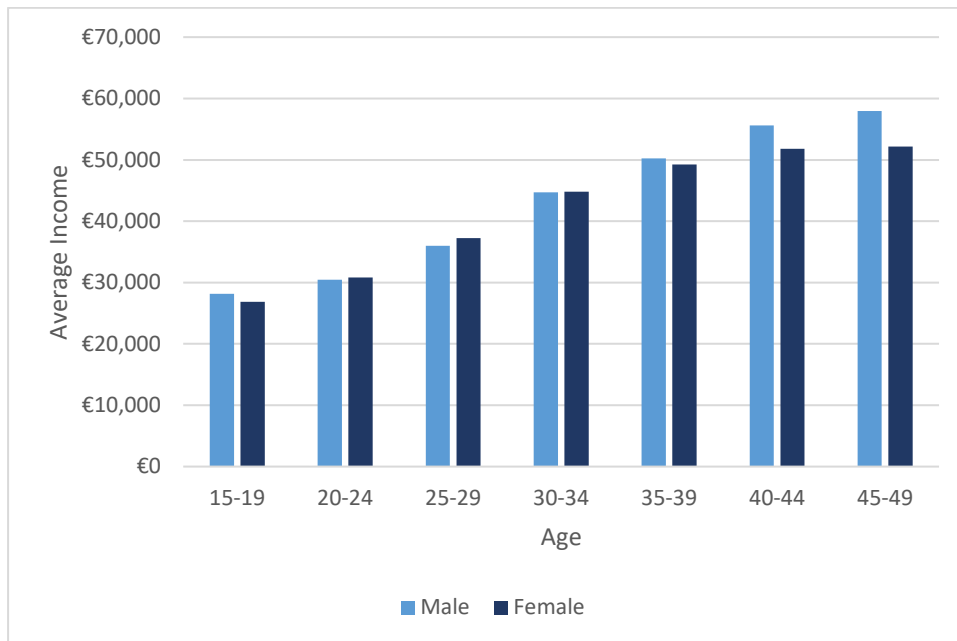


3. An 'average income' is derived for both male and females, by each sector.

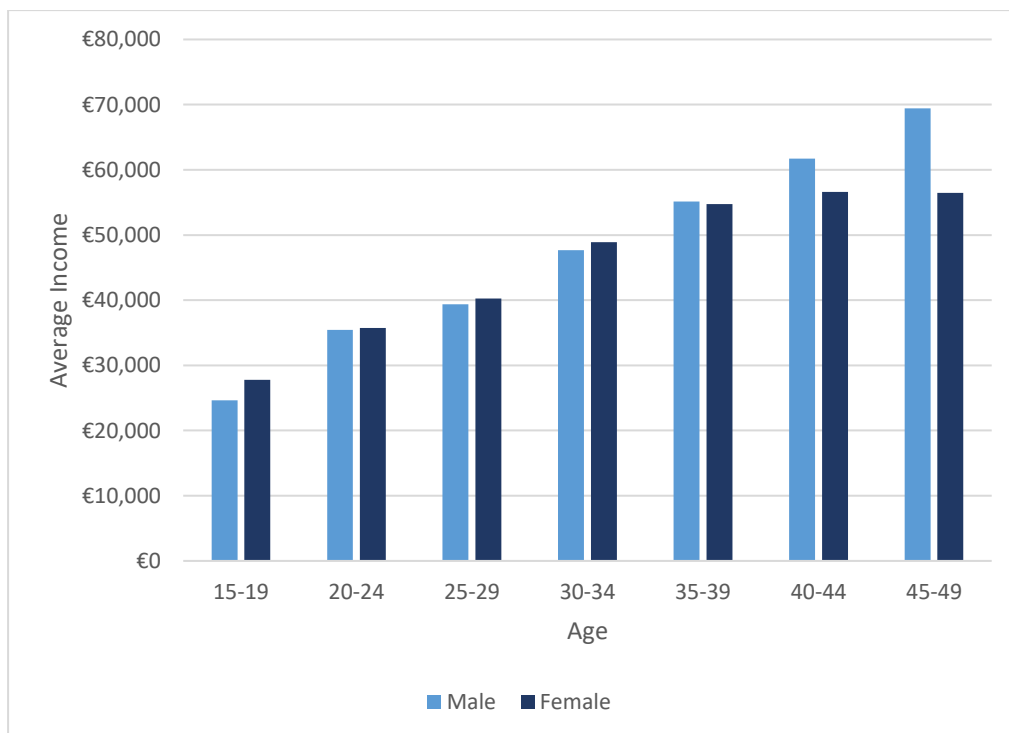
This is based on individual salary level detail which is grossed and averaged by gender and sector.

4. The average income was then made relative to differential age cohorts.

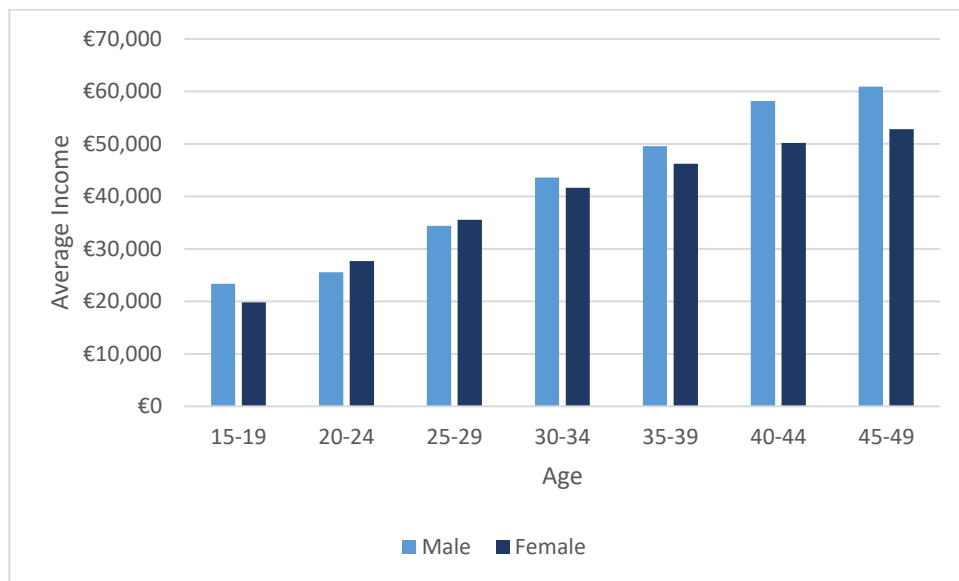
**Figure 8: Overall public sector, average income by gender and age group:**



**Figure 9: Education sector, average income by gender and age group:**

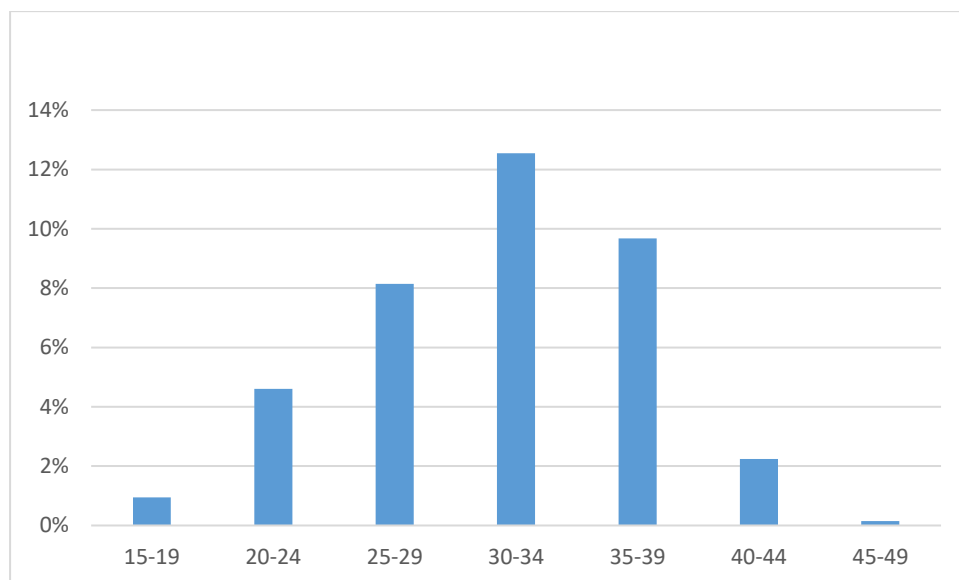


**Figure 10: Health sector, average income by gender and age group:**



5. The use of the Central Statistics Office (CSO) national fertility rates were used to derive 5 year average rates for each age cohort.

**Figure 11: % of births for females at specified ages, 5 year average:**



6. The derived average fertility rates were then used to estimate the potential number of births that pertain to this sample.

**Table 3: Average fertility rates and estimated potential number of births in the public sector by age grouping.**



Public Service (FTE)			
Age Group	Total	Fertility Rate	Babies
15 - 19	382	0.9%	4
20-24	9,181	4.6%	423
25-29	25,981	8.1%	2,115
30-34	38,925	12.5%	4,883
35-39	52,761	9.7%	5,104
40-44	51,549	2.2%	1,157
45-49	48,329	0.2%	73
50-54	44,572	0.0%	
55-59	41,777	0.0%	
60-64	22,656	0.0%	
65-69	3,146	0.0%	
<b>Total</b>	<b>339,258</b>	<b>0</b>	<b>13,759</b>

7. Once the number of births were estimated, the leave entitlement was applied.
8. Assuming full top-ups of salaries, the derived salary by gender by age data outlined in steps 1-4, were combined with the estimated number of births, outlined in steps 5-7, to estimate the costs of paid leave for parents.
9. A 90% replacement rate of front line staff with an assumed premia of +20% (based on agency premia costs in D/Health), was used to estimate the substitution costs.
10. Estimated births in the Public Service were assumed to have 100% uptake for the existing Maternity and Paternity leave schemes due to full salary top up. This was subtracted from Department of Employment Affairs and Social Protection administrative data on the numbers of claimants of Maternity and Paternity in order to estimate private sector uptake.

## 7. Model Results: Estimating Uptake and Exchequer Cost of Maternity and Paternity Leave.

In 2019, according to administrative data from the DEASP on claimant numbers, 72,435 people availed of either maternity, paternity or adoptive leave.

**Table 4: Estimate of number of recipients of maternity and paternity leave in the public and private sector**

	Public Sector	Private Sector
<b>Maternity Leave</b>		
Duration	26	26
% of Organisations who top up	100%	60%
Est. Recipients	9,309	34,906
Est. Uptake Rate	100%	92%
Est. SIF Cost	€59m	€222m <sup>11</sup>
Est. Public Service Pay Bill Cost	€344m	n/a
<b>Paternity Leave</b>		
Duration	2	2
% of Organisations who top up	100%	46%
Est. Recipients	4,450	23,741
Est. Uptake Rate	100%	51%
Est. SIF Cost	€2.2m	€11.6m
Est. Public Service Pay Bill Cost	€9.7m	n/a

### Public Service Births

Of the approx. 99,000 members of the workforce in Ireland having babies annually, the model estimate is that approx. 14,000 are public servants. An estimated 9,000 public sector employees take maternity leave with an additional 4,000 taking paternity leave each year. This is in line with the observed gender split within the public service that is weighted towards females, who make up an estimated 67% of the 339,000 public service staff

<sup>11</sup> The estimates for maternity and paternity leave SIF costs are slightly above 2019 outturn figures (€267m for maternity and €13.5m for paternity). This could be due to timing (leave spanning financial years) or some recipients not availing of the full leave available.

## **Uptake Rate**

In the public sector, the uptake rate is assumed to be close to 100% as the leave is fully topped up to salary level.

In the private sector, an estimated 35,000 employees take maternity leave and an estimated 24,000 take paternity leave, an uptake rate of 92% and 51% respectively. The latter rate of paternity uptake in the private sector is particularly noteworthy, with only half of all individuals eligible for paternity leave in the private sector estimated to have availed of the scheme in 2019.

While uptake rates for maternity leave are high considering that only a reported 60% of organisation offer salary top ups, the uptake rate of paternity leave is in line with the rate of organisations who top up. One of the possible reasons for this is that while parents can afford to sacrifice one income, they may not have the means to go without two full incomes.

## **Public Service Costs**

The estimated annual cost of social protection benefits for public servants taking maternity leave is €59m. These are paid from the Social Insurance Fund based on employee PRSI contributions. The estimated annual cost to the public service pay bill for maternity leave is €343m:

- €152m in top up of public service salaries.
- €191m in substitution costs for front line services in education and health.<sup>12</sup>

The estimated annual cost of social protection benefits for public servants taking paternity leave is €2m. These are paid from the Social Insurance Fund based on employee PRSI contributions. The estimated annual cost to the public service pay bill for paternity leave is €9.7m:

- €5.6m in top up of public service salaries.
- €4.1m in substitution costs for front line services in education and health.

In total the estimated cost of public service salary top ups and agency replacement of frontline staff in Education and Health is greater than the SIF payments across both schemes, in public and private sectors.

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<sup>12</sup> Source: DPER administrative data.

## Administrative Data on Uptake of Maternity and Paternity Leave in Health and Education

The uptake and associated costs of maternity and paternity leave will vary across different sectors in the public service based on a range of factors such as the gender and age mix of the cohort and the necessity of replacing front line staff. In order to check the model estimates a dedicated data request was issued to Health and Education which together accounts for approximately two thirds of the public service.

### Education

The education sector, especially among primary and post primary teachers, has a high proportion of female employees (76%). From 2014/15 to 2018/19, an average of 5% of male teachers and 8.8% of female teachers availed of paid paternity and paid maternity leave respectively.

**Table 5: Number of teachers availing of paternity and maternity leave, 2017/18**

2017/18 Academic Year	Teachers Availing of Paternity Leave	% of male teacher population	Teachers Availing of Maternity Leave	% of female teacher population	Model Estimate of Teachers Availing of Paternity Leave	Model Estimate of Teachers Availing of Maternity Leave
Primary	363	6.3%	3154	9.8%		
Post Primary	336	5.3%	922	6.5%		
<b>Total</b>	<b>699</b>	<b>5.7%</b>	<b>4,076</b>	<b>8.8%</b>	<b>688</b>	<b>2,747</b>

The percentage of teachers in primary schools taking paid maternity or paternity leave is higher than in post primary. This is possibly because of the younger average age of 38.5 for primary school teachers compared to 41.6 for post primary teachers.

As teachers are frontline public sector staff, it is necessary that those availing of leave are replaced. Due to the academic calendar, not all maternity and paternity leave falls during term time, reducing the cost of replacements somewhat. In 2017/18 maternity cover amounted to an average number of absent days of 106 days (primary) and 102 days (post primary). The average number of absent days for paternity leave is 10 days, indicating that individuals eligible for paternity leave take up their full allotment of paternity leave during term time.

With regards teachers, there was a variance between the model results and the actual Departmental outturns. While the model deals with national fertility averages, some cohorts or professions may, by self-selection, have differing fertility rates.

## Health

Similar to the education sector, the health sector has a high proportion of female employees (80%).

In 2018, 5,055 HSE staff took maternity leave and 754 took paternity leave. As with the education sector, the majority of HSE staff are frontline workers and need to be replaced. However, unlike the education sector, there is no 'non-term' time, so there is no corresponding reduction in the cost of replacements.

**Table 6: Number of HSE staff availing of maternity and paternity leave, 2018.**

2018	HSE Staff Availing of Paternity Leave	% of male HSE staff population	HSE staff availing of Maternity leave	% of female HSE staff population	Model Estimate of HSE staff availing of paternity leave	Model Estimate of HSE staff availing of maternity leave
	754	2.8%	5,055	5.5%	892	3,656

## 8. EU Work Life Balance Directive

### Background

On 1 August 2019, the EU Work-life Balance Directive entered into force. The Directive introduced a set of legislative actions designed to modernise the existing EU legal and policy frameworks, with the aims of;

- 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.

The introduction of the Directive was partly as a response to the 2013 Commission Recommendation for Investing in Children. In particular supporting parents' participation in the labour market:

*"Promote quality, inclusive employment and a working environment that enables parents to balance their work and parenting roles on an equal footing, including through parental leave, workplace support and flexible working arrangements."*<sup>13</sup>

A 2018 European Commission policy memo<sup>14</sup> provides further insight on the rationale for the Directive, including the focus on equal sharing of parental leave and the link to women's participation rates:

*"The proposed Directive would establish leave as an individual and non-transferable right to encourage fathers to be more involved in childcare. Several studies have pointed to the potential benefits of such 'fathers' leave':*

*The uptake of parental leave among fathers is shown to be much higher when leave is their individual and non-transferable right (Schulze & Gergoric 2015);*

*Uptake among fathers increased in several EU countries after the introduction of dedicated leave entitlements for fathers (so called 'daddy quotas') (OECD 2016; Van Belle 2016);*

*Fathers' leave influences the sharing of domestic work by men (Hook 2006; Nepomnyaschy & Waldfogel 2007); and*

*A positive relationship has been shown between men's engagement in unpaid work and women's employment rates (Hook 2006; Kotsadam & Finseraas 2011; Norman et al. 2014)."*

The benefits from paternity and parental leave taken by fathers are characterised as follows:

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<sup>13</sup> Commission Recommendation, 20 February 2013, Investing in Children: Breaking the Cycle of Disadvantage (2013/112/EU)

<sup>14</sup> EU Commission, Paternity and parental leave policies across the European Union: Assessment of current provision, 2018

<b>Children</b>	Fathers' participation in children's lives from birth has positive, long-lasting outcomes for child development, such as improved cognitive and emotional outcomes and physical health.
<b>Mother</b>	Acknowledgement by employers that both mothers and fathers have caring responsibilities leads to improved gender equality in the labour market.
<b>Fathers</b>	Fathers involved in their children's lives have longer, healthier lives, better relationships and more personal satisfaction.
<b>Employers</b>	Paid leave has positive impacts on businesses, promoting and reducing employee retention, increasing morale and productivity, and reducing absenteeism and staff turnover.
<b>Families</b>	More equal share of professional and domestic responsibilities has a positive impact on work-life balance in families.

The memo concludes that:

*“decisions about childcare responsibilities are naturally taken by families themselves. Available evidence shows that fathers' involvement in childcare has considerable benefits for the child, fathers, mothers and employers. However, data also show that uptake of paternity leave and fathers' parental leave is limited in the EU due to various barriers. By reserving a proportion of leave for fathers, governments can support families in the more equal sharing of care responsibilities. In addition, policies can lessen the financial disincentives by reducing the opportunity cost to those parents who choose to take leave if wage replacement is at a high level.”*

## Requirements

In order to meet these stated aims, measures under the Directive include:

- The introduction of paternity leave: under the directive, fathers must be able to take at least 10 working days of paternity leave around the time of birth of their child, compensated at least at the level of sick pay.
- Ensuring that two out of the four months of parental leave are non-transferable between parents and compensated at a level that is determined by the member state.

Paternity leave of two weeks had already been introduced for individuals eligible for paternity leave in Ireland in September 2016 and is paid through the Social Insurance Fund at a rate of €245 per week. As a result Ireland was already compliant with the first measure of the Directive.

Non-transferrable leave for individuals eligible for maternity leave in Ireland already exceeds 2 months so no change was required. Non-transferrable leave for individuals eligible for paternity leave in Ireland would need to increase to meet the requirements of the directive.

Member states have three years, from 1 August 2019, to adopt the laws. Member states were given certain flexibility around how the directive is enforced, including ascertaining what compensation level the benefit would be paid at.



## 9. Implementing the Directive

### Report of the Interdepartmental Working Group on Parental Leave

Prompted by the 2016 Programme for Government commitment to ‘significantly increase paid parental leave in the first year of birth’ and by the EU work-life balance directive, an interdepartmental working group was established in 2018 with a view to:

- Developing options as to the duration of the leave, the age of the eligible child, and the level of payment to be offered.
- Determining the usefulness of adopting a phased approach.
- Estimating the likely costs arising.
- Aligning the scheme as much as possible with the proposed EU work life balance directive.

The interdepartmental group produced a report in July 2018. The report concluded that the introduction of a scheme for paid parental leave would be welcomed enormously by new parents and parents-to-be.

It also acknowledge the complexities of implementing the scheme and concluded that the precise structure of the payments required further analysis, including discussion on issues of:

- The starting and cut off points for the scheme, in terms of the child’s age.
- Will simultaneous uptake of the scheme by both parent’s be restricted?
- Will the rate of payment mirror that of Maternity and Paternity Benefit?
- What are the minimum and maximum ‘blocks’ of weeks that can be taken together?
- What are the qualifying conditions for this scheme and how can they be verified?
- Will salaries be topped up in the public and/or private sector?
- Will the entire liability be placed on the state or will an obligation be placed on employers to contribute?
- Should parents have the option of choosing which one gets the leave?
- Does the father or mother have sufficient PRSI contributions to qualify for the scheme?
- Where the father or mother are self-employed, can they afford to take the time off from their business?
- Should the parents be allowed to take the paid leave concurrently?



## Parent's Leave and Benefits Act 2019

The Parent's Leave and Benefit Act 2019 provided 2 weeks parent's leave to both parents to be taken in the first year of the child's life for employees and self-employees with enough PRSI contributions. The leave is paid to recipients from the Social Insurance Fund at the current rate of €245 per week. In line with the EU directive on work-life balance, the Act allows the Minister of Justice to increase the length of this leave to 9 weeks.

The Social Insurance Fund costs for the new scheme are estimated at about €22m in 2020, with a full year cost of €29m. An estimated 45,000 parents are expected to benefit in 2020.

In the public service, unlike for paternity and maternity leave, employees do not currently have their salary topped up for parent's leave. It is too early for uptake statistics on the new scheme, but the expectation is that uptake will be lower than for maternity and paternity.

In the private sector, according to the 2019 annual IBEC HR survey<sup>15</sup>, the following responses were given by organisations to the question whether they will pay over and above social welfare benefit to employees on the newly introduced parent's leave from 1 November 2019;

- 18% yes to all eligible employees
- 1% yes to some eligible employees
- 34% have not decided yet
- 47% no.

Of those companies who plan to pay over and above the social welfare benefit;

- 61% intend to match the number of weeks paid by the State (as it increases)
- 22% intend to make the payment for 2 weeks
- 3% intend to make the payment for 1 week
- 14% have not yet decided on duration of payment.

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<sup>15</sup> <https://www.ibec.ie/connect-and-learn/media/2019/10/24/ibec-hr-survey>

## 10. Assessment of Implementation

The current policy adopted will fulfil the formal requirement of the EU Directive that two out of four months of parental leave are non-transferable between parents and compensated at a level that is determined by the member state.

However, two of the core objectives of the Directive are ‘encouraging a more equal sharing of parental leave between men and women’ and “addressing women’s underrepresentation in the labour market”.

As shown in Section 8 the new scheme does not encourage more equal share of leave, with current differences in entitlements maintained rather than reduced. When fully implemented the new scheme will increase total available paid leave for individuals eligible for maternity leave from 26 to 35 weeks and for individuals eligible for paternity leave from 2 to 11 weeks.

The reliance on salary top ups to incentivise uptake also potentially compromises the ability of the scheme to deliver its core objectives, and does not address existing low uptake rates of paternity leave in Ireland. In the public sector, unlike for maternity and paternity leave, salary top ups are not being paid. It is too early for solid administrative data on public service uptake rates but these are likely to be much lower than for the existing schemes. In the private sector, survey evidence suggests fewer companies will provide salary top ups, potentially as low as 18%. Taken together lower uptake rates will likely compromise the ability of parents to avail of the new scheme, compounding existing low rates of private sector uptake of paternity leave. Indeed where salary top ups are not paid, families could decide to prioritise the mother availing of the new parent’s leave scheme over fathers, potentially exacerbating existing gender based differences in childcare duties.

By devolving a core determining decision on policy delivery to employers – whether top ups are paid or not – the State is relying on the sum of individual company decisions to deliver the policy objective. Implicitly the policy approach accepts that not all companies will pay top ups and by extension not all of those eligible will be able to avail of the leave.

In summary a lower uptake of the scheme is likely, in both the public and private sector. If this transpires, it will inevitably impact on the capacity of the scheme to deliver on the policy objectives of the Directive, which are predicated on parents availing of the leave. This is compounded by the choice of scheme design which extends current leave entitlements for both parents without addressing current disparities in leave entitlements.

## 11. Possible Approaches to Future Policy Development

The analysis of the existing maternity and paternity leave scheme and the assessment of the new scheme has identified three core metrics that should be considered in any future policy development in this area.

- **Uptake** – The likely uptake of the leave scheme, differentiated by gender and type of worker.
- **Equity** – The implications of that level of uptake on equity between workers and genders.
- **Cost** – Total Exchequer costs of the leave scheme, including SIF payments, public service salary top ups and substitution costs.

Based on these metrics it is possible to formulate 3 broad principles that could act as a guide for future policy development.

### **Simplify**

Integration of the three paid schemes (and potentially the unpaid scheme) could provide administrative efficiencies and a clearer offering to citizens.

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

Higher SIF payments rather than a reliance on salary top ups could improve equity between gender and workers.

### **Incentivise Gender Sharing**

Under the EU Directive the duration of non-transferrable leave for each parent has to be ringfenced at 9 weeks. Beyond this it would be worth exploring the possibility of allowing leave to be shared (based on family choice) with potentially some additional increase in the duration of leave available for individuals currently 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.

### Quality Assurance process

To ensure accuracy and methodological rigour, the author engaged in the following quality assurance process.

- ☐ Internal/Departmental
  - X Line management
  - ☐ Spending Review Steering group
  - ☐ Other divisions/sections
  - ☐ Peer review (IGEES network, seminars, conferences etc.)
- ☐ External
  - ☐ Other Government Department
  - ☐ Other Steering group
  - ☐ Quality Assurance Group (QAG)
  - ☐ Peer review (IGEES network, seminars, conferences etc.)
  - ☐ External expert(s)
- ☐ Other (relevant details)



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

**Tithe an Rialtas. Sráid Mhuirfean Uacht,**  
**Baile Átha Cliath 2, D02 R583, Éire**  
Government Buildings, Upper Merrion Street,  
Dublin 2, D02 R583, Ireland

T:+353 1 676 7571  
@IRLDeptPer  
[www.per.gov.ie](http://www.per.gov.ie)