

## **AN ECONOMIC MODEL FOR ADDITIONAL LEAVE IN IRELAND**

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### **Introduction**

The purpose of the proposed model is to: address the issue of the gender pay gap; provide fathers with the infrastructure so that they can participate in family life; and facilitate care needs of an ageing population. As a matter of equity, it also includes a period of leave for employees who have no children.

The Lisbon European Council in 2000 set a goal of 60 percent female labour market participation by 2010, under the European Employment Strategy. With more women participating in the labour market and the rise in dual income families, there is a shift away from the traditional breadwinner/housewife model to a dual-earner one. Social welfare policies have not adjusted to the changed model. As a result, women are being left to carry out an active role in the workplace as well as a carer's role at home and there is a lack of male participation in caring activities. The dual earner model should dictate that caring activities be carried out by both men and women.

Sharing 'parental leave' into equal durations for maternity and paternity leave would provide equality between parents and reduce the likelihood of women experiencing the gender pay gap. However, there is a clear need for other forms of leave, to care for older/adult dependents, which may fall to men and women in the labour force. Providing paid leave for both parents and other carers would ensure that fewer people would need to exit employment, other than on a temporary basis. In turn, this would increase Pay-Related Social Insurance (PRSI) contributions needed to cover the increase in pensions that will be incurred by an ageing population.

The Leave Model proposes that employees who have not availed of maternity/paternity leave should be entitled to take paid leave from work in order to pursue life long learning activities which will enable them to further participate in the civic, social and cultural life of society. The Model would provide them with the opportunity to enhance their self-development for a 6-month period without forfeiting their wages or pension entitlements.

This Briefing Paper calculates the cost of extending Maternity leave provision to fathers, carers and employees seeking further education, based on a 6 month duration without sacrificing labour market retention and progression. This model can be delivered at no additional cost to the Exchequer but it would involve an increase of 1-2% on the Standard Tax Rate for all employees.

## A. Background

*“Working families need time for parents and children to be with one another”.* Referring to the need to deliver greater flexibility and support for working families Kinahan states that Ireland *“is among the worst in Europe. Leave schemes (maternity and paternity leave) are prominent examples”* with Ireland rating 14<sup>th</sup> place in terms of payment for such leave (Kinahan 2007). In its pre-budget submission ICTU *“explicitly sought the introduction of a package that would have allowed parents to combine leave entitlements and provide that vital first 12 months of care themselves”* (Kinahan 2007).

The OECD’s synthesis report (2007), ‘Babies and Bosses: Reconciling Work and Family Life’, recommends that *“paid leave policies be of moderate length....and should encourage fathers to take more advantage of leave arrangements”*.

While men’s and women’s careers run (at least loosely) in parallel while they remain single/childless, it is evident in all OECD countries that *“mothers withdraw from the workplace or reduce their hours to care for children, whereas fathers do not (indeed they often increase their hours of work once they become a parent). This contributes to the persistence of significant gender pay differences, and women having great difficulty climbing the career ladder”* (OECD 2007). The OECD further commented that with few exceptions (the Nordic countries and Portugal) gender equity objectives were irrelevant to current national policies for parental leave.

In its conclusions concerning parental leave arrangements across OECD countries, the OECD noted that the most common duration is about one year (though this can be as high as three years). From a labour market perspective, the OECD study stated that the optimal period would be between 4 to 6 months, which conflicts with the evidence suggesting that infants should spend at least their first year being cared for by an individual parent/carer. While current leave entitlements, with the exception of countries like Finland and Austria which allow extensive leave duration, fall short of facilitating these conflicting parental, child and labour market demands, the OECD (2007) conclude that *“if both parents were to take their individual leave entitlements consecutively ....this would go some way to wards covering the period”*.

Furthermore, research has shown that as maternal employment increases, fathers become more involved in parenting (Gregg and Washbrook 2003). Conversely, it has been shown that children were more likely to have developmental problems if their father: had not used flexible working options; had left all home-based childcare to their partner rather than sharing it; and/or took no paternity leave to spend time with their child (Dex and Ward 2007).

Current research has identified the factors that militate against men taking parental leave as (in descending order of importance: financial considerations, lack of information and adverse impact on their careers of taking leave (EFILWC 2004).

This Briefing Paper is a response to the current employment model, still premised on the male breadwinner, that no longer reflects the needs of the Irish economy or welfare system. Although changes in the employment model have taken place, as reflected in the increasing levels of female participation, current policy does not reflect and support these changes. For example, since March 2007 paid leave for mothers was extended to 26 weeks, while no similar rights were granted to fathers. Irish men still have no statutory right to paternity leave in Ireland and it is up to the discretion of their employer to grant any/none.

Gendered social policy interventions, such as maternity leave, have inadvertently contributed to the gender pay gap and the lack of male participation in caring activities. Since 1998, men and women have a statutory entitlement to unpaid parental leave. However very few men have utilised this option since it is unpaid.

The objective of this study is to address the uneven representation of men and women in paid employment and unpaid caring work, by formulating and costing a gender neutral model for:

- Paternity/Maternity Leave
- Eldercare Leave
- Sabbatical/Study Leave

The rationale for developing a Model for all three types of leave is in response to major changes in social relations throughout the EU. These have been triggered by demographic change (lower fertility rates and an ageing population); rising labour force participation and employment rates especially among women; demands for gender equality in both the employment sphere (for women) and family/home domain (for men); and increased demand for skill enhancement and life long learning among the existing and prospective workforce.

Existing research (Drew 2005) shows that parental leave, from its inception, has been used mainly by mothers, even in the Nordic countries, when patterns of take-up *and* duration are examined. Hence the burden of 'reconciliation of family and professional responsibilities' is skewed heavily towards women. Future social policy needs to address male attitudes and behaviours.

International evidence of parental leave take-up by fathers indicates that only by providing paid parental leave can it be made appealing to men. However, payment of parental leave in is not enough to challenge well established sex roles of breadwinner (male) versus care giver (female). To ensure a more equitable distribution of caring means that 'fatherhood' has to be recognised as 'manly' and that parental leave can contribute to a win-win outcome for fathers, mothers and children. Finally it has been established that paternity leave, like maternity leave, needs to be non-transferable between parents (Drew 2005).

Iceland has come closest to promoting gender equity and a more equal sharing of parental leave. Since January 2001, each parent has had the right to a non-transferable three-month

leave period and a shared three-month period until their child is 18 months (OECD 2007). Fathers' share of parental leave days has subsequently increased from 3.3 per cent of take-up in 2000 to 35 per cent in 2004 (Einarsdóttir and Pétursdóttir 2007). Political discussions are currently under way to extend the total duration of leave from 9 to 12 months.

Sharing 'parental leave' into equal durations for maternity and paternity leave would provide equality between parents. However, there is a clear need for other forms of leave, to care for older/adult dependents, which may fall to men and women in the labour force. The current statutory provision for leave to care for dependents (other than children) allows 3 days paid leave in any 12 consecutive months, up to a limit of 5 days in any 36 consecutive months. In addition, it is possible for employees, with 12 months consecutive service, to take a maximum of 65 weeks unpaid leave to provide full-time for a dependent (Drew 2007).

The Leaves Model examined in this Briefing Paper incorporates leave for the care of a relative other than a child/ren. This addresses the reality faced by many employees, regardless of their family status, who may be faced with care responsibilities for family members. Unlike leave for parenting, care for an older/adult relative can fall to male as well as female employees.

Finally, in considering the extent and dimensions of a Model of leave that would be equitable not only to mothers/fathers, wo/men carers of other dependents it was necessary to incorporate the needs of employees who have no children or responsibility for care of other dependents. In calculating a Model of leave, consideration had to be given to all PAYE workers. Hence the need to incorporate a third category of paid leave for employees who had not availed of parental leave (as mothers/fathers) to allow them to take time out to pursue education/training for the same duration and on the same basis as maternity/paternity and carers leave proposed in this model.

The study involved discussions ICTU, One Family, Dept. of Justice, Equality and Law Reform, IPA and ESRI and a review of international literature on leave arrangements, including comparisons of the Irish welfare system with others in the EU/OECD. It sought to determine the most comprehensive and effective way of developing an economic model of leave to determine the economic costs of parental, caring and educational leave of 6 months.

## **B. Leave Policies in Ireland and other European Countries**

This section examines current leave policies in Ireland and other EU States spanning different welfare regimes, followed by comparisons between Ireland and Sweden, Germany and Iceland. Across European States there exist many different leave policies in terms of availability, duration, payment and eligibility. These reflect a number of different welfare regimes into which most European States can be categorised. They include the *Liberal Model* (e.g. The United Kingdom), the *Modified Christian Democrat Model* (e.g. Germany), the *Southern Model* (e.g. Spain) and the *Northern Model* (e.g. Norway) (Neyer 2003). In general, EU States are broadly similar in terms of maternity leave but diverge significantly in relation to paternity, parental and carers leave.

### **EU Welfare Regimes**

Within the EU, the *Liberal Model* is one that emphasises individual responsibility and agreements between employers and employees. While individuals have statutory rights, it is for the most part up to the individual or the private market, as opposed to the State welfare system, to provide caring facilities. Countries that fall into this category include Ireland and the United Kingdom (Crompton and Lyonette 2006).

The *Southern Model*, characterised by low female labour market participation rates places emphasis on the family, or extended family, as the main care providers. Countries that are tied to this model include: Spain, Italy and Greece (Flaquer 2000).

The *Northern Model* emphasises the 'dual earner' family, along with the provision of public childcare services, as well as paid parental leave and caring entitlements (Korpi, 2000). The Scandinavian countries Sweden, Finland, Denmark, and to a certain extent France, fall into this grouping.

The final model is the *Modified Christian Democrat Model*. It emphasises a pattern in which women leave the labour market after the birth of their first child, then look after the child for the first few years, while the father acts as the breadwinner. After the child reaches the age of three years, there is high public expenditure on childcare in the *Modified Christian Democrat States* (Moss and O'Brien, 2006). This regime has undergone modification over the last number of years with more emphasis on reducing the length of time women are taking out from the labour market and increasing male take-up of parental leave. Countries which follow this type of welfare regime include Germany, Austria and Luxembourg.

### **Maternity Leave**

Maternity leave is "*generally available to mothers only..... It is understood to be a health and welfare measure, intended to protect the health of the mother and newborn child, just before, during and immediately after childbirth birth*" (Moss and Wall 2007).

Maternity leave is generally for a specific period between 14 and 20 weeks. Ireland has one of the longest maternity leave entitlements in comparison with the countries in Europe, with 26 weeks paid and an additional 16 weeks unpaid leave (Moss and O'Brien 2006). Other countries with maternity leave above the norm include the Czech Republic (28 weeks) and the United Kingdom (52 weeks) (European Commission 2005). Ireland, along with the United Kingdom, has the lowest level of *paid* statutory maternity leave in Europe (Sullivan 2006). In contrast Denmark and Norway have the highest levels of maternity benefit, though

*“the length of maternity leave offered does not necessarily correlate to the level of benefits paid. Some countries allow long periods of leave but give low pay, and not everyone can afford to take the extended leave no matter how generous it might appear”* (Sullivan 2006).

Countries vary in terms of payment for maternity benefit by the government or employer. In Ireland, organisations such as the public service top-up the State maternity benefit to women's full earnings. However, not all companies do this. Norway follows a similar pattern in terms of a mixed payment between government and public service. For the majority of countries, it is the government that pays for the leave (European Commission 2005).

### **Paternity Leave**

Paternity leave is *“generally available to fathers only, usually to be taken soon after the birth of a child, and intended to enable the father to spend time with his partner, new child and older children”* (Moss and Wall, 2007)

Paternity leave in the EU is generally of a short duration and in many countries it is non-existent. In Ireland there is no statutory right to paternity leave. Exceptions such as the Teachers Union of Ireland (TUI) gained the right to three days paid paternity leave in 2001 (TUI,2001). Other countries which do not have a statutory right to paternity leave include Italy, Cyprus and Austria (European Commission 2005). However in the case of Italy, fathers are allowed a 12 weeks post-natal 'optional leave', mainly in circumstances where the father is the sole carer or if the mother has died (European Commission 2005).

Many countries provide a statutory right to paternity leave but the length of time off is limited and the payment is low. One such country is Denmark which allows a father to have 2 weeks paternity leave while receiving unemployment benefit. This can be taken up to 14 weeks after the child's birth (Moss and O'Brien, 2006). Likewise in Belgium paternity leave is 10 days and partly paid, depending on whether the employee is in the public or private sector (European Commission 2005). Finland allows fathers to take an extra two weeks paternity leave if they avail of two weeks of parental leave (Ministry of Social Affairs and Health, Finland, 2007).

Paternity leave in Finland is paid at the same rate as maternity benefit, generally an average of 66 per cent of earnings (Moss and O'Brien, 2006).In Luxemburg, Spain and Portugal, paternity rate is fully paid. Luxemburg and Spain both allow 2 days off at full pay while Portugal allow 5

days at full pay, to be taken during the first month after childbirth. A remaining 15 days can be taken either during the first month or after other leaves are taken (Moss and O'Brien 2006).

### **Parental Leave**

*“Leave generally available equally to mothers and fathers, either as a non-transferable individual right (i.e. both parents have an entitlement to an equal amount of leave) or as a family right that parents can divide between themselves as they choose”* (Moss and O'Brien 2006)

Since June 1996, a Directive from the European Council required Member States to introduce legislation on parental leave, allowing parents to care for their child for a period of 3 months (Moss and O'Brien 2005). Duration of parental leave differs by country, as does the basis of entitlement. It can be an individual right and/or a family right whereby leave is transferable between both parents (Moss and O'Brien 2006). In the Netherlands, for example, there is a set allowance of parental leave for each parent which is non-transferable. If the leave is not taken up, the right to it is lost (Dept. Justice, Equality and Law Reform 2002). In France, the parental leave can be transferred between either of the parents (Drew 2005), while in Ireland parental leave is for a period of 14 weeks, per person, per child and thus is an individual right (Drew 2005).

Payment for parental leave can differ among countries also. Ireland's parental leave, along with countries such as Greece, Spain, Netherlands and United Kingdom, is unpaid (European Commission 2005). In countries such as Belgium, Germany, Finland, Sweden and Iceland parental leave is paid (European Commission 2005). The payment of leave can vary between a base rate and a percentage of current earnings. Slovenia has the most generous payment for parental leave at full earnings and with no ceiling (European Commission 2005).

Ireland's parental leave take-up is low and this pattern is seen among countries which do not provide paid parental leave. In research conducted for by the EU Expert Group on Gender, Social Inclusion and Employment, “effective” parental leave was computed by weighting the duration of parental leave by the level of payment for countries in Europe. It was found that take-up varied considerably from low levels of take up in countries such as Ireland, Italy and United Kingdom as a result of the lack of financial incentive, to nearly universal take-up in Germany, Czech Republic and Estonia where it is paid. There were medium levels of take up in Spain, France and the Netherlands (European Commission 2005). A number of factors can contribute to take-up rates of parental leave:

- *Level of Payment:* There is a high correlation between levels of payment and take-up rate. Where parental leave is transferable between both parents, the level of payment can also determine which parent will avail of the leave (Dept. Justice, Equality and Law Reform, 2002)
- *Societal Culture:* In many countries women are expected to care for young children. Both genders can suffer from non-supportive cultures that constrain more parents from availing of parental leave. Discrimination against pregnant women is evident in countries such as Bulgaria, Slovenia and United Kingdom, where men experience, or believe they

would experience, penalties in terms of career progression if they choose to take parental leave (European Commission 2005).

- *Flexibility*: By allowing flexibility in leave arrangements, parents can find time to care for children while remaining in employment. In certain countries, such as Italy, leave can be taken as part time working hours up to the child's eighth birthday (Drew 2005).
- *Labour Market Sector*: There is a high correlation between take-up rates and employment in the public service. This correlation is evident in countries such as France, Norway and Italy. Job security allows parents to avail of parental leave without concern over loss of job or promotional prospects (European Commission 2005).
- *Level of Education*: Increased levels of education can have a positive affect on the take-up rates of parental leave, especially among men. This is supported by findings in Netherlands, Finland and Sweden. (European Commission 2005).

In 2001, less than 7 per cent of the labour market in Ireland was eligible to avail of parental leave. Take-up of parental leave is low with 5 percent of eligible men and 14 percent of eligible women availing (European Commission 2005). Ireland's statistics contrast with the Netherlands where the average take up is 27 per cent. In 2004, 23 per cent of women in the Netherlands took parental leave while only 16 per cent of men availed. On average, men take up 8 hours of leave per week and spread the number of hours over 10 months, while women take 12 hours leave per week spread over 8 months (European Commission 2005). Both Ireland and the Netherlands provide unpaid parental leave and yet the take-up rates are significantly different.

### **Eldercare Leave**

In Ireland 3 days paid leave can be taken for care of a dependent person in any 12 consecutive months, up to a limit of five days in any 36 consecutive months. This is treated as *force majeure* leave which is provided by the *EU Parental Leave Directive* which gives workers an entitlement to time off for urgent family reasons (Hall 1998). Employees with 12 months continuous service can take a maximum of 65 weeks unpaid leave to provide full-time care for a dependent, either in one continuous period or several blocks of time. Employees may work up 10 hours per week while on carer's leave, subject to certain income limits (Moss and O'Brien 2006). An employee on carer's leave may be entitled to a means-tested carer's benefit.

Belgium, Sweden and Portugal provide leave from employment that is not necessarily related to children (DTI, 2006). In Belgium, all eligible employees are entitled to a one year break from employment for the purposes of caring. This leave can be extended for up to five years by collective agreement, negotiated at sectoral or company level. Payment for the leave varies according to age, civil status and years in employment. However the maximum for a full time break is approximately €547 per month (Moss and O'Brien 2006). In Sweden, employees can take between 3 and 12 months leave for several purposes. This opportunity, which is not connected to parental leave, is called a *friar* (free year). In order to apply for this, there needs to be an agreement between the employee and employer; the employee must be employed by the same employer during the previous two years and the employee leaving must be replaced by an unemployed person. The person taking leave receives 85 per cent of unemployment benefit

which is earnings-related up to a maximum ceiling. There is a limited budget of this leave and as a result not all candidates are successful. In Portugal there is an allowance of 15 days per year unpaid that can be taken to look after an elderly dependent (Moss and O'Brien 2006).

## **Leave Entitlements and Arrangements in Sweden, Germany and Iceland**

### *Sweden*

Sweden falls into the category of the *Northern Model* with an emphasis on high levels of public spending on services such as childcare and paid leave, while also promoting gender equality. Since gender equality is the backbone of the *Northern Model*, emphasis is placed on childcare to allow women to participate in the labour market regardless of their family status. *“The Swedish policy seeks to facilitate men’s involvement in childcare and family life by sharing responsibilities for housework and caring”* (Drew 2005).

Although Sweden’s Nordic welfare regime is one that many countries aspire to, it is difficult to make comparisons between Sweden and other countries in terms of maternity leave and paternity leave since both of these entitlements are included in their parental leave. Parental Leave must commence 60 days before the expected birth date and last for at least 6 weeks after the birth. Eighteen months of full parental leave can be taken, either part time or full time, until the child is 8 years old. In the case of multiple births parents get additional paid leave. Out of the total 480 days paid parental leave, 60 days are only for mothers and 60 days are only for fathers. The remaining 360 days are a family entitlement. Half of these days are reserved for each parent. If days are transferred from one parent to another, the parent giving up his or her days must sign a consent form. If eligible for parental leave, payment works on the basis of 390 days at 80% of earnings, up to a maximum of approximately €44,100, and the remaining 90 days at €20 a day. Non-eligible parents receive €20 a day for 480 days then €6.70 a day for the following 90 days. There is also leave for the care of dependents that allows 120 days per child, per year, for children under the age of 12, and for children aged between 12 and 15 with a doctor's certificate. This leave is paid at 80 per cent of earnings and is a family entitlement. It can be used to care for sick children or to stay at home with young children. Since 2001, it can be used by someone outside the family, if they are an eligible person within the social insurance system (Chronholm, Haas and Hwang 2007).

### *Germany*

Germany overhauled its parental leave system in 2007 to incorporate work/life balance, inspired by the Swedish model. Germany is representation of the *Christian Democratic* states with emphasis on the mother taking care of the child below the age of 3 with childcare facilities for children over the age of 3. However over recent years, its parental leave policy has become on of the more generous of the EU States in terms of duration, compensation and eligibility.

Maternity leave is available for 14 weeks and payment is 100 per cent of earnings, with no ceiling on payments. There is 100 per cent take-up since it is prohibited for mothers to work for eight weeks after birth. There is no statutory entitlement to paternity leave however.

Since 2007, twelve months parental leave can be taken at 67 per cent of parent's wage (minimum €300 and maximum €1,800 per month) and two additional months are available, only if taken by the father. Both parents are equally entitled to the childrearing benefit but if the father takes at least two months of leave the overall length of benefit payment is extended to 14 months. Parents also have the option of spreading the childrearing benefit over 24 (+4) months instead of 12 (+2) months.

Overall, the new Parental leave legislation represents a major departure from German's traditional emphasis on the male breadwinner model. Prompted by demographic decline and the low performance of Germany's early education system, policy makers sought to ensure a more equal division of labour and a more active state role in the provision of early childcare (Erlor and Erlor 2007).

### *Iceland*

Under Icelandic law, maternity, paternity and parental leave are collectively covered by the term 'birth leave'. In practice, maternity leave is of 3 months duration and payment is of 80 per cent of earnings (up to a ceiling of €6,000 per month) for those mothers who have been in the workforce for the preceding 24 months. Paternity leave is also of 3 months duration and payment is on the same basis as for maternity leave. Parental leave is allowed for a further 3 months and can be taken by either parent with payment on the same basis as maternity/paternity leave. In addition, each parent can avail of 13 weeks unpaid leave until the child is 8 years old.

Virtually all mothers avail of maternity leave. In 2004, 90 per cent of fathers took a period of leave, accounting for one-third of all days taken by parents. There has been discussion among party officials about extending the total leave period to 12 months (from the current 9 months).

While leave policies are improving steadily in most countries, there are major differentials between countries in terms of leave policies. Relative to other EU countries, it is apparent that Ireland is significantly below par in terms of leave, not only compared with the Nordic countries but also Portugal and Germany. Fathers in Ireland have a low level of take-up participation in parental leave, which has been attributed to it being transferable and unpaid (Fagan and Hebson, 2006).

In all countries the emphasis in leave entitlement is related to childcare and there is little focus on leave for the purposes of eldercare. This suggests that policies, even at EU level, are not preparing for the impact which the ageing population will have on the EU States (European Commission 2006). Since there will be a heavier reliance on people in employment to care for older dependents in the future, it will be necessary for the statutory rights in relation to leave, in Ireland and other EU States, to reflect this.

## C The Case for Leave Policy Reform in Ireland

This section outlines the key factors that impel Ireland, along with other EU States, to reform current leave policies. They relate to: demographic change, labour market participation rates, the gender pay gap, EU driven childcare commitments and the need for life-long learning.

- Ireland's **demographic profile** is changing and there is a trend towards an ageing population, albeit later than in most other EU countries. The dependency ratio for people over the age of 65 years is predicted to increase from the current 17.4 percent, to 43.6 percent by 2050 (Eurostat 2004). This will require social policy to be orientated to the needs of older people who will comprise a larger proportion of the total population. Providing paid leave for both parents and other carers would ensure that fewer people would need to exit employment, other than on a temporary basis. In turn, this would increase Pay-Related Social Insurance (PRSI) contributions needed to cover the increase in pensions that will be incurred by an ageing population.
- In 2005, the **Irish labour market participation rate** for women between aged of 15 to 65 years was 58.3 percent (Eurostat 2006). The Lisbon European Council in 2000 set a goal of 60 percent female labour market participation by 2010, under the European Employment Strategy (Eurostat 2006). Ireland is already close to meeting the Lisbon target. Further rises in female participation are predicted despite the fact that caring activities have traditionally fallen on women who, in previous decades, exited from the labour market for substantial periods. In response, policy makers will need to provide employees with equitable durations of paid leave to allow them the opportunity to satisfy their caring requirements while still remaining employed.
- While female participation rates are increasing, there remain a large number of women who still exit from, or cannot re-enter, employment due to the cost of childcare and other forms of care. Ireland does not match up well against other EU States in terms of childcare costs. Irish parents pay approximately 20 percent of their income on childcare, or twice the EU average (Brady, 2005). International research shows that *"women may postpone their return to employment if there is no state subsidised childcare and childcare costs are high"* (Rubery et al 1999). According to the Central Statistics Office *"The employment rate for women aged 20-44 varied from 87.2% for women with no children to 52.4% for women whose youngest child was aged 3 or under"* (CSO 2004). Only 40.5 percent of mothers with two or more children work outside the home compared with 81.8 percent in Sweden and 77 percent in Denmark (Irish Labour Party 2006). *"Facilitating care should not be disproportionate and should not lock women into long term patterns of caring"* (McLaughlin et al 2001).
- Politically, the EU through its Social Agenda 2005-2010 is committed to expanding Europe's labour market, improving flexibility for working parents, and removing barriers to employment, particularly for women. To help achieve these goals, the EU is

encouraging the **expansion of childcare services** to meet increasing demand. Targets set out by the Barcelona European Council aim to provide childcare services for 90 per cent of children between three years of age and the mandatory school age, and for 33 per cent of children under three years of age by 2010. In line with the European strategy for growth and employment, Ireland will be expected to meet the Barcelona targets for childcare. The Model of Leaves proposed in this Paper would reduce the costs for parents of childcare during the first year of their child's life and would help the Irish Government meet the Barcelona childcare target for under three year olds.

- The EU old age dependency ratio is predicted to be 2.5 times the current 17.4 per cent, and is expected to reach 43.6 per cent by 2050 (Eurostat 2004). In Ireland, it is evident that *“resources allocated to date are not adequate to meet existing future needs”* (ICTU 2005). The National Council for **Ageing and Older People** showed that 9 out of 10 older people would prefer to be looked after in their own homes for as long as possible (ICTU 2005). The proposed Leaves Model would facilitate this by allowing employees to avail of 6 months paid leave for caring responsibilities other than for children.
- With more women participating in the labour market and the rise in dual income families, there is a shift away from the traditional Breadwinner/Housewife model to a dual earner one. Social welfare policies have not adjusted to the changed model. As a result, women are being left to carry out an active role in the workplace as well as a carer's role at home. The dual earner model should dictate that caring activities be carried out by both men and women. Unless caring is more equitably shared by men and women, who are allowed to take similar time out of the workplace for the purposes of caring activities, **gender inequality** will be perpetuated.
- The hourly average wage of women remains at 85 percent of the male wage, 30 years after gender equality legislation was introduced in Ireland (Dept. Justice, Equality and Law Reform 2003). The **gender pay gap** will continue to be a feature of Irish employment if the traditional role of carer and parent continue to fall to a greater extent on women/mothers. By establishing non-transferable paid leave entitlements of equal duration, men and women could participate at equal rates in caring for children and other dependents. The proposed model in this study would allow men and women to take equal periods of time out of employment, thus reducing the likelihood of women experiencing the gender pay gap
- To address the needs for upskilling and continuing education of the Irish and EU workforce, **life-long learning** will need to be a feature of employees' entitlements. Lower educational attainment is linked to lower earning potential and many people do not have the financial resources available to invest in their education. Providing them with the opportunity for life long learning, would increase their personal satisfaction and career development, while benefiting the economy. The Leaves Model proposes that employees who have not availed of maternity/paternity leave should be entitled to take

paid leave from work in order to pursue life long learning. *“Lifelong learning must be seen in a wider perspective, including everything from job related training to learning activities which enable individuals to participate in the civic, social and cultural life of society”* (ICTU 2008). The Model would provide these people with the opportunity to enhance their education for a 6 month period without forfeiting their wages or pension entitlements.

In comparison with other EU States, Ireland’s leave policies are minimal. Maternity leave is generous in terms of duration though payment entitlements are not. In the absence of paid paternity or parental leave, only a small proportion of men take time out for caring responsibilities. This pattern is unsustainable given the pressures of demographic change, rising female labour force participation, Government commitment to childcare provision, alongside the demands for addressing gender inequality in pay/employment prospects and the need for life-long learning.

This Paper calculates the cost of extending Maternity leave provision to fathers, carers and employees seeking further education, based on a 6 month leave period to enable all employees to combine employment with caring for child/ren (or availing of life-long learning) and caring for other dependents without sacrificing labour market retention and progression.

## D. Dimensions of the Proposed Leave Model

### ***Statutory Maternity Leave***

Maternity leave is currently at 26 weeks and would remain at this duration, subject to review in 2010.

### ***Statutory Paternity Leave***

A statutory right for paternity leave should be introduced. The purpose of paternity leave is to allow fathers to partake in caring for a child for a period after the birth. The leave should be paid at the same rate as maternity leave and be of similar duration - 6 months. This model could be phased in over two years, for example by introducing 13 weeks paternity leave in 2009 and increasing it to 26 weeks in 2010 (thereby making it equivalent in length to current maternity leave).

### ***Statutory Adult/Eldercare Leave***

A statutory right for eldercare leave is needed. The purpose of the eldercare leave would be to allow a person to look after an elderly/adult dependent, paid at the same rate as maternity leave and be of similar duration - 6 months. It could be phased in using the same method as paternity leave over two years. Every employee would be entitled take adult/eldercare leave on a flexible basis up to a maximum of 6 months.

### ***Statutory Sabbatical Leave***

A statutory right to sabbatical leave should be introduced to allow a person to take paid leave to enhance their education/skills. The leave would be available to persons over 40 years of age who had not availed of maternity/paternity leave. This sabbatical leave should be paid at the same rate as maternity leave and be of a similar duration (6 months).

It is recommended that paid leave be financed through an increase in the standard income tax rate. The proposed model would only apply to those in PAYE employment as is currently the case for maternity leave.

The Leaves Model proposed in this Paper would facilitate parents and care-givers to balance their roles as parents, carers and employees. It would increase female participation in employment and support employees wishing to avail of further education and training opportunities. The Model would allow children to be cared for by their own parents for the first year of their lives and would reduce pressure on all employees to forfeit income in order to meet caring or education commitments. A summary of the objectives for the Model are as follows:

- Additional leave entitlements along with the current maternity leave, to allow for time out of employment for paternity leave, eldercare leave and leave for learning;
- More equal allocation of caring activities, childcare or eldercare between men and women;

- Increased participation rates, especially among older women who would need to leave employment for caring activities;
- More limited period(s) out of the labour market for women would contribute to a decrease in the gender pay gap;
- Increased opportunities to participate in education while in employment;
- Reduced demand for non-family childcare and eldercare.

## **E. Methodology**

In developing a Leaves Model, it was essential to establish the EU/Irish context through desk research on policy issues and to consult with organisations such as ICTU, National Women's Council of Ireland and One Family. Once a sound background knowledge was obtained, research was undertaken to assess the best method for constructing the Leaves Model. Previously published sources, such as 'The Accessible Childcare Model', were used along with discussions with the Economic Social Research Institute (ESRI) who carried out the childcare model research.

Microsoft Excel was used to construct the Model and the data were drawn mainly from the Central Statistics Office (CSO) and the employee survey from "Off the Treadmill" Achieving Work Life Balance (Drew et al 2003). Once the Model had been developed and government expenditure determined, consultations took place with the Department of Finance to establish how to convert the computed increase in government expenditure into a corresponding increase in the standard income tax rate. The final process in creating the Model extended to testing the model at a micro level in order to assess its viability at an individual level.

## F. Model Components and Implementation Strategy

The key elements of the Leaves Model are set out in Table 1.

**Table 1 Model Components and Implementation Strategy**

COMPONENT	IMPLEMENTATION STRATEGY
<b>6 MONTH PAID LEAVE MODEL</b>	
<b>Maternity Leave</b>	
6 Months (26 weeks) paid Maternity leave	Would remain as is
<b>Paternity Leave</b>	
6 Months (26 weeks) paid Paternity Leave	Introduced incrementally basis between 2009 and 2010: 13 weeks in 2009 and an additional 13 weeks in 2010
<b>Eldercare Leave</b>	
6 Months (26 weeks) paid Eldercare Leave	Introduced incrementally basis between 2009 and 2010: 13 weeks in 2009 and an additional 13 weeks in 2010
<b>Sabbatical Leave</b>	
6 Months (26 weeks) paid Sabbatical Leave	Introduced incrementally basis between 2009 and 2010: 13 weeks in 2009 and an additional 13 weeks in 2010

### Eligibility Criteria

Eligibility for paid leave entitlements (Table 1) are outlined below.

The first criterion is that the leave options outlined in this study are only applicable to PAYE employees since they are currently the only group of workers currently entitled to maternity leave.

The second criterion relates to PRSI contributions. In terms of Paternity Leave, Eldercare Leave and Sabbatical Leave it would be necessary to have made the same number of PRSI contributions as are currently necessary for availing of Maternity Leave. These are:

- 39 weeks PRSI payments paid in the 12 month period before the first day of the leave or
- At least 39 weeks PRSI payment made since first starting work and in general at least 39 weeks PRSI payments or credited in the second last complete tax year in which the paid leave commences. If taking leave in 2009, the relevant tax year is 2007. If a tax year later than the relevant tax year has ended before the start of the leave, contributions in that tax year may be used to help to qualify for the paid leave.

- At least 26 weeks PRSI payments paid in the relevant tax year and at least 26 weeks PRSI paid in the tax year prior to the relevant tax year.<sup>1</sup>

The third criterion relates to Sabbatical Leave for the purpose of education and training. For employees, it would be necessary to have worked with the organisation for a minimum of 7 years; to have made the relevant PRSI contributions; to be aged 40 years or over; and to have not availed of maternity/paternity leave.

## Implementing the Model

When creating the proposed model a number of assumptions were made. These underlying assumptions are outlined below:

- Costs calculated for this model are based on two different rates:
  - Current maximum payment for maternity benefit of €280 per week<sup>2</sup>.
  - Average indexed for different components of the employment sector<sup>3</sup>.
- A 2 percent annual rate of inflation was assumed per annum.
- The model was implemented on an incremental basis.<sup>4</sup>
- When calculating costs based on indexed average wage, eligible employees were distributed between employment sectors based on a percentage breakdown. The percentage breakdown was determined by the percentage of employees from the total employed population in each of the sectors.
- The number of births predicted in each year is based on the Central Statistics Office (2004) *Population and Labour Force Projections 2006-2036*<sup>5</sup>.
- In 2003, the Government paid €107.33 million in maternity benefit to 30,211 mothers. This figure represents 49 percent of mothers availing of maternity benefit. In 2002, 52 percent of mothers availed of maternity benefit (NCWI, 2005). For the proposed model it is assumed that 50 percent of births every year relate to women in employment.
- The number of fathers predicted to take paternity leave was determined to be 41408 per annum based on:
  - 90 percent of women who have children will be between the ages of 20-34. Taking this into account, it was assumed that a similarly high percentage of fathers will be between the ages of 20 and 44. 8 percent of men will have children per annum over

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<sup>1</sup> See [www.citizensinformation.ie](http://www.citizensinformation.ie) for more information

<sup>2</sup> Maternity rate is 80% of earnings with a maximum payment of €280 and a minimum payment of €208. Not all mothers will be eligible for this amount. (the same is likely but to a lesser extent for men) Therefore, this can be considered as an upper bound to the level of payment that the government can expect to make under this proposal.

<sup>3</sup> For full details of how the employment sector was broken down see Appendix E

<sup>4</sup> The model was implemented on an incremental basis in keeping with other proposed models such as “An Accessible Childcare Model”. The increase in paternity leave and eldercare leave to 26 weeks in the first two years is to bring the leaves to the same duration as current maternity leave.

<sup>5</sup> Projections are based on the Fertility 1 (an increase in the fertility rate to 2.0 by 2011 to remain constant thereafter) and Migration 1 (immigration continuing at a high level to 2016 and moderating thereafter) assumptions as defined by the CSO. As such, they represent upper bounds to the potential cost of implementation of this proposal.

the next 10 years. Applying this to the number of men in employment between the ages of 20 and 44 (for which 86 percent of men this age are employed), it was calculated that 41408 men per annum in employment will have children over the next 10 years<sup>6</sup>. Of necessity, the number of men for whom paternity leave has been calculated is an approximation.

- The number of people predicted to avail of eldercare leave was 26,988 per annum. This was based on the current old – age dependency ratio of 20 percent, that is for every one person over the age of 65, there are 5 people between the ages of 15-65 years<sup>7</sup>. It was estimated using this percentage how many dependents there were for people in employment. This number was then divided by 12<sup>8</sup> to get the annual number of people who are likely to be affected by eldercare each year. The number of employees for which the eldercare leave has been calculated can be expected as a maximum since it is likely that not all employees will be affected by eldercare concerns in the future<sup>9</sup>.
- The number of people predicted to be eligible for sabbatical leave was 7,850 per annum. This was calculated using of the employee survey data from *Off the Treadmill: Achieving Work Life Balance* (Drew et al 2003) undertaken in five organisations (IBM, Arup Engineering, Hibernian Insurance, Dublin City Council and eircom) in 2002. The number of people estimated was based on the following criteria:
  - At least 7 years in employment with current employer;
  - Over the age of 40, hence less likely to have children in the future;
  - No previous children (Sabbatical leave is only available to those who have not availed of maternity leave or paternity leave in the past);
  - Under the criteria for sabbatical leave outlined above, the results from the survey data revealed that 14 per cent of employees over the age of 40 were eligible. This percentage was then applied to all employees above the age of 40.

### Cost Implications

When calculating the cost implications of each of the proposed models, the cost to the Irish Government to finance the leave and the corresponding increase in the standard income tax rate that the employee would have to pay was calculated. The costs for this model were calculated at two rates. The first rate was at the current maternity benefit allowance and the second was at indexed average wage.

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<sup>6</sup> There are no current figures for the number of men in employment who have had or will have children.

<sup>7</sup> The current old age dependency ratio is 17.4 percent

<sup>8</sup> The average life expectancy of men and women is 77. Therefore once the person is 65 they are expected to live for 12 more years.

<sup>9</sup> It should be noted that for the purposes of this model, 10 year predictions were made. After that time, the dependency ratio will increase and the predicted numbers availing of eldercare will also increase.

**Table 2 Assessing the Cost Implications of Implementing the Proposed Model at the Maternity Benefit Rate**

<b>10 year Cost Projections (Paid at Maternity Benefit Rate)</b>		
<b>Year</b>	<b>Government Expenditure on Additional Paid Leave</b>	<b>Standard Income Tax Rate</b>
1	€292,495,840	20%
2	€554,365,594	21%
3	€65,755,870	21%
4	€76,761,964	21%
5	€88,297,203	21%
6	€600,866,918	21%
7	€612,064,410	21%
8	€624,305,698	21%
9	€638,156,561	21%
10	€649,527,648	21%

**Table 3 Assessing the Cost Implications of Implementing the Proposed Model at the Indexed Average Wage**

<b>10 year Cost Projections (Paid at Indexed Average Wage)</b>		
<b>Year</b>	<b>Government Expenditure on Additional Paid Leave</b>	<b>Standard Income Tax Rate</b>
1	€69,196,931	21%
2	€1,079,179,491	22%
3	€1,100,763,081	22%
4	€1,122,778,342	22%
5	€1,145,233,909	22%
6	€1,168,138,587	22%
7	€1,191,501,359	22%
8	€1,215,331,386	22%
9	€1,239,638,014	22%
10	€1,264,430,774	22%

Table 2 and 3 set out the cost implications. Table 2 illustrates the total government expenditure and relevant standard income tax rate that would need to be levied to finance the proposed leaves at a rate corresponding to the current maternity benefit. Table 2 illustrates the total government expenditure and relevant standard income tax rate that would need to be charged to finance the proposed model at a rate corresponding to the indexed average wage.

It should be noted that the increase in the estimated standard income tax would affect the self employed as well as employees. While it may be more appropriate to finance the paid leave through an increase in the percentage of PRSI contributions, due to the complexity involved and the lack of resources available, for the purposes of this study, it was not possible to calculate the necessary increase in PRSI payments and so the only estimation relates to an increase in the standard income tax rate<sup>10</sup>.

**Table 4 Testing the Viabilities of the Model**

	6 Month Model	
	Current Maternity Rate	Average Wage
Cost of Caring Activities over 40 years	€30,786	€30,786
Increase Paid in Tax to Cover Leave over 40 years	€14,765	€29,730
<b>Savings/Loss Made For Each Model at the end of 40 years</b>	<b>€16,021</b>	<b>€1,056</b>
	<i>Profit</i>	<i>Profit</i>

The Model which has been outlined in this Briefing Paper seeks to support the welfare of children and employees by providing for additional paid leave. Although the costing and findings are based on approximations, they suggest that State intervention to facilitate the dual-earner model would have a positive financial impact for employees as well as a positive social impact. Although this Model has only been viewed in the context of the next ten years, the long-term returns to the State through participation in employment by women, could contribute significantly to Government economic and social policy objectives. The Model proposed should facilitate further debate relating to Ireland's current leave entitlements as well as raising the importance of employee welfare in the future, in response to Ireland's demographic, labour market and social changes.

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<sup>10</sup> In countries such as Sweden, where there are greater state subsidies, the money is financed through income tax rates.

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