



# Estonia: Reform of the parental leave and benefit system to better reconcile work and family life

ESPN Flash Report 2017/62

HELEN BIIN – EUROPEAN SOCIAL POLICY NETWORK

JULY 2017

*The Estonian parental leave and benefit system is facing considerable changes, to support the reconciliation of work and family life. The system will be redesigned as from September for greater flexibility and clarity. Among other changes, a “daddy-month” will be introduced to motivate fathers to use parental leave. The changes will be implemented gradually during 2018-2020.*

#### LEGAL NOTICE

*This document has been prepared for the European Commission. However, it reflects the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.*

## Description

The Estonian parental leave system is very generous, providing three years of parental leave with guaranteed employment in the previous workplace upon returning from leave. The first 1.5 years of the parental leave is covered by a benefit amounting to 100% of previous earnings. Despite this generous system, taking care of young children is still mainly a “women’s job”: over 90% of the parents taking up parental leave are women and this share has remained relatively stable throughout the last decade.

Fathers’ involvement in childcare and increasing the share of men among users of parental leave are important issues, because they improve gender equality in society (Duvander & Jans, 2009). Such changes also have a positive effect on the health of all the family members, increase the birth rate and improve family stability (ibid.).

The Estonian labour market is characterised by a high employment rate for women (in 2016: 72.6% of women aged 20-64 in Estonia versus 65.3% for the EU-28 average) and relatively low gender employment gap (2016: 8.2% vs. 11.6%) (Eurostat data). However, the impact of parenthood on female employment, as measured by the difference between the employment rate for adults aged 20-49 with a child aged under six and the employment rate for those without children, is very high (in 2014: around 25% vs. less than 10%; European Commission, 2015). This situation reflects possible problems in

reconciling work and family life (Biin et al. 2013). The current parental leave system is rigid and drives parents (mostly mothers) away from the labour market for a period of 1.5 to 3 years, not making it easy to combine (part-time) work with care responsibilities: this partly explains the low employment rate of women with young children. This rigidity can also be one of the reasons for fathers’ low take-up of parental leave and benefit because, as Rostgaard (2002) suggested, fathers are more likely to take up parental leave when there are plenty of possibilities to combine working and childcare.

Increasing fathers’ participation and supporting the reconciliation of work and family life are among the objectives of the Estonian “Strategy for Children and Families 2012-2020”. An analysis of the Estonian parental leave and benefit system concluded that achieving those objectives will require significant changes in the parental leave and benefit system (Biin et al., 2013).

The Ministry of Social Affairs is currently preparing changes to the parental leave and benefit system to better meet the needs of families, by adding flexibility to help with the reconciliation of work and family life and by motivating fathers to make more use of parental leave. The current regulations are to be amended considerably and many of the changes require the development of new and extensive IT systems. The legislative changes will therefore be implemented in two phases.

The Ministry of Social Affairs is expected to send the first draft act to the Government in September 2017. The three main changes in this first phase are as follows:

1. Reform of paternity leave (establishment of a “daddy-month”): Currently, fathers are entitled to 10 days of paternity leave, to be taken some time from two months prior to the due date until two months after the birth of the child. With the new act fathers will be eligible for 30 days of paternity leave, to be taken 30 days prior to the due date or up until the child reaches three years of age. The plan is that this leave will be covered by a parental benefit which will be non-transferable (i.e. if the father does not use this portion of the benefit, it will not be transferred to the mother).

2. Extension of the period during which parental benefit can be claimed: Under the current scheme, one of the parents is entitled to parental leave until the child reaches three years of age, and the first 1.5 years are covered with a parental benefit amounting to 100% of previous earnings. The new scheme would extend the right to claim the benefit to the entire duration of the parental leave (i.e. the total sum of the benefit would remain unchanged, but it could be claimed in instalments over a three-year period).

3. Raising of the employment-related income threshold during parental leave: Under the current legislation, parents are allowed to work while receiving parental benefit, but strict ceilings apply. If the monthly earnings exceed the minimum wage of the previous year (€430 in 2017), the parental benefit is reduced for that month. With the new Act, the ceiling would be increased to 1.5 times national average gross earnings (approx. €1454 in 2017).

The second draft act should be sent to the government later in the winter of 2017. In this second phase, the plan is that maternity leave would be shortened from the

current 140 days to 60-100 days (30-70 of which can be taken prior to the due date, and a fixed period of 30 days after the birth of the child); this would be an individual non-transferable right for the mother, similarly to paternity leave. In addition, the parental leave and benefit system would be made more flexible by allowing parents to take up the parental leave and benefit simultaneously, part-time. Changes to the regulations governing adoption leave and benefit and parental leave are also planned in the second phase. All the changes in both phases are expected to be implemented gradually over a longer period during 2018-2020.

## Outlook & commentary

Changing the parental leave and benefit system has been on the agenda of the Ministry of Social Affairs for several years. The current system is very complex. It consists of several different types of leave and benefit, to which different rules are applied, and it is regulated by different legislative acts. It is also very rigid as it limits the possibilities of working during parental leave and therefore no longer meets the needs of families, employers and an ageing society (Biin et al., 2013). Another of the pressing issues of effective regulation is the lack of measures encouraging fathers to participate more in caring for children.

The current system has evolved over a long period of time, during the Estonian transition from the Soviet Union to independence and EU membership. The planned changes are a big step forward in consolidating and updating the regulations. The two phases of legislative changes will profoundly reform the system and add clarity.

The planned changes will add flexibility to the system by allowing parents to better meet their specific needs and circumstances by combining childcare and working. The possibility to combine part-time work with parental leave

and the increased ceiling for permitted employment-related income while receiving parental benefit should encourage parents to have shorter breaks from employment. This is in accordance with the needs of employees (Biin et al., 2013) and should also have a positive effect on gender equality (especially the high gender pay gap).

While adding a “daddy-month” to the system to motivate more fathers to take parental leave is a good initiative, the planned changes are rather modest. The father’s quota will be added to the current period of parental benefit, rather than reserving one month of the current period for fathers. As the families are given an extended benefit, the motivation to use it (i.e. the costs of not using it) might be low and the take-up could remain modest. In addition, a more effective way of increasing fathers’ participation and gender equality could be to implement a longer father’s quota of, for example, 3-6 months.

## Further reading

Biin, H., Karu, M., Masso, M. and Veldre, V. (2013), *Eesti vanemapuhkuste süsteemi analüüs* (Analysis of the Estonian Parental Leave System), Tallinn: Poliitikauuringute Keskus Praxis.

Duvander, A.-Z. and Jans, A.-C. (2009), *Consequences of Fathers’ Parental Leave Use: Evidence from Sweden*, *Finnish Yearbook of Population Research*, 49–62.

Estonian Ministry of Social Affairs (2011), *Strategy for Children and Families 2012-2020*, Tallinn: Ministry of Social Affairs.

European Commission (2015), *European Semester Thematic Fiche. Labour Market Participation of Women*: [http://ec.europa.eu/europe2020/pdf/themes/2015/labour\\_market\\_participation\\_of\\_women.pdf](http://ec.europa.eu/europe2020/pdf/themes/2015/labour_market_participation_of_women.pdf)

Rostgaard T. (2002), *Setting time aside for the father: father’s leave in Scandinavia*, *Community, Work and Family* 3(5): 343–364.

## Authors

[Helen Biin](#), Praxis Centre for Policy Studies