



## **Peer Review on “The Financial Impact of Maternity and Paternity Leave”**

8-9 October 2018, Prague (Czech Republic)

### **Summary report**

**The Peer Review discussed the financial impact of maternity and paternity leave on families and the policy measures in place to ensure a better work - life balance.** Notably, participants discussed the design of leave schemes to ensure a gender-balanced take-up of parental leave. They also discussed forms of flexible working arrangements and childcare services which help parents to share caring duties more equally and allow mothers to return earlier to employment. Policy measures were reviewed in light of the proposal for an EU Directive on work-life balance for parents and carers.

The event was hosted by the Czech Ministry of Labour and Social Affairs. Besides the Czech host delegation, government representatives from 10 Member States,<sup>1</sup> participated to the Peer Review, namely Austria, Croatia, Estonia, Germany, Ireland, Latvia, Lithuania, Luxemburg, Republic of Slovakia, and Slovenia. A representative from the European Commission also participated at the event.

The impact of parenthood and other caring responsibilities on employment remains significant. While fathers have longer working hours than other men, the gender employment gap increases with the number of children in the household, especially for women with children less than 6 years old. The unequal distribution of caring (and other household) responsibilities between men and women is reflected in the fact that women perform three times more unpaid work than men.<sup>2</sup>

The Czech Republic is in the process of adopting a new national family policy, which aims to address the concern around low participation rates of women in employment and the higher risk of family and old age poverty as consequence of maternity. The proposed national policy introduces several measures seeking to enhance work-life balance. It includes more flexibility in accessing parental allowance encouraging men’s take-up of parental leave and (long-term) involvement in caring. It also increases access to pre-school services coupled with alternative childcare services to address current shortcomings in access to public childcare facilities.

The European Commission issued a proposal for a Directive on work-life balance for parents and carers and repealing Council Directive 2010/18/EU (COM/2017/0253 final). The proposed Directive aims to address the lack of effective possibilities for men and women to balance care responsibilities with the demands of their working lives and its impact on gender equality and the economy. In this vein the main provisions are:

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<sup>1</sup> Unfortunately, due to personal circumstance the delegation from Spain could not attend.

<sup>2</sup> United Nations (2015); Human Development Report 2015.

- The introduction of paternity leave. Fathers to be entitled to at least 10 working days of paternity leave around the time of birth of the child, compensated at least at the level of sick pay.
- The strengthening of parental leave by making the 4-month period compensated at least at sick pay level and non-transferable from a parent to another. Parents will also have the right to request to take leave in a flexible way (part-time or in a piecemeal way) and the age of the child up to which parents can take leave will be 12 years old.
- The introduction of carers' leave for workers caring for seriously ill or dependent relatives. Working carers will be able to take 5 days per year, compensated at least at sick pay level.
- The extension of the right to request flexible working arrangements (reduced working hours, flexible working hours and flexibility in place of work) to all working parents of children up to 12 and carers with dependent relatives.

This Peer Review provided insight for participating countries on most effective measures on work-life balance looking at leave schemes, flexible working arrangements and childcare services. Measures were scrutinised specifically from the perspective of their impact on equal take-up of parental leave as precondition to reduce gender pay and pension gaps and thus, ultimately, prevent the risk of poverty of families especially in single households.

### **The following policy messages emerged from the Peer Review:**

#### **Work-life balance policies pay - off for all stakeholders:**

- Family poverty and child poverty are associated with a range of societal and economic factors. In relation to work-life balance measures, they are mostly associated with:
  - Underpinning gender stereotypes notably on pay setting, on who assumes caring responsibilities and in the historical design of leave and broader work-life balance measures.
  - Absence of measures which encourage more equal sharing or caring responsibilities and the early return to work.
  - The above contributes to the increase of gender pay gap and gender pension gap. Equally, it facilitates discriminatory behaviours against women in employment. Unsuitable work-life balance arrangements also frustrate the aspiration of both men and women in relation to child caring, family life and career ambitions.
- While work-life balance measures such as well-paid leaves and childcare provision entail some costs, studies have shown overall medium-term and long-term benefits for workers (women in particular), employers (higher productivity, better use of human capital, higher retention rates and improved reputation) and wider society (GDP increases resulting from higher female employment rates, lower unemployment and poverty rates' better use of human capital and associated increased tax revenues, social contributions and savings on social and healthcare assistance).
- In this context, greater awareness raising for different stakeholders of the impact and benefits, is needed. In this vein, additional efforts should be made to collect evidence on benefits of well-designed work-life balance measures.

Such evidence should be used to build political and institutional support for the implementation of long-term planning.

- Awareness raising around the availability of measures and entitlements is equally relevant.

### **Legal and institutional leave frameworks can be designed to encourage more equal take-up of parental leave:**

- Multiple **features of legal and institutional leave schemes (parental leave in particular)** i.e. length of the leave, the replacement rate, the transferability, flexibility and eligibility, affect the (un)equal take-up of parental leave. If effectively calibrated, parental leave schemes ensure a more balanced take-up of caring duties between parents and allows mothers to return earlier to work or to find earlier an employment. Particularly important in this regard are higher replacement rates and non-transferability of leave entitlements.
- A **holistic approach** is needed in the design of parental leave schemes, which should combine measures for higher effectiveness. For instance, as indicated above, to encourage higher take-up of parental leave by fathers, high replacement should be combined with non-transferability of leave. Take-up of parental leave, in particular by fathers, is highly inter-connected to **cultural norms and perceptions** about roles in the family. While the change must be gradual to avoid backlash, leave policy has a strong impact on perception about gender roles. Recent surveys in many Member States demonstrate the increased desire by men in taking on such responsibilities and the belief by both partners that such tasks should be equally shared. Therefore, family policies may be combined with actions specifically aiming at encouraging employers in investing in work-life balance measures, as well as with action raising workers' awareness about entitlements and benefits for more equal sharing.

### **Flexible working arrangements play a role in achieving greater equality of take up of leave:**

- **Flexible working arrangements**, includes a variety of options, including reduced hours which can include job sharing arrangements, flexible hours, geographical flexibility. While all such arrangements can facilitate earlier re-entry into employment, care must be taken that part-time arrangements are not disproportionately taken up by women, as is currently the case, as this can serve to increase the gender pay gap and old age poverty. Possible remedies discussed, may include forms of "**pension sharing**" allowing the full time working parent to share part of its social contributions in favour of the pension of his/ her partner who decided to go for a part-time job to take up on more child caring responsibilities.
- Peer review participants noted that while a **right to request flexible working** is already in place for parents, in line with the requirements of the Parental Leave Directive, in practice, many employers find it easy to quote operational reasons to refuse such requests. This is also true for fathers who can face even greater barriers to access such arrangements. Even where strong rights are in place, concerns by parents about the impact of enforcing such rights often means that access to flexible working remains limited in practice.
- The use of **flexible working hours of flexible place of work** may facilitate return to work without impact on the income level and should be considered depending if suitable to sector and/ or the nature of duties.

### **Childcare services play role in the reduction of gender pay and pension gaps**

- High **quality, accessible, and affordable childcare** is a crucial condition to allow parents to return to work or combine employment with caring duties, reducing the negative effects on the pension and pay gaps. However, Barcelona targets are largely not met, in particular for children under the age of 3 years, indicating that lack of childcare facilities obliges parents to long absences from work.
- **Group-child and micro-nurseries** have been brought-up as promising measures to complement insufficient kindergarten services. Childcare facilities should also include as access out of standard working hours, coverage for holiday periods and solutions in cases of health issues. **Employers**, have a key role to play by making arrangements to guarantee access to child care services, either through *in-house* nurseries or through childcare vouchers or assisting with access to external childcare facilities. While this is easier to achieve for larger employers, there are also examples of public services working with SMEs to encourage the joint delivery of services.