



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

Prague, Czech Republic, 8-9 October 2018

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

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Peer Review on “The financial impact of maternity and paternity leave” – Synthesis
Report

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1 Introduction

1.1 Background and purpose of the Peer Review

Within the framework of the Mutual Learning Programme (MLS) a Peer Review on "The financial impact of maternity and paternity leave", was held in Prague, Czech Republic, on 8 and 9 of October 2018.

The event was hosted by the Czech Ministry of Labour and Social Affairs. Besides the Czech host delegation, government representatives from 10 Member States¹, 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 took part in the event.

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 form leave schemes should take to ensure a more balanced take-up of parental leave. They also assessed which flexible working arrangement and child and elder/dependent care provision allows carers to share caring duties more equally and allow mothers to return to the labour market earlier. Policy measures were reviewed in light of the proposal for an EU Directive on work-life balance for families and carers.

Participating countries discussed their family leave systems, regulations regarding flexible working arrangements, as well as childcare systems², highlighting good practices and challenges in implementation and enforcement.

The remainder of the report is structured as follows:

- Section 2 provides an overview of recent European Commission initiatives in relation to work-life balance (WLB) arrangements as well as presenting key data on current trends relating to female labour market participation, family and old age poverty, the sharing of caring tasks and access to childcare.
- Section 3 discusses current provisions in the participating countries, particularly in relation to leave measures and highlights examples of good practice in encouraging the more equal sharing of leave between parents.
- Section 4 focusses on access to and the impact of different flexible working arrangements and their contribution to a more equal sharing of caring responsibilities and an earlier return of mothers to the labour market.
- Section 5 discusses policies and practices with regard to child and other care provisions.
- Section 6 provides conclusions and recommendations.

¹ Unfortunately, due to personal circumstance the delegation from Spain could not attend.

² The importance of elder- and other dependent care systems was also highlighted, but the aspect was not the focus of this peer review.

2 Policy context: The financial impact of parenthood and recent EU initiatives aimed at enhancing work-life balance

- Work-life balance measures encouraging the equal sharing of leave and caring responsibilities are essential conditions for the high participation of women in the labour market and the reduction of impact of the 'caring penalty'³ on the gender pay and pension gap. Such measures also allow fathers to become more involved in caring responsibilities and to enhance their work-life balance.

2.1 The financial impact of parenthood – overcoming the 'motherhood penalty'

The **female labour force participation rate** (for women aged 15-64) in the EU reached 67.9% in 2017, compared to 78% of the male labour force participation.⁴

Gender gaps in employment are especially acute for those with **caring responsibilities**. Mothers of young children aged six or under have higher inactivity rates: in 2016, 28.6 % compared to 17.7 % for women in the same age range without small children. The situation is reversed for men, who have a lower inactivity rate if young children are present in the household (4.1 %, compared to 9.9 % without children).⁵

The impact of work-life balance conflicts on women can also be detected in the large **gender gap in part-time employment**. The difference between the share of part-time employment in total employment of women and men aged 20-64 stalled at around 23% in the last 10 years and the share of involuntary part-time employment (resulting on work-life balance conflicts) is high.⁶

In this context, it is also worth noting that the past decades have seen an increase in the level of qualifications obtained by women, with the proportion of women aged 25-64 who have completed **tertiary education** having increased from 23% in 2006 to 33.4% in 2017. The share of men with tertiary education reached 29.5% in 2017.⁷

Despite the overall increase in female labour force participation over the last two decades and the increase in the share of highly educated women, the **unadjusted gender pay gap** in the EU has only slightly decreased, from 17.7% in 2006 to 16.2% in 2016.⁸ The gender pay gap varies significantly between Member States, ranging from 5.2% in Romania, where the pay gap is lowest, to 25.3% in Estonia which has the highest gender pay gap in the EU. The unadjusted gender pay gap is the difference between the average hourly earnings of men and women, expressed as a percentage of the average gross hourly earnings of men.⁹ The slight narrowing of the gender pay gap is partly the result of decreases in men's wages, as opposed to

³ This is usually referred to as the 'parenthood' or 'motherhood' penalty, but in the context of the impact of demographic change and given that most elder- and dependent care responsibilities also fall on women, this is referred to as the 'caring penalty' here.

⁴ Eurostat (2018), Employment and activity by sex and age - annual data [lfsi_emp_a]

⁵ Eurostat Statistics Explained (2018), People outside the labour market. Available at https://ec.europa.eu/eurostat/statistics-explained/index.php/People_outside_the_labour_market

⁶ Eurostat (2018), Population by educational attainment level, sex and age (%) - main indicators [edat_lfse_03]

⁷ Eurostat (2018), Population by educational attainment level, sex and age (%) - main indicators [edat_lfse_03]

⁸ Eurostat (2018), Gender gap in part-time employment [tepsr_lm210]

⁹ Eurostat (2018), Gender pay gap statistics. Available at:

http://ec.europa.eu/eurostat/statistics-explained/index.php/Gender_pay_gap_statistics#Possible_causes_of_the_unadjusted_gender_pay_gap

improvements in women's earnings.¹⁰ When looking at these figures, it is important to bear in mind that for some countries the pay gap is low because of the relatively low participation of women in the labour markets, which often means that only women on higher incomes return to the labour market following childbirth or other caring responsibilities, leading to more 'favourable' pay gap data.

The provision of **affordable, accessible and high-quality childcare** as well as elder and other dependent care services has a direct impact on women's participation in the labour market. Through the Barcelona targets, Member States committed to increase formal childcare provision to ensure that by 2010 at least 33 % of children under three years of age and at least 90 % of children between three and the mandatory school starting age, would have access to formal childcare services. However, these targets have not been reached EU-wide. In 2018, only 12 Member States have reached the target of 33 % of children under three years of age accessing care services. While some other countries have made progress towards this target, less than 10 % of children under the age of three are in childcare in Slovakia, Czech Republic and Poland and less than 20 % in Greece, Bulgaria, Lithuania, Hungary, Croatia and Romania. Similarly, only 12 Member States have reached the target of 90 % of children from age three to school age accessing high quality and affordable childcare.¹¹

Ensuring the labour market participation of parents (and currently women in particular) also relies on allowing them to **combine work and care** easily through measures such as flexible working hours or other flexible working arrangements.

There is some evidence of an upward trend of companies offering **flexible arrangements in the working schedule**. The proportion of companies offering such flexibility was at 66 % in 2013. However, the availability of "flexi-time" varies significantly across the EU, reaching 86 % in Finland, 77.5 % in Austria and 76.9 % Denmark, while being available for less than one in four employers in Bulgaria (20.8 %), Greece (20.6 %) and Cyprus (14.2 %).¹² The countries participating to the peer review stressed the insufficient level of offer and take-up of such arrangements by parents, mother in particular.

Surveys also show that women report more difficulties in combining work with care: 40 % of women found combining care and work 'rather' or 'very' difficult compared with 33 % of men; the percentage of women having difficulties combining work with care reaches 49 % when working full time, compared to 35 % of men.¹³ It is worth noting that a number of national survey results shared by participants at the peer review indicate that fathers are increasingly keen to be more involved in childcare tasks and are thus also seeking access to better work-life balance measures.

2.2 The European Pillar of Social Rights and EU efforts to enhance Work-life balance measures

In 2017, the EU adopted the **European Pillar of Social Rights**¹⁴. The Pillar outlines 20 key principles structured under three categories:

¹⁰ Intereconomics (2015), Closing the Gender Pay Gap in the EU. Leibniz Information Centre for Economics.

¹¹ European Commission (2018), 1 in 3 children in the EU now has access to high-quality and affordable childcare, Commission report shows. Available at http://ec.europa.eu/newsroom/just/item-detail.cfm?item_id=625317

¹² ICF and Cambridge Econometrics for the European Commission (2017), Study on the costs and benefits of possible EU measures to facilitate work-life balance for parents and care givers.

¹³ Eurofound (2017), European Survey 2016 Quality of Life. Available at https://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef1733en.pdf

¹⁴ European commission (2017) The European Pillar of Social Rights in 20 principles. Available at: <https://ec.europa.eu/commission/priorities/deeper-and-fairer-economic-and-monetary->

- Equal opportunities and access to the labour market;
- Fair working conditions;
- Social protection and inclusion.

The Pillar re-iterates that equal treatment of women and men must be ensured in all areas of the labour market, from participation to terms of employment and career progression. The Pillar provides that parents and carers have the right to suitable leave, flexible working arrangements and access to care services. It also states that children have the right to affordable early childhood education and care of good quality.

The Pillar serves as a guide to the current European policies and priorities, including country-specific recommendations under the European Semester and the adoption of new policies. The implementation of the rights established under the Pillar is a joint responsibility of the EU, Member States, and other actors, such as social partners. Performance in relation to key indicators to measures performance under the Pillar is part of the European Semester process.

In line with the Pillar's objectives, the European Commission adopted a **proposal for a Directive on Work-life balance** for parents and carers and repealing the Parental Leave Directive¹⁵. The Proposal aims to address the underrepresentation of women in the labour market, by encouraging a gender-balanced take-up of leaves and flexible working arrangements, thus allowing both men and women to better balance caring responsibilities with the demands of their working lives. The draft Directive contains the following key provisions:

- 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 months 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 reach 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.
- The draft Directive is currently under discussion in Council and Parliament.

[union/european-pillar-social-rights/european-pillar-social-rights-20-principles_en](#) [Accessed 23 October 2018].

¹⁵ Proposal for a Directive of the European Parliament and of the Council on Work-life Balance for Parents and Carers and repealing Council Directive 2010/18/EU. COM/2017/0253 final - 2017/085.

3 Encouraging the equal take-up of family leaves: pre-requisites and incremental progress

3.1 Overview of leave provisions for fathers

Leave schemes are designed differently across EU Member States and are not easily comparable.¹⁶ Looking at **paternity leave**, among the Member States participating to the Peer Review, four countries – Austria, Germany, Luxembourg and Slovakia - offer no statutory leave entitled 'paternity leave'.¹⁷

In Austria, a month of unpaid leave is offered in the public sector, with collective agreements in the private sector also often making provisions of paternity leave. For children born after 1 March 2017 fathers are entitled to a so-called 'family-time bonus' (*Familienzeitbonus*), which is a monetary benefit for employed fathers who exclusively dedicate their time to their family within 91 calendar days after the birth of the child, i.e. interrupt their employment (in agreement with the employer) for a full-time leave period between 28 and 31 days. The family time bonus amounts to EUR 2.6 per calendar day. Although not called 'paternity leave', Luxembourg provides for so-called 'extraordinary leave' which can be taken for 10 working days following the birth of a child. The first two days are compensated at 100 % of previous earnings by the employer and for the remaining days the employer is compensated for the cost of the allowance by the state at a rate of up to five times the minimum wage. In Germany, parental leave, which can be taken by the father close to birth of the child has a replacement rate of around 67 % of previous salary.

In the Czech Republic, paternity leave was introduced in February 2018. Compensation at 70 % of previous salary is available for 7 working days.

The remaining countries participating in the Peer Review (EE, IE, LU, LT, LV, SI) grant at least a statutory minimum of 10 working days of leave, with Latvia and Slovenia granting one month and Spain offering 13 working days. In terms of replacement rates, with the exception of Ireland where the benefit is paid at a flat rate of EUR 250, other Member States present at the Peer Review pay from 80 % (LV) to 100% of previous income (EE, LU, LT, SL).¹⁸ In some countries, this replacement rate is paid up to a specific ceiling.

Regarding **parental leave**, the Commission proposes to enhance existing minimum requirements (originally set out in a Directive based on a proposal by the European social partners) by making the 4 months leave period fully non-transferable and compensated at least at the level of sick pay.

Parental leave is currently non-transferable in six of the peer countries (CZ, DE, IE¹⁹, LU, LV and SK). In Lithuania, leave is in principle transferable, but benefits are not. In two countries (AT and DE), the overall duration of the leave entitlement depends on how the leave is taken and shared. In Austria, payments are higher for shorter leaves and bonus payments are available if both parents take up leave entitlements (for more information on Germany, see the box 3.1 below).

In terms of overall duration, many countries allow for up to three years of parental leave.

Leave is paid at a flat rate not linked to income (AT, CZ, SK) – and thus potentially lower than the level of sick leave, or proportionally to the previous income with a floor

¹⁶ For instance, Germany has no leave entitled 'paternity leave' but fathers are entitled to parental leave which can be taken close to the birth of the child and therefore offers similar possibilities to support the mother following childbirth as are available in other countries.

¹⁷ In Slovakia, there is an option for the father to take maternity benefit as part of the provision for Maternity leave, after six weeks from the birth of the baby.

¹⁸ Parental leave in Germany, which can be taken by the father close to birth of the child has a replacement rate of around 67% of previous salary.

¹⁹ In Ireland some leave is transferable if both parents work at the same employer.

and ceiling amounts as in Germany, or combined as a period paid at 100% of previous income followed by unpaid leave (EE, LT).

3.2 Factors encouraging a more equal take-up of parental leave

Among the key factors identified to encourage a more equal sharing of leaves, which would allow women to return to the labour market sooner, were those intrinsic to leave provisions themselves such as:

- Non-transferability
- Replacement rate
- Flexibility
- Lengths
- Eligibility

Addressing broader stereotypes regarding caring responsibilities and overall gender roles (including in the labour market) is also of importance not only because of its impact on caring decisions, but also because of its broader impact on wage systems and career choices.

The practices shared at the Peer Review illustrate how a number of Member States have sought to address some of these factors in order to encourage a more equal sharing of family leaves.

In the Czech Republic, a long parental leave paid at a flat rate typically discouraged fathers to use this entitlement. As women are on average lower paid, the payment of a flat rate allowance was 'more advantageous' for the parent on a lower income (usually the mother).²⁰ This implied women having long career breaks resulting in a higher risk of unemployment and/or a higher pay and pension gap. The unemployment rate of women with children under the age of two is up to 12 % for women with higher education and up to 28% for other women. Research found that around 30 % of women become unemployed immediately after their leave, and 25 % of women lose their employment after their child is four years of age. This also demonstrates not only that employment protection systems during maternity are not always enforced and indirectly push women out of employment (or discourage them from returning) following leave.

To address some of these issues, the **Czech Republic** amended its parental leave allowance to make it more attractive for higher-income parents, especially fathers. Since 2012, the parent who takes care of youngest child in the family was entitled to receive parental allowance amounting to CZK 220 000 (EUR 8 500) in total for a minimum period of two years, with a maximum monthly benefit of CZK 11 500 (EUR 450). As of January 2018, the limitation of two years was reduced to six months, and the monthly amount of the parental allowance may reach up to the 70 % of previous monthly income with a ceiling of a monthly benefit of CZK 32 640 (EUR 1 270). By reducing the income loss and allowing for a shorter parental leave period, the measure it intended to encourage fathers to take-up parental leave as well as encouraging mothers to return to work earlier. The introduction of paternity leave mentioned above is intended to create a leverage effect to involvement fathers in child caring responsibilities earlier and to foster a desire to become more involved following paternity leave.

Daddy's quotas were considered to be among the most effective tools to encourage fathers to take-up of parental leave, particularly as surveys show an increasing desire

²⁰ It is interesting to note that even in countries where women on average earn more than their male counterparts prior to having children (e.g. in Ireland), they tend to take the lion's share of the leave and as a result see their income fall dramatically.

among men for earlier and more consistent involvement in childcare tasks. The effectiveness of such dedicated leave periods for fathers increases significantly if coupled with **high replacement rates**, as well as the possibility for flexible take-up, either in the form of the possibility for the leave to be broken up into different periods or the opportunity to **combine it with part-time work**. In Germany, for instance, the **parental allowance** scheme grants two additional months of leave if both parents take-up parental allowance. This provision was coupled with the possibility to extend the payment period to up to 24 months for parents who are unemployed (**parental allowance plus**) or who work part-time (**partnership bonus**). As result the take-up of parental leave tripled from 2015 to 2018.

The effectiveness of **high replacement rates** is also exemplified by the example for **Luxemburg** where the allowance for the six months statutory parental leave was aligned to the social minimum income and calculated proportional to the salary.

Other alternative forms to help parents and particularly mothers to reintegrate earlier back into employment is to extend the availability of **parental leave to grandparents**. This is the case for instance in **Lithuania**. In **Slovenia** grandparents are only entitled to parental leave if mother is younger than 18 years old.

Box 3.1: Germany: Parental allowance plus and the partnership bonus

Cultural attitudes towards gender roles in the family are changing. In Germany fathers demand more time to spend with their families, while there is increasing need of keeping (highly qualified) women in employment.

As response, the government introduced a new parental leave system in 2007 which was further amended it in 2015. Today the scheme includes the following components:

- The **basic parental allowance** (*Elterngeld*) (introduced in 2007) which grants parents a leave benefit for 12 months. An additional two months are offered if both parents participate in the take-up of parental allowance with each parent using at least two months of parental leave. The benefit is granted at 67 %, with a ceiling of EUR 1 800 and a floor of EUR 300.
- The **parental allowance plus** ("PAP"; *Elterngeld Plus*) and the, **partnership bonus** (*Partnerschaftsbonus*) (introduced in 2015) for parents who earn no income after the birth of their child, which allows to extend the payment of the parental allowance up to 24 months. The 'PAP' amount is half the basic parental allowance amount and simply extends the payment period. If parents decide to work part-time up to 30 hours per week, the 'PAP' amount can be the same as the basic parental allowance amount would be, yet parents can receive 'PAP' for up to twice as long.
-
- **As result:**
- The share of fathers taking up parental leave increased from 3.5% in 2006 to 36.5% in 2018;
- 41% of the fathers said, they would have taken less time to take care of their child had 'PAP' not been in place;
- 82 % of the parents who receive the Partnership Bonus say that they share responsibility and care for the child (more than during any other allowance components)

Take-up of parental leave, in particular by fathers, is also highly inter-connected to **cultural norms and perceptions** about roles in the family.

Lower participation of men in caregiving is often linked to the traditional views on gender roles in the family where the woman is the carer and the man is the breadwinner. Other prevalent beliefs relate the education of the child. For instance, in

the Czech Republic it is a popular thinking that the child should remain at home at least until the age of three.

While well-designed parental leave policy measures play an active role in realizing parents aspirations, at the same time they are a strong vector to trigger broader cultural changes as well as seeking to influence employer attitudes and practices. For instance, **in Germany** perceptions about paternity and working mothers significantly changed in the last decade arguably also as an effect of the new parental leave policies. In a recent survey, over 80 % of respondents over 16-year-old, considered it to be positive that more fathers use parental allowance to reduce their working hours or take a longer break from work in order to look after their children (BMFSFJ 2018 a). Equally, perceptions towards working mothers changed, with 53 % of the population overall and 61 % of parents with under-age children thinking that family policy should improve conditions for parents so that both parents can work (BMFSFJ 2018 a).

However, well calibrated parental leave schemes are not the only driver of change. The case of Slovenia provides a good example of a country where despite the availability of a paid and long paternity (30 days) and parental leave (130 days), only 20 % of fathers use the full paternity leave period and 7 % use the parental leave. In both Slovenia and Estonia, the attempt to introduce a 'daddy's quota' was negatively received in particular by mothers who did not want to 'give up' a month of their leave period.

In this context, in addition to addressing cultural stereotypes, the need emerges for **awareness raising initiatives** to target parents as well as employers.

Parents, in particular fathers, need to be aware of their rights and the options available to them, as well as of the importance of fathers' role from a development perspective and the health benefits to the child and family. **Slovenia** plans to undertake awareness raising actions about parental leave benefits next year, specifically targeting fathers.

Rebalancing the take-up of leave provisions also requires awareness raising with and buy-in from employers who in many cases need to become more accepting of men taking-up leave provisions and need to provide access to flexible forms of working. While there was an overall impression that much remained to be done in this regard, some positive examples were shared by participants at the Peer Review. For instance, family friendly company labels were used in **Estonia** and in the **Czech Republic**. In **Germany**, the "Success Factor Family" network was established in 2006 by the German Federal Ministry for Family Affairs and the German Chamber of Industry and Commerce to provide employers with information and points of contact on the topic of reconciling family and working life and highlighting the benefits of being a family friendly employer in terms of worker retention and loyalty, reduction of absences and becoming more attractive to increasingly scarce high-quality recruits.

Leave policies have a significant impact on State budget. In Germany, the cost of the three above mentioned schemes in 2017 was of up to EUR 6.5 billion. However, the **benefit for State budget in terms of tax revenues and poverty reduction are significantly higher**, and this is increasingly acknowledged. However, it emerged from the discussion that while the costs of the leave schemes are well accounted for, there is overall a need for more thorough analysis of the benefit of leave policies.

4 Flexible working: ensuring the benefits and avoiding the pitfalls

As mentioned above, access to flexible working arrangements has an important role to play in supporting more equal take-up of leaves and encouraging an earlier return of women to the labour market.

It was argued that in the Czech **Republic**, access to flexible working arrangements including part-time jobs, flexible working hours, home working, shortened work-week or job-sharing are limited. At the same time, 90 % of Czech workers would prefer

flexible working arrangement for parents with children to be offered by employers (CVVM, 2016).

Low availability of flexible working arrangements is seen to be one of the key reasons for the low employment rates of women in Czech Republic. In 2015, there were 9.2 % of women in the Czech Republic with part-time jobs compared to the EU average of 31.5 % (Eurostat, 2018b).

The Czech Labour Code provides for several flexible forms of work, including part-time work, homeworking and flexible working hours schemes. However, in practice, these are rarely used, either due to low take up of the right to request flexible working and because employers are resistant to grant it. Even in countries where employers are in principle required to grant requests for flexible working (by parents) and must provide serious operational reasons for refusing, the latter appears to be low hurdle. This is particularly true for small and medium enterprises (SMEs) who often find it more challenging to replace a worker on a part-time basis.

Fathers can face even greater barriers to access such arrangements. Even where strong rights are in place, concerns by parents about the impact on their career prevent them from enforcing their right, which often means that access to flexible working remains limited in practice in a number of countries. This is the case in **Czech Republic** where while the law entitles employees to ask for flexible arrangements, including part-time work, employers can refuse the request based on "operational reasons" which do not need to be further elaborated. Employees do not generally try to enforce their rights or to question before courts the refusal of employers to grant flexible working arrangements by fear of losing the position or to be barred from future career advancement.

In the Czech Republic, a key factor in the low availability of part-time jobs relates to the higher financial burden, in the form of high social and health insurance contributions, that such part-time jobs represent for employers in comparison to full time jobs. Additionally, part-time jobs are not highly used by workers due to the low pay associated with such forms of work.

The Ministry of Labour and Social Affairs is preparing the adoption of a new measure aiming at increasing the availability of flexible working arrangements: **job-sharing**.

Job-sharing is a form of work arrangements to be introduced in an attempt to increase employer acceptance to flexible arrangements. Job-sharing entails the sharing of one full-time job position between two or more workers. The workers would share the position, tasks and job title. It would be established through an individual written agreement between the employer and each employee. The agreement could be cancelled within a 15-days' notice period. The employees sharing the job would submit to the employer the weekly work schedule in writing. In case one of the employees is not able to work due to illness or other unforeseen circumstances, the other employee will have no obligation to replace the absent employee. The legislation is set to be adopted in January 2020.

The job-sharing measure is inspired by **Slovak and German legislation. Lithuania and Slovenia** both have also adopted job-sharing measures. However, take-up of such measures is relatively low. In Slovenia, job sharing is considered too costly for employers since they need to pay lunch money and transport costs to two workers instead of one.

EU legislation already provides a framework for Member States to offer flexible working arrangements for parents. The **Parental Leave Directive** (Council Directive 2010/18) provides for a right to request flexible working for parents returning from parental leave. Employers must consider flexible work arrangement requests, taking into account both employers' and workers' needs.

The Commission has adopted a more ambitious proposal for a Directive on work-life balance for parents and carers (COM/2017/0253 final), which foresees a right for parents of children up to 12 and carers to request flexibility in working hours, schedule or place of work. As in the current Parental Leave Directive, there will be no obligation for the employer to grant the request.

However, it is worth noting that not all forms of flexible working are equal with regard to their impact on important issues such as the gender pay and pension gap.

The use of **flexible working arrangements**, such as remote working or flexible working times, can facilitate the return of parents to work with less impact on the income level. However, other factors such as potential social isolation, increasing working hours (due to greater challenges to 'switch off') and more limited access to training and career opportunities must be considered and addressed for such working arrangements to avoid potential career pitfalls.

- While **part-time work** can facilitate the return of parents to work, the number of hours worked, the (take-up of part-time work mostly by women, must be considered as potential disadvantages, with particularly relatively limited hours part-time working significantly contributing to gender pay and pension gaps. Additionally, there is a danger of the part-time trap, whereby it is harder for workers to return to full time work after a period of part-time work, either because there is no more demand for the original full-time position or because the worker is able to complete the work equivalent to full time position, in less time and pay. To remedy such potential pitfall, in the **Austrian** public sector, a parent has the right to work on part-time until the child reaches the age of three and is then guaranteed to return to the full-time schedule.

More equal sharing of part-time work between parents, with relatively high part-time hours, is therefore to be encouraged. For instance, the 'partnership bonus' adopted in Germany rewards the equal sharing of time for work and caring for children by granting an additional four months of parental benefits if both parents simultaneously work part-time (25-30 hours per week) over a period of four months.

Luxembourg has recently introduced an amendment to flexible work arrangements in the public sector, targeting particularly greater take-up by men. While before the measure, it was only possible to work part-time based on 25%, 50% or 75% of a full time job, the measure makes it possible to reduce working time based on 40%, 50%, 60%, 75%, 80% or 90% of a full time job. The challenge however is to bring this measure to the private sector and to convince social partners and private employers to adopt flexible working arrangements (including as part of collective agreements).

Box 4.1: Slovenia: Part-time rights

The Parental Protection and Family Benefits Act stipulates that one of the parents who takes care of a child under three years of age has the right to work part-time. When exercising this right, the State provides a benefit in the form of **payment of social security contribution** at full time rate a not to affect other benefit entitlements and pensions. Since 2014, parents taking care of at least two children have the right to work part-time until the youngest child completes the first grade of primary school. The right to work part-time for one year **cannot be transferred** to the other parent, except in certain special cases. The condition of non-transferability of one year for each parent was added to encourage fathers to exercise this right. The number of persons who are entitled to part-time work and the amount of the payment of social security contributions for parenthood have been steadily increasing.

- The low take-up of part-time work in some EU countries is also a legacy from communism, which previously aimed at full employment and strongly encouraged everyone to work full time. This can explain a historical reluctance to ask or grant part-time work in post-communist countries.

Box 4.2: Austria : Pension sharing

Austria adopted in 2005 a measure aiming at reducing the gender pension gap resulting from women taking up part-time work after becoming a parent: pension sharing. Under this measure, if one of the parent earns more and the other stay at home to care for a child; the person earning would share their social security contribution, i.e. for the pension, in favour of the partner working part-time in order to take up on more child caring responsibilities in the family. The measure applies to people married and in civil partnership. The take-up of pension sharing is, however, very low.

5 The importance of high quality, affordable and accessible care services

High **quality, accessible, and affordable childcare** is a crucial condition to allow parents to return to work or combining employment with carers' 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.

For instance, the most pressing problem in the **Czech Republic**, in relation to childcare and pre-school education is an insufficient offer of high-quality, affordable and locally available services addressing the parents' needs.

The cost of one place in a kindergarten is approximately CZK1 500 (EUR 60) per month. These costs are much higher in private facilities (5 000 to CZK 15 000 per month/ 190 to EUR 600 per month).²¹ Considering the average income of a family with children (CZK 39 000 /EUR 1 500)²² families spent 4 % of their income on a public kindergarten place for one child and 12-38 % of the income in case of a private kindergarten.

The lack of childcare options prevents employees from planning their return to their workplace when the parental leave ends. This leads to economic insecurity for families with small children.

In order to ease this situation and provide alternatives to the already existing kindergartens the host country introduced some of policy measures:

- **Children's groups:** is provided to children from the age of one until the start of compulsory school attendance at the age of six as a supplementary service to kindergartens. Providers can be an individual or any kind of legal entity (NGO, municipality, association or foundation). These facilities can charge fees²³ but only to cover their basic operating costs (and not to make a profit).
- **Micro-nurseries:** are public facilities providing care for children from the age of six months up to the age of four years in small groups (maximum four

²¹ Ministerial decree no. 14/2005.

²² Höhne, S., et al., 2016. Rodiny s dětmi v České republice. Sociodemografická struktura, finanční a materiální podmínky. [online]. VÚPSV. Available at: http://praha.vupsv.cz/Fulltext/vz_416.pdf [2018-08-13]

²³ About 90 % of children's groups request fees from the parents. Some of the fees are set only for the food provision, some of them also for the service.

children). Micro-nurseries should be open five days a week and at least eight hours a day. Micro-nurseries are mostly funded by the ESF within the Operational Programme Employment

The **lack of affordability of childcare services** was highlighted in several peer countries including **Latvia, Slovakia and Germany**. Based on the examples provided caring responsibilities and women's participation in full-time employment are still strongly tied together. **In Ireland** for instance the gender pay gap is positive for women before the birth of their first child (-17%) this increases significantly to +14% after childbirth.²⁴ Caring responsibilities play a significant role in this change. Costs of childcare in Ireland are high and are seen as a barrier to preventing parents from returning to the workforce or as limiting their availability to the workforce, restricting the hours in which they can work. A good practice example was identified in **Latvia** where municipalities grant a lump-sum benefit to families to contribute to childcare costs.

Box 5.1: Latvia

To remedy to the limited availability of childcare services, in Latvia municipalities are required to pay a benefit to those families where childcare services were not available. The amount of benefit is approx. EUR 200 per month. Families use this support to subsidize the cost of private childcare facilities. This allows mothers to return to full-time employment.

Along with the affordability of childcare, **accessibility of childcare** was also identified as a main barrier, hindering women's return to full time employment. Based on the evidence gathered a strong rural-urban divide can be observed. Accessing childcare services in larger cities is more difficult as the places fill up quickly. **State subsidizes** emerged as a good practice to facilitate affordable and accessible childcare. In Slovenia, very high State subsidizes make it possible a highly accessible and affordable childcare system.

Box 5.2: Slovenia: child care services

Slovenia has a relatively high employment rate for both man and women, exceeding the EU average.²⁵ Slovenia has a very well developed early childhood education and care (ECEC), which is important for the reconciliation of professional and family life. It is also widely available and affordable, due to very high public subsidies.

There is an entitlement to ECEC on a full-time basis in pre-school and day-care centres (that comprise nursery and kindergarten classes) from the end of the parental leave, when children reach 11 months.

All families with children included in approved ECEC programmes provided by public and private pre-school and day-care centres/providers are entitled to a subsidy.

On average, the subsidy amounted to 68 % of the costs per child in 2014. There are nine income brackets, with parent fees ranging from 0 % to 77 % of the programme price. An additional subsidy has been granted by some local communities.

Parents pay 30 % of the parent fee for their income bracket to enrol a second child in ECEC. For each subsequent child ECEC is free of charge.

In **Germany**, parents have the legal right to receive a childcare place for all their children (once they reach 1 year old). Today, about a third of the children under three

²⁴ OECD, 2012 Closing the gender gap: Gender Act Now https://read.oecd-ilibrary.org/social-issues-migration-health/close-the-gender-gap-now_9789264179370-en

²⁵ The employment rate (20–64 age group) of women (69.7%, Eurostat, 2017) is lower than the employment rate of men (76.9%, Eurostat, 2017). However, Slovenia scores relatively high on the European scale (EU average 66.5% of women compare to 78% of men, Eurostat 2017)

years old are cared for in childcare facilities or day-care centres and demands keep increasing. There are continuous efforts and ongoing investments by federal government. From next year on a total of EUR 5.5 billion will be made available to regional states by 2022, for more childcare places, for higher quality of care and less costs for parents.

Accessibility has to be considered not just in relation to the places offered but also in relation to covering **non-traditional working hours**. An increasing number of parents work non-traditional hours e.g.: nights or weekends. This needs to be taken into consideration in the policy planning process. However, only rare example of such services exists as for instance in Germany were childcare facilities working on night shifts are available.

As high quality, accessible, and affordable childcare is a crucial condition to allow parents to return to work more emphasis should be on highlighting its **positive impact in financial terms i.e.** income, health and security contribution and not-pay social subsidize. Currently, most quantitative assessment focus on the investment needed to set-up sufficient childcare facilities without highlighting the **potential financial benefits** as well. A recent study by IDEA Cerge-EI from Czech Republic prepared a cost-benefit analysis on the public financing of pre-schools.²⁶ The analysis showed that the shortage of places in pre-schools in the past decade has led to a net loss for public budget. Every additional place in public pre-school would amount to a net benefit of approx. CZK 10 000 and would not result in loss even under conservative estimates.

The challenges regarding the costs and benefit often stem from the fact that the costs are realised, for example in the case of the Czech Republic, on the municipality level, while the benefits materialise at state level. In order to make the system beneficial for every stakeholder a re-distribution system should be established.

Group-child and micro-nurseries have been brought-up as promising measures to complement insufficient kindergarten services. Child facilities should also include as access out of standard working hours, coverage for holiday periods and solutions in cases of health issues.

While peer countries agreed this is a promising way forward, several issues were raised. Notably, it is often difficult to replace carer in case of sick leave or holiday, it is more difficult to monitor quality of care and keep it up to standards, lifelong learning of carers also has to be provided.

Another issue that emerged during the discussions was the different **cultural perceptions as to what constitutes suitable care services**. Public perception based on cultural and historical experiences strongly differs in the participating countries regarding the age children should start early childhood education.

On one hand Slovenia traditionally offers 11 months of leave and parents return to work after that trusting the good quality childcare publicly available.

On the other hand, in most Central/Eastern European countries where maternity leave is traditionally around 3 years, mothers are reluctant to return to work earlier as leaving children in kindergarten is deemed to be non-beneficial from a development perspective. These cultural differences still strongly influence mothers' decision on when to return to employment.

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

²⁶ Koliskova, Pertold (2017): Public financing of pre-school places pays off: a cost benefit analysis. Available at: https://idea-en.cerge-ei.cz/files/IDEA_Study_4_2017_Public_financing_for_pre-school_places/mobile/index.html#p=1

larger employers, there are also examples of public services working with SMEs to encourage the joint delivery of services.

A good practice example was presented by an employer, the Hennlich Group (Czech Republic) which have significant investments in work-life balance measures. The company offers on-site micro-nurseries to cover for children who are not eligible for public kindergarten (usually between age 2 and 3). Additionally, the company offers flexible working arrangements and currently around 12 % of the employees use this opportunity. In addition to day care it also cater for holidays and offer summer camps so parents don't have to use their annual leave to care for their children. On average parents pay 15 % of the costs and the company subsidizes the remaining costs.

The ageing society was identified as a main challenge in both the host country and most peer countries in relation to caring responsibilities. With the ageing society, new challenges are also on the rise.

While maternity and paternity leave are for a set period of time, caring for older relatives can take up an undefined period of time. This makes it difficult for policy makers to plan adequate measures.

Based on the discussions, one potential option would be to only provide leave until care responsibilities are resolved e.g. in a care facility. But not for the whole duration of the care as this would result in a longer absence from the labour market negatively affecting the gender pay gap and pension gap.

This would however require sufficient care facilities which are currently not available in most Member States.

6 Conclusions and recommendations

The Peer Review provided participants with the opportunity to discuss the design and implementation of measures for work-life balance. Discussions highlighted the need for a holistic approach calibrating leave schemes, childcare services, and opportunities for flexible working arrangements.

The European Commission proposal for a work-life balance Directive sets a thresholds that Member States should guarantee in terms of work-life balance measures ensuring more equal take-up of care responsibility between the two parents.

While **work-life balance measures** such as well-paid leaves and childcare provision entail significant 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, notably 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. 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.

The equal take-up of parental leave depends on multiple **features of legal and institutional leave schemes** i.e. length of the leave, the replacement rate, the transferability, flexibility and eligibility. 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.

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, and 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**, 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. 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.

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. 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.

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