



Dad days

How more gender-equal parental leave
could improve the lives of Australian families

Danielle Wood and Owain Emslie

September 2021

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Overview

Few policies deliver both significant social and economic gains. But gender-equal paid parental leave is one of them. That is why so many countries have now embraced such policies. The payoffs of the successful schemes are clear: greater parental satisfaction, improvements in child development, higher rates of workforce participation, and greater economic security for women.

Australia currently has one of the least generous parental leave schemes in the developed world. This is especially true for fathers. And Australian fathers have been reluctant to take what little leave is available to them.

Greater sharing of childcare is one of the best ways to improve women's economic security. Caring habits formed in the early years of a child's life tend to persist. For heterosexual couples, this means the mother's role as dominant carer for a new baby is carried through the child's first decade and beyond. This is true in almost all heterosexual two-parent families, even where the woman earned more before the child was born.

Overall, Australian women do on average two hours more unpaid work per day than men. And men do about two hours more paid work. This is one of the biggest labour divisions in the developed world, and surveys suggest it isn't working well for either men or women.

But policy can shift behaviour and culture. Overseas experience suggests that policies that allow fathers to be more engaged in the early years have lasting impacts on engagement with children as they grow. Greater sharing of unpaid care gives mothers more scope to do paid work, with clear benefits for both them and the country.

Parental leave also brings significant benefits for fathers. When dads have more time to 'flex their parenting muscle' they tend to have better relationships and greater life satisfaction. And children benefit from the increased parental investment and the diversity of their interactions in their early years.

This report recommends adding up to six additional weeks leave to the current 20-week paid parental leave allowance. To encourage leave sharing, this would be done through a 6/12/6 structure – six weeks 'use it or lose it' provision for each parent, and 12 weeks to share between them as they choose. To supercharge the incentive for parents – especially fathers – to take leave, we recommend an additional two weeks of bonus leave, which could be used by either parent if both parents take at least six weeks leave.

In recognition of the extra financial and emotional challenges of solo parenting, single parents should be given the full 26-week entitlement.

As more fathers take up the leave, the idea that dads can and should play an active role in care will become normalised, releasing both men and women from heavily gendered norms that box in their choices.

We estimate this scheme could cost an extra \$600 million a year if it attracts good take-up. But that would flow through to an increase in GDP of \$900 million a year thanks to increased workforce participation by mothers, boosting the average mother's lifetime earnings by \$30,000. Add that to the longer-term benefits of improvements in parental satisfaction, children's development, and greater gender equality, and it's a very worthwhile investment.

Recommendations

Recommendation 1

The Federal Government should introduce a more equal paid parental leave scheme: six weeks reserved for each parent plus 12 weeks to share between them, paid at the current rate of minimum wage.

In addition, if both parents use at least six weeks of leave, a bonus of two weeks' leave would be available to be used by either parent, making a total of 26 weeks available to each family. This compares to a total of 20 weeks available under the current scheme (18 weeks Paid Parental Leave plus two weeks Dad and Partner Pay).

Single parents should be entitled to the full 26 weeks.

Recommendation 2

The parental leave scheme should be made more flexible and accessible:

- Eligibility for the income-test should be based on household income rather than the mother's income. This would also remove one of the inequities in the current design, where households with male breadwinners are favoured over households with female breadwinners.
- The work test should be applied to each parent individually. This would enable partners of a stay-at-home parent to take leave, recognising the broader benefits of leave-taking for parents and children.

- Both parents should be able to take government paid parental leave alongside paid leave from their employer. Fathers should no longer be required to negotiate unpaid leave from their employer in order to get government parental leave.
- Parents should continue to be able to use their leave entitlements concurrently or separately, to best meet their family's needs.
- Centrelink's processes should be streamlined to make application for Parental Leave much easier to complete in a single online transaction, and so payments can be made much faster.
- Employers should no longer be the paymaster. Instead, all payments should be made directly by Centrelink.

Recommendation 3

The new parental leave scheme should be evaluated after three years, and regularly after that, to assess parental take-up, how families are using leave, fathers' involvement in care beyond the leave period, and whether the scheme has yielded benefits in terms of family satisfaction, child development, and women's workforce participation.

This evaluation should consider whether leave pay should be higher to drive take-up, and whether the scheme should be adjusted to encourage fathers to take time as the primary carer.

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1 Australia needs a better paid parental leave scheme

Australia was late to the parental leave party. Many nations, recognising the benefits of paid parental leave for families, child development, and workforce attachment, embraced government paid leave from the 1970s. Australia launched its scheme in 2011, leaving the US as the only OECD country without paid leave for new parents.

But other countries have continued to innovate. Many now recognise the benefits of sharing the care of young children, with dedicated leave set aside for fathers or second parents.

Australia has one of the least generous parental leave schemes in the OECD, both in terms of rates of pay and the amount of time allocated. Fathers, in particular, receive very little dedicated leave and their take-up of the scheme is poor.

This report explains why parental leave matters. The current Australian scheme perpetuates a very gendered division of labour that often does not work well for parents, children, or Australian society more broadly.

1.1 Australia's parental leave scheme is modest and highly gendered

One of the early decisions for people starting a family is about parental leave – who takes it and for how long? The design of government and employer parental leave schemes can influence this decision.

Under Australian law, all employees, male and female, are entitled to up to 52 weeks of unpaid leave from their employer when they have a child.¹

1. Employees must have completed at least 12 months of continuous service with their employer. Couples are entitled to no more than 24 months of leave between them and a maximum of eight weeks of concurrent leave: Fair Work Ombudsman (2020).

In Australia, women are much more likely than men to take parental leave (Figure 1.1 on the following page) – and women take leave for longer, typically about six months.² Most women who are employed while pregnant take at least some paid leave, but most also take unpaid leave.³

The Federal Government offers paid parental leave. Under the scheme, the primary carer is eligible for 18 weeks of Parental Leave Pay at minimum wage, in addition to any employer scheme.⁴ The secondary carer leave, called Dad and Partner Pay, provides for two weeks at minimum wage and cannot be taken alongside paid leave from an employer.⁵

Despite its name, Parental Leave Pay is very much targeted at mothers.⁶ It is explicitly for ‘the birth mother of a newborn child’⁷ – although under certain conditions she can transfer part or all of her

2. The median total length of leave taken (paid, unpaid, or a mix) by women with a child under 2 who were employed while pregnant is 26 weeks: ABS (2018, Table 7).

3. Three-quarters of women with a child under 2 who were employed while pregnant took paid leave, and the median length of paid leave was 16 weeks. Two-thirds took unpaid leave, and the median length of unpaid leave was 18 weeks. About half took both paid and unpaid leave: ABS (ibid, Table 7).

4. From 1 July 2020, 12 weeks of this entitlement must be taken in a single block at any time within the first 12 months after the birth, and the remaining six weeks can be taken at any time before the child turns 2: Parliament of Australia (2020).

5. The rules say they must be on unpaid leave, although an employer top-up payment is not considered paid leave for the purposes of Dad and Partner Pay eligibility: Services Australia (2021a).

6. Baird and O'Brien (2015, p. 208).

7. Eligibility is specific to the birth mother, the adoptive parent, or another person caring for a child under exceptional circumstances. The father or partner is not directly eligible, but the birth mother can transfer her leave to them: Services Australia (2021b).

leave to the father or her partner.⁸ But while part or all of the current primary carer leave entitlement can be transferred, 12 weeks of the entitlement must still be taken in a continuous block, which makes sharing parental leave more difficult.

Almost all Parental Leave Pay recipients are women. In 2017-18, less than 0.5 per cent of parents using the scheme were men – one of the lowest proportions in the OECD (Figure 1.2 on the next page).

Dad and Partner Pay is targeted at fathers, as the name suggests. It has almost exclusively been taken by men, but has only half the uptake of Parental Leave Pay (Figure 1.1). This represents about a quarter of all new fathers.⁹ It is easy to see why Dad and Partner Pay has lower uptake – two weeks may not be worth the hassle, and the requirement to take unpaid leave may mean that many prefer to use annual leave instead (if they choose to take leave at all).

Employer schemes also generally encourage a single primary carer. About half of Australian employers (52 per cent) offer paid parental leave, and 46 per cent offer paid leave for secondary carers.¹⁰ While some employers provide generous schemes for both mothers and fathers,¹¹ very few men take primary carer leave from their employer,¹²

8. Income, work, and residency eligibility requirements still apply to the transferee: Services Australia (2021c). The partner of the child's other legal parent is also able to receive a transfer of Parental Leave Pay.

9. Grattan analysis of DSS data (2020) provided on request and ABS (2020b).

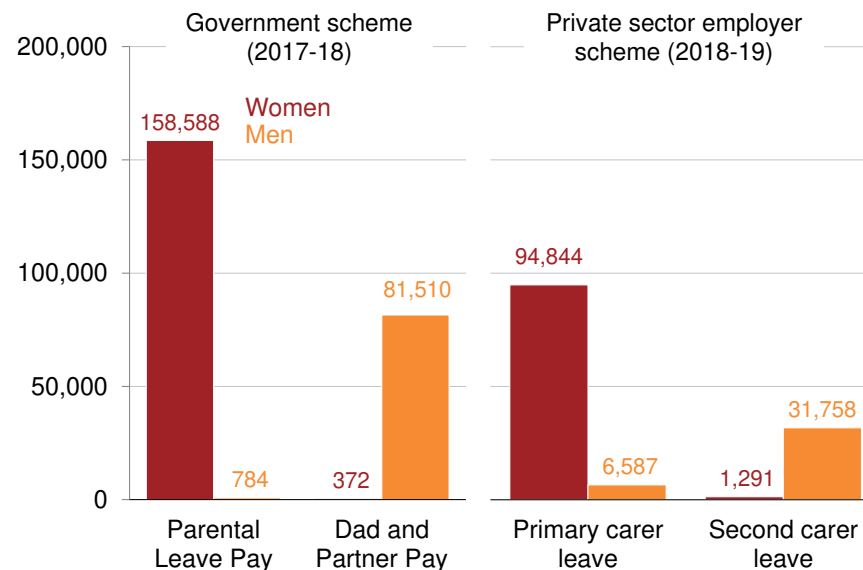
10. WGEA (2020, p. 11).

11. For example, Telstra, Deloitte, Medibank, and PwC all offer between 14 and 18 weeks' paid leave to all new parents, with no distinction between primary and secondary carers. The leave can also be taken flexibly: Fuller (2019), Deloitte (2020), Medibank (2018) and PWC (2021).

12. Only 6 per cent of parents using employer-funded primary carer leave are men (Figure 1.1). This is very low given about half of all employers offer primary carer leave, and in theory both parents could take primary carer leave from their respective employers at different times. Such low uptake suggests that even where employer schemes exist, they are targeted to the mother (for example by offering

Figure 1.1: Most parental leave – and almost all primary carer leave – is taken by women

People taking leave, by gender and scheme



Notes: There may be substantial overlap among those taking government-funded 'Parental Leave Pay' (LHS) and those taking paid or unpaid leave from their private sector employer (RHS). The government scheme for primary carers was designed to enable this.

Sources: ABS (2020a, Table 10.3); and DSS data (2020) provided on request.

and most schemes for secondary carers are not particularly generous, with average paid leave of just eight days.¹³

1.2 Other countries offer more generous leave

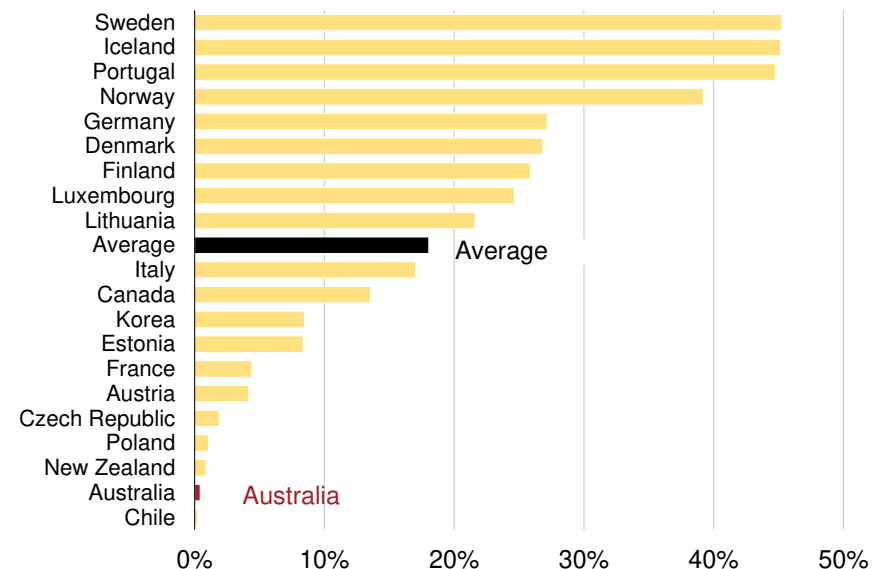
Australia currently invests \$2.4 billion per year¹⁴ in Parental Leave Pay and Dad and Partner Pay, which is low compared to other OECD countries. Indeed, based on the most recent comparable data, Australia spends less than half the OECD average (Figure 1.3 on the following page).

Australia's parental leave offering measures up poorly both in terms of length of paid leave and rate of pay while on leave (Figure 1.4 on the next page).¹⁵ This may explain why the take-up of government leave is so low in Australia – for both women and men – compared to other OECD countries (Figure 1.5 on page 10).

1.3 Many countries also target leave at fathers

All OECD countries except the US have some form of government-funded paid parental leave, and most have a specific leave entitlement for fathers or partners.¹⁶ While current schemes vary in terms of length, flexibility, and the level of payment, almost all are more generous than Australia's scheme on all these dimensions (Table 1.1 on page 11).¹⁷

Figure 1.2: Hardly any men use primary carer parental leave in Australia
Male share of users of government primary carer paid parental leave, 2016



Notes: Data generally include only primary carer leave, where differentiated. For example, data for Australia exclude Dad and Partner Pay. Similar paternity leave schemes are excluded for Finland, Denmark, Lithuania, Estonia, and Poland. Canada excludes Quebec. Data for Germany are from 2015.

Source: OECD (2016a, PF2.2).

a narrow time-frame for use, or by linking the employer scheme to the government primary carer scheme).

13. WGEA (2018, p. 11).

14. \$2.4 billion in 2019-20: DSS (2020, p. 144).

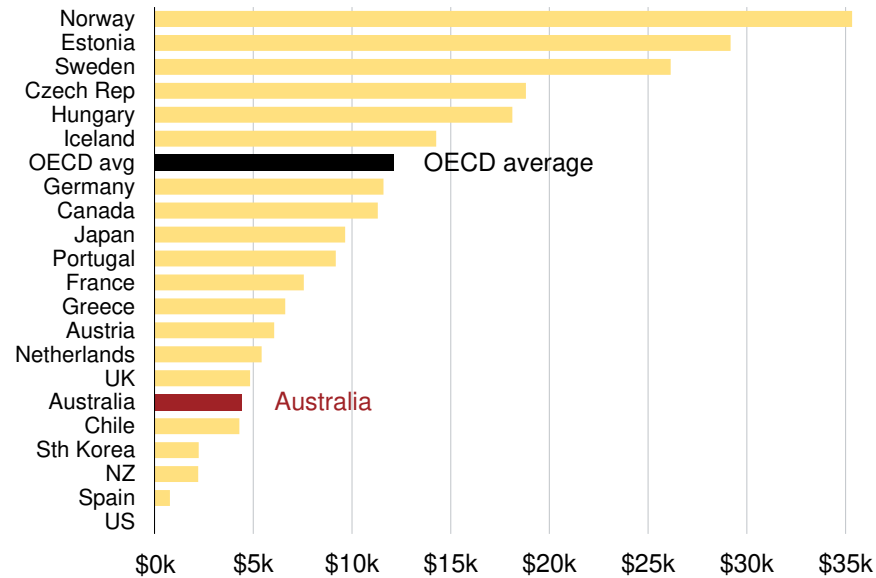
15. Kalb (2018).

16. OECD (2019). The European Union requires all its member states to have four months of adequately compensated parental leave, at least two months of which is non-transferable between parents, by 2022: European Commission (2019).

17. See Kalb (2018).

Figure 1.3: Australia invests very little in parental leave

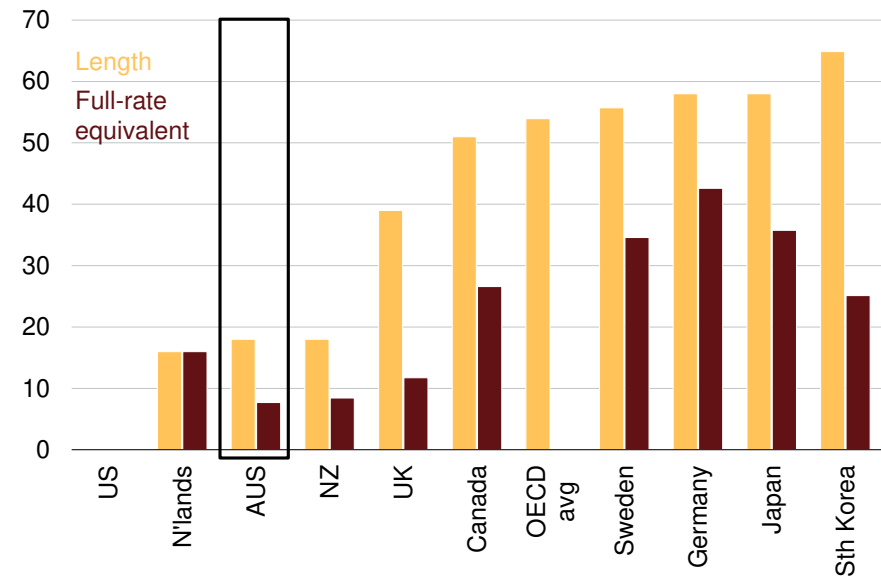
Public expenditure on maternity and parental leaves per birth, in USD 2010 PPP, 2015



Source: OECD (2016a, PF2.1).

Figure 1.4: Australia has one of the least generous paid leave schemes for mothers in the OECD

Total paid leave available to mothers, in weeks, as at 2018



Notes: 'Full-rate equivalent' is the equivalent number of weeks of paid leave if the benefit was paid at 100 per cent of average national full-time earnings. Not available as an average for the OECD. Selection of comparator countries as per Daley et al (2019).

Source: OECD (2016a, PF2.1).

Many of these targeted ‘dad leave’ schemes have significant take-up.¹⁸

In Quebec in 2018, 80 per cent of fathers took parental leave. This compared to 28 per cent in 2005, the year before their dad leave scheme commenced. Elsewhere in Canada, only about 15 per cent of fathers take parental leave (Figure 1.6 on page 12).

In Iceland, which offers a generous three months’ paid leave to each parent and a further three months for them to divide as they wish, about 85 per cent of new fathers take leave, and about 15 per cent use some of the shared entitlement.¹⁹

A comparison across countries suggests that fathers are more likely to take up leave when policies offer an individual ‘use it or lose it’ entitlement for an extended period (more than two weeks) and with high income replacement (50 per cent or more of earnings).²⁰

For example, the Nordic countries with generous dad leave schemes – Sweden, Norway, and Iceland – have a much higher proportion of fathers taking parental leave than culturally similar countries with less generous schemes, such as Denmark and Finland (Figure 1.2 on page 8).²¹

But generosity is not a guarantee of take-up. Entrenched gender roles and employer attitudes can still be a barrier – this is particularly evident

18. Throughout this report, we will refer to a ‘use it or lose it’ entitlement for the second parent by the commonly-used term of ‘dad leave’. This reflects the most common scenario in which this leave allowance will be used – by a father in a heterosexual couple. In practice, such an allowance would also be available to same-sex couples and single parents, and could also be used by the mother in a family where the father is already fulfilling a main caring role.

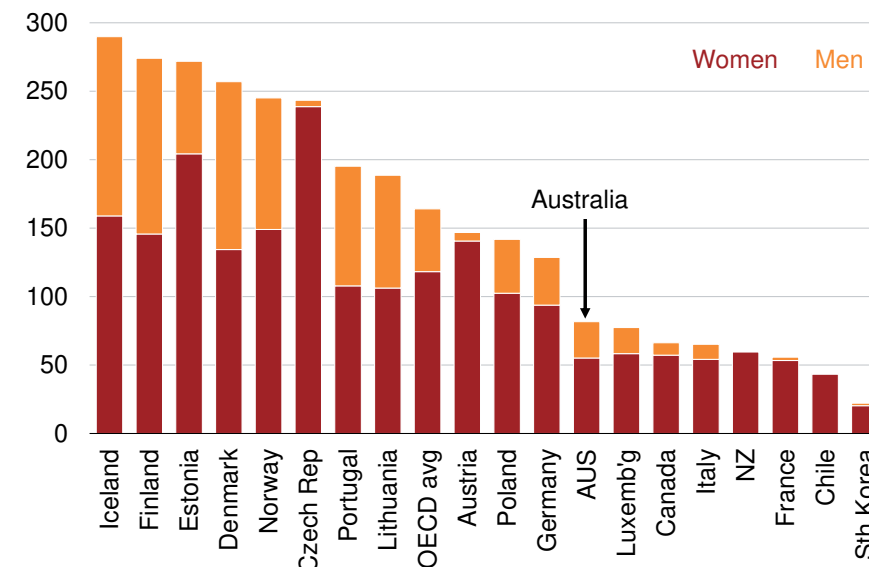
19. International Network on Leave Policies and Research (2021, p. 324).

20. O’Brien (2009) compares 24 countries in drawing these conclusions.

21. Rostgaard and Ejrnæs (2021). Denmark has no government dad leave scheme and relies on employer provisions via collective agreements. Finland has a dad leave scheme that is less generous in length than those of Sweden, Norway, and Iceland (Table 1.1 on the following page).

Figure 1.5: Use of government parental leave is low in Australia – for both women and men

Number of users/recipients per 100 live births, 2016



Notes: In many countries there are more than 200 users per 100 live births, because parents whose babies were born in the previous year are still on leave, as well as adoptions and stillbirths. Sweden is not included because it dwarfs all other countries (380 female recipients and 314 male recipients). Canadian data does not include Quebec. Dad and Partner Pay is included for Australia, and similar schemes are included for Finland, Estonia, Denmark, Lithuania, and Poland.

Source: OECD (2016a, PF2.2).

in Japan and South Korea where, despite generous schemes, take-up is still low.²² However, survey evidence suggests that Australia is more culturally aligned with the European countries and Canada on these dimensions.²³

1.4 Some Australian employers are also moving towards more gender-equal parental leave

Over the past decade, several major employers in Australia have introduced parental leave schemes that include the same entitlement for either parent, rather than the traditional model that treats a ‘primary carer’ and ‘secondary carer’ differently.²⁴ These schemes typically aim to give women and men equal opportunity to take on caring responsibilities.²⁵

One result of these schemes has been an increase in the proportion of parental leave taken by men. Deloitte has reported an increase in the proportion of male users of its parental leave scheme, from 20 per cent to 40 per cent.²⁶ PwC also reported an increase in the percentage of men using its parental leave scheme, to more than 45 per cent.²⁷

22. Brinton and Mun (2016); Mun and Brinton (2015); Salmi and Lammi-Taskula (2014); and Morrone and Matsuyama (2010).

23. See Pew Research Center (2020). The World Values Survey found that 6.7 per cent of Australians ‘strongly agreed’ or ‘agreed’ with the statement ‘When jobs are scarce, men should have more right to a job than women’. This result was similar to Canada (5.8 per cent), UK (6.5 per cent), Sweden (2.9 per cent) and Germany (9.2 per cent). On the other hand, Japan (25 per cent) and South Korea (53 per cent) recorded much higher rates: World Values Survey (2020, Question 33).

24. For example, Telstra, Deloitte, Medibank, and PwC all offer between 14 and 18 weeks’ paid leave to all new parents, with no distinction between primary and secondary carers. The leave can also be taken flexibly: Fuller (2019), Deloitte (2020), Medibank (2018) and PwC (2021).

25. A white paper by Parents at Work found that ‘best practice’ parental leave policy includes equal non-transferable leave provisions for each parent of at least 16 weeks, able to be used flexibly: Parents at Work (2018).

26. Deloitte (2020).

27. Tadros (2021).

Table 1.1: International parental leave schemes targeted at fathers

Country	Length (weeks)	Payment (% of income or flat-rate)	Both parents can take leave concurrently?	Father take-up
Norway	15-19*	100% or 80%	Some	High
Iceland	20	80%	All	High
Finland	9**	Combination	Some	High
Canada (Quebec)	5	70%	All	High
Spain	16	100%	All	High
Luxembourg	18-82*	Combination	All	Medium
Belgium	19	\$1,215 AUD eq. monthly	All	Medium
Sweden	14	78% (plus sharing bonus)	Some	Medium
Germany	8	65-67%	All	Medium
Portugal	5	100%	Some	Medium
France	4	100%	All	Medium
Slovenia	4	100%	All	Medium
Estonia	4	100%	All	Medium
Lithuania	4	78%	All	Medium
Korea	54	80% then 50%	All	Low
Japan	52	67% then 50%	All	Low
Croatia	8	100%	All	Low
Netherlands	6	70%	All	N/A***
Slovak Republic	28	\$613 AUD eq. monthly	All	N/A***

Notes: Only non-transferable paid entitlements for the father, whether termed ‘paternity leave’ or ‘paternal leave’, of four weeks or longer are represented. * Length of leave varies depending on payment option chosen – including part-time payment spread over a longer period. ** Set to increase to 13.5 weeks later in 2021. *** No data available. Take-up rates for Belgium, Estonia, Finland, France, Iceland, Portugal, and Spain may increase due to recent policy changes. 1 EUR = 1.62 AUD as at 24 August 2021.

Sources: Grattan analysis of International Network on Leave Policies and Research (2021) and OECD (2019).

Employers have also reported improved connection with the workplace. PwC reported a reduction in the proportion of its staff who resign while on parental leave from 6.4 per cent in 2017, before the more flexible option was introduced, to 3.3 per cent in 2021.²⁸

Generous parental leave schemes can also help firms to attract and retain talent. Spotify reported ‘a significant spike in external applications’ after introducing six months’ fully paid parental leave for all employees.²⁹

These schemes are big steps forward for these employers and their workers. But many Australian parents work for small and medium-sized businesses or are self-employed, and are therefore unlikely to be able to use such generous schemes any time soon. The government scheme plays an important role in setting a floor on the conditions available to all Australian parents.

Business groups in Australia have called on the Government to do more to complement private sector initiatives.³⁰ And having a government scheme in place may encourage more employers to come to the party with more generous schemes for fathers and partners – for example, through top-up payments or additional leave – as fathers taking leave becomes more normalised.³¹

1.5 Focus of this report

Throughout this report, we will refer to the second parent as ‘fathers’ or ‘dads’ or ‘men’, and our analysis is mainly focused on heterosexual couples with children. This is because this is the most common family structure for raising young children and we have much better

28. Ibid.

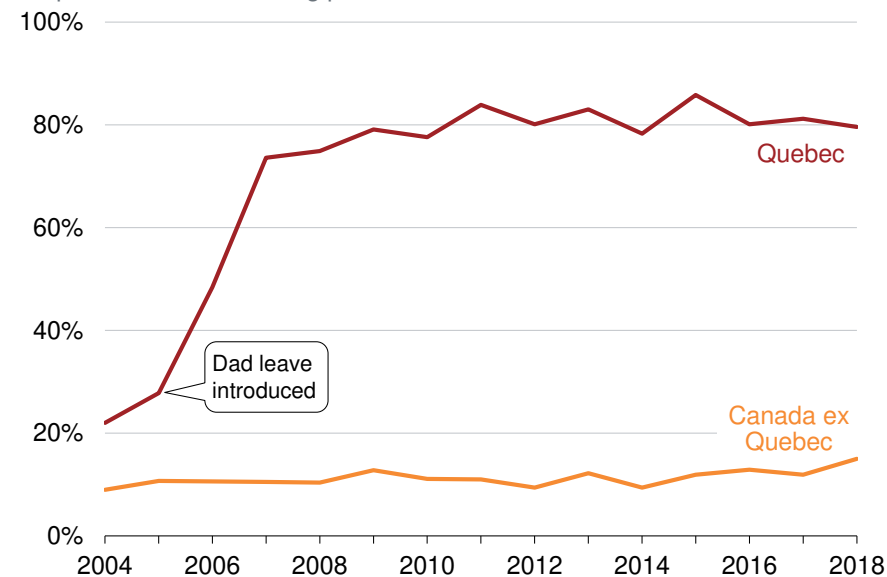
29. Hakikat (2017).

30. Business Council of Australia (2021); and KPMG (2021).

31. Baird et al (2021).

Figure 1.6: More fathers take parental leave in Quebec since it introduced a ‘dad leave’ scheme

Proportion of fathers taking parental leave



Note: Some missing data have been interpolated.

Sources: Statistics Canada (2019), and various earlier versions of the Employment Insurance Coverage Survey; International Network on Leave Policies and Research (2013).

data about the choices made in these types of families.³² But our recommendations will also improve the choices available to other couples, as well as single parents.

While this report focuses on the benefits for men of shared care and parental leave, we do not seek to ignore the benefits that targeted parental leave policies have brought for mothers and families. Australian and international research shows that government-funded paid parental leave for mothers leads to improved health for mothers and children, longer periods of breastfeeding, better work-life balance and wellbeing for mothers, and increased women's workforce attachment.³³

An evaluation of the current Australian scheme, conducted between 2010 and 2014, found that more mothers were out of the workforce in the first 18 weeks after birth. But it also found that longer-term workforce attachment was stronger than it had been before the scheme was introduced, with more women back in the workforce 12 months after birth.³⁴

1.6 Structure of this report

Chapter 2 highlights the entrenched gendered patterns of paid and unpaid work in Australia, particularly for parents, and the impact on parental satisfaction and women's economic security.

Chapter 3 presents the evidence that parental leave dedicated to fathers leads to more equal sharing of caring responsibilities, and promotes women's workforce participation and economic security.

Chapter 4 identifies the broader benefits of parental leave and fathers' increased participation in child rearing, both for parents and children.

Chapter 5 charts a better path and shows that even a modest investment in more gender-equal leave could yield significant economic and social dividends.

32. Of families with children under 6, 88 per cent include a male and female parent, 12 per cent have a single parent, and less than 1 per cent include a same-sex couple: Grattan analysis of ABS (2019).

33. Broadway et al (2015); WGEA (2017); J. Heymann et al (2017); Jones and Wilcher (2019); Karageorge (2019); and Broadway et al (2016).

34. Martin et al (2014).

2 The gendered division of labour is holding back Australian parents

Australia has a very gendered division of labour by international standards. Women take on relatively more care and men take on relatively more paid work than in most advanced economies.

Decisions made about care in a child's first years lock in parental patterns for years to come.

For some families the default model of a male breadwinner and female carer/second earner works well. But for many others it doesn't. Many women say they would like to do more paid work. Similarly, many men would like to take on more caring responsibilities but feel trapped by real or perceived barriers to shifting their working patterns.

These heavily gendered patterns of time use also undermine women's economic security, through reduced pay and lower lifetime earnings.

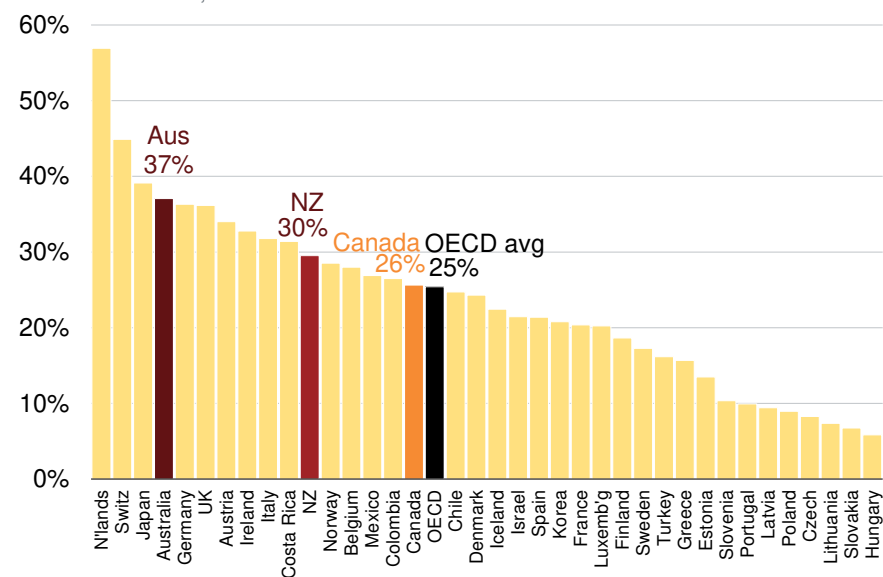
2.1 Australia has a very gendered division of labour, especially for parents

Australia has higher rates of female workforce participation than many OECD countries. About 73 per cent of women in Australia aged 15-64 engage in, or seek, some paid work each week, compared to an average of 64 per cent across the OECD.³⁵ But women in Australia are much more likely to work part-time than women in other advanced economies. About 37 per cent of employed women in Australia work fewer than 30 hours per week, which is well above the OECD average of 25 per cent (Figure 2.1).

Australian men have a higher-than-average rate of part-time work too – 15 per cent, compared to the OECD average of 10 per cent³⁶

Figure 2.1: Australia's rates of part-time work for women are among the highest in the OECD

Percentage of employed women working fewer than 30 hours per week in OECD countries, 2019



Notes: Women working fewer than 30 hours as a share of all women aged 15+ employed full-time or part-time. Definitions of 'part-time' vary by country, so this chart uses a common definition of fewer than 30 hours per week to compare between countries.

Source: OECD (2021b).

35. OECD (2021a).

36. OECD (2021b).

– but Australian men and women have very different reasons for working part-time. The main reason women work part-time is to care for children; the main reason men work part-time is to study.³⁷

Among Australian women in their 30s and early 40s who have children, part-time work is the most common work arrangement – almost 40 per cent work part-time (Figure 2.2).³⁸ And these work patterns tend to persist. Women who have given birth at some point in their life are more likely to work part-time in their 50s and 60s than women who have never given birth.³⁹

2.1.1 Couples redistribute unpaid work when they have children

Having a child is life-changing in so many ways – mentally, emotionally, physically, financially. But it also has a significant impact on how people organise their lives.⁴⁰ And as Figure 2.3 on the next page illustrates, in Australia, the impact on women’s lives is typically far more dramatic than the impact on men’s lives.

New mothers typically reduce their paid work to take on the lion’s share of caring and household work, while fathers typically continue their paid work and take on some extra caring. Caring becomes less time-consuming for both mother and father as the child gets older, but the division of labour established in those early years endures: the

37. Cassidy and Parsons (2017).

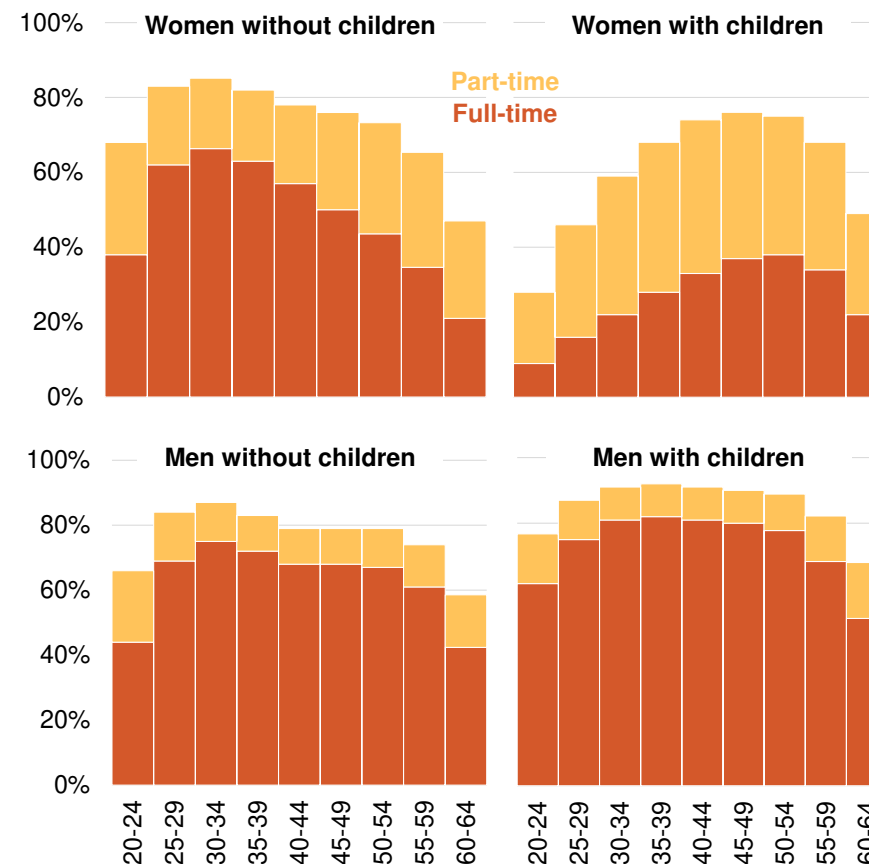
38. For heterosexual couples with young children, the most common arrangement is the ‘1.5-earner household’; the man working full-time and the woman working part-time: Wood et al (2020).

39. Women who have given birth are just as likely to be employed in their 50s and 60s as women who have never given birth, but they are less likely to work full-time (51 per cent of those employed, compared to 63 per cent among women who have never given birth): Grattan analysis of ABS (2017).

40. Yavorsky et al (2015); Riggs and Bartholomaeus (2018); and DeRose et al (2019).

Figure 2.2: Children are a big factor in women’s decisions about paid work, but less so for men

Proportion in age group by type of employment, 2016



Notes: ‘With children’ refers to dependent children. A person is classified as working part-time if they usually work fewer than 35 hours per week. The proportion of people unemployed or not in the labour force is not shown.

Source: Grattan analysis of ABS (2017).

average woman does more caring and twice as much household work even a decade after the birth of the first child (Figure 2.3).⁴¹

These patterns have a strong cultural pull. Even women who are earning more than their partners before a baby arrives are far more likely to drop their work hours in the early years of a child's life than the father. Indeed, the proportion of higher-earning women who take on the lion's share is even higher than the proportion of lower-earning women (Figure 2.4 on the following page).

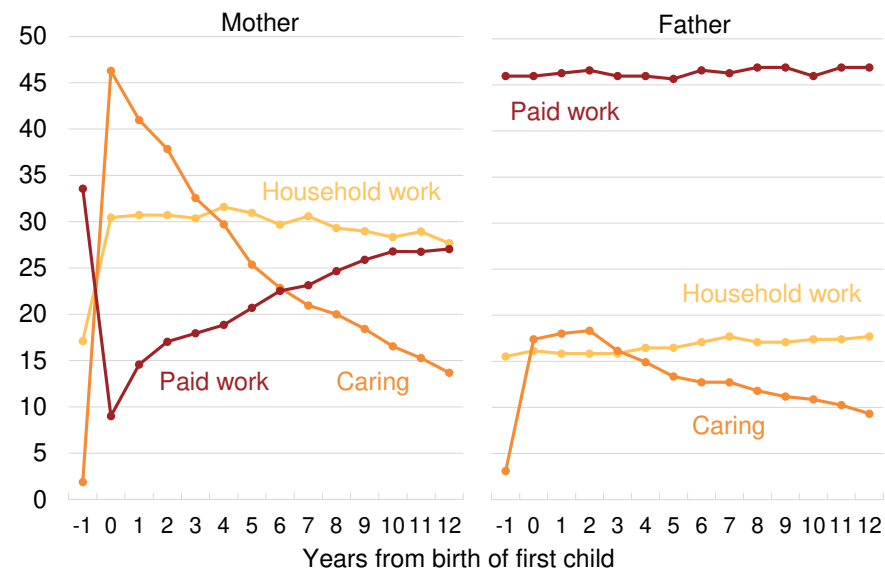
2.2 The workload of a new family is big, and the division of labour often doesn't suit either parent

Families with children have bigger daily workloads than those without, and having children typically intensifies the gendered division of labour within households.⁴²

While it is easy to attribute this to 'personal choice', these choices don't occur in a vacuum. The gender gap in unpaid and paid work, measured across all ages, is more pronounced in Australia than in most advanced economies (Figure 2.5 on the next page).⁴³ And there is evidence that the 'time costs' of motherhood have increased in recent decades, compounding the challenges for mothers.⁴⁴

Figure 2.3: The nature of work changes dramatically for women after their first child, but not for men

Time use before and after the birth of first child, average hours per week



Note: Age of youngest child = -1 is the year before the birth of the first child.

Source: Baxter (2019).

41. Having a child can also change people's attitudes to gender divisions of labour, perhaps partly because institutional arrangements – including government and employer parental leave – encourage women to withdraw from paid work and take primary responsibility for childcare, and partly because personal experience of parenting leads to changes in self-identity: Baxter et al (2015) and Kuziemko et al (2018).

42. Craig et al (2010); Craig and Bittman (2008); and Barnes (2015).

43. Women in Australia do substantially more unpaid work and less paid work on average, compared to women in other countries (Figure 2.5).

44. Kuziemko et al (2018) suggest the time cost of childcare beyond infancy has risen.

Figure 2.4: More mothers than fathers drop paid work for caring, even if the mother was earning more beforehand

Proportion dropping more hours of paid work one year after the birth

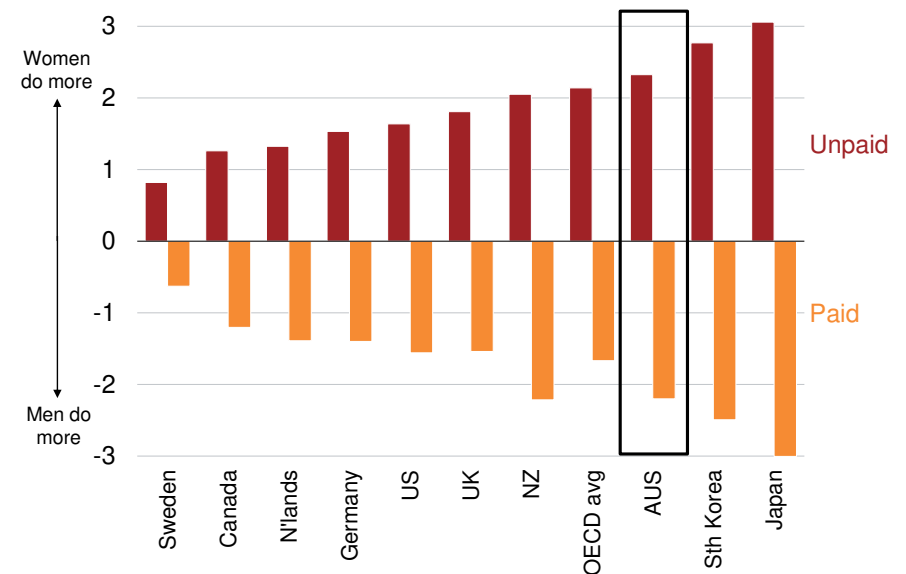


Notes: Includes heterosexual couples only. Prior earnings are compared one-to-two years before the birth of the first child. The hours dropped is calculated from one-to-two years before the birth to one-to-two years after. This measure is compared for the man and woman in a couple.

Source: Grattan analysis of Melbourne Institute (2018).

Figure 2.5: The gender split in unpaid and paid work is particularly prominent in Australia

Difference in unpaid and paid work between women and men, hours per day



Notes: Total work for both men and women is similar to the OECD average, but Australian women do substantially more unpaid work and less paid work on average. The gender gap is calculated as the average hours reported by women minus the average hours reported by men. Data was collected across various years (2002-2014). Australian data is 2006 for ages 15+, other countries are for ages 15-64. Selection of comparator countries as per Daley et al (2019).

Source: OECD (2018a).

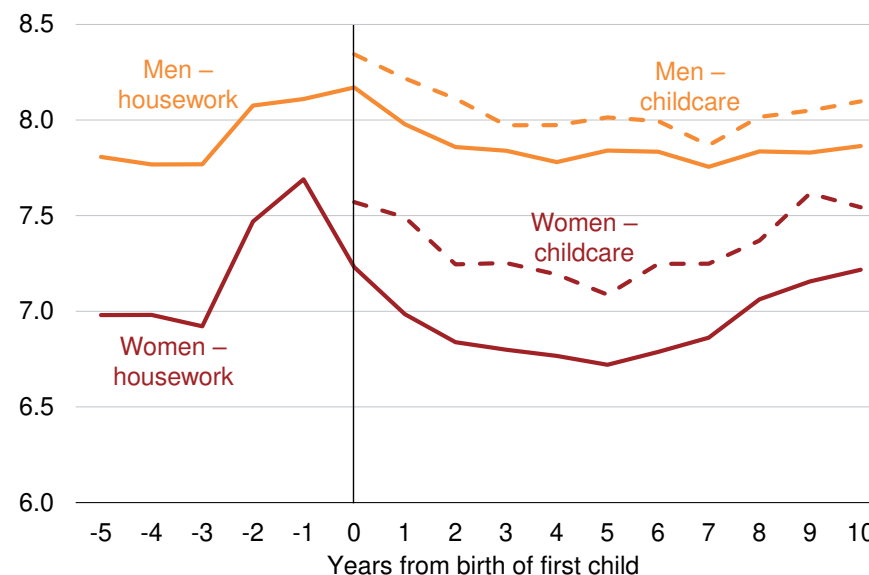
This division of labour means that in many families, fathers are working long hours on the job with little time at home,⁴⁵ while mothers are working long hours at home with little time on the job – reducing wellbeing for both parents.⁴⁶

This division of labour still suits many families, but, on average, it is substantially less satisfactory for women than for men (Figure 2.6). Even before the birth of a child, women tend to feel less satisfied than men with the division of household labour. But after they have children, women’s satisfaction with the division of household labour drops for about five years before gradually returning to pre-birth levels. Time-use surveys show that mothers with a child under 5 have a higher total workload (paid and unpaid) than fathers.⁴⁷

Balancing paid work and family is a more common and significant stress for women. Mothers tend to feel more rushed than fathers,⁴⁸ and women are more likely to feel overloaded.⁴⁹ But work-family conflict (‘incompatibility’) is stronger for fathers,⁵⁰ who are more likely to feel

Figure 2.6: The division of labour suits men more than women

Average satisfaction with division of housework and childcare (on a scale of 0-10)



Note: Estimates are for heterosexual couples.

Source: Wilkins and Lass (2018, Figure 5.5, p. 89).

45. Australia has a high share of employees (mainly men) working very long hours by international standards: OECD (2018b) and OECD (1998). In 2019, 27 per cent of employed Australian men worked more than 45 hours, and 18 per cent worked more than 50 hours: ABS (2020c). More than half (53 per cent) of Australian fathers with an infant work more than 45 hours: Baxter et al (2007). See also Dinh et al (2017).

46. A study of Australian working parents found ‘job quality’ – ‘the set of work features which foster the wellbeing of the worker’ – was typically highest in full-time work with moderate hours (35-39 hours per week) for both men and women. Job quality was assessed based on workload, job control, perceived job security, flexibility of working hours, and availability of paid family-friendly leave: Charlesworth et al (2011).

47. Craig et al (2010) and Craig and Bittman (2008). The ABS is planning to conduct a time-use survey, which, when it goes ahead, will be Australia’s first since 2006 and should shed new light on paid and unpaid workloads.

48. Craig and J. Brown (2017); Strazdins et al (2016); and ABS (2020a).

49. Skinner et al (2012, p. 53).

50. Baxter et al (2007).

that they've 'missed out'.⁵¹ The status quo is clearly not working well for many families.⁵²

For women to take on more paid work, or for men to take on more of the caring responsibilities, something else must give – there are only so many hours in the day. Surveys show that many working parents support a more equitable division of labour, both at home and at work.⁵³

But changing these existing patterns isn't easy – they are entrenched through a mix of policy, cultural norms, and social expectations. The COVID-19 pandemic has been a shock to domestic arrangements in many Australian households, and may contribute to change, but its long-term impact is not yet clear (Box 1).

2.3 Gendered care is a handbrake on improving economic equality

The World Economic Forum ranks Australia 70th in the world on gender equality in economic participation and opportunity. This is below most other rich countries, including others we often compare ourselves to including New Zealand (27th), the US (30th), and Canada (40th).⁵⁴

51. Sole-earner fathers and those employed for long hours were most likely to report high work-family conflict: Cooklin et al (2016). See also Cooklin (2018).

52. For 60 per cent of two-parent families, one or both parents report high work-family conflict: Wilkins et al (2019). Fathers are most likely to have a substantial mismatch between actual and preferred working hours: half of fathers would prefer to work at least four hours less per week: Skinner et al (2012, p. 12).

53. Baird (2019). Only about a quarter of Australian mothers and fathers agree or strongly agree that the traditional male breadwinner and female homemaker division of labour is better. And about 80 per cent agree that household and caring responsibilities should be shared equally if both parents work: Baxter (2014).

54. World Economic Forum (2021, p. 18).

Box 1: The COVID-19 pandemic has changed many domestic arrangements, but the long-term impact is unclear

The COVID-19 shutdown has been a shock to domestic arrangements in many Australian households, especially those with children. Many parents have been providing significantly more care for their children than under normal circumstances, due to school closures and the health risks of sending children to childcare centres or to grandparents.

The unpaid workload increased for both women and men during lockdowns, and more so for women, but the gender gap in childcare narrowed a little.^a

For some families, new habits formed during this time could lead to greater sharing of care and household responsibilities beyond the crisis. In particular, if flexible and remote work remains common post-crisis, there is greater scope for parents to share tasks such as school pick-ups and drop-offs that were previously mainly managed by mothers.

On the other hand, if more men end up returning to the office, and more women continue working from home, there is a risk this could exacerbate gender inequality in the workplace by reducing women's 'face-time' with senior managers and chances of promotion.^b

a. The University of Melbourne 'Work and Care in the Time of COVID-19' survey was conducted over three weeks in May 2020, with 2,722 responses from dual-income heterosexual households. Women were still picking up more of the domestic workload than men, but extra childcare by men narrowed the gender gap on that front: Craig (2020) and Daniel (2020). See also Hand et al (2020).

b. Wood et al (2021b).

Australia's poor performance on key dimensions such as workforce participation and the gender pay gap are in part a function of the large gender differences in the unpaid care load.

2.3.1 Unequal division of care contributes to the gender pay gap...

The gender pay gap in Australia – the difference between the full-time equivalent rates of pay for men and women – currently sits at 14 per cent.⁵⁵ It has narrowed slightly over the past decade, but at current rates of progress it is estimated Australia will not achieve pay parity until about 2046.⁵⁶

KPMG estimates that care and family responsibilities account for 39 per cent of the gap. Time out of the workforce, and part-time work associated with care, puts women on a lower earnings trajectory because it reduces their years of job-specific experience and because flexible part-time work is generally associated with slower career progression.⁵⁷

KPMG estimates that a further 18 per cent of the gender pay gap is due to occupation/industry segregation – the fact that industries or job classes with more women workers tend to receive lower pay on average than industries or occupations with more men. Occupation segregation itself has been also partly blamed on the disproportionate unpaid care load on women, which reduces their capacity to participate in higher-paid but less-flexible occupations (Section 3.4 on page 25).⁵⁸

55. WGEA (2021).

56. Cassells and Duncan (2021, p. 15).

57. Livermore et al (2019). See Riach et al (2018, pp. 17–18) for examples.

58. KPMG (2019) and WGEA (2019). See also Panigrahi (2017) on the gap in Australia, and Goldin et al (2017) on the gap in the US.

2.4 ...and is a big cause of the lifetime earnings gap

The 'lifetime earnings gap' between men and women in Australia is more accurately described as a gap between men *with children* and women *with children*. If current working patterns continue, the average 25-year-old woman today who has at least one child can expect to earn \$2 million less over her lifetime than an average 25-year-old man who becomes a father (Figure 2.7 on the next page).

This gap is largely caused by changes in work patterns after the birth of the child, with mothers working fewer hours of paid work and getting lower pay per hour.⁵⁹ Women typically take time out of the workforce when they have a child and then, if they do return to paid work, it will typically be for two or three days a week. This also contributes to lower pay per hour, as noted above.

Grattan Institute's 2020 *Cheaper Childcare* report⁶⁰ showed that increasing the rate of the Child Care Subsidy would reduce the very high financial disincentives many women with young children face to returning to work or choosing to work more paid hours. This would increase parental choice and reduce the financial hit women take from having children.

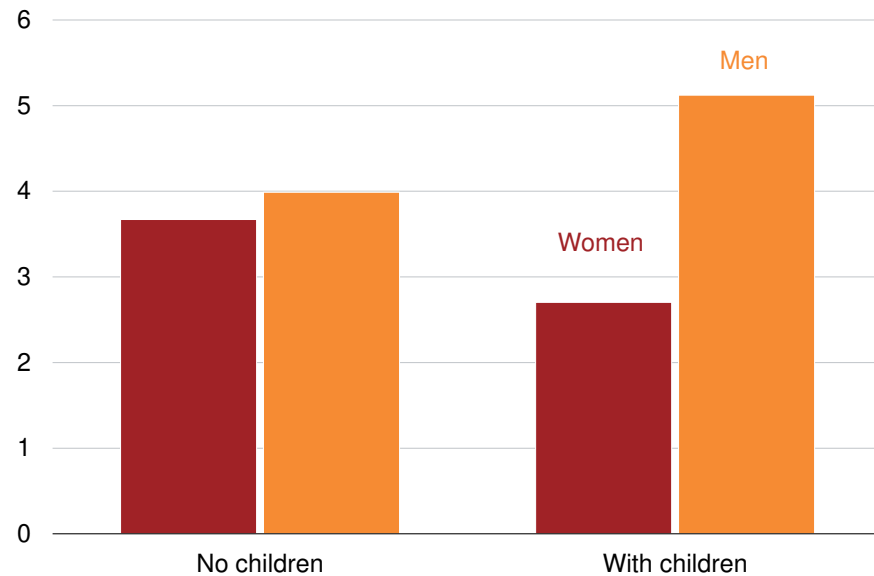
But improving the sharing of unpaid care would be a powerful complement. And parental leave policy is the most powerful lever governments have to help shift the way care is shared between parents. Policy can shift culture, as the next chapter shows.

59. Panigrahi (2017) estimates that 44 per cent of the lifetime earnings gap for women in Australia is explained by children, mainly as a result of reduced labour force participation and reduced hours worked.

60. Wood et al (2020).

Figure 2.7: The earnings gap between men and women with children is actually a gulf

Mean expected lifetime income for someone aged 25 in 2017, in 2017 dollars, millions



Notes: Allows for earnings from age 25 to 70, excluding superannuation. Uses gross total income from HILDA (the Household, Income, and Labour Dynamics in Australia Survey). Assumes age-wise distribution of earnings from HILDA for people who have, or haven't ever had, children. The current earnings distribution is adjusted for future real wage inflation, assumed at 1 per cent. Earnings at age 60-64 assumed similar to earnings of those currently aged 55-59. Earnings at age 65-69 assumed similar to earnings of those currently aged 60-64. This adjustment acknowledges likely increases in labour force participation at older ages in future.

Source: Grattan analysis of Melbourne Institute (2018).

3 More gender-equal paid leave promotes more equal sharing of paid work and care

The design of parental leave policy plays a role in shaping parents' choices about work and care.

Australia's current policy design reinforces the traditional male 'breadwinner' and female 'homemaker' model, limiting the conscious and subconscious choices families make.

Overseas evidence suggests policy changes can increase these choices. Leave targeted at fathers increases time with their young children (Section 1.3 on page 8). This creates a 'virtuous shadow' as dads who are more actively involved in the early years take on more care as their children get older. This in turn promotes more choice for women. Some women will choose to spend more time in paid work, improving their economic security and generating broader economic benefits.

3.1 Parental leave design can encourage men to be more involved parents

Making paid parental leave available for both parents can foster a more equal division of caring responsibilities and set up habits for life.⁶¹

Many countries have policies that set aside a significant period of parental leave for fathers and partners (Table 1.1 on page 11), often referred to as 'dad leave'. The rationale for dad leave schemes is to give fathers the opportunity to spend more time with their young children.

A period of time as the primary carer helps fathers to develop parenting skills early on. Fathers who take leave are more likely to perform caring

tasks such as feeding, bathing, changing nappies, putting children to bed, and getting up at night with infant children. They engage more frequently in developmental activities such as playing and reading.⁶² Fathers also have more time for household duties.

Experiencing the daily realities of raising a newborn allows fathers to gain confidence in their care-giving and housework abilities.

3.1.1 Early engagement by fathers casts a virtuous shadow

Many studies highlight the importance of dads flexing their parenting muscles early. Fathers who take leave in the child's first year are more likely to continue to share more of the care as the child grows. Childbirth is a significant life event that makes parents more open to behaviour changes. Dad leave intervenes at a critical time for renegotiating household work and establishing future division of labour patterns.⁶³

Journalist Annabel Crabb explains it well:

The person who takes the parental leave invariably becomes the person who knows more about nappy-changing, more about which food the kid likes, more about nap times and play dates and which kids at the park have nut allergies.⁶⁴

61. WGEA (2017); Parents at Work (2019); and Work and Family Policy Roundtable (2019).

62. Petts and Knoester (2018); Hosking et al (2010); Huerta et al (2014); and Tanaka and Waldfogel (2007).

63. Kotsadam and Finseraas (2011); and Huerta et al (2014).

64. Crabb (2019).

International studies suggest that, controlling for other factors,⁶⁵ paternal involvement during the first year increases the probability of care-giving beyond the leave period, including up to three years later.⁶⁶

Length of leave also seems to matter: longer periods of leave are associated with more frequent father engagement. Taking at least two weeks of leave increases the frequency of engagement by about 7 per cent.⁶⁷

One Australian study found that fathers taking longer leave were more likely to be involved in childcare when the child was 2 or 3.⁶⁸ Another study found that the children of fathers who took longer leave around the time of childbirth were more likely to receive solo father care on weekends.⁶⁹ Dad and Partner Pay was not available at the time of either of these studies, so leave taken was typically annual leave.

3.1.2 Early engagement by fathers results in a more equitable division of caring and household responsibilities

Fathers taking a period of extended leave is correlated with a more equitable division of parenting responsibilities.⁷⁰ Fathers use their leave to develop bonds with their newborn and help their families by performing household chores or looking after their other children.⁷¹

65. Other factors which influence paternal involvement include family structures, socio-economic status, and attitudes towards childcare and gender roles.

66. German study: Tamm (2018); Quebec study: Patnaik (2014); Swedish studies: Haas and Hwang (2008) and Duvander and Jans (2009); UK studies: Tanaka and Waldfogel (2007), Fagan and Norman (2016) and Norman (2020); US studies: Nepomnyaschy and Waldfogel (2007), Petts and Knoester (2018) and Knoester et al (2019); OECD study (Australia, Denmark, UK, and US): Huerta et al (2014).

67. Petts and Knoester (2018).

68. Huerta et al (2014).

69. Hosking et al (2010).

70. Rege and Solli (2013); Arnalds et al (2013); Schober (2014); Almqvist and Duvander (2014); and Bunning (2015).

71. Knoester et al (2019).

Iceland introduced gender-equal paid leave in 2000. Since then, more families equally share care after the child's first year: 55 per cent of married parents now report equal sharing of care 13 months after the birth, compared to 33 per cent before the scheme.⁷²

A Swedish study used leave taken for care of sick children as a measure for household work to conclude that the introduction of two months dad leave in 2002 did not have behavioural effects in the household.⁷³ But after adjusting for differences in characteristics between parents of children born before and after the reforms, another study using the same measure found some effects of more gender-equal sharing.⁷⁴

Solo care by the father is an important facilitator of the shift from helper-manager to equitable parent. Solo time is 'qualitatively different' from supporting the mother.⁷⁵ Dad leave is positively associated with the likelihood of the father taking care of children alone while their partner does something else. A Quebec study found that introducing dad leave led to a direct increase of 2.2 hours of solo care time by the father per week.⁷⁶

Dad leave also contributes to more equal sharing of other domestic tasks.⁷⁷ A recent analysis of 35 countries found those with more generous parental leave did not necessarily achieve a more equal

72. Arnalds et al (2013).

73. Ekberg et al (2013).

74. Duvander and Johansson (2019).

75. Wilson and Prior (2010); Craig (2006); Lamb (2000); and Raley et al (2012).

76. Wray (2020).

77. Not all parenting tasks are shared more equally. The division of childcare is more related than housework to the length of dad leave. Women still tend to spend proportionately more time on physical childcare tasks and do more scheduled tasks: Almqvist and Duvander (2014).

division of household labour, but that countries with paid leave reserved for fathers did.⁷⁸

3.2 As more men take parental leave, social norms change

Current gender norms in Australia box in men's choices. Men feel more constrained in taking parental leave, even if they would like to take it, because doing so is against expectations of employers and peers. A more generous government scheme with higher uptake helps shift those norms,⁷⁹ making it easier for each subsequent wave of fathers to follow suit.⁸⁰

In Nordic countries, it is now the norm for fathers to take parenting leave – it is even a source of national pride.⁸¹

When more fathers take leave, it becomes routine in workplaces, just as it already is for mothers. When employers expect fathers to take leave, it is much easier for fathers to ask for it and to take it,⁸² confident

they will not face a career penalty.⁸³ This is particularly important for low-income workers.⁸⁴

As more men take parental leave, men's experience of parental leave will become more positive. At present, fathers are less likely to use support services such as parents' groups, due to the perception that these are largely female services.⁸⁵ This can lead to fathers in primary caring roles feeling more isolated.⁸⁶

3.3 More gender-equal leave can boost women's workforce participation

When fathers are more involved in parenting during the first year of their children's lives, mothers are more easily able to re-enter the workforce. The international evidence suggests many women make this choice if empowered to do so by their partner assisting with care of the children.

A UK study found mothers were more likely to resume employment if the father was involved in childcare nine months after the birth.⁸⁷ Similarly, the expansion of dad leave from four to 10 weeks in Norway was associated with a faster average return to work for mothers.⁸⁸

A 2014 evaluation of the Quebec parental leave scheme showed both increased sharing of household labour and increased female workforce participation after the scheme came into force, and higher levels of both compared to other Canadian provinces without such a scheme.⁸⁹ On

78. DeRose et al (2019); see also DeRose (2019). In countries with dad leave, 34 per cent of couples with children shared household work equally, compared to 28 per cent in countries without dad leave. In Norway, the introduction of a four-week 'dad quota' meant parents exposed to the policy were 50 per cent more likely to share the task of washing-up equally. Fifteen years after the reform, parents exposed to the policy reported an 11 per cent lower level of conflicts over household division of labour: Kotsadam and Finseraas (2011).

79. Unterhofer and Wrohlich (2017); and Omidakhsh and A. S. J. Heymann (2020).

80. A study of Norwegian parental leave in the 1990s estimated that 21 per cent of the increase in men's take-up was due to the influence of peers – 'a snowball effect': Dahl et al (2014).

81. Aidukaite and Telisauskaite-Cekanavice (2020, p. 86); and Beglaubter (2019).

82. Marsiglio and Roy (2012); The Economist (2019); AHRC (2014); Deloitte (2016); and McKinsey (2021).

83. Coltrane et al (2013); Rege and Solli (2013); and Deloitte (2016).

84. Men of low socio-economic status who request leave are more vulnerable to receiving lower performance ratings, being viewed as inferior workers, and earning less income in the future: Williams et al (2013).

85. Barrett et al (2018); and Plantin et al (2011).

86. Oad (2020).

87. Norman (2020).

88. Rønsen and Kitterød (2015).

89. Patnaik (2014).

average, women exposed to the scheme⁹⁰ were doing an extra hour of paid work per day, and earning an additional \$5,000 per year, while men exposed to the scheme were doing 40 minutes less paid work per day,⁹¹ partly – but not fully – offsetting the increase in female workforce participation.

A 2021 study found that Quebec mothers exposed to the scheme were 5 per cent more likely to participate in the labour force and work full-time, 5 per cent less likely to work part-time, and 4 per cent less likely to be unemployed than would have been the case without the policy.⁹²

3.4 More gender-equal leave can boost economic activity

The immediate economic benefits from gender-equal paid parental leave come from higher workforce participation. The international evidence suggests that more generous gender-equal leave both increases workforce participation for mothers, and reduces it for fathers, with a net overall increase of hours in paid work.

The overall impact is an increase in measured economic activity (GDP) and incomes. To some degree, the net increase in parents' working hours represents a simple shift from unmeasured activity (home care) to measured activity (paid work), particularly if children are in paid care during parents' working hours. However, as explored in our *Cheaper Childcare* report,⁹³ there is also a real productivity improvement. Non-parental childcare is more efficient thanks to the benefits of scale: each

90. The study was not able to identify who had taken the parental leave, so instead it compared outcomes for parents aged 18-50, with a child between 1 and 8 years old, living in the Quebec region before and after the introduction of the scheme.

It also compared outcomes for parents in Quebec to similar parents in other provinces: Patnaik (2014).

91. There was also a slight reduction in fathers' annual earnings (about \$2,000 on average for the whole sample and \$11,000 on average for fathers with a child under 3), but neither result was statistically significant: Patnaik (ibid).

92. Dunatchik and Ozcan (2021).

93. Wood et al (2020).

childcare worker cares for multiple children, and groups of children also contribute to each other's play and development.

Assuming a similar proportionate increase in net parental work hours in Australia as was seen in response to the Quebec scheme, we estimate GDP increases in Australia of about \$1.50 for every \$1 for incremental investment in 'use it or lose it' leave for fathers (Table 5.1 on page 30 and Appendix A).

In the long-term, the economic pay offs from a more gender-equal workforce could be even bigger. Australia is a world leader in terms of education for women.⁹⁴ About 75 per cent of Australian women aged 25-44 have a post-school qualification; for men of the same age group, the figure is 70 per cent.⁹⁵ Barriers to highly qualified women working – such as carrying a disproportionate load of unpaid care – leave a huge potential resource untapped.

This is already evident in choices within families. Even in the 30 per cent of heterosexual couple families where the woman is the higher earner a year before the birth, it is still the woman who is much more likely to reduce her paid work to care for a child (Figure 2.4 on page 17). Shifts in cultural norms about fathers' participation would free up these families to make different choices with immediate payoff for both their household and national income.

Better utilisation of talent can also generate very large economic payoffs across the economy. One study estimates that about 40 per cent of the growth in US living standards between 1960 and 2010 was due to better allocation of talent as barriers to women and minorities participating in the workforce were reduced. Removing barriers to

94. World Economic Forum (2021, p. 18). Australia ranked equal first, along with 25 other countries.

95. ABS (2020d, Table 25).

participation deepens the talent pool and makes the best use of a country's human capital.⁹⁶

Women in Australia have very low participation in roles and sectors with higher pay but less flexibility in hours. Women are far less likely to work as managers (36 per cent), or in sectors such as construction (12 per cent) or mining (16 per cent) that have higher average pay but also longer average hours of work.⁹⁷ Shifts in caring responsibility may free up women with the interest and aptitude to participate in these sectors, improving overall productivity and reducing the gender pay gap.⁹⁸

3.5 More gender-equal leave can improve women's economic security

For mothers, increased workforce participation also improves economic security.

The current highly gendered split of paid and unpaid work (particularly for parents) contributes to a very large lifetime earnings gap between Australian mothers and fathers (Figure 2.7).

This would be less important if all couples stayed together for life. But for every 10 marriages there are 4 divorces, and about half of divorces involve children.⁹⁹

The average divorced mother has less than 75 per cent of the total assets of the average divorced father, and less than half of the superannuation of the average divorced father, even as soon as one-to-four years after the divorce.¹⁰⁰

96. Hsieh et al (2013).

97. WGEA (2019, pp. 5, 7).

98. WGEA (2019); and Finance and Public Administration References Committee (2017).

99. ABS (2020e).

100. L. Brown and Li (2016) made calculations from 2014 HILDA data and found that one-to-four years after a divorce, the average total assets for a mother was

And whatever the split of assets, the mother does not get a share of the 'human capital' that the father has built up over many additional hours in the paid workforce. If their working patterns followed the gender norms for heterosexual couples described above, the father is likely to have much greater future earning capacity than the mother.¹⁰¹ This leaves many women financially vulnerable if their marriage ends.

More equal sharing of unpaid and paid work would boost women's earnings, create opportunities for them to advance their careers, and improve their superannuation balances. More gender-equal parental leave, particularly if combined with policies to make childcare more accessible and affordable, will help boost women's long-term financial security.

\$330,000 and for a father \$426,000. The average superannuation balance for a divorced mother was \$64,000 and a divorced father \$135,000.

101. Vaus et al (2014).

4 More gender-equal leave would benefit families and children

More gender-equal parental leave opens opportunities for fathers and partners to be more engaged in the early years of their child's life. There are many benefits from this engagement. Fathers benefit through closer relationships with their children and improved life satisfaction. Family relationships also improve. And children benefit from the increased parental investment and diversity of interactions in their early years.

4.1 Dad leave has benefits for parents

Fathers who use dad leave tend to have increased job and life satisfaction.¹⁰² Dad leave gives fathers an opportunity to understand themselves better, to reflect, and to mature.¹⁰³ Solo care time has a particularly positive effect on father's happiness. Fathers report thriving on being loved and appreciated by their child. Engaging with their newborn can provide fathers with new life meaning and purpose.¹⁰⁴

The health and wellbeing of both parents tend to be better.¹⁰⁵ Fathers who take dad leave have a lower risk of early death than other men.¹⁰⁶ The stress of having a newborn is more easily managed, which may reduce the risk of paternal postpartum depression.¹⁰⁷ In Australia, not having access to paternity leave can contribute to mental health problems for men.¹⁰⁸ The mental health of mothers also improves as fathers' involvement in child rearing increases.¹⁰⁹

102. Kramer et al (2019).

103. Ashbourne et al (2011).

104. Brandth and Kvande (2018); and Wilson and Prior (2010).

105. OECD (2016b).

106. Månsdotter (2006).

107. Kim and Swain (2007).

108. Austin and Highet (2017).

109. Chatterji and Markowitz (2008). In Sweden, Persson and Rossin-Slater (2019) found that after dad leave was introduced in 2012, there was an 11% decrease

More gender-equal leave also improves family relationships and reduces parenting stress.¹¹⁰ Sharing similar experiences and parenting responsibilities allows couples to build a better mutual understanding of each other's everyday life.¹¹¹

A Korean study found that dad leave improved fathers' job and life satisfaction. Mothers' quality-of-life also improved, with flow-on benefits for her family relationship satisfaction and even conjugal satisfaction.¹¹²

An Icelandic study showed that fathers who took parental leave were less likely to be separated from their partners 15 years later, especially in cases where the mother has higher, or equal, educational attainment as the father.¹¹³

4.2 Dad leave has benefits for children

Children also benefit from additional time spent with fathers or partners in their early lives. The quality of that time is particularly important.¹¹⁴ In a family where both parents are involved in care, children can profit from the resources – financial, emotional, and social – and the diversity of interactions that each brings.¹¹⁵ Some have suggested that the exposure to more varied stimuli enrich a child's development.¹¹⁶

in antibiotic prescriptions, 26% decrease in the prescription of anti-anxiety drugs, and 14% decrease in hospital admissions or visits to a specialist.

110. Lidbeck et al (2018).

111. Lidbeck and Bostrom (2021).

112. Kramer et al (2019).

113. Olafsson and Steingrimsdottir (2020).

114. Baxter and Smart (2010).

115. Pleck (2012).

116. Lamb (2010).

A 2012 literature review highlighted a large number of studies that identify a positive link between father engagement and child development. The benefits identified fall into three categories. First, greater cognitive ability, which is reflected in higher intellectual competence and better problem solving, and also manifests as better school grades, higher educational attainment, and increased academic motivation. Second, superior emotional development: children tend to be happier, have higher self-esteem, better emotional and impulse management, and greater tolerance for stress and frustration. Third, higher social aptitude: children are more likely to have long-term friendships, be well liked by peers, and form intimate relationships.¹¹⁷ However, the authors caution that while the overall pattern is compelling, most of these studies are based on correlations and therefore there is a danger in construing father involvement as causal.

Another review of 24 studies using longitudinal data found that almost all reported positive effects, including those that controlled for the parents socio-economic status. Benefits identified included social, behavioural, and psychological and/or cognitive outcomes for children.¹¹⁸

A recent high-quality Australian study, using parental time-use data to measure engagement, found that paternal involvement with children aged 4 to 8 was associated with higher levels of cognitive development in the children, particularly if the involvement was directed at educational activities.¹¹⁹ Similarly, studies of low-income families in the US found that the children of fathers who engaged positively with them had significantly better cognition, language, and emotional development at ages 2 and 3.¹²⁰

117. Allen et al (2012).

118. Sarkadi et al (2008).

119. Cano et al (2019).

120. Cabrera et al (2007).

Many of these studies are probably detecting the benefits of dual parental engagement rather than the effect of fathers' engagement per se.¹²¹ The overwhelming majority of high-quality studies on child development and wellbeing in single-sex families suggest there is no detrimental impact to children from growing up with either two mothers or two fathers.¹²²

Indeed, one of the most robust studies, done by Australian researchers using data for the Netherlands, found that after taking account of other factors, children from same-sex families performed significantly better in standardised tests and were much more likely to enrol in college, than those from heterosexual parent families.¹²³

Of course not all families have the option of having a second adult involved in their child's upbringing. Our proposed scheme will also benefit children in solo-parent families by increasing the time single parents are able to spend with their newborn with the support of a more-generous parental leave payment.¹²⁴ Reducing poverty or material deprivation for single parents would be the most transformative change for the development of children in these families.¹²⁵

121. A range of factors other than gender can be more decisive for a child's development, such as social class, environment, parental education, and family income: WHO (2007).

122. See What We Know Project (2015) for a comprehensive summary of the literature. For other summaries see Manning et al (2014) and Biblarz and Stacey (2010).

123. Kabátek and Perales (2021).

124. After the period of paid parental leave is over, most single parents either need to return to work or rely on the Parenting Payment Single, which is \$850 a fortnight, or just over half as much as the fortnightly payment for paid parental leave of \$1545.

125. A number of studies have shown that material deprivation is the most significant cause of poorer development for children of single-parent families: Treanor (2018), Tobias et al (2010), McMunn et al (2001) and Lipman et al (1997).

5 Parental leave policy options, including our recommended option

This chapter examines a range of options for an improved parental leave scheme, including extending the leave period, setting aside a ‘use it or lose it’ component for fathers, increasing the rate of pay, and linking payments to pre-birth earnings.

We recommend the Federal Government adopts what we called Option 2 (Table 5.1 on the following page): a scheme with six weeks reserved for each parent plus 12 weeks to share between them. Under this scheme, two weeks bonus leave would be available to families where both parents use at least six weeks of leave. Single parents would be entitled to the full amount, meaning a total of 26 weeks would be available to all families.

This would cost the budget an extra \$600 million a year – a 25 per cent increase on the current investment in parental leave – but it would deliver sizeable payoffs to families and the economy.

This chapter also explores bolder options that include higher payment rates and longer leave periods closer to the international ‘gold standard’. These are substantially more costly but would be expected to generate higher take-up and create the biggest social and economic benefits.

5.1 Several reform options would improve on the current scheme

There are several ways the Federal Government could promote more gender-equal parental leave (Table 5.1 on the next page). We focus on alternatives that maintain the option of at least the current 18 weeks for mothers. This section lays out five options, from the incremental to the more radical, and evaluates each option against the following criteria:

- **How much does it cost?** A reform that costs the budget less is preferable, all other things being equal. While ultimately it is a question of government priorities, packages that cost more than \$1 billion (0.05 per cent of GDP) a year are more likely to be rejected as incompatible with current fiscal strategy.¹²⁶
- **What’s the benefit for the economy?** A reform that enables a bigger increase in female workforce participation for a given cost will give more economic ‘bang for buck’, both in terms of GDP and mothers’ lifetime earnings.
- **What’s the benefit for children?** A reform that increases the involvement of both parents in caring for a child will be beneficial for children (Section 4.2). Also, a scheme that allows for a longer period of breastfeeding is likely to be beneficial.
- **Is it straightforward to administer?** Some options generate greater administrative complexity and risks than others.
- **Is it fair?** A reform that provides equal benefits across the income spectrum is more likely to be perceived as fair, and therefore likely to be more politically palatable.

126. New social spending initiatives that cost more than \$1 billion a year are rare. And as the government looks to consolidate the budget position in the wake of the COVID-19 hit, increases in spending – even where evidence for the social and economic benefits is strong – will be hard to get up, particularly given the commitment to sizeable tax cuts in 2024-25.

Table 5.1: Options for reform – the pros (lighter) and cons (darker)

Option	Cost	Impact – GDP	Impact – mothers' lifetime earnings	Benefits for children	Simple to administer	Perceived as fair
Option 1 '6 weeks' : 6/12/6 weeks minimum wage	\$0.4b	\$0.7b	\$25k	Benefits from 4 weeks of additional paternal involvement.	Minimal admin from including second parent.	As fair as current system.
Option 2 '6 weeks + 2 bonus weeks' : 6/12/6 weeks minimum wage, plus 2 bonus weeks	\$0.6b	\$0.9b	\$30k	Benefits from 4 weeks of additional paternal involvement.	Additional admin from determining eligibility for 2 bonus weeks.	As fair as current system.
Option 3 '12 weeks' : 12/12/12 weeks minimum wage	\$2b	\$2b	\$70k	Supports the possibility of 24 weeks of breastfeeding. Larger benefits from 10 weeks of additional paternal involvement.	Minimal admin from including second parent.	As fair as current system.
Option 4 '12 weeks + higher rate' : 12/12/12 weeks 80% AWE (35% increase)	\$4b	\$3b	\$85k	Supports the possibility of 24 weeks of breastfeeding. Larger benefits from 10 weeks of additional paternal involvement.	Minimal admin from including second parent.	As fair as current system.
Option 5 '12 weeks paid 80 per cent of earnings' : 12/12/12 weeks 80% earnings	\$5b	\$3.5b	\$110k	Supports the possibility of 24 weeks of breastfeeding. Larger benefits from 10 weeks of additional paternal involvement.	Need to collect detailed information about earnings.	More money for high earners.

Note: Lighter colours indicate the option more strongly meets the criteria.

Source: Grattan analysis.

We estimate the cost of each option assuming that a leave allowance that is longer, or paid at a higher rate, or at a rate linked to individuals' pre-birth earnings, will result in higher take-up.¹²⁷

We estimate the economic benefits by assuming that the most ambitious reform we consider could have a similar impact on work patterns of mothers and fathers as has been seen in Quebec as a result of the introduction of its dad leave scheme.¹²⁸ We do not factor in the longer-term productivity benefits of better utilisation of talent or improved child development on top of the participation effects, but those are likely to be sizeable (See Section 3.4).

Detail of the estimation of costs and benefits is included in Appendix A.

Option 1. The '6 weeks' option: 6 weeks of parental leave reserved for each parent

Option 1, the '**6 weeks**' option, would involve six weeks reserved for each parent plus 12 weeks to share between them, paid at the current rate of minimum wage (\$772.55 per week in 2021-22), which is about 45 per cent of the average full-time wage.

127. Under the most generous scheme (Option 5: '12 weeks paid 80 per cent of earnings'), we assume mothers' take-up is close to maximum eligibility, and fathers' take-up is about 80 per cent of all eligible fathers (see Appendix A.1). This level of take-up by fathers is similar to the levels seen in Quebec, slightly lower than in Norway or Iceland, and higher than in most other countries. The '12 weeks paid 80 per cent of earnings' option is similar in design to the Norway and Iceland schemes, and longer than the Quebec scheme. We assume take-up will not be quite as high as Norway and Iceland because Australia has less history and culture of shared parenting than Scandinavian countries.

128. In 2006, Quebec introduced five weeks of dad leave, paid at 70 per cent of pre-birth earnings. Evaluations of the scheme have found a resultant increase in paid work done by mothers of young children, of between two and five hours per week. This increase is partially offset by a decrease in paid work done by fathers: Patnaik (2014) and Dunatchik and Ozcan (2021).

Single parents would be entitled to the full 24 weeks. The six-week 'use it or lose it' allowance for the father would remove the need for a separate 'Dad and Partner Pay' entitlement.

Under this option, women could still choose to take the current 18 weeks, but families could also make other choices. Fathers would be encouraged to spend more time early on bonding with their child and developing their parenting skills.

We expect this option would cost the budget an extra \$400 million a year, and lead to significant social and economic benefits.

Option 2. The '6 weeks + 2 bonus weeks' option: 6 weeks of parental leave reserved for each parent, plus 2 bonus weeks

Option 2, '**6 weeks + 2 bonus weeks**', is our preferred option. Like the '6 weeks' option, it would involve six weeks reserved for each parent plus 12 weeks to share between them.

In addition, if both parents use at least six weeks of leave, an extra two weeks would be available, which could be shared between the parents as they wish, making a total of 26 weeks available to each family.

Additional incentives for fathers to use their leave entitlement are a feature of dad leave schemes in many countries, including Germany, France, Portugal, Austria, Japan, and South Korea.¹²⁹ The Business

129. For example, Germany extends paid leave by two months if both parents take at least two months of leave; Japan offers an extra two months of leave if both parents use some of their leave entitlement; Austria offers a €1,000 'partnership bonus' payment if parents share their childcare benefit at a minimum ratio of 40:60: International Network on Leave Policies and Research (2021, pp. 280, 355-95).

Council of Australia and KPMG have similarly proposed making ‘bonus leave’ available to encourage take-up by fathers.¹³⁰

We expect the additional incentive would significantly boost the take-up of the scheme by fathers, and the resultant economic and social benefits of more-involved fathers, greater sharing of care, and higher female workforce participation.

We expect this option would cost the budget an extra \$600 million a year and boost the average mother’s lifetime earnings by \$30,000.

Option 3. The ‘12 weeks’ option: 12 weeks of parental leave reserved for each parent

Option 3, the ‘**12 weeks**’ option, would involve a longer period of leave: 12 weeks reserved for each parent, plus 12 weeks to share between them, paid at the current rate of minimum wage.

This option would encourage many fathers to extend their leave to 12 weeks. The extended period of leave would better enable good habits to form and parenting skills to develop.

Mothers would also have the option to take up to 24 weeks’ leave. This may have child health benefits, including enabling an extended period of breastfeeding, as per WHO recommendations.¹³¹

We expect this option would cost the budget an extra \$2 billion a year.

Option 4. The ‘12 weeks + higher rate’ option: 12 weeks of parental leave reserved for each parent, payment rate increased by 35 per cent

Option 4, the ‘**12 weeks + higher rate**’ option, would also involve 12 weeks reserved for each parent plus 12 weeks to share between them,

130. KPMG (2021). KPMG and the BCA propose an ‘equality supplement’ of two bonus weeks for couples sharing their allocated leave at a 55:45 ratio, or one bonus week for couples sharing at a 65:35 ratio.

131. See also Work and Family Policy Roundtable (2019) and AHRC (2013).

but would be paid at 80 per cent of average weekly earnings – a 35 per cent increase on the current rate.

The more generous payment would be expected to encourage higher take-up, by both mothers and fathers. It is particularly likely to attract fathers, because they typically earn more. The higher rate would substantially reduce the financial pressures of the care needs in the first year of a child’s life.

Due to the higher payment rate, and higher uptake, we expect this option would cost the budget an extra \$4 billion a year.

Option 5. The ‘12 weeks paid 80 per cent of earnings’ option: 12 weeks of parental leave reserved for each parent, paid at 80 per cent of pre-birth earnings

Option 5, the ‘**12 weeks paid 80 per cent of earnings**’ option, would also involve 12 weeks of reserved leave for each parent plus 12 weeks to share between them. But the payment would be 80 per cent of an individual’s pre-birth earnings. The payment would have a ceiling at 1.5 times average weekly earnings, and a floor at the current rate, that is the full-time minimum wage.

This scheme design is the most similar to the schemes in Iceland and Norway (Table 1.1 on page 11), which are considered world-leading.

This option is the most likely to attract strong take-up, particularly among high-earners, who are less likely to be willing to take a pay cut by taking leave at minimum wage.

However, a scheme with government payments based on a proportion of salary is unlikely to be politically palatable in Australia because the biggest beneficiaries would be high-income households. Almost all Australian government payments are strictly means-tested, so a cash payment that is proportional to salary would be a radical departure. Non-means-tested payments proposed in the past, such as Tony

Abbott's proposal for six months of parental leave for primary carers paid at 100 per cent of salary, received strong pushback.¹³²

Non-means-tested payments are an accepted feature of many countries' parental leave schemes. But these payments are more palatable in many cases due to the schemes being funded by state insurance funds, rather than general revenue.¹³³

This option would also make the system significantly more complex to administer, because details of individuals' earnings, from multiple sources in some cases, would need to be captured and verified. It may be particularly difficult to measure earnings in a way that's fair to the self-employed, people working on a family farm, or manual workers who need to cease working during their pregnancy.

This option would also be the most costly: we estimate it would cost the budget an extra \$5 billion a year.

5.2 Why we prefer the '6 weeks + 2 bonus weeks' option as an immediate step forward

The option that we think is both immediately deliverable – given perceived budget constraints – and still likely to deliver significant benefits, is Option 2: the '6 weeks + 2 bonus weeks' option.

The addition of two 'bonus weeks' is a relatively inexpensive add-on feature that could supercharge take-up of the scheme by fathers, and the resultant economic and social benefits that flow from more involved fathers, greater sharing of care, and higher female workforce participation.

132. e.g. see Macklin (2013).

133. Parental leave in Belgium, Finland, France, Iceland, Japan, Korea, Lithuania, the Netherlands, Portugal, Quebec, Slovenia (partly), Spain and Sweden is funded by a social or health insurance fund, financed by employee and employer contributions, and sometimes supplemented by general taxation: International Network on Leave Policies and Research (2021).

This scheme would send a clear message that shared parenting is encouraged. Such overt support for fathers to take parental leave would be a big step to normalising a significant caring role for men.

The inclusion of both parents' parental leave in a single parental leave allowance would simplify the application process and increase awareness of the fathers' allocation. Importantly, it would also mean fathers will no longer be required to negotiate unpaid leave from their employer in order to get government parental leave support.¹³⁴ It is likely that current take-up rates are low in part because of administrative difficulty, a lack of awareness of Dad and Partner Pay, and the requirement to negotiate unpaid leave from an employer.

The budget cost of Option 2 – about \$600 million a year – would be partially offset by additional tax takings from increased workforce participation.¹³⁵

If governments were looking for a bold policy shift, then an extended period of leave (the '12 weeks' option) or a higher rate of payment (the '12 weeks + higher rate' option) could be expected to deliver bigger benefits through more fathers taking leave and spending longer caring for their children, giving equal sharing habits more time to stick.

Our preferred option, the '6 weeks + 2 bonus weeks' option, could be a stepping-stone towards this bolder reform vision. The '6 weeks + 2 bonus weeks' option could be expected to eventually lead to about a 3 per cent increase in hours of paid work by women with young children, and a 1 per cent decrease in hours of paid work by men with young

134. Parental Leave Pay can be taken while on paid leave from an employer. The current 'Dad and Partner Pay' allowance cannot be taken while on paid leave (although an employer top-up payment is not considered paid leave for the purposes of Dad and Partner Pay eligibility): Services Australia (2021a).

135. If total tax receipts remain a similar proportion of GDP, receipts might be about \$200 million higher under our recommended option, and the true net cost to the budget position would be about \$400 million.

children. The net effect of these changes in working patterns would deliver short-term economic benefits of about \$900 million a year. Longer-term benefits from better utilisation of talent and improved childhood development are not factored into this estimate but would be considerable.

This impact would be enhanced if the expanded government scheme encouraged more employers to offer expanded parental leave for fathers and partners (see Section 1.4 on page 11).

5.3 A better parental leave scheme

There are a number of other changes that should be made to the current parental leave scheme to make it work better for parents. We propose a number of changes to scheme design and administration that would make it more flexible and ensure that leave is available to the widest possible group of families.

Improving scheme design

The income and work tests that people need to pass to get leave should be changed to make leave available to a broader range of families.

The income test should be based on household income rather than the mother's income. This would remove one of the inequities in the current design, where households with male breadwinners are favoured over households with female breadwinners.¹³⁶ The income threshold would need to be increased accordingly, and could be set as to exclude a similar proportion of very high-income households.

136. To be eligible for Parental Leave Pay, the birth mother must not earn more than \$150,000, even if her partner earns less and she intends to transfer the leave entitlement to her partner. Yet in a family where the father/partner earns more than \$150,000 and the birth mother earns less, she is eligible.

The work test, however, should be applied to each parent individually.¹³⁷ This would enable partners of a stay-at-home parent to take leave. This is justified because of the significant benefits to families and children of having each parent able to take some leave, regardless of the other parent's work status.

Parents should continue to be able to use their leave entitlements concurrently or separately, to maximise the flexibility of the scheme to meet family needs and preferences. There are various circumstances in which parents may prefer to take leave concurrently, including where a family has multiple children or either parent has mental or physical health needs. Allowance for concurrent leave is a feature of many dad leave schemes internationally (Table 1.1 on page 11).

Parents should also have more flexibility as to when they use their leave entitlement. They should be able to take some leave later, any time before the child's second birthday; or in several shorter blocks; or on a part-time basis (where, for instance, parents alternate caring and working days across the week). These changes would enhance the flexibility measures introduced in 2020, which have proved popular with many families.¹³⁸ They are features of dad leave schemes in several other countries,¹³⁹ and may lead to more fathers taking solo time, such as taking a period of leave when their partner returns to work.

There is also a case for paying superannuation contributions on government parental leave, as already applies to other forms of remuneration. But paying extra amounts into super would yield only modest income gains in retirement because for most recipients they

137. To be eligible currently, the mother must have worked for at least 10 of the 13 months before the birth, averaging at least about 1 day a week, even if her partner would pass the work test and she intends to transfer the leave entitlement to her partner: Services Australia (2021d).

138. Parliament of Australia (2020).

139. International Network on Leave Policies and Research (2021).

would be offset by lower pension payments after retirement.¹⁴⁰ More generous leave entitlements is really the main game.

Improving administration

Many Paid Parental Leave applicants report administrative difficulties during the Centrelink application process.¹⁴¹

Submissions to the 2014 review of the Paid Parental Leave scheme noted problems with the length and complexity of the claim form, the extent of information required, duplication of questions, and the difficulties associated with having to attend a Centrelink office with a new baby.¹⁴² These administrative difficulties add to stress levels for new parents, and probably reduce uptake of Paid Parental Leave.¹⁴³

The National Council for Women of Australia observed in 2014:

It seems hard to believe that to apply for the benefit you need to read a 28-page instruction booklet and complete a 44-page application form. The mothers in one focus group were young and well-educated and found the form incredibly complex. The need to fill in the form in hard copy and also online seemed unnecessary. We can also relate that a bank manager and an accountant (both male) assisting their daughter/daughter-in-law, found it beyond their capabilities and gave up!¹⁴⁴

While the form may have been streamlined since that statement was made, many applicants still need to contact Centrelink on multiple

occasions, by phone and/or in person, which adds significantly to inconvenience and confusion.

Centrelink's processes should be further streamlined to make application for Paid Parental Leave much easier to complete in a single online transaction. At present, parents who have not previously received a Centrelink payment are generally unable to complete the process online. Contacting Centrelink by phone or in person generally involves long waits,¹⁴⁵ which can be particularly inconvenient in the days after a child's birth. This requirement should be changed as a matter of priority.

The timing of payments presents particular difficulties. Even in a best-case scenario, payments don't commence until two weeks after the child's birth, leaving a gap in income for parents.¹⁴⁶ However, in practice, payments often take longer to arrive.¹⁴⁷

Involvement of employers in the administration of payments appears to add unnecessary complexity.¹⁴⁸ Parents receiving their payments through their employer are twice as likely to report problems as those receiving payments directly from Centrelink.¹⁴⁹ And employers gain little from their involvement in the process: many indicated in submissions to

140. Wood et al (2021a); and Coates and Emslie (2018).

141. e.g. SBS News (2015).

142. DSS (2014, p. 8).

143. Take-up is about 51 per cent of births: DSS (2020, p. 67). The proportion of mothers eligible for Paid Parental Leave (that is, satisfying the work test, residency test, and income test) is likely to be at least 60 per cent.

144. DSS (2014, p. 93).

145. Henriques-Gomes and Evershed (2020).

146. Services Australia advises that payments can commence no earlier than 14 days after the start date, which cannot be any earlier than the child's birth date. If the claim is not finalised in time, payments will probably commence later: Services Australia (2021e).

147. Several submissions to the 2013 review noted timeliness of payments as an issue: DSS (2014, pp. 90–91). 33 per cent of recipients surveyed for the 2014 review reported not receiving one or more payments on time: DSS (ibid, p. 8).

148. About 75 percent of Paid Parental Leave recipients have the government-funded payments provided by their employer. The remainder receive their payments directly from Centrelink: DSS (ibid, p. 34). The 25 per cent of parents who receive their Paid Parental Leave from Centrelink include parents who are self-employed or recently resigned, and contract and seasonal workers: DSS (ibid, p. 45).

149. Ibid (p. 91).

the review that they would prefer that Centrelink make all payments.¹⁵⁰ In a survey conducted by the Australian Chamber of Commerce and Industry, 84 per cent of employers agreed or strongly agreed with the statement, ‘The Government should not require employers to be the paymaster for the Paid Parental Leave scheme’.¹⁵¹

Employer involvement in the paymaster role was recommended by the Productivity Commission in 2009. The aim was to avoid the stigma of labelling the payment as a form of welfare; signal that the payment was a normal work-related entitlement; encourage greater employee loyalty; and improve workforce and workplace attachment.¹⁵² However, given that applicants must still apply through Centrelink, the benefits of involving the employer in a paymaster role appear minimal, and the drawbacks for employers and applicants are significant. Improvements in Centrelink’s service levels to make the application process simpler would do far more to help applicants overcome any ‘welfare stigma’.

5.4 Evaluation of the scheme

The new parental leave scheme should be evaluated after three years, and regularly thereafter, to assess parental take-up, how families are using leave, fathers’ involvement in care beyond the leave period, and whether the scheme has yielded benefits in terms of family satisfaction, child development, and women’s workforce participation.

This evaluation should guide changes to the design of the scheme, such as extending the duration and increasing the rate of pay to drive take-up – in line with best practice internationally – if workforce participation and social and other benefits are evident.

In particular, an evaluation of the scheme should consider whether significant gains could be made from encouraging more fathers to

take solo care time, which has been found to facilitate a shift from a helper-manager dynamic to equitable co-parenting (see Section 3.1).

For example, if an evaluation found that the vast majority of fathers’ leave was being used concurrently with the mother’s leave period, solo time could be encouraged by setting aside a portion of each parent’s leave entitlement to be taken while the other parent returns to work.

150. Ibid (p. 95).

151. Ibid (pp. 98–99).

152. Productivity Commission (2009, p. 8.29).

Appendix A: Costs and benefits of parental leave reform options

This appendix documents the assumptions we made in estimating the budgetary cost and impact of the five parental leave reform options set out in Chapter 5.

Our estimates are necessarily approximate, but are sufficiently accurate to enable us to compare the reform options, and so make specific recommendations. More accurate estimates, ones rigorous enough to be used in the federal budget, for example, could be built using more detailed information about demographics, financial impacts, and preferences of individual households.

A.1 Estimating costs

For each option, we estimate the budgetary cost as follows:

- Estimate the increase in take-up by mothers compared with current policy.
- Estimate take-up by fathers.
- Calculate the expected increase in cost, based on:
 - increased length of leave (e.g. mothers being able to claim 24 weeks under the ‘12 weeks’ option, as opposed to the current 18).
 - increased payment rate (e.g. 35 per cent increase for ‘12 weeks + higher rate’ option).
- Subtract the cost of the current scheme (including Dad and Partner Pay) to calculate the increase in budgetary cost under each option.

Table A.1: Take-up assumptions

Option	Mothers’ take-up % of births	Fathers’ take-up			
		% of mothers’ take-up	% of births	Average weeks per birth	% of eligible fathers
Current	51%	51%	26%	0.5	33%
‘6 weeks’	51%	65%	33%	2.0	42%
‘6 weeks + 2 bonus weeks’	51%	75%	38%	2.3	48%
‘12 weeks’	56%	70%	39%	4.7	49%
‘12 weeks + higher rate’	60%	80%	48%	5.8	60%
‘12 weeks paid 80% earnings’	65%	95%	62%	7.4	77%

Sources: DSS (2020); Grattan analysis.

Under the most generous scheme (‘12 weeks paid 80 per cent of earnings’), we assume almost all eligible mothers, and about 77 per cent of eligible fathers, take up their parental leave entitlement.

This is broadly similar to the levels of take-up in Quebec, slightly less than in Norway and Iceland, and more than in most other countries.¹⁵³ The ‘12 weeks paid 80 per cent of earnings’ option is similar in design to the ‘dad leave’ schemes in Norway and Iceland, and longer than the scheme in Quebec. We assume take-up will not be quite as high as in Norway and Iceland, because Australia does not have the established culture of shared parenting that exists in Scandinavian countries.

153. About 80 per cent of fathers in Quebec take parental leave. About 90 per cent of Norwegian fathers and 86 per cent of Icelandic fathers take parental leave: International Network on Leave Policies and Research (2021, pp. 175, 323, 457).

Under our recommended scheme ('6 weeks + 2 bonus weeks'), we assume about half of eligible fathers take up their parental leave entitlement.

This level of take-up represents a 50 per cent increase on current take-up of Dad and Partner Pay,¹⁵⁴ and is broadly similar to the levels of take-up in Germany, Belgium, and Portugal, schemes which are similarly generous.¹⁵⁵

Eligibility for the current scheme relies on:

- A residency test. Holders of most types of temporary visas are ineligible. Permanent residents who have arrived in Australia in the past two years are also mostly ineligible.¹⁵⁶ We estimate about 7 per cent of parents would fail the residency test.¹⁵⁷
- A work test. Parents need to have worked for 10 of the past 13 months, for a minimum of 330 hours (about one day per week).¹⁵⁸ We estimate that about 30 per cent of mothers and 15 per cent of fathers would fail the work test.¹⁵⁹
- An income test. Mothers earning more than \$150,000 are ineligible.¹⁶⁰ We estimate less than 1 per cent of mothers would

154. Grattan analysis of DSS data (2020), provided on request, and ABS (2020b).

155. In Germany, 40 per cent of fathers take some leave. About 50 per cent of Belgian fathers take two weeks' paternity leave, and about 25 per cent take additional parental leave. In Portugal, 20 days of leave is mandatory. About two-thirds of fathers take the optional additional five days: International Network on Leave Policies and Research (2021). The '6 weeks + 2 bonus weeks' option is of similar length to the German scheme, but slightly less well-paid; shorter than the Belgian scheme, but better paid; and longer than the Portuguese scheme, but less well-paid (see Table 1.1 on page 11).

156. Services Australia (2021f).

157. Grattan analysis of Department of Home Affairs (2021) and ABS (2021).

158. Services Australia (2021g).

159. Grattan analysis of ABS (2017).

160. Services Australia (2021h).

fail the income test.¹⁶¹ Our proposals would involve a family income test, which would be expected to exclude a similarly small proportion of parents.

We assume that families using parental leave use the full period available. Currently 97 per cent of parents using Paid Parental Leave take the full 18 weeks, and 97 per cent of partners using Dad and Partner Pay take the full two weeks.¹⁶²

We estimate the cost assuming mothers will use the portion of the leave allowance which can be shared. The budgetary cost will not be materially different if fathers use some portion of this leave allowance.

For the '12 weeks paid 80 per cent of earnings' option, we estimate the average payment rate based on analysis of ABS Taxation Statistics.¹⁶³ We separately consider males and females aged 25-39, because this is the most common age range for new parents.¹⁶⁴

We estimate the payment for eligible individuals by:

- calculating 80 per cent of the individual's taxable income.
- comparing to the maximum payment of 1.5 times Average Weekly Earnings.
- comparing to a minimum payment of full-time minimum wage.

The result of this calculation is that we estimate the average payments received under this option to be 150 per cent of minimum wage for men, and 128 per cent of minimum wage for women.

161. Grattan analysis of Productivity Commission (2018).

162. DSS (2020, Table 2.2.10, p. 67).

163. ATO (2021).

164. 82 per cent of new mothers and 78 per cent of new fathers are aged 25-39: ABS (2020f) and ABS (2020g).

In estimating the cost to the federal budget, we have not allowed for any increase in taxation revenue from resultant economic uplift. This exclusion of ‘second round’ effects in costing is consistent with the methodology generally adopted by the Parliamentary Budget Office.¹⁶⁵ In reality, if taxation settings are not changed, there would be an increase in government revenue under our proposed reforms. Thus, the eventual net cost to the budget is likely to be lower than we have estimated. If total tax receipts remain a similar proportion of GDP,¹⁶⁶ receipts might be about \$200 million higher under our recommended option, and the true net cost to the budget position would be about \$400 million.

A.2 Estimating benefits

We begin by estimating the impact of the ‘12 weeks paid 80 per cent of earnings’ option. This forms the basis of estimates of impact for all other options.

A.2.1 Step 1: Estimating change in work patterns under the ‘12 weeks paid 80 per cent of earnings’ option

We estimate that the ‘12 weeks paid 80 per cent of earnings’ option will have a similar impact on future working patterns of parents as the parental leave scheme in Quebec has had. The ultimate impact of reforms in Australia is highly uncertain, but an outcome similar to that in Quebec is feasible, given the ‘12 weeks paid 80 per cent of earnings’ option is more generous than the Quebec scheme. This assumption is also consistent with our cost estimates, which assume a similar take-up to Quebec (see Appendix A.1).

165. PBO (2017).

166. About 23 per cent: Commonwealth of Australia (2021, Table 3.2, p. 75).

Quebec introduced a scheme in 2006 that involves five weeks set aside for fathers, paid at 80 per cent of salary. Fathers’ participation has increased from 28 per cent to about 80 per cent.¹⁶⁷

Two major studies have analysed the impact of the Quebec scheme.

Patnaik (2014) estimated that mothers of children aged between 1 and 8 were doing five extra hours of paid work per week as a result of the policy.

Dunatchik and Ozcan (2021) estimated that an extra 5 per cent of mothers of children aged between 1 and 6 were in the labour force as a result of the policy (80 per cent, compared with 75 per cent had the policy not been implemented). Of the mothers in the labour force:

- 5 per cent more were working full-time as a result of the policy (70 per cent, compared with 65 per cent had the policy not been implemented).
- 5 per cent fewer were working part-time as a result of the policy (28 per cent, compared with 33 per cent had the policy not been implemented).

The combined impact of increased labour force participation and an increased proportion working full-time is approximately equivalent to mothers spending, on average, an extra two hours per week in paid work.

We assume, under the ‘12 weeks paid 80 per cent of earnings’ option, Australian mothers of children aged between 1 and 8 would work an extra two hours, which is the more conservative estimate of these two studies.

Both studies also estimate that fathers of young children spend less time in paid work as a result of the policy. Dunatchik and Ozcan (ibid)

167. International Network on Leave Policies and Research (2021, p. 175).

estimated that the decrease in fathers' hours is about half the size of the increase in mothers' hours, but the decrease was not statistically significant; Patnaik (2014) estimated that the decrease in fathers' hours is about two-thirds of the size of the increase in mothers' hours.

We have assumed the decrease in fathers' hours from the '12 weeks paid 80 per cent of earnings' option would be about two-thirds of the increase in mothers' hours. Again, this is the more conservative of the two studies' findings.

In estimating the impact on GDP, we have also not allowed for any wider economic impacts, such as any impact on wages, or longer-lasting impacts on work patterns (after the child reaches 9 years of age).

A.2.2 Step 2: Estimating the increase in household income from the '12 weeks paid 80 per cent of earnings' option

We estimate the distribution of incomes, family types, and working hours of families in Australia using the 2017-18 Survey of Income and Housing.¹⁶⁸

We assume, under the '12 weeks paid 80 per cent of earnings' option, mothers of children aged between 1 and 8 (inclusive) would do an extra two hours of paid work per week, and fathers of children aged between 1 and 8 would do 1.33 hours less paid work per week (see Appendix A.2.1).

We assume a person working additional hours would continue to be paid at their current hourly rate.

For a person who is not currently in paid work, we cannot calculate an hourly rate. In this case, we assume their rate is the average across all

workers. This was \$35 per hour for women and \$42 for men in 2017-18.

In estimating the increase in household income from our proposed reforms, we have allowed only for the impact from a change in working hours during the years a child is aged between 1 and 8. It is likely that the policy would ultimately have a similar impact on working patterns of parents of older children. So the effect could ultimately be higher than we've estimated.

A.2.3 Step 3: Estimating the increase in GDP from the '12 weeks paid 80 per cent of earnings' option

We assume that GDP is proportional to household income, so that the proportional increase in GDP would be equal to the proportional increase in total household income.¹⁶⁹

A.2.4 Step 4: Estimating the increase in mothers' lifetime earnings

We find that women who have children typically earn about \$1 million less across their lifetime than women who do not have children (Figure 2.7 on page 21).

This difference is mostly driven by mothers dropping their hours of paid work when children are young. Women aged 25-34 who have dependent children aged 5 or younger typically work 85 per cent fewer hours than women of the same age who do not have dependent children.¹⁷⁰

We assume, under the '12 weeks paid 80 per cent of earnings' option, that mothers of children aged between 1 and 8 would work an extra two hours per week (Appendix A.2.1). This corresponds to about 12 per

168. ABS (2019).

169. This method is used in Bryant et al (2004).

170. Grattan analysis of ABS (2019).

cent of the gap in working hours between women with young children and women without children. On that basis, we estimate this shift would close the lifetime earnings gap between women with and without children by about 12 per cent, or \$110,000.

A.2.5 Step 5: Estimating the impact of other policy options

We assume the impact of each policy option (in terms of GDP and mothers' lifetime earnings) would be proportional to the increase in parental leave taken by fathers under that option. That is:

Impact of policy option i

=

Impact of '12 weeks paid 80 per cent of earnings' option

multiplied by

increase in parental leave taken by fathers under policy option i

divided by

*increase in parental leave taken by fathers under
'12 weeks paid 80 per cent of earnings' option.*

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