

Outline For Maternity and Parental Leave Policy Reform:

The Good of the Child, the Parents and the Economy



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Abstract

Israel’s parental leave policy has far-reaching repercussions on child development and, therefore, on future generations, as well as employment, birth rates, the growth and integration of human capital, gender disparity, and so on. Unfortunately, the existing policy did not emerge out of in-depth consideration of these effects. On the contrary, it is an outdated policy that revolves around encouraging women's employment as its primary goal, disregarding all other aspects and ramifications of parental leave out of inertia and conceptual rigidity. Since Israel already boasts one of the highest rates of women’s employment in the world, as well as exceptional birth rates at the price a yawning gender gap, there is no denying that the existing policy is no longer adequate to deal with the challenges our society faces today. In fact, it has adverse effects on the development of the child and of the parents, as well as on the economy as a whole.

The present document will outline a comprehensive reform of parental leave policy that explicitly promotes the following goals, in order of importance:

1. Optimal development of the infant during the first months of its life
2. The mother’s physical and mental wellbeing
3. Participation of the father in the child’s upbringing and the bonding of both parents with their children
4. Occupational prospects for the parents, while narrowing the existing gender gap
5. Lightening the financial burden shouldered by young families

Extensive research shows that the first few months of a baby’s life are critical to its development, especially to the development of the brain and the skills and abilities affected thereby, which will serve the baby, and consequently the individual, throughout their life. The nature and extent of the parents’ involvement in childcare during this initial period are very much dependent on the state’s parental leave policy, since it determines the amount of time and attention they can devote to the infant without jeopardizing their continued employment. It may be surprising to learn, but placing the good of the child and their development as the parental leave policy’s top priority constitutes an innovation, if not a distinct departure from the status quo in Israel. The same applies to the goal of encouraging fathers to increase their participation in childcare, since it involves uprooting long-established discriminatory norms, which are among the main factors responsible for the wide gender gap in Israel’s job market today.

One of the main difficulties involved in formulating a comprehensive policy is the conflict between the first three goals, on the one hand, and the fourth goal pertaining to the parents’ occupational prospects, on the other hand. This is because the first three goals require the parents to stay at home with the baby for a longer period of time, which may hurt their chances of employment and career development. Since today only a tiny percentage of Israeli fathers exercise their right to paid parental leave (less than 1%, as opposed to over 30% in some OECD countries), the main victims of this conflict are mothers and its adverse effects on their careers can last for up to decades after childbirth. Hence, we can safely say that the large gender disparity in wages that exists in Israel is at least in part a consequence of the existing parental leave policy, which helps perpetuate an archaic norm of unequal division of labor between men and women. Finally, the policy must optimally also ease the financial burden on young families, for whom the birth of their first children constitutes a particularly difficult phase due to the combination of high expenses (mortgages, baby equipment, etc.) and low starting incomes.

The parental leave policy proposed here is designed to serve the five abovementioned goals, without requiring much additional spending, while at the same making concrete contributions towards economic growth. This outline includes powerful incentives for fathers to exercise their right to active parenthood, all while giving couples the flexibility to choose the length and distribution of parental leave that suit their needs, thanks to the reform’s guiding principle of providing support to families at a time when they need it most.

It is important to note here that any change consisting of extending maternity leave or giving additional weeks to be optionally shared between mothers and fathers, will ultimately only exacerbate the gender-based asymmetry between the parents. In practice, this will translate to mothers taking longer absences from work, which in turn will increase the bias against them in the job market. On the other hand, a change that will motivate fathers to exercise their right to parental leave in a more egalitarian manner, may also bring about positive shifts in employment norms, since, for employers, this will mean that both men and women are equally likely to be absent from work as a result of childbirth.

In order to promote such drastic changes, the proposed reform adds a number of **mandatory** parental leave weeks both for the father and the mother. In addition, each parent will have a number of designated optional weeks, with “bonus” weeks given on the condition that the father exercises a certain portion of his optional leave, in addition to his mandatory leave. These changes are intended not only to promote more equality in the household, but also boost economic growth, since correcting the imbalance between men and women in the job market will allow women to fully realize their employment potential and utilize the vast human capital they accrue.

The reform is to be implemented gradually over the course of five years in order to allow employers to adapt themselves to the changes it instates, and to spread its added costs over time. The yearly added cost of the reform is estimated at 1 billion NIS in the first year of implementation, reaching 1.5 billion NIS in the fifth year.[[1]](#footnote-2) Most of the costs will be financed by canceling child benefits for children aged 15–17, since by the time children reach these ages, the family should be much more established financially, and the expenses they incur are minimal compared to those of infants. In addition we propose changes to the maternity hospitalization subsidies paid out to hospitals (an issue that has been in desperate need of regularization for many years), and to maternity grants. This is, therefore, a fiscally responsible reform that strives not to make marginal adjustments to the existing status quo, but to instill new norms that will promote the good of the child, the parents and the economy as a whole.

Introduction: “Maternity leave” – what is it good for?

The issue of childcare from birth until the child’s entry into the formal education system has undergone significant upheavals over the last seventy years. Until the middle of the twentieth century, the prevailing norm was a sharp division of labor between the two parents: mothers took care of the infants (in addition to managing the household), sometimes with the help of the extended family, while fathers focused on work outside the home. However, after World War II, a rapidly increasing number of women began to join the workforce and acquire higher education. This led to a movement aimed at abolishing the many forms of discrimination against women, including those found the context of parenthood. This process gathered so much momentum that within only two generations it managed to bring about significant socio-economic as well as demographic and cultural changes in the world order.

One of the most prominent manifestations of these changes is the tension that has arisen between women’s progress in terms of career development and employment, and the ongoing need for nearby, uninterrupted, and dedicated childcare, especially in the early stages of infancy. Due to the established norm that sees fathers as exempt from sharing the burden of early childcare, working women are forced put their jobs on hold for an extended period following childbirth. This hampers their ability to integrate into high-quality employment trajectories and pursue promising careers, thereby widening the gender gap. The rise in the age of marriage has not led to significant improvements, and most women find themselves facing a difficult choice: to invest their time in raising children while making concessions in terms of occupational development, or to devote themselves to their careers and giving up family time or even having children altogether.

This clash between work and family, which had negative consequences from the economic, cultural, and demographic standpoints, has forced many countries to instate some version of what is known as “maternity leave.” In this way, a large portion of the OECD countries have granted women the right to be absent from work for several weeks following childbirth, a time period during which the employer is mandated to keep the mother’s position unoccupied, pending her return. Likewise, most countries have adopted a “paid maternity leave” system, which guarantees the mother at least partial state-funded compensation for her loss of income during the period of absence from work following childbirth. In most places, the main and primary goal of maternity leave is to encourage women to go back to work, recently mitigated in some countries by the desire to increase birthrates, in light of the drop in fertility rates that threatens to cause a net shrinkage of local populations.

Contrary to the rights granted to mothers following childbirth, up until the last decade, very few countries offered any parental benefits to fathers. Even today, these benefits are in most cases significantly more restricted in comparison to those available to the mothers. Not surprisingly then, the proportion of fathers who take advantage of any kind of “paternity leave” has remained low (OECD, 2017B). Paradoxically (at least at first glance), the extension of women’s maternity rights has mostly hindered the ability of women to advance in the workplace, and has widened the gender gap in this domain. This goes to show that parental leave policies have wide-reaching repercussions, some of which are unforeseen and undesirable. That is why it is important to study them thoroughly in a broad socio-economic context while accruing valuable lessons from policies enacted around the world.

The present document proceeds as follows: chapter 1 presents an overview of parental leave policies in OECD countries; chapter 2 presents the status quo in Israel today and the state’s current policy model; chapter 3 details the goals and rationale of parental leave policies; chapter 4 outlines the proposed reform; chapter 5 examines how the proposed outline compares to policies instated in other countries; chapter 6 explains the model that served as the basis for calculating the budget estimates for the reform;[[2]](#footnote-3) and the concluding chapter 7 summarizes the projected impacts of the proposed reform.

# Overview: Parental leave in OECD countries[[3]](#footnote-4)

Most OECD countries give parents two major benefits following childbirth: the first is a paid parental leave period, that is, several weeks immediately after the birth during which the parent (most often the mother) may be absent from work to take care of the newborn at home, and receive payment from the state instead of their pre-childbirth wages.[[4]](#footnote-5) The second is protection from dismissal during a predetermined period, beyond the paid parental leave period.[[5]](#footnote-6) In many countries, the right to occupational continuity does not just entail protection from dismissal, but also the guarantee to retain the exact same role, so that the parent's position at the workplace is not jeopardized by their absence. Out of all the OECD member states, only one country does not provide mothers with protection from dismissal after childbirth, and 20 countries extend this protection to fathers as well. These two rights are interdependent, since parents would be hesitant to take advantage of the paid parental leave period if it would jeopardize their employment or their positions.

There is considerable variance among countries regarding the particulars of the paid parental leave period, including the length of the period, the extent of compensation, the manner of its implementation, etc. In addition, the benefit may be granted exclusively to the mother, exclusively to the father, or to both parents to divide among themselves as they see fit. In the Nordic countries, for instance, it is customary to grant extensive and long-lasting benefits to both parents, while the Anglo-Saxon countries tend to limit this kind of support. Another factor that varies from one OECD country to antoher is the source of funding: in some countries parental benefits come out of the social security budget (which is the case in Israel), while in others they are funded by a specific government ministry (such as in Germany or in Canada), or by the healthcare system (such as in Estonia) ([Blum, 2017](http://www.leavenetwork.org/fileadmin/Leavenetwork/Annual_reviews/2017_Leave_Review_2017_final.pdf)).

The great variance among the countries in terms of the details of their parental leave policies makes it hard to compare between them, however we are able to identify a few fundamental patterns. Thirty-two out of the 36 OECD countries give the mother at least 14 weeks of paid maternity leave, and in 25 of these, the period extends up to 6 months. In terms of the scope of compensation, 31 of the OECD countries pay the stay-at-home parent at least 66% of their pre-childbirth salary, and in 25 of them that amount goes up to at least 80%.

Figure 1 multiplies the number of weeks by the compensation percentage to obtain a single comparable measure that is equivalent to number of weeks at full pay, or the “full-rate equivalent.”[[6]](#footnote-7) Based on this measure, Estonia is the country with the most generous benefits – the equivalent of 84 weeks at full pay, while the average across all the OECD member states is 30 weeks. Israel, on the other hand, with only 15 full-rate equivalent weeks, finds itself in the bottom quarter of the rankings (27th out of 36).[[7]](#footnote-8) The U.S. is ranked last as it is the only OECD country not to grant any paid maternity leave on the federal level.[[8]](#footnote-9)

Figure 1: Paid parental leave: number of full-rate equivalent weeks, OECD 2018

**Comments:** see appendix 1. **Source:** ([OECD, 2017A](https://www.oecd.org/els/soc/PF2_1_Parental_leave_systems.pdf))

## Special parent groups

Many countries recognize that certain groups of parents have special needs when it comes to parental leave, such as adoptive parents or parents who are self-employed:

* 31 OECD countries grant shared parental leave to adoptive families. Out of these, 10 countries give the same standard parental benefits to adoptive parents, 14 countries give modestly reduced benefits (a difference of 8 weeks or less), and 7 countries give significantly reduced benefits (a difference of 12 weeks or more).
* 22 OECD countries grant paid maternity leave to self-employed mothers with benefits identical to those of salaried mothers (both in terms of compensation percentage and length of leave), 6 additional countries give self-employed mothers reduced benefits compared to those of salaried mothers, and 3 countries don’t give self-employed mothers any benefits at all. Out of the 24 countries that give parental leave to fathers as well, 10 give self-employed fathers the same benefits as salaried fathers, 2 give self-employed fathers reduced benefits, and 12 don’t give self-employed fathers any benefits at all

We will not be addressing the differences between parents eligible to parental leave based on their belonging to any special group in this document because that kind of in-depth analysis is outside the scope of the present study. However, it must be emphasized here that it is nevertheless important to discuss the special needs of such groups, including same-gender and single-parent families. Such a discussion should lead to the adjustment of the reform proposed herein in accordance with the particular needs of each group.

# The status quo in Israel – background information[[9]](#footnote-10)

Israel today boasts an extraordinary combination, in relation to the rest of the world, of a very high birth rate, along with a high rate of women’s employment. The fertility rate in Israel currently stands at 3.1 children per woman,[[10]](#footnote-11) the highest among the OECD countries (which register an average of 1.7) and one of the highest in the world, behind only a few countries in Africa and the Middle East. Contrary to popular opinion, the high birth rate in Israel cannot be attributed to certain distinct population groups, but is in fact a general phenomenon that incudes educated, secular and affluent families ([Taub, 2018](http://taubcenter.org.il/he/israels-exceptional-fertility/)). Furthermore, individuals and couples who decide not to have children at all, a decision which is becoming more and more widespread in many countries, are rare in Israel and their choice remains a marginal one.[[11]](#footnote-12)

Parallel to Israel’s exceptional birth rate, the rate of women’s employment is also very high: this figure has been rising continuously over the past two decades, and currently stands at 80% for women of approximate infant rearing age (25–44), as shown in Figure 2.

Figure 2: Rate of women’s participation in the workforce in Israel 1995–2015[[12]](#footnote-13)



There are countries that have higher birth rates than Israel (such as Kenia, Afghanistan and Benin, for example), just as there are countries that have higher rates of women’s participation in the workforce (Iceland, Switzerland and Sweden, for example). However, there is no other country in the world where both the birth rate and the participation rate are as high and as overlapping as they are in Israel. In this regard, Israel is an exceptional and unusual case by some margin: in countries that have a similar rate of women’s participation in the workface, the average birth rate is 1.8. On the other hand, in countries where the birth rate is similar to Israel’s, the rate of women’s participation in the workface ranges between 22% and 48% ([Trachtenberg, 2019](https://www.neaman.org.il/Files/Turning%20the%20Pyramid%20Upside%20Down_20190314111450.251.pdf)). This singularity has attracted much scholarly attention, however, presently we shall limit our focus only to its repercussions on the period of early childcare immediately following birth.

The advantages of a high women’s employment rate are evident: first and foremost, participating in the workforce allows women to express their capabilities and strive to fulfill their productive potential. On the national economical scale, it leads to a higher GDP and a faster growth rate,[[13]](#footnote-14) while on the household scale it of course translates to higher incomes. High birth rates likewise have their own advantages: a stable or even expanding population; dynamism, entrepreneurship and innovation, which are usually spearheaded by young people; a low dependency ratio, meaning a large number of people contributing to the labor force relative to the number of people supported by the social system, and so on.

Nevertheless, the unusual combination of high birth and women’s employment rates, in conjunction with the financial stress shouldered by young families and norms that perpetuate uneven workload distribution among mothers and fathers, exacts a high price from both mothers and children, and is most likely unsustainable. These difficulties are compounded by the fact that the State of Israel invests very little in early childhood, including parental leave: Israel's public spending on parental leave, per child, is very low by international standards and ranks 26th out of 35 countries in the OECD, with the average OECD member’s investment being more than twice that of Israel (Man 2018).

The conjunction of high birth and employment rates with inegalitarian norms manifests itself in a very wide gender gap for every single employment parameter. This is especially pronounced when it comes to average income, with a disparity between men’s and women’s incomes of roughly 35% ([Central Bureau of Statistics, 2019](https://www.cbs.gov.il/he/mediarelease/DocLib/2019/https%3A/www.cbs.gov.il/he/mediarelease/DocLib/2019/075/11_19_075b.pdf075/11_19_075b.pdf)).[[14]](#footnote-15) Internationally, Israel ranks almost at the bottom of the scale – 111th out of 144 countries in the world – in terms of gender-based wage disparity for *equal work* ([Fichtelberg-Bramats, 2017](https://employment.molsa.gov.il/Research/Documents/X13431.pdf)). The gender gap is also reflected in the fact that women occupy lower quality positions than men. For example, 32% of women in Israel work part-time, as opposed to 13% of men.[[15]](#footnote-16)

In the past it was possible to attribute the gender gap to factors such as disparities in education, accessibility and the availability of suitable jobs, as well as outright discrimination. Today however, much of the remaining disparity is attributed to the long-term effects of the birth of the woman’s first child on the rest of her carrier ([Kleven et al., 2018](https://www.henrikkleven.com/uploads/3/7/3/1/37310663/kleven-landais-sogaard_gender_feb2017.pdf)). And since the birth rate in Israel is exceptionally high, this factor contributes more significantly to gender inequality, despite the high rate of women’s employment.

Gender disparity in employment also has far reaching ramifications both on mothers’ financial independence and their financial situation in retirement. Based on the OECD’s extended simulation, an Israeli woman who starts working at the age of 20 with an average salary and takes 5 years off work at the age of 30 for the purposes of childcare, in retirement will receive 90% of the pension sum accorded to a woman who had not taken that time off (Bowers L. & Fuchs H., 2018).

The singularity of Israeli society in terms of its birth and women’s employment rates, with all of its positive and negative implications, amplifies the need to devise a policy that could give systemic response to one of the critical issues of the 21st century, namely, how to strike a balance between family and work, between child rearing and professional fulfillment.

## Parental leave period in Israel[[16]](#footnote-17)

The parental leave period in Israel is composed of two parts: the first is a fifteen-week period during which the mother receives 100% of their pre-childbirth salary,[[17]](#footnote-18) following which the mother can take un-paid maternity leave for up to a year from the date of the birth. During this period, the employer must guarantee to keep her exact position reserved for her upon her return.[[18]](#footnote-19) Self-employed mothers are entitled to the same benefits as salaried mothers, as long as they have been paying into their Social Security as required by law (National Insurance Institute of Israel, 2019a).

As for the retention of pension rights, the 15 weeks of paid maternity are taken into account for private pension savings deposits, as well as the allotment of Social Security funds. However, if the mother chooses to extend her absence from work for up to one year after the birth, as is her legal right, at the end of the 15 weeks the private pension contributions cease as does the transfer of Social Security funds. The mother can choose to make pension and Social Security contributions independently, however few women do so (Bowers & Fuchs, 2018).

The place of the father in the current system of parental leave is very limited in terms of regulations, and virtually non-existent in practice: the first 6 weeks of the paid leave period (out of the 15 weeks total) are exclusive to the mother and are non-transferable, except for the first week, during which fathers are entitled to take one week of parental leave alongside the mother; however, if the father takes that week, it is subtracted from the 15 weeks of paid leave. Two conditions must be met in order for the father to be able to exercise this option: first, his spouse must be eligible for paid parental leave; second, he must have at least six sick days/vacation days available to him at his place of employment.[[19]](#footnote-20) The dependence of the father’s eligibility for paid parental leave on the mother’s eligibility is inegalitarian and unusual in the international context ([Raub et al., 2018](https://www.worldpolicycenter.org/sites/default/files/WORLD%20Report%20-%20Parental%20Leave%20OECD%20Country%20Approaches_0.pdf)).

After the first six weeks, the remaining nine weeks (unless the father has exercised his right to the first week following the birth, in which case there are eight weeks remaining) can be split up between the mother and father, but not taken concurrently.[[20]](#footnote-21) That is to say, in order for the father to benefit from paid leave during period, the mother has to go back to work. In practice, less than 1% of fathers exercise this right, rendering the possibility of dividing up the paid leave period among the two parents almost purely theoretical. This is reflective of the fact that the incentives contained within the legal framework regulating the parental leave period in Israel, go against the father’s participation (for a thorough and up-to-date overview, see [Prager, 2019](https://fs.knesset.gov.il/globaldocs/MMM/d9786a6c-a045-e911-80e9-00155d0aeebb/2_d9786a6c-a045-e911-80e9-00155d0aeebb_11_13580.pdf)).

At the end of 15 weeks of paid maternity leave, the mother is faced with a difficult choice: to go back to full-time employment and leave the infant in the care of a stranger, or to stay home and take care of the baby herself, but make no income. Both of these scenarios are disadvantageous to the infant and the parents, and both increase the financial load on the young family, whether by giving up the mother’s income, or by shouldering the high cost of childcare alternatives. This goes both for the hiring of a nanny, whose fees may go as high as to absorb the entirety of the mother’s salary,[[21]](#footnote-22) or the enrollment of the child in a pre-nursery daycare center, which can cost anywhere between 1,000 and 4,000 NIS a month. It is also important to note that these centers are largely unsupervised by any authority.[[22]](#footnote-23)

Nevertheless, over the last decade there has been a significant increase in the percentage of families using external childcare solutions and, as may be expected, this figure is especially high among working mothers.[[23]](#footnote-24) Contributing factors are the continued rise in the employment rate of mothers with young children, and the expansion of family daycare options. In addition, it is reasonable to assume that there is less help available from the extended family nowadays, since a growing proportion of seniors are either postponing retirement, or turning to other occupations, and are therefore less available to care for grandchildren. The growing geographical dispersal of families, may also prevent grandparents from providing childcare assistance.

As a result of all of the above, and as shown in Table 1, only 58% of mothers return to employment immediately following the paid parental leave period, with women in higher earning brackets going back to work at higher rates (apart from those earning over 9,000 NIS a month). Almost 10% don’t go back to work even after a full year of maternity, this percentage being inversely proportionate to the mother’s salary and reaching as high as 21% for mothers earning very low wages (up to 2,000 NIS a month). This points to the fact that the parental leave policy in Israel is regressive, that is to say, it contributes to widening inequality among women.

Table : Mothers returning to work after parental leave, 2014[[24]](#footnote-25)

|  |  |  |  |
| --- | --- | --- | --- |
| Total | Went back to work after | Number of mothers | Monthly salary before childbirth (NIS) |
| **Didn’t go back after 1 year** | **7–12 months**  | **5–6 months**  | **End of paid maternity** |
| 100% | 21% | 14% | 13% | 52% | 5,490 | Up to 2,000 |
| 100% | 17% | 13% | 14% | 56% | 7,241 | 2,000–3,000 |
| 100% | 14% | 13% | 15% | 58% | 25,440 | 3,000–5,000 |
| 100% | 8% | 12% | 19% | 61% | 23,470 | 5,000–7,000 |
| 100% | 4% | 12% | 22% | 62% | 16,849 | 7,000–9,000 |
| 100% | 3% | 14% | 27% | 55% | 27,113 | Over 9,000 |
| 100% | **9%** | **13%** | **20%** | **58%** | **105,603** | **Total** |

# Parental leave period – goals and rationale

Any policy proposal in general, and any significant reform in particular, must clearly define the goals it aims to achieve, as well as their order of importance. We often tend to skip this step, in thinking that these things are self-evident. However, without explicit wording and justification, it will difficult to push the reform forward with any consistency over time, and it will certainly be impossible to evaluate the effectiveness of the proposed policy as it is implemented, as well as retroactively.

Back in the day, “maternity leave” was explicitly instated in order to support and encourage women’s employment.[[25]](#footnote-26) Mothers were granted protection over their positions in the workforce and were able to stay home with the infant for several weeks after the birth while still benefiting from their full salaries courtesy of the state. However, the percentage of women’s employment has risen drastically in most OECD countries; in Israel, as mentioned previously, this figure is particularly high, and therefore there is no more realistic need for “encouragement” in this respect. In light of the drop in birth rates, many countries have put in place parental leave policies whose goal is to encourage women to have children, however in Israel, as mentioned previously, the birthrate is exceptionally high, and therefore there is certainly no need to strive toward raising this figure either.

On the other hand, the gender disparity in the Israeli employment market remains relatively high, both in terms of salaries and in terms of women’s positions and career trajectories in comparison to men’s. And herein lies the catch: the more we prolong the mother’s parental leave period, the likelier it is to harm her career, since employers will take the possibility of her taking this leave into account and avoid hiring her for positions that demand continuity, especially senior and executive roles. On the other hand, if we shorten the parental leave period, this may result in harm both to the child’s development and to the mother’s health. Indeed, this issue is fraught with conflicting goals – all of them worthy in and of themselves – and it is therefore all the more important to articulate them clearly and precisely.

The local and global reserves of knowledge and experience on this subject, as well as the scientific literature concerning the development of the infant, the importance of the early relationship with the parents, and matters relating to parenting and motherhood in particular, have allowed us to formulate the following five goals with which to align the proposed parental leave reform, in order of importance:

1. Optimal development of the infant during the first months of its life
2. The mother’s physical and mental wellbeing
3. Participation of the father in the child’s upbringing and the bonding of both parents with their children
4. Occupational prospects for the parents, while narrowing the existing gender gap
5. Lightening the financial burden shouldered by young families
6. Optimal development of the infant during the first months of its life

The first weeks and months of a baby’s life are critical to its development, especially to the development of the brain,[[26]](#footnote-27) and necessitate uninterrupted, dedicated care at the hands of fixed caregivers who provide it with familial warmth, varied and plentiful sensory stimulation, and a calm environment that instills a sense of security and stability. There is no question that the best care an infant can receive at this stage of its life is at the hands of the parents rather than any external figure,[[27]](#footnote-28) with the exception, of course, of cases where the parents suffer from disabilities or pathologies that prevent them from aptly fulfilling their parental duties. Moreover, the quality of the infant’s attachment to both the mother and the father is largely determined during these first few weeks, a factor that has significant impacts on the child’s future development and even on his or her functioning as an adult ([García et al., 2016](http://ftp.iza.org/dp10456.pdf)). Research likewise shows that the first few months of a baby’s life are critical to its health and robustness, as well as to the mother’s health.[[28]](#footnote-29)

1. The mother’s physical and mental wellbeing

The infant’s need for the proximity of its parents directly following birth, is complemented by the mother’s need to recuperate from the birth, which dictates that she stay home for several weeks,[[29]](#footnote-30) that she have close assistance, and that she be as free as possible from any other worries and preoccupations (such as household management duties, for instance). This requires not only that the mother not be rushed back to work too soon after childbirth, but that the father also be home, thus contributing to childcare, to the formation of strong family bonds, and to the mother’s recovery ([Altintas et al., 2017](https://academic.oup.com/sp/article/24/1/81/2997537)). That being said, if both parents exercise most of their parental leave concurrently, it may hinder the development of the father’s parenting skills ([Feldman et al., 2019](https://www.nature.com/articles/s41583-019-0124-6)), and might be less productive in terms of its effects on the economy at large.

1. Participation of the father in the child’s upbringing and the bonding of both parents with their children

The first weeks and months following the birth also constitute a critical “bonding” stage. In other words, this is the time when the parents form strong connections with the infant, which become an essential factor in determining the quality of care the parents are able to give the child later in its upbringing ([O’Brien, 2009](https://journals.sagepub.com/doi/abs/10.1177/0002716209334349#articleCitationDownloadContainer)). Research also shows that the quality of the *father'*s attachment to the child has a significant impact on their development and even on their performance later on in life.[[30]](#footnote-31) Furthermore, it is very difficult to later “compensate” for any deficiencies caused by the parents’ absence during the first months of the baby’s life because they had to rush back to work.

Active fatherhood is not only good for the development of the baby, it has also been found to be beneficial to the father, especially when it comes to finding meaning and purpose in his family life, rather than looking exclusively to work or to other external activities for fulfillment (often in vain – Calfon, 2015). In addition to giving fathers an incentive to take an active part in parenting, it is important to encourage women to allow their male partners to assume a significant role in childcare. The norm of dominant motherhood is a source of strength, meaning, and self-esteem for many women; it may even be an important component of their identities; however, it also may result in denying fathers the opportunity to find fulfillment in the family environment.

1. Occupational prospects for the parents, while narrowing the existing gender gap

Whereas our first three goals complement each other, and in fact require the presence of the mother and the father in the home for as long as possible during the first few months of the baby's life, the fourth goal is the one that complicates things, and requires trade-offs against the first goals. The longer the parents’ leave, the more it will benefit the infant’s development, promote the mother's recovery and enable the parents to bond with their children; however, the more likely it is also to hurt their job prospects. Furthermore, because, as things stand, the mother is the parent entitled to and exercising much if not the entirety of the leave period, the extension of this period, as stated previously, may hurt her prospects even more.

As already noted, childbirth and parenting have a critical effect on gender disparity: before the birth of the first child there are no significant differences between men and women for any of the occupational parameters. However, upon the birth of the first child, there is a steep decline in women’s incomes, employment rate, and number of work hours ([Kleven et al](https://www.henrikkleven.com/uploads/3/7/3/1/37310663/kleven-landais-sogaard_gender_feb2017.pdf)., 2018; [Lazer, 2019](http://primage.tau.ac.il/libraries/brender/the2_f/9932995591804146.pdf)). The surprising finding is that, while there is a partial correction of these parameters following the parental leave period, a significant gender gap remains even many years down the road. Similarly, the first birth damages women’s chances of advancing in their vocational training and securing management positions, and therefore many mothers end up transitioning to the public sector or to companies that offer employment flexibility in return for lower pay ([OECD Stat, 2018B](https://stats.oecd.org/index.aspx?queryid=54752)).

The almost exclusive exercise of parental leave by mothers (as opposed to fathers) has an effect equivalent to a “statistical bias” on the job market.[[31]](#footnote-32) Because employers expect young women to go on maternity leave after childbirth, they will tend to prefer hiring men over women, especially for quality positions, and the same is true when it comes to promoting men over women ([Kopfer, 2016](http://www.economy.gov.il/Research/Documents/PearimEmdotMaasikim2016.pdf); [Becker et al., 2019](https://www.sciencedirect.com/science/article/pii/S0927537119300429)). At the same time, women, in anticipation of a long absence following childbirth, will tend to prefer more “flexible” employers and part-time jobs,[[32]](#footnote-33) even at the cost of limiting their career prospects ([Blau et al., 2017](https://www.aeaweb.org/articles?id=10.1257/jel.20160995)). At the other extreme, if the option of parental leave doesn’t exist at all,[[33]](#footnote-34) women are faced with the cruel choice of either giving up having children altogether and invest themselves fully in their work, or renouncing the possibility of having a career and devoting their time to raising children and running the household ([Bianchi, 2000](https://link.springer.com/article/10.1353/dem.2000.0001) ;[Goldin et al., 2016](https://www.journals.uchicago.edu/doi/abs/10.1086/685505)).

The fact that mothers are the main beneficiaries of parental leave (by law and certainly in practice) also contributes to the widening of the gender gap because the initial division of labor created during the parental leave period, wherein mothers are designated as the main caretakers both of their children and of the household,[[34]](#footnote-35)[[35]](#footnote-36) becomes permanent in the long term.[[36]](#footnote-37) Indeed, while women's education and employment rates have increased dramatically, mothers still tend to take on dual and even triple responsibilities: household maintenance and raising children, alongside full or partial employment ([OECD Stat, 2019C](https://stats.oecd.org/index.aspx?queryid=54746); [OECD Stat 2019D](https://stats.oecd.org/index.aspx?queryid=54751)).

Another policy issue affecting gender disparity is the length of time between the end of the parental leave period and the point at which the child becomes eligible for early childhood education, as well as the quality of the available educational solutions. The older the age at which children can be integrated into public educational frameworks, and the lower the quality of these frameworks, the more likely women are to stay home with their children for a longer period of time, at the expense of returning to work ([Baker et al., 2008](https://www.journals.uchicago.edu/doi/full/10.1086/591908)). Hence, we must consider parental leave and early childhood education as one single, compound issue, and policy should be determined in light of all the considerations that arise out of both of these contexts conjointly, which is not the case today.

1. Lightening the financial burden shouldered by young families

Couples who bring children into the world are in most cases in the early stages of their professional careers, and therefore their income is relatively low in comparison to how much they will earn later on in their lives. This is also the time when the young family is likely invest in major purchases, such as a home, a car, electrical appliances, and so on. The birth of the first child involves a significant hike in expenses, both one-time (such as a larger apartment, baby equipment and furniture, etc.), and ongoing (such as diapers, baby food, etc.). The combination of low early-career incomes and heavy expenses makes life very difficult for young parents, and may even hinder their availability to care for their newborn child. One of the goals of the parental leave period should therefore be to relieve some of that burden.

Every additional child adds to the family’s expenses, but not at the same rate, since many of the expenses associated with childcare are on one-time purchases (such as baby equipment that can then be reused), and because the family learns to be more cost-effective in caring for their children. In addition, in most cases, the couple’s income increases over time thanks to promotions, seniority and the like.[[37]](#footnote-38) It therefore stands to reason that parents’ needs evolve over time, and that a reasonable parental leave policy must take this into account by offering benefits tailored to these evolving needs. Specifically, when it comes to the births of the first or second child, paid leave is required over a relatively long period of time, but this need decreases as the number of children grows.

# Outline for paid parental leave reform

The parental leave policy enacted in Israel today does not serve most of the goals detailed above. This is not surprising, since this policy was originally formulated to serve different goals, namely encouraging women to integrate into the labor force while at the same time encouraging high birth rates, all informed by norms that sanction a gender division of labor wherein men are seen as providers and women as caretakers. Specifically, the existing policy does nothing to encourage fathers to take an active part in raising their children or to eliminate gender disparity. Despite the right to share the parental leave period, which parents have had since 1998, the percentage of fathers who exercise this right is, as mentioned previously, negligible –lower than 1%.[[38]](#footnote-39) The father’s absence from home during the first few weeks of the baby’s life impedes the father’s ability to bond with the child, with all the negative consequences this entails, while also making it more difficult for the mother to recover. Furthermore, this initial parental configuration sets a pattern for the young family, a pattern that will repeat itself in the years following the birth and with the births of additional children,[[39]](#footnote-40) and which, as stated earlier, constitutes a crucial factor in perpetuating gender disparity ([Kleven et al., 2019](https://www.henrikkleven.com/uploads/3/7/3/1/37310663/klevenetal_aea-pp_2019.pdf)).

Existing policies also do not allow for a flexible and gradual return to the workforce, which greatly exacerbates the dilemma, faced mainly by the mother, of whether to return to work immediately or to care for the baby at home at the expense of career advancement. The fact that the benefits are the same for the birth of each additional child only makes matters worse, as it denies greater assistance when the parents need it most, and provides the same level of assistance when their needs are less acute.

The new parental leave policy outline that we shall present here endeavors to overcome these existing shortcomings and serve the five goals we have defined above, namely:

1. Optimal development of the infant during the first months of its life
2. The mother’s physical and mental wellbeing
3. Participation of the father in the child’s upbringing and the bonding of both parents with their children
4. Occupational prospects for the parents, while narrowing the existing gender gap
5. Lightening the financial burden shouldered by young families

To this end, the new outline offers two major innovations: significant incentives for the father to participate in the parental leave period while striving for parity with the mother, and flexibility in implementing benefits according to the needs and preferences of each individual family.

Making the paid parental leave period apply to the father also entails, as stated, uprooting a firmly embedded societal norm, whereby the mother has to remain with the child during the first weeks after birth, but not the father, who by and large continues working as usual throughout the parental leave period. This norm is entrenched not only among young families, but also among employers, and constitutes the foundation for the discriminatory employment bias that perpetuates the gender gap. The more firmly established the norm, the harder it is to change it, and any progress on the matter requires a well thought-out and powerful combination of incentives and constraints with the expectation that, in time, all those affected by it (i.e. the mothers, the fathers and the employers) will internalize the change and make it the new norm, perhaps even removing the need for incentives altogether. The reform will be implemented gradually over five years, with the outline proposed for the first year as shown in Figure 3:

Figure : First year of paid parental leave reform, in weeks

**Total of full weeks: 20 + 2 bonus\***

**Designated maternity: 5**

**2 mandatory**

**3 optional**

**Designated paternity: 5**

**2 mandatory**

**3 optional**

**Shareable weeks: 10**

**+ 2 bonus\***

\*If the father exercises at least half of his optional weeks

The reform thus offers a basic package of 20 full weeks of paid leave (as opposed to 15 today), of which 5 are allocated exclusively to the mother, 5 exclusively to the father, 10 weeks are divisible between the father and the mother, and two additional weeks will be given as a bonus to the “joint budget” of weeks, provided that the father fulfills at least half of his optional weeks. The paid leave can be exercised by the mother and father concurrently or separately.

Of the 5 weeks exclusive to each parent, two weeks are mandatory, that is to say, the parent must stay at home with the child and be absent from work for at least two weeks during the first month after delivery. The responsibility for enforcing this obligation will be borne by the employer, in the sense that the employer will be prohibited from allowing the parent to work during these weeks (nor even from home). In the event of a violation, the employer will be subject to sanctions under civil law.

To impose mandatory leave may seem like somewhat excessive, but we are convinced that in order to instill a new norm, wherein fathers are expected to participate in childcare, it is absolutely necessary, at least during the early years of the reform’s implementation.[[40]](#footnote-41) In addition, without the obligation, even if fathers wanted to take time off in order to care for their infants, they would likely be prevented from doing so due to objections on the part of their employers, or even due to social pressure in the workplace (the “what will people say” effect). The obligation leaves no room for negotiation (whether explicit or implicit) between the father and his employer, or between the father and the mother, over whether or not to take parental leave. We could expect this to take place under the current norms, and therefore we must eliminate this possibility, at least initially, by way of a state-mandated obligation. Hopefully, this measure will entail significant advances toward achieving parity between fathers and mothers in terms of their occupational prospects, since for employers, the “risk” of childbirth and subsequent absence will henceforth apply not only to women but also to men. This is the approach adopted, for example, in Portugal, where fathers are mandated to take 5 days off immediately after childbirth, and another 10 days during the first month, with the state fully compensating their wages during this time ([Eurofund, 2019](file:///C%3A%5C%5CUsers%5C%5Cronro%5C%5CDownloads%5C%5CPaternal%20leave%20uptake%20EU.pdf)).

Following the two mandatory weeks, each parent has an **optional** designated three week period available to them, which means that each parents has the **right** to stay home with the child at full pay for up to three more weeks. However, if they choose not to take advantage of all or any of these weeks they are “lost,” i.e. they are **non-transferable** to the other parent and non-exchangeable for financial benefits.

The remaining ten weeks constitute a “joint leave budget” which the parents are free to divide among themselves however they see fit. Another major innovation is the 2 bonus weeks conditioned upon the father’s exercise of at least half of his designated optional weeks. If this condition is met, the parents gain 2 **extra weeks** to divide among themselves.[[41]](#footnote-42) This bonus is intended to be a powerful incentive for the father’s participation in the parental leave period, since if he does not fulfill half of his designated optional weeks (at least two weeks initially) the family may lose up to 5 weeks of paid leave (3 weeks of optional paternity leave, plus the 2 bonus weeks added on to the joint leave budget).

Let us illustrate the possibilities presented by the reform by describing two extreme cases: in the first, the father refuses take advantage of the parental opportunities granted to him by the new policy, and goes back to work directly after the 2 mandatory weeks of paternity leave. Contrary to him, the mother exercises the entirety of the leave available to her, i.e. the 5 weeks of designated maternity and the 10 weeks in the joint budget, for a total of 15 weeks (the same as today). In other words, in the event that there is no change in the father's behavior, despite the incentives provided on top of the two compulsory weeks of paternity leave, the mother’s situation in relation to the current status quo remains unchanged. Therefore the overall paid parental leave period will amount to 17 weeks: 15 exercised by the mother, and 2 weeks by the father.

At the other end of the spectrum, the two parents opt for absolute parity in the sense that both the mother and the father take advantage of the full 5 weeks designated to each of them, and since they now have 12 weeks to share between them (including the 2 bonus weeks), each gets 6 weeks out of the joint leave budget for a total of 11 weeks per parent, and 22 weeks overall. There is a significant difference between the two cases: the "conservative" behavior exhibited in the first case causes the family to miss out on 5 weeks of parental presence at home with the baby, while receiving full compensation from the state. Hence the magnitude of the incentive for behavioral and normative change.

**Gradual implementation of the reform**

It is important to implement the proposed changes gradually in order to allow the job market enough time to adapt, and to make it possible to monitor the progress of the reform while it is still in an experimental phase and adjust its parameters if necessary. The reform also involves added budgetary costs, which it would be best to spread over several years. Hence we propose to implement the reform in a gradual manner over five years, initially as a relatively modest expansion of the existing policy. The outline presented above refers, as mentioned, to the first year of the reform. From the second year onward, until the fifth year, the following changes will take place every year: an optional week will be added to the designated paternity and maternity leaves, and at the same time a week will be subtracted from the base joint leave budget of 10 weeks, thus extending the available leave by a net amount of one week, as described in Table 2:

Table : Outline for paid parental leave for first and second child, by reform implementation year

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **Year 1** | **Year 2** | **Year 3** | **Year 4** | **Year 5** |
| **Designated maternity** | **Mandatory** | 2 | 2 | 2 | 2 | 2 |
| **Optional** | 3 | 4 | 5 | 6 | 7 |
| **Designated paternity** | **Mandatory** | 2 | 2 | 2 | 2 | 2 |
| **Optional** | 3 | 4 | 5 | 6 | 7 |
| **Joint leave budget** | **Base** | 10 | 9 | 8 | 7 | 6 |
| **Bonus\*** | 2 | 2 | 2 | 2 | 2 |
| **Total** | **22** | **23** | **24** | **25** | **26** |

Since the outline for the fifth and final year of implementation will become the permanent policy thenceforth, it is also represented graphically in Figure 4:

Figure : Outline of paid parental leave in the fifth year of implementation

**Total of full weeks: 24 + 2 bonus\***

**Designated maternity: 9**

**2 mandatory**

**7 optional**

**Designated paternity: 9**

**2 mandatory**

**7 optional**

**Shareable weeks: 6**

**+ 2 bonus\***

\*If the father exercised at least half of his optional weeks

The addition of designated paternity weeks, while decreasing the joint budget of shareable weeks, is intended to expand the father's opportunity to participate in parental leave, and to increase the incentive to capitalize on it. If the father continues to “object" and refuses to exercise the optional weeks available to him, the “cost” to the family (from the fifth year on) will be a loss of 9 weeks of state-funded leave at full pay, and an exacerbation of the father-mother asymmetry. Needless to say, it is impossible to estimate the effectiveness of these incentives in advance, which is why it is important to implement the reform gradually. We intend to study the scope of change in parenting norms over the course of the five years, and, if necessary, adjust the reform strategy based on our findings.

**Flexibility: going back to work part-time**

The second important component of the proposed reform is flexibility in the exercise of parental leave, namely the possibility to return to work part-time (half-time), with the employer paying the parent’s respective salary (50%), and the state compensating the rest (50%), so that in total the parent will be guaranteed a full income. A parent will have the possibility to exchange a week of full-time paid leave for two weeks of part-time paid leave.[[42]](#footnote-43) However, the part-time leave weeks can only be taken after the full-time leave weeks, and not vice versa, for the benefit of the employer, in the sense that a gradual return to work after a complete absence is preferable to a random series of full and partial absences.

This kind of flexibility is essential because of the vast differences among families in terms of their needs and preferences. Each family should be able to tailor the parental leave period to optimally suit their particular circumstances. It should be noted that flexibility is also important for employers, as they too will have to adapt to the policy changes, and just as there is great variance among families, the same can be said of employers regarding their ability to accommodate the partial or total absence of different employees.

The possibility of a longer paid parental leave in conjunction with with part-time employment provides somewhat of a compromise for the many mothers (and it is mostly mothers) facing the difficult choice of either returning to full-time work immediately following the end of the 15-week paid leave and relegating childcare to external services at what is still a very early stage of the baby’s life, or staying home and absorbing the loss of income and potential damage to career prospects. Quite a few mothers are likely to opt for a gradual return to work, part-time at first, as this entails no loss of income and provides a way of balancing conflicting needs.[[43]](#footnote-44) If both parents should decide to go back to work part-time, this will have a significant positive impact on the quality of care provided to the child, and result in a more egalitarian distribution of work among the parents.[[44]](#footnote-45)

Another element of flexibility in the outline is the possibility of overlap between the mother’s and the father’s leave at any stage of the paid leave period. This is especially advantageous if they should choose to convert full-time leave into part-time leave, that is to say, to return to work half-time. By opting for overlapping part-time leave, couples can arrange their schedules so that whenever one is at work, the other is at home, and vice versa, thus making sure that there is a parent minding the child at all times. Again, there is no telling how parents will actually behave when the reform takes effect, but the reform’s built-in flexibility opens up opportunities for the couple to share the joys and burdens of parenthood in much more significant ways than implied by the bare number of paid parental leave weeks.

**Parental leave from the third child onward**

As stated earlier, a family’s needs evolve over time, and thus, it is judicious to give the family more support when it is young, and less support as it becomes more established. For this reason, the policy outlined in Table 2 only refers to parental leave following the birth of the first and second children, whereas from the third child onward, the only difference with the existing status quo will be an additional period of two mandatory weeks for the father, to make up a total of 17 weeks of paid leave, as opposed to the 15 available today. Out of these, 13 weeks will constitute the “joint budget” of weeks to be distributed among the parents as they please (similarly to the existing status quo), and they will also retain the possibility to go back to work part-time.

**Eligibility and job protection**

The mother’s eligibility for paid parental leave will be defined as it is today, that is to say, based on proof of employment. The father’s eligibility, on the other hand, as opposed to current legislation, will be defined identically to that of the mother. In other words, it will be based on his employment, rather than depending on the mother’s eligibility. Parents enrolled in higher education institutions will also be considered eligible. In addition, the job protection currently granted to the mother, guaranteeing that she will retain her exact position in the workplace for a year after the birth, will be extended to the father for the same period of one year.

# The proposed outline in the context of global trends

The proposed reform reflects the current policy trends in this domain in the OECD countries, particularly in terms of the emphasis on reducing the disparity between mothers and fathers. The main difficulty in its implementation lies in its conflict with the existing norm, which has few fathers exercising their right to paid parental leave, especially since their only opportunity to do so requires taking time out of a shared parental leave period. As already mentioned, less than 1% of Israeli fathers choose to exercise this option, and therefore, unsurprisingly, we find ourselves trailing behind the pack in this regard, as shown in Figure 5:

Figure : Percentage of fathers out of all paid parental leave takers (fathers and mothers)

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**Source:** [Taub Center, 2016](http://taubcenter.org.il/he/work-life-balance-parental-leave-policies-in-israel-heb/)

Various countries have managed to considerably increase the percentage of fathers taking advantage of paid parental leave by making changes to the bundle of benefits and incentives on offer. Twenty countries in the OECD include at least two weeks of **designated paternity** leave (weeks that cannot be transferred to the mother) in the paid parental leave period. In Norway, for instance, each parent is entitled to 15 designated weeks fully funded by the state, while in Sweden each parent in entitled to 90 days (approximately 15 weeks) at 78% pay. Thanks to Iceland’s reform of paid parental leave, which included an extension of the designated paternity leave, the percentage of Icelandic fathers exercising their right to parental leave has gone up to 96%, and the average duration of leave has spiked from 39 days to 91 days.

The policies of 8 OECD countries include a “bonus” conditioned on the exercise of a minimum amount of parental leave by the father, similarly to the proposed reform.[[45]](#footnote-46) The major reform in parental leave passed by Germany in 2008 gives a bonus of two months to the joint leave budget on the condition that the father takes at least two months of paid leave himself. Similarly, Portugal instated a bonus in 2009 giving the couple an additional month of paid leave if the father exercises at least 30 days out of the available period of designated paternity leave. In Japan, two additional months are given when both parents exercise their rights at least partially. Sweden, on the other hand, gives a tax rebate to couples who share parental leave in a more or less equitable manner; however, it has been found that this benefit does not have a significant effect on Swedish parents’ behavior (Man, 2018; [Raub et al., 2018](https://www.worldpolicycenter.org/sites/default/files/WORLD%20Report%20-%20Parental%20Leave%20OECD%20Country%20Approaches_0.pdf)).

Germany’s and Portugal’s reforms have managed to significantly increase the proportion of fathers exercising their right to paid parental leave. As shown in Figure 6, the percentage of German fathers rose from 3% in 2006 to 21% in 2008, and continued to climb up to 34% in 2014. In Portugal, the percentage of fathers rose from 10% in 2008 to 34% in 2015. It is therefore reasonable to expect that the reform proposed here, which includes designated weeks of paternity leave and a bonus, will also lead to a significant increase in the percentage of Israeli fathers exercising parental leave, even though it is less generous than what is offered in most OECD countries, certainly far less so than the abovementioned examples of Germany and Portugal.

Figure : Percentage of fathers who exercised paid parental leave out of the total of eligible parents



**Comments:** The arrows indicate the year of policy reform (the institution of leave bonuses). **Source:** [German Federal Ministry for Family Affairs, 2017](https://www.bmfsfj.de/blob/113300/8802e54b6f0d78e160ddc3b0fd6fbc1e/10-jahre-elterngeld-bilanz-data.pdf), [Wall et al., 208](https://www.leavenetwork.org/fileadmin/user_upload/k_leavenetwork/country_notes/2018/FINAL.Portugal2018.pdf),. [[OECD, 2019](https://www.oecd.org/gender/data/length-of-maternity-leave-parental-leave-and-paid-father-specific-leave.htm)B](https://www.oecd.org/gender/data/length-of-maternity-leave-parental-leave-and-paid-father-specific-leave.htm).

Following the reform in Germany, a decisive rise was registered in the percentage of women’s participation in the workforce and in women’s work hours in the second year following the birth ([Spiess et al., 2008](https://link.springer.com/article/10.1007/s11113-008-9086-5%22%20%5Cl%20%22citeas)). Likewise, studies found the reform to have a positive effect on breastfeeding ([Kottwitz et al., 2016](https://www.diw.de/documents/publikationen/73/diw_01.c.467201.de/diw_sp0670.pdf)) and fertility ([Huebener et al., 2016](https://www.diw.de/documents/publikationen/73/diw_01.c.548588.de/diw_econ_bull_2016-49-1.pdf)). Moreover, the reform managed not only to at least partially correct gender disparity among the parents, but to influence gender norms in German society as a whole ([Unterhofer et al., 2017](https://www.diw.de/documents/publikationen/73/diw_01.c.555916.de/dp1657.pdf)).

Research shows that paternity leave does actually improve the father’s ability to care for the child, leading to a more active fatherhood,[[46]](#footnote-47) and that the involvement of fathers in childcare at the early stages of infancy, improves the interpersonal father-child relationship.[[47]](#footnote-48) In addition, an increase in the exercise of paternity leave leads to a more equitable distribution of childcare tasks and household chores.[[48]](#footnote-49) As a result, Germany, for example, has seen an increase in the number of mothers’ working hours, shorter absences from the workforce, and therefore an increase in wages ([Mari et al., 2019](https://www.econstor.eu/handle/10419/194106)).

Parental leave reforms in Canada (2001, 2006) have led to a narrowing of the gender gap across all income groups; however, the progress toward employment parity was particularly significant for families in the medium and high income brackets ([Margolis, et al., 2018](https://onlinelibrary.wiley.com/doi/full/10.1111/jomf.12542)). In addition, it has been shown that the longer the father stays home on paternity leave, the less income disparity there is within the family, and the less adverse effects there are on the mother’s career ([Andersen, 2018](https://onlinelibrary.wiley.com/doi/full/10.1111/jomf.12507)).

Similarly to the reform proposed in the present document, the policies of other countries in the OECD also provide the option of going back to work part-time. In twenty of the OECD countries, joint parental leave can be combined with part-time employment, with twelve of them placing restrictions on the scope of employment. For example, Finland allows parents on leave to work between 40% and 60% of their regular work hours, while in Italy, Chile, and New Zealand parents can only work half-time (50%). In Germany, each month of standard paid parental leave can be exchanged for two months of part-time employment, limited to 24 months of part-time employment. Of all paid parental leave takers in Germany in 2016, 23% chose part-time employment for a certain portion of their leave period.[[49]](#footnote-50)

While many countries allow the mother and father to exercise a period of joint parenting, some of them restrict the length of leave parents can take concurrently, or allow them to exercise concurrent leave only when both parents are employed part-time ([Blum, 2018](https://www.leavenetwork.org/leave-policies-research/country-reports/)).[[50]](#footnote-51) For example, in Sweden, each parent is given a paid parental leave period of 90 days, 30 of which can be taken in concurrently. In Finland out of the 54 days of paid paternity leave, up to 18 days can be exercised concurrently with the mother; however if both parents are partially employed, the entire leave can be exercised concurrently ([Man, 2018](http://www.iwn.org.il/site/upload/photos/152337394358978797a.pdf)). The possibility of concurrent or separate part-time employment is in line with the characteristics of the emerging labor market, in which, in light of technological changes, a growing proportion of employees are working flexible hours and in flexible locations.

# Costs of the reform and financing[[51]](#footnote-52)

## Costs

This chapter will provide an estimate of the proposed reform’s budgetary costs, as well as a breakdown of possible sources for financing a significant portion of these costs. For this purpose, we will make use of data concerning a number of important parameters such as number of births, the proportion of women eligible for paid parental leave, men’s and women’s average salaries, and so on. Nevertheless, because one of the reform’s key components consists of offering incentives in the hope of triggering changes in parental behavior, producing a cost assessment requires speculation on the impact of these projected changes, as well as an estimation of the probabilities for each conceivable scenario. To this end, we have attached an Excel file to this document which enables cost estimation based on various assumptions with optimal ease and transparency. This cost estimate is therefore presented not as a solid and final result, but as a flexible and dynamic tool that allows us to consider different scenarios.

In Chapter 4 above, we illustrated the proposed outline by describing two extreme cases. We shall reuse these same cases for our current purposes, with the addition of a third, moderate case as follows:[[52]](#footnote-53)

* “Conservative family” – the father exercises only his mandatory leave, the mother exercises her designated leave and the entirety of the shared leave; the couple are therefore not entitled to the bonus. For this family there is no difference between the first and second births, and the third birth onward.
* “Utilitarian family” – the father exercises the minimum amount of leave required to get the bonus (for the births of the first and second children), the mother exercises her designated leave and the entirety of the shared leave, including the bonus weeks. From the third child onward, the father exercises only his mandatory leave, and the mother exercises her designated leave and the entirety of the shared leave.
* “Egalitarian family” – the father exercises the entirety of his designated leave and half of the shared leave, including the bonus. The mother exercises the entirety of her designated leave and half of the shared leave, including the bonus. From the third child onward, the father exercises 5 weeks of leave.

There is, of course, a large number of other possible cases within the range of our parameters, but these definitions provide a clear categorization that applies to most of the probable scenarios. We assume that during the first years of implementation the pattern of parental behavior will skew toward the conservative family scenario. Over time, however, the norms are expected to shift, resulting in a more significant paternal exercise of parental leave, and thus the incidence of utilitarian and egalitarian family cases should rise. In order to evaluate overall costs, we have assigned quantitative estimates to these assumptions, as shown in Table 3.

Table : Proportion of different types of families by reform implementation year[[53]](#footnote-54)

|  |  |
| --- | --- |
| **Type of family** | **Reform implementation year** |
| **Year 1** | **Year 2** | **Year 3** | **Year 4** | **Year 5** |
| **Conservative families** | 85% | 85% | 80% | 80% | 70% |
| **Utilitarian families** | 10% | 10% | 15% | 15% | 20% |
| **Egalitarian families** | 5% | 5% | 5% | 5% | 10% |

To calculate the costs, we shall make use of the following figures:[[54]](#footnote-55)

* Number of births: 185,000 out of which
	+ 30% are births of the first child
	+ 30% are births of the second child
	+ 40% are births of the third child and onward
* Number of women eligible for paid parental leave: 72%
* Number of fathers eligible for paid parental leave (based on the reformed regulation): 80%[[55]](#footnote-56)
* Average cost of paid maternity leave week:[[56]](#footnote-57) 2,115 NIS
* Average cost of paid paternity leave week: 3,080 NIS

Now we can calculate the number of paid leave weeks the mother and the father are expected to take according to their type of family for each of the five years of implementation, as shown in Table 4:[[57]](#footnote-58)

Table : Number of paid leave weeks by type of family and year of implementation

|  |  |
| --- | --- |
| **Type of family** | **Reform implementation year** |
| **Year 1** | **Year 2** | **Year 3** | **Year 4** | **Year 5** |
| **Conservative families** | **Mother** | 15 | 15 | 15 | 15 | 15 |
| **Father** | 2 | 2 | 2 | 2 | 2 |
| **Utilitarian families** | **Mother** | 15 | 15 | 15 | 15 | 15 |
| **Father** | 3.2 | 3.2 | 3.8 | 3.8 | 4.4 |
| **Egalitarian families** | **Mother** | 11.4 | 12 | 12 | 12.6 | 12.6 |
| **Father** | 8.7 | 8.7 | 9.3 | 9.3 | 9.9 |

The simulation of the reform’s budgetary costs relies on the above data, and estimates the cost per mother and father, while factoring in the three types of families and their incidence (according to Table 3) for each year of implementation. Thus, for example, in the first year, the average number of weeks of paid maternity leave will be:

(0.85 x 15) + (0.10 x 15) + (0.05 x 11.4) = 14.8

And the number average number of weeks of paid paternity leave in the fifth year will be:

(0.70 x 2) + (0.20 x 4.4) + (0.10 x 9.9) = 3.3

The results of these calculations are presented in the first two rows of Table 5. To calculate the overall cost, we the multiplied the mother’s weeks by the average cost of paid maternity leave week (2,115 NIS) and the father’s weeks by the average cost of paid paternity leave week (3,080 NIS). We then multiply the resulting figures by the number of births per year. The added cost is the overall cost estimate of the reform minus the cost of parental leave today.

Table : Budgetary cost estimate of the reform, by year of implementation (in thousands of shekels)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Year 1** | **Year 2** | **Year 3** | **Year 4** | **Year 5** |
| **Number of parental leave weeks per mother and father** |
| **Mother** | 14.8 | 14.9 | 14.9 | 14.9 | 14.8 |
| **Father** | 2.5 | 2.5 | 2.6 | 2.6 | 3.3 |
| **Total weeks** | 17.3 | 17.3 | 17.5 | 17.5 | 18 |
| **Overall cost (in millions of NIS)** |
| **Mother** | 4,175 | 4,184 | 4,184 | 4,192 | 4,158 |
| **Father** | 1,119 | 1,119 | 1,203 | 1,203 | 1,493 |
| **Total cost** | 5,294 | 5,303 | 5,386 | 5,395 | 5,652 |
| **Added cost (in millions of NIS)** |
| **Mother** | -51 | -42 | -42 | -34 | -67 |
| **Father** | 1,119 | 1,119 | 1,203 | 1,203 | 1,493 |
| **Added cost** | 1,068 | 1,077 | 1,160 | 1,169 | 1,426 |

Comments: this projection is calculated based on 100% of women exercising their right to paid leave, an unchanged percentage of eligibility in proportion to births, and a steady rate of first and second births over the 5 years. If we take into account growth rate in the population of mothers,[[58]](#footnote-59) and realistic economic growth rates,[[59]](#footnote-60) the final costs will increase by 2.4% every year. The percentage of funding for a week of full-time leave is 100%, and 50% for a week of partial employment over double the amount of weeks. The cost to the state remains virtually the same in both cases, and we have therefore not factored this element into our estimate.

## Financing

According to Table 5, the added cost of implementing the reform is estimated at approximately 1 billion NIS in the first year, rising up to approximately 1.5 billion NIS in the fifth year. Given the proposed plan’s far-reaching contributions to child development and parental well-being, these are certainly reasonable costs. Furthermore, as we shall see in the next chapter, the proposed reform may have positive implications on the job market, which should significantly reduce its economic cost. However, setting that aside for now, this is also an opportunity to optimize government spending and repurpose funds that are currently being used in less than efficient ways. We shall therefore present other budgetary sources that should cover most of the added costs of the reform.

In particular, this is an opportunity to reexamine budgetary spending on child benefits and their effectiveness in supporting families with children. We are aware of the sensitivity of this issue, and we shall therefore refrain from making any far-reaching suggestions that may provoke intense opposition, but instead propose a change in the timing of the families' reception of these benefits. As stated previously, families who bring children into the world have to deal with a heavy financial burden early on, both because of the hike in expenses that the birth of the first child entails, and because of the relatively low incomes brought in by parents at the start of their careers. On the other hand, as the children grow, they demand relatively smaller expenses,[[60]](#footnote-61) while the parents’ incomes increase.

Let us analyze the case of a family with two children, born two years apart. When the second child is born, the family’s spending is at its peak, since the two-year-old requires daycare that costs roughly 30,000 NIS per year (assuming that the mother is working), and the expenses added on by the newborn infant are likewise considerable. At this stage, there is no doubt that child benefits are a significant aid to most families that find themselves in similar circumstances. By contrast, 15 years later, when the eldest child is 17 years old and the youngest is 15 years old, the expenses for the children are expected to be relatively lower, the parents' income is generally higher, and therefore the marginal benefit of the subsidies (amounting to NIS 350 per month for both children) is lower. It is in fact reasonable to assume that each of the children could earn this amount themselves by babysitting twice a month, for example.

Hence, if we advanced the payment of these subsidies, and allotted them instead to young parents closer to the birth of their children, these would probably make a much greater contribution to their situation. We therefore propose to stop paying child benefits for children aged 15 and up, thus cutting spending on children aged 15, 16 and 17. This amounts to approximately 750 million NIS per year, to be redirected toward financing some of the costs of the parental leave reform.

The second budgetary source of financing we would like to consider is a proposed correction to the current over-subsidizing of maternity hospital expenses, yet another opportunity to “put things in order” so to speak. The amount paid out to hospitals for maternity services is much higher than the real cost of hospitalization. The maternity hospitalization subsidy currently stands at 14,119 NIS,[[61]](#footnote-62) calculated on the basis of 4.6 days of hospitalization multiplied by the daily hospitalization rate of 3,069 NIS.[[62]](#footnote-63) This despite the fact that the average maternity hospitalization stay currently amounts to 2.7 days only, and that the abovementioned rate is proportionately significantly higher than the funding offered for other kinds of hospitalization.

This state of affairs has created intense competition between hospitals over who can attract more would-be mothers, since the maternity hospitalization subsidies have become a significant source of financing for the hospitals. The scope of the financing received by the hospitals is thus not reflective of the service provided by the hospital to the general population, but of their ability to attract maternity patients through a variety of non-medical means. Moreover, these sums are paid out to the hospitals directly by the National Insurance Institute, which “benefits” the Ministry of Finance, in the sense that it constitutes an additional source of funding for the healthcare system that does not come out of the state budget.

Many have long warned of this discrepancy, including the State Comptroller and the National Insurance Institute,[[63]](#footnote-64) but since both hospitals and the Ministry of Finance see it as an advantage, it has proven very difficult to do anything to correct it. We propose to reduce the maternity hospitalization subsidy by 20%, and divert the resulting surplus of approximately 620 million NIS to finance part of the added cost of the parental leave reform. This does not solve the issue entirely, since the real cost of maternity hospitalization is much lower than the subsidy even after a 20% reduction, and it is not truly a new budgetary source as the health system will need to be reimbursed for this amount by the Ministry of Finance. Nevertheless, this is certainly a step in the right direction in regulating the field of maternity and child benefits.

The third source of financing is much smaller but reflects the same principle of righting existing wrongs. We propose to increase the maternity grant for the birth of the first child to 2,000 NIS (from 1,778 NIS today), while canceling the grants for the birth of the second child and onward, which are in any case significantly lower – 800 NIS for the second child, and 533 NIS for the third child and onward (see National Insurance Institute of Israel, 2019a). Once again, the logic behind this change is that the rise in family spending for the birth of the first child is much greater than the extra costs incurred by later births, and therefore it stands to reason that families should receive additional support when they need it most.

Table : Sources for partial financing of the parental leave reform

|  |  |
| --- | --- |
| **Sum in millions of NIS** | **Budgetary source** |
| 749 | Cancellation of child benefits for children between the ages of 15–17 |
| 621 | Reduction of the maternity hospitalization subsidies |
| 51 | Restructuring maternity grants |
| **1,421** | **Total** |

As we can see from Table 6, the measures listed above can potentially finance the entirety of the proposed reform (1.4 billion NIS), while at the same time regularizing the entire field of maternity and child subsidies by redirecting funds for more efficient use.

# Impact of the reform on the job market and the gender gap

One of the more important outcomes the proposed reform is expected to have is a more equal distribution of labor within the family, in terms of household and childcare tasks, which should also reduce inequality in the employment market, and even bolster both parents’ sense of fulfillment ([Kramer et al., 2019](https://www.sciencedirect.com/science/article/pii/S0001879119300685)). The new plan will enable and even require fathers to be absent from work for the purpose of childcare, which should diminish their distinct advantage over mothers in the job market. If an employer knows that the birth of a child will lead to a temporary absence both of the father and mother, the gender factor will be less significant in hiring male employees over female employees, at least in this respect (Rimalt, 2017).[[64]](#footnote-65) With time, we might even hope that it will cease to be a factor altogether. In particular, our hypothesis is that the father’s obligation to take at least two weeks of parental leave following the birth will have a major impact on the current norms in this regard, as well as on the social pressure exerted in the workplace. With time, we hope that fathers will also opt to exercise their optional weeks of leave, thus according the family an additional two week bonus for the good of the child and of the parents themselves.

It is possible that, for employers, the process of adjusting to the proposed changes will initially exact a tangible price; however it is certain that, in the medium to long term, the reform will have a positive effect on the entire economy. This is because existing norms, which cause a “statistical bias” against mothers, negatively affect the allocation of human capital in the economy. Workers are not assigned to different positions based on their skills alone, as they should be for optimal economic efficiency, but also based on potential future absences due to childbirth. As soon as these potential absences also apply to men (even if not to an equal extent, at first), it will become prudent (i.e. “economical) for employers to give less consideration to the factor of gender in employee hiring and promotion (Rimalt, 2017), and in the course of time, to disregard it entirely.

To elucidate this point, let us suppose for a moment that, as a result of the change in parental leave policies, fathers’ parental behavior will align itself with that of mothers, that is to say, they will be absent from work for the same period of time following the birth of a child. Employers will then have twice as large a pool of employees to choose from, since it will now also include mothers (current or future), who up until now, have not been considered relevant candidates for certain jobs. This can make a significant contribution to job productivity, as the probability of finding a proper “match” between employee skills and job requirements increases with a bigger scope of choice. To further emphasize the importance of this factor, let us remind ourselves that even today, women in Israel have a higher average level of education than men, and yet this is not fully reflected in the employment market, partly because of that same bias caused by the existing parental leave policy.[[65]](#footnote-66)

A study by the Chief Economist at the Ministry of Finance found that reducing the gender disparity in wages by about 40% will increase Israel’s GDP by 7%, which in 2015 would have been the equivalent of approximately 82 billion NIS, or about 8,000 NIS per capita per year ([Chief Economist, 2016](https://mof.gov.il/chiefecon/economyandresearch/doclib/skiracalcalit_25092016.pdf)).[[66]](#footnote-67) In addition, narrowing the gender gap is expected to significantly reduce income inequality between households. At the same time, comparative research of different countries’ policies shows that providing paid parental leave to fathers does not increase unemployment or cause a decline in labor market participation, and thus does not impair growth in this respect ([Raub et al., 2018](https://www.worldpolicycenter.org/sites/default/files/WORLD%20Report%20-%20Parental%20Leave%20OECD%20Country%20Approaches_0.pdf)). Hence, the budgetary expenditure required to implement the parental leave reform must not be viewed as redistributive support or a form of welfare, but rather as an investment that should yield a significant return for the economy. Likewise, providing young families with support when they need it most, is a far more efficient use of state resources and a more sound investment of funds than what we see under the current system.

In addition, the option of a gradual return to employment by way of part-time work, with state compensation for the other part of the parent’s salary, should shorten the length of women’s absence from work, and thus attenuate the negative effects maternity leave might have on women’s careers.

Hence, the proposed reform involves, among other things, removing obstacles that have been preventing workers from reaching their full employment potential and realizing their human capital. Greater flexibility in the exercise of paid parental leave is also better adapted to today’s advanced labor market, where flexibility is becoming part and parcel of a growing number of industries.

Undoubtedly, in light of all of above, the reform is likely to have significant effects in terms of boosting economic growth and reducing inequality. In recent decades, Western economies have made great efforts to restructure parental leave with the aim of accommodating the changing needs of parents in the labor market, as well as minimizing the contributions of childbirth and parenting to gender disparity. Given our exceptionally high birth rate, as well as our high rate of women’s employment, the State of Israel has a golden opportunity to become a leader in the field by instituting a parental leave policy that serves the good of both parents and children, while benefiting the economy and society as a whole.

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Appendix 1

Definitions and comments regarding Figure 1: “Paid parental leave: number of full-rate equivalent weeks, OECD 2018,” cited from [OECD, 2017A](https://www.oecd.org/els/soc/PF2_1_Parental_leave_systems.pdf)

**Definitions:**

**Home care leave (or childcare or child raising leave):** employment-protected leaves of absence that sometimes follow parental leave and that typically allow at least one parent to remain at home to provide care until the child is two or three years of age. Home care leaves are less common than the other three types of leave and are offered only in a minority of OECD countries. They are also often unpaid. Where a benefit is available, home care leaves tend to be paid only at a low flat-rate.

**Parental and home care leave available to mothers:** covers all weeks of employment-protected parental and home care leave that can be used by the mother. This includes any weeks that are an individual entitlement or that are reserved for the mother, and those that are a sharable or family entitlement. It excludes any weeks of parental leave that are reserved for the exclusive use of the father.

**Note:** Information refers to paid parental leave and subsequent periods of paid home care leave to care for young children (sometimes under a different name, for example, “childcare leave” or “child raising leave”, or the Complément de Libre Choix d’Activité in France). The table refers to paid leave entitlements in place as of April 2018. Data for Chile and Costa Rica refer to April 2017. Data reflect entitlements at the national or federal level only, and do not reflect regional variations or additional/alternative entitlements provided by states/provinces or local governments in some countries (e.g. Québec in Canada, or California in the United States).

The "average payment rate" refers the proportion of previous earnings replaced by the benefit over the length of the paid leave entitlement for a person earning 100% of average national full-time earnings. If this covers more than one period of leave at two different payment rates then a weighted average is calculated based on the length of each period. In most countries, benefits are calculated on the basis of gross earnings, with the "payment rates" shown reflecting the proportion of gross earnings replaced by the benefit.

In Austria, Chile, Germany, Lithuania and Romania (parental leave only), benefits are calculated based on previous net (post income tax and social security contribution) earnings, while in France benefits are calculated based on post-social-security contribution earnings. Payment rates for these countries reflect the proportion of the appropriate net earnings replaced by the benefit. Additionally, in some countries maternity and parental benefits may be subject to taxation and may count towards the income base for social security contributions. As a result, the amounts actual amounts received by the individual on leave may differ from those shown in the table. See Tables PF2.1.C, PF2.1.D, and PF2.1.E for details on benefit payment rules and conditions.

a. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

b. Footnote by Turkey: The information in this document with reference to « Cyprus » relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognizes the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of United Nations, Turkey shall preserve its position concerning the “Cyprus issue”;

c. Footnote by all the European Union Member States of the OECD and the European Commission: The Republic of Cyprus is recognized by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus. Source: See tables PF2.1.C-PF2.1.E.”

1. Attached to this paper is an Excel document aggregating the data used to estimate costs and ways of financing them. [↑](#footnote-ref-2)
2. Attached to this document is an Excel file that details how changing certain parameters or assumptions would affect the costs. [↑](#footnote-ref-3)
3. In this section, we will present only the broad picture of the rights granted to new parents in these countries. This overview is mostly based on a large-scale comparative study conducted at the WORLD Policy Analysis Center at UCLA and published in 2018 (see Raub et al. 2018). The data presented in this chapter is taken from this study unless stated otherwise. In Chapter 5 we will elaborate on the trends and reforms in maternity and paternity policies taking shape in different countries around the world. [↑](#footnote-ref-4)
4. The percentage of the parent’s salary paid by the state varies from country to country, and in most cases ranges between 80%–100%. [↑](#footnote-ref-5)
5. For example, in Israel the paid parental leave period is 15 weeks, whereas the period of protection from dismissal extends to one year. [↑](#footnote-ref-6)
6. For example, a country that grants 20 weeks of paid leave at 80% compensation, gives the full-rate equivalent of 16 weeks. [↑](#footnote-ref-7)
7. Figure 1 shows the total paid period available to the mother, which includes the designated paid maternity leave, as well as the divisible parental leave period. If we compare the designated paid maternity leave alone, Israel fares far better (ranked 14th out of the 36 countries, and slightly above the average across the OECD member states estimated at the equivalent of 13.2 weeks at full pay ). At the same time, this is a rather limited statistic overall that does not represent the true order of magnitude of the benefits available to mothers around the world. [↑](#footnote-ref-8)
8. There are certain U.S. states that provide maternity benefits in their jurisdictions, as well as employers who do so on their own initiative, or as a result of labor union negotiations. In any case, the United States is a (negative) outlier in this regard, and as time goes on, the demand to legislate a federal statute for a paid parental leave rises ([Waldfogel, 1998](https://doi.org/10.1086/209897)). [↑](#footnote-ref-9)
9. This chapter relies, among other sources, on data presented in chapter 2.f in [Trajtenberg (2019)](https://www.neaman.org.il/Files/Turning%20the%20Pyramid%20Upside%20Down_20190314111450.251.pdf). [↑](#footnote-ref-10)
10. As of 2017, see [OECD, 2019A](https://data.oecd.org/pop/fertility-rates.htm). [↑](#footnote-ref-11)
11. Only 6.4% of Jewish women in Israel between the ages of 45 and 59 have no children. This number is higher among Arab women (13.7%). [↑](#footnote-ref-12)
12. Source: [Bank of Israel, 2017](https://www.boi.org.il/he/NewsAndPublications/PressReleases/Pages/28-2-17.aspx). [↑](#footnote-ref-13)
13. The effect on the growth rate (as opposed to the GDP) is due to the fact that the integration of women into the job market and their climb up the professional lader are trends that are spread over long periods of time. [↑](#footnote-ref-14)
14. As of 2017, the disparity in average monthly income between genders stood at 31.4%; when the median monthly income was calculated, the gap narrowed to 24.7%. Differences in the amount of working hours are another reason for the pay gap, with men working 44.9 weekly hours on average compared to women’s 37 hours. When this effect is factored out, the remaining pay gap is estimated at 15.8%. [↑](#footnote-ref-15)
15. Here too Israel lags behind the OECD average, which stands at 25% of women employed half-time, as opposed to Israel’s 32% (OECD stat, 2019B). [↑](#footnote-ref-16)
16. In 2016, an amendment was published to the Women’s Labor Law (amendment no. 55), which included the replacement of the term “maternity leave” with “childbirth and parental period.” For the sake of clarity, in English we will refer to this period as the “parental leave period.” [↑](#footnote-ref-17)
17. The mother’s eligibility for paid maternity leave is contingent upon her meeting several different criteria. The daily maternity/paternity pay is calculated by dividing the income earned by the parent during the quarter preceding the determining date by 90, or the income earned by the parent during the six months preceding the determining date by 180, the higher figure of the two ([Knesset Israel, 2016b](http://main.knesset.gov.il/Activity/Legislation/Laws/Pages/LawBill.aspx?t=lawsuggestionssearch&lawitemid=577885)). The parental allowance is capped at 5 times the average national daily wage, approximately 1,463.83 NIS per day as of 2018 (National Insurance Institute of Israel, 2019). [↑](#footnote-ref-18)
18. For details, see National Insurance Institute of Israel, 2019a; [Man, 2018](http://www.iwn.org.il/site/upload/photos/152337394358978797a.pdf); Knesset Israel, 2016a,b,c). [↑](#footnote-ref-19)
19. See National Insurance Institute of Israel, 2019A; [Man, 2018](http://www.iwn.org.il/site/upload/photos/152337394358978797a.pdf); Knesset Israel, 2016a,b,c. The first day is considered unpaid sick leave, the second, third and fourth days are deducted from the father’s paid vacation days. The fifth and sixth days are considered sick leave at 50% pay. No data is available regarding the exercise of this right. [↑](#footnote-ref-20)
20. Unpaid parental leave can also be divided among the parents, but not taken concurrently. [↑](#footnote-ref-21)
21. The cost of a home childcare assistant is roughly 7,000 NIS per month (in the central region), with the employer (the family) having to pay no less than minimum wage and covering pension, insurance, travel allowance, Social Security contributions and severance pay, the same as for any other Israeli worker ([Parti, 2017](https://www.mako.co.il/finances-finances-economy-newcast/q4_2017/Article-772d414de4d2061004.htm) ). [↑](#footnote-ref-22)
22. See [Ministry of Welfare and Social Services, 2019](https://employment.molsa.gov.il/Employment/DayCareCenters/tuition/Pages/default.aspx). The Oversight Law legislated by the Knesset in 2018 has not yet come into effect, as no regulations have yet been put in place, but even when it does, its impact on the field will be limited if it is not supported by a more comprehensive shift, in the spirit of the recommendations made in [Trajtenberg, 2019](https://www.neaman.org.il/Files/Turning%20the%20Pyramid%20Upside%20Down_20190314111450.251.pdf). [↑](#footnote-ref-23)
23. A 13% increase from 54% in 2000 to 67% in 2013. For working mothers, this rate is estimated at 80% ([Fichtelberg-Bramats & Greenstein, 2015](http://economy.gov.il/Research/Documents/X13182.pdf)). [↑](#footnote-ref-24)
24. These figures represent salaried mothers who had given birth in 2014 and received maternity pay in 2014 or 2015 for the full paid leave period (14 weeks). The salary calculations were made based on the maternity allowance paid to the mothers in 2014. **Source**: National Insurance Institute of Israel. [↑](#footnote-ref-25)
25. Accordingly, state-subsidized daycare falls to this day under the responsibility of the Ministry of Labor. [↑](#footnote-ref-26)
26. See Heckman, [2006](https://science.sciencemag.org/content/312/5782/1900), [2012](http://h-f-i.org/docs/heckman-equation.pdf), [2016](https://heckmanequation.org/assets/2017/01/F_Heckman_CBAOnePager_120516.pdf); [Trajtenberg, 2019](https://www.neaman.org.il/Files/Turning%20the%20Pyramid%20Upside%20Down_20190314111450.251.pdf). [↑](#footnote-ref-27)
27. Nevertheless, it is very important that access to external counseling and assistance is also available as the "parenting profession" is not self-taught. See, for example, the role of "early-childhood campuses" in this context ([Trajtenberg, 2019](https://www.neaman.org.il/Files/Turning%20the%20Pyramid%20Upside%20Down_20190314111450.251.pdf)). [↑](#footnote-ref-28)
28. Breastfeeding during the first six months after birth lowers the baby’s chances of ear infection, upper respiratory tract infection, lower respiratory tract infection (such as pneumonia) and gastrointestinal infection by 50%, 63%, 77% and 64%, respectively. Prolonged breastfeeding, on average, raises the infant's IQ ( [Ruhm, 2000](https://www.sciencedirect.com/science/article/pii/S0167629600000473); [Raub et al., 2018](https://www.worldpolicycenter.org/sites/default/files/WORLD%20Report%20-%20Parental%20Leave%20OECD%20Country%20Approaches_0.pdf)). The father’s presence in the home during the first weeks after birth also encourages breastfeeding ([Raub et al., 2018](https://www.worldpolicycenter.org/sites/default/files/WORLD%20Report%20-%20Parental%20Leave%20OECD%20Country%20Approaches_0.pdf)). [↑](#footnote-ref-29)
29. Medical research shows that the mother needs about 6 to 8 weeks postpartum to regain her strength both physically and mentally. See [Raub et al., 2018](https://www.worldpolicycenter.org/sites/default/files/WORLD%20Report%20-%20Parental%20Leave%20OECD%20Country%20Approaches_0.pdf). [↑](#footnote-ref-30)
30. See ([Raub et al., 2018](https://www.worldpolicycenter.org/sites/default/files/WORLD%20Report%20-%20Parental%20Leave%20OECD%20Country%20Approaches_0.pdf); [Cools et al.. 2015](https://onlinelibrary.wiley.com/doi/full/10.1111/sjoe.12113)). For example, a designated paternity leave for fathers in Norway, led to an increase in children's grades at later stages. [↑](#footnote-ref-31)
31. [Selmi, M., 1999](https://heinonline.org/HOL/Page?handle=hein.journals/nclr78&div=24&g_sent=1&casa_token=&collection=journals); [Fang et al., 2011](https://www.sciencedirect.com/science/article/pii/B978044453187200005X). [↑](#footnote-ref-32)
32. These are what are called “family-friendly” employers, which consist mainly of the public sector, the education system in particular, and the voluntary sector. Nevertheless, there are nowadays more than a few quality employers out there who are aware of the inegalitarian nature of the job market, as well as of the enormous potential of working mothers as a quality human resource, potential that is not offset by that same “statistical bias.” These employers, who are willing to be “flexible” and to hire current or future mothers, can attest that the practice does nothing to hurt their profitability. [↑](#footnote-ref-33)
33. The United States, for example, gives no right to maternity leave at the federal level, and indeed many women there lack any social protection following childbirth. Nevertheless, a number of US states do provide maternity leave of various lengths and compensation levels, as do some employers. [↑](#footnote-ref-34)
34. [Harris-Olshek, 2015](http://economy.gov.il/Research/Documents/X13046.pdf); [Imerglik, 2016](https://finance.walla.co.il/item/3017538); [OECD Stat, 2018A](https://stats.oecd.org/Index.aspx?DataSetCode=ANHRS), [2018B](https://stats.oecd.org/index.aspx?queryid=54752), [2019A](https://stats.oecd.org/index.aspx?queryid=54751). [↑](#footnote-ref-35)
35. A survey conducted by the Ministry of Economy and Industry in 2012–2013 found that in only 5% of the households the fathers take on most of the household responsibilities, and in 22% the tasks are shared equally among the parents. The greater the contribution made by the mother’s income to the household , the more likely the household is to be egalitarian or one where the father is responsible for most of the household labor, and the mother’s weekly working hours also rise accordingly. [↑](#footnote-ref-36)
36. [Sanchez et al., 1997](https://journals.sagepub.com/doi/abs/10.1177/089124397011006003#articleCitationDownloadContainer) ; [Kühhirt, 2012](https://academic.oup.com/esr/article/28/5/565/560802) ;[Fitzenberger et al., 2013](https://www.sciencedirect.com/science/article/pii/S0927537113000602) ; [Adda et al., 2017](https://www.journals.uchicago.edu/doi/abs/10.1086/690952). [↑](#footnote-ref-37)
37. According to the "life cycle hypothesis," initially families earn little and spend a lot (negative savings), then as income grows the family puts aside positive savings, and in the last phase, when income decreases again (usually down pensions and Social Security alone), the family relies on the savings they accumulated earlier. [↑](#footnote-ref-38)
38. In 2018, approximately 1,200 men took advantage of parental leave, as opposed to over 130,000 women ([National Insurance Institute of Israel, 2019b](https://www.btl.gov.il/SiteCollectionDocuments/btl/Publications/Rivon%20Statisti/PDF/heb_rivon_3_0702.pdf)). For more information on the characteristics of fathers who exercised their right to a paid parenting period, see ([Prager, 2019](https://fs.knesset.gov.il/globaldocs/MMM/d9786a6c-a045-e911-80e9-00155d0aeebb/2_d9786a6c-a045-e911-80e9-00155d0aeebb_11_13580.pdf)). [↑](#footnote-ref-39)
39. For example, the mother will be the parent who picks up the child every day after school, or takes a day off from work whenever the child is ill. [↑](#footnote-ref-40)
40. An example to illustrate the importance of norms: In the past, the obligation to report for army reserve duty and the sanctions incurred in event of absenteeism had an effect on reserve troops, however most of them reported for duty not because they feared punishment but rather out of a sense of patriotism and moral commitment, and employers accepted it accordingly. Over time, the norm has eroded both among reserve troops and among employers, necessitating far-reaching changes in the army reserves system. [↑](#footnote-ref-41)
41. Since the number of optional weeks in the first year of the reform is an odd number (each year throughout the five-year implementation period, another week will be added onto this amount and therefore the number will be odd in the first, third and fifth years), the half is rounded up and therefore to be eligible for the bonus weeks, the father needs to take at least two out of the three optional designated weeks at his disposal. [↑](#footnote-ref-42)
42. With the exception of the two mandatory weeks designated to each parent. [↑](#footnote-ref-43)
43. This flexibility also allows for the extension of the breastfeeding period, which has been shown to be beneficial to the health of both mother and baby. The World Health Organization recommends breastfeeding for six months ([Raub et al., 2018](https://www.worldpolicycenter.org/sites/default/files/WORLD%20Report%20-%20Parental%20Leave%20OECD%20Country%20Approaches_0.pdf)). [↑](#footnote-ref-44)
44. During the early years of implementation, we must monitor the exercise of the option for part-time leave by fathers closely, so that the disparity between men and women in terms of the proportion of part-time employment is not exacerbated. If we see that men do not take advantage of this option, we shall have to add incentives to encourage them to do so. [↑](#footnote-ref-45)
45. This kind of bonus is included in the policies of Germany, Portugal, Austria, Croatia, France, Italy, Sweden and Japan. [↑](#footnote-ref-46)
46. [Huerta et al., 2014](https://journals.sagepub.com/doi/abs/10.1177/138826271401600403); [Feldman et al., 2019](https://www.nature.com/articles/s41583-019-0124-6). [↑](#footnote-ref-47)
47. [Kotsadam et al., 2011](https://www.sciencedirect.com/science/article/pii/S0049089X11001153); [Almqvist et al., 2014](https://www.tandfonline.com/action/showCitFormats?doi=10.5172%2Fjfs.2014.20.1.19); [Altintas et al., 2017](https://academic.oup.com/sp/article/24/1/81/2997537). [↑](#footnote-ref-48)
48. For example, Sweden's reform of parental leave policy has narrowed gender disparity in terms of labor division with regard to household duties and childcare on the one hand, and in terms of employment ,on the other ([Duvander et al. 2019](https://www.tandfonline.com/doi/full/10.1080/13545701.2018.1474240)). [↑](#footnote-ref-49)
49. [German Federal Ministry for Family Affairs, 2015](https://www.bmfsfj.de/blob/93632/f6cab2357b48ebfb47adfefa57048a69/elterngeldplus-mit-partnerschaftsbonus-englisch-data.pdf); [Man, 2018](http://www.iwn.org.il/site/upload/photos/152337394358978797a.pdf). [↑](#footnote-ref-50)
50. In this context, we must mention that some studies show the development of the father’s parental and childcare skills to be intensified when the father has to handle childcare autonomously by himself ([Feldman et al., 2019](https://www.nature.com/articles/s41583-019-0124-6)). [↑](#footnote-ref-51)
51. The Excel file attached to this document examines how reform changes (for example, the extension or reduction of the paid leave period by a week), or an adjustment to one of our assumptions or parameters (for example, the percentage of fathers exercising their right to paid paternity leave in practice) will affect the total cost of the reform. [↑](#footnote-ref-52)
52. The present nomenclature is used for the purpose of facilitating the identification of the various cases throughout our discussion, rather than to express any form of judgment. The designation the second family as “utilitarian” refers to the fact that the father takes the minimum leave required to get the bonus, and no more. [↑](#footnote-ref-53)
53. The estimates of the exercise of parental leave by fathers are based on the average percentage of fathers out of all paid parental leave takers in the OECD countries, as shown in Figure 4. [↑](#footnote-ref-54)
54. The following data is accurate for 2018. Source: National Insurance Institute of Israel, 2019b. [↑](#footnote-ref-55)
55. This estimate is based on men’s employment percentage in proportion to women’s. [↑](#footnote-ref-56)
56. The total sum paid out to finance maternity leave in 2018 (4.225 billion NIS ([National Insurance Institute of Israel, 2019e](https://www.btl.gov.il/SiteCollectionDocuments/btl/Publications/Rivon%20Statisti/PDF/heb_rivon_3_070102.pdf))), was divided by the number of eligible mothers for that year, and by the maximum number of available paid leave weeks (15 weeks). The result is a weekly payment of 2,115 NIS per mother. The ratio of women's weekly income for 2017, capitalized for 2018, as published on the Central Bureau of Statistics website, to the weekly payment as calculated based on the National Insurance Institute’s data is 1.09. The estimated weekly payment per father is therefore 3,080 NIS. According to these income calculations, the required budget simulation for parental leave period before the reform is equal to the actual cost (4.225 billion NIS) and thus confirms the reliability of the above calculations. [↑](#footnote-ref-57)
57. This calculation takes into account the incidence of first births, second births, third births, etc. [↑](#footnote-ref-58)
58. The birth rate has grown by an average of 1.9% per annum over the years 2000–2018 ([National Insurance Institute of Israel, 2019b](https://www.btl.gov.il/Publications/quarterly/maternity/Pages/%D7%9E%D7%A7%D7%91%D7%9C%D7%99%20%D7%92%D7%9E%D7%9C%D7%90%D7%95%D7%AA%20%D7%90%D7%99%D7%9E%D7%94%D7%95%D7%AA%20%D7%9C%D7%A4%D7%99%20%D7%A1%D7%95%D7%92%20%D7%92%D7%9E%D7%9C%D7%94.aspx)). [↑](#footnote-ref-59)
59. From 2000 to 2018, the average nominal wage change rate has been 2.08% per annum ([National Insurance Institute of Israel, 2019d](https://www.btl.gov.il/Publications/quarterly/%D7%9B%D7%9C%D7%9C%D7%99/Pages/%D7%94%D7%A1%D7%9B%D7%95%D7%9D%20%D7%94%D7%91%D7%A1%D7%99%D7%A1%D7%99%20%D7%A9%D7%9B%D7%A8%20%D7%9E%D7%9E%D7%95%D7%A6%D7%A2%20%D7%9C%D7%A4%D7%99%20%D7%97%D7%95%D7%A7%20%D7%94%D7%91%D7%99%D7%98%D7%95%D7%97%20%D7%94%D7%9C%D7%90%D7%95%D7%9E%D7%99%20%D7%9E%D7%A9%D7%A8%D7%95%D7%AA%20%D7%A9%D7%9B%D7%99%D7%A8%20%D7%A9%D7%9B%D7%A8%20%D7%97%D7%95%D7%93%D7%A9%D7%99%20%D7%95%D7%A9%D7%9B%D7%A8%20%D7%97%D7%95%D7%93%D7%A9%D7%99%20%D7%9E%D7%9E%D7%95%D7%A6%D7%A2%20%D7%9C%D7%9E%D7%A9%D7%A8%D7%AA%20%D7%A9%D7%9B%D7%99%D7%A8%20%D7%9E%D7%AA%D7%95%D7%9A%20%D7%A0.aspx)), the inflation rate has been 1.85% per annum ([Inflation.eu, 2019](https://www.inflation.eu/inflation-rates/israel/historic-inflation/cpi-inflation-israel.aspx)), and the average real wage change rate has been 0.49 % per annum. [↑](#footnote-ref-60)
60. For example, the cost of daycare for a two-year old is usually higher than the monthly cost of afterschool activities for school-age children. [↑](#footnote-ref-61)
61. If the baby is premature, the hospital will receive an additional sum of 224,030 NIS for its hospitalization. [↑](#footnote-ref-62)
62. In the past, the cost of inpatient days was uniform across all wards, thus maternity hospitalization, which is more expensive, was multiplied by a coefficient of 1,231. More recently, the cost calculation of inpatient day has transitioned to factoring in a unique price for each ward took, thereby taking into account the high costs of hospitalization in the maternity ward; however, the multiplication coefficient has remained in place. In addition, some hospitals are equipped with adjacent “maternity hotels,” where some of the mothers choose to move post-partum, often shortening their stay in the hospital. This enables the hospital to speed up turnover and accommodate more maternity inpatients, while still automatically receiving the full maternity hospitalization subsidy, regardless of the number of days the mother actually spends in the hospital ([State Comptroller's Report, 2008](http://www.mevaker.gov.il/he/Reports/.../part119-taagid-h_doc.docx)). [↑](#footnote-ref-63)
63. [State Comptroller Report, 2008](http://www.mevaker.gov.il/he/Reports/.../part119-taagid-h_doc.docx); [National Insurance Institute of Israel, Research and Planning Administration, 2013](https://www.btl.gov.il/Publications/more_publications/Documents/ManakIshpuz.pdf). [↑](#footnote-ref-64)
64. A similar thing happened at one point with reserve duty: until about 20 years ago, there were large disparities between different types of reservists as to the number of days per year they were required to serve, which led to employment discrimination, most often to the detriment of combat soldiers, and of officers in particular. Only a drastic equalization of reserve days helped mitigate the phenomenon. [↑](#footnote-ref-65)
65. A comprehensive study of the OECD countries found that the increase of the women’s education average by an additional year raises GDP per capita by about 10% and increases the national growth rate. The same study estimates that narrowing the gender gap in employment will also lead to a significant increase in GDP ([Thévenon et al., 2012](https://www.oecd-ilibrary.org/docserver/5k8xb722w928-en.pdf?expires=1565594790&id=id&accname=guest&checksum=1102E5CD27316F659E5C38DFA116AD8A)). A study conducted in the United States yielded similar results ([Ellingrud et al., 2016](https://www.mckinsey.com/~/media/McKinsey/Featured%20Insights/Employment%20and%20Growth/The%20power%20of%20parity%20Advancing%20womens%20equality%20in%20the%20United%20States/MGI-Power-of-Parity-in-US-Full-report-April-2016.ashx)). [↑](#footnote-ref-66)
66. The simulation does not include the disparity in the scope of employment, because an increase in women’s working hours could lead to a decrease in men’s working hours in a way that might skew the simulation’s results [↑](#footnote-ref-67)