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"Active parent": Addressing Labor Market Disadvantages of Mothers in Poland

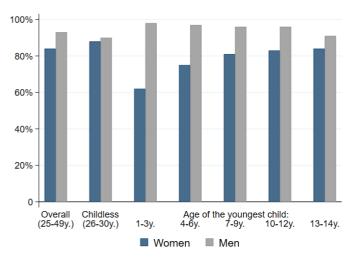
In 2023 only one out of four children aged 0-3 years was covered by the Polish system of formal childcare. Traditional social norms with regard to provision of childcare at home, together with high costs of existing formal and informal childcare arrangements constitute important constraints with regard to labor market participation among mothers with the youngest children. While labor market activity rate among women aged 25-49 years stands at 84 percent overall, it is more than 20 percentage points lower for mothers with children aged 1-3 years. In this policy brief we provide an overview and an evaluation of "Active parent", a recently introduced policy aimed at supporting earlier return to work after birth among mothers in Poland. We argue that the success of the program will be strongly determined by the extent to which it manages to stimulate growth of high-quality formal childcare for those aged 0-3 in the next few years.

Gender Gaps in Employment and Childcare in Poland

The average labor market activity rate among women aged 25-49 in Poland stands at 84 percent, which is slightly above the EU average (by 2 p.p.; see Figure 1). The rate, however, differs substantially by age group, and even more by the number and age of children. For childless women just below 30 years, the activity rate almost exactly matches the rate for men (88 percent vs 90 percent). However, among women with children, and especially among those with the youngest child being between 1 and 3 years old, this number drops to 62 percent. For fathers with such children, the activity rate however stands at 98 percent. Women gradually return to work when the youngest child is growing up – 3 out of 4 of those with a child aged 4 to 6 years are active in the labor market, and this share grows to 84 percent for mothers of teenagers (aged 13-14 years). At the same time women in Poland are much less likely to work part-time than women in the EU on average (7 vs. 28 percent, respectively; Eurostat, 2021). Rates of part-time employment are higher if women have more and younger children, though not by much (11 percent for mothers of 3+ children, 10 percent when a child is up to 3 years old; PEI, 2022).

While in most Polish households with children both parents are working for pay, traditional gender norms still largely prevail with respect to providing childcare or handling household duties. According to a survey conducted by the Polish Economic Institute (PEI), in only 18 percent of double-earner families do both parents take care of a child to the same extent (Polish Economic Institute 2022). For 68 percent of such families, it is the mother who provides most care. In only 1 in 10 families the father is the main care provider.

Figure 1. Labor market activity rates in Poland in 2022



Source: Authors' compilation based on: PEI, 2022; Eurostat.

Traditional attitudes towards childcare responsibility are clearly visible in the actual gender split of parental leave in Poland. Despite the introduction of a non-transferable 9-week long parental leave dedicated to fathers (out of the total of 41 weeks of parental leave) on top of a two-week paternity leave, the division of care duties for the youngest children has essentially remained unaffected. While 377 000 mothers claimed parental leave benefits in 2021, only 4 000 fathers decided to stay at home with their child (Social Insurance Institute, 2021). Besides, many fathers still do not exercise their right to the fortnight of the paternity leave. According to the PEI survey conducted among parents of children aged 1-9 years, 41 percent of fathers reported virtually no work gap after the birth of their child and further 43 percent acknowledged only a short break from work (up to 14 days). On the other hand, 85 percent of mothers took a work break after childbirth of more than 8 months. For 40 percent it lasted between 12-18 months and for 28 percent the separation from work exceeded one and a half years.

Evaluating the Consequences of the "Active Parent" Program

To address the resulting disadvantages for mothers on the labor market the current Polish government introduced a program called "Active parent" in October 2024. The program is targeted at parents of children aged 12 to 35 months and consists of 3 options. The highest benefits in the program amounting to 350 EUR per month, are granted within the "Active at work" option to households in which parents are active on the labor market. For couples, the minimum work requirement is half-time work for each parent, while lone parents are required to work full-time. The same monthly amount can be granted if the child is enrolled in institutionalized childcare ("Active in nursery" option), though in this case the benefit does not exceed the cost of the nursery. This option covers both formal public or private nursery as well as semi-formal care provided in "kids clubs". Finally, in case the child stays at home with a non-working parent ("Active at home" option), the family receives 115 EUR per month.

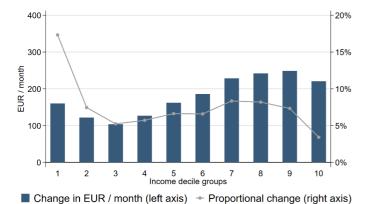
The main objective of the program is to increase the number of women returning to work after the period of maternity and parental leave (which in Poland cover the first 12 months of a newborn), before the child becomes eligible for kindergarten (where a place for each child aged 3 to 6 years is to be guaranteed by the local government). It is worth noting that after exhausting the parental leave, Polish parents are entitled to up to 3 years of childcare leave. Though this is unpaid, many parents, once again almost entirely mothers, opt for staying at home, often due to the lack of alternative forms of childcare. For children under the age of 3, formal childcare is highly limited. In 2023, nursery places were available only to one out of four children aged 0-3 years (CSO Poland). Additionally, these places are unevenly accessible throughout the country - in 2023 formal childcare for the youngest kids (public or private) did not exist in as many as 45 percent of Polish

municipalities (CSO Poland). At the same time, while family help with childcare in Poland is still provided on a massive scale, it is limited only to those who have parents or other family members living close by, already in retirement and without other caring obligations (e.g. for older generations).

Within the new program parents who receive the "Active at work" benefit have complete discretion of how to use these funds. Many may choose to send the child to a formal childcare institution, but the lawmakers also expect a surge in undertaking formal contracts with grandparents or other relatives – including those already in retirement. There's an additional benefit embedded in this particular solution, namely social security contributions resulting from contracts concluded with "a carer" (regardless of if it is a third person or a family member) which are covered by the state. These contributions are added to the carer's pension funds and translate into higher retirement benefits - with regular recalculations of pension funds among those already retired and higher expected pension benefits for those still below retirement age.

A recent policy report (Myck, Krol and Oczkowska, 2024), evaluated the impact of the "Active parent" program using the microsimulation model SIMPL. The analysis (based on the Polish Household Budget Survey from 2021) focused on the estimation of the expected costs of the program to the public budget and the distribution of financial gains among households. We find that families eligible to receive support, i.e. those with children aged 12-35 months, are concentrated in the upper half of the income distribution (12.6 percent among the richest households and only 5.4 percent living in the poorest households). Thus, taking the observed work and childcare use patterns from the data we find that the average net gains related to the entire "Active parent" program are also concentrated among the richer households (see Figure 2).

Figure 2. Average net monthly gain from the "Active parent" program, assuming no change in parental behavior in reaction to the roll-out of the program



Source: Authors' calculation with SIMPL microsimulation model based on the Polish Household Budget Survey 2021 data, indexed to 2024. Note: Introduction of the new program automatically withdrew the existing support targeted at families with children in the respective age range: "Family Childcare Fund" of 115 EUR/month for families with the second or next child aged 12-35 months and the co-payment for nursery up to 90 EUR/month. 1 EUR = 4.3 PLN.

Households from the highest income decile group on average gain 220 EUR per month, while those from the poorest income group receive 170 EUR per month. In relative terms, these gains correspond on average to as much as 17 percent of their income, while for the former group the gains do not exceed 4 percent of their income. When disaggregating by the three options of the program, eligible households from the bottom part of the distribution receive much higher gains from the "Active in nursery" or "Active at home" options, as these households are much less likely to have both parents working.

Clearly, some parents may adjust their work and childcare choices in reaction to the introduction of the program, which, in fact, is one of its key objectives. If a family decides to take up work or send their child to a nursery, they become eligible for higher support. Rather than receiving 115 EUR from the "Active at home" option, they become eligible for up to 350 EUR under the other alternative options. In almost 200 000 out of the overall 550 000 families with an age-eligible child,



one of the parents (usually the mother) is observed to be out of work. Using this, we estimate the likelihood of taking up work among these nonworking mothers and conditional on the expected probabilities of employment we assigned additional families to the two more generous options of the program - either to "Active at work" (those with highest work probability) or to "Active in nursery" (those with lowest work probability). This allows us to evaluate potential changes in the cost and distributional implications of the program under different scenarios. Table 1 presents a set of "gross" and "net" costs of selected combinations of parental reactions. The "gross" costs correspond to the total expenditure of the "Active parent" program, while the "net" costs account first for the withdrawal of previous policies (see note to Figure 2), and second for the budget gains related to taxes and social insurance contributions paid by the parents who are simulated to take up work.

Table 1. "Active parent": aggregate costs to the public budget under different assumptions concerning work and childcare adjustments among parents

"Active in nursery"	bn EUR annually	"Active at work"				
		0%	5%	10%	20%	30%
0%	`gross'	1.72	1.77	1.79	1.84	1.91
	`net'	1.23	1.19	1.09	0.95	0.81
5%	`gross'	1.77	1.79	1.81	1.88	1.93
	`neť	1.26	1.21	1.14	1.00	0.84
10%	`gross'	1.79	1.81	1.86	1.91	1.98
	`net'	1.28	1.23	1.16	1.02	0.88
20%	`gross'	1.84	1.88	1.91	1.95	2.02
	`neť	1.35	1.30	1.21	1.07	0.93

Source: see Figure 2.

Assuming no change in parental behavior (0 percent increase in work and 0 percent increase in enrollment in nursery), the total, "gross" cost of the program for the public finances amounts to 1.72 bn EUR, on average, annually. Savings related to the withdrawal of existing policies lower this cost by 0.5 bn EUR. Any modelled increase in nursery enrollment (with no concurrent reaction

in the labor market) means an increase in both the "gross" and the "net" costs, while on the other hand an increase in labor market participation of the non-working parent (when nursery enrollment is held constant) expands the "gross" costs but reduces the "net" costs due to higher taxes and contributions paid in relation to simulated additional earnings.

The final distributional household effects of the program will depend on the actual reactions among parents. However, according to our simulations, the families who are most likely to either increase employment of the second parent or sign up their child for a nursery, and, thus, gain from the "Active at work" or "Active in nursery" options, are those currently located in the 2nd, 3rd, and 4th income decile group in the distribution (for more details see: Myck, Krol and Oczkowska, 2024).

Conclusion

The main objective behind the introduction of the new "Active parent" scheme is to increase the labor market participation among mothers with the youngest children. As the program aims to facilitate balancing professional careers with family life among parents, it can also be expected to contribute to increases in the fertility rate, which has recently fallen in Poland from 1.45 in 2017 to 1.16 in 2023 (CSO Poland).

The success of the "Active parent" program should be evaluated with respect to three important indicators: the resulting increase in the number of mothers who have taken up work, the increase in the number of children registered for nurseries, and, related to the latter – the increase in the availability of childcare places in different Polish municipalities. It is worth noting that the "Active parent" program is introduced in parallel with the prior "Toddler +" program that aimed at creating new childcare institutions and more places in the existing ones in 2022-2029 in Poland. Central funding was distributed to reach these goals among local governments and private care providers. However, a 2024 midterm audit of the "Toddler +" program demonstrated the progress to be "insufficient and lagging" (Supreme Audit Office Poland, 2024). The "Active parent" program will play an important role in providing additional stimulus to the provision of new childcare places for the youngest kids in different Polish regions, which should help the "Toddler +" program to finally gather momentum. In the medium and long run, the development of high-quality formal childcare for children below 3 years will be a crucial determinant of an increase in early return to work among mothers.

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