REPORT WORK CARE

Improving Statutory Paternity Leave would benefit families and the economy

More generous Statutory Paternity Leave would deliver on both household financial security and economic growth.

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Executive summary

At just 2 weeks' leave on very low pay, the UK's paternity leave entitlement is the worst in Europe. A more generous offer will support families' financial security and help families make more equal choices around who cares. However, for the first time, new modelling for the Joseph Rowntree Foundation (JRF) also establishes the economic benefits. With the Centre for Progressive Policy (CPP), we find that extending Statutory Paternity Leave to 6 weeks at 90% of a father's average weekly earnings could deliver £2.68 billion to the wider economy. These gains stem from mothers working more as better paternity leave means a rebalancing of how couples share care. To realise these benefits in full, eligibility needs to be expanded to all working fathers so self-employed fathers do not miss out.

Recommendations

- To maximise growth benefits, government should reform Paternity Leave and Pay by first extending Statutory Paternity Leave to 6 weeks at 90% of average weekly earnings (capped).
- Government should introduce a new earnings-related 'Paternity Allowance' for self-employed fathers at the equivalent of 6 weeks at 90% of average weekly earnings (capped) and consider wider comparable reforms to Maternity Allowance.[1]

- Government should introduce a new day-one right to Statutory Paternity Pay (SPP) (as well as the planned new day-one right to Paternity Leave).
- Government should consult on plans for these reforms as part of the forthcoming parental leave review.

1. Introduction

Although there has been a step change in the participation of women in the UK labour market, gender pay inequality remains, starting at the point that women become mothers. Many families in the UK still default to traditional arrangements to care for children, with women taking on the majority of the childcare in the household and sacrificing pay, hours, pension contributions and career progression (Institute for Fiscal Studies, 2021). There is a real pay penalty for women caring under these terms – JRF's research on the Caring Penalty finds that unpaid primary child-care givers, generally mothers, experience an average pay penalty of £1,263 per month (over £15,000 per year) reaching £1,785 per month (over £21,000 per year) after 6 years of providing unpaid care (Jitendra et al., 2023).

To solve this, the way care is shared between men and women needs a radical shift. Work needs to be more flexible, childcare needs to be more affordable and better quality, and we need leave for caring to be better paid and include far more parents. Maternity leave, Shared Parental Leave (SPL) and Paternity Leave all need reform to increase uptake and better support families, especially for those on low incomes. In this briefing we focus on reform of Statutory Paternity Leave and pay, which could help fathers take on more caring duties alongside mothers after birth.[2]

2. Paternity leave: too low-paid and short to re-balance care

The UK has the least generous Statutory Paternity Leave entitlement in Europe (Foden et al., 2024). The leave is shorter, pay is much lower and eligibility more limited than in comparable countries. Fathers are entitled to only 2 weeks' paternity leave at £184.03 a week or 90% of average weekly earnings (whichever is lower). As a comparison, this is around 46% of the National Living Wage (NLW) for a 35-hour working week and represents a very weak income replacement measure. In fact, around 70% of fathers who did not take their full paternity leave entitlement had to cut it short due to cost (Pregnant then Screwed, 2024).

Additionally, all types of statutory parental pay are uprated at a lower rate every year, as they are uprated using September's Consumer Price Index (CPI) whereas the Low Pay Commission uses a different methodology to make recommendations on the NLW, which results in a higher uplift. This means the gap between all statutory parental pay rates and the NLW is widening.

Statutory Paternity Pay is significantly lower than the National Living Wage

Pay (per week)	Amount	Percentage increase from 2024 rates

Statutory Paternity Pay April 2025	£187.18	+1.7%
National Living Wage April 2025*	£427.35	+6.7%

*Calculated for a 35-hour working week at £12.21 per hour before tax and National Insurance.

Fathers in insecure work or on low pay are less likely to be able to access paternity benefits. If they are moving in and out of jobs, have worker status or are in low-paid self-employment in the gig economy they will not be eligible for any SPP. Even if eligible, fathers on low pay will be less financially resilient to the income shock of 2 weeks on the current low rate of SPP as they are likely to have fewer savings to rely on (Earwaker and Stirling, 2023). They are also less likely to work in roles with enhanced parental leave offered by their employer. Only 14% of households with a household income under £25,000 take a more generous form of paternity leave from their employer. This compares to 35% where household income is over £80,000 (Trades Union Congress, 2023).

Self-employed fathers are also locked out of support as the UK is unusual in Europe in not having any financial support for self-employed fathers to take any type of parental leave or pay (Parental Pay Equality, 2025). There is no equivalent system to Maternity Allowance for self-employed fathers. Polling found that around 1 in 3 men working in construction trades, which are dominated by male self-employed workers, did not take any time off when their last child was born (Dad Shift, 2025).

3. Better paternity leave helps women work

There is a strong moral case to expand paternity leave – care should not be the preserve of women, and men on lower incomes deserve the chance to spend time with their children. We know that many fathers are keen to spend more time with their babies but are not supported by the state to do so (Dad Shift, 2025).

But there is a growing body of evidence which suggests that there also are sound economic reasons why paternity pay should be changed. One important reason is that improved paternity leave has been found to have an impact on women's pay, and on the resulting gender pay gap of nations. Research from the CPP and Pregnant then Screwed found that in the Organisation for Economic Co-operation and Development (OECD), countries which have more than 6 weeks of paid paternity leave have been shown to have a 4 percentage point smaller gender wage gap and a 3.7 percentage point smaller labour force participation gap than countries that have less than 6 weeks (Fogden et al., 2023).

The positive female labour market impacts of more generous 'use it or lose it' quotas of paternity leave can be directly observed in Spain and the Canadian state of Quebec, where more generous paternity leave entitlements have been introduced over the last few years.

Spain leads in Europe in offering gender-equal parental leave, giving both parents 16 weeks of fully paid leave. The first 6 weeks of paternity leave are mandatory, with the remaining 10 weeks voluntary and flexible, allowing fathers to take them continuously or in blocks. This makes solo parenting by fathers easier as their leave does not have to run concurrently with the mother's parental leave (Gorjon and Lizarraga, 2024). Analysis of Spanish employment data shows that mothers have responded to equalisation of parental leave with improvements in their working hours.

In 2006, Quebec, Canada introduced a non-transferable paternity leave policy, granting fathers 5 weeks of leave that cannot be transferred to mothers. This is sometimes called a 'daddy quota'; previously, fathers only had access to a SPL scheme without this quota. This policy increased leave uptake amongst fathers and also increased the amount of solo parenting time fathers undertook (Patnaik, 2019). The policy also drove up female employment in Quebec: one study compared Quebec mothers with Ontario mothers (where there is no 'daddy quota') and found that the policy drove a substantial increase in labour force outcomes, with a 7% difference in participation rates and 5–6% more likely to work full-time (Dunatchik and Ozcan, 2019).[3]

Why do we see these positive impacts on women working?

The drivers of these observed effects have not been explored in depth, but research suggests that women working more, fathers caring more and families drawing on more childcare is likely the reason. One study found that more generous paternity leave helped fathers care more in infancy, establishing a more egalitarian approach to parenting and domestic work that lasts longer than the child's first year (Tamm, 2019). Others have found that these behaviour changes amongst fathers mean women are more likely to undertake paid work and work more as they are less constrained by solo unpaid childcare and domestic work (Allen and Stevenson, 2023). These improved labour market outcomes for women generate economic gains as women contribute more tax, have more to spend in the economy and claim less in social security (see, for example, Women's Budget Group, 2024).

The evidence does not show a marked sustained decrease in male labour market outcomes as better paternity leave is introduced, except for the short time they are on leave. So, there is not a like-for-like reduction in hours worked by fathers as women work more – this could be because families are using more informal or formal childcare, rather than men taking on all the care women were previously doing.

4. A new offer will bring benefits to families and economy

Building on the evidence from other countries on the impact of paternity leave, the CPP has modelled the economic costs and benefits of more generous paternity leave options.

This novel model was built to help policy-makers understand the labour market effects – and associated economic and tax costs – of varying paternity leave terms in the UK. A more detailed technical note on the construction of the model is provided in the Technical Annex section of this briefing.

Our key findings are:

- The modelling found that the most notable growth impacts came when the policy was designed as a 5–6 week offer at a 90% replacement of income. While there are additional benefits if this policy is extended, these tend to be outweighed by the costs.
- The direct cost (that is, the cost to HMRC of covering expanded SPP) is £1.1 billion for 6 weeks at 90% with a cap of £1,200 a week, but a net cost, taking into account increased tax revenue, of £220 million. Part of this cost is, as set below, offering support to self-employed fathers, who currently have no access to financial support.

- The modelling shows a positive economy-wide effect of £2.68 billion, driven by the gains achieved when more women move into work and work more hours.
- The modelling also shows that the increase in labour market outputs for this policy option is mainly driven by those at the bottom and middle of the labour market.

Costs and benefits of paternity leave: why 6 weeks?

The model is designed to produce results for different lengths of paternity leave and different wage replacement rates. Therefore, we could use it to test different numbers of weeks of paternity leave to estimate the economic costs and benefits. We modelled a number of options for length of leave, up to 26 weeks. The modelling found that the most notable growth impacts came when the policy was designed as a 5–6 week offer at a 90% replacement of income. While there are additional benefits if this policy is extended, these tend to be outweighed by the costs. This is because for every additional week of paternity leave there is a cost to the taxpayer, but the economic gains from women working more fall off as fewer women remain to enter work or do more hours.

These results align with evidence from other countries that shows that at least a ‘use it or lose it’ allowance of 6 weeks or more of paid paternity leave is associated with reduced gender inequality in the labour market (Fogden et al., 2023).

Crucial to the model is the uptake of paternity leave. Studies show that this is driven by more generous income replacement rates of paternity pay. Scenarios where fathers are entitled to longer periods of low-paid or unpaid leave (at a much lower cost to the state) might trigger behaviour change in the families that can afford to take it up, but not enough families would be able to do so to see the economic gains.

Evidence from other countries shows that uptake increases when generosity of pay increases. For example, take-up rose in both Spain and Iceland when much more generous pay was introduced. We can also observe this in the UK with the very low take-up of SPL, which is low or unpaid: only 5% of employee fathers take it despite fathers being entitled to up to 50 weeks (JRF, 2025).

Economic gains of 6-week paternity leave at 90% pay (capped)

Our modelling results are shown in figure 1 and show that extending Statutory Paternity Leave to 6 weeks at 90% of average weekly earnings (capped) could deliver £2.68 billion to the wider economy.

We find that the main cost to the Treasury in the model is the direct cost of reimbursing employers for SPP. The model estimates these costs at £1.15 billion for 6 weeks at 90% but a net cost, taking into account the economic benefits (the direct gains in tax revenue to the

Treasury resulting from higher female employment), of £220 million.

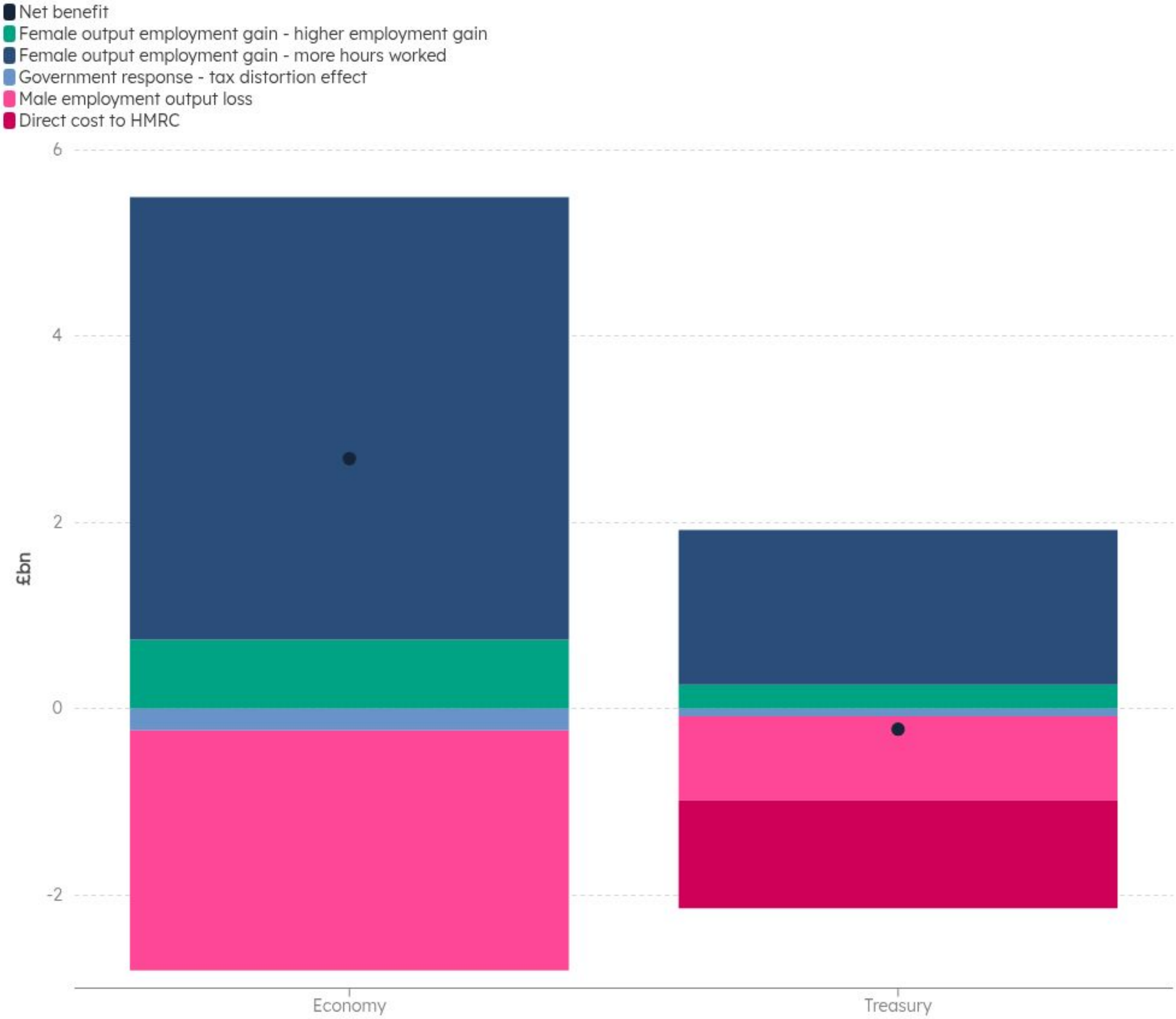
The main economy-wide cost is the impact of male employment output loss as fathers spend time away from work, which is estimated at around £2.8 billion. The main economy-wide gain is driven by an increase in female production of £5.5 billion. **Therefore, the modelling shows a net positive economy-wide effect of £2.68 billion**.

The model calculates the benefits once the policy is fully operational and has had an impact on the female labour market. Based on evidence from other countries we estimate this will take around 2 years, although individual families taking up the better offer will benefit straight away from more support (Bacheron, 2021).

Figure 1 sets out the modelling results for the economy and for the Treasury. A more detailed explanation of these charts is set out in the appendix. The gains come from more women working and more hours worked, which generate more tax revenue for the Treasury and more production. The costs come from fewer men working temporarily when they are on leave and the direct cost to the Treasury of paying for paternity pay.

Figure 1: Modelling results for the costs and benefits to the treasury and the economy of 6 weeks of paternity leave at 90% pay

Capped at £1,200 a week: income replacement costs reimbursed fully by government



Source: Modelling by Centre for Progressive Policy for JRF (2025)

The model caps the maximum salary which will be reimbursed by government at £1,200 a week before tax. This cap makes the policy more affordable to the taxpayer but is set to a high enough amount that fathers take it up as they do not lose out on most of their earnings when they are on leave.

Economic gains driven by bottom and middle of labour market

The model results (costs and benefits) can be broken down from the lowest to highest earners. (See figure 2 and 3, and the more detailed explanation in the appendix).

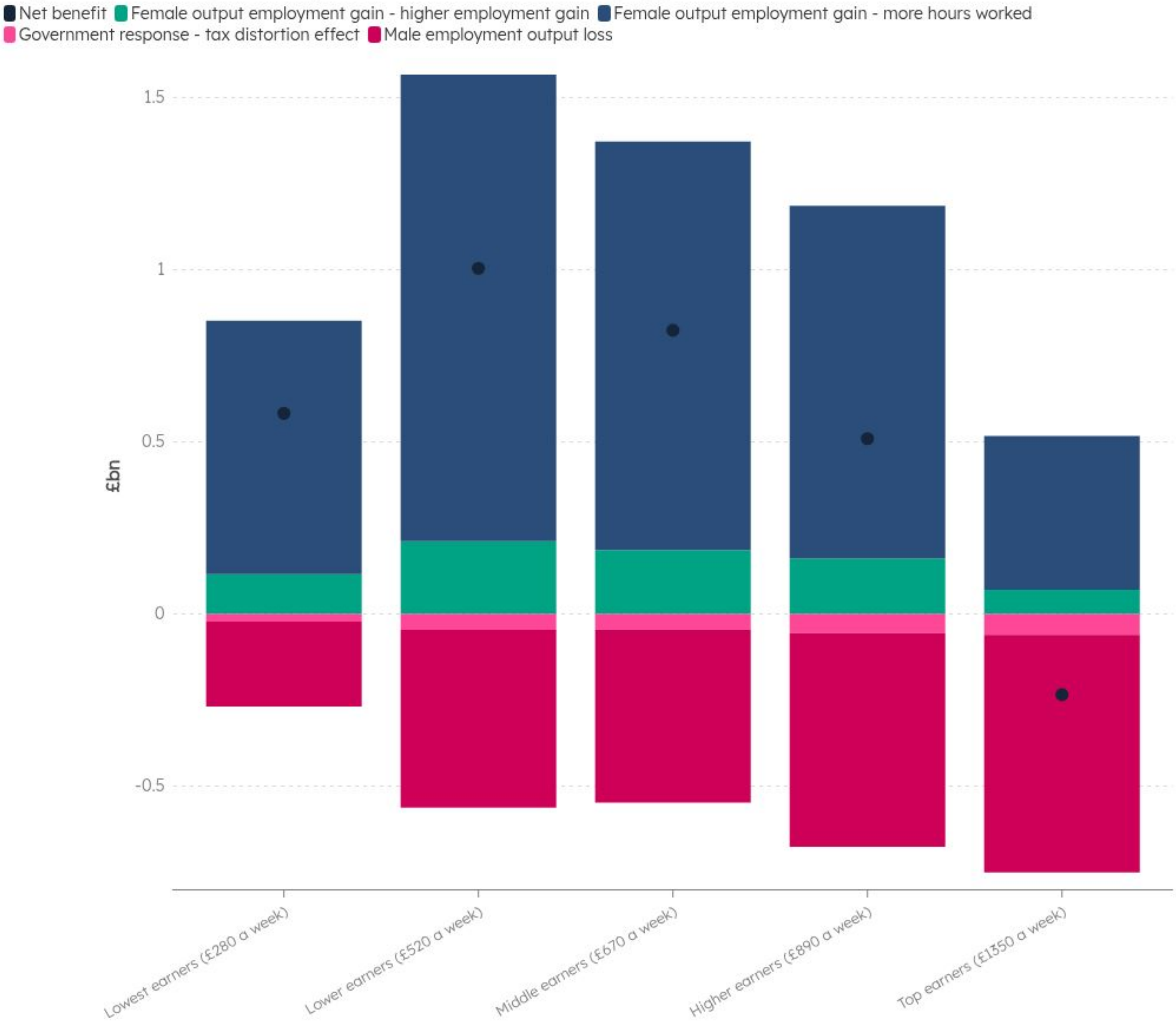
When a father takes paternity leave, the model assumes that women in the same income group will respond by increasing their employment. The results are significant because they suggest that more of the gains of introducing the improved 6-week paternity leave policy are generated for families on lower and middle incomes.

Lower and middle-income groups show higher gains. They will see the biggest difference in take-up when this more generous entitlement is introduced, as it will offer a better incentive than the current system. These fathers also tend to work in lower-paying professions who do not get enhanced leave, whereas higher-income fathers already have a higher rate of paternity leave take-up as they get this via their employers.

As in figure 1, figure 2 and 3 set out the modelling results for the economy and for the Treasury, but this time broken down into quintiles of earners from the lowest to highest income. The overall difference between the total benefits and total costs in the model is indicated by a dot for each of the 5 income groups. For example, in figure 2 we see a net gain to the economy of £0.58 billion for the lowest group of earners and in figure 3 a net loss of £0.23 billion for the top earners.

Figure 2: Modelling results for the costs and benefits to the treasury for 6 weeks of paternity leave at 90% pay by income quintile of people taking paternity leave

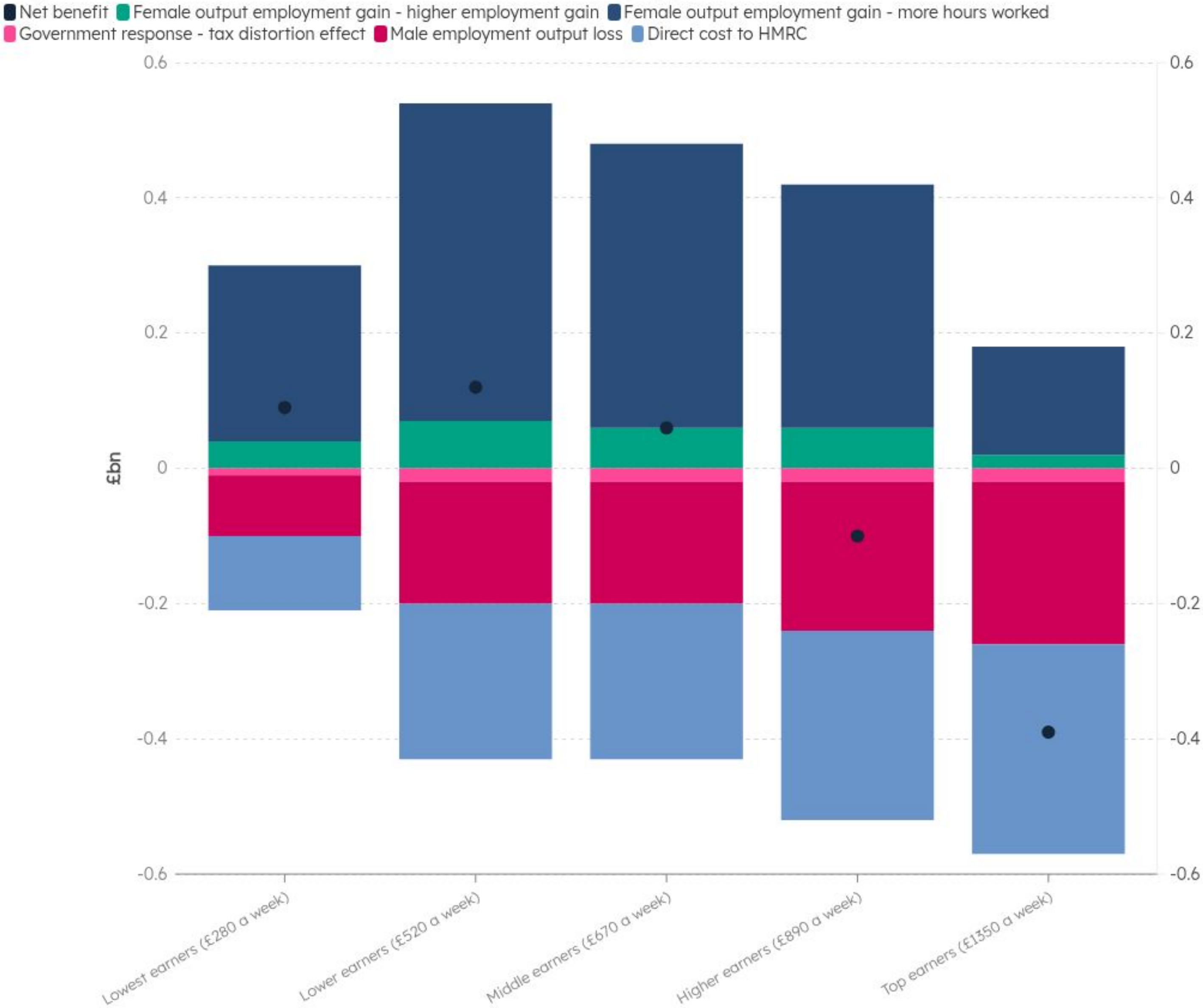
Capped £1,200 a week; income replacement costs reimbursed fully by government



Source: Modelling by Centre for Progressive Policy for JRF (2025)

Figure 3: Modelling results for the costs and benefits to the Treasury for 6 weeks of paternity leave at 90% pay by income quintile

Capped £1,200 a week; income replacement costs reimbursed fully by government



Source: Modelling by Centre for Progressive Policy for JRF (2025)

Implications for policy design

To harness these economic benefits, we propose a paternity leave policy design which:

- **Includes support for self-employed fathers**: The scale of benefits is partly down to a labour market-wide coverage of the end policy, where support is given to self-employed as well as employed fathers, who currently have no access to financial support. This could come by creating a new benefit akin to Maternity Allowance – a 'Paternity Allowance', for example (see below).
- **Includes a cap on fathers' salaries**: This model assumes a salary cap of £1,200 a week, which is approximately an annual salary of £62,400 (before tax). This is because the highest-earning fathers should be able to withstand the temporary salary reduction and are more likely to have access to enhanced paternity pay. This will make the policy more affordable and fairer to the taxpayer and reduce the deadweight loss of the state paying for paternity pay already paid by employers. We do not propose introducing a cap for this phase of Statutory Maternity Pay (SMP) because it would weaken existing entitlements for mothers.
- **Is government-funded**: This reduces the likelihood of perverse consequences in the case of an employer-funded offer, such as fathers experiencing discrimination. The economy-wide result is maximised where government bears all the costs of funding policy, that is, the income transfers to fathers in the form of SPP.

- **Is flexible**: Fathers should be able to take these 6 weeks of paternity leave flexibly, splitting it up into blocks or even individual days which suit their family. This will encourage some fathers to take some leave whilst their partner has returned to work, leading to solo parenting by fathers. Recent changes to paternity leave entitlements – allowing fathers to take 2 non-consecutive weeks of paid leave – already establish a precedent for flexibility. The Department for Business and Trade (DBT) argues that even introducing this minor change in flexibility will encourage greater paternal involvement including solo parenting and the evidence suggests that there will be an economic return via mothers' labour market participation (DBT, 2024).
- **Is pragmatic**: Aligning a more generous paternity leave entitlement with the current first 6-week maternity leave entitlement is also a pragmatic option: employers and parents are already familiar with accommodating this entitlement.

Expanding number of fathers eligible for paid paternity leave

To reach the economic gains predicted by the model, we need more fathers to be eligible for paid paternity leave in the first place. The more fathers who are not eligible or cannot take up the support, the more miss out, and the weaker the impact on female labour market outcomes. Currently paid SPP is only available to fathers who are employees who have been in their current job for 26 weeks or more. Self-employed fathers or fathers who have recently started a job have no rights to financial support at all.

Support for self-employed fathers

The UK is an outlier in Europe for having sparse support for self-employed fathers. This is often justified by the lower level of National Insurance Contributions made by the self-employed compared to employed workers. However, other types of support for families are uncoupled from employment status or history for any type of working father. For example, funded childcare in England is available to self-employed parents who work enough hours and parents do not have to wait for 26 weeks before accessing funded childcare after starting a new job.

We propose introducing a (capped) 6-week earnings-related 'Paternity Allowance' for self-employed fathers, as an equivalent to our 6-week, earning-related Statutory Paternity Leave proposition for employees above. Given the evidence on the low take-up driven by the lack of generosity of low parental pay levels, this should be set at the higher-paid earnings-related entitlement rather than just making self-employed fathers eligible for low-paid SPP or the equivalent of Maternity Allowance. This risks replicating the same problems of inadequacy and low take-up rates with SPP (Pregnant then Screwed, 2024).

As the self-employed cannot rely on an employer to calculate their earnings-related parental pay, the Government will need to introduce a mechanism to calculate payment levels. We propose that this be built on a combination of self-assessment and verification using HMRC data to assess fathers' income and calculate what they are entitled to in 'Parental Allowance'.[4]

The planned introduction of more regular self-assessment returns from company directors and the capacity built up over the Covid-19 pandemic for administering furlough payments should make it more practical for government to accurately estimate earnings (IPSE, 2025).

Consultation with self-employed parents would be needed to get the policy design right. For example, government should consult to ascertain whether Paternity Allowance is a one-off payment to cover time off in the first year of birth; whether it is paid in arrears; what period of earnings is covered for the calculation; and whether fathers need to provide evidence they took time off. Given the unpredictable nature of self-employed work, flexibility is likely to be very important to self-employed parents (Parental Pay Equity, 2025). This could mean a responsive payment system, such as allowing self-employed fathers to change paternity leave timing at short notice to respond to new work coming in. Government will also want to ensure there are adequate protections in place to prevent fraud.

The modelling included costs and benefits of **all** working fathers taking up an entitlement to 90% of average weekly earnings (capped) 6-week paternity leave whatever their employment status. Therefore, the direct costs of providing this ‘Paternity Allowance’ are already included within the model costs to HMRC of £1.15 billion.

Improved support for self-employed mothers

Having a less generous offer for self-employed mothers than for fathers poses an equity problem, so government should consider turning Maternity Allowance into an earnings-related benefit for the first 6 weeks (IPSE, 2025). Self-employed mothers currently receive 39 weeks of low-paid Maternity Allowance (£184.03 per week or less) but miss out on the first 6 weeks of SMP (90% of average weekly earnings, uncapped) that eligible employee mothers receive. More broadly, Maternity Allowance urgently needs reform to support mothers on the lowest incomes. Maternity Allowance is currently treated as unearned income under Universal Credit (UC), which results in a pound-for-pound withdrawal of UC support when being paid the benefit, while SMP is treated as earned income (Maternity Action, 2025).

Making statutory paternity pay a day-one right

Finally, to ensure the maximum number of fathers are eligible for paternity support, thus giving the policy the chance to have the widest possible take-up, government should enshrine a day-one right to SPP as well as leave. A new day-one right to paternity leave will be introduced via the Employment Rights Bill, partially ending the unfairness for fathers who have recently started a new job. DBT has estimated that this change will mean that around 32,000 additional fathers will be entitled to paternity leave (DBT, 2025). However, these fathers are still not entitled to SPP. This means that they will need to take this leave unpaid or not take leave at all, which we know will limit take-up, particularly amongst low-income families. Beyond the hardship experienced by families in these situations, job moves are linked to increasing household incomes and we need to ensure there are no disincentives in parental leave policy to make those beneficial job moves (Office for National Statistics, 2019).

5. The role of employers

Almost half of employers support extending Statutory Paternity Leave and pay (CIPD, 2025). However, employment regulation reform is best done working alongside employers who will need to implement the changes – ensuring this is done sensitively and supportively, particularly for small- and medium-sized businesses, will be crucial to the success of the policy.

Although some employers are making great strides in providing their own well-paid longer paternity leave, most employers still do not offer any enhanced paternity pay – only 30% offer enhanced leave and 37% enhanced pay (CIPD, 2025). This emphasises the need for government action. Employers are not responding voluntarily in high enough numbers to enhance leave, and so government will need to improve the statutory offer. And whilst there will be some deadweight costs to government – as employers will be able to claim reimbursement for existing schemes they are already funding – most employers do not offer enhanced support, making this is a necessary cost to ensure all fathers can take up the policy.

There is also evidence that some employers peg their own enhanced paternity offers to the low statutory minimum paternity leave policy (Abrdn, 2021). Therefore, increasing the statutory offer, as we have seen with statutory maternity leave over the years, could drive up enhanced offers from some employers (CIPD, 2022).

Whilst still a minority, a growing group of employers voluntarily offer enhanced paternity leave as part of their parental leave policies. A number of businesses have gone further to offer fully paid equal parental leave (Business in the Community, 2023). There is a lot to be learnt from this voluntary practice on how employers can manage colleagues taking time off. For example, paternity leave can give employers the opportunity to offer temporary development opportunities to other staff to aid career progression, as with maternity leave cover.

Employers have experimented with flexible paternity leave options, such as allowing fathers to take leave one day per week or to begin their leave when their partners return to work, helping families reduce childcare costs. These vanguard employers have also been an experiment in how workplace cultural change can happen, normalising fathers taking leave as mothers are already expected to do (Business in the Community, 2023).

However, small and micro businesses have argued that new regulations and staff absence can be more challenging as they have less HR capacity and find covering staff absence more disruptive. Research with SMEs on the uptake of SPL shows the complexity of the scheme and lack of awareness make it challenging for fathers working in small businesses to take leave (De Benedictis et al, 2025). DBT, in its impact assessments for the 2 recent changes to Statutory Paternity Leave policy (increased flexibility and the new day-one right to leave), makes the case that small and micro businesses should not be exempt for improved paternity policy to be effective (DBT, 2024 and 2025).

Government should convene a working group of SMEs to better understand what their specific concerns are about extending paternity leave and to recommend solutions, for example, piloting different designs of the policy, supporting the adoption of digital tools to support HR capacity or creating case studies of good practice on how individual SMEs have managed periods of absence for parental leave.

Engaging with businesses to design any changes to the paternity leave system will be important, as will making available support and advice to help smaller businesses to deliver the offer effectively. Finally, government should also consider how the new Fair Work Agency could enforce any new paternity rights and encourage employers to publish details of their existing schemes.

6. Conclusion

The Government's ambition to reform the labour market in favour of workers is admirable. However, without a focus on improving leave entitlements, it risks ignoring a key inequity in the system which entrenches a gendered logic of care responsibilities. Expanding the existing inadequate paternity leave offer is the first step to challenging this logic. JRF's research shows that this new policy will mean gains for both families and the economy by unlocking the labour potential of mothers and rebalancing care away from women. The key to the success of this policy, and to harnessing these growth benefits, is to ensure that as many fathers as possible can access support. This means ensuring they can get help from day one of a job and can access paternity pay even if they are self-employed.

Beyond this, the UK's parental leave system still promotes a vision of families where women are the primary carers and are expected to step back from paid work when they become mothers. This system needs to change radically to reflect and drive a modern approach to equal parenting where both fathers and mothers are freed up to make their own choices on how they want to share care and work. A proper equal leave scheme with designated entitlements of leave for fathers and mothers together with an additional shared pot of leave should be the medium-term ambition for reform.

Additional government investment will be essential to deliver on this ambition. Crucially, government should not be looking at reducing maternity entitlements to fund a new scheme. These rights to time off work are hard-won, and maternity pay is still not generous enough to support many families. It is time for the UK to join the group of progressive countries that not only recognise that all parents need generous support to take time off with their new babies but are also willing to spend public funds to deliver it.

Appendix

Interpreting figure 1–3

Explanation of figure terms

Net benefit: The overall difference between total benefits and total costs within the given model.

Female output employment gain – higher employment gain: economic benefit from more women entering the labour force due to paternity leave. In the Treasury model, this reflects increased tax revenue from these additional workers.

Female output employment gain – more hours worked: Economic benefit from mothers increasing their working hours. In the Treasury model, this refers to additional tax revenue from higher hours worked.

Government response – tax distortion effect: Government spending on paternity leave is assumed to be funded through taxation, which can introduce inefficiencies in the economy. To account for this, the model applies a 'tax distortion effect', which increases the estimated cost of government-funded policies by reflecting the economic impact of additional taxes.

Male employment output loss: Reduction in gross value added (GVA) due to increased paternity leave uptake, as men temporarily exit the workforce.

Direct cost to HMRC: The gross cost to the Treasury of funding the policy.

Explaining figure 2 and 3

Figures 2 and 3, which break down earners into quintiles, represent all earners, not just male earners taking up paternity leave. The male employment-related production losses come from men within each income quintile, while the positive economic effects are driven by female employment gains within the same income group. The model makes the conservative assumption that men and women in couple households fall into the same group of earners. So, the lowest-earning women are in couples with the lowest-earning men, middle-earning women are in couples with middle-earning men and so on. Researchers call this 'assortative coupling' and it is based on the observation that partners tend to have similar socio-economic status (Gardiner, 2017). The model assumes that when a father takes paternity leave, there is an associated employment response from women within the same income quintile.

The reason why lower- and middle-income brackets show higher gains is that higher-income fathers already have a high take-up rate of paternity leave, meaning there is limited room for further increase. Whilst some employers do provide enhanced parental leave, low-income dads are less likely to work for an employer who offers enhanced leave and less likely to be entitled to Statutory Paternity Leave due to precarious work.

Modelling methodology

Paternity leave model methodology note provided by Tanya Singh, Research Analyst at the Centre for Progressive Policy.

Overview of the model

The paternity leave model estimates the economic, fiscal and labour market impacts of varying paternity leave policies in the UK. Developed by the Centre for Progressive Policy (CPP), the model provides policy-makers with a structured approach to understanding the potential costs and benefits of different policy options. It generates 2 primary outputs:

1. Economy-wide model: changes in employment outcomes and production losses as well as gains across the entire economy.
2. HM Treasury fiscal estimates (Treasury model): calculating the direct costs to the Government, including the cost of expanded SPP and changes in tax revenue due to changes in economic output.

Both analyses are disaggregated by income quintile, ensuring the model accounts for differences in how policy changes affect various income groups. Users can adjust 5 key parameters: paternity leave duration, wage replacement rate,[5] cost-sharing between employers and government, substitution rate,[6] and income caps on benefits.[7] Cash figures are set at 2023 prices.

Model structure

The model is structured around 3 main steps:

1. estimating take-up rates under new policy conditions
2. calculating the economic and fiscal costs of increased paternity leave
3. measuring economic benefits.

Estimating paternity leave take-up rates

The model first calculates how many fathers will take paternity leave under different policy scenarios. The take-up rate is influenced by:

- the number of weeks of paternity leave available
- the percentage of wages replaced during the leave period.

Starting with the baseline take-up rate under the current policy, the model applies sensitivity estimates derived from international research – primarily from OECD countries – to assess how fathers' decisions respond to changes in leave length and pay level. This allows for an evidence-based projection of take-up rates for each policy combination.

Cost analysis

The model estimates the cost implications of expanded paternity leave by considering:

a) Production losses due to increased leave

When more fathers take paternity leave, there is a temporary reduction in economic output. The model estimates this loss based on:

- the contribution of male workers to the economy in terms of GVA
- the share of fathers taking leave
- the extent to which businesses can compensate for absent workers (we call this the substitution rate, and the model allows to test different values of this parameter).

The total production loss is then used to estimate the corresponding loss in tax revenue.

b) Direct costs of paternity leave payments

The Government bears the cost of increased paternity leave payments through SPP. The model calculates the total cost by considering:

- the number of fathers taking leave
- the average salary of men
- the proportion of wages replaced by the Government
- the total number of weeks of leave.

If employers share the cost, this is also factored into the model, allowing for different cost-sharing scenarios between the Government and businesses.

At the economy-wide level, these payments are considered a transfer rather than a net cost, meaning they are only treated as a fiscal expense in the Treasury model.

c) Tax distortions from government spending and/or employment reduction costs

The model allows for different cost-sharing arrangements between government and employers to be tested. Government spending on paternity leave is funded through taxation, which can introduce inefficiencies in the economy. To account for this, the model applies a 'tax distortion effect', which increases the estimated cost of government-funded policies by reflecting the economic impact of raising additional tax revenue.

In scenarios where businesses bear a share of the costs, the model incorporates an 'employment reduction effect'. This is based on the assumption that higher employer costs lead to reduced hiring or wage adjustments, resulting in broader economic consequences. The impact of this response has been modelled to reflect the associated cost to the economy.

The final total cost is the sum of production losses, direct government spending on paternity pay (included only in case of the Treasury model), tax distortion costs and employment reduction costs.

Benefit analysis

The primary economic benefit of expanded paternity leave is an increase in female employment, both in terms of workforce participation and the number of hours worked. Here, we have modelled the responsiveness of female employment (in terms of workforce participation as well as hours worked) to changes in paternity leave take-up, again drawing from international literature.

a) Increased female employment

Research suggests that when fathers take more paternity leave, women are more likely to remain in or return to the workforce. The model estimates:

- how many additional women enter employment when paternity leave is extended
- the additional economic value they generate
- the resulting increase in tax revenue.

b) Increased female working hours

For mothers who are already employed, having their partner take paternity leave can enable them to work longer hours. The model estimates:

- how many additional hours are worked by women
- the value of this additional work in terms of economic output
- the corresponding increase in tax revenue.

Timescale

We would expect there to be a cost before any economic returns are felt because the main cost to government – the cost of providing paternity pay to fathers – will be felt as soon as the new entitlement is available and fathers start to take it up. Where other countries have introduced improved paternity leave offers, female labour market effects typically begin to emerge within approximately 2 years, so it is reasonable to assume a lag of 2 to 3 years to see an impact. We think this is a relatively short window in which to see returns (Bacheron, 2021).

Notes

1. The term ‘average weekly earnings’ used in this briefing is for individuals not average earnings for the UK, as set out in the advice to employers for how to calculate average earnings for the earnings-related period of Statutory Maternity Leave. See UK Government.
2. In this briefing, we have used father as the second parent. We recognise, of course, that families include different sex and same-sex parents, adoptive parents and parents through surrogacy.
3. There was no daddy quota introduced in Ontario, but the provinces are comparable in other labour market indicators and so the 2 provinces provided a natural control and treatment arrangement. (Dunatchik and Özcan, 2019).
4. There is already a system in place for HMRC to share data with DWP – the Verify Earnings and Pensions System (VEPS). This is mainly used to check HMRC earnings data with benefit eligibility such as Carer’s Allowance and Housing Benefit. The DWP already administers Maternity Allowance for self-employed mothers and other mothers not entitled to SMP.
5. The wage replacement rate in the model refers to the percentage of a worker’s pre-leave earnings that is paid during paternity leave.

6. The substitution rate in the model represents the extent to which employers can compensate for the temporary absence of an employee on paternity leave by reallocating work or hiring temporary replacements. It measures how easily lost productivity can be offset through alternative means, such as redistributing tasks among existing staff or offering overtime. A higher substitution rate (closer to 1) suggests that businesses can easily adjust without significant economic costs, minimising the impact of paternity leave on overall production. Conversely, a lower substitution rate (closer to 0) indicates that employers struggle to compensate for lost labour, leading to higher economic costs due to reduced output.
7. The income cap on benefits is a limit on the maximum amount of paternity pay a father can receive per week, regardless of their pre-leave earnings.

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