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Implications of changes in the law on paternal and maternal leave in Iceland during the period 2001-2011

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Abstract – draft

The 1970s and 1980s marked a shift in parental leave policies in the Nordic countries when it became an explicit goal to encourage parents to share the parental leave with the objective of promoting gender equality. Three of the Nordic countries now have a parental leave system that divides the entitlement to parental leave between the two parents.

This paper examines the effects of the passing of a law on the joint entitlement to parental leave in Iceland (Act on maternity, paternity and parental leave 95/2000). This law warrants both parents a parental leave payment of 80% of their previous average wages. The parents share the rights to nine full months of parental leave; three months are reserved for each parent and the remaining three months can be divided between them in the way of their choosing.

Since the law was originally passed in the Icelandic parliament in 2000, a few notable changes have been made. Initially, the parents' payment had no upper limit, but in 2005 a maximum was introduced. In the beginning, this maximum payment was high, warranting the large majority of parents a full 80% payment of their previous wages. With the economic recession, starting in 2008, the ceiling was lowered to a sum below the mean wages in Iceland. Thus, taking full parental leave severely decreases the disposable income of parents

in higher income groups. Since men tend to earn more than women, fathers are more likely to be affected by those changes.

The present analysis looks at the effects of parental leave policy changes during the period 2001-2011. With the full implementation of the parental leave act of 2000, a majority of fathers took three month of leave whereas the joint entitlement was almost exclusively taken by the mothers. Length of fathers' leave declined after the lowering of the maximum payment. Here we analyze to what extent parents' income, gender, and educational status affect the likelihood of making full use of their entitlement to parental leave.