



BACKGROUND

Benefits and Leaves for Parents

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Benefits and Leaves for Parents

One of the main ways that our social safety net supports parents around the time that their children are born is through protected job leaves and paid benefits for parents. In early October, the federal government launched a consultation on proposed changes to these policies; the consultation is open until November 4, 2016.¹ This is an opportunity for Canadians to have a broader conversation about how well our safety net supports families to have childcare choices and stay connected to the labour market. It is also an opportunity to make sure that parents are not left behind because of their income, family structure, or gender, and neither are their children.

This backgrounder provides some information and context on parental leave in Canada, how it might be improved, and the changes proposed by the federal government.

What are benefits and leaves for parents?

Parental benefits and leaves (also called maternity and paternity leaves) are the set of policies that we have put in place to help ensure that mothers can take time away from work surrounding birth, and to support parents' ability to spend time caring for infants. The job leaves and the paid benefits are actually separate policies, but work together in practice to support parents' right to take unpaid time away from work without losing their jobs (the *leaves*) and the financial support to make that possible (the *benefits*).

In the bigger picture, parental benefits and leaves are part of a broader set of policies intended to support caring for children and bridging the work and family lives of parents, including child benefits, child care and early learning, and employment standards.

¹ Government of Canada. "Discussion Paper: More Flexibility for Parents." October 6, 2016. http://esdc-consultations.canada.ca/parental-maternity-consultation?tool=news_feed#tool_tab

BENEFITS

Maternity and parental benefits replace some of parents' income while they are away from work caring for infant children. These benefits are delivered through the federal Employment Insurance (EI) program. Like the rest of the EI program, the benefits are set to replace 55 per cent of income, up to a maximum weekly payment of \$537.

If a parent earns \$60,000 and takes the full available benefit (50 weeks in total), they would get \$26,850 in benefits in their year off, before tax. If a parent earns \$30,000 and takes the full available benefit, they would get \$15,865 in benefits in their year off, before tax.

Because EI is an insurance program, parents can only claim the benefits if they have been employed and making contributions to the program for at least 600 hours (about 16 weeks of full-time work) over the past year. Self-employed parents can also qualify if they have been voluntarily contributing for at least one year ahead of time.

Parental benefits are split into two parts. The first part is available only to birth mothers, and allows for up to 15 weeks of paid maternity leave. The second portion provides up to 35 weeks of paid parental leave that can be taken by any parent (including adoptive parents). When combined with a two-week waiting period, these add up to one year of leave. Maternity benefits were introduced in 1971; parental benefits were added in 1990 and expanded in 2001.

For the last 10 years, Quebec has had its own separate benefit system (the Quebec Parental Insurance Plan) that parents use instead of EI. The Quebec system has a similar design but offers greater choice and more generous benefits.² The Quebec plan replaces a higher share of income and are easier to qualify for. To pay for more generous benefits and broader coverage, Quebec employees and employers each pay premiums that are 10 per cent higher than the rest of Canada (for workers, this means a difference of 19 cents for every \$100 of earnings).

2 Government of Quebec. "QPIP Benefits – Summary Table." Accessed October 26, 2016. http://www.rqap.gouv.qc.ca/includes/tableaux/tab_synthese_prestations_en.html

A parent earning \$60,000 in Quebec and taking the full available benefit (50 weeks) would get \$36,057 in their year off, before tax. A parent earning \$30,000 in Quebec would get \$18,028 in that year. Quebec families can get more than this total if they have two parents taking paid leave.

LEAVE

To complement paid parental leave, federal and provincial labour laws protect parents' rights to take time away for birth and caring for children without losing their job. While the paid benefits for parental leave are a federal program, the employment standards that set out how much unpaid time an employee can take off to care for their new child generally fall under provincial jurisdiction. People working in federally regulated sectors (e.g., banks, telecommunications) are the exception to this rule. This represents [six per cent](#) of Canadian workers.³

While the rules on eligibility, including for adoptive parents, vary from province to province, every province's rules guarantee at least 52 weeks of leave, as do the rules for the sectors regulated by the federal government. Similar to paid benefits, these are also broken down between maternity and parental leaves. Generally it is easier to qualify for unpaid time off under provincial rules than for paid federal benefits. For workers covered by federal rules however, they need to have been with their employer for at least six months to qualify, which is a *stricter* test than qualifying for the paid benefits.

3 Government of Canada. "Federally Regulated Businesses and Industries." http://www.esdc.gc.ca/en/jobs/workplace/human_rights/employment_equity/regulated_industries.page

Maternity and Parental Benefits: By the numbers

- 15** Maximum number of weeks of paid maternity leave for birth mothers (including surrogates).
- 35** Maximum number of weeks of paid parental leave available during the year after a child is born or adopted. This benefit can be split between parents, as long as they are both eligible for EI.
- \$537** Maximum weekly benefit payment (based on replacing 55% of the maximum income of \$50,800).
- \$436** Average weekly parental benefit payment.⁴
- 86%** Share of parental benefits (for biological parents) paid to women.
- 66.5%** Share of recent mothers collecting maternity or parental benefits in 2014 (74.7% were eligible).⁵
- 96%** Share of women getting EI benefits with an employer top-up who return to their pre-birth job, compared to 46% of those receiving no benefits.⁶

How might we improve on our current system?

Our existing parental leave system supports many parents to make choices that allow them to care for their children and remain connected to work. In some areas, it falls short and we can learn from other countries in many of these. As the federal government consults Canadians on how to improve the support system for

4 Government of Canada. "Employment Insurance Monitoring and Assessment Report 2014/2015." Chapter II. http://www.esdc.gc.ca/en/reports/ei/monitoring2015/chapter2_family_support.page

5 Statistics Canada. November 23, 2015. "Employment Insurance Coverage Survey, 2014." <http://www.statcan.gc.ca/daily-quotidien/151123/dq151123b-eng.htm>

6 Katherine Marshall. February 2010. Perspectives on Labour and Income. Statistics Canada. <http://www.statcan.gc.ca/pub/75-001-x/2010102/article/11120-eng.htm>

parents, we should consider some specific issues. These range from modest changes to the current system to more transformative changes that could move parental benefits into a new program designed for parents and their caregiving responsibilities, and out of the Employment Insurance system, which is designed to address unexpected job loss.

ELIGIBILITY AND ACCESS FOR LOWER-INCOME PARENTS

One area where this portion of our social safety net falls short today is in covering the needs of lower-income parents.

Today, about 1 in 5 mothers of infants who were working before giving birth find themselves without benefits, and that group without benefits is disproportionately made up of lower-income workers. This is because the benefits are part of the EI program, and it is harder for people with more precarious employment to have worked enough hours to qualify.⁷ Only 44 per cent of mothers outside of Quebec with household income under \$30,000 received any parental benefits in 2013, compared to 75 per cent of mothers with household income over \$60,000.⁸ That gap has grown over the past 10 years.⁹ In Quebec's program, more flexible eligibility requirements have led to better access across the board and a much smaller income gap (85 per cent of low income mothers get benefits compared to 95 per cent for households earning over \$60,000).¹⁰

The gap in coverage for lower-income parents is more striking when you take into account the “top-ups” that some employers pay to their employees while they are on leave, bridging some of the gap between what they receive from EI and their usual earnings. About 1 in 5 mothers receives some form of top-up and they are typically in higher paid professional jobs, particularly in the public sector.¹¹

7 Marshall, 2010.

8 Lindsey McKay, Sophie Mathieu and Andrea Doucet. 2016. “Parental-leave rich and parental-leave poor: Inequality in Canadian labour market based leave policies.” *Journal of Industrial Relations*. Vol 58 (4). Pp. 543-562. http://childcarecanada.org/sites/default/files/2016_McKay_Mathieu_Doucet%20JIR%20Parental%20leave%20rich%20and%20parental%20leave%20poor.pdf

9 Ibid

10 Ibid

11 Marshall, 2010

Without a top-up, lower-income parents are less likely to be able to afford to use their full leave, and women in these families are less likely to return to their pre-birth jobs.¹²

To improve access, we need to look at the eligibility rules to qualify for parental benefits. This could include reducing the number of hours to qualify and making it easier for self-employed workers to be part of the program. A more transformative approach might even mean moving maternity and parental benefits out of Employment Insurance into its own program, allowing for a design that is integrated with other income supports (like the Canada Child Benefit) and early learning and child care, so that it is part of a program designed for the needs of parenting, rather than one designed for unexpected unemployment.

FLEXIBILITY

Today's system of benefits and leave is meant to offer parents some flexibility in how they balance their care needs. The current rules that allow parents to split the parental portion of benefits and leave is an example of this approach to supporting choice. The federal government's current set of proposals (see below) are focused on increasing flexibility.

In addition to those proposals, policy changes could look at the breakdown between maternity and parental leaves to encourage greater choice and to be more inclusive of adoptive parents. A more transformative approach could look at how to support parents' caregiving over the long term – parenting doesn't end when a child is 12 or 18 months old. Sweden allows for leave to be used up until the child's eighth birthday, including the right to reduce work hours by as much as 25 per cent. Others have suggested that protecting parents' time to engage with their children might matter at least as much in their teenage years.¹³ A more transformed approach might

12 Luc Turgeon. 2011. "Reforming EI Special Benefits: Exploring Alternative Financing and Delivery Options." Mowat Centre. https://mowatcentre.ca/wp-content/uploads/publications/24_reforming_ei_special_benefits.pdf

13 Jennifer Senior. "The Case for Taking Parental Leave when your Kids are Teenagers." New York Magazine. <http://nymag.com/scienceofus/2015/04/case-for-taking-parental-leave-for-teens.html>

look at an integrated set of policies around work and family that look at parenting from birth to adolescence to early adulthood.

INSURING A HIGHER INCOME OR A HIGHER REPLACEMENT RATE FOR LEAVE

To ensure that benefits provide an adequate income replacement that works for parents, we would need to consider reforms that aim to replace a higher percentage of income. Quebec’s program, for example, replaces 75 per cent of parents’ income. Another option would be to increase the replacement rate only for families with low income. One way this could be done is by expanding the EI Family Supplement, which provides a modest boost to families with net income under \$26,000. Another simple change that would increase benefits would be to get rid of the two-week waiting period for benefits. While there’s a rationale for the waiting period in EI benefits, there isn’t an obvious one for making parents wait for maternity/parental benefits.¹⁴

Parental benefits aren’t strictly about preventing poverty — they are intended to provide an adequate replacement income that allows parents to take time away from work to care for their children. While the biggest gaps in the program are for lower-earners, the income limits in the program (\$50,800) also leave a gap for women with higher incomes, especially those who don’t receive any top-up from their employer. This income limit is also a feature of using the same design as the rest of the EI program, despite the fact that parental benefits exist to serve a different purpose. Insuring higher incomes would help the program serve those parents better. Quebec’s Parental Insurance Plan, which has been separated out from the rest of Employment Insurance, covers income up to \$71,500.

DEDICATED LEAVE FOR DADS

Some places, including Quebec, have more recently introduced “use it or lose it” parental leave set aside for dads. Dedicated leaves for

¹⁴ Turgeon, 2011.

dads help to encourage fathers to take time off with their infants, which leads to long-term benefits for both fathers' and children's well-being.¹⁵ The OECD average for father-only leave is eight weeks; Canada is in the minority in guaranteeing no father-specific leave at the national level.

When Quebec introduced dedicated leave for fathers through their Quebec Parental Insurance Plan, the share of fathers who took parental leave soared. The proportion of fathers who took or intended to take parental leave nearly tripled – from 27.8 per cent when it was introduced in 2006 to 78.3 per cent in 2014.¹⁶ Dad-only leave helps to increase the perceived legitimacy of fathers taking leave and promotes equality in caregiving.

What are the federal government's proposed changes?

In a discussion paper published on October 6, the federal government proposed two options aimed at giving more flexibility to parents. Each would extend the total amount of job-protected leave to 18 months shared between parents. Both options would involve changing federal employment standards to allow for longer leaves and would also depend on similar changes from provinces (whose rules cover most workers). Neither option would change the total amount of benefits available to parents.

The first option would let parents choose to spread their benefits out over a maximum 18 months. This would mean smaller cheques for a longer period of time. Someone earning \$60,000 would get \$344 per week for 18 months rather than \$537 per week for 12 months. Someone earning \$30,000 per year would get \$203 per week. The second option would let parents start and stop their parental leave in chunks over the course of 18 months, returning to work in between if they have some alternate child care arrangements. This would add

15 Organization for Economic Cooperation and Development. March 2016. "Parental Leave: Where are the Fathers?" <https://www.oecd.org/policy-briefs/parental-leave-where-are-the-fathers.pdf>

16 Government of Canada, [EI Monitoring and Assessment Report](#).

another dimension of flexibility, in addition to the ability to split leave between parents. It is unclear how many parents would be in a position to take advantage of this leave, whether financially or because of what extended periods away might mean for their career.

Beyond generally providing flexibility, extending parental leaves to 18 months may offer more childcare choices when parents return to work. In some provinces (including Ontario) more daycare places are available for toddlers (starting at 18 months old) than for infants. Research has also shown that making paid leaves longer also increase the likelihood that a mother will return to her pre-birth employer.¹⁷

How this connects with the broader system

If we want to look at how well our safety net supports families at this stage in their lives, we need to look beyond parental benefits and leaves. These are one important part of a larger family-friendly policy. When we look at how well we support families, we need to also look at the availability of affordable childcare options, income supports like the Canada Child Benefit, and employment conditions. The reality of how well these policies serve parents depends on how all of these policies fit together, and where gaps emerge that leave some behind.

¹⁷ Michael Baker and Kevin Milligan. February 2005. “How does job-protected maternity leave affect mothers’ employment and infant health?” National Bureau of Economic Research Working Paper. <http://www.nber.org/papers/w11135.pdf>

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