

Modernizing Maternity and Parental Employment Insurance Benefits: A Policy Brief



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Employment Insurance (EI) maternity and parental benefits must be reformed so they can better meet the needs of Canada's changing labour market and especially the needs of women, who rely on and access these benefits the most.

Policy Issue

New parents who take time off to care for their children often experience a significant loss of income. During this time, maternity and parental benefits provided through the federal Employment Insurance (EI) program are critical as they provide income, time, and job security to care for dependents.¹ Women rely on and access these benefits most often.² In 2017-2018 while the number of men accessing parental benefits increased, women still made up an overwhelming majority of claimants at 84.4 percent.³

Over the years, maternity and parental benefits have grown within the larger EI program. Recently, the federal government implemented flexible benefit options to be inclusive of diverse family compositions and create incentives to encourage new parents to divide their parental leave with a partner, where applicable.⁴ While these updates are important, they do not address - rather they exacerbate - the divide between families that are able to access the benefits and those that are excluded from this provision. Key components of maternity and parental benefits such as the waiting period, the number of hours required to qualify, the family supplement income cut-off, and the benefit rate have failed to catch-up to current labour force realities. Over the years while benefit options have increased, they cover fewer workers and provide less support for less money than when the program was initially created.

Modernizing these components can ensure that EI maternity and parental benefits meet the needs of a rapidly changing labour market, while also building economic security for women as they need and access these benefits the most. A broader review of EI can ensure these components are modernized across benefit streams.

The nonprofit sector across Canada consists of an estimated 80 percent of women workers, many of whom are the most marginalized workers in the labour market. ONN's recent research has found that women in the sector tend to see lower compensation, while very few organizations offer maternity and parental benefit top-ups.⁵ As a result, many women workers are particularly hit with a significant loss of income when taking maternity and parental leave.

¹ Andrea Doucet "Parental-leave rich and parental-leave poor: Inequality in Canadian labour market based leave policies" p. 1

² ONN uses an inclusive definition of women that recognizes and welcomes trans women, queer women and nonbinary people. However, not all data sets cited in this brief employ the same definition. Where we use gender-specific terminology (e.g., mothers), it is to accurately reflect the research cited.

³ Canada Employment Insurance Commission "[2017/2018 Employment Insurance Monitoring and Assessment Report](#)" p. 138

⁴ In 2016 the federal government held [public consultations](#) for input.

⁵ Ontario Nonprofit Network: "[Women's Voices - Stories about working in Ontario's nonprofit network](#)"

For this reason, ONN recommends the following:

1. Eliminate the EI benefit waiting period for maternity and parental benefits recipients.
2. Implement an incentive structure for employers to offer maternity and parental benefit top-ups.
3. Re-calibrate the EI Family Supplement low-income salary cut-off for claimants to reflect the newly established official poverty line in Canada.⁶
4. Reduce the qualification for EI maternity and parental benefits from 600 hours to 300.
5. Increase the benefit rate for EI recipients on maternity and parental leave.

The EI maternity and parental leave benefits landscape

Canada’s EI program is funded by both employers and employees and consists of several benefit streams. One of the streams, special income benefits, encompasses maternity and parental benefits. Also included in this stream are sickness, compassionate care, and critically ill benefits. According to the EI program, the goal of maternity and parental benefits is to provide temporary income support for new parents.

<i>Maternity and Parental Benefits Qualification Criteria</i>	
<ul style="list-style-type: none"> ● Employed in insurable employment (as of January 1, 2019 the maximum yearly insurable earnings amount is \$53,100); ● Maternity benefits are payable only to the person giving birth; ● Parental benefits are payable only to the biological, adoptive, or legally recognized parents while they are caring for their newborn or newly adopted child or children; ● Normal weekly earnings are reduced by more than 40%; and ● Accumulation of at least 600 hours (uniform across Canada, unlike regular EI benefits) of insurable employment during the qualifying period (52 weeks prior). 	
<i>Maternity Benefit</i>	<i>Parental Benefit</i>
<ul style="list-style-type: none"> ● For those that gave birth ● 15 weeks leave ● 55 percent of average weekly earnings up to a cap of \$562 per week 	<ul style="list-style-type: none"> ● For newborn care or care of newly adopted children ● <u>Standard vs. Extended Options:</u>⁷ Parents can share this leave if they pick the same option. <ul style="list-style-type: none"> ○ <i>Standard:</i> 35 weeks at 55 percent of average weekly earnings up to \$562 per week ○ <i>Extended:</i> 61 weeks at 33 percent of average weekly earnings up to \$337 per week ● <u>Parental sharing benefit (“use it or lose it”):</u> Parents can share an additional 5 weeks of parental benefits under the standard option (up to 40 weeks) or an additional 8 weeks under the extended option (up to 69 weeks). However, one parent cannot get more than 35 weeks of standard, or 61 weeks of extended parental benefits (the other parent has to take time off to receive the extra weeks).

⁶ Employment and Social Development Canada “A Market based measure is used to calculate the poverty line” p. 11

⁷ A [family supplement](#) for low-income households is also available.

Impact

The modernization of EI maternity and parental benefits would have positive outcomes across the labour force and Canadian communities, and it would aid in solving a number of complex social problems.

<i>Nonprofit Sector</i>	<i>Labour Force</i>
<ul style="list-style-type: none"> ● Better recruitment and retention of talent in a women-majority sector where one reason for leaving (among others) is the lack of maternity and parental benefits. ● Better income support for a low wage sector. ● Lower cost to nonprofits for maternity and parental benefit top-ups (topping up a 67%-80% EI earnings replacement benefit is more affordable than topping up a 55% benefit). 	<ul style="list-style-type: none"> ● Adequate support for women when they take maternity and parental leave can increase their participation and advancement in the labour market because they are more likely to return to work.⁸ ● More people, particularly low-income parents, take time off rather than taking no leave or dropping out of the workforce, when benefit rates are adequate. ● Increase the prevalence of top-ups as employers are more likely to provide them if the cost is lower. ● Adapting social programs to the changing labour market (i.e “gig economy”, decreasing prevalence of the standard employment relationship) can better meet the needs of workers and employers.
<i>Community</i>	<i>Complex Problems</i>
<ul style="list-style-type: none"> ● Better for early childhood development as parents have more time to recover, bond, and care for newborns when there is adequate support.⁹ ● Improved physical and mental health for children and parents as there is greater family stability and economic security.¹⁰ ● Women and men have more equal opportunities to be both worker and caregiver.¹¹ ● Mitigates the impact of the “mommy penalty” (significant loss of income during leave and after) on women’s income over their life cycle. ● Better support for communities’ most marginalized workers during a time of significant income loss. 	<ul style="list-style-type: none"> ● If there are better supports in place, families are more likely to have children (increase Canada’s falling birth rate).¹² ● With more women working, more are paying taxes and contributing to GDP and economic prosperity.

⁸ New America Better Life Lab [“Paid Family Leave: How Much Time is Enough?”](#) p. 4

⁹ New America Better Life Lab [“Paid Family Leave: How Much Time is Enough?”](#) p. 4

¹⁰ New America Better Life Lab [“Paid Family Leave: How Much Time is Enough?”](#) p. 5

¹¹ Almqvist and Duvander, 2014; O’Brien and Wall, in press; Rehel, 2014; Wall, 2014

¹² Statistics Canada [“Report on the Demographic Situation in Canada - Fertility: Overview, 2012 to 2016”](#) p. 1

Cost Analysis

According to the *2017-2018 Employment Insurance Monitoring and Assessment* report, the EI program has run a surplus since 2012.¹³ For 2017-2018 the program recorded a surplus of \$2.9 billion.¹⁴ Below we provide a cost analysis of the different policy options we have recommended to highlight how the surplus can be put to use.

<i>Costs of Policy Recommendations</i>		
<i>Recommendation</i>	<i>Annual Cost</i> ¹⁵	<i>Estimated Impact</i>
1. Eliminate the EI benefit waiting period for maternity and parental benefits recipients	\$78 million	Each year, 171,500 maternity and parental benefits recipients would receive an additional week of EI maternity and parental benefits instead of going without income for their first week of leave.
2. Implement an incentive structure for employers to offer maternity and parental benefit top-ups	\$430 million	By offering employers a 15.65 percent reduction in premiums (equivalent to Category 3 in the Premium Reduction Program for workplaces with short-term disability plans), the number of employers offering top-ups would increase by 20 percent. In turn, the number of women receiving employer top-ups would increase from 32 per cent.
3. Re-calibrate the EI Family Supplement low-income salary cut-off for maternity and parental benefit claimants to reflect the newly established official poverty line in Canada	\$713 million	Each year, 40,158 low-income households receiving maternity and parental benefits would have access to the Family Supplement who would not otherwise have qualified, despite living below the official poverty line.
4. Reduce qualification for benefits from 600 hours to 300 for maternity and parental benefits claimants	\$81 million	Each year, 3500 new mothers would have access to EI maternity and parental benefits who would otherwise not have qualified at all, despite having paid into the system.
5. Increase the benefit rate to 67% for maternity and parental benefits claimants	\$857 million	Each year, 369,550 new parents taking maternity and parental leave would receive benefits that replace two-thirds of their income, up from 55 per cent.

¹³ Canada Employment Insurance Commission [“2017/2018 Employment Insurance Monitoring and Assessment Report”](#) p. 156

¹⁴ Canada Employment Insurance Commission [“2017/2018 Employment Insurance Monitoring and Assessment Report”](#) p. 161
We are aware that there is a plan to reduce premiums over seven years to eliminate this surplus. Our position is that supporting new parents is more important than reducing premiums.

¹⁵ See Appendix A for calculations.

Analysis of Policy Recommendations

1. *Eliminate the EI benefit waiting period for maternity and parental benefits recipients or allow non top-up income supports during it.*

Before new parents can start receiving EI maternity and parental benefits, there is a one-week waiting period after they are no longer paid by their employer. During this time, they can only receive top-up compensation support from their employer.¹⁶ Any other compensation support (such as vacation pay or severance pay) would be deducted from the first three weeks of benefits. This waiting period is supposed to mimic a deductible that is paid for other forms of insurance.¹⁷

As a result, new parents are left without income unless they have income security through other means such as savings, a partner, family, or employer benefit top-ups. For those who do not, going without income for one week can be very difficult, particularly if they are a single parent and/or are living on a low-income.

The EI program could easily be modified to eliminate this waiting period for new parents where an additional paid week is added at the beginning of the leave. With no waiting period but rather one additional week of benefits at the start of a leave period, new parents could seamlessly transition from work to benefits rather than worrying about how to plan for one week's loss of income, particularly when their family is growing.

At the very least, the program could be modified to allow employers, including nonprofit organizations, who cannot provide top-ups to provide other income supports during the waiting period, such as vacation pay.

2. *Implement an incentive structure for employers to offer maternity and parental benefits top-ups.*

With the EI replacement rate at 55 percent of earnings (up to a maximum), maternity and parental benefits top-ups from employers are one way to bridge the income gap between EI benefits and regular earnings. They are also the only compensation support allowed alongside EI benefits during leaves.

However, the prevalence of employer top-ups in the labour market is low, particularly in the nonprofit sector. The *2017 Employment Insurance Coverage Survey* found that less than a third of recent mothers in Canada received top-ups from their employers.¹⁸ It also highlights that 76 percent of women who received a top-up earned \$60,000 or more per year¹⁹. This reinforces the argument that employer top-ups are more available in standard employment relationships with fair wages and good benefits, a labour reality that is becoming less prevalent. According to ONN's research on women's employment experiences in Ontario's nonprofit sector, 30.7 percent of 645 women nonprofit workers surveyed said they had access to an employer top-up, while 14.3

¹⁶ Employers have the option of "topping-up" their workers' EI maternity and parental benefits to reduce the difference between the benefits and the workers' regular earnings. Top-ups are not deducted from EI benefits, as long as they don't exceed 100% of weekly earnings. The employer finances the top-up and so chooses the rate and duration of eligibility.

¹⁷ Government of Canada "[Employment Insurance Maternity and Parental Benefits](#)".

Government of Canada "[Supplementing maternity, parental, compassionate care or family caregiver benefits](#)".

¹⁸ Statistics Canada "[Mothers receiving maternity and parental benefits 2017](#)".

¹⁹ Ricardo Tranjan. Personal correspondence. This figure is a calculation based on Statistics Canada Public Use Microdata File Collection - 2017 Employment Insurance Coverage Survey.

percent were unsure. An incentive structure to encourage employers to offer top-ups could increase their prevalence at a low cost to government.

There is already a precedent in place. There is an incentive structure for employers under the EI Premium Reduction Program²⁰ where an employer who provides a short-term disability plan may be entitled to pay lower EI premiums than the standard rate. Typically an employer pays 1.4 times the employee premium of 1.62 percent of earnings. The most generous version of the Premium Reduction Plan available to non-public employers (“Category 3”) allows them to pay a reduced premium of 1.181 times the employee premium. This program could be expanded to include employers who provide maternity and parental benefit top-ups that meet a minimum standard. It can support small to medium sized employers that are less likely to provide top-ups. With more employers providing top-ups, new parents can have access to more adequate income replacement in combination with their EI benefits.

The short-term disability incentive is not the only example. Such an incentive structure also exists in the UK where employers administer payment to their employees on behalf of the UK EI equivalent system. For this reason, employers can claim back from the government anywhere between 92 to 103 percent for payments dispersed, depending on the size of the organization, through their National Insurance Contributions.²¹ The City and County of San Francisco have taken further steps by issuing a Paid Parental Leave ordinance that requires employers operating in their jurisdiction (with 20 or more employees worldwide) to top-up an employee’s California Paid Family Leave (CPFL) benefits.²²

3. *Re-calibrate the EI Family Supplement low-income salary cut-off for claimants to reflect the newly established official poverty line in Canada.*

The Family Supplement income cut off is lower than Canada’s 2018 official poverty line for individuals and families, revealing a gap for families that may not qualify for the supplement but are living in poverty.

The official poverty line uses a market basket approach to calculate that a family of two adults and two children requires between \$32,871 and \$40,777, depending on their region, to afford goods and services to meet their basic needs and have a modest standard of living.²³

Low-income families²⁴ are eligible for the EI Family Supplement which provides a higher benefit rate. The amount of the supplement depends on the annual net family income, which currently cannot be more than \$25,921, and the number and age of children in the family. The replacement rate can increase to 80 percent from 55 percent of insurable earnings. The Family Supplement income cut-off has remained the same since 1997²⁵. There has been a consistent decrease in the

²⁰ Government of Canada [“Premium Reduction Program”](#)

²¹ Margaret O’Brien and Alison Koslowski [“Country Reports: United Kingdom”](#) p. 423

²² Office of Labor Standards Enforcement [“Paid Parental Leave Ordinance”](#)

²³ Employment and Social Development Canada [“A Market based measure is used to calculate the poverty line”](#) p. 11

²⁴ Low-income families are defined as those that have an annual net income of \$25,921 or less, have children, and one partner receives the Canada Child Tax Benefit.

²⁵ Canada Employment Insurance Commission [“2017/2018 Employment Insurance Monitoring and Assessment Report”](#) p. 40

number of Family Supplements being applied to claims for the past 16 consecutive years while the average supplement per week has remained relatively static since 2001.²⁶

At first glance, the decrease in Family Supplements being applied to claims and the consistent earnings replacement rate would suggest that families' incomes have risen and are doing better. While family incomes have risen nominally, they do not match the cost of living, and families therefore have less to spend. In 2017-2018 the number of claims receiving the family supplement decreased by 4.4 percent from the previous year and 2.9 percent of family supplement claims reached the maximum replacement rate of 80 per cent (across all benefit streams).²⁷

Women and children, especially single parent women households, are particularly impacted by a Family Supplement that is inadequate and not available to all low-income families. Over one third of single parents who are women and 29.2 percent of single-parent families live in poverty in Canada.²⁸ Women and children have consistently been the majority of claimants for the EI family supplement.²⁹

Our proposal is for the EI Family Supplement low-income salary cut-off to be raised so that all families living below the official poverty line in Canada can access the family supplement when receiving maternity and parental benefits.

4. *Reduce qualification for benefits from 600 hours to 300 for maternity and parental benefits claimants.*

In 2001, the number of hours required to qualify for EI was decreased from 700 to 600 hours specifically for maternity, parental, and other special benefits. Depending on the region in Canada, this is higher than the number of hours required to qualify for regular EI benefits (420 to 700 hours).³⁰ The 600 hour threshold makes sense in the context of the standard employment relationship, where individuals work full-time, full-year, without any disruptions (based on a 35.5 work week it would take just over four months to qualify).

However, women, especially women living with low-incomes, racialized, immigrant, Indigenous, and trans women, and women with disabilities, are more likely to be working part-time in temporary, casual, and contract work; and/or have disruptions in their work - due to caregiving, among other reasons - compared to men.³¹ For this reason, in a system where eligibility for benefits is based on hours worked, women are less likely than men to be eligible for benefits.

Moreover, contract, temporary, and part-time workers, temporary foreign workers, and students often pay into EI but are usually not eligible to receive benefits.³² Freelance and 'gig' economy (the self-employed) workers can opt to pay into the program as of 2011.

²⁶ Canada Employment Insurance Commission ["2017/2018 Employment Insurance Monitoring and Assessment Report"](#) p. 40-41

²⁷ Canada Employment Insurance Commission ["2017/2018 Employment Insurance Monitoring and Assessment Report"](#) p. 41

²⁸ Employment and Social Development Canada ["Opportunity for All - Canada's First Poverty Reduction Strategy"](#) p. 58-59

²⁹ Canada Employment Insurance Commission ["2017/2018 Employment Insurance Monitoring and Assessment Report"](#) p. 40

³⁰ Atkinson Foundation ["Employment Insurance: Next Steps on the Road to Renewal"](#) p. 1

³¹ In 2018, women (85 percent) were more likely to have a casual, term, or contract job, and be temporary employees in health care and social assistance industries (82 percent) an industry that is women-majority and has a larger share of temporary employees.

³² Atkinson Foundation ["Employment Insurance: Next Steps on the Road to Renewal"](#) p. 2

Less restrictive eligibility requirements ensures more women who rely on and use these benefits the most can access them. A good model for a more inclusive program is the Quebec Parental Insurance Plan (QPIP), which provides maternity and parental benefits for people in Quebec, comparable to EI maternity and parental benefits. In 2016-2017, Quebec continued to have higher rates of insurable employment and receipt of benefits among recent mothers than the rest of Canada.³³ For QPIP, people need to have only \$2,000 in insurable income in a given year, rather than work a minimum number of hours. In the context of increasingly flexible and precarious work arrangements, a more inclusive maternity and parental benefits plan ensures that families are not left out.

The recent House of Commons report on precarious work has recommended that Employment and Social Development Canada review and reform the entire EI program and consider reducing the number of hours required to qualify for EI.³⁴ Changing this overall qualification threshold would then not only support the recipients of maternity and parental benefits, but also those accessing any other type of EI benefit.

5. *Increase the benefit rate for maternity and parental benefits claimants*

The EI benefit rate was at its peak in the 1970s at 67 percent and then reduced across benefit streams in the 1990s to 55 percent. In 2017-2018, half of all claimants (49.6 per cent) received the maximum weekly maternity benefit rate while a little more than half (53.8 percent) received the maximum weekly parental benefit (standard option).³⁵ For this period the average weekly maternity benefit rate was \$454 and the average weekly parental benefit rate was \$464. Men had a higher weekly parental benefit rate (\$507) than women (\$455) as their average incomes were higher.³⁶

The current benefit rate, a maximum of \$30,910 for two parent families who share leave and \$28,100 for a single parent woman or where only the mother takes leave, is inadequate relative to the cost of living in many Canadian communities. As noted above, the official Canadian poverty line is between \$32,871 and \$40,777, depending on the region, for two adults and two children. The maximum families can receive from both EI maternity and parental benefits is still less than the official poverty line. In other words, if new parents don't have additional supports during their leaves they may live in poverty.

A low benefit rate particularly disadvantages women, specifically women living in low-income, trans persons, racialized, immigrant, and Indigenous women, and women with disabilities. They earn less due to the gender wage gap, being disproportionately concentrated in non-standard work, and working shorter hours, among other reasons. Women living in low-income, trans persons, racialized, immigrant, and Indigenous women, and women with disabilities are also less likely to have access to jobs that have an employer top-up as top-ups are offered through high-quality jobs with higher income and better benefits.³⁷ These groups of women are also less

³³ Statistics Canada "[Employment Insurance Coverage Survey, 2017](#)" p. 125-126

³⁴ House of Commons "[Precarious Work: Understanding the Changing Nature of Work in Canada](#)" p. 3

This recommendation also included increasing the benefit rate for EI, a recommendation of this brief as well.

³⁵ Canada Employment Insurance Commission "[2017/2018 Employment Insurance Monitoring and Assessment Report](#)" p. 137, 139

³⁶ Canada Employment Insurance Commission "[2017/2018 Employment Insurance Monitoring and Assessment Report](#)" p. 395

³⁷ Katherine Marshall "Employer top-ups" p. 9

likely to have other income supports in place to bridge the gap between EI benefits and their regular earnings.

A higher benefit rate can encourage more employers to provide top-ups as it can be more affordable to bridge a lesser amount.

The benefit rate is also a factor in the take-up of maternity and parental leave, particularly in low-income families and where fathers are the primary breadwinners. A higher benefit rate allows for more low income earners to be able to take leave. This is because low-income earners are more likely to have lower weekly benefit rates and lower total amount paid to them which makes it hard for them to sustain themselves on leave. For this reason, they either don't take leave or return to work after a short period of time. A higher benefit rate can also equalize unpaid care between parents because the parent that is earning the most - usually the father - is more likely to take leave if their benefits are higher. Unpaid care is often the responsibility of the parent on leave.

Conclusion

In ONN's exploration of women's employment experiences in Ontario's nonprofit sector, the importance of adequate EI maternity and parental benefits for women workers has emerged as a critical issue. For this reason, over the past year ONN has been analyzing the EI maternity and parental benefits landscape to better understand gaps and provide policy recommendations.

The current EI program and maternity and parental benefits are outdated and should be modernized to meet the needs of a changing labour force and particularly the needs of women as they rely on and access these benefits the most. While some progress has been made in increasing maternity and parental benefit provisions, fundamental components of the benefits and the larger EI system remain unchanged and ill-suited to today's labour market realities.

Canada needs an EI system that adequately supports and provides security for new parents to seamlessly transition in and out of the labour market. We hope our proposals will inform the public policy debate about how best to modernize this system in a way that better supports our labour force, and women in particular.

The ONN is the independent nonprofit network for the 58,000 nonprofits in Ontario, focused on policy, advocacy and services to strengthen the sector as a key pillar of our society and economy. We work to create a public policy environment that allows nonprofits to thrive. We engage our network of diverse nonprofit organizations across Ontario to work together on issues affecting the sector and channel the voices of our network to government, funders, and other stakeholders.

Appendix A: Costing estimates

We have costed our proposals using the best and most recent information available. Where data is limited, we have relied on proxies and best estimates. We have not included the cost of any administrative changes internal to government that may be required to implement these benefit changes. Our calculations aim to provide a general sense of the magnitude of each policy proposal.

The calculations in the following table are used in the cost calculations below to obtain annual costs per claimant.

<i>Maximum and average amounts from maternity and parental benefits</i>			
<i>Scenario</i>	<i>Maximum amount</i>	<i>Average amount</i>	<i>Average amount with low-income family supplement</i>
Amount received by a two parent family where both parents take leave	Maternity Leave benefit x duration (weeks): 562 x 15 = \$8,430 Parental Leave benefit x duration: 562 x 35 = \$19,670 "Use it or lose it" Leave benefit x duration: 562 x 5 = \$2,810 Waiting Period benefit x duration: 0 x 1 = 0 = \$30,910 over 56 weeks	Maternity Leave benefit x duration (weeks): 454 x 15 = \$6,810 Parental Leave benefit x duration: 464 x 35 = \$16,240 "Use it or lose it" Leave benefit x duration: 464 x 5 = \$2,320 Waiting Period benefit x duration: 0 x 1 = 0 = \$25,370 over 56 weeks	Maternity Leave benefit x duration (weeks): 355 x 15 = \$5,325 Parental Leave benefit x duration: 355 x 35 = \$12,425 "Use it or lose it" Leave benefit x duration: 355 x 5 = \$1,775 Waiting Period benefit x duration: 0 x 1 = 0 = \$19,525 over 56 weeks
Amount received by a single parent taking both maternity and parental leave or the parent taking both maternity and parental leave and not sharing leave with their partner	Maternity Leave benefit x duration: 562 x 15 = \$8,430 Parental Leave benefit x duration: 562 x 35 = \$19,670 "Use it or lose it" Leave benefit x duration: 0 x 0 = 0 Waiting Period benefit x duration: 0 x 1 = 0 = \$28,100 over 51 weeks	Maternity Leave benefit x duration: 454 x 15 = \$6,810 Parental Leave benefit x duration: 464 x 35 = \$16,240 "Use it or lose it" Leave benefit x duration: 0 x 0 = 0 Waiting Period benefit x duration: 0 x 1 = 0 = \$23,050 over 51 weeks	Maternity Leave benefit x duration: 355 x 15 = \$5,325 Parental Leave benefit x duration: 355 x 35 = \$12,425 "Use it or lose it" Leave benefit x duration: 0 x 0 = 0 Waiting Period benefit x duration: 0 x 1 = 0 = \$17,750 over 51 weeks

Policy Recommendation Costing		
Recommendation	Formula	Explanation
1. Eliminate the EI benefit waiting period for maternity and parental benefits claimants	$171,470^{38}$ is the number of maternity benefits claims x $\$454^{39}$ is the average weekly benefit rate for maternity leave = $\$77,861,000$	We used the number of maternity benefit claims because the waiting period is taken by the first parent taking leave, which is usually the maternity leave claimant. This is not to suggest that people taking only parental leave should be subject to a waiting period.
2. Implement an incentive structure for employers to offer maternity and parental benefits top-ups	$\$13,754,000,000^{40}$ is the sum of premiums contributed in Canada by employers for the EI program x $15.64\% = [1.4 \times 1.62\% - 1.181 \times 1.62\%] / 1.4 \times 1.62\%$ is the reduction in employer premiums for employers participating in the Premium Reduction incentive plan x 20% is the percentage of employers that we anticipate will use the incentive plan = $\$430,303,714$	<p>In our model, the employer premium rate is reduced from 1.4 times the employee premium rate (1.62 percent), which is 2.27 percent of payroll, to 1.181 times the employee premium rate, resulting in a premium rate of 1.91 percent of payroll. This is based on Category 3 premiums (the most generous available to private sector employers) in the existing EI Premium Reduction Program available to employers with a short-term disability plan.⁴¹</p> <p>The factor of 15.65 percent was calculated by subtracting the reduced premium rate from the regular rate, then dividing that by how much employers contribute per dollar at the reduced rate under the incentive plan (e.g., If employers contributed \$100 at the full rate, that would mean they would contribute \$84.3 in premiums at the incentive rate).</p> <p>Our assumption is that the incentive plan will be taken up by 20% of employers. This proportion would vary depending on the minimum standard for</p>

³⁸ Canada Employment Insurance Commission "[2017/2018 Employment Insurance Monitoring and Assessment Report](#)" p. 137

³⁹ Canada Employment Insurance Commission "[2017/2018 Employment Insurance Monitoring and Assessment Report](#)" p. 137

⁴⁰ Canada Employment Insurance Commission "[2017/2018 Employment Insurance Monitoring and Assessment Report](#)" p. 444

⁴¹ Government of Canada. [EI Premium Reduction Program – For employers.](#)

		a top-up rate required to receive the premium reduction.
3. Re-calibrate the EI Family Supplement low-income salary cut-off for maternity and parental benefit claimants to reflect the newly established official poverty line in Canada	<p>50,197⁴² is the number of households that had income between \$20,000 and \$40,000 before birth/adoption in 2017</p> <p>x</p> <p>80% is the proportion of the number of households that have income between \$24,900 and \$40,000</p> <p>x</p> <p>\$17,750 is the average family supplement claim amount where one parent takes leave</p> <p>= \$712,797,400</p>	<p>\$24,921⁴³ is the current EI Family Supplement low income salary cut off and \$40,777⁴⁴ is the high end of the new Canadian official poverty line, based on geographic region and family composition.</p> <p>The number of households with incomes between these two figures is the number of households living in poverty but not able to qualify for the EI Family Supplement.</p> <p>We assumed that each household receiving the supplement would receive the average family supplement claim amount as we could not find data for average family supplement top-up rate.</p>
4. Reduce the qualification for benefits from 600 hours to 300 for maternity and parental benefits claimants	<p>\$23,050 is the average claim amount for a single parent taking both maternity and parental leave or the parent taking both maternity and parental leave and not sharing leave with their partner</p> <p>x</p> <p>3502⁴⁵ is the number of mothers with an infant (age < 1 year), and with insurable employment, but who did not claim or receive maternity or parental benefits, and worked between 300-600 hours</p> <p>= \$80,721,100</p>	<p>We used this average claim amount because women still overwhelmingly make up parental leave claimants.</p> <p>The number of mothers is taken from the Employment Insurance Coverage Survey (EICS) which provides data on who does and does not have access to EI benefits.</p>

⁴² Ricardo Tranjan. Personal correspondence. This figure is a calculation based on Statistics Canada Public Use Microdata File Collection - 2017 Employment Insurance Coverage Survey.

⁴³ Canada Employment Insurance Commission "[2017/2018 Employment Insurance Monitoring and Assessment Report](#)" p. 40

⁴⁴ Employment and Social Development Canada "[Opportunity for All - Canada's First Poverty Reduction Strategy](#)" p. 58-59

⁴⁵ Ricardo Tranjan. Personal correspondence. This figure is a calculation based on Statistics Canada Public Use Microdata File Collection - 2017 Employment Insurance Coverage Survey: Number of insurable hours.

<p>5. Increase the benefit rate to 67% for maternity and parental benefits claimants</p>	<p>\$3,928,400,000⁴⁶ is the amount paid in maternity and parental benefits in 2017-18 (fiscal year)</p> <p>x</p> <p>12% (67% - 55%) is the difference between the current benefit rate and the proposed benefit rate</p> <p>÷</p> <p>55% is the current benefit rate</p> <p>= \$857,105,455</p>	<p>This formula is based on the proportional cost of each benefit percentage point in the total cost amount paid in benefits.</p> <p>Our proposal is to increase the earnings replacement rate from 55 percent to 67 percent so that new parents have an EI income that is two-thirds of their earnings (up to the EI threshold). Based on the proportional cost of each percentage point, we calculated the incremental cost of a 12 percentage point increase.</p>
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⁴⁶ Canada Employment Insurance Commission ["2017/2018 Employment Insurance Monitoring and Assessment Report"](#) p. 137-138